

# State of Tourism Report

## 2015/16



**tourism**

Department:  
Tourism  
REPUBLIC OF SOUTH AFRICA



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## LIST OF ABBREVIATIONS

<b>ACSA</b>	Airports Company South Africa
<b>ADR</b>	Average Daily Rate
<b>ARR</b>	Average Room Rate
<b>ASATA</b>	Association of South African Travel Agents
<b>ASK</b>	Available Seat Kilometre
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>Brexit</b>	British exit
<b>BRICS</b>	Brazil, Russia, India, China and South Africa.
<b>BRT</b>	Bus Rapid Transit System
<b>CTICC</b>	Cape Town International Convention Centre
<b>EC</b>	Eastern Cape
<b>FEDHASA</b>	Federated Hospitality Association of Southern Africa
<b>FS</b>	Free State
<b>GDP</b>	Gross Domestic Product
<b>GP</b>	Gauteng
<b>GVA</b>	Gross Value Added
<b>IATA</b>	International Air Transport Association
<b>ICC</b>	International Convention Centre
<b>ICCA</b>	International Congress and Convention Association
<b>KZN</b>	KwaZulu-Natal
<b>LP</b>	Limpopo
<b>LSM</b>	Living Standards Measure
<b>MESE</b>	Meetings, Exhibitions and Special Events
<b>MICE</b>	Meetings, Incentives, Conferences and Exhibitions
<b>MP</b>	Mpumalanga
<b>NC</b>	Northern Cape
<b>NDP</b>	National Development Plan
<b>NDT</b>	National Department of Tourism
<b>NW</b>	North West
<b>PESTELI</b>	Political, Economic, Social, Technical, Environmental, Legal & Industry
<b>PLF</b>	Passenger Load Factor
<b>RPK</b>	Revenue Passenger Kilometres
<b>RevPAR</b>	Revenue Per Available Room
<b>SA</b>	South Africa
<b>SADC</b>	Southern African Development Community
<b>SANCB</b>	South Africa National Convention Bureau
<b>SAT</b>	South African Tourism
<b>SATSA</b>	Southern Africa Tourism Services Association



<b>SMME</b>	Small, Medium and Micro Enterprises
<b>SRI</b>	Social Responsibility Implementation Programme
<b>StatsSA</b>	Statistics South Africa
<b>STR</b>	State of Tourism Report
<b>TGCSA</b>	Tourism Grading Council of South Africa
<b>TIP</b>	Tourism Incentive Programme
<b>TTCI</b>	Travel and Tourism Competitiveness Index
<b>UK</b>	United Kingdom
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organisation
<b>UNWTO</b>	World Tourism Organisation
<b>USA</b>	United States of America
<b>VFR</b>	Visiting friends and relatives
<b>VIC</b>	Visitor information centre
<b>WC</b>	Western Cape
<b>WRDM</b>	West Rand District Municipality
<b>WTTC</b>	World Travel and Tourism Council



## LIST OF DEFINITIONS

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<b>Africa-air markets</b>	Africa-air Markets are markets where at least 60% of arrival to SA use air transport
<b>Africa-land markets</b>	Africa-land Markets are markets where at least 60% of arrivals to SA use road transport
<b>Average Spend</b>	The total sales revenue made to date, divided by the total number of customers to date.
<b>Country</b>	Refers to individual countries within a region
<b>Domestic Day Trips</b>	Those who travel for a round trip distance of at least 50 kilometres, are away from home for at least 4 hours, and who do not spend a night away from home as part of their travel.
<b>Domestic Overnights</b>	People who undertake an overnight trip of one night or more and at least 40 kilometres away from home are referred to as overnight visitors.
<b>Domestic Tourism</b>	Tourism involving residents of one country traveling only within that country.
<b>Economic Impact</b>	Examines the effect of an event on the economy in a specified area, ranging from a single neighbourhood to the entire globe. It usually measures changes in business revenue, business profits, personal wages, and/or jobs.
<b>Economic Value</b>	The measurement of the benefit provided by a good or service to an economic agent. It is generally measured relative to units of currency.
<b>Employment</b>	An employed person as anyone aged 16, or over, who has completed at least one hour of work in the period being measured.
<b>Income</b>	Consumption that, at the end of a period, will leave an individual with the same amount of goods as at the beginning of that period.
<b>Industry</b>	The companies and activities involved in the process of producing goods for sale, especially in a factory or special area.
<b>International Tourism</b>	The number of tourists who travel to a country other than that in which they have their usual residence, but outside their usual environment, for a period not exceeding 12 months and whose main purpose in visiting is other than an activity remunerated from within the country visited.
<b>Lang haul markets</b>	Long-haul markets include all countries outside of Africa
<b>Multiplier Effect</b>	Refers to the increase in final income arising from any new injection of spending.
<b>Production</b>	Economic rationale of firms supplying goods and services in the economy.



<b>Purpose of Visit</b>	Purpose of visit is the main purpose, or the major reason for visiting a particular location.
<b>Region</b>	Refers to the following country classification: Overseas, SADC and 'Other' Africa. Overseas consists of Europe, North America, Central and South America, Australasia, the Middle East and Asia
<b>Sector</b>	A sector is an area of the economy in which businesses share the same or a related product or service. It can also be thought of as an industry or market that shares common operating characteristics.
<b>Taxes</b>	An income tax is a tax that governments impose on financial income generated by all entities within their jurisdiction.
<b>Total Expenditure</b>	The sum of the price paid for one or more products or services multiplied by the amount of each item purchased.
<b>Tourism Demand</b>	The total number of persons who travel or wish to travel, and use tourist facilities and services at places away from their places of work or residence.
<b>Tourism Sector</b>	The tourism sector consists of twelve standard industrial classifications of sector of the economy that provide products/services consumed by visitors.
<b>Tourism Supply</b>	The operational components that are used in creating the tourism product. Such as resource environment, built environment, man-made resources and natural environment
<b>Tourist</b>	Any visitor travelling to a place other than that of his/her usual environment for more than 1 night but less than 12 months, and whose main purpose of the trip is other than the exercise of an activity remunerated from within the place visited.
<b>Visitor</b>	Any person travelling to a place other than that of his/her usual environment for less than 12 months, and whose main purpose of the trip is other than the exercise of an activity remunerated from within the place visited.





## EXECUTIVE SUMMARY

The National Department of Tourism introduced an Annual State of Tourism Report, to function as a strategic tool to inform decision-makers and businesses on the sector's performance and developmental aspects. A supply and demand analysis model, was applied to monitor the performance of the tourism sector during the 2015/16 period. The report was completed during March 2017 and updated between April and June 2017. Highlights for the global and national tourism performance for the period 2015-2016 are covered in the sections below.

### ❖ Global Performance and Competitiveness

Despite global economic and political constraints, international tourist arrivals and tourism receipts grew by 4.6% and 4.4% in 2015 compared to 2014 respectively. The weight of international tourist arrivals and receipts are carried by travellers from Europe, Asia and the Pacific and Americas. Nonetheless, projections indicate a higher growth rate for Africa's international tourist arrivals, compared to other continents in the long-term. The top three source markets for international tourists in 2015 were China, USA and Germany. The potential lies within the spending power of key markets or the sheer volume of a market. Tourism destinations need to increase their share of top global source markets while building other emerging markets through their product offering, tourism accessibility and attractiveness.



Some of the key tourism supply-side sectors for example meetings and airline industry have shown growth between 2015 and 2016. Total number of international meetings went up by 5.0% in 2015 compared to 2014 with 12 708 meetings hosted globally. Revenue Passenger Kilometres (RPK) movement went up by 6.3% in 2016 compared to 2015, which was a slow growth compared to 6.5% recorded in 2015 compared to 2014. However, for tourism to remain relevant, there is a need to improve its competitiveness against other sectors in line with innovative technological trends and new movements in the sharing economy.

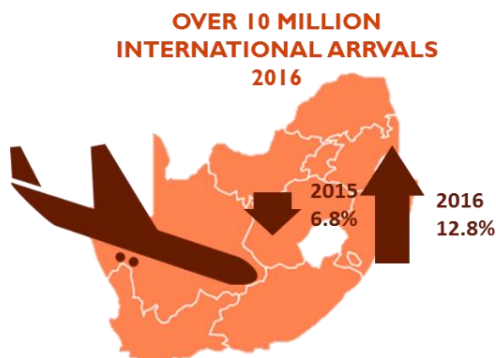
The direct contribution of travel and tourism to the global Gross Domestic Product (GDP) grew up by 3.1% in 2016 compared to 2015. It is estimated that this will grow by 3.8% in 2017 compared to 2016. The direct and total contribution of tourism to the global GDP was about

3.1% (USD 2,306bn) and 10.2% (USD 7,613,3bn) in 2016 respectively. It is apparent that destination competitiveness of a country is highly reliant on, amongst others, natural and cultural attractions; and quality of tourism facilities; with excellent visitor services and related infrastructure also playing a key role. The tourism sector could continue to show high growth potential with the increase in experience-based market trends, technology improvements and ease of movement.

## ❖ South African Tourism Performance

### International Tourism Performance

South Africa received over 10 million international tourists in 2016, which was an increase of 12.8% compared to 2015. This was an improvement from a declining growth of 6.8% recorded in 2015 compared to 2014. The decline in growth recorded in 2015 could be attributed to amongst others, the impact of new visa regulations implemented in the country, economic crisis in some of the source markets as well as the terror attacks in the continent. In 2016, all regions recovered from the 2015 decline, with Central and South America leading with a growth of 34.3% which was followed by Middle East (34.1%), Asia (30.3%), Europe (15.8%) and North America 14.9%, Total Africa Mainland (11.2%) and Australasia (10.9%). According



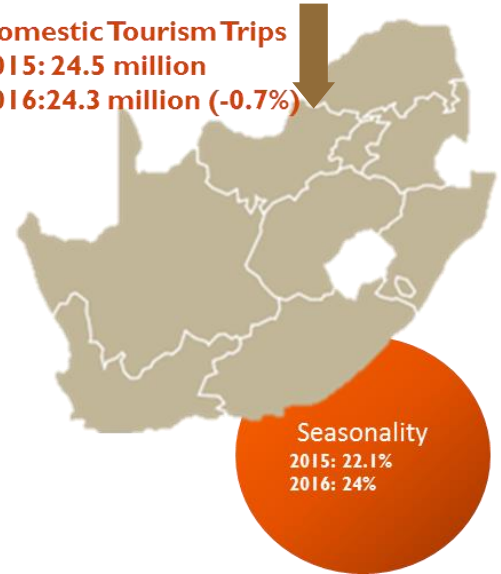
to South African Tourism (SAT), statistics show that millennials (18-34 age) travelling to South Africa are increasing with 45.8% of the international tourist market from the Tourism Departure Survey falling within this age bracket. In addition, the international tourist market, whether long-haul or regional, has shown an increased interest in business tourism and holiday purposes to visit South Africa.

The potential of international tourism for South Africa is growing. SAT is venturing into different source markets to increase the market base for South Africa, with specific emphasis on growing the African regional markets and the emerging BRICS markets by promoting South Africa as a regional hub and investment channel. Moreover, market access is created to European and American markets through trade and tourism product packaging, events and increased air routes to multiple destinations in the country. A major effect on the international markets decision-making on any tourism destination is the safety and security aspect. Therefore, the sector and related players need to collaborate to improve positive messaging, safety awareness and pro-active measures to encourage tourists to continue visiting the country.

## Domestic Tourism Performance

According to the Tourism Satellite account (TSA) released by Statistics South Africa (Stats SA), domestic tourism plays a critical role in the tourism sector as it generates more than half the internal tourism revenue. Regardless of an increase of 3.2% in the number of adult domestic tourists travelling in 2015 compared to 2014, there was a decline of 12.5% in domestic tourism trips during the same period. Domestic tourism trips continued to decline in 2016 with a declining growth of 0.7% compared to 2015. The most visited provinces remain as Limpopo, Gauteng and KwaZulu-Natal during 2015 and 2016 for domestic tourism.

**Domestic Tourism Trips**  
**2015: 24.5 million**  
**2016: 24.3 million (-0.7%)**



Total domestic spend went up by a double digit growth of 12.3% in 2016 compared to 2015 which was an improvement from a growth of 6.2% recorded in 2015 compared to 2014. Domestic tourism should continue to be encouraged as the potential impact of this market is far greater than that of the international market. One possible opportunity is to convert VFR tourists into an increased revenue stream, as more than 70% of domestic tourists are travelling for VFR purposes. Business tourism also holds great potential with 10% domestic tourists travelling for business purposes, alongside 11% holiday trips in 2015. Moreover, seasonality needs to be improved as the seasonality index for domestic trips worsened from 22.1% in 2015 to 24% in 2016 as South Africans tend to travel more during school holidays.

The top three reasons for not travelling in 2015 were affordability, time constraints and no reason to travel. The tourism sector and key marketing channels are pushing to increase domestic market access to affordable tourism products through innovative marketing efforts such as the Sho't Left, value for money packaging, social tourism, family package promotion, etc.

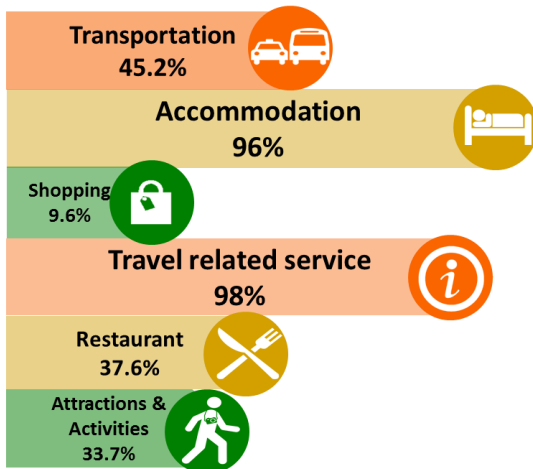


❖ Supply-side Performance

Travel-and tourism-related industries have shown continuous growth over the 2015/16 period. The statistics released by Stats SA indicated that the accommodation industry showed steady growth during the 2015 and 2016 period. The hotel industry is showing high levels of growth and investment for 2016. Unfortunately, guesthouses and other establishments have not shown major growth during this period. To ensure increased growth for both large and small establishments in the accommodation industry, players need to adapt to the sharing economy platform, alongside the current trends and movements within technology. A major opportunity

is the meetings industry. The country remains the number one convention destination in Africa and the Middle East. Business tourists are a lucrative market as they spend on average three times more than leisure tourists. The business events industry provides greater opportunity for increased spending and geographical spread of tourist activities, with “leisure” trips becoming more popular.

**TOURISM EXPENDITURE RATIO IMPACT ON RELATED INDUSTRIES**



❖ Economic Impact of Tourism in South Africa

South Africa’s economy had a low growth of 1.3% over the 2014 to 2015 period. Nonetheless, the Tourism Direct Gross Domestic Product (TDGDP) continued to show substantial growth at 3.9% during 2015 compared to 2014; directly contributing R118 928 million to GDP, representing 3% of the country’s economy. The tourism sector therefore remains one of the fastest growing economic sectors, despite recent shocks to the economy and its environment. The tourism sector contributed directly about 4.5% to the total employment of South Africa during the same year. The industries that play a critical role in the tourism sector are accommodation, restaurants, passenger transport services, travel agencies and related services, attractions and recreational activities.



The value that tourism holds as an economic-driver is receiving the attention it deserves, since the tourism sector is one of the few sectors showing sustainable growth throughout economic crises and impacts. The importance of tourism within government does not go without notice with the previous minister of finance, Pravin Gordhan in his budget speech mentioning tourism as a priority sector four times and the President, Jacob Zuma, referring to the sector twice during his state of the nation address (2017). Tourism is not classified as one of South Africa's ten (10) main economic sectors as it consists of multiple industries. Nonetheless, the value of tourism in South Africa as well as globally is now gaining recognition as a primary socio-economic driver, with many developing countries showing significantly faster growth in the tourism sector compared to other sectors in the economy. With the potential decrease in production in the mining, manufacturing and agricultural sectors, South Africa seeks to promote tourism as a transformative sector to create employment, alleviate poverty, create a positive image for the country, encourage enterprise and skills development, and promote social cohesion and sustainable practices (as endorsed by the National Development Plan 2030). The improvement of physical and information accessibility, alongside increased transformation and knowledge development in the sector foresees greater geographical growth and development of tourism as an economic driver at local and national level.



## INTRODUCTION

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Tourism is one of the fastest growing sectors globally, and continues to show high levels of growth regardless of economic and geopolitical impacts on its operating environment. Therefore, the sector can be viewed as an independent determinate factor for growth<sup>1</sup>. Tourism is gaining momentum as a key economic sector to grow South Africa's economy. President Jacob Zuma, in his 2017 State of the Nation Address<sup>2</sup>, and the previous Finance Minister Pravin Gordhan, in the 2017 Budget Speech<sup>3</sup>, mentioned that the tourism sector showed tremendous growth and opportunity for development and transformation. Increased efforts and resources are being allocated to create an enabling environment for the tourism sector to flourish and achieve its transformative potential as per the outcomes of the National Development Plan (NDP) 2030.<sup>4</sup>

To foster this potential, it is important to understand the current state of the sector. The National Department of Tourism saw a need to develop an Annual State of Tourism Report, to function as a strategic tool to inform decision-makers and businesses on the sector's performance and developmental aspects.

### 1.1. Report Framework

The success of the State of Tourism Report is reliant on a holistic sector analysis approach from a macro-environment perspective. The tourism sector is complex and impacts multiple industries within the trade, transport, health and social, and service support sectors. Tourism is a technical concept that is measured by available statistics on visitor movements and expenditure (demand), as well as by the number of visitor facilities (supply) that range from conference centres to resorts (The Tourism Society, 2017).<sup>5</sup> A supply and demand analysis

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<sup>1</sup> Seetanah, B. 2011. *Assessing the Dynamic Economic Impact of Tourism for Island Economies*. Annals of Tourism Research, 38(1): 291–308.

<sup>2</sup> President Jacob Zuma. *2017 State of the Nation Address*, on 9 February 2017. Available at: <http://www.gov.za/speeches/president-jacob-zuma-2017-state-nation-address-9-feb-2017-0000>.

<sup>3</sup> Minister Pravin Gordhan. *2017 Budget Speech*, on 22 February 2017. Available at: <http://www.gov.za/speeches/minister-pravin-gordhan-2017-budget-speech-22-feb-2017-0000>.

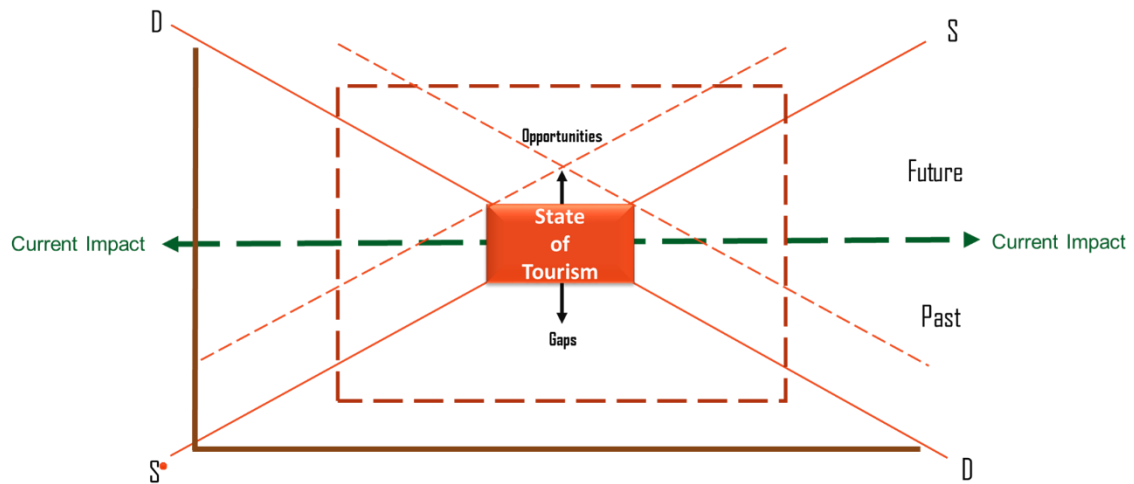
<sup>4</sup> National Planning Commission. *National Development Plan 2030*. Pretoria: Government Printer.

<sup>5</sup> The Tourism Society. 2017. *Tourism Definitions*. Available at: <http://www.tourismsociety.org/page/88/tourism-definitions.htm>. Accessed on 2017/03/13.



model, was applied to monitor the performance of the tourism sector during the 2015/16 period, as illustrated in Figure 1.

**Figure 1: Sector Supply and Demand Analysis Model**



Source: NDT, 2017, State of Tourism Framework Report

The following provides an explanation on the analysis model:

- ❖ **Demand Analysis (D):** determines what type of tourist is willing to buy a particular product and how many units they are likely to buy and at what price range. Tourism demand governs the level of demand, the spatial characteristics of demand, different types of demand and the motives for making such demands.
- ❖ **Supply Analysis (S):** the amount of commodity which tourism sellers (or producers) are able and willing to offer for sale at a particular price during a certain period of time. Tourism supply has to do with the provision of key elements of the tourism sector by the host destinations. The supply of tourism products basically involves how various components of the tourist products are placed at the disposal of tourists.
- ❖ **Market Equilibrium (Current Impact):** the market state refers to where the supply in the market is equal to the demand in the market. It is also important to understand the current impact of the market equilibrium on the economy, community and physical environment. Moreover, it is critical to comprehend the current positive and negative influencing factors on the market state.
- ❖ **Gaps:** a critical analysis needs to be undertaken on the sector demand, supply, current impact and other influencing factors to identify key gaps, challenges and opportunities affecting the current growth environment of the tourism sector.

- ❖ **Opportunities:** the value of the gap analysis is understanding the potential impact and influence which the identified gaps, challenges and opportunities can have on the future growth and development of the tourism sector in the short and long-term.

The supply and demand model informed the analysis method used during the compilation of the report framework. The framework provides a logical report structure with specific performance indicators identified and aligned with the set framework.

## 1.2. Report Theme

The 2015/16 State of Tourism report follows a specific demand and supply analysis structure, taking into account the sector and external environment relative to the tourism sector. This report outlines five overarching sections that breakdown into more specific themes and indicators.

The first section focuses on tourism in the global context. Specific emphasis is placed on the global performance of tourism as a sector from both a demand and supply perspective. With the demand component focusing on indicators relating to the inbound and outbound market. The supply component primarily reports on the overall performance of the hotel, air travel and meetings industry. Furthermore, elaboration was done on the global impact of tourism and the competitiveness of destinations. An introduction to South Africa's competitiveness as a tourism destination follows, showcasing the strengths and weaknesses of the country from a global perspective.

The demand performance section, provides an analysis of South Africa's international and domestic tourist markets; with specific emphasis on travel volumes, tourist demographics, purpose of visit, spending patterns, seasonality and geographical spread. The supply performance section, breaks down the distribution of tourism related products in South Africa and reports on the overall performance and development of the product type categories. In addition, the supply section provides an in-depth analysis of the accommodation and meeting industry, as main themes for the 2015/16 State of Tourism report.

The report ends-off with a sector environment and impact assessment section. Particular attention is given to the socio-economic impact of the tourism sector, the external influences effecting the sector and the enabling environment surrounding the sector. Thus, providing a holistic view of the environment that the tourism sector operates in, alongside the challenges and opportunities associated with the external environment within South Africa.





### **I.3. Limitations**

The State of Tourism Report (STR) provides a platform for continuous development of a comprehensive publication of the performance environment related to the tourism sector in South Africa. The 2015/16 State of Tourism Report analysed primarily secondary data, to provide a scope of information that could address the performance indicators required to report on the state of the industry. It is essential to note that most of the secondary data used are official and are from reliable institutions having published on a yearly basis.

Demand side statistics used in the report for South Africa's tourist markets was sourced from SAT and Stats SA. It was found that information on tourism supply performance is uncomprehensive and fragmented. To address this gap, the report utilised reports from institutions such as Airports Company South Africa (ACSA), International Congress and Convention Association (ICCA) and; Stats SA alongside industry revenue reports, previously conducted industry surveys, and developmental insight provision.

Interviews were undertaken with some stakeholders to identify the key sector performance indicators, the gaps in performances and benchmark information, and recommendations for the continuous development of the STR. However, this report provides minimal feedback from primary sources. The primary objective of this report is to establish a logical flow and indicators that can provide measurable insight on the performance of the tourism sector. It is recommended by stakeholders that for future reports it is essential that focus groups be conducted with all major players in the sector, to provide more industry specific insight into the operational and planning environment of the tourism sector. Moreover, increased efforts need to be undertaken to understand the complexity of the tourism sector and its various components. Government also needs to enforce a monitoring and evaluation system to track the performance of tourism related infrastructure and public-owned facilities. Destination marketing likewise aim to provide more insight into the perceptions and trends associated with South Africa's tourist markets.

The STR will continue to expand on its knowledge base and reporting topics, as the report needs to serve as a strategic guideline on the situation surrounding the sector, for all tourism related stakeholders.



## SECTION 1: TOURISM IN A GLOBAL CONTEXT

This section provides insight into the performance of the tourism sector globally, relating to travel and tourism trends, economic impact of tourism, performance of specific industries (meeting, hotel and airline industry), and competitiveness of destinations.

### I.1. Global Tourism Demand Performance

As already stated, tourism sector is one of the fastest growing economic sectors in the world (WTTC, 2016)<sup>6</sup>. The performance and successive growth of the tourism sector is primarily reliant on the demand generated. The following section provides insight into demand-related performance indicators for tourism on a global-level.

#### I.1.1. Inbound Tourist Arrivals

The number of international tourist arrivals increased globally by 3.9% in 2016 compared to 2015. This was a slower growth compared to a growth 4.6% in 2015 compared to 2014. Projections for 2017 are estimated at a growth between 3% and 4%. (UNWTO, 2017).<sup>7</sup>

Figure 2: International tourist arrivals

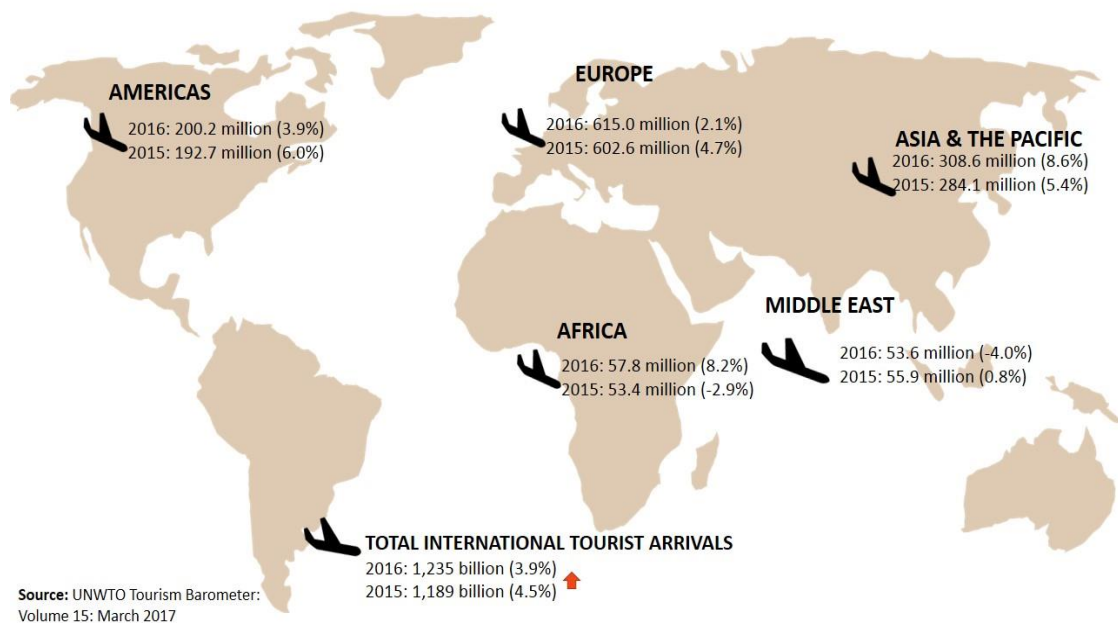


Figure 2 above indicates the performance of tourist arrivals at a regional level for 2015 and 2016. According to UNWTO (2017)<sup>8</sup>, Europe continued to receive the highest number of international tourist arrivals with a share of 49.8% of total arrivals in 2016, this was followed by the Asia and the Pacific Region with 25% and the Americas with 16.2% of international arrivals during the same year

Most international tourist arrivals take place within the  
travellers' own region, with about four out of five arrivals  
worldwide originating from the same region

-UNWTO, 2016

The growth rate of international tourist arrivals to the Middle East worsened to -4% in 2016 compared to 2015. This was from a slight growth of 0.8% in 2015 compared to 2014. Although there was a slight growth in arrivals during 2015, tourist receipts from this region went up by 4.3% during the same period. Africa recorded a growth of 8.2% in tourist arrivals for 2016 compared to 2015, which was an improvement from a declining growth of -2.9% in 2015 compared 2014 (UNWTO, 2017).<sup>9</sup> The growth in arrivals to Africa was driven by a growth of 11% in Sub-Saharan countries. South Africa is the top destination in the Sub-Saharan region and it recorded a growth of 12.9%. It is further projected that Africa will grow between 5% and 6% in 2017.

Global arrivals by country for 2016 are not yet completed for analysis. However in 2015, France, USA, Spain and China remain amongst the top countries by number of international tourist arrivals received, as indicated in Figure 3 below. France's international tourist arrivals grew with 0.9%, reaching 84.5 million arrivals in 2015. The low growth in France's arrivals could have been largely affected by the terrorist attacks that took place in multiple French cities and neighbouring countries like the United Kingdom (UK), Belgium and Turkey.<sup>10</sup> France was followed by the United States of America (USA) with 77.5 million arrivals (3.3%); Spain

<sup>8</sup> UNWTO. 2016. *Tourism Highlight, 2016 edition*.

<sup>9</sup> UNWTO. 2016. *Tourism Highlight, 2016 edition*.

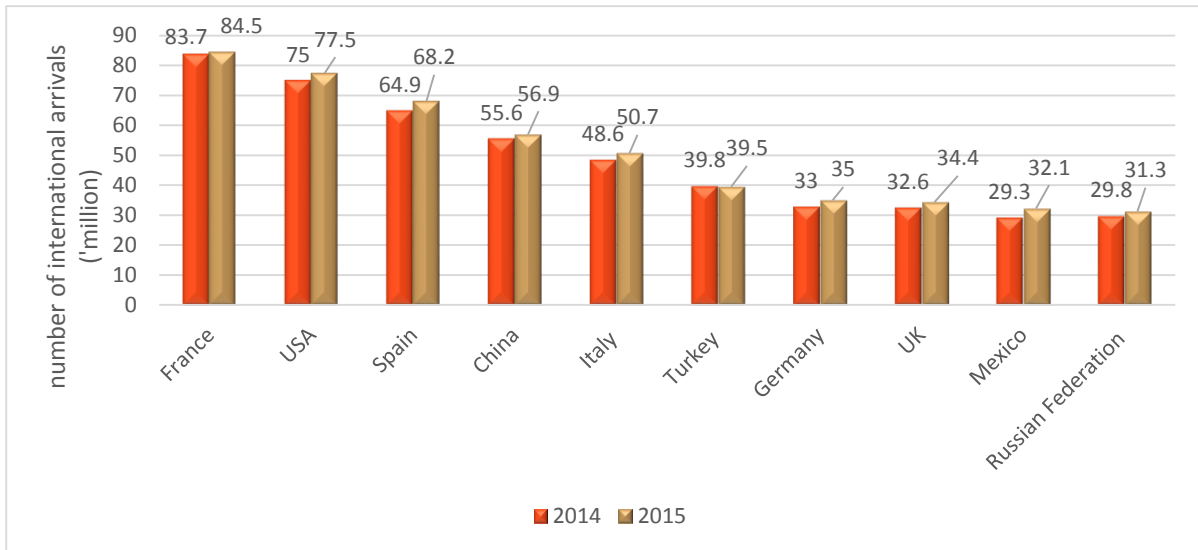
<sup>10</sup> Onyanga-Omara, J. 2016. *Timeline: Terror attacks in Europe*, on 28 June 2016. Available at: <http://www.usatoday.com/story/news/world/2016/03/22/timeline-terror-attacks-europe/82108892/>.

Accessed on: 2017/03/22.



with an increase of 5.5%, reaching 68.2 million; China with 56.9 million (2.3%); and Italy with 50.7 million (4.4%).

Figure 3: Top 10 Countries per number of international tourist arrivals

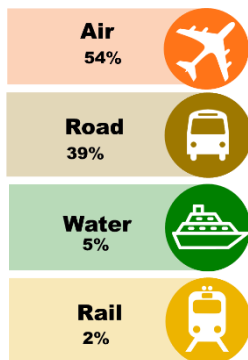


Source: UNWTO. Tourism Highlights, 2016 edition

Notably, there are no Southern Hemisphere countries on the top ten list since these destinations are regarded as long-haul destinations for their source markets, and therefore requires a greater financial and time commitment by travellers, unlike short-haul destinations, e.g. European countries (Connexity, 2017).<sup>11</sup>

According to UNWTO (2016)<sup>12</sup>, the majority of international tourists travelled for leisure and holiday purposes (53%), followed by 27%

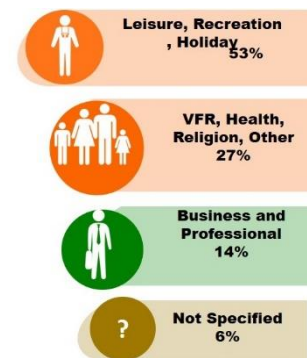
Figure 5: Mode of transport used by inbound travellers



Source: UNWTO. Tourism Highlights, 2016 edition

who travelled to visit friends and relatives (VFR), health, religion and other, and 14% who travelled for business and professional reasons during 2015.<sup>13</sup> This indicates the key role that leisure and holiday-related tourism products play in increasing number of tourist arrivals globally.

Figure 4: Main purpose of visit for inbound travel



Source: UNWTO Tourism Highlights, 2016 edition

<sup>11</sup> Connexity. 2017. *Long Haul vs. Short Haul Travel*. Los Angeles: Hitwise.

<sup>12</sup> UNWTO. 2016. *Tourism Highlights, 2016 Edition*.

<sup>13</sup> The purpose of visit statistics of 2014 and 2015, in the UNWTO Tourism Highlights, 2016 Edition, are comparatively the same, with no percentage difference between the years.




Inbound tourists mainly used air transport (54%), followed by road transport (39%), water (5%) and rail (2%) transport as their mode of travel during 2015.<sup>14</sup>

**1.1.2. International Tourism Receipts**

Inbound tourism covers all international tourist traffic entering a country. It is also known as ‘export tourism’, even though tourists enjoy their travel experience within a country, they are paying for it using foreign currency (ATEC, 2016).<sup>15</sup> By

**Figure 6: Percentage change of international tourism receipts, local currencies, and constant prices**

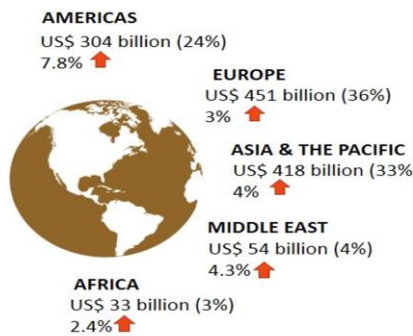


	2015	2014	2013	2012
Total Receipts (number)	\$1,260 billion	\$1,309 billion	\$1,241 billion	\$1,146 billion
Local Currencies Constant Prices % Change				
Total Receipts (% growth)	4.4%	5.1%	5.9%	

Source: UNWTO. Tourism Highlights, 2016 edition

generating tourist exports through receipts, countries increase their foreign currency earnings and contribution to the economy’s growth. The total international tourism receipts generated in 2015 was about US\$ 1 260 billion, when taking exchange rates fluctuations and inflation into account, and this was an increase of 4.4% from 2014 to 2015. Percentage growth indicated in this section also takes into account exchange rates fluctuations and inflation

**Figure 7: International tourist receipts per region, 2015**



Source: UNWTO. Tourism Highlights, 2016 edition

The latest figure for international receipts available from UNWTO are for 2015. As illustrated in Figure 7, Europe received US\$450.7 billion receipts with an increase of 3% in 2015 compared to 2014, followed by Asia and the Pacific with (US\$418.3 billion) a 4% increase and Americas with (US\$303.7 billion) a 7.8% increase. The Middle East received US\$54.4 billion, with a 4.3% increase and Africa received US\$33.1 billion with an increase of 2.4%. Although Europe attracted about 50% of international tourist arrivals, they only received 35.8% of total international tourist receipts generated during the same year<sup>16</sup>. Furthermore, the Americas received 16% of arrivals and 24.1% of receipts) while Asia and the

<sup>14</sup> The mode of transport statistics of 2014 and 2015, in the UNWTO Tourism Highlights, 2016 Edition, are comparatively the same, with no percentage difference between the years.

<sup>15</sup> ATEC. 2016. *Tourism Export Toolkit*. Australia.

<sup>16</sup> **International tourism receipts** are expenditures by **international** inbound visitors, including payments to national carriers for **international** transport



Pacific region received 24% arrivals and 33.2% receipts during the same period under review.

Table 1 represents the top ten (10) countries generating the largest international tourist receipts in 2014 and 2015. The three (3) best performing countries were the USA (US\$ 204.5 billion), China (US\$ 114.1 billion) and Spain (US\$ 56.5 billion). A country showing tremendous growth and potential is Thailand, ranking 6<sup>th</sup> in the top 10 countries during 2015 which is an improvement from the 9<sup>th</sup> position in 2014. The receipts generated by this country in 2015 was about US\$ 44.6 billion indicating a major increase of 22% during the same period. France (US\$ 45.9 billion) was the only European country within the top ten (10) countries that experienced a decline in international tourist receipts of 5.4% and a low growth in international arrivals of 0.9%.

**Table 1: International tourist receipts by top 10 countries**

Rank	US\$(Million)		Local Currencies, constant prices (taking into account exchange rates fluctuations and inflation)
	2014	2015	%Change 2014/15
1. USA	191.3	204.5	6.9%
2. China	105.4	114.1	9.8%
3. Spain	65.2	56.5	4%
4. France	58.1	45.9	-5.4%
5. UK	46.5	45.5	5.2%
6. Thailand	38.4	44.6	22%
7. Italy	45.5	39.4	3.8%
8. Germany	43.3	36.9	1.9%
9. Hong Kong (China)	38.4	36.2	-5,8%
10. Macau (China)	42.6	31.3	-26.5%

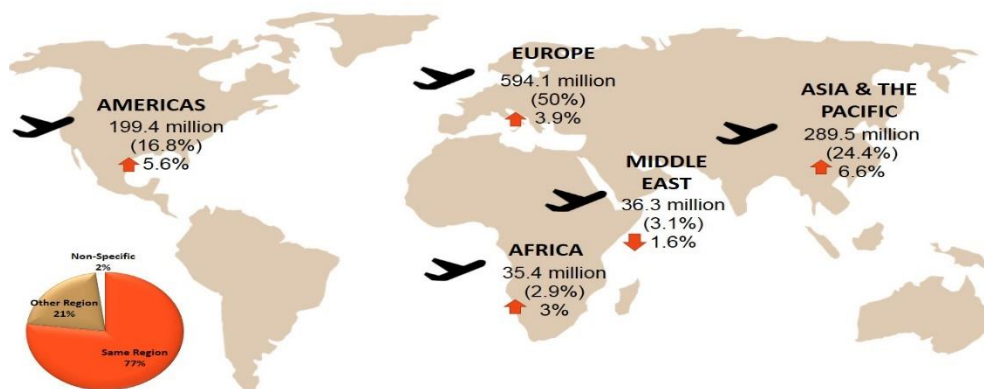
Source: UNWTO. Tourism Highlights, 2016 edition



### 1.1.3. Outbound Tourists

The outbound market (international arrivals source markets) has the same image as the international arrivals, with Europe (594.1 million) still being the world's largest source region, as it generates half of the world's international arrivals in 2015. It was followed by Asia and the Pacific (289.5 million) generating 24.4% of outbound tourists, the Americas (199.4 million) with 16.8% of outbound tourists, and Africa (35.4 million) and Middle East (36.3 million) only comprising of approximately 3% each of the total outbound market (UNWTO, 2016).<sup>17</sup>

Figure 8: International tourist arrivals by region of origin (outbound tourists)



Source: UNWTO. Tourism Highlights, 2016 edition

### 1.1.4. Global Tourism Top Spenders by country

Table 2 indicates the top ten (10) source markets by expenditure during 2015 and 2016. According to the UNWTO (2017). China was a top source market representing 37% of international expenditure globally in 2016. This was a growth of 4.5% compared 2015. It was followed by the USA with a share of 17% representing a growth of 7.6% during the same period under review. Russian Federation and Canada recorded a declining growth of 31.2% and 3.3% in expenditure respectively during the same period under review.

<sup>17</sup> UNWTO.2016. *Tourism Highlights, 2016*.

Table 2: Top 10 tourism spenders by counties,

Top 10 countries	International Tourism Expenditure		% Share	% Growth
	2015	2016		
	US\$ ('Billion)			
1. China	249.8	261.1	37%	4.5%
2. United States	112.9	121.5	17%	7.6%
3. Germany	77.5	81.1	11%	4.6%
4. United Kingdom	63.3	63.6	9%	0.5%
5. France	38.4	40.9	6%	6.5%
6. Russian Federation	34.9	24.0	5%	-31.2%
7. Canada	30.1	29.1	4%	-3.3%
8. Korea (ROK)	25.3	26.6	4%	5.1%
9. Italy	24.4	24.7	4%	1.2%
10. Australia	23.8	25.3	3%	6.3%
<b>Total</b>	<b>680.4</b>	<b>697.9</b>	<b>100%</b>	<b>2.6%</b>

Source: UNWTO. Tourism Barometer, March 2017: Volume 15

### SUMMARY SNAPSHOT

Despite global economic and political constraints, international tourist arrivals still grew by 4.6% in 2015. The weight of international tourist arrivals and receipts are carried by travellers from Europe, Americas and Asia countries, with these tourists travelling primarily for holiday purposes. Nonetheless, projections indicate a higher growth rate for Africa's international tourist arrivals, compared to other continents in the long-term. Potential lies within the spending power of key markets or the sheer volume of a market. Tourism destinations need to target these key markets to increase their market catchment, while building other emerging markets through their product offering, tourism accessibility and attractiveness.





## I.2. Global Tourism Supply Performance

This section provides an overview of the global supply performance focusing on the global hotels, meetings industry, as well as passenger and aircraft movements.

### I.2.1. Global Hotel Industry

Table 3 indicates that the global hotel industry average occupancy rate was about 66.5% in 2016. This was almost flat compared to the occupancy rate of 66.6% in 2015. All regions had an increase in room supply during 2016 however some of these regions recorded a decline in occupancy rate, average room rate as well as the Revenue Per Available Room (RevPar). Africa and the Middle East is the only region which recorded a significant decline in hotel occupancy rate, from 63.2% in 2015 to 61.6% in 2016. This decline was driven by a decline of 3.5% in occupancy rate registered in North Africa (including Egypt). Asia and the Pacific as well as the Middle East and Africa regions recorded declines of 0.9% and 2.2% in average room rates respectively during 2016 compared to 2015.

However, hotels are feeling the impact of a much deeper trend. The industry is increasingly consumer-led. Over the next few years, millennials<sup>18</sup> will become the primary consumer market and this digital savvy generation brings a strong desire for local, 'authentic' experiences (Watkins, 2015).<sup>19</sup> International guests, especially from emerging markets, are also growing in importance. Therefore, hotels need to be proactive by supplying tailored products that fit their specific needs (e.g. language preferences). The sharing economy has given rise to businesses such as AirBnB, who despite the unprecedented disruptions caused in the accommodation industry, is now planning to expand into new business areas (Journalist's Resource, 2016)<sup>20</sup>.

<sup>18</sup> Millennials are the type of generation whom we define as those ages between 18-34.

<sup>19</sup> Ed Watkins. 2015. How millennials will change travel by 2020,' Hotel News Now.

<sup>20</sup> Journalist's Resource. 2016. Uber, Airbnb and consequences of the sharing economy: Research roundup. Available at: <https://journalistsresource.org/studies/economics/business/airbnb-lyft-uber-bike-share-sharing-economy-research-roundup>. Accessed on 2017/03/15.



Table 3: Global Hotel Performance

Hotel performance by region	Change in % of Room Supply	Occupancy (%)			Average Room Rate (US\$)		RevPAR (US\$)	
		Full year			Full year		Full year	
	2016/15	2015	2016	% Change	2016	2016/15 % Change Constant	2016	2016/16 % Change constant
Americas	1.7	65.1	65.1	0	124	3.3	81	3.3
Asia and the Pacific	3.4	68	69	1	103	-0.9	71	0.6
Africa & Middle East	2.2	63.2	61.6	-1.6	148	-2.2	91	-4.7
Europe	0.6	70	70.4	0.4	121	1.5	85	2.1
Total	2.0	66.6	66.5	0	124	0.4	82.0	0.3

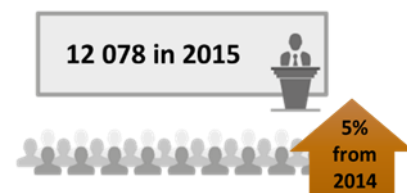
Source: UNWTO. Tourism Barometer, March 2017: Volume 15

### 1.2.2. Global Meetings Industry

The activities of the Meetings Industry are an increasingly significant element in the future growth of the global economy, an essential part of the spread of knowledge and professional practices, and a key factor in building a better understanding and relations amongst different regions and cultures (UNWTO, 2015).<sup>21</sup> A number of Meetings, Incentives, Conventions and Events (MICE) are hosted globally, with significant impacts to the host regions. The Rio 2016 Olympics is an example of a major sports event that was hosted in Rio de Janeiro, Brazil. This event boosted Brazil's tourist arrivals by receiving 1.17 million tourists during the 2016 Olympic Games.<sup>22</sup>

The International Congress and Convention Association (ICCA, 2015)<sup>23</sup>, recorded 12 078 international association meetings during 2015, which was an increase of about 5% (571 additional meetings) compared to 2014. Table 4 indicates the number of ICCA recorded meetings hosted per region worldwide, also showcasing the top five (5) countries where meetings are hosted in these regions. Europe is the strongest competing region hosting 6 565 meetings, followed by Latin- and North America, with a total of 2 627 meetings, Asia Pacific

Figure 9: Number of ICCA meetings hosted worldwide



Source: ICCA, Statistics Report 2015

<sup>21</sup> UNWTO. 2015. Global Report on the Meetings Industry.

<sup>22</sup> Available at: <http://www.marca.com/en/olympic-games> Accessed on: 23 March 2017

<sup>23</sup> International Congress and Convention Association. 2015. ICCA Statistics report.

and Middle East with 2 546 meetings; while Africa only hosted 338 meetings, which is tremendously lower than the other regions.

Table 4: ICCA number of meetings per region

ICCA Region Ranking	2015	2014
<b>Europe</b>	<b>6565</b>	<b>6316</b>
1. Germany	667	659
2. UK	582	543
3. Spain	572	578
4. France	522	533
5. Italy	504	452
<b>Asia Pacific &amp; Middle East</b>	<b>2546</b>	<b>2417</b>
1. Japan	355	337
2. China (R.P)	333	332
3. Republic of Korea	267	222
4. Australia	247	260
5. Singapore	156	142
<b>Latin-&amp; North America</b>	<b>2627</b>	<b>2464</b>
1. USA	925	831
2. Canada	308	265
3. Brazil	292	291
4. Mexico	184	165
5. Argentina	181	191
<b>Africa</b>	<b>338</b>	<b>308</b>
1. South Africa	108	124
2. Morocco	36	36
3. Egypt	22	13
4. Kenya	19	24
5. Tunisia	17	7

Source: ICCA, Statistics Report 2014-2015

Effectively, it means that about 18 international association meetings are held per day in Europe; about 7 per day in Asia Pacific, the Middle East and Americas; and not even one per day in Africa. Thus, indicating that the meetings industry plays a major role in the competitiveness of the countries, as the majority of the top ten countries that host meetings are also in the top ten most competitive countries within the travel and tourism sector.

Table 5: Number of international meetings per top twenty countries, 2014-2015

ICCA	Number of Meetings 2015	Ranking 2015	Number of Meetings 2014	Ranking 2014
USA	925	1	831	1
Germany	667	2	659	2
United Kingdom	582	3	543	4
Spain	572	4	578	3
France	522	5	533	5



ICCA	Number of Meetings 2015	Ranking 2015	Number of Meetings 2014	Ranking 2014
Italy	504	6	452	6
Japan	355	7	337	7
China	333	8	332	8
Netherlands	333	9	307	9
Canada	308	10	265	12
Brazil	292	11	291	10
Portugal	278	12	229	15
Republic of Korea	267	13	222	17
Austria	258	14	287	11
Australia	247	15	260	13
Belgium	216	16	187	20
Sweden	216	17	238	14
Turkey	211	18	190	19
Denmark	204	19	164	22
Switzerland	194	20	226	16

Source: ICCA, Statistics Report 2014-2015.

In general, the top ten (10) countries remain the same between the 2014 and 2015 period with the majority being Europe, North America and Asia. What is interesting is the new up-and-coming countries within the top twenty (20) list, with places like Portugal, Republic of Korea, Belgium and Denmark making their way up the ranking; while Switzerland, Austria and Australia are losing their footing, slowly dropping through the ranks.

At a city-level, the top performing destinations for meetings are Berlin, Paris, Barcelona, Vienna, London and Madrid, which are all European-based countries, as indicated in Table 6.

**Table 6: Top 10 Meetings Destinations, per city, 2014-2015**

ICCA City	Ranking 2015	Number of Meetings 2015	Number of Meetings 2014
Berlin	1	195	193
Paris	2	186	214
Barcelona	3	180	182
Vienna	4	178	202
London	5	171	166
Madrid	6	171	200
Singapore	7	156	142
Istanbul	8	148	130
Lisbon	9	145	109
Copenhagen	10	138	105

Source: ICCA, Statistics Report 2014-2015



The impact of international meetings, has moved beyond direct-expenditure within the tourism sector, and now reaches new areas such as (UNWTO, 2015)<sup>24</sup>:

- economic and trade development
- knowledge creation and dissemination
- high-level education for local university students
- business development opportunities for visiting and local delegates
- scientific and environmental objectives, and
- the delivery of a vast range of healthcare.

The direct spend and high per capita value of such meetings have long since been established by city-level and individual event economic-impact studies. Meetings are both a sub-segment of tourism (related to a proportion of delegate expenditure) and an important part of other broader economic sectors, especially in the increasingly critical knowledge-based economy. Some of the most successful meetings destinations such as Vienna, Barcelona, Vancouver and Singapore, along with large numbers of other cities have shifted their MESE (Meetings, Exhibitions and Special Events) approach from being a sub-set of tourism to being a key driver of their economic development strategy (UNWTO, 2015).<sup>25</sup>

### 1.2.3. Global Passenger Movements

The aviation industry experiences risks and challenges that affect their profitability and in the process hampers investor confidence in the sector as a whole. During 2015, airlines generated a return on invested capital, which exceeded their costs. In essence, for the first time in history, airlines experienced a normal level of profitability, and were able to break the long struggle of rewarding investors appropriately (IATA, 2016).<sup>26</sup> In 2016, connectivity continued to increase with the establishment of more than 700 new routes. The price of airfares has fallen with an average of \$44, which has assisted in ensuring that air travel is even more accessible. This has resulted in an increased demand of air travel. According to International Air Transport Association (IATA) Airport Intelligence (2016),<sup>27</sup> globally there is a general upward trend, with regards to Revenue Passenger Kilometres<sup>28</sup>(RPK) with the total market experiencing a 6.3% (as illustrated in Table 7) growth for the year 2016 from the year 2015. The RPK in 2015 was

<sup>24</sup> United Nations World Tourism Organisation. (UNWTO). 2015. Global Report on the Meetings Industry.

<sup>25</sup> United Nations World Tourism Organisation. (UNWTO).2015. Global Report on the Meetings Industry.

<sup>26</sup> IATA. 2016. *Annual review 2016*

<sup>27</sup> IATA Passenger Market 2016

<sup>28</sup> **Revenue Passenger Kilometres** - 'a way of calculating the number of kilometres travelled by paying customers, by multiplying the number of paying passengers by the distance travelled.'



at a 6.5% growth from the year 2014. The international market had a total of a 79.6% Passenger Load Factor<sup>29</sup>(PLF) and the domestic market had 82.2% PLF in 2016; this means that airlines filled more seats and had more paying passengers for domestic flights than for international flights. Airlines had a higher PLF of 0.1% in 2015 with regard to the international market and was lower with -0.7% PLF for the domestic market in 2015.

**Table 7: Air passenger market overview**

	2016			2015		
	RPK	ASK	PLF	RPK	ASK	PLF
<b>International</b>	6.7%	6.9%	79.6%	6.5%	5.9	79.7%
<b>Domestic</b>	5.7%	5.1%	82.2%	6.3%	5.2%	81.5%
<b>Total Market</b>	<b>6.3%</b>	<b>6.2%</b>	<b>80.5%</b>	<b>6.5%</b>	<b>5.6%</b>	<b>80.3%</b>

Source: IATA Intelligence 2015, published 2016

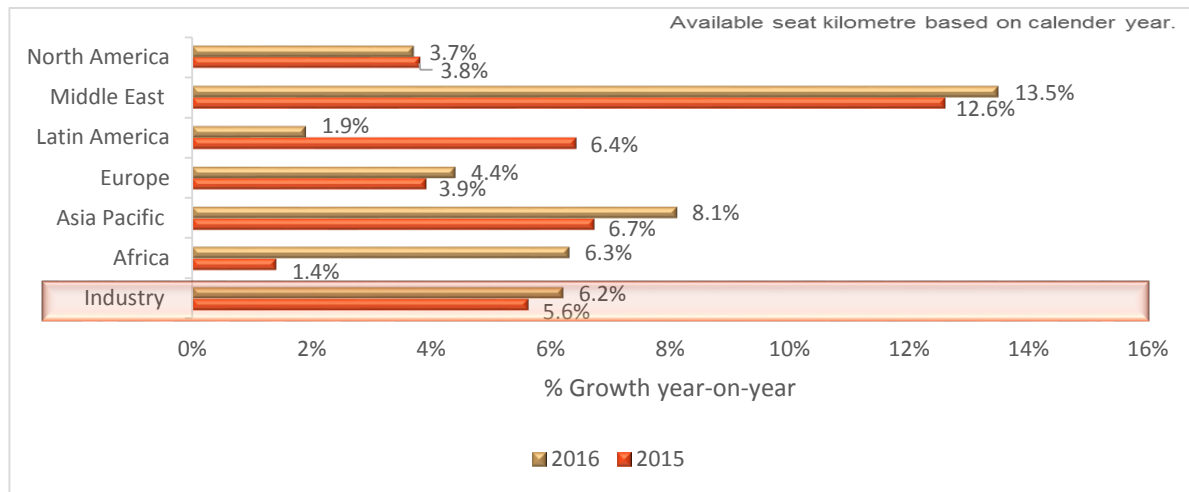
Industry-wide Available Seat Kilometres <sup>30</sup>(ASK) increased by 6.2% in 2016. This was a result of the development of new routes and the increase in airline capacity worldwide. Figure 10 indicates the growth rate of ASK per region. Latin America experienced a 1.9% increase in the available seat kilometres in 2016; however, it is important to note that in 2015, Latin America had a fairly large increase of 6.4%; this was the third largest percentage increase for the year. It is essential for available seat kilometres to increase simultaneously with revenue passenger kilometre. Otherwise, there would be a greater supply of seats than there are passengers willing to pay for available seats. If revenue passenger kilometre does not increase as available seat kilometre increases, it can result to a lower PLF, effectively a lower return on investment.

<sup>29</sup> **Passenger Load Factor** – ‘a measure for an airline’s capacity, defined as the ratio between Revenue Passenger Kilometres and Available Seat Kilometres

<sup>30</sup> **Available Seat Kilometres** - ‘a measure of an airline’s carrying capacity to generate revenue, taken from multiplying the available seats on any given aircraft by number of kilometres flown on given flight.’



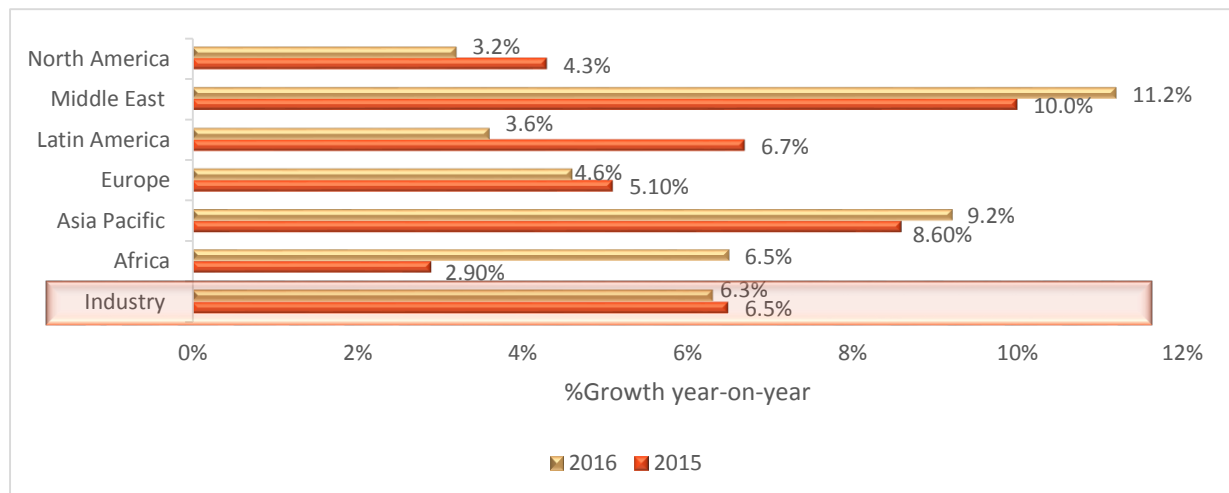
Figure 10: Total market, available seat kilometre by region



Source: IATA Airport Intelligence 2015, published 2016

Figure 11 indicates the RPK growth rate per region. The Middle East had the highest RPK<sup>31</sup> with an increase of 11.2% in 2016. This increase is 1.2% higher than the increase experienced in 2015, followed by Asia Pacific with an increase of 9.2% in 2016, a decrease of 0.6% from 2015 increase. The worst performing region with regard to RPK increase was North America, only experiencing an increase of 3.2% in 2016; this is 1.1% lower than the increase experienced in 2015. It is important to note that Africa had the greatest percentage increase moving from 2015 to 2016, with a 3.6% difference.

Figure 11: Total market, revenue passenger kilometres' growth by carrier region



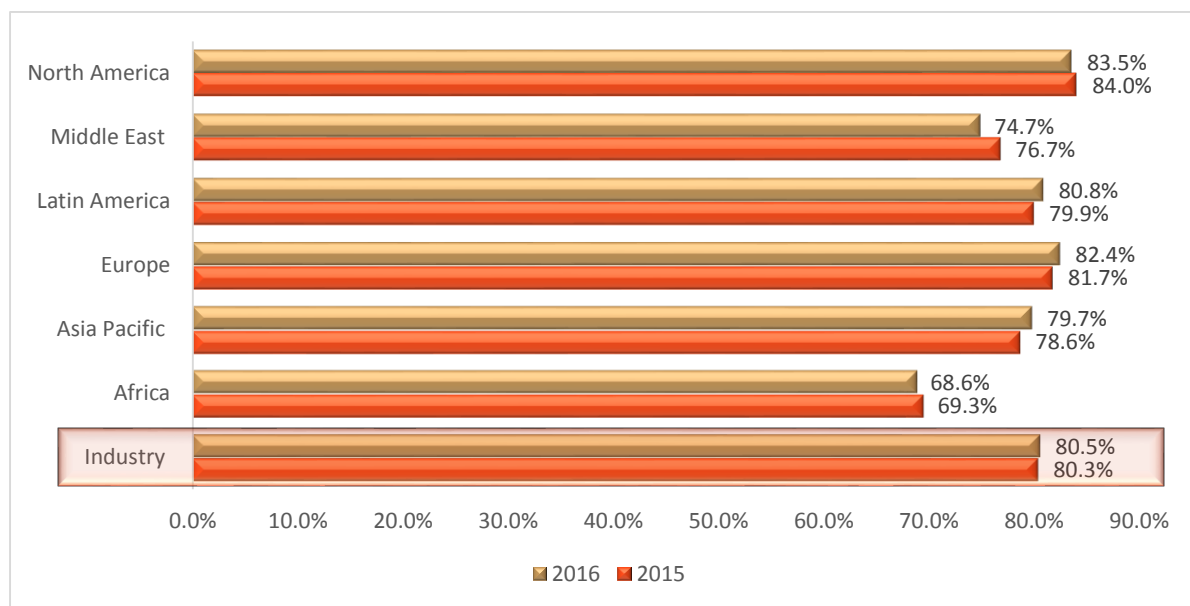
Source: IATA Airport Intelligence 2015, published 2016

<sup>31</sup> Revenue Passenger Kilometres - 'a way of calculating the number of kilometres travelled by paying customers, by multiplying the number of paying passengers by the distance travelled.'



Figure 12 showcases the percentage of PLF<sup>32</sup> achieved by regions. According to IATA (2016)<sup>33</sup>, North America had the highest occupancy rate in PLF at 83.5% in 2016, but shows a decline in occupancy with 0.5% from 2016; while other regions, like Latin America, Europe and Asia Pacific, showed an increase in PLF within an average of 0.9% from 2015 to 2016. The Middle East (-2%) and Africa (-0.7%) both showed a decrease in PLF. A lower load factor might result in the closure of some routes, or fewer flights flying into or out of a particular destination as the routes are not being profitable. Revenue Passenger Kilometres (number of paying passenger) will have to be increased in order to increase Passenger Load Factor<sup>34</sup>. This can be done through the stimulation of demand for the destination.

**Figure 12: Total market, passenger load factor as per region**



Source: IATA Airport Intelligence 2015, published 2016

It is evident that the airline industry is continuously growing, domestically as well as internationally. As IATA stated on the 2 February 2017 in a press statement that 2016 is showing strong air travel demand, with 2016 performance well ahead of the ten-year average annual growth of 5.5%<sup>35</sup>. This is essential as the airline industry is an important contributor

<sup>32</sup> Passenger Load Factor – ‘a measure for an airline’s capacity, defined as the ratio between Revenue Passenger Kilometres and Available Seat Kilometres.

<sup>33</sup> IATA Airport Intelligence, December 2015 to December 2016.

<sup>34</sup> Investopedia. 2015. How can I use the load factor as an indicator for the profitability of the airline industry. <http://www.investopedia.com> (accessed on 2017/03/23)

<sup>35</sup> IATA. 2017. Another Strong Year for Air Travel Demand in 2016 <http://www.iata.org/pressroom/pr/Pages/2017-02-02-01.aspx>



towards economic development and the tourism industry; it enables the faster and easier movement of passengers, while providing millions of jobs (Cederholm, 2014)<sup>36</sup>.

According to the ANNA Aero (Airline Network News and Analysis, 2017)<sup>37</sup>, during the week of 4 April to 10 April 2017, a total of 91 routes were launched by 41 airlines, including Wizz Air broadening its Budapest network with five new routes, American Airlines expanding from Washington Reagan, and Xiamen Airlines commencing its fourth route to the Philippines. Thus, indicating the increase in routes and capacity of Airline within the European and American regions. Moreover, African airlines are also showing increased capacity and development of new routes with Tanzanian Airline to re-launch flights to Uganda, Rwandair launched its new service between Johannesburg and Mumbai via Kigali on 5 April 2017, and Air Namibia launched a fourth route to South Africa, etc.

### SUMMARY SNAPSHOT

The supply-side of the tourism sector continued to show growth during the 2015 and 2016 period, specifically in Europe, North America and Asia. However, the Middle East and Africa regions have shown a low or stagnate growth over the period. Nonetheless, industries like the meetings and airline industry have shown tremendous growth over the period; embracing new opportunities, market growth, and new routes or destination developments. These and other industries, for instance the hotel industry, need to improve their competitiveness in the ever changing tourist markets, innovative technological trends and new movements in the sharing economy.

### 1.3. Global Economic Impact of Tourism

The world economy stumbled in 2015 amidst weak aggregate demand, falling commodity prices, and increasing financial market volatility in major economies. This can be seen with a 2.4% growth rate in world outputs during 2015, which was -0.2% lower than in 2014. However, the economy recovered slightly in 2016, with a 2.9% growth rate and an expected 3.2% annual growth for 2017 (World Trade Organisation, 2016).<sup>38</sup>

In 2015/16, several crises such as violent conflicts, terrorist attacks, and the refugee crisis in Europe, just to mention a few, affected a number of destinations across the globe and had a major impact on the tourism sector. Strong fluctuations in exchange rates also had an impact

<sup>36</sup> Teresa Cederholm. 2014. The global airline industry contribution to economic development. <http://marketrealist.com> (accessed on 2017/03/23)

<sup>37</sup> ANNA Aero. 2017. New airline routes launched (04 April 2017 – 10 April 2017). Available at: <http://www.anna.aero/all-new-airline-routes/>. Accessed on: 2017/04/19.

<sup>38</sup> World Trade Organisation, 2016, [https://www.wto.org/english/news\\_e/pres16\\_e/pr779\\_e.htm](https://www.wto.org/english/news_e/pres16_e/pr779_e.htm) (accessed 2017/02/15)



on the competitiveness of some destinations by making them either cheaper or more expensive. Any exogenous event has the potential to adverse an effect on the tourism sector. The following provides a list of some of these global events, which could potentially have an impact on the tourism performance globally.

- The effect of Brexit on the tourism sector is a two-way street, with tour operators concerned about the spending patterns of UK travellers and tourists travelling to the UK. Should the pound lose value in the long term, UK residents might be limited with regard to their buying power, making shopping on holiday more expensive (Welle, 2016)<sup>39</sup>.
- Tourism is highly sensitive to acts of terrorism and such events have a negative impact on the sector, either directly or indirectly. Its adverse effect can be seen in France, which showed extremely low growth in tourist volumes during the 2015/16 period, due to multiple terrorist attacks in Paris and other cities including Nice (Rodionova, 2016)<sup>40</sup>;
- Certain tourism destinations were hard hit after air crash events during 2014 to 2016. These events included the Egypt Airline Flight 804 which crashed into the Mediterranean Sea (Samuel , 2017)<sup>41</sup> and Malaysia Airlines flight MH370, which vanished off radar shortly after take-off (ITB , 2017)<sup>42</sup>. Flight incidences have an affect not only on travellers' perception about those airlines affected, but also the image of safety of those destinations which the airlines come from.
- The presidency of Donald Trump, saw a shock to the global stock market, which caused the dollar to weaken during the 2015/16 period. The economic uncertainty may result in a decline of outbound travel in the USA and in the process the demand for domestic travel will be stimulated (Euromonitor, 2016).<sup>43</sup>

<sup>39</sup> Deutsche Welle. 2016. The effect of Brexit on tourism <http://www.dw.com/en/the-effect-of-brexit-on-tourism/a-19360319> (accessed 2017/02/15)

<sup>40</sup>Zlata Rodionova. 2016. Paris loses £ 644 m as tourists steer clear of the city after terror attacks.<http://www.independent.co.uk/news/business/news/paris-isis-tourism-attacks-impact-money-lost-aftermath-a7205121.html> (accessed on 2017/02/15) ,David Chazan & Martin Banks. 2016. Paris hotel occupancy rates halve as tourists abandon France in wake of terrorist attacks.<http://www.telegraph.co.uk/news/2016/08/07/france-declares-tourism-emergency-as-visitors-stay-away-in-wake/> (accessed on 2017/02/15) and Alice Foster. 2017. Terror attacks timeline: From Paris and Brussels terror to most recent attacks in Europe. <http://www.express.co.uk/news/world/693421/Terror-attacks-timeline-France-Brussels-Europe-ISIS-killings-Germany-dates-terrorism>. (accessed on 2017/03/23)

<sup>41</sup> Henry Samuel. 2017. Did pilot's mobile phone play a role in EgyptAir 804 crash?<http://www.telegraph.co.uk/news/2017/01/13/pilots-phone-tablet-batteries-may-have-caused-egyptair-crash/> (accessed on 2017/03/16)

<sup>42</sup>Paul Scruton, Claire Phipps & Cath Levett.2017. Missing flight MH370- a visual guide to the parts and debris found so far. <https://www.theguardian.com/world/ng-interactive/2017/jan/17/missing-flight-mh370-a-visual-guide-to-the-parts-and-debris-found-so-far>(accessed 2017/03/16)

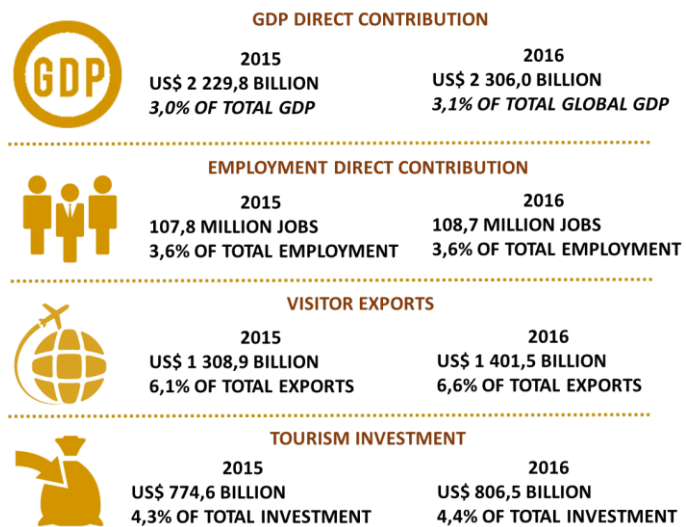
<sup>43</sup> Euromonitor *International*, 2017.



However, there was no overall negative impact on global international travel (ITB, 2016).<sup>44</sup> According to the World Travel and Tourism Council (WTTC, 2017),<sup>45</sup> the total contribution of tourism to the global economy reached US\$7 613.3 billion; with direct contributions generating US\$2 306.0 billion, adding 3.1% to total GDP in 2016. Furthermore, the tourism sector directly generated 108.7 million jobs, contributing 3.6% to the total number of jobs globally during the same period under review.

Leisure travel spending generated 76.8% of direct Tourism GDP in 2016 (US\$ 3 970.4 billion), compared with 23.2% for business travel spending (US\$ 1 199.7 billion). Moreover, Domestic travel spending generated 71.8% of direct Tourism GDP in 2016, compared to 28.2% for visitor exports. Hence, the core of tourism should relate to domestic travel and leisure as a key motivating component for success in a destination. Consumers are now more than ever-demanding tourism products, services and specific brands; while using digital platforms as a means to access these products. Tourists no longer want “sun and sand” all-inclusive mass tourism, but rather tailor-made niche products that fit their specific needs (Tourism Intelligence International, 2015).<sup>46</sup>

**Figure 13: Global Economic Impact of Travel and Tourism, 2015 & 2016**



Source: WTTC, World Travel and Tourism Economic Impact 2016 & 2017 Reports

**SUMMARY SNAPSHOT**

The economy has not performed well during 2015, with the global economy showing a low growth of 2.4%. Comparatively, the tourism sector grew by 3.5% from 2015 to 2016; furthermore, the sector directly contributed 3.1% to the global GDP and 4% to global employment. The tourism sector continued to show a well-projected growth in the long-term and will continue to expand as experience-based market trends increase, technology improves and ease of movement evolves. Hence, tourism is and will become a key economic-driver in the global society.

<sup>44</sup> ITB. 2016. *World Tourism Trends 2015/2016 report*.

<sup>45</sup> WTTC. 2017. *Economic Impact 2017*.

<sup>46</sup> Tourism Intelligence International. 2015. *Top Ten Trends in Travel and Tourism Trends for 2016*. Issue 1.



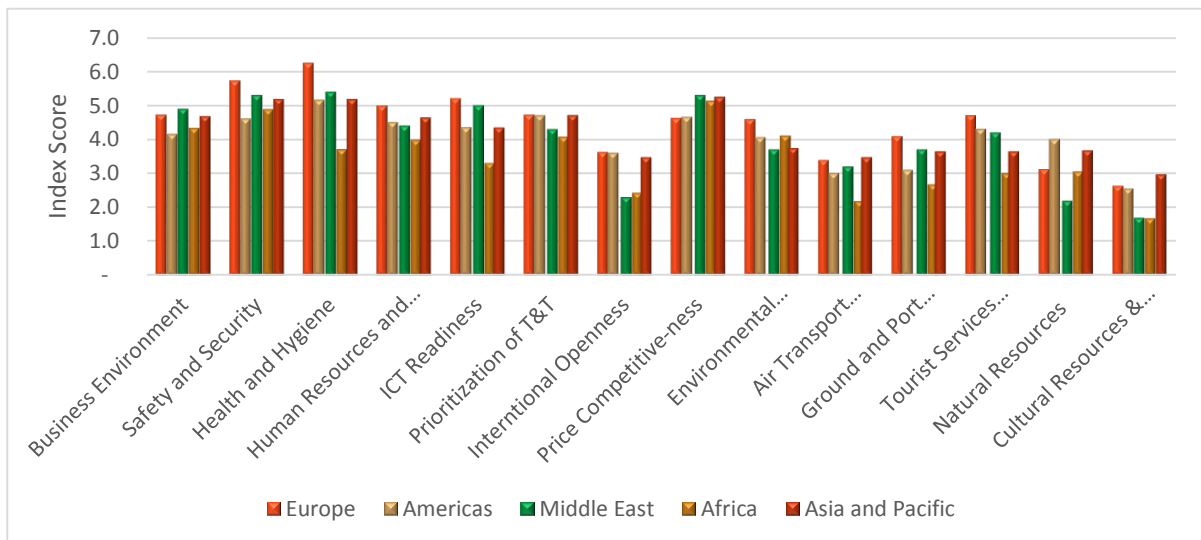
## 1.4. Tourism Sector Competitiveness

The Travel and Tourism Competitiveness Index was first compiled in the year 2007, with the aim of measuring the set of factors and policies that enable the sustainable development of the Travel and Tourism sector. This section analysis the Travel and Tourism Index for the year 2015 and 2017.

### 1.4.1. Regional Tourism Competitiveness

According to the Travel and Tourism Competitiveness Index (2017)<sup>47</sup>, the most competitive region globally, is Europe with an average of 4.45 index scoring; followed by Asia-Pacific with 4.17 mostly influenced by Eastern Asia's high index rating; and the Americas at 4.05; while the Middle East scored an average of 3.97 and Africa 3.46. Figure 14 indicates the index scoring per region relating to the set criteria of the Travel and Tourism Competitiveness Index.

Figure 14: Competitiveness Index per region



Source: WEF. The Travel & Tourism Competitiveness Report 2017

Europe houses six of the top 10 tourism competitive countries as ranked by the index; namely, Spain (1<sup>st</sup>), France (2<sup>nd</sup>), Germany (3<sup>rd</sup>), UK (5<sup>th</sup>), Italy (8<sup>th</sup>) and Switzerland (10<sup>th</sup>). It continues to lead the rankings due to its cultural richness, its excellent tourism service infrastructure, high level of international openness and well perceived safety, despite slightly declining security perceptions in Western and Southern Europe.

The Americas is the region with the second-best performance at an aggregate level; with the United States (6<sup>th</sup>), Canada (9<sup>th</sup>), Mexico (22<sup>nd</sup>) and Brazil (27<sup>th</sup>) all ranked in the top 30. The majority of the countries in the region rely on rich natural resources; however, there are major

<sup>47</sup> WEF. 2017. The Travel & Tourism Competitiveness Report 2017.

differences in their ratings within the set criteria. It is recommended that North America should enhance its price competitiveness, environmental sustainability and infrastructure; while Central and South America should continue improving their safety and security, business enabling environment and infrastructure.<sup>48</sup>

Asia-Pacific is flourishing showcasing some of the most-improved countries in the index; namely Japan (4<sup>th</sup>), Korea (19<sup>th</sup>), India (40<sup>th</sup>), Vietnam (67<sup>th</sup>) and Bhutan (78<sup>th</sup>). The East Asia and Australia sub-regions boasts world class infrastructure and ICT; however, their price competitiveness is fair compared to other regions, where South-East Asia and South Asia are more price-competitive destinations, but lag in infrastructure, ICT and Visa policy readiness.

The Middle East has two main competing destinations; that is, the United Arab Emirates (29<sup>th</sup>) and Qatar (47<sup>th</sup>). The improvement of ICT infrastructure, international openness, and preservation of cultural heritage have increase this regions competitiveness. Nonetheless, natural and cultural resources remain mostly underexploited, and perceptions of safety and security still remain a major decision-making influencer.

In Africa, the Sub-Saharan region showcases the following four competitive countries; specifically, South Africa (53<sup>rd</sup>), Mauritius (55<sup>th</sup>), Kenya (80<sup>th</sup>) and Namibia (82<sup>nd</sup>). Impairments to the competitiveness of destination within Africa relate to air connectivity and travel costs, as well as visa policies and infrastructure. Tourism in the region is mainly driven by natural tourism, with significant improvement potential in preserving and communicating the cultural richness of the continent.

#### **I.4.2. Top Ten Tourism Competitive Countries**

According to the Travel and Tourism Competitiveness Index (2017), Spain was the highest ranked country, followed by France, and Germany. An interesting new entry to the top ten list is Japan, moving from a ranking of number nine (9) to number four (4); while Switzerland continues to move down the rankings.

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<sup>48</sup> WEF. 2017. The Travel & Tourism Competitiveness Report 2017.



Table 8: Tourism Competitiveness ranking by top ten countries

Top 10 countries	Rankings 2017	Ranking 2015
Spain	1	1
France	2	2
Germany	3	3
Japan	4	9
UK	5	5
USA	6	4
Australia	7	7
Italy	8	8
Canada	9	10
Switzerland	10	6

Source: WEF. The Travel & Tourism Competitiveness Report 2017

The Travel & Tourism Competitiveness Report (2017) identified eight trends that are driving and impacting tourism sector transformation in countries:

- Tourists can no longer be defined into mass tourism segment group, but are more self-driving and crave unique experiences;
- the sector has new travellers, but its operating systems are old fashioned and not moving in line with the new technological and societal trends;
- geopolitical insecurity is the new normal;
- the fourth industrial revolution is here to stay;
- the sector provides volumes of jobs, unfortunately lack in skilled labour and professional development;
- sustainability development and growth is a must;
- infrastructure is becoming a bottleneck.

### **SUMMARY SNAPSHOT**

From the competitiveness analysis, it is apparent that destination competitiveness of a country is highly reliant on its natural and cultural attractions; and, quality of tourism facilities. Moreover, excellent visitor services and related infrastructure also play a key role in a tourism destination's success. Notably, the majority of countries require improvement within their business and investment environment, price competitiveness, and labour sector in general to increase the attractiveness of their destination's external environment.



## SECTION 2: INTRODUCTION TO SOUTH AFRICA'S DESTINATION COMPETITIVENESS

The South African government recognises the tourism sector's potential to create employment and bring about economic growth, and has prioritised this sector as one of the six core pillars of growth. This sector's current performance is encouraging; however, one cannot ignore the fact that our tourism resources have much greater potential in improving our competitiveness as a destination.<sup>49</sup> The following section provides an introduction into the competitiveness of South Africa as a tourism destination, to set the scene for the country's current performance within the sector.

### 2.1. South Africa Competitiveness Index

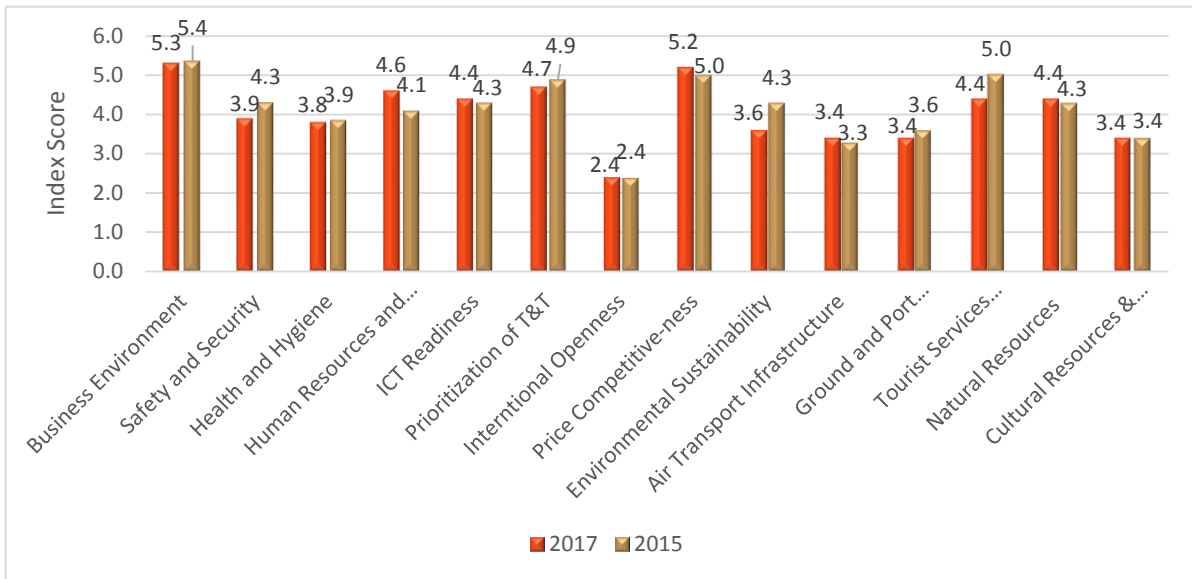
Based on the top countries in Africa, South Africa was ranked number one (1) for performing well in a business environment, ICT Readiness, tourist service infrastructure, environmental sustainability, price competitiveness, natural resources and the prioritisation of travel and tourism. South Africa's 2015 ranking was highly competitive, with the country leaping from 64<sup>th</sup> place in 2013 to 48<sup>th</sup> in 2015. Unfortunately, the 2017 ranking indicated that South Africa's competitiveness decrease, placing 53<sup>rd</sup> in the Competitiveness index.

Figure 15 indicates the index scoring of South Africa within the Travel and Tourism Competitiveness Index, comparatively for 2015 and 2017. The country continues to rely on cultural resources (19<sup>th</sup>), strong natural resources (23<sup>rd</sup>), and a conducive business environment (21<sup>st</sup>), characterised by minimal red tape and modest administrative burden.<sup>50</sup> The criteria where South Africa performed weaker in 2017 compared to 2015 include business environment, safety and security, prioritisation of travel and tourism, environmental sustainability, ground and port infrastructure and tourist services infrastructure.

<sup>49</sup> National Department of Tourism. 2015. A Model to Measure South Africa's Tourism Competitiveness.

<sup>50</sup> WEF. The Travel & Tourism Competitiveness Report 2017.



**Figure 15: South Africa's Travel and Tourism Competitiveness**

Source: WEF. The Travel & Tourism Competitiveness Report 2017

## 2.2. South Africa Competitor Analysis

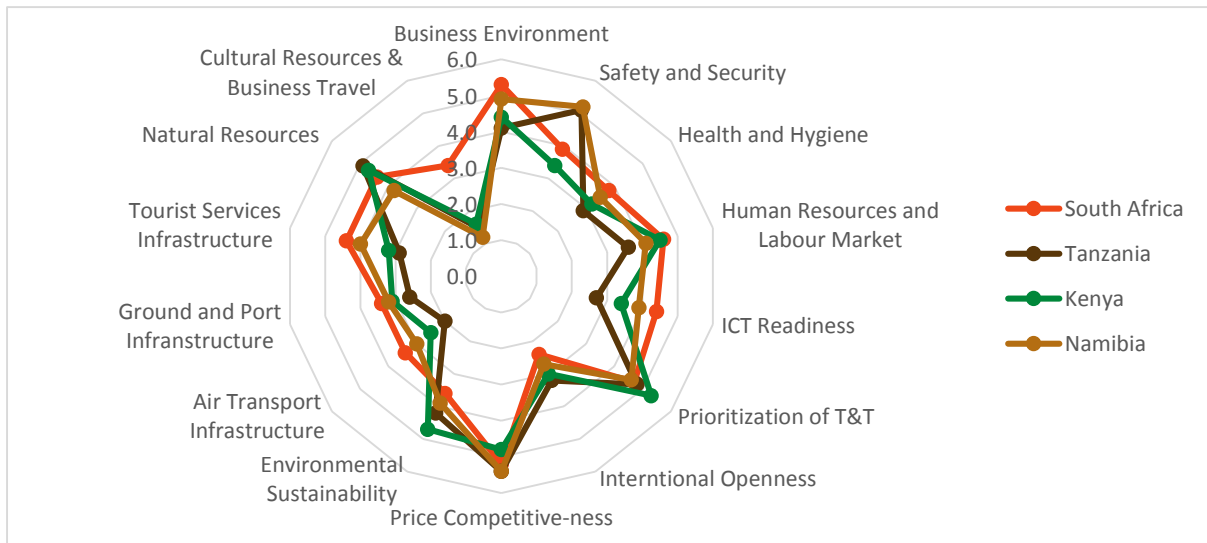
The graph above illustrates South Africa's biggest competitors with regard to its biggest source markets namely: UK, Germany, USA, and India<sup>51</sup>. Even though South Africa is ranked 1<sup>st</sup> in the sub-Saharan region, there is space for improvement when compared to its main African competitors. South Africa ranked higher in business environment, ICT readiness, air transport infrastructure, tourist services infrastructure and cultural resources and business travel. South Africa needs to improve in international openness as it ranks the lowest against all competitors. It is on par with its competitors with regards to safety and security, health and hygiene, human resources and labour, prioritisation of travel and tourism, price competitiveness and environmental sustainability. South Africa needs to prioritise different elements in order to improve its destination competitiveness. The improvement of safety and security could have a positive effect on South Africa's competitiveness and can result in an increased number of tourists visiting the country.

<sup>51</sup> National Department of Tourism. 2015. A Model to Measure South Africa's Tourism Competitiveness





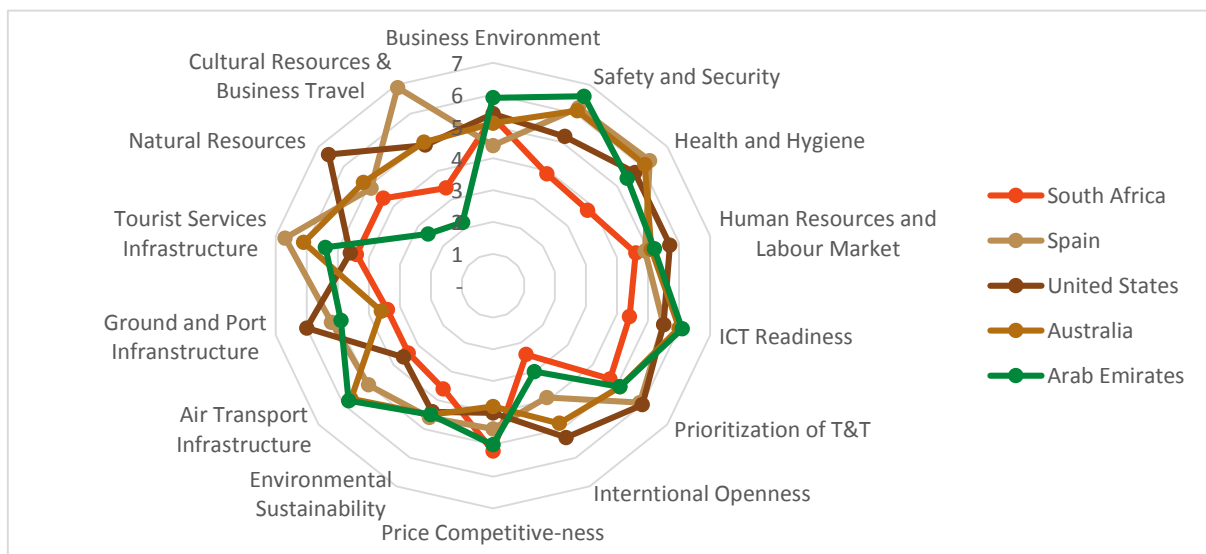
Figure 16: South Africa’s competitiveness against African competitors



Source: Adapted from The Travel & Tourism Competitiveness Report 2017

Figure 17: South Africa’s competitiveness against top regional countries illustrates South Africa’s competitiveness against the top ranked countries in each region. There is cause for concern as South Africa ranks the lowest in a number of the indicators namely: safety and security, health and hygiene, human resources and labour markets, ICT readiness, air transport infrastructure, and cultural resources and business travel. However, since South Africa is still a developing country, it is most likely to increase against the indicators and improve its competitiveness.

Figure 17: South Africa’s competitiveness against top regional countries



Source: Adapted from The Travel & Tourism Competitiveness Report 2017



South Africa is on par with The United Arab Emirates with regard to price competitiveness and has the second-best business environment against these regions. It is highly recommended that South Africa revise its openness policies as it ranks the lowest against all its international competitors.

Since tourism activities take place on the ground and at a local municipal level, more attention needs to be given to services and infrastructure since this has an overall effect on the tourists experience and will ultimately improve South Africa's competitiveness in tourism services and infrastructure dramatically.

A study conducted by NDT (2015)<sup>52</sup>, to develop a model that measured South Africa's Tourism Competitiveness against main competitors, concluded that South Africa's strengths lie in the following:

- **Wildlife:** South Africa boasts the big five as well as a wide variety of other species, attracting thousands of European and American tourists
- **Wine and food:** South Africa has become a world-renowned fine wine producer, with the Cape Winelands, the largest wine-making area in the country. The country has a wide range of world class restaurants which specialise in a variety of cuisine (South African Tourism, 2017)<sup>53</sup>. South Africa is also known to host the largest culinary event in Africa, the Good Food and Wine Show, bringing celebrity chefs from across the global, attracting tourists both domestically and regionally (Good Food and Wine Show, 2017)<sup>54</sup>.
- **Number and quality of conference centres:** South Africa has a wealth of conference and exhibition facilities, including venues that have been custom built and meet top international specifications. Settings for conferences in South Africa can range from an exclusive golf estate or game reserve to a beach resort, or cities; with facilities that can cater for both small and large conferences (South Africa Explored, 2017)<sup>55</sup>. South Africa has won the bid to host many international conferences and is currently ranked 38<sup>th</sup> out of 127 destinations on the ICCA ranking for the year 2015 (ICCA, 2015)<sup>56</sup>

<sup>52</sup> National Department of Tourism. 2015. A Model to Measure South Africa's Tourism Competitiveness

<sup>53</sup> South African Tourism. 2017. <http://www.southafrica.net/za/en/articles/entry/article-southafrica.net-food-and-wine-on-23/03/2017>

<sup>54</sup> Good Food and Wine Show. 2017. <http://durban.goodfoodandwineshow.co.za/> on 23/03/2017

<sup>55</sup> South Africa Explored. 2017. South Africa Conference Venues <http://www.sa-venues.com/south-africa-conferences.htm> on 23/03/2017

<sup>56</sup> ICCA.2015. ICCA Statistics Report Public Abstract



- **Public perceptions on tourism branding and image:** South Africa has a good public perception on its tourism branding and image, especially against competitors such as Kenya and Tanzania (NDT, 2015)<sup>57</sup>
- **Exchange rate:** The weakening of the rand has become attractive to overseas markets as it improves their value for money when visiting the country. This is especially prominent for the European and American markets.
- **English is widely spoken:** English is a widely-spoken language globally. South Africa has an advantage to access major markets, breaking down communication barriers and enabling tourists (especially from our key source markets) to understand and be understood.
- **Adventure tourism:** South Africa's diverse terrain and a climate, which is suited for outdoor activities, makes it an ideal adventure tourism destination. South Africa offers world-class surfing, diving, climbing, hiking, mountain biking, horseback riding and river rafting just to mention a few (Brand South Africa, 2012)<sup>58</sup>.
- **Service quality:** South Africa is perceived by tourists to have a high level of service quality, with people who give high quality and friendly service. This is perceived by the Tourism Grading Council of South Africa (TGCSA) for the accommodation industry.
- **Cultural diversity:** South Africa is known for its ethnic diversity, with 11 official languages and a 'Rainbow Nation'. The country has a lot to offer under cultural diversity (Hattingh, 2013)<sup>59</sup>
- **Value for money:** South Africa offers an array of experiences to the tourism market, while capitalising at being a value for money destination (Ensor, 2017)<sup>60</sup>.

The above stated can be used to improve South Africa's competitiveness while also paying close attention to the following elements which need attention:

- **Cost of airfare and regulations:** Airfares to fly to South Africa is more expensive to the country's traditional and emerging tourist source markets, compared to its key competitors; namely Australia, Kenya and Tanzania and Brazil (NDT, 2015)<sup>61</sup>.

<sup>57</sup> National Department of Tourism. 2015. A Model to Measure South Africa's Tourism Competitiveness

<sup>58</sup> Brand South Africa. 2012. South Africa's tourism industry <https://www.brandsouthafrica.com/investments-immigration/business/economy/sectors/tourism-overview#adventure> on 23/03/2017

<sup>59</sup> M. Hattingh. 2013. Cultural Diversity in South Africa. <http://www.dreamstoreality.co.za> on 23/03/2017

<sup>60</sup> Linda Ensor. 2017. SA's status as "value for money" destination growing. <http://www.timeslive.co.za> on 23/03/2017

<sup>61</sup> National Department of Tourism. 2015. A Model to Measure South Africa's Tourism Competitiveness



- **Long haul flight elements:** South Africa is regarded as a long-haul destination to the country's main and traditional source markets (Houston , 2015)<sup>62</sup>.
- **Tourist safety and health risks:** South Africa major safety and security issue is that of the high crime rate. Although there are other issues that have happened in the past, such as internal and social political turmoil (such as xenophobic attacks as well as demonstrations against political parties) and health Issues (such as HIV/Aids), crime is a major area of concern.<sup>63</sup>
- **Public transport:** South African public transportation system has improved over the years, with the launch and development of Gautrain and Bus Rapid Transit (BRT) systems being rolled out in Cape Town, Johannesburg and Pretoria. However, quality public transport is not widely available throughout the country; with tourist reliant on car rental, shuttle, metre taxi and other services to travel within the destination (Government of South Africa, 2014)<sup>64</sup>.

Understanding the current environment in which the tourism sector operates in South Africa will ensure the leveraging of its strengths and opportunities, and pre-empting actions related to challenges and threats.

### SUMMARY SNAPSHOT

Destinations compete against relevant competitors rather than generically against all 141 economies of the world. They also compete for market segments, rather than for the entire travelling population, who evaluate destinations based on their ability to provide similar experiences. For this reason, source markets are crucial in establishing competitiveness, as emphasised by NDT through their *Model to Measure South Africa's Tourism Competitiveness Study*.

<sup>62</sup> Dina Houston. 2015. Long Haul Flight Vs Short Haul Flight! <https://thecabincrewspace.wordpress.com> on 23/03/2017

<sup>63</sup> National Department of Tourism. 2015. A Model to Measure South Africa's Tourism Competitiveness

<sup>64</sup> Government of South Africa. 2014. Bus rapid Transit System (BRT).



## SECTION 3: SOUTH AFRICA TOURISM DEMAND PERFORMANCE

The foundation of tourism related business decision making is set according to the tourism demand, which interlinks with the competitiveness of tourism. The success of key tourism supply side industries such as airlines, accommodation, tour operators and events depend on amongst others tourism demand. This section provides an analysis of South Africa's tourism demand performance with specific reference to its international and domestic markets.

### 3.1. Analysis of International Tourist Market Share

This section provides an overview of the inbound tourism performance in South Africa, with specific reference to South African tourist arrivals figures. The SAT Annual Tourism Report is based on statistics collected by the Department of Home Affairs at some ports of entry to South Africa and processed by Statistics South Africa (Stats SA). Furthermore, SAT collects other tourism statistics through a monthly departure survey conducted at some of the airports and border posts from tourist when leaving the country. <sup>65</sup>

#### 3.1.1. International Tourist Arrivals

South Africa has seen a dramatic improvement in international arrivals, showing a growth of 12.8% in 2016 compared to 2015, attributing to South Africa receiving a record breaking of 10 million international tourist arrivals during this period. Adversely, growth in tourist arrivals during 2015 had a decline of -6.8% in arrivals compared to 2014, as seen in Figure 19. The sharp decrease in arrivals during 2015 compared to 2014 was due to, amongst others, negative impact relating to the perception of Ebola epidemic, xenophobic attacks, and confusion surrounding the new visa regulations implemented in South Africa in 2014.

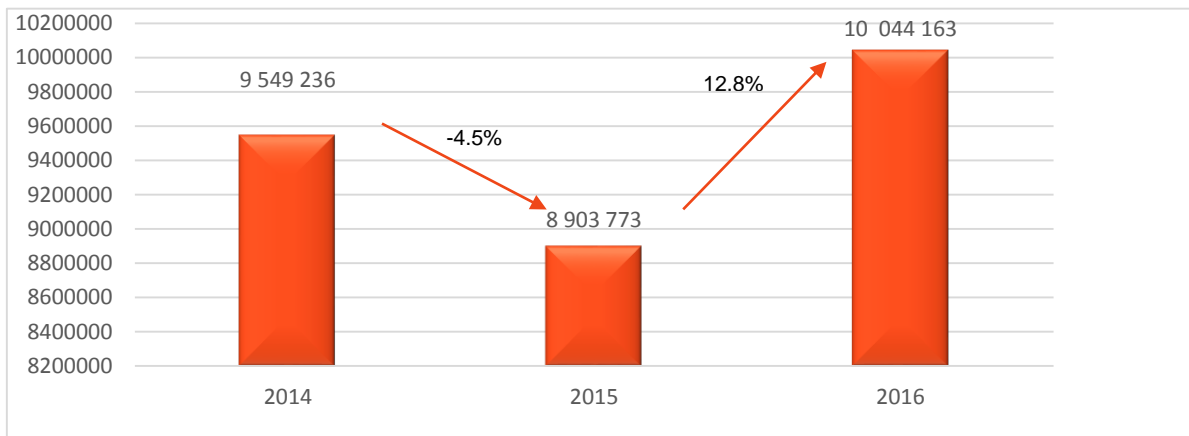
Figure 16: Total international tourist arrivals



Source: SAT, Annual Report 2015, and Table B December 2016

<sup>65</sup> SAT. 2015. *Annual Report 2015*.

Figure 17: Number of International Tourist Arrivals, 2014-2016



Source: SAT, Annual Report 2015, and Table B December 2016

The Department of Home Affairs amended the Immigration and Refugees Acts, and implemented regulations and strategies to address the issues of safeguarding our sovereignty and ensuring public safety and national security. Proposed and ongoing interventions have been introduced to streamline the implementation of these regulations.  
 – Department of Home Affairs (2017)<sup>66</sup>

African markets remain the main source of tourist arrivals to the country, with total Africa main land markets (Africa air and land) contributing almost 75% to the total arrivals in 2016.<sup>67</sup> The remaining 25% of South Africa's International tourist markets are from long-haul destinations, with the majority from these overseas markets travelling from Europe (60%), North America (16%) and Asia (13%) in 2016.

Figure 18 indicates that the main source regions recovered from declines recorded in 2015, with Europe showing a 15.8% growth for 2016 compared to 2015, North America 14.9%, and Africa Land 11.4%. Furthermore, South Africa is experiencing high levels of increased arrivals from other regions such as Central and South America (34.3%), the Middle East (34.1%) and

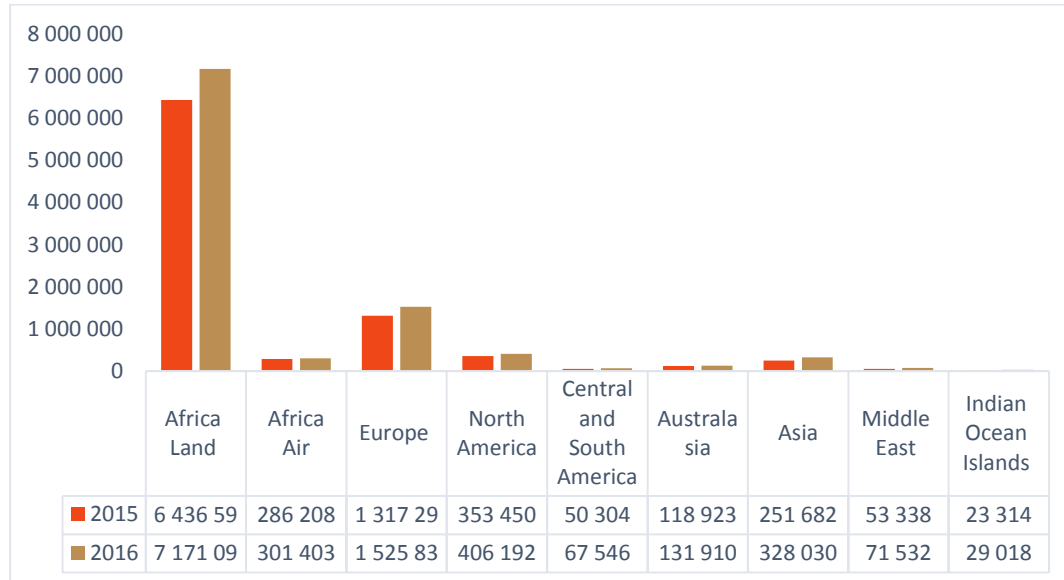
<sup>66</sup> Department of Home Affairs. 2017. Towards a new white paper on international migration. Presented in Ekurhuleni.

<sup>67</sup> SAT Definitions Note: Africa-air Markets are markets where at least 60% of arrivals to South Africa use air transport; Long-haul markets include all countries outside of Africa



Asia (30.3%). The African air markets only showed a 5.3% increase in tourist arrivals during the same period under review.

**Figure 18: International Tourist Arrivals by Region, 2015-2016**



### 3.1.2. Top International Tourist Source Markets

The identification of the top international source markets by arrivals indicates the importance of key markets that drive South Africa's international tourist market share. The UK (447 840) and the USA (345 013) remain the driving forces in volumes generated from the overseas markets. However, these markets recorded a low growth percentage in 2016 compared to 2015 while other top ten source markets such as UK (9.9%) and Germany (21.5%) recorded significant growth during the same period under review.

Some of the main long-haul source markets that showed tremendous growth from 2015 to 2016 were the Netherlands with 21.4% (147 973) and France with 20.1% (154 226), indicating the strengthening of these main markets over the period. South Africa's emerging BRICS (Brazil, Russia, India, China and South Africa) markets also showed substantial growth during the 2016 period, with the Chinese (including Hong Kong) market (117 144) showing an increase of 38.0%, and the Indian market an increase of 21.7% (95 377).



Table 9: Top ten long-haul international tourist markets

Top long-haul markets		2016	2015	%Change
1	UK	447 840	407 486	9,9%
2	USA	345 013	297 226	16,1%
3	Germany	311 832	256 646	21,5%
4	France	154 226	128 438	20,5%
5	Netherlands	147 973	121 883	21,4%
6	China (including Hong Kong)	117 144	84 878	38,0%
7	Australia	109 146	99 205	10,0%
8	India	95 377	78 385	21,7%
9	Canada	61 179	56 224	8,8%
10	Italy	60 774	52 377	16,0%

Source: SAT, Table B December 2016.

The African market augments volumes to South Africa's international arrivals. The largest source markets originated from Zimbabwe (2 028 881), Lesotho (1 757 058) and Mozambique (1 268 258); which are all land-based markets. The main African air source markets were Nigeria (65 599), Angola (43 608) and the Democratic Republic of Congo (29 586).

Table 10: Top ten African tourist source markets

Top African markets		2016	2015	%Change
1	Zimbabwe	2 028 881	1 900 791	6,7%
2	Lesotho	1 757 058	1 394 913	26,0%
3	Mozambique	1 268 258	1 200 335	5,7%
4	Swaziland	893 618	838 006	6,6%
5	Botswana	679 828	593 514	14,5%
6	Namibia	214 664	212 514	1,0%
7	Zambia	174 767	161 259	8,4%
8	Malawi	154 017	135 260	13,9%
9	Nigeria	65 599	59 002	11,2%
10	Angola	43 608	48 416	-9,9%

Source: SAT, Table B December 2016

The African markets with the largest growth during 2016 compared to 2015 include Lesotho (26.0%), Botswana (14.5%), Malawi (13.9%) and Nigeria (11.2%). Markets that showed little or no growth included the Democratic Republic of Congo (3.8%), Namibia (1%), and Angola recorded a declining growth of 9.9%.

With the largest portion of South Africa's arrivals were from African land arrivals (71%) in 2016, it is recommended that the country improves its long-haul and regional market capture. This can be achieved by attracting the BRICS and African air markets through the promotion of South Africa as a culturally authentic and innovative tourism destination.<sup>68</sup>

<sup>68</sup> Department of Tourism. Draft *National Tourism Sector Strategy, Review 2016*.







### 3.1.3. International Tourist Demographics

According to Stats SA Annual Tourism Report (2015)<sup>69</sup>, there were more males (55.7%) travelling to South Africa than females (44.3%). About 55.4% and 55.6% of tourists from long-haul markets (overseas tourists) SADC countries (Africa land markets) respectively were males, indicating a normalised split between

the genders in these markets. However, 34% of foreign tourists originating from the rest of Africa were female, suggesting a more biased market. This emphasises the opportunity that exists to attract more female tourists to South Africa from this market. A new emerging trend, namely female Solo travel, is becoming a global phenomenon and if packaged correctly, South Africa could tap into this market. Women travelling solo and independently are a growing trend; these women are choosing this form of travel without the companionship of partners or support of packaged trips or tours<sup>70</sup>.

Stats SA 2015)<sup>71</sup>, indicates that the majority of tourists travelling to South Africa were aged between 15 to 64 (89.5%), with 5.5% under the age of 15 years, and 4.9% above the age of 65 years. According to the SAT Annual Report (2015)<sup>72</sup>, the majority of international tourists who responded to the departure survey when they left the country during 2015 were aged 25 to 44, as indicated in Figure 22.

Figure 19: International tourist demographics

Foreign tourists		Overseas	SADC	Rest of Africa
	Male	1,187,722	3,654,473	112,831
	Female	957,265	2,920,755	58,039
	0-14	144,296	338,162	8,658
	15-64	1,722,492	6,079,430	158,481
	65+	278,200	278,200	3,731

Source: Stats SA, Tourism 2015

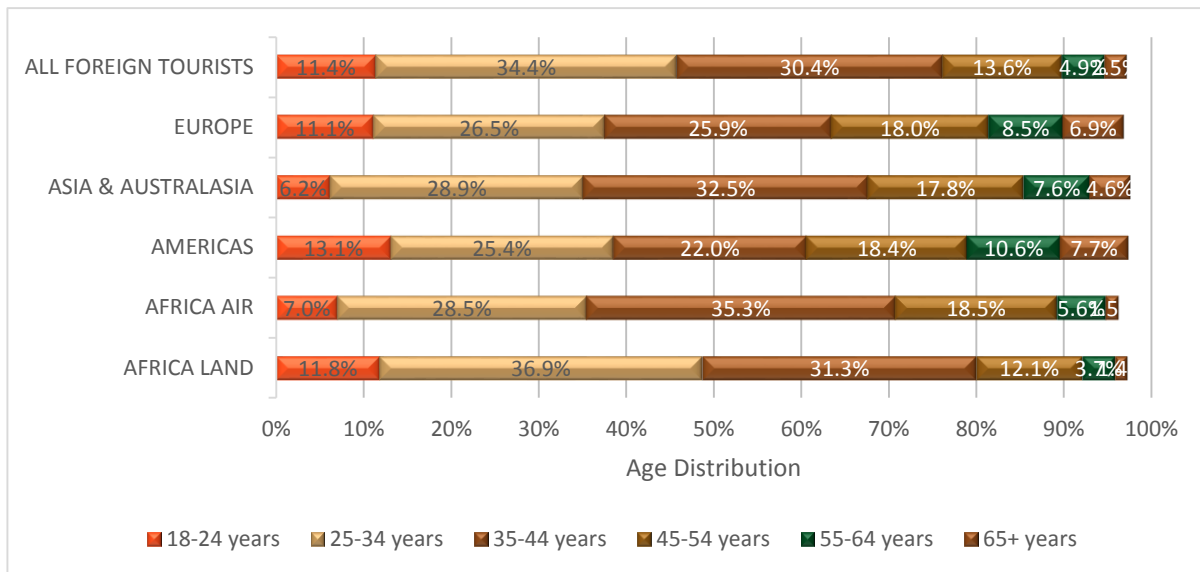
<sup>69</sup> StatsSA. 2015. *Tourism, 2015*.

<sup>70</sup> K. McNamara & B. Pideaux. 2010. A typology of solo independent women travelers.

<sup>71</sup> StatsSA. 2015. *Tourism, 2015*.

<sup>72</sup> SAT. 2015. *Annual Report 2015*.

Figure 20: Age distribution of international tourist markets, 2015



Source: SAT, Annual Report 2015

Although the data indicated in the figure above is based on a survey conducted by SAT, this could be an indication that the most adult travellers to South Africa are aged between 25 to 44 (64.8%), which is the core travel market, whereas the group aged 65 are prone to travel but lack the volumes of other specified age groups.

There has been a notable shift in the demographic age of all markets, with an increase of tourists aged between 18 to 34 now travelling to South Africa (45.8%) as indicated from the survey results, making this segment a very attractive international tourist market. This emphasises the increased importance of young adults and millennials<sup>73</sup> as a key international target market for South Africa. Millennials grew up online and never knew a time without mass media and the internet. This market adds more value to experiences that consumer goods, and are driven by sociability, inclusivity and diversity within all social circles. Thus, motivating the new trend of authentic experienced-based tourism (Instant Grass International, 2017).<sup>74</sup>

<sup>73</sup> Millennials: is a name given to the generation born between 1982 and 2004. They are also known the first to be born into a digital world, this demographic group it often associated with the internet and social media.

<sup>74</sup> Instant Grass International. 2017. Millennials and the importance of 'cool'.

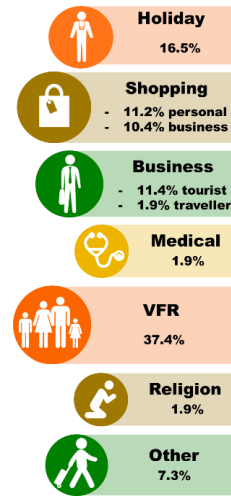


### 3.1.4. International Markets Purpose of Visit

The main reasons for international tourists to visit South Africa in 2015 were to visit friends and relatives (VFR) (37.4%), holiday (16.5%), shopping (11.2%) and business (11.4%), as indicated in Figure 23.<sup>75</sup>

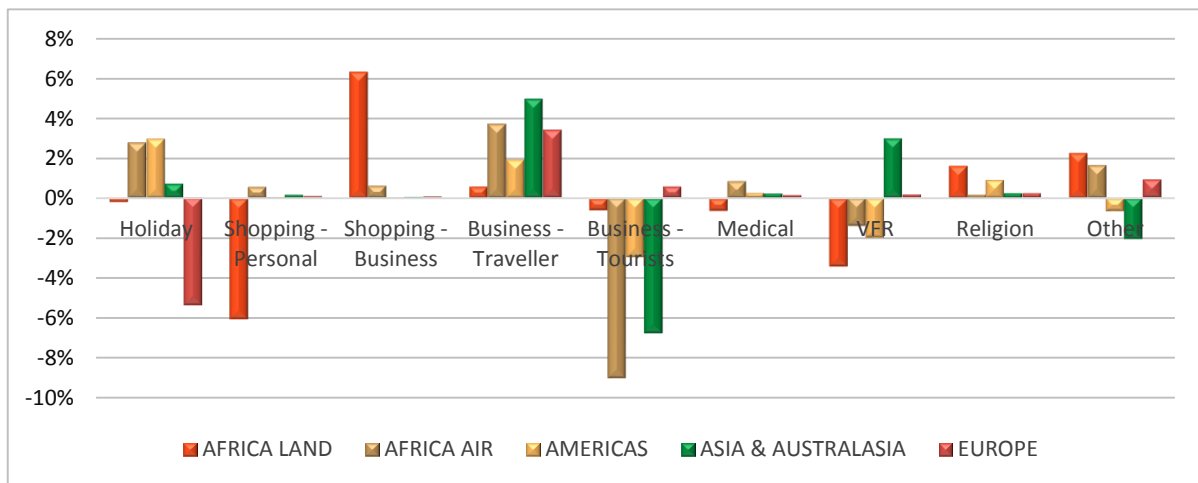
The figure below provides the difference in the percentage share by purpose of visit between 2015 and 2014, thus indicating the increase in importance per international market segments. As can be seen, the share of tourist arrivals travelling for holiday purposes from Asia and Australasia went up by 1% from 32.5% in 2014 to 33.5% in 2015. Americas by 2% (from 46.7% to 49.7%) and Africa air markets by 3% (from 16% to 19%). However, it is important to note the share of holiday tourists from European markets went down by 5.3% from 49.5% in 2014 to 44.2% in 2015.

Figure 21: Purpose of visit



Source: SAT, Annual Report 2015

Figure 22: Total foreign direct spend in South Africa, 2013-2015



Source: SAT, Annual Report 2015

There was a major decline in the share of business tourism for all markets in 2015 compared to 2014, except for Europe with a share increase of 0.6% during the same period under review. Share of tourist arrivals whom were travelling for businesses purposes went up by from 18.7% in 2014 to 23.8% in 2015. This highlights the importance of business and trade investment within the context of tourism and travel in South Africa. Hence, the shifts between 2014 and 2015 indicate that South Africa is playing an increasing role as a trade and business

<sup>75</sup> SAT. 2015. *Annual Report 2015*.



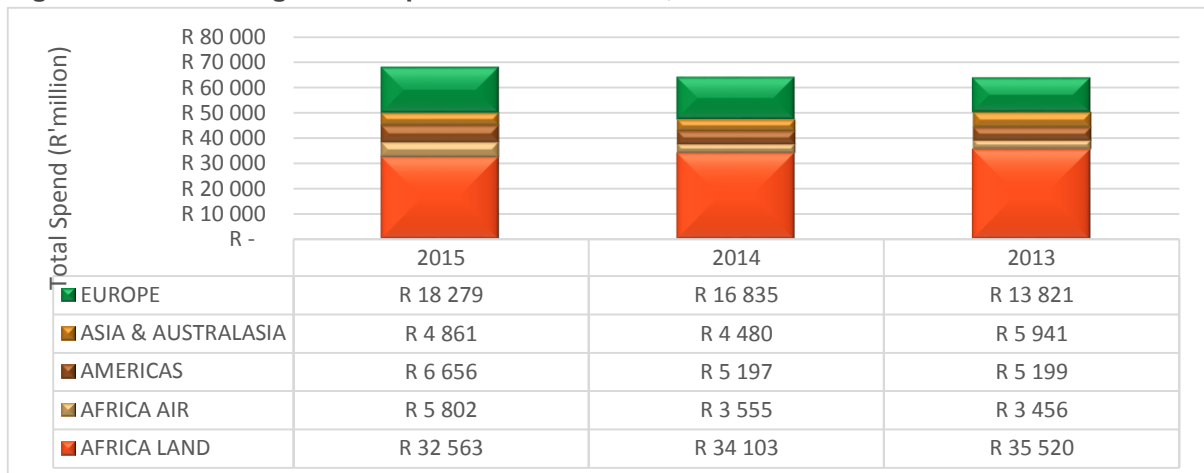
destination. Notably, the emerging markets are showing increased interest in holiday activities when travelling to South Africa.

The international market spent on average 9.5 nights in South Africa during their trip in 2015 which was an increase from 8.6 nights in 2014. This could be an indication that international tourists on average stayed longer in the country. Therefore, it is important that South Africa's tourism industry packages offerings for these long-stay markets. Moreover, encouraging longer stays by promoting more local and unique products, and value for money offerings to all markets.

### 3.1.5. International Tourism Markets Spending Patterns

The international tourist markets direct spend was R68.2 billion in 2015, which was 6.2% more compared to 2014. According to SAT (2015)<sup>76</sup>, about 48% of tourist expenditure was contributed by the Africa land market; which is tremendous, showing the critical role the SADC market has to play in South Africa's economy, however, it should be noted that this was driven by volume as these tourists spent lesser on average. The Europe market is increasing its foothold as a major contributor to tourism revenue for South Africa, contributing about 27% to the total spend in 2015 compared to about 26% in 2014. Similar with the Americas that increased from 8% to 10%, and African air market from 6% to 9%, during the period under review.

Figure 25: Total foreign direct spend in South Africa, 2013-2015



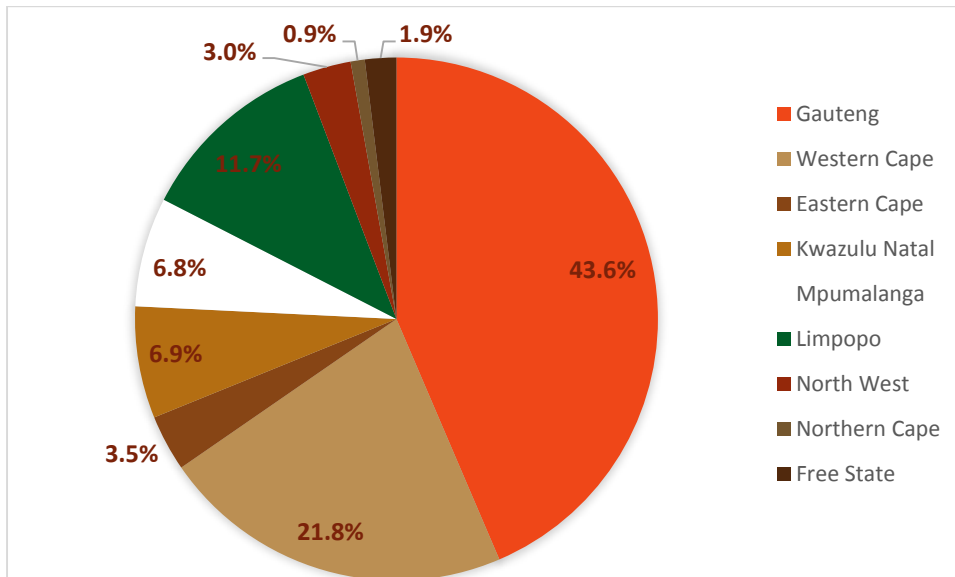
Source: SAT, Annual Report 2015

The average expenditure for an international tourist arrival in South Africa was R830 per day during 2015. Air-bound markets show a much higher average spend per day, with African air markets spending on average R1 260, the Americas R1 230, Europe R1 040, and Asia and Australia R1 000; while the Africa land market only spends R660 per day on average.

<sup>76</sup> SAT. 2015. *Annual Report 2015*.

Figure 26 indicates the provincial spread of international tourist expenditure. Most of the international tourist expenditure was spent in Gauteng (43.6%), followed by the Western Cape (21.8%) and Limpopo (11.7%); showcasing the two major hubs for international tourists with regards to expenditure. The provinces that were receiving smaller portions of international tourist expenditure, included the North West (3.0%), the Northern Cape (0.9%) and the Free State (1.9%).

**Figure 26: Provincial spread of international tourist spend**



Source: SAT, Annual Report 2015

To increase the impact and benefit of international tourist expenditure, South Africa needs to encourage longer stays and wider spending by international tourists. Currently, SAT's initiatives aim to offer longer itineraries customised to each type of tourists with an experience or service that meets their needs.<sup>77</sup>

### 3.1.6. Seasonality and Geographical Spread

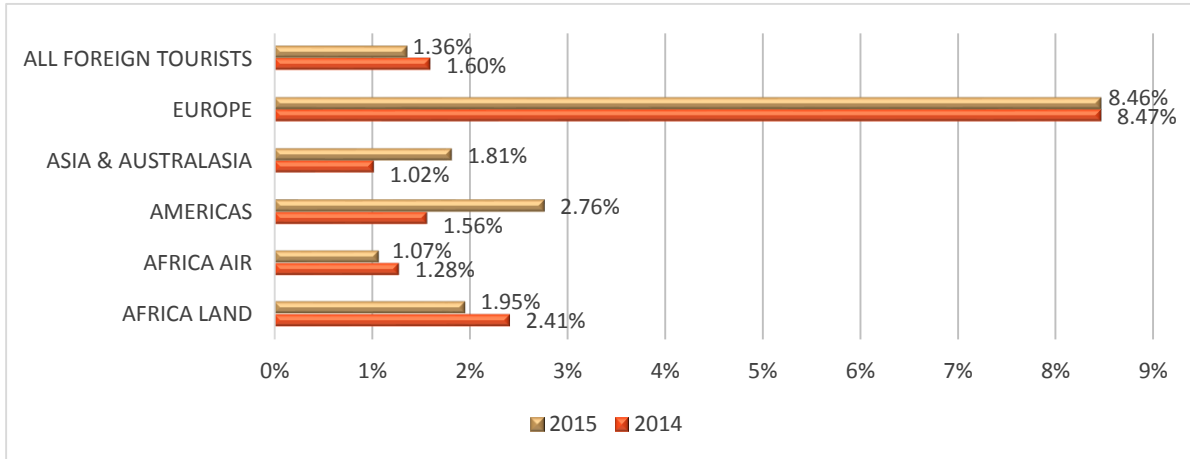
Seasonality is a temporary imbalance in the tourism sector that may be expressed in terms of elements as number of arrivals, expenditure and attractions.<sup>78</sup> The overall seasonality of international tourists improved from 1.60% in 2014 to 1.36% in 2015, indicating that the concentration of tourism flows in short periods are becoming less seasonal.

<sup>77</sup> SAT. 2016. 5 in 5: Marketing Investment Framework.

<sup>78</sup> Cannas, R. 2012. *An Overview of Tourism Seasonality: Key Concepts and Policies*. Journal of Tourism, Culture and Territorial Development, Alma Tourism (5): 40-57.

Figure indicates the seasonality index of different international tourist markets by region. The majority of the markets showed improvement in seasonality index during 2015, compared to 2014. However, the Americas, Asian and Australasian markets have shown an increase in seasonality index. It is also noted that compared to the other markets, the European markets are highly seasonal with a very high seasonality index of 8.46%.

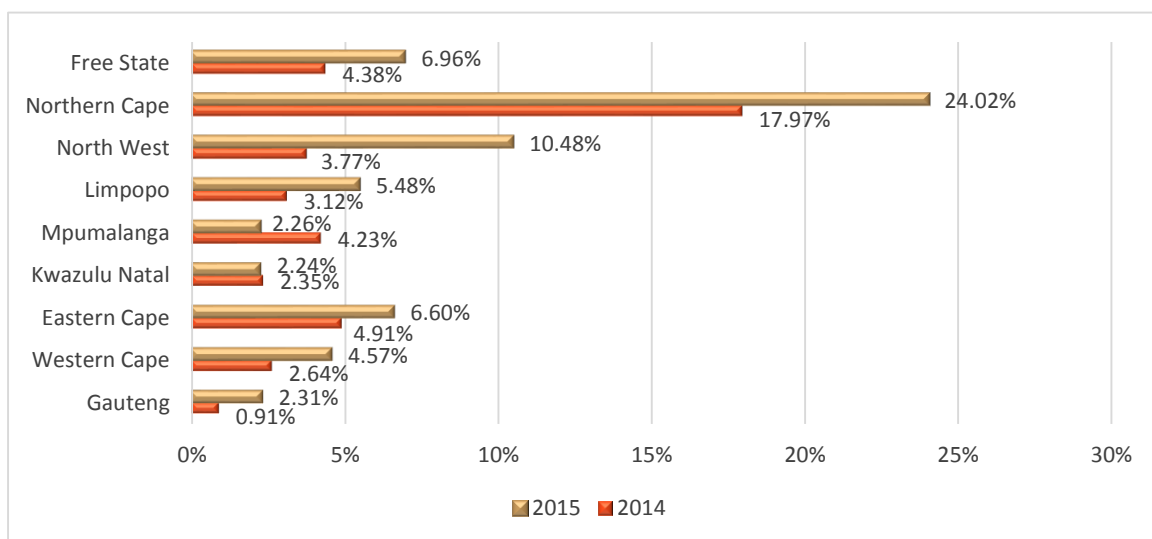
**Figure 27: Seasonality index of international tourist**



Source: SAT, Annual Report 2015

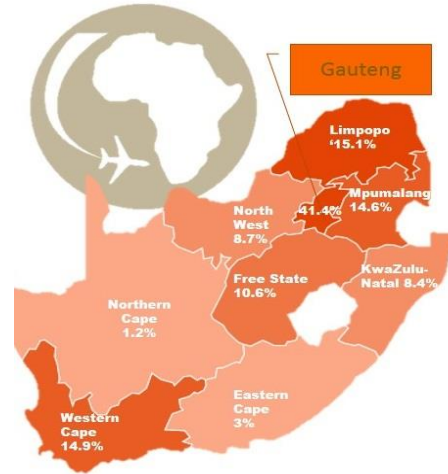
Even though the seasonality for South Africa and its tourist markets are low, the same cannot be said for provincial seasonality. Figure indicates that the provinces with low seasonality are Gauteng (2.31%), Mpumalanga (2.26%) and KwaZulu-Natal (2.24%). The provinces with the highest seasonality are the Free State (6.96%), North West (10.48%) and Northern Cape (24.02%). Moreover, the figures also specify that the seasonality index of most provinces were much higher in 2015 than in 2014. Thus, indicating the adverse impact of shifts in international tourist needs and access to destinations in the short-term.

**Figure 28: Seasonality index of international tourists per province: 2014/15**



Alongside seasonality, the geographical spread of tourists also plays a key role in the performance of the tourism sector. Thus, indicating the attractiveness of specific provinces to tourist. Figure 29 showcases the provincial spread of international tourist arrivals during 2015. As expected the forth runners are Gauteng (41.4%), Limpopo (15.1%), Western Cape (14.9%) and Mpumalanga (14.6%). These provinces are key ports of entry into South Africa.

Figure 29: Provincial share of international arrivals



Source: SAT, Annual Report 2015

### 3.1.7. International Tourist Experiences

Tourists experience can influence the perception of tourists with regards to the destination. Hence it is important to get feedback on their experience while they were in the country. As indicated in

Table 11: International tourist positive experience of South Africa, 2015

POSITIVE EXPERIENCE IN SA	Hospitality and friendly people	Good service	Visiting family friends	Good infrastructure	The scenery in SA is beautiful	Value for money	The diverse experience	Business opportunities	The wildlife game parks safari	The culture & heritage
Africa Land	31,4%	29,0%	40,7%	23,2%	19,7%	23,8%	9,6%	10,8%	1,5%	2,0%
Africa Air	32,6%	27,9%	20,5%	31,5%	29,9%	14,1%	18,5%	16,3%	9,5%	8,9%
Americas	47,6%	25,5%	16,9%	11,5%	60,1%	20,2%	28,8%	9,2%	43,7%	22,4%
Asia & Australasia	41,9%	23,1%	27,8%	13,8%	44,1%	19,0%	20,1%	15,3%	21,6%	11,2%
Europe	52,0%	30,6%	23,0%	12,3%	61,5%	24,0%	29,4%	13,2%	37,2%	18,6%
All International Tourists	35,4%	28,8%	36,1%	21,2%	28,4%	23,1%	13,8%	11,4%	9,2%	5,7%

Source: SAT, Annual Report 2015

, about 36.1% of tourists indicated that they had positive experience in visiting friends and relatives and 35.4% had a positive experience in hospitality and friendly people during 2015. However, 5.7% had a good experience in culture and heritage, while 9.2% had a good experience in wildlife game parks safari.



Table 11: International tourist positive experience of South Africa, 2015

POSITIVE EXPERIENCE IN SA	Hospitality and friendly people	Good service	Visiting family friends	Good infrastructure	The scenery in SA is beautiful	Value for money	The diverse experience	Business opportunities	The wildlife game parks safari	The culture & heritage
Africa Land	31,4%	29,0%	40,7%	23,2%	19,7%	23,8%	9,6%	10,8%	1,5%	2,0%
Africa Air	32,6%	27,9%	20,5%	31,5%	29,9%	14,1%	18,5%	16,3%	9,5%	8,9%
Americas	47,6%	25,5%	16,9%	11,5%	60,1%	20,2%	28,8%	9,2%	43,7%	22,4%
Asia & Australasia	41,9%	23,1%	27,8%	13,8%	44,1%	19,0%	20,1%	15,3%	21,6%	11,2%
Europe	52,0%	30,6%	23,0%	12,3%	61,5%	24,0%	29,4%	13,2%	37,2%	18,6%
All International Tourists	35,4%	28,8%	36,1%	21,2%	28,4%	23,1%	13,8%	11,4%	9,2%	5,7%

Source: SAT, Annual Report 2015

Additionally, there were limited negative experiences recorded indicating that the majority (82.6%) of international tourists had no bad experiences. However, more attention needs to be given to the perceptions of safety and security in South Africa, as it is viewed as one of the main negative experiences of international tourist.<sup>79</sup>

### SUMMARY SNAPSHOT

South Africa received over 10 million international arrivals in 2016, with an increase of 12.8% from 2015. International tourism continued to increase regardless of the impact that the recent visa implications, economic crisis and terror attacks had on the sector. The tourism sector is venturing into different source tourist markets to increase the market base for South Africa. With the aim to grow the African regional markets and the emerging BRICS markets by promoting South Africa as a regional hub and investment channel. In addition, increased market access is created to main European and American markets through experienced-based tourism product packaging, events and increased air access.

### 3.2. Analysis of Domestic Market Share

Domestic tourism plays a critical role in the success of a tourism destination and should form the backbone of the sector. South Africa aims to increase the impact and spread of domestic tourism through multiple marketing strategies, product development and packaging, and niche market creation.

<sup>79</sup> SAT. 2015. *Annual Report 2015*.





The following section provides more insight into the domestic tourist market of South Africa. There are two main sources for domestic tourism performance statistics, namely, SAT Domestic Tourist Performance Report and Stats SA Domestic Tourism Survey Report. These reports provide feedback on different parameters, as illustrated in Figure 30.

Figure 30: Comparison of SAT and StatsSA domestic tourism survey

Characteristics	SAT	StatsSA
SAMPLE	15 594 persons (About 1 300 monthly)	Approximately 32 000 households
SCOPE	18+	All ages
MEASURE	All trips	Most recent trips
RECALL PERIOD	Monthly	Three month recall period
CONTENT	Overnight trips, day trips and LSM	Overnight trips and day trips
REPORTING PERIOD	Annual Report Quarterly Report Final report in 2016/17	Annual Report Bi-annual Report From 2017/18 onwards

Source: NDT, 2017. Comparison of Domestic Tourism Survey Results: SAT vs StatsSA.

For the purpose of this report, specific emphasis will be placed on SAT Domestic Tourist Performance Report, due to the NDT using the SAT report as the primary performance indicator of domestic tourism in the country. According to the strategic coordination plans between NDT, SAT and Stats SA, it is envisaged that the statistical collection and reporting function will be primarily conducted by Stats SA once alignment is achieved between the SAT and Stats SA Domestic Tourist Surveys.<sup>80</sup>

This section will provide a market scope of domestic tourist performance, by reporting on the overall trips taken by domestic tourists in South Africa.

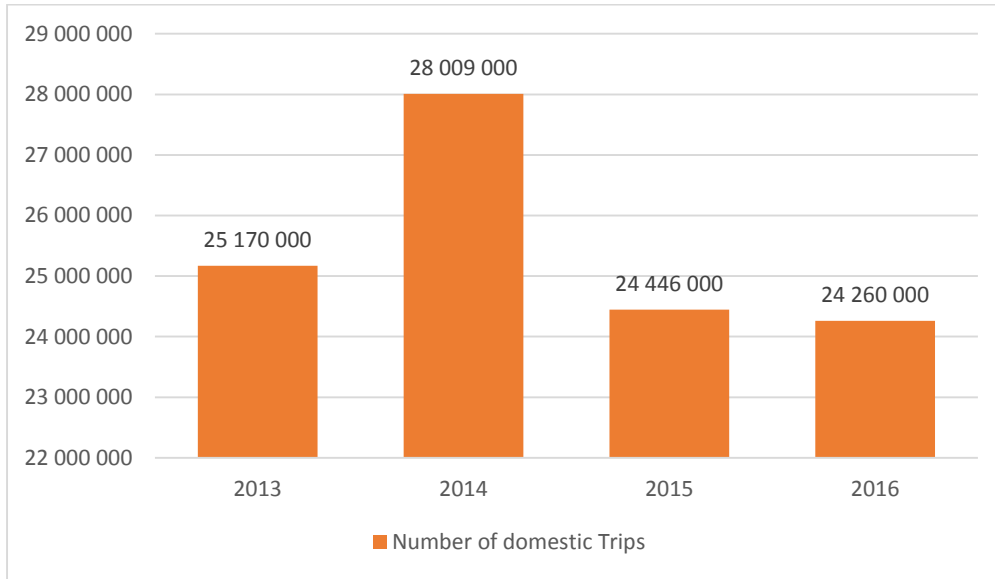
### 3.2.1. Domestic Tourist Trips

Recent trends show a decrease in domestic tourist trips over the past few years. **Error! Reference source not found.**<sup>31</sup> indicates the decline of domestic trips by 0.7% from 24.5 million in 2015 to 24.3 million in 2016. Although the number of trips declined in 2016, this was a lesser declining growth recorded compared to a double digit declining growth of 12.5% recorded in 2015 compared to 2014.

Figure 31: Number of domestic trips

<sup>80</sup> NDT, 2017. Comparison of Domestic Tourism Survey Results: SAT vs StatsSA.



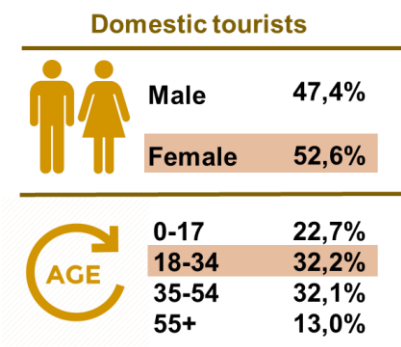


Source: SAT Domestic tourism performance indicators, 2015

### 3.2.2. Domestic Tourist Demographics

Stats SA domestic tourism data would be used to demonstrate demographics of domestic tourist travellers as this indicator it is not included in SAT’s results. However, these results should be used separately from SAT’s results as methodologies used are far much different. According to Stats SA’s Domestic Tourism Survey (2015)<sup>81</sup>, the majority of domestic trips are taken by females (52.6%), with women primarily travelling overnight for VFR (47.1%), funerals (16.9%), and leisure (16.6%). Thus, emphasising the important family-orientated role that woman play within societies.

Figure 31: Domestic Tourist Demographics



Source: StatsSA, Domestic Tourism Survey 2015

The statistics indicate that the two main age groups pulling the weight for the domestic tourist market are the millennials (18-34) at 32.2%, and Generation X (35-54) at 32.1%. This ratio keeps increasing, as these two groups increase in volume; while the percentage of overnights trips taken by age groups 0-18 and 55+ are slowly decreasing since 2013. The new up and coming South African market is more integrated, more ethnically diverse, and open to radical change and ideas, and seen as the “born free” generation. This group is more open to embrace new experiences and opportunities to engage with their environment.<sup>82</sup> Generation X experienced their formative years during the transitional years of South Africa’s young democracy during

<sup>81</sup> StatsSA, Domestic Tourism Survey 2015.

<sup>82</sup> Instant Grass International. 2017. Millennials and the importance of ‘Cool’.



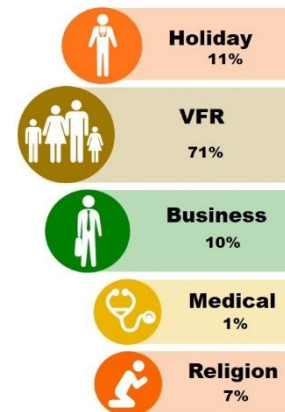
the 1990s. Even though those years have impacted and limited their tourist-behaviour development as youth; the growth of the middle-class market from this group, and increased adaption to new technology and trends has increased their ability and willingness to experience a more fulfilled lifestyle that includes travel and experiences within their family units or social groups.<sup>83</sup>

### 3.2.3. Domestic Tourist Purpose of Visit

The reporting on purpose of visit will be based on 2015 figures. The majority of domestic tourists travel for VFR purposes, which is typically motivated by weddings, funerals and celebrations. South Africa aims to grow the domestic tourism market by motivating the VFR market to embrace tourist-behaviour during their trip.<sup>84</sup> Domestic tourism also plays a critical role in business tourism, with about 10% of domestic tourist travelling for business purposes during 2015. Other interest groups travel for religious purposes, medical reasons, shopping, studies and sporting activities, as indicated by the surveys.

There is also great potential to increase domestic travel through events and increase investment in social tourism. To grow domestic tourism, there is a need to embrace and create niche products and markets that appeal to the different segments and needs in the market.

Figure 32: Domestic tourist purpose of visit



Source: SAT, Domestic Tourism Indicators 2015, Domestic Performance

<sup>83</sup> Mosupyoe, S. 2014. Generational differences in South African consumers' brand equity perceptions, University of Pretoria.

<sup>84</sup> NDT. 2017. *Domestic Tourism Growth Strategy*. National Tourism Stakeholder Forum. Presented in Ekurhuleni on 14 March 2014.

### 3.2.4. Domestic Tourist Spending Pattern

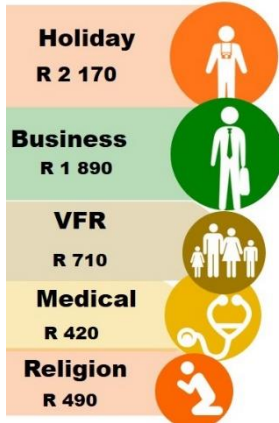
According to SAT<sup>85</sup>, the total domestic spend for 2016 increased by 12.3% compared to 2015, equating to R26.5 billion, following a decline of 11.9% recorded in

Figure 33: Total domestic spend



Source: SAT, Domestic Tourism Performance Indicators 2015

Figure 34: Average spend by purpose of travel



Source: SAT, data cuts,

2015 compared to 2014. 2015 results indicate that on

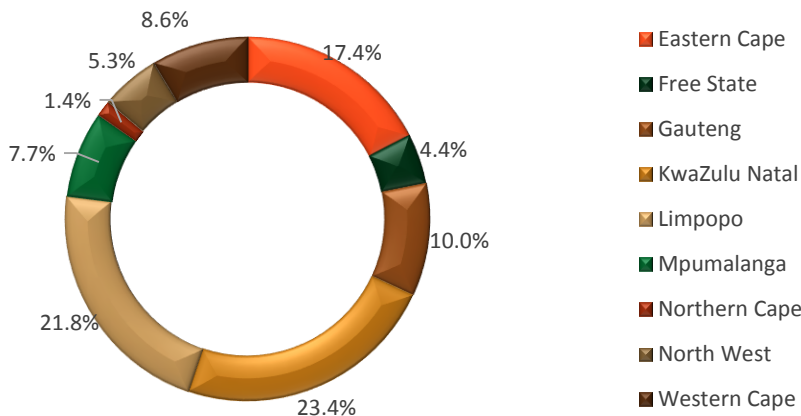
average, domestic tourists travelling for holiday (R2 170) and business (R1 890) purposes spend more money per trip, compared to travellers visiting for VFR (R710), medical (R420) and religious (R490) purposes, as illustrated in Figure 34. These results indicate the potential of generating greater revenue through holiday and business travel as domestic tourists traveling for this purposes tend to spend more. However, potential lies within the VFR market as this category contributes more to the volume of domestic trips.

This could be done by encouraging increased spending

and tourist activity during the visitation period from this market.

Figure 35 illustrates the distribution of domestic tourist expenditure received by provinces during 2015.

Figure 35: Domestic tourist spend distribution per province



Source: SAT, Domestic Tourism Performance Indicators 2015

<sup>85</sup> StatsSA, Domestic Tourism Survey 2015.



The provinces that benefited more from domestic tourism revenue in 2015 included amongst others KwaZulu-Natal receiving a share of about 23.4%, Limpopo (21.8%) and the Eastern Cape (17.4%). This is due to the high volume of VFR tourists travelling to these destinations.

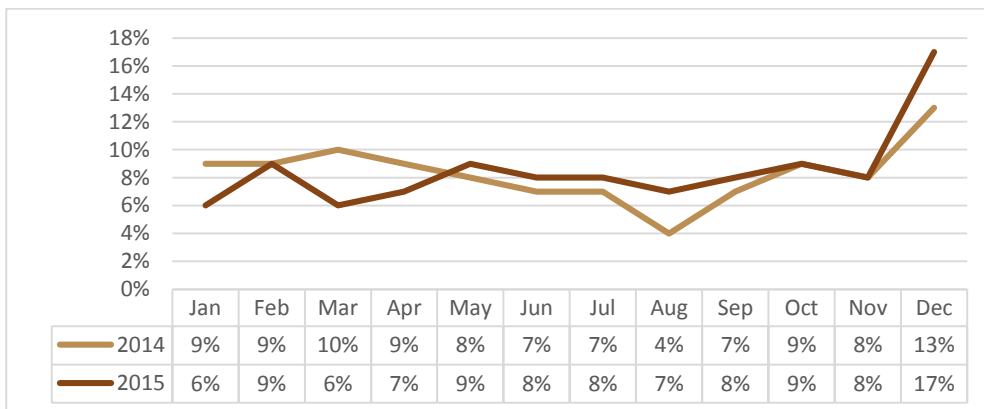
The provinces that receive minimal domestic tourist spend are North West (5.3%), Free State (4.4%) and Northern Cape (1.4%). These provinces are characterised by low domestic trips in general; furthermore, their leisure and business tourism attractiveness does not resonate with domestic tourist compared to other destinations.

**3.2.5. Seasonality and Geographical Spread**

Figure 36 compares the monthly share of domestic tourism trips during 2014 and 2015. Ideally for domestic tourism trips to be less seasonal and equally distributed throughout the year, the share of monthly domestic trips should at least be 8%. In 2014, South African adults took far much lesser trips in August (4%) compared to other months. However, there is still an indication that South Africans tend to travel more in December as this month always records the highest share of domestic trips every year. The share of domestic trips for December in 2014 and 2015 were 13% and 17% respectively, the highest during both years.

The provincial distribution of domestic tourism trips somehow differs with the distribution of international trips. More domestic tourists tend to travel more to Limpopo (23%), KZN (20%) and Gauteng (16%). Domestic tourism has the potential to increase geographical spread and impact of tourism within provinces less visited by international tourists.

**Figure 36: Percentage domestic trips per month**



Source: SAT, Annual Report: 2015

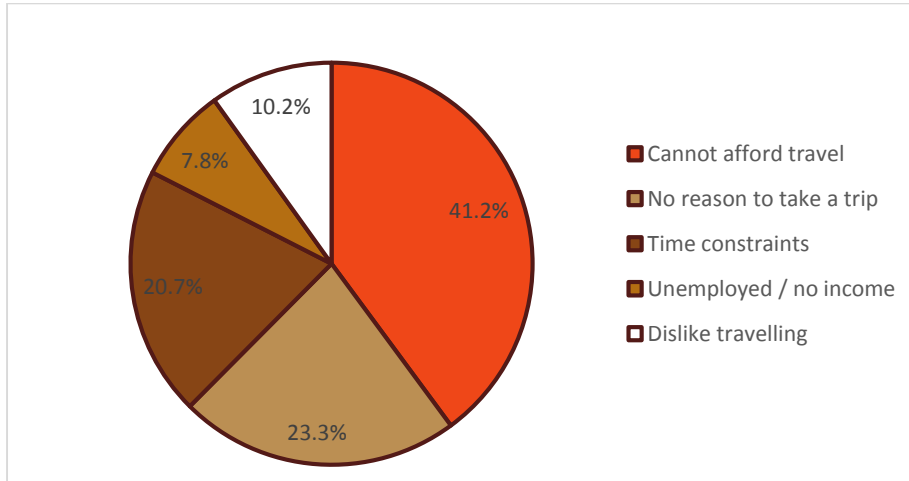
**3.2.6. Reasons for Not Taking a Domestic Trip**

As indicated in the above section, domestic trips showed a decline of 12.5% and continued to decline in 2016. Figure 37 provides results of reasons as to why fewer domestic trips were taken in 2015. As observed, 41.2% could not afford to travel, 23.3% had no reason to travel,



20.7% time constraints, 10.2% disliked traveling and 7.8% indicated that they were unemployed or had no income. This could be an indication that locally based service providers should encourage cost-effective travelling packages and new experience.

**Figure 37: Reasons for not taking trips: 2015**



Source: SAT, Annual Report: 2015

### **SUMMARY SNAPSHOT**

Domestic tourism plays a critical role in the tourism sector, as domestic tourists also spend while travelling within the country, which contribute to the economy and employment creation in the country. Domestic tourism has a greater effect on the spread and impact of tourism, with domestic tourist spend contributing more proportionately to all provinces compared to international tourist spend. Unfortunately, recent trends have shown a decline in domestic trips. This decline is due to the economic constraints experienced by the domestic markets based on reasons provided for not taking a domestic tourism trip. Effectively, the domestic tourism growth strategy has been developed to push and increase domestic market access to tourism products through unique marketing channels, product and resource development (stokvels, Sho't Left, value for money packaging, social tourism, family package promotion, etc.).



## SECTION 4: SOUTH AFRICA TOURISM SUPPLY PERFORMANCE

Tourism is closely linked to development and encompasses a growing number of new destinations. The business volumes of tourism equal or even surpass that of oil exports, food products and automobiles (UNWTO, 2016).<sup>86</sup> This growth goes hand-in-hand with an increasing diversification and competition amongst destinations. Product offering is a pre-requisite of satisfying tourists changing demands to ensure the long profitability of the tourism sector and guarantee that tourists stay at a destination for a longer period. Ideally, tourism product offerings need to meet customers' demands and should represent the cultural and natural resources of a specific destination (Bramwell, 1998).<sup>87</sup> This section analyses the distribution and performance of the key tourism sector's supply-side.

### 4.1. Tourism Product Distribution and Performance

The tourism sector is complex and impacts multiple industries within the trade, including amongst others transport and service support sectors of the economy (Frechtling, 1994)<sup>88</sup>. The following sub-section provides general insight into the distribution of tourism products and their impact within their specified industry.

The National Department of Tourism together with SAT have developed a national tourism database showcasing a number of tourism products. Although the database is not fully comprehensive, it gives a good overview of the spread of tourism related products throughout the country. There are currently 61 941 listed tourism products in the database and it is updated on a regular basis. However, there are current constraints on keeping the database up-to-date and comprehensive which includes amongst others the lack of an appropriate registration and recording mechanism to capture all relevant business information; alongside, the limited awareness from sector players. Figure 41 represents the distribution of tourism product in the database by type as at December 2016 (NDT, 2016)<sup>89</sup>.

<sup>86</sup> UNWTO. 2016. *Tourism – an economic and social phenomenon*. Available: <http://www2.unwto.org/content/why-tourism>. Accessed on 2017/03/02.

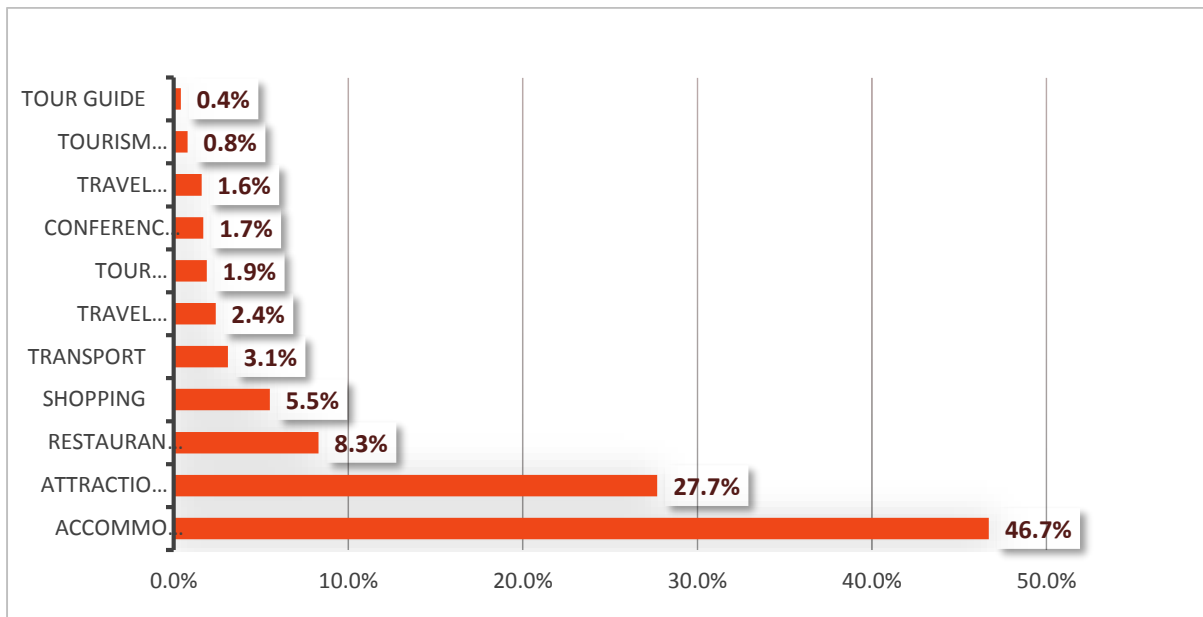
<sup>87</sup> Bramwell, B. 1998. *User satisfaction and product development in urban tourism*. *Tourism Management* 19(1):35-47

<sup>88</sup> Frechtling, D.C. 1994. *Assessing the Economic Impacts of Travel and Tourism: Introduction to Travel Economic Impact Estimation*. *Travel, Tourism and Hospitality Research: A Handbook for Managers and Researchers*, 2:1-16.

<sup>89</sup> NDT. South Africa National Tourism Database, December 2016.



Figure 38 Distribution by Tourism Product Type

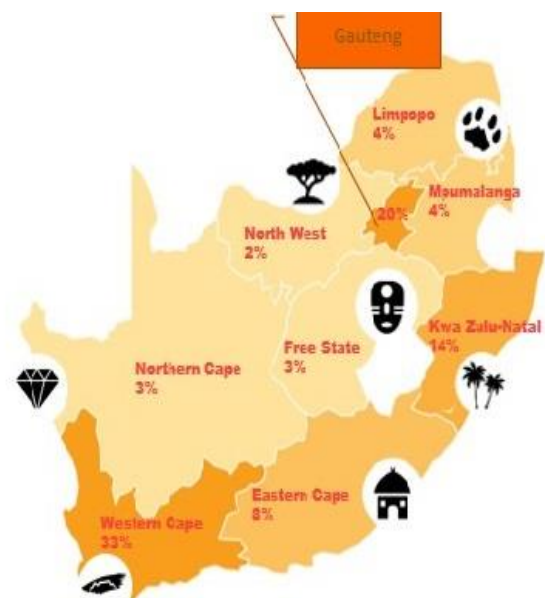


Source: NDT, National Tourism Database, December 2016

As can be seen from the figure above, accommodation makes up the majority of supply side of tourism services and products within the Tourism Sector, representing about 46.7%.

Figure 39 indicates the geographic spread of tourism products and services represented in the National Tourism Database. The majority of tourism products in the database are located within the Western Cape (33%), Gauteng (20%) and KwaZulu-Natal (14%).<sup>90</sup> The following section provides a breakdown of the tourism supply distribution and performance within South Africa.

Figure 39: Distribution of tourism products per province



Source: NDT, National Tourism Database, December 2016

<sup>90</sup> Heikal, R. 2017. *Economics Basics: Supply and Demand*. Available at: <http://www.investopedia.com/university/economics/economics3.asp>. Accessed on 2017/03/02.



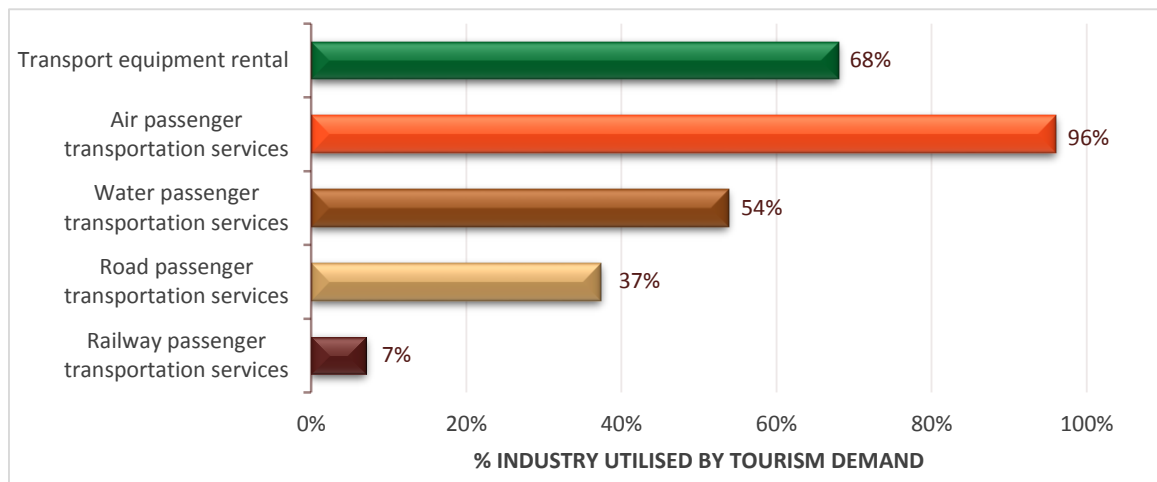
#### 4.1.1. Analysis of Tourist Transport Services

Transportation is the main means to carry both tourists and travellers in general. Therefore the need for transportation is essential for tourism development as well (Mammadov, 2012)<sup>91</sup>.

Stats SA's Tourism Satellite Account (TSA, 2015)<sup>92</sup> indicates that 96% of air passenger transport is generated by tourism-related demand, 54% by water passenger transport, and 37% by road passenger transport (Figure 40). This indicates that transport as a service sector, does play a critical role in tourism, since a large portion of these transport-based services generate income from tourism demand. This also elevates the importance of the regulation, safety and accessibility of the passenger transport sector, both for public transport services (public busses, rail, and infrastructure) and the private sector (taxis, tour operators, shuttles, cruise ships, charter busses, and airlines).

Figure 40 below provides more insight, specifically on the airline and car rental industry. However, further research and analysis needs to be undertaken on the taxi and shuttle services, tourist rail-related products, as well as the cruise industry.

**Figure 40: Tourism Expenditure by product (%), 2015**



Source: Stats SA, Tourism Satellite Account 2015




<sup>91</sup> Mammadov, R. 2012. The Importance of Transportation in Tourism Sector. *7th Silk Road International Conference "Challenges and Opportunities of Sustainable Economic Development in Eurasian Countries"*, May 24, 2012 – May 26, 2012.

<sup>92</sup> Stats SA. 2015. Tourism Satellite Account, prelim 2015.

## ❖ Airline Industry

Figures reported in this section are based on the period April 2016 to March 2017 compared to same period in 2015/16. ACSA Airports in South Africa received 284 285 arriving aircrafts in 2015/16 and 280 707 in 2016/17, indicating a decline of 1,3 %. Overall, there was a decline of 0,9% in aircraft movement during the same period under review, where 2015/16 recorded a growth of 3.6% from the previous financial year.

**Figure 41: Aircraft movement for South Africa**

AIRCRAFT MOVEMENT			
	FY15/16	FY16/17	% Change
Arrivals 	284 285	280 707	-1.3%
Departures 	281 266	279 644	-0.6%
Consolidated 	565 551 3,6%	560 351 -0,9%	

Source: ACSA, Consolidated Aircraft Movements 2016/17

The entry of low cost carriers continued to shake up the airline industry. The increase in capacity for scheduled flights on high volume routes is also leading to increased competition. As a result, demand for local flights at low prices continued to grow. Competition between low cost airlines led to flights becoming more affordable. The national carrier is quite competitive in the outbound market; however, other competitors are more competitive price wise (Euromonitor, 2016).<sup>93</sup>

According to Birns, in the mid-late 1990s, a record of 64 carriers serviced South Africa. "Since then, and for various reasons. In parallel, over the same period SAA has whittled down its European and Asian networks (stopping its flights with its own aircraft to Amsterdam, Lisbon, Paris, Rome, Milan, Vienna, Athens, Tel Aviv, Singapore, Taipei, Dubai and Beijing) and withdrawing all of its long-haul services between Cape Town, the USA, UK and Europe; and between Durban and London." (Birns, 2017)<sup>94</sup>

Currently, the industry is experiencing a number of influencing factors; including less restrictive bilateral air service agreements that allow for competitive pricing, the weakening rand, introduction of new generation aircrafts, and the emergent for three main gulf carriers. Recently, in South Africa a number of new routes, capacity increases and partnerships have been put into effect. From an international perspective, Durban now has a direct route to Istanbul (Turkey) and an increase of capacity in the Seychelles and Mauritius routes; and Cape Town has a direct route to Gatwick (UK) and receiving increased volumes from Dubai, Addis Ababa, Miami, etc. From a local and regional perspective, new routes opened to smaller destination in provinces like North West, Limpopo and the Northern Cape (Western Cape

<sup>93</sup> Euromonitor. 2016. Airlines in South Africa.

<sup>94</sup> Birns, L. 2017. *New SA flight routes travellers can take advantage of in 2017*, by Brophy, S. on 2017/01/04. Available at: <http://traveller24.news24.com/News/Flights/new-sa-flight-routes-travellers-can-take-advantage-of-in-2017-20170104>. Accessed on: 2017/04/25

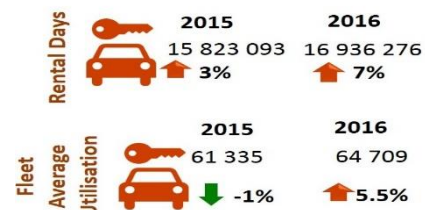
Department of Economic Development and Tourism, 2016)<sup>95</sup>. New codeshare agreements between local low-cost carriers and international carriers are also underway between key cities in South Africa. Effectively, the airline industry is becoming more aggressive, which impacts the costing, offering, and technology provided by the airlines to be more competitively promoted.

#### ❖ Car Rental Industry

One important service component in the transport sector for travel and tourism is the car rental industry, with 68% of transport equipment rental income is generated from tourism demand expenditure (TSA, 2015).<sup>96</sup> Stakeholders indicated that the tourism chapter (rental cars) plays a significant role in the performance of the transport equipment hire industry.<sup>97</sup> South Africa is ranked 51<sup>st</sup> in presence of major car rental companies within the Travel and Tourism Competitiveness Index (2017)<sup>98</sup>, moreover ranking the country number one in Africa.

According to SAVRALA (2016)<sup>99</sup>, there were over 16.9 million rental days in 2016; that is, 7% more than 2015, with average fleet size increasing by 5.5% in 2016 to 64 709. Figure 42 represents the car rental sales that were made by purpose of travel. According to Euromonitor (2016),<sup>100</sup> the demand for car hire continued to increase, driven by the increasing number of business travellers attending events such as conferences, workshops and meetings. Retail value sales of SAVRALA car rentals in South Africa grew by 12% in 2016 compared to 2015. This went up to a total amount of R5.2 billion.

**Figure 42: Number of rental days per annum**



Source: SAVRALA, Car Rental Statistics 2016

Some of the stakeholders within the car rental industry stated that corporate bookings rely on long standing relationships between the companies and rental services; emphasising the

<sup>95</sup> Western Cape Department of Economic Development and Tourism. 2016. MEC Alan Winde on Cape Town Air Access initiative. South African Government: Media Statements, 8 December 2016.

Airline Network News and Analysis. 2017. East London is South Africa's fastest growing airport; 39.7 million passengers in 2016; traffic up five million in four years.

North West Provincial Government. 2016. Provincial Budget Speech 2016/17 Presented by Honourable MEC Wendy Joy Nelson for Finance, Economy and Enterprise Development, Bokone Bophirima Provincial Legislature, Mahikeng, 03 March 2016.

<sup>96</sup> StatsSA. 2015. *Tourism Satellite Account, prelim 2015*.

<sup>97</sup> Interview with SAVRALA representative on 13 February 2017.

<sup>98</sup> WEF. 2017. The Travel and Tourism Competitiveness Index 2017.

<sup>99</sup> SAVRALA. 2017. Car Rental Statistics 2016. Available at: <http://savrala.co.za/savrala-rental-stats/>. Accessed on: 2017/04/25.

<sup>100</sup> Euromonitor. 2016. *Rental car industry in South Africa*.

importance of reputation for car rental companies. However, leisure-related car rental bookings are predominantly influenced by the average rental fees.<sup>101</sup> Stakeholders emphasised that research needs to be undertaken to understand the impact external influences such as Uber on the car rental industry.

**4.1.2. Analysis of travel agencies and related service**

The travel services industry is made up of a complex web of relationships between a variety of suppliers, tourism products, destination marketing organisations, tour operators, and travel agents, among many others (Knowles & Westcott, 2017).<sup>102</sup> The following sub-section provides more insight into the travel agency and tourist guiding services. Other services, like tour operating and tour wholesaling, and their interrelation with other services and industries require more attention from a monitoring perspective, underlined by stakeholders.

❖ **Travel Agency Industry**



The travel agent industry is a travel-based sector focussed on providing an intermediary distribution channel between markets and products. Stakeholders emphasised that the South African industry mainly targets the outbound market and certain segments of the domestic market<sup>103</sup>. Hence, the travel agent industry does not necessarily influence international tourists travelling to the country, but rather people travelling out of, or within the country. This statement is supported by the Tourism Satellite Account (2015)<sup>104</sup>, as indicated in Figure , with 70.4% of travel agencies and related

**Figure 43: Travel agencies and related services revenue generated by demand type, 2015**



Source: Stats SA, Tourism Satellite Account, provisional 2015

**Figure 44: Booking method by domestic tourists, 2015**

BOOKING OF TRIP	Business Leisure	
	Travel Agent 	44,1%
Independent 	54,7%	94,5%

Source: Stats SA, Domestic Tourism Survey 2015

services income generated through domestic tourist expenditure. According StatsSA (2015)<sup>105</sup>, the primary domestic tourism market that uses travel agents within South Africa is people travelling for business purpose, with 44.1% of trip bookings completed with travel agents; whereas with regard to leisure bookings, only

<sup>101</sup> Interview with SAVRALA representative on 13 February 2017.

<sup>102</sup> Knowles, H. & Westcott, M. 2017 *Introduction to Tourism and Hospitality in BC: Chapter 7 Travel Services*. BC Open Textbooks.

<sup>103</sup> Interview with ASATA on 9 February 2017, on the gaps in research within the tourism sector.

<sup>104</sup> StatsSA. 2015. *Tourism Satellite Account, prelim 2015*. Pretoria.

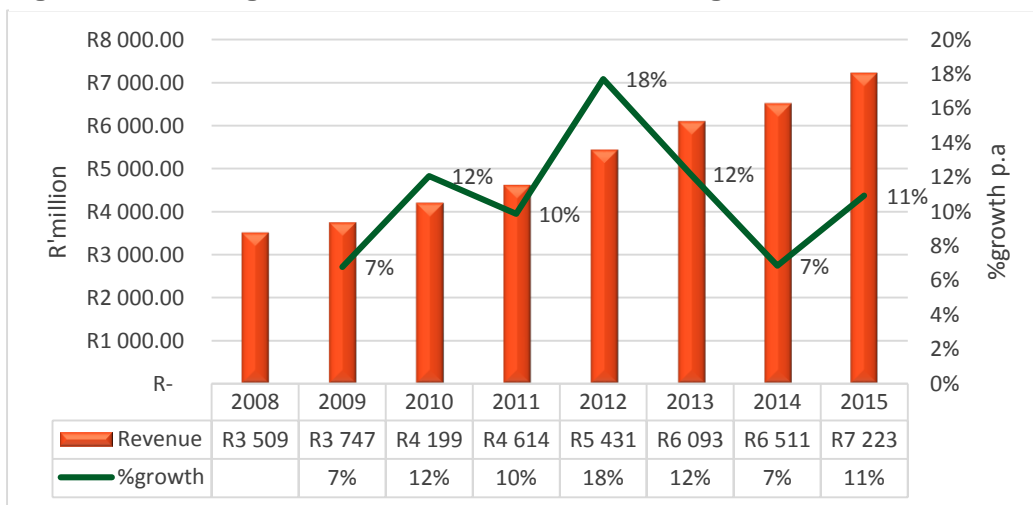
<sup>105</sup> StatsSA. 2015. Domestic Tourism Survey 2015.



4.9% of domestic tourists used a travel agent. The other 29.6% income generated by international tourist expenditure could be attributed to the exports generated by tour wholesales and tour operators attracting international tourists to visit South Africa through their packages and other product/service offerings.

Figure 45 indicates the annual growth rate of industry revenue generated in travel agencies and related services categories. On average, the industry grew at a high rate of 12% per annum over a 5-year period. Hence, research suggests that services provided by travel agents are still relevant and valuable, despite current debates on whether or not travel agents still hold a place in the digital age (Jansen van Rensburg, 2016).<sup>106</sup>

**Figure 45: Travel agencies and related services annual growth, 2008-2015**



Source: Stats SA, Tourism Satellite Account, 2008-2015

The travel agency industry experienced the following disruptive factors during 2015/16; namely, the growth of direct selling by full service providers, new consumer channels and behaviour, and the sharing economy model.<sup>107</sup> Innovation and hybridisation is key to the long-term success of travel agency in the evolving consumer-driven market. Effectively, digital platforms offer numerous opportunities to intermediate travel service providers to harness the benefits of information communication technologies (ICT). Moreover, by prioritising customer segmentation and needs identification with product and service offerings the travel services industry will continue to remain pertinent in the tourism and travel sector.

<sup>106</sup> Jansen van Rensburg, M. 2016. *Relevance of travel agencies in the digital age*. African Journal of Hospitality, Tourism and Leisure, 3(1): 1-9.

<sup>107</sup> Floater, G. & Mackie, L. 2016. Travel distribution: The end of the world as we know it?

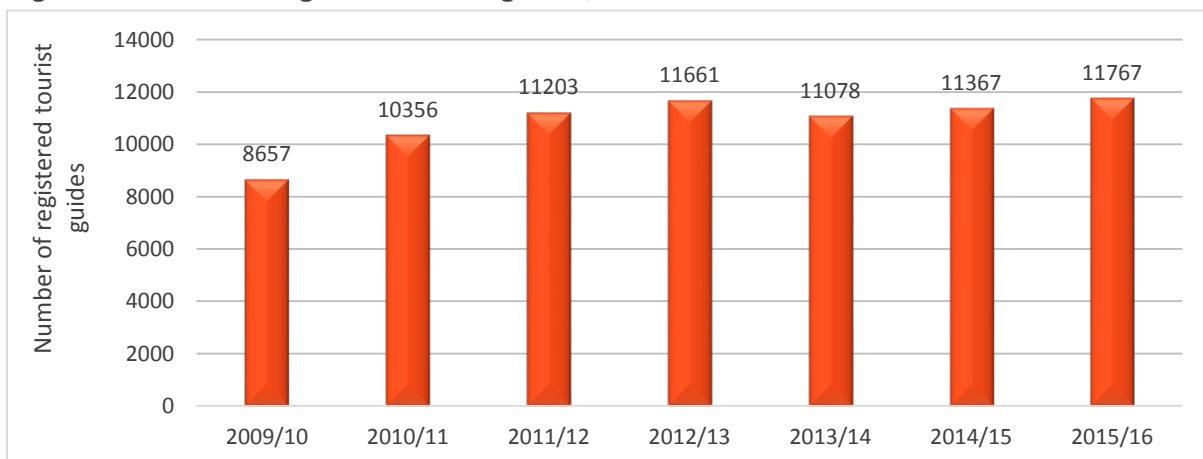
## ❖ Tourist Guiding

Tourist guiding in South Africa is one of the components of the tourism value chain. Due to its importance, this industry has been regulated through legislation since the inception of the Tourism White Paper and the Tourism Act (NDT, 2016).<sup>108</sup> Tourist guides in South Africa are amongst the most important people in the travel trade. They interact daily with tourists on a personal level (Tourism Tattler, 2016)<sup>109</sup>. A good tourist guide has the ability to enhance a tourists' experiences while traveling in, to or through a destination/attraction.

There are three categories of tourist guides; namely, site guides, provincial and national guides. Qualifications for tourist guides are governed by the National Qualifications Framework (NQF). There are two levels of qualifications, namely the National Certificate in Tourism: Guiding NQF2 and NQF4. Several unit standards within the different areas of specialisation (adventure, nature and culture) have been clustered together to form skills programmes addressing areas of specialisation, and aimed at people who wish to only complete the specialist minimum are of learning required to guide. These skills programmes are registered by CATHSSETA<sup>110</sup> for certification purposes.

The total number of registered tour guides across South Africa in the 2015/16 financial year stood at 11 767. According to the National Department of Tourism (2016)<sup>111</sup>, there has been a steady increase in the number of individuals registering as tourist guides over the past

**Figure 46** Number of registered tourist guides, from 2009/10 to 2015/16



Source: NDT, Tourist Guide Registration Database 2015/16

<sup>108</sup> National Department of Tourism. 2016. *Interim Annual Tourist Guiding Report 2014/2015*.

<sup>109</sup> Tourism Tattler, 2016. How to Become a Tourist Guide. Available at: <http://www.tourismtattler.com/?p=2474>. Accessed on: 2017/04/25.

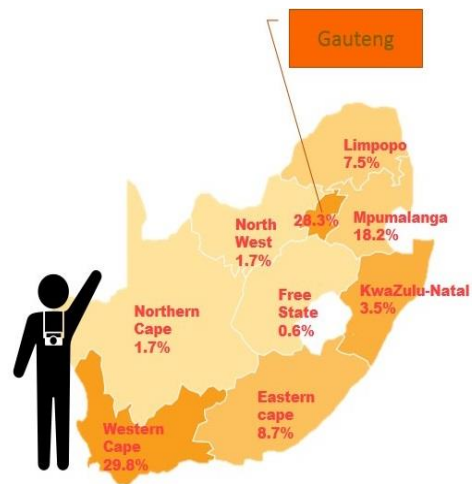
<sup>110</sup> The Culture Arts, Tourism, Hospitality and Sport Sector Education and Training Authority)

<sup>111</sup> National Department of Tourism. 2016. *Tourist Guiding Needs Analysis 2016/17*.

several years. This was mainly due to funded initiatives that saw more individuals trained and qualify as tourist guides<sup>112</sup>.

Currently, the majority of tourist guides are registered in the Western Cape (29.8%), Gauteng (28.3%) followed by Mpumalanga (18.2%) and the Eastern Cape (8.7%). The higher levels of tourist guide registration in these provinces are indicative of the need for guides relating to product offerings and visitor experience. Provinces that had less numbers of tourist guides included KwaZulu-Natal (3.5%), North West (1.7%), Northern Cape (1.7%), and Free State (0.6%), as indicated in Figure.

Figure 47: Provincial spread of registered tourist guides, 2015



Source: NDT, Tourist Guide Registration Database 2015/16

A critical issue that was highlighted by the Tourist Guiding Needs Analysis conducted by the National Department of Tourism in 2016/17 financial year, was that transformation is still a key challenge in the guiding sector. The current trends show that more White tourist guides (66%) were registered compared to Black tourist guides (34%). The demographics also show that there is a disparity in terms of gender representation in the tourist guide industry, with the majority of tour guides being males (66%).

The issue surrounding registrations could be a result of the following pitfalls amongst others, as highlighted by stakeholders<sup>113</sup>:

- Provincial registers have a need for standardised administration mechanisms;
- There is a need for training and guidance on tourist information, general knowledge and business management skills under newly registered tourist guides;
- The employment environment for tourist guides is characterised as being temporal work, more collaboration is required to increase permanent employment for registered tourist guides; and
- Increased monitoring to uphold quality services, standards and safety regulations.

<sup>112</sup> The drop in the numbers during 2013/14, was a result of the database clean-up processes, which all provinces embarked on to eliminate the records of tourist guides whom, for various reasons were no longer active as tourist guides.

<sup>113</sup> Interview with NDT Tourist Guide Directorate on 16 February 2017.

Tourist guides need to be carefully monitored through the registration and qualification process. The National Department of Tourism and related bodies aim to improve the current regulatory and operational environment around the training, registration and support of tourist guides country-wide.<sup>114</sup> The Department, along with its partners, will be reviewing and addressing the policies and regulatory issues surrounding tourist guiding. Efforts will also be undertaken to improve access to information and ongoing training for new and established guides. Furthermore, tourist guiding is also a main category of the Lilizela Awards, which recognises the best quality in the tourism sector.

Tourist guides are the ambassadors of the South African tourism sector. They are often the first, and invariably the last person that tourists encounter. Therefore, they are responsible for creating lasting impressions and fond memories of a country.  
-Tourism Tattler, 2016<sup>115</sup>

#### 4.1.3. Analysis of Attractions and Activities

The importance of attractions in the tourism sector should not be underestimated, as attractions and related activities are a core component of the tourism value-chain and the main motivator for travel to a destination. Without attractions and activities, the need for tourism products would diminish (Lubbe, 2003).<sup>116</sup> Currently, monitoring information surrounding attractions and their performance are limited, due to the majority of state-owned attractions not keeping standardised visitor logs and satisfaction surveys. Thus, making it difficult to report on the standards and performance of attractions across the country. There is still a major gap within the local governing sphere relating to the ownership, maintenance, and operation of recreational facilities and tourist attractions throughout the country.<sup>117</sup> For the purpose of this report, specific emphasis is placed on activities undertaken by tourists, instead of attractions; since monitoring information surrounding attractions are currently unstandardised.

Tourists partake in many activities during their trip, even though attractions and the purpose of visit represent the main reason for travel, there are other secondary activities that play a critical role in the tourist experience.

<sup>114</sup> National Department of Tourism. 2016. *Tourist Guiding Needs Analysis 2016/17*.

<sup>115</sup> Tourism Tattler, 2016. How to Become a Tourist Guide. Available at: <http://www.tourismtattler.com/?p=2474>. Accessed on: 2017/04/25.

<sup>116</sup>Lubbe, B.A. 2003. *Tourism Management in Southern Africa*. Cape Town: Pearson.

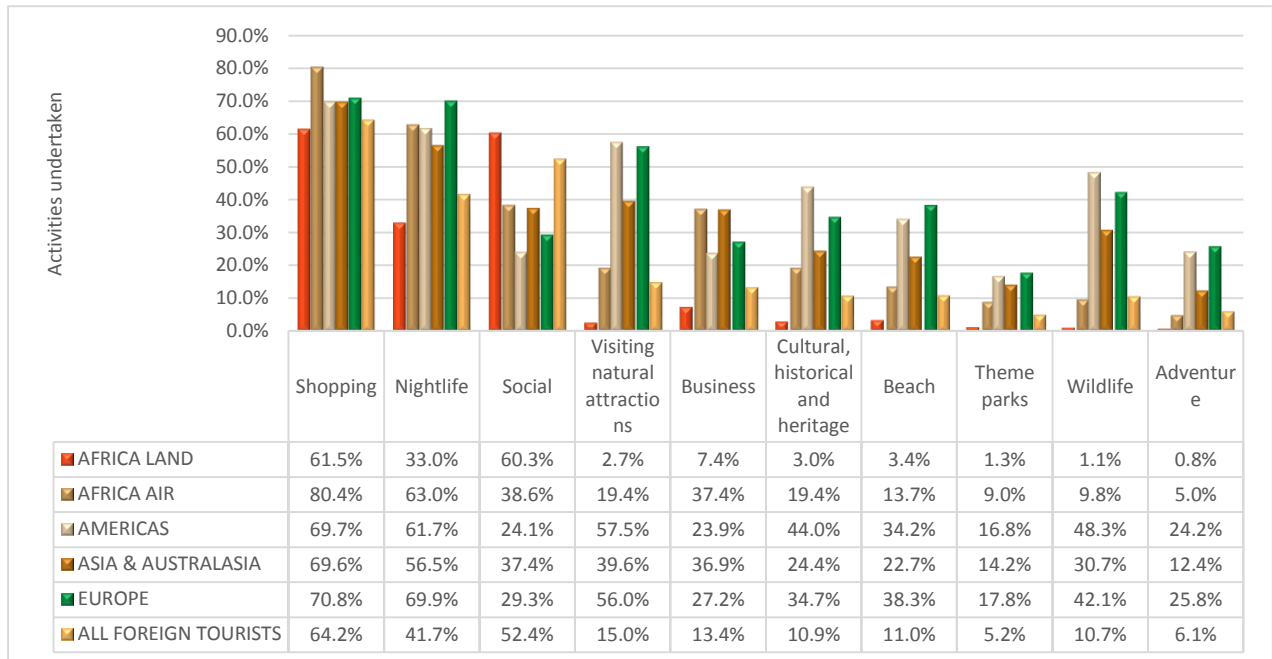
<sup>117</sup> Local Government Tourism Conference. 2017. Tourism Planning is Everybody's Business, on 3-4 April 2017.





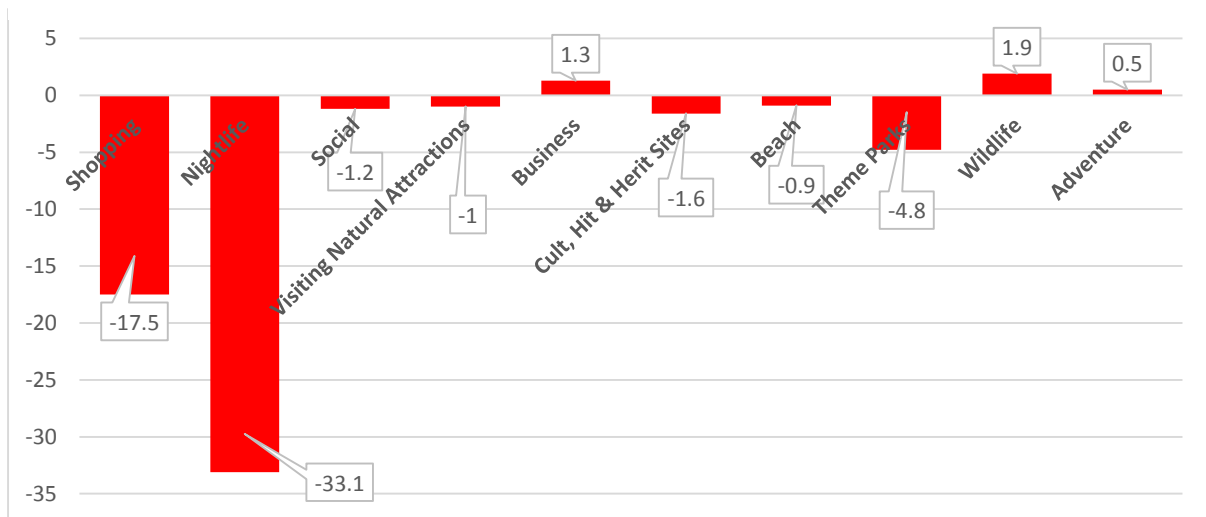
According to SAT (2015)<sup>118</sup>, the main activities that international tourists primarily took part in during 2015 included shopping (64%), social (52%) and nightlife (42%); followed by business (13%), natural (15%) and cultural (11%) activities. Figure 48 illustrates the activities undertaken by different international markets in 2015

Figure 48: Activities undertaken while in South Africa by international tourists, 2015



Source: SAT, Annual Report 2015

Figure 49: Main activities undertaken by international tourists, percentage change from 2014 to 2015



Source: SAT, Annual Report 2015

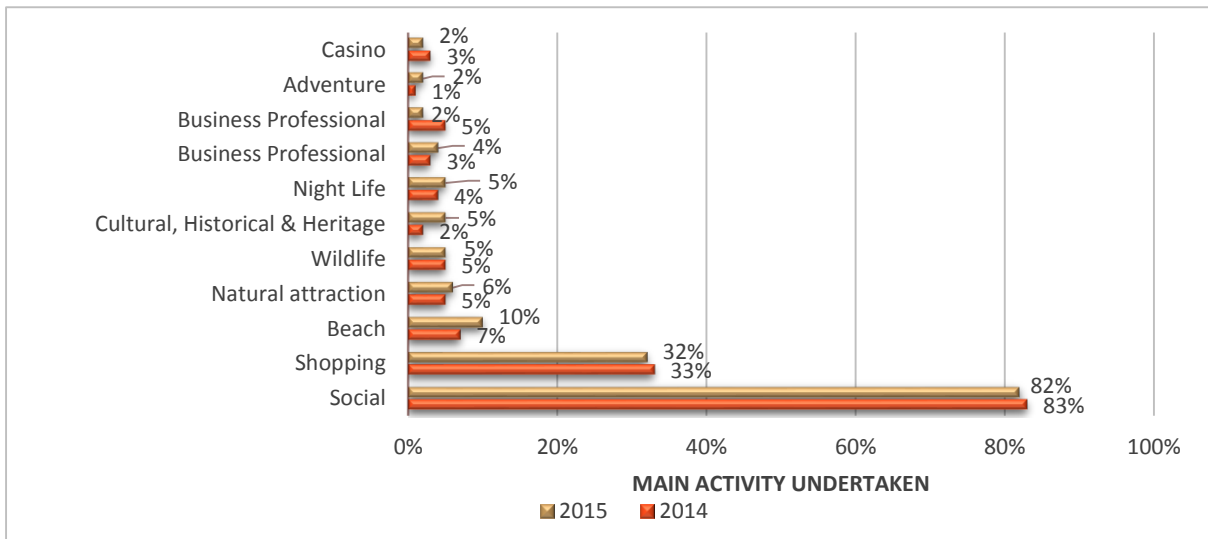
<sup>118</sup> SAT. 2015. Annual Report 2015.



Figure 50 below indicates the percentage change between 2014 and 2015 in the type of activities undertaken by international tourists. Interesting to note is that even though shopping, social and nightlife were seen as major activities, their importance declined; with other activities such as business activities and nature-based activities showing an increase. This shift is predominantly due to the market profile change in the African land markets, as well as the emerging long-haul markets from Asia and the Americas. Established long-haul markets from Europe are also showing an increased interest in more social and cultural activities, and adventure.

Figure 50 demonstrates a summary of the top activities undertaken by domestic tourists. In addition, the volume of activities undertaken by domestic tourists has shown an increase compared to 2014. The majority of domestic tourists have undertaken social activities (82%) and shopping (32%), which indicated a decline compared to 2014, followed by beach activities at (10%), and natural attractions at 6%.

**Figure 50: Main activities undertaken during domestic trips**



Source: SAT, Domestic Tourist Performance Indicator 2015

Domestic tourism plays a major role within business, accommodation, cultural, historical and natural tourism niche products offerings and demands (SAT, 2017)<sup>119</sup>. The tourism sector needs to develop niche products and packages to motivate increased domestic tourism.

<sup>119</sup> South African Tourism. Presentation on the Domestic Tourist Strategy given at the National Tourism Research Forum on 14 March 2017.



#### 4.1.4. Analysis of hospitality and related services

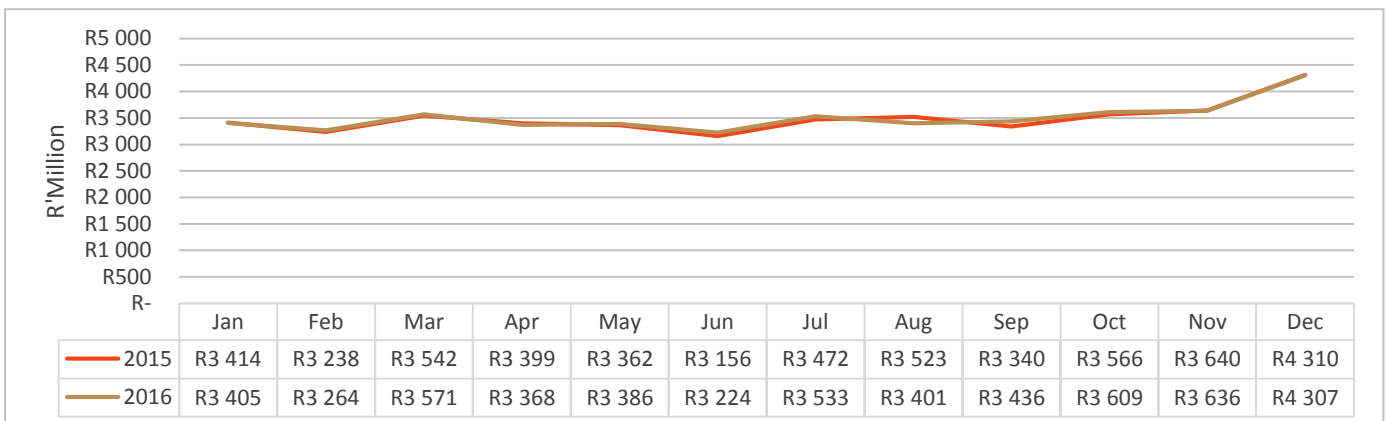
The hospitality industry constitutes many sub-industries like accommodation and food and beverages. Tourism is not a sub-sector of the hospitality industry, but merely a source of the tourist services. Hospitality is the focal point in those countries where tourism is a major export industry (UK Essays, 2013).<sup>120</sup>

##### ❖ Food and beverages industry

Food and beverage outlets include restaurants from fast food services to fine dining, as well as pubs, bars, nightclubs and lounges. Food and beverage chains have also found a niche in bookstores, department stores, and casinos. As the sophistication of operations grows, many restaurants have diversified themselves by developing their own retail product lines; while many specialty cafés now market their products to airlines and offices (Tourism HR, 2017).<sup>121</sup> The food and beverage industry is not a primary tourism product, but forms an important function in the secondary activities of tourists, which is essential during any trip. This subsection provides a summary of the income generated from the food and beverage industry.

Measured in constant prices, the average monthly income of food and beverage industry was about R3.5 billion in 2016, which led to a total annual income of about R42.1 billion. This was almost flat compared to an annual income of about R42 billion in 2015. Figure 51 and 52 indicate monthly income of food and beverages and total income during 2015 and 2016 respectively.

Figure 51: Food and beverage income at constant price, 2015-2016



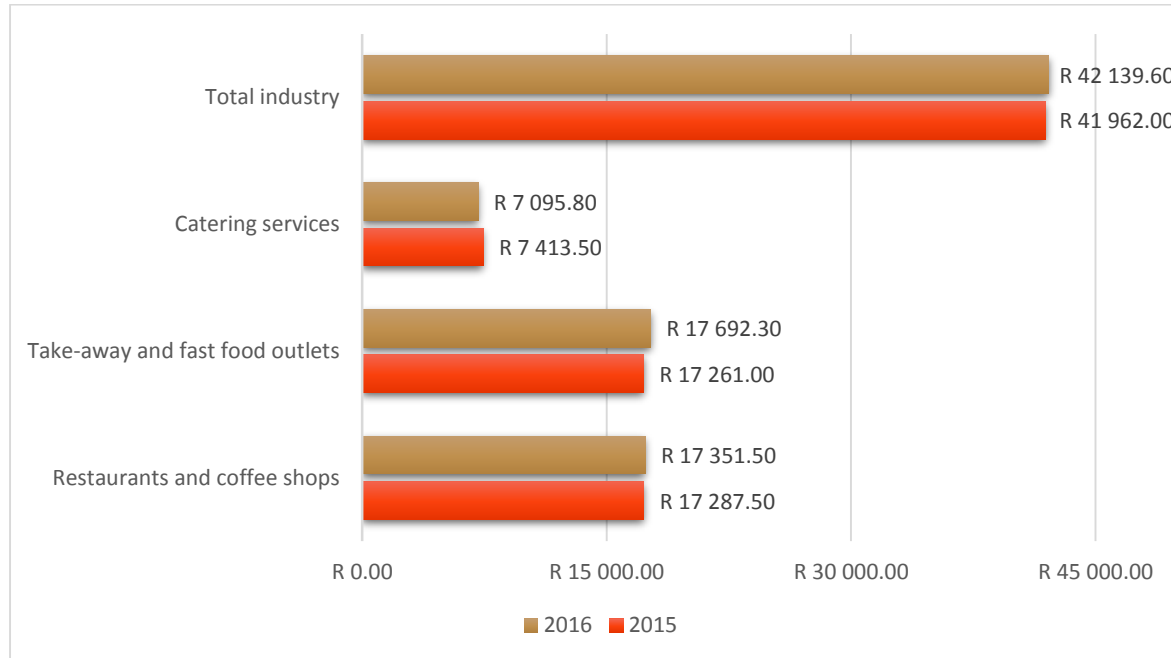
Source: StatsSA, Food and Beverage, Jan 2015-Dec2016

<sup>120</sup> UK Essays. November 2013. *The Economic Importance of Hospitality Industry Tourism Essay*. Available at: <https://www.ukessays.com/essays/tourism/the-economic-importance-of-hospitality-industry-tourism-essay.php?cref=1>. Accessed on 2017/03/14.

<sup>121</sup> Tourism HR. 2017. *Discover Tourism: Food and Beverage*. Ottawa: Tourism HR.

Figure 52 below shows the types of income generated by the restaurant and relates to service industries.

**Figure 52: Income generated by food and beverage industries at constant price, 2016 (million)**



Share of income from the different categories of the food and beverage industry (%)	2015	2016
Restaurants and coffee shops	41%	41%
Take-away and fast food outlets	41%	42%
Catering services	18%	17%
Total industry	100%	100%

Source: StatsSA, Food and Beverage, Jan 2015-Dec2016

Restaurants and coffee shops contributed about 41% to total income during 2015 and 2016, take-away and fast food outlets was 42% in 2016 up from 41% in 2015 and catering services went down to a share of 17% in 2016 down from 18% in 2015.

According to the South African Customer Satisfaction Index (SACSI, 2016)<sup>122</sup>, consumers are highly satisfied with their overall sit down restaurant experience. Comparing customer satisfaction for restaurants internationally, the recently-published results of the American Customer Satisfaction Index (ACSI) for Restaurants shows overall satisfaction of American consumers to be 81. This is 3.4 points higher than the South African average rate (77.6). Latest trends have seen South African restaurant-goers increasingly choosing outlets that

<sup>122</sup> SACSI. 2016. *South Africans highly satisfied with restaurant experience in homegrown franchises.*

offer meals made from locally sourced ingredients, and that they also want to know the nutritional data about the food they order.

Customers are increasingly expecting menu options that meet the demands of their personalised Banting, vegan or other specialised eating regimes. 'Grazing' a selection of smaller portions is also an increasingly popular choice that gives patrons the opportunity to enjoy more than one dish per visit.

- SACSI (2016)<sup>123</sup>

From a tourism sector perspective, 37.6% of the restaurants and related services income is generated by tourist activities. Therefore, tourist-related activities do play a meaningful role in the food and beverage sector. The food and beverage service industry should not disregard the potential that the tourism sector holds; taking into consideration that tourists most often look for food types that complement their recreational time and activity, spending a higher proportion of their income on prepared food, gourmet products, eating out, and food items during their trip.

## 4.2. Accommodation Industry Performance

Accommodation is one of the basic needs for any tourism activity. Tourist accommodation comes in different forms, from low budget lodging to world-class luxury hotels, providing tourists a home away from home. The following section provides more insight into the performance and developments surrounding the accommodation industry in South Africa between 2015 and 2016.

### 4.2.1. Stay unit performance

There was a total of about 125 400 stay units available in 2016 which showed an increase of 0.4% compared to 2015. The table below indicates that the increase in stay units' in the industry during the period under review was mainly from the hotel industry (0.7%). Thus, indicating an increased investment in the hotel industry. Unfortunately, the other accommodation types showed little or no increase in availability of stay units during the period under review.

<sup>123</sup> SACSI. 2016. *South Africans highly satisfied with restaurant experience in homegrown franchises.*



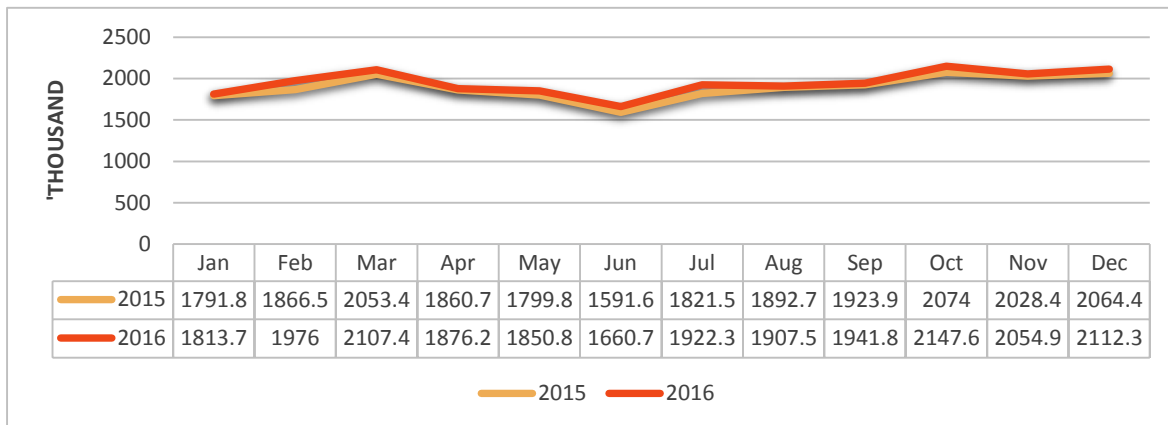
Table 12: Number of stay units available

Average Stay Units Available	2015	2016	% Change
Hotels	67.4	67.8	0.7%
Caravan parks and camping sites	6.6	6.6	0.0%
Guest houses and guest farms	12.0	12.0	0.0%
Other Accommodation	39.0	39.0	0.1%
<b>Total Industry (000)</b>	<b>124.9</b>	<b>125.4</b>	<b>0.4%</b>

Source: StatsSA, Tourist Accommodation, Jan 2015-Dec 2016

The accommodation industry sold 23.3 million stay unit nights in 2016, which is an increase of about 2.5% over 2015. Figure . Below indicates the monthly total number of stay units nights sold for 2015 and 2016. The industry has experienced growth-spurts during February (5.9%), June (4.3%), July (5.5%) and October (3.5%) on a year-on-year comparison.

Figure 53: Stay unit nights sold, 2015-2016



Source: StatsSA, Tourist Accommodation, Jan 2015-Dec 2016

Table 13: Accommodation Industry Total income, 2015-2016

Total Income (million)	2015	2016	% Change	% share 2016
Hotels	R 13 292	R 14 812	11.4%	65.1%
Caravan parks and camping sites	R 178	R 202	13.4%	0.9%
Guest houses and guest farms	R 1 397	R 1 549	10.9%	6.8%
Other Accommodation	R 5 451	R 6 172	13.2%	27.1%
<b>Total Industry (million)</b>	<b>R 20 318</b>	<b>R 22 735</b>	<b>11.9%</b>	<b>100.0%</b>

Source: StatsSA, Tourist Accommodation, Jan 2015-Dec 2016

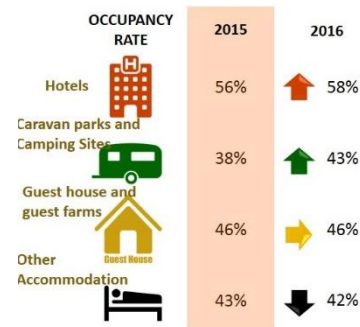
The total income from accommodation went up from R20.3 billion in 2015 to R22.7 billion in 2016 which was a growth of about 12%. Hotel industry contributed about 65% to the total income. However, the accommodation industry needs to be careful not to overprice their offerings, which can deter domestic, and even international tourists, forcing them to utilise other accommodation types or discourage them totally from travelling.

### 4.2.2. Industry Occupancy Rate

The fluctuation in tourist numbers, seasonality, and economic impacts on tourists' travel and spending behaviour dramatically influence the level of occupancy and revenue generated in the accommodation industry. The average occupancy rate for 2016 was 51% from an average occupancy rate of 50%.

The shift in the demand profile and spending patterns is evident in tourists' choice of accommodation. South Africans are increasingly seeking cheaper accommodation options such as caravan parks and camping sites, self-catering apartments, or staying with family or friends, since hotels are perceived as expensive when staying for long periods.<sup>124</sup> The increasing economic constraints on the domestic market impacted the need requirements of domestic tourists. Caravan parks and camping sites' occupancy rate went up from 38% in 2015 to 43% in 2016 as it is now perceived as being a more cost-effective option for tourist accommodation. The hotel industry is also showing a general increase in occupancy and is forecasted to increase to 60% in the next five (5) years. Unfortunately, the guesthouses and related small accommodation establishments show little or no rise in occupancy rates.<sup>125</sup>

Figure 54: Annual occupancy rate of accommodation industry



Source: StatsSA, Tourist Accommodation, Jan 2015-Dec 2016

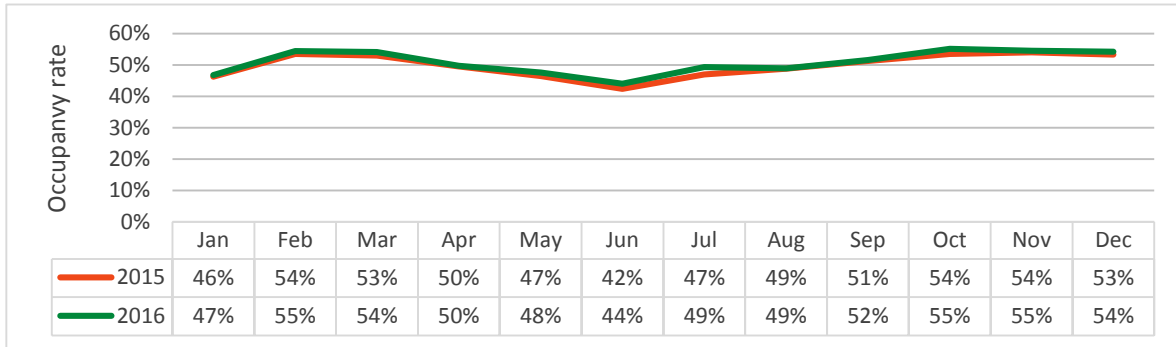
<sup>124</sup> Interview with FEDHASA on 24 February 2017.

FEDHASA emphasised that the monthly occupancy rate is a critical indicator for the accommodation industry

<sup>125</sup> Emphasised by representatives of the tourism and hospitality industry in the International Network for Small & Medium Enterprises (INSME) on 7 February 2017.

According to StatsSA (2016), the monthly occupancy levels remain steady; however, the rates do show low occupancy during January, May and June period. Thus, indicating a correlation between seasonal holiday periods and business intensive periods relating to increased business travel and events.

**Figure 55: Monthly occupancy rate of total accommodation industry, 2015-2016**



Source: StatsSA, Tourist Accommodation, Jan 2015-Dec 2016

**4.2.3.**

**4.2.4. International and Domestic bed-nights**

Figure reported in this section are based on 2015 figures. The accommodation industry aims to capture the majority of overnight stay tourist markets. About 33% of international tourist bed-nights spend in South Africa during 2015 were formal paid bed-nights. This low percentage for international paid bed-nights can be attributed to more tourists arriving to South Africa for the purpose of visiting friends and relatives especially from the African land markets (about 43.2% in 2015). This market has no reason to spend money on accommodation during their travels.

**Figure 56: Percentage paid bednights of total international tourist bednights: 2015**

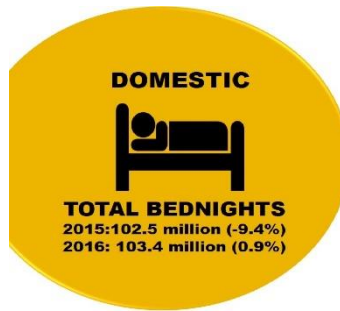


Source: SAT. Annual Report, 2015





**Figure 57: Percentage paid bed nights of total domestic tourist**



Source: SAT, Annual Report. 2015 and 2016 preliminary results

About 16% of bed nights spent by domestic tourists were paid and 84% were unpaid as domestic tourist also tend to friends and relatives (73%)<sup>126</sup>. The total number of domestic tourism bed nights were down by 9.4% in 2015 compared to 2014 recording a total of 102.5 million. About 82% of these bednights were unpaid. From those who were paid, about 4 million were spent in hotels while 3 million were equally spent in guest houses and self-catering accommodation. However total number of bednights improved to a total of 103.4 million in 2016 which was an increase of 0.9%

compared to 2015.

#### 4.2.5. Grading of Accommodation Establishments

The Tourism Grading Council of South Africa (TGCSA), a business unit of South African Tourism (SAT) and it is the only recognised and globally credible quality assurance body for tourism products in South Africa. The tourism sector is promoting the star grading of establishments, to ensure that South Africa as a tourist destination, provides the highest level of quality assurance, promote optimal value for money and give 'customer expectation' the focus it requires (TGCSA, 2017).<sup>127</sup> Tourists and business travellers alike, are more likely to stay at a graded establishment, as they can be assured of predictable and guaranteed levels of quality (SME Toolkit South Africa, 2016).<sup>128</sup>

The TGCSA has also expanded its quality assurance star grading to Meetings, Exhibitions and Special Event (MESE) establishments, with plans to further expand star grading to other elements of the tourism sector to also include food and beverage establishments and tourist attractions.

A basket of benefits is offered to all graded establishments; which include:

- **Procurement:** Establishments are able to get the best possible deal (at discounted rates) on whatever they are buying for their establishment.

<sup>126</sup> StatsSA. 2015. *Domestic Tourism Survey, 2014*.

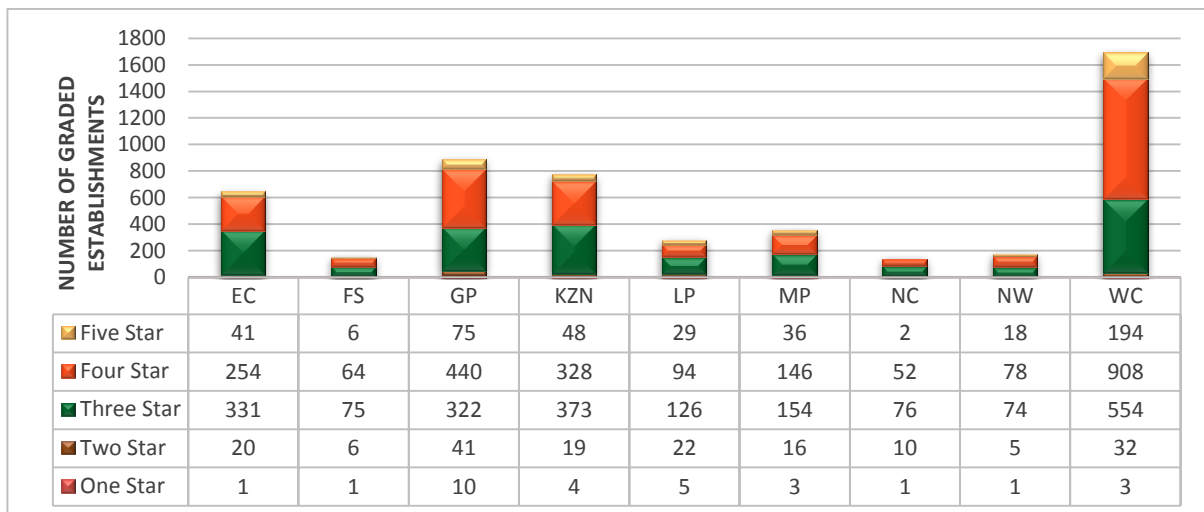
<sup>127</sup> TGCSA. 2017. *Why get graded*. Available at: <http://www.tourismgrading.co.za/>

<sup>128</sup> SME Toolkit South Africa. 2016. *The importance of tourism grading*. Available at: <http://southafrica.smetoolkit.org/sa/en/content/en/2866/The-importance-of-tourism-grading>. Accessed on 2017/03/02

- **Recruitment:** TGCSA provides access to hundreds of CVs, which enable an establishment to find staff faster, without paying expensive recruitment fees and commission.
- **Legal Advice:** A team of lawyers is available for graded establishments; they prepare various legal documents to keep the business cogs turning.
- **Request Portal:** There is a request portal where establishment can get information they need 24/7.
- **Training:** TGCSA provides access to a variety of discounted business courses, which can help graded establishment staff to sharpen their knowledge and become more competitive in the market place.
- **Market Place:** The market place is a platform that enables establishments to promote their product and service to large database of clients at no cost to the establishment.

Grading also presents establishments with the opportunity to participate in The Lilizela Tourism Awards which recognises and reward tourism players and businesses who are passionate and have pride in delivering a world class product and service.

Figure 58: Star graded establishments per Province, 2016



Source: TGCSA, Graded Establishments Database, 2016

On a provincial-level, the Western Cape, Gauteng, KwaZulu-Natal and the Eastern Cape house the majority of Graded establishments.

South Africa is pushing for more effective destination management to ensure that its product offering is of quality and globally competitive standards. The National Department of Tourism, and other governing bodies and associations are aggressively incentivising the grading of



accommodation establishments through various programmes such as the Tourism Incentive Programme (TIP). Moreover, SAT is in the process of conducting a perception study, in order to analyse the perceptions of graded versus non-graded establishments among key players, including the travel consumers. The TGCSA has also reduced the price of getting graded and has appointed new assessors to ensure that more establishments are informed about grading and the benefit grading has on tourism.

#### 4.2.6. New Entrants and Innovation in the Accommodation Industry

The hotel industry has shown growth during the 2016 period. An increasing number of hotels are implementing technological innovations and mobile applications, which have the potential to enhance guest experience while staying at that hotel. Alongside new technological developments, the hotel industry is also developing capacity wise. Table showcases the number of new pipeline developments that were set for Africa during 2016. According to the Hotel Chain Developments Pipelines Survey (W Hospitality Group, 2016)<sup>129</sup>, hotel chains planned 11 new developments for South Africa, equating to an estimated 2 058 additional rooms made available, with 58% in the pre-construction stage. Increased investment into the hotel industry show growth for all top ten countries for 2016, compared to 2015. Notable, the emerging economies of Africa have received large numbers of investments from major hotel chains.

**Table 14: Top ten African countries by number of rooms in hotel chain pipeline developments, 2016**

	Country	Hotels	Rooms	Average Size
1	Nigeria	61	10222	168
2	Angola	56	7560	135
3	Egypt	19	6660	351
4	Morocco	33	5681	172
5	Algeria	15	3263	218
6	Tunisia	15	2976	198
7	Kenya	16	2956	185
8	Ethiopia	12	2460	205
9	South Africa	11	2058	187
10	Senegal	13	1943	149

Source: W Hospitality Group, Hotel Chain Developments Pipelines in Africa 2016.

Unfortunately, smaller establishments in the accommodation industry did not show effective growth potential during 2015/16. SMMEs have been identified as productive drivers of inclusive economic growth and development in South Africa and around the world. Some

<sup>129</sup> W Hospitality Group. 2016. *Hotel Chain Developments Pipelines in Africa 2016*.



researchers have estimated that in South Africa, small and medium-sized enterprises make up 91% of formalised businesses, providing employment to about 60% of the labour force (The Banking Association South Africa, 2017) <sup>130</sup>. While contributing significantly to the economy, SMMEs foster diversification through their development of new and unsaturated sectors of the economy. In addition, innovative and technology-based small and medium enterprises can provide a platform for local, regional and international growth. Stakeholders indicated that the accommodation industry is mainly hindered by red tape impairing new entrants, since:

- by-laws and regulatory processes are strenuous;
- it is very difficult to get financing from banks and other funding/incubator programmes;
- market access is limited;
- partial understanding of business operation and quality assurance;
- technological access and usage is inadequate;
- there is limited or no control over non-registered businesses; and
- compliance criteria eliminate unconventional businesses, like homestays, to gain professional status.

Another threat to the sector relates to the entry of Airbnb and similar products, with Airbnb showing an increased penetration in South Africa, making South African Tourists its largest market in Africa. Moreover, South Africa is witnessing an increasing number of people traveling to the country and booking through Airbnb. In terms of regulations, players are pushing for Airbnb to follow the existing regulations that govern the accommodation industry. Regardless, the accommodation industry needs to continue adapting to the shared economy by meeting higher consumer expectations of service, and by incorporating business content into new sharing economy platforms. <sup>131</sup>

<sup>130</sup> The Banking Association South Africa. 2017. *SME Enterprise*.

<sup>131</sup> Graham, F. & Mackie, L. 2016. *Travel distribution: The end of the world as we know it?*



**SUMMARY SNAPSHOT**

The statistics indicated that the income for accommodation industry showed healthy growth during 2016 compared to 2015. The hotel industry is showing high levels of growth and investment for 2016. To ensure increased growth for both large and small establishments in the accommodation industry, players need to adapt to the sharing economy platform, alongside the current trends and movements within technology. This can be achieved through adjusting to new emerging business models and partnerships relating to travel and tourism distribution systems.

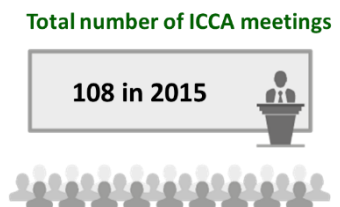
**4.3. Meetings Industry Performance**

Over recent decades, the Meetings Industry has emerged as an important contributor to national economies. It is perceived as a significant and growing component of the tourism sector. South Africa is one of the developing countries that has found success within the meetings and business tourism sector. The following section elaborates on the impact of the meetings industry in South Africa

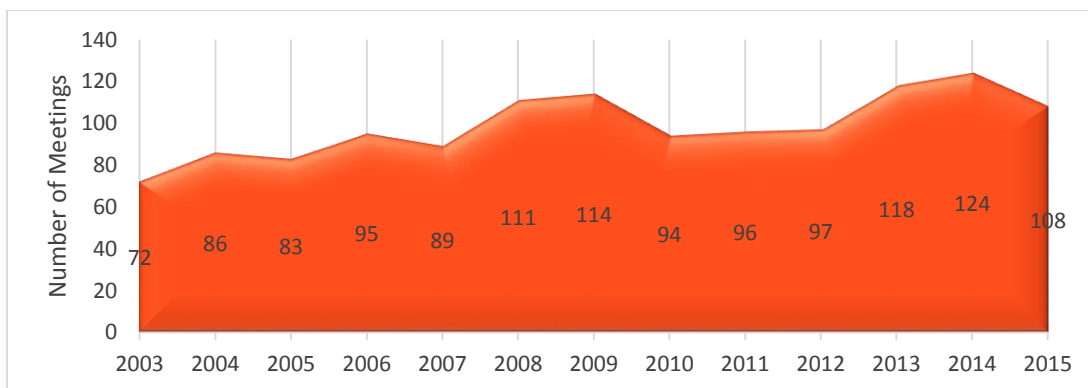
**4.3.1. International Congress and Convention Association Performance**

Figure 60: Number of international meetings hosted in South Africa, 2003-2015; furthermore, the country is ranked number one in Africa as the top conferencing destination on the continent for international association meetings. Historically, the number of international meetings hosted by South Africa increased over the years, with a peak of 124 meetings held in 2014, as showcased in Figure 60..

Figure 59: Total number of meetings



Source: ICCA, Statistical Report 2015



Source: ICCA, Statistical Report 2015



South Africa houses three (3) of the top five (5) meetings destinations in Africa; namely Cape Town, Johannesburg and Durban, as shown in Table . With the other competing cities hosed in Morocco (Marrakech), Kenya (Nairobi), and Egypt (Cairo). Cape Town hosts the majority of international association meetings held in Africa with an astonishing 48 meetings; where Johannesburg only hosted 17, alongside Durban with 13 meetings.

**Table 15: Top South Africa Meetings Destination Ranking**

International Association Meetings Market	2013			2014			2015		
	Number of Meetings	World Rank	Africa Rank	Number of Meetings	World Rank	Africa Rank	Number of Meetings	World Rank	Africa Rank
<b>South Africa</b>	<b>118</b>	<b>34</b>	<b>1</b>	<b>124</b>	<b>32</b>	<b>1</b>	<b>108</b>	<b>38</b>	<b>1</b>
Cape Town	45	52	1	58	41	1	48	54	1
Johannesburg	18	136	4	23	101	2	17	148	2
Durban	25	97	2	19	125	4	13	191	5

Source: ICCA, Annual Report 2013-2015

The meeting destinations that also showcase in the ICCA ranking are Pretoria, Stellenbosch, Port Elizabeth, etc.; with Stellenbosch showing major potential as a MICE destination to compete with the Johannesburg and Durban international meetings markets.

**Table 16: Number of ICCA meetings held in South Africa by host cities**

Host City	Number of meetings during 2016	Average number of event days
Cape Town	70	4
Johannesburg	11	4
Durban	19	4
Tshwane (Pretoria)	1	4
Stellenbosch	10	5
Sandton	2	5
Bloemfontein	1	4
Ladysmith	1	4
Matieland	1	4
Midrand	1	4
Phalaborwa	1	3
Port Elizabeth	1	4
Skukuza	2	6
Somerset West	1	2

Source: ICCA, Data Submitted SAT, SANCB in 2016

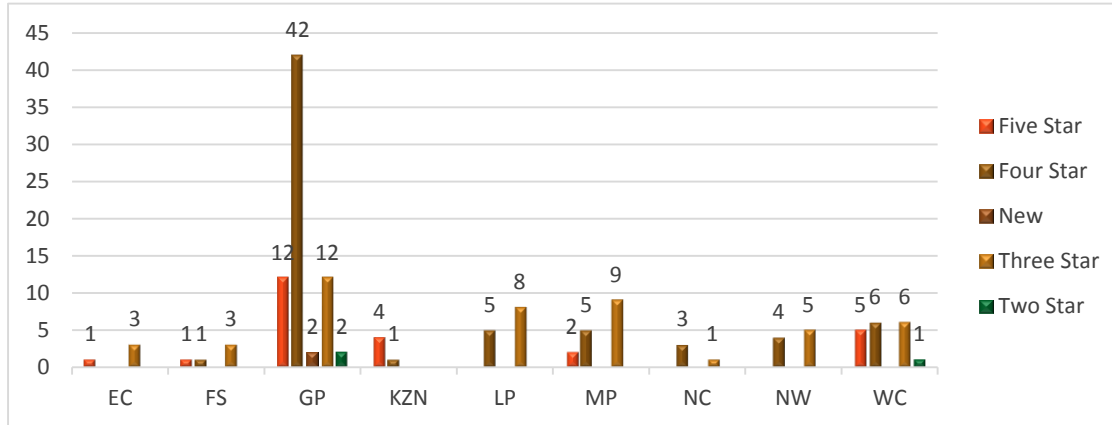


**4.3.2. Available meetings, conferencing and exhibition facilities**

Currently, South Africa has 144 graded meetings, exhibitions and special events venues (MESE); with 67 four-star, 47 three-star and 25 five-star graded venues as shown in Figure .

The figure, showcases a diverse selection of establishments available throughout South

**Figure 61: Meetings, Exhibitions and Special Events (MESE) facilities graded in South Africa, 2015**



Source: TGCSA, Graded Establishments Database, 2016

Africa, with Gauteng hosting the majority. Nevertheless, the number of graded MESE establishments are low, especially in KwaZulu-Natal, the Western Cape and the Eastern Cape, where higher levels of meetings and international conference are held compared to the other provinces; as emphasised by the ICCA.

**4.3.3. Impact of South Africa Events Bidding**

According to the South African National Convention Bureau (SANCB)<sup>132</sup>, South Africa remains the number one convention destination in Africa and the Middle East, with the bureau having attracted 69 955 international delegates to South Africa during 2015. The convention bureau with its partners, submitted 53 event bids in 2015/16 and 48 event bids during the 2016/17Q2, with a potential to attract 143 547 business delegates to South Africa over the next five years. Table 13 also indicates that the combined estimated economic impacts of the bids during these two periods equate to R2.2 billion.<sup>133</sup>

**Table 137: SANCB bid submissions for 2013-2017Q2**

Financial Year	Number of Submissions	Delegate Numbers	Conferences Days	Estimated Economic Impact
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<sup>132</sup> South African Tourism. 2015. Annual Report 2014/15.

<sup>133</sup> SANCB. 2016. *Business Events Work Stream: "Quick Wins for Business Events"*.



2013-2014	57	78 843	237	R977m
2014-2015	52	119 477	230	R1.4bn
2015-2016	53	86 192	242	R1.2bn
2016 -2017 Q1&Q2)	48	57 355	207	R968m

Source: SANCB, 2016. Business Events Work Stream: "Quick Wins for Business Events"

The bids are geographically spread as follow, indicated in Table . The majority of bids submitted by SANCB are in Cape Town, Durban and Johannesburg. Unfortunately, minimal bids are made for other destinations in South Africa in order to promote geographical spread. Therefore, increased efforts by national and provincial bodies need to be undertaken to improve the spread and impact of events and MICE.

Table 18: SANCB bid submissions for 2013-2017Q2, per city

Year	Cape Town	Durban	Johannesburg	Tshwane	Ekurhuleni	Multi City
2013-2014	38	11	7	1	0	
2014-2015	34	9	8	0	1	
2015-2016	27	13	3	1	0	4
2016-2017 (Q1 & Q2)	27	5	10	1	0	2

Source: SANCB, 2016. Business Events Work Stream: "Quick Wins for Business Events"

Currently, 80 bids were secured for 2016, 54 bids are secured for 2017, and 23 for 2018; furthermore, multiple bids are secured for the 2019 to 2022 period. The estimated direct economic impact for 2016 was R916 million.

Table 19: Number of secured bids for South Africa

Year	Number of Secured Bids	Conference Days	Delegates	Estimated Economic Impact
2016	80	356	67 331	R916m
2017	54 (10 Bids pending)	258	63194	R820m
2018	23 (4 Bids Pending)	100	34 214	R433m
2019	2 (9 Bids Pending)	5	1 417	R24m
2020	7 (6 Bids Pending)	65	40 551	R576m
2021	3	11	11 000	R135m
2022	4 (1 Bid Pending)	28	14 100	R 231m
<b>Total</b>	<b>173</b>	<b>823</b>	<b>231 807</b>	<b>R3.1bn</b>

Source: SANCB, 2016. Business Events Work Stream: "Quick Wins for Business Events"





#### 4.3.4. Business Events Industry

Preliminary findings of the South African National Convention Bureau's three-year study on the South African business events industry provides the following insights into the industry, as elaborated in this section:<sup>134</sup>

In 2014 and 2015, the main source markets for business events closely mirrored South Africa's core leisure tourism markets. International delegates are mainly from the United States, the United Kingdom, Nigeria, Turkey, India, Australia, Germany, China, France and Kenya. This is a significant finding when bearing in mind South African Tourism's strategy to convert more international business travellers into leisure tourists. The places that were visited most during the period under review were the urban centres of Johannesburg, Cape Town and Durban; with Sandton, Bloemfontein, Pretoria, Port Elizabeth, Polokwane and Pietermaritzburg also in the mix. Tourist destinations such as the Drakensberg, Pilanesberg, Soweto, Sun City, Parys, Rustenburg, the Kruger National Park, Hermanus, Franschhoek and Stellenbosch also featured strongly in delegates' itineraries, suggesting an overlap of business and leisure tourism.

According to SANBC (2015), an international delegate of a business event in South Africa spends on average R37 913 to attend the event, with the larger portion of the expense going towards registration fees, accommodation and shopping during 2015. However, the previous year (2014) showed greater value added to food and beverage (11%), entertainment (9%) and tours (8%). Therefore, illustrating the dynamic spending pattern and ever changing needs of these tourists.

Moreover, the international delegates spent an average of 6.8 nights in South Africa during 2015, which included both the event days and additional time spent for leisure. An average of 4.7 nights was spent for the business event itself. Therefore, there are 2.1 days available that they can use to do other activities. Delegates also bring with between one (1) to five (5)

**Figure 62: Business Event Delegate Average Expenditure**



Source: SANCB, South African International Meetings 2014/2015

<sup>134</sup> South Africa National Convention Bureau. 2016. Preliminary Study: South African business events industry, presented at the IBTM World conference in Barcelona, Spain.

accompanying travellers. The majority of accompanied tourists are colleagues (80%), followed by a spouse, friends or family members to join the business delegate.<sup>135</sup>






Effectively, the business event industry provides greater opportunity for increased spending and geographical spread of tourist activities, with “leisure” trips becoming more popular. Tourism destinations and products need to package their event bids and offers to entice these business tourists and their accompanying parties to participate more in the tourism value-chain; motivating longer stay and increase spending within a destination.

To understand the impact that these destinations meetings can have, insight can be gathered from the International Conferencing Centres’ (ICC) Annual Reports and developments surrounding the ICCs.

❖ International Convention Centre (ICC) performance case studies

Figure 63 illustrates the performance and impact for both the Cape Town ICC (CTICC) and the Durban ICC, as per their annual reports. According to the CTICC Annual Report, the Cape Town ICC<sup>136</sup> hosted 504 events in 2015, and generated R209 million in revenue, an increase of R57 million from the previous year. Moreover, they generated 875 297 visitor days in 2015/16. The Durban ICC<sup>137</sup>, generated R157 million in revenue, with 1.4 million visitor days during 2015/16.

Figure 63: South Africa ICC performance, 2015/16

	Cape Town ICC	Durban ICC
 <b>Number of Events Hosted</b>	504	349
 <b>Revenue Generated</b>	R 209 million	R 157 million
 <b>Number of Visitor Days</b>	875 297	1 486 486
 <b>Jobs Created</b>	7 758	10 874
 <b>GDP contribution to South Africa</b>	R 3,5 billion	R4,6 billion

Source: Annual Report 2015/16 of CTICC, Durban ICC

The CTICC in total, created 7 758 jobs, with a direct employment level of 49% women and utilised 30% women-ownership enterprise suppliers. The Durban ICC in total, created 10 874 jobs in 2015, with a 57.5% female workforce and 67% female senior management.

Furthermore, it is evident that the meetings industry has a greater impact on the economy of South Africa, with CTICC contributing R3.5 billion and Durban contributing R4.6 billion to GDP

<sup>135</sup> SANCB. 2015. *South African International Meetings 2014/2015*.

<sup>136</sup> Cape Town International Convention Centre. 2016. *Integrated Annual Report, 2016*. Cape Town.

<sup>137</sup> Durban International Convention Centre. 2016. *Annual Report, 2015*. Durban.



in 2015; emphasising the importance of events and meetings as a key economic injector for specific destinations and the country as a whole.<sup>138</sup> It should be noted that the difference in impact illustrated in the two reports does not follow the same economic modelling parameters; therefore, they report different volumes of impact in comparison to the revenues generated and job created.

The success of the meetings industry and its players is reliant of the perception and satisfaction that events attendees have about relating to the destination and the establishment itself. The CTICC has a customer satisfaction rate of 84%, compared to Durban ICC's 94%. Effectively, events attendees are very satisfied with the venue and its offerings, alongside the events themselves. To increase their attractiveness even more, the ICCs and other conference venues are implementing green practices to appeal more to the responsible tourism movement.

Currently, Cape Town ICC is the most sustainable ICC in South Africa, with 85% total waste recycling; a 5% decline in water consumption and a 3% decline in electricity consumption for 2015. That being said, Durban ICC does recycle 43% of its total waste, and had a 43% decline in water consumption and a 5% decline in electricity consumption. Hence, emphasising sustainable practises as critical of long-term development in the events sector.

The Gauteng province being Africa's economic powerhouse can effectively leverage on positioning itself as a mega-events destination. Capitalising on the world-class infrastructure including stadiums, accommodation establishments, roads, high speed telecommunication in convention and conference centres and attractions can assist to meet the needs and interests of business tourists/travellers.<sup>139</sup> Gauteng receives the majority of African regional travellers to the country, who travel with the purpose to conduct business and trade. Gauteng has an even greater opportunity to build itself as a tourism and trade destination within the BRICS market, with the province receiving an influx of Chinese, Brazilian and Indian tourists and travellers with both a business and leisure interest. Moreover, Gauteng has the potential to draw power from their domestic business traveller market within the tourism sector.

Gauteng aims to leverage business tourism as their competitive advantage as a tourist destination. Currently, Gauteng has two main ICCs that are privately owned; namely, the Sandton ICC and Tshwane CSIR ICC. Furthermore, Gauteng will be receiving three new ICC's; through the development of the Tshwane International Convention Centre in

<sup>138</sup> The economic impact modelling used for the two report will not provide similar results as each is calibrated to mirror the impact within its specified locality.

<sup>139</sup> Gauteng Department of Economic Development. 2017. Gauteng Tourism Sector Strategy.



Centurion<sup>140</sup>, the Ekurhuleni International Conference Centre<sup>141</sup>, and a ICC in Sedibeng along the Vaal River. These developments will be key to attract mega business events and boost Gauteng's status as the South Africa's premier events destination.

#### 4.3.5. Business Events Impact Consideration

Key industry players have emphasised that the business events industry is not a core tourism product, but rather functions as a trade and investment industry.<sup>142</sup> These events are not organised in the interest of attracting attendees, rather they have a greater purpose to motivate improved trade relations, increase trade activity, motivate innovation and investment, and decrease the seasonality of destinations. Therefore, hosted events should aim to address some of the following issues:<sup>143</sup>

- Market segment priorities (in order of priority – conventions, incentives, corporate meetings and exhibitions);
- Key Industry Sectors, e.g. manufacturing, mining and metals, medical and life sciences, creative industries, business process outsourcing, information and communication technology;
- Event profiles, e.g. high profile delegates, publicity value;
- Event yield on socio-economic groups;
- Destination seasonality impact;
- Opportunities in smaller cities or provinces other than the “big three”;
- Levels of contribution by cities or provinces (cash or in-kind); and
- Indirect economic benefits relating to legacy, trade and export promotional opportunities, and professional development.

<sup>140</sup> City of Tshwane. Tshwane Vision 2055.

<sup>141</sup> City of Ekurhuleni. 2016. Destiny Hotel: Business & Conference Venue, Team-Building, Banqueting & Events.

<sup>142</sup> Interview with SANCB on 24 February 2017.

<sup>143</sup> SANCB. 2017. *2016/17 MTEF: Motivation for Funding*. Bid Support Programme for Business Events. This is supported by ICC managers, provincial and local convention bureaus across South Africa; including Durban ICC, Sandton ICC, Cape Town ICC, CSIR ICC, Gauteng Convention Bureau, KZN Convention Bureau.



***SUMMARY SNAPSHOT***

South Africa is ranked number 38 globally by ICCA, with 108 meetings held in 2015. The country remains the number one convention destination in Africa and the Middle East. Business tourists are a lucrative market as they spend on average three times more than leisure tourists. The business events industry provides greater opportunity for increased spending and geographical spread of tourist activities, with “leisure” trips becoming more popular. Effectively, business events not only motivate direct impacts in the tourism sector, but are used as a vehicle to promote trade and investment into South Africa’s economy.



## SECTION 5: ECONOMIC IMPACT AND STATE OF OTHER KEY TOURISM SERVICES

The following section provides insight of key related tourism industries as well as the overall impact of the tourism sector to the economy including contribution to total employment within the country. More focus will be on provisional Tourism Satellite Account 2015 results.

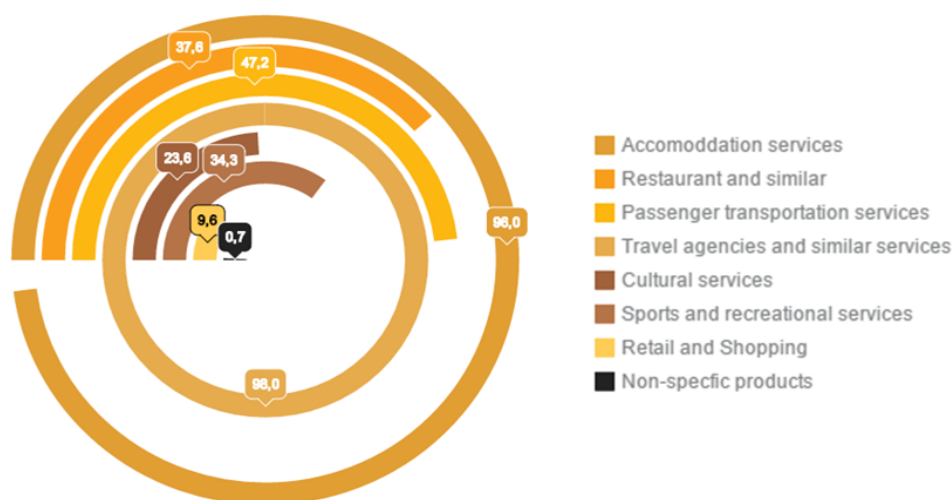
### 5.1. Market and Economic Environment

#### 5.1.1. Tourism Sector Economic Value

Although tourism is by its nature a demand-driven phenomenon, it is necessary, from a macroeconomic point of view, to observe how the match between demand and supply operates, and how the latter affects the basic macroeconomic variables of the country of reference. Within a context of macroeconomic analysis, the relationship between supply and demand is best studied within the general framework of national accounts (StatsSA, 2015).<sup>144</sup>

As stated, the tourism sector is complex and has a degree of contribution in multiple industries. Figure 64, illustrates the industry contribution ratio of the tourism sector's products within different industries.

Figure 64: Tourism Product to Industry Ratio, 2015



Source: StatsSA, Tourism Satellite Account, Prelim 2015

<sup>144</sup> StatsSA. 2015. *Tourism Satellite Account, final 2013 and provisional 2014 and 2015.*

Tourism expenditure contributes 3.2% to the total production output of tourism-related industries, with tourism-characterised products (accommodation services, restaurants, passenger transport services, travel agencies and related services, cultural services, sports and recreation services) contributing an average 52% to the total output of these products.

South Africa in total, generated R249 billion in internal tourism expenditure during 2015, according to the Tourism Satellite Account Demand and Supply Table<sup>145</sup>, with domestic tourism contributing R140.9 billion and international tourism R108.7 billion to the sector. Table shows the internal tourism consumption of products by tourists, both internationally and domestically.

**Table 20: Internal Tourism Consumption, 2015**

Tourism Expenditure by product	Domestic demand (1)	International demand (exports) (2) R million	Total demand (3) = (1) + (2)
<b>Tourism Characteristic Products</b>	100 841	65 016	165 856
Accommodation services	20 109	16 354	36 463
Restaurant and similar	6 272	9 946	16 218
Passenger transportation services	63 674	28 666	92 340
Travel agencies and similar services	7 223	3 034	10 257
Cultural services	178	192	370
Sports and recreational services	3 384	6 824	10 208
Retail and Shopping Products	14 080	16 187	30 267
Non-Specific Products	26 010	27 557	53 567
<b>TOTAL TOURISM EXPENDITURES</b>	<b>140 931</b>	<b>108 760</b>	<b>249 691</b>

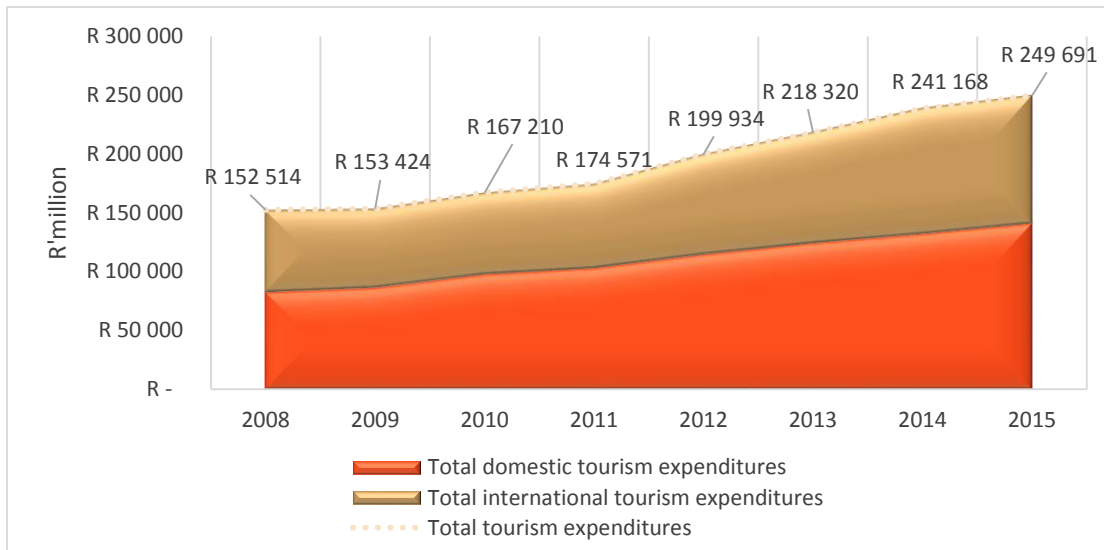
Source: StatsSA, Tourism Satellite Account, Prelim 2015

Tourism expenditure has increased over the years with domestic tourism expenditure growing on average by 9.7% p.a., while international tourism expenditure grew by 8.8% p.a. from 2005-2015. The direct contribution of tourism to GDP in South Africa grew on average by 9.3% per annum between 2005 and 2015. The total internal tourism expenditure grew from R152.5 billion in 2008 to R249.7 billion in 2015. Domestic tourism expenditure contributed about 56% to the total internal tourism expenditure with an amount of about R140.9 billion while inbound tourism expenditure contributed a lesser amount of R108.8 billion during 2015. This is demonstrated in figure 65 below.

<sup>145</sup> StatsSA. 2015. *Tourism Satellite Account, prelim 2015*.



Figure 65: Tourism Expenditure, 2008-2015

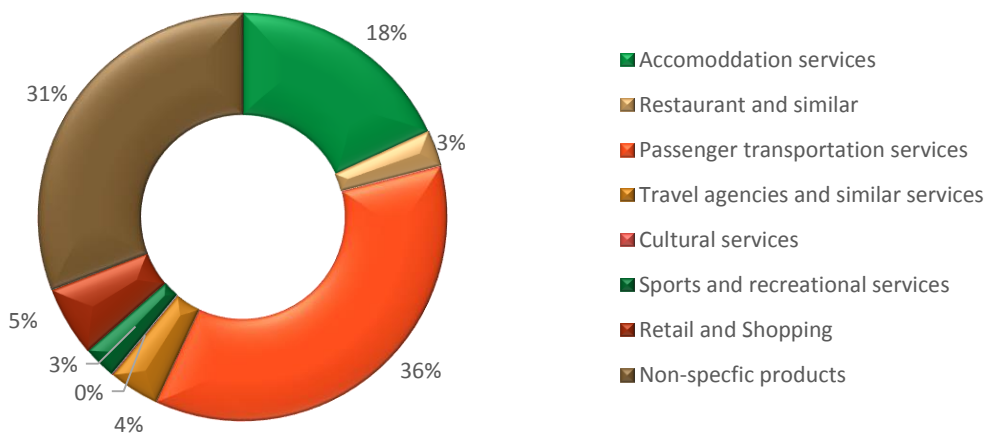


Source: StatsSA, Tourism Satellite Account, 2008-2015

❖ Economic Impact and Performance

The tourism sector generated R109 605 billion in direct gross value added in 2015, which increased from R105 789 billion in 2014 by 3.6%. The biggest contributor to tourism’s GVA was transport services (36%), followed by accommodation services (18%), retail and shopping (5.5%), and travel related services (4%). Non-specific products hold major weight as South Africa showed a slow growth in gross domestic products of 1.3% from 2014 to 2015.

Figure 66: Tourism Product Distribution in Sector GVA Contribution, 2015



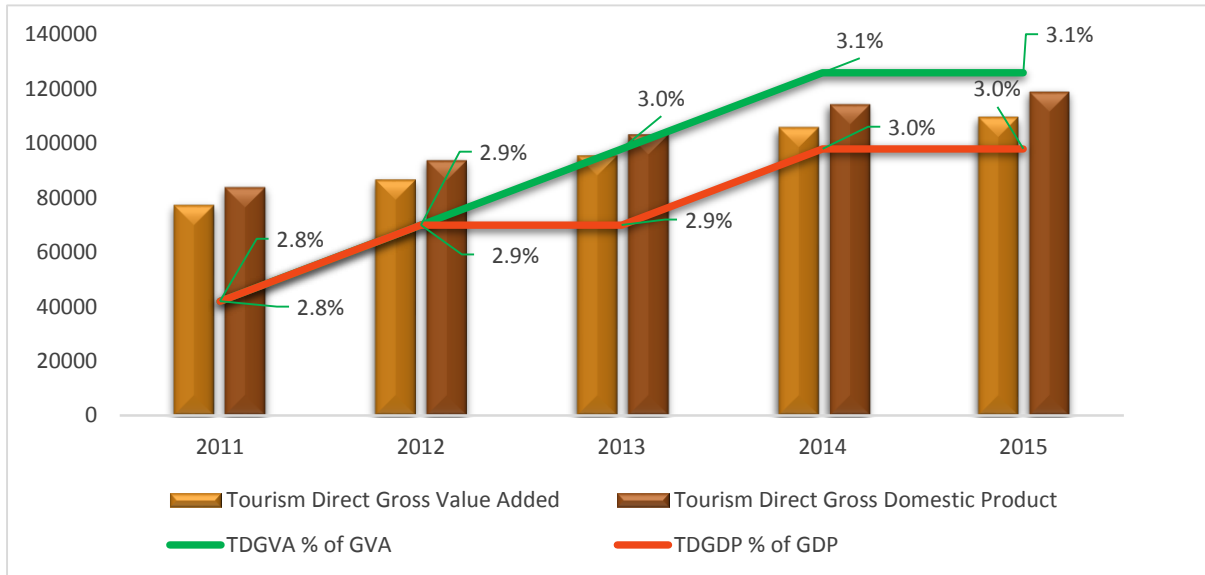
Source: StatsSA, Tourism Satellite Account, 2015





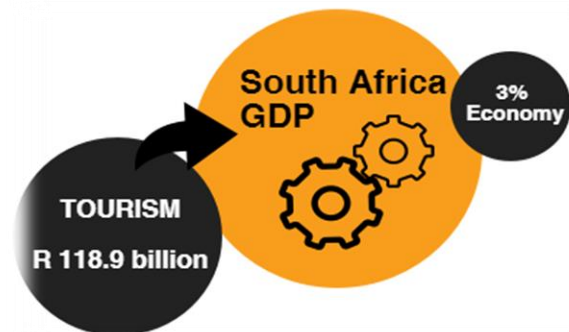
Figure 67 illustrates the growth in economic contribution of the tourism sector from 2011 to 2015. The tourism sector directly contributes R118 928 billion to gross domestic product representing 3% of the country’s economy; showing an increase of 3.9% annual growth from 2014 to 2015.<sup>146</sup>

Figure 67: Tourism Economic Contribution, 2011-2015



Source: StatsSA. 2015. Tourism Satellite Account, final 2013 and provisional 2014 and 2015.

The tourism sector has major economic-and employment-driver benefits for South Africa, since the sector keeps growing at a reasonable rate, regardless of the economic constraints and low growth the rest of the country’s economy had experienced at 1.3% over the 2014 to 2015 period. For example, the agricultural sector was severely affected by the worst drought on record, while weak global demand and lower commodity prices impacted adversely on the mining sector. Subdued domestic demand and difficult operating conditions took their toll on the manufacturing sector, with its output expanding at a very modest pace (IDC, 2016)<sup>147</sup>.



<sup>146</sup> StatsSA. 2015. *Tourism Satellite Account, final 2013 and provisional 2014 and 2015*.

<sup>147</sup> IDC. 2016. *Economic Overview: Recent developments in the global and South African economies*, November 2016.

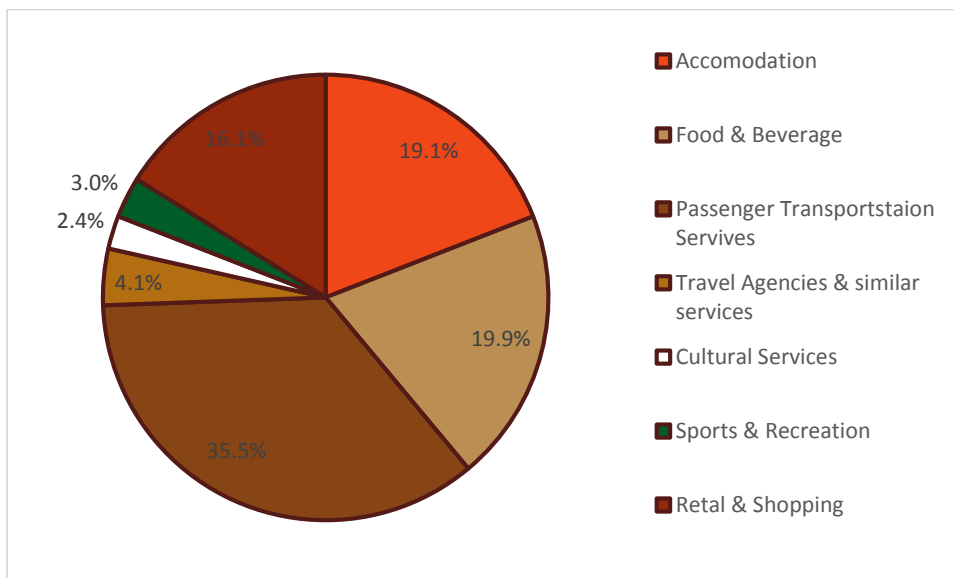


### ❖ Employment Profile and Contribution

Labour is a measure of the work done by people that contribute to the productive and economic activity of a country (StatsSA, 2016).<sup>148</sup> Since one of the frequently observed benefits of tourism is its capacity for job creation, an examination of South Africa's current labour conditions is essential to measure any impact.

The tourism sector created 711 746 direct jobs in 2015, contributing 4.5% to South Africa's total employment, with the highest employment number in transportation (35.5%) which includes rail, road, water and air passenger transport as well as transport equipment rentals. This was followed by direct employment in accommodation with a share of 19% during the same year.

**Figure 68: Tourism Direct Employment Sector Distribution**



Source: StatsSA. 2015. Tourism Satellite Account, final 2013 and provisional 2014 and 2015.

The direct employment in the tourism sector showcased an average growth rate of 3% per annum from 2010 to 2015, with an annual growth rate of 5% from 2014 to 2015. Therefore, depicting the growth value of the tourism sector as an employment creator for South Africa in the long-term. The sectors showing the highest growth potential are the transport services sector, restaurants, and accommodation and retail services. However, the accommodation sector, travel services sector and even transport sector are quite volatile and sensitive to shifts in the economy as illustrated in figure 70 above.

<sup>148</sup> StatsSA. 2016. *Quarterly Labour Force Survey*, Quarter 4: 2016.

**SUMMARY SNAPSHOT**

The economy has not performed well during 2015, with the global economy showing a low growth of 2.4%, and South Africa's economy an even lower growth of 1.3% over the 2014 to 2015 period. However, the tourism sector remains one of the fastest growing economic sectors, despite events such as recent economic, political and terror attacks or environmental shocks. Moreover, the tourism sector contributes 4% to the employment numbers globally, with the sector directly contributing 4.5% to the total employment of South Africa during 2015. Tourism has the potential to achieve transformation, as it is a labour-intensive sector that absorbs high volumes of skilled and semi-skilled labour. The tourism sector is also characterised as a SMME dominated sector, with a low market barrier for enterprise- and skills development. The tourism sector directly contributes R118 928 million to GDP, representing 3% of the country's GDP. The value that tourism holds as an economic-driver is receiving the attention it deserves, since the tourism sector is one of the few sectors showing sustainable growth throughout economic crises and impacts.



## 5.2. Other Key Tourism Services

The following section provides an environmental scope of the state ok key tourism services such as transportation gateways and visitor information centres.

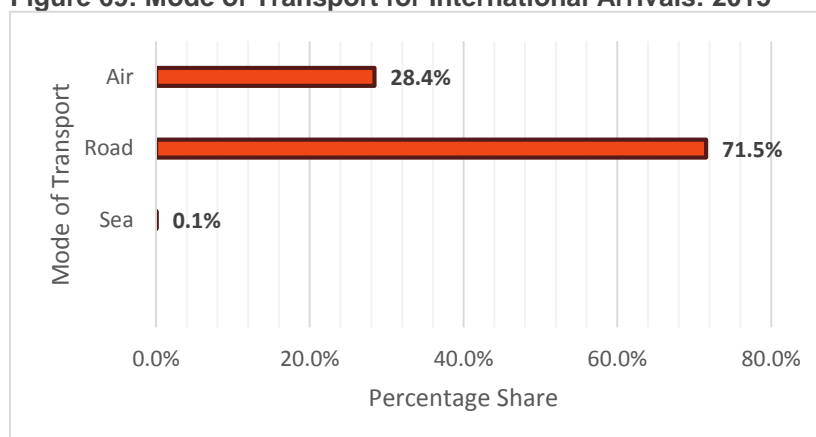
### 5.2.1. Transportation and Gateways

Particular consideration needs to be taken, to ensure that tourism precincts/nodes are easily accessible from public transit facilities and nearby gateways. The transportation system of a destination plays a critical role in motivating and driving tourism. Transportation for the tourism sector refers to carrying tourists from their place of living to the place where the touristic products are introduced to them. The travel and tourism experience of tourists and the ideas about tourism products start and end with transportation. Hence, it is impossible to consider tourism without transportation.

An increase in traffic due to world tourism growth puts pressure on transportation facilities. Therefore, it is important that the transportation system and gateways of a destination are efficient and sustainable to motivate more effective and responsible travel mode usage for tourists and residents alike.

Transportation is a critical factor of travel for both domestic and international tourists, as a majority of spend is attributed to transport. Figure 69 indicates the most important mode of transport used by international tourists to South Africa, with air (28.4%) and road (71.5%) travel being the main transport types used by this market.

**Figure 69: Mode of Transport for International Arrivals: 2015**

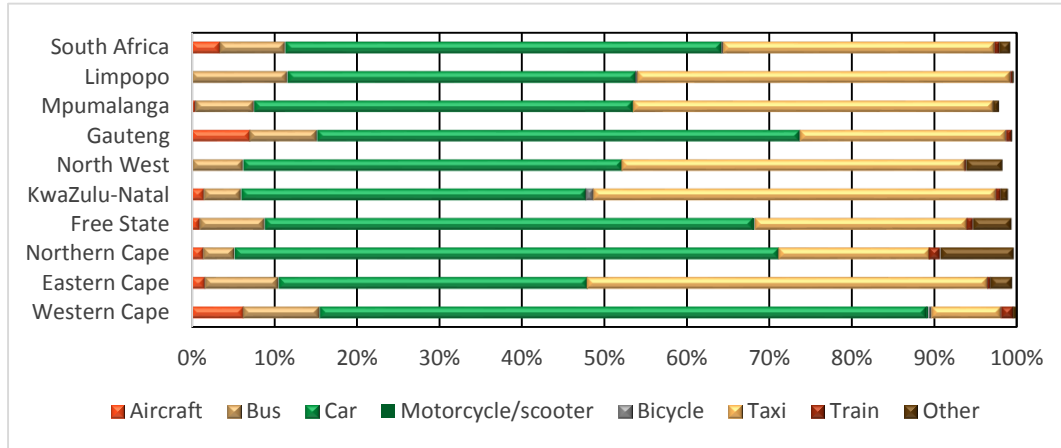


Source: StatsSA, 2015



From a domestic perspective, road travel is even more important than air accessibility, with day visitors purely reliant on road transport, and only a small percentage of overnight visitors reliant on air travel; as indicated in Figure 70.

**Figure 70: Domestic tourist overnight mode of travel**



Source: StatsSA, 2015

Therefore, the primary modes of transport within the tourism sector relates to air and road access. The increase in tourist access and travel potential is highly reliant on the quality, value for money, and distance required to travel to a destination. Hence, it is important that the transport and infrastructure-related sectors provide quality, cost effective access routes, and transport services at a local and international level.

#### ❖ Air Access

Table , illustrates the passenger arrival volumes that South Africa's three main international airports received. O.R Tambo International Airport received the majority of international, regional, and domestic arrivals. Nonetheless, the main movement in arrivals are within the domestic sector, with all airports receiving an increasingly high volume of domestic arrivals year on year, except for the dip during 2012 and 2013.

**Table 21: Passenger Arrivals to main airports**

Arrival Passengers		FY11/12	FY12/13	FY13/14	FY14/15	FY15/16
OR Tambo International Airport	International	4 047	4 141	4 277	4 291	4 364 234
		534	363	079	971	
	Regional	421 174	410 267	445 730	457 258	452 972
	Domestic	5 001	4 710	4 634	4 750	5 303 666
		367	359	544	326	
	Unscheduled	42 486	40 946	49 082	46 651	49 187
	<b>TOTAL</b>	<b>9 512</b>	<b>9 302</b>	<b>9 406</b>	<b>9 546</b>	<b>10 170</b>
		<b>561</b>	<b>935</b>	<b>435</b>	<b>206</b>	<b>059</b>
	International	696 997	661 578	674 925	726 906	780 734

Arrival Passengers		FY11/12	FY12/13	FY13/14	FY14/15	FY15/16
Cape Town International Airport	Regional	67 765	72 988	73 307	76 777	92 002
	Domestic	3 504	3 468	3 422	3 560	3 931 622
	Unscheduled	281	861	492	345	
	Unscheduled	6 212	5 864	6 617	4 500	5 570
	<b>TOTAL</b>	<b>4 275</b>	<b>4 209</b>	<b>4 177</b>	<b>4 368</b>	<b>4 809 928</b>
		<b>255</b>	<b>291</b>	<b>341</b>	<b>528</b>	
King Shaka International Airport	International	99 986	111 986	134 991	144 457	138 275
	Regional	-	-	-	-	-
	Domestic	2 408	2 214	2 084	2 110	2 312 051
	Unscheduled	465	078	670	640	
	Unscheduled	5 711	5 507	4 252	3 986	4 966
<b>TOTAL</b>	<b>2 514</b>	<b>2 331</b>	<b>2 223</b>	<b>2 259</b>	<b>2 455 292</b>	
		<b>162</b>	<b>571</b>	<b>913</b>	<b>083</b>	

Source: ACSA, Passenger Traffic 2011/12 – 2015/16

ACSA airports have once again been ranked as some of the best in Africa in the annual Airports Council International's (ACI) 2015 Airport Service Quality (ASQ) Awards. Cape Town International Airport and King Shaka International Airport tied for second (2<sup>nd</sup>) place in the category, Best Airport by Region – Africa for those airports handling over 2 million passengers per year. OR Tambo International Airport was ranked third (3<sup>rd</sup>).

The current air space environment is expected to change its landscape dramatically as new initiatives open more routes to more destinations in South Africa. According to the National Department of Transport (2016)<sup>149</sup>, the concept of the Aerotropolis, whereby a range of manufacturing, logistics and commercial facilities, complemented by hotels, retail outlets, entertainment complexes and offices are clustered around an airport, is likely to further accelerate the core role of our airports, particularly for O.R Tambo International Airport and even the King Shaka International Airport. Currently, Cape Town is increasing its market capture through the Project Khulisa growth strategy. The Western Cape secured six new routes and eight route expansions, resulting in over half a million more two-way seats coming into Cape Town. This additional capacity generated R3 billion in tourism spend for the Western Cape since its inception in July 2016 (Western Cape Department of Economic Development and Tourism, 2016).<sup>150</sup>

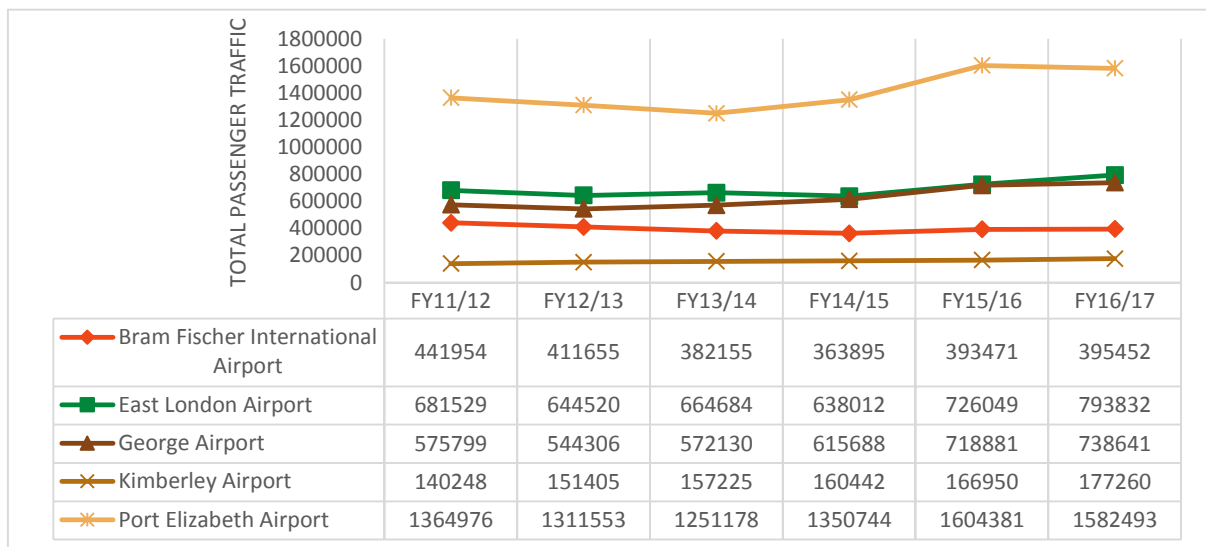
<sup>149</sup> National Department of Transport. 2016. Airports Company South Africa Leads Airport Infrastructure in Africa. *Media Statement on 14 September 2016*.

<sup>150</sup> Western Cape Department of Economic Development and Tourism. 2016. *MEC Alan Winde on Cape Town Air Access initiative*. South African Government: Media Statements, 8 December 2016.



Upington Airport achieved top honours with 1<sup>st</sup> place in the Best Airport by Region – Africa (under 2 million passengers per year) category at the ASQ Awards. Other airports, such as East London Airport is receiving increased traffic at a rapid rate (Air Network News & Analysis, 2017)<sup>151</sup>. Figure 71 shows the total passenger traffic for the national airports of South Africa. According to the ACSA (2017)<sup>152</sup>, these national airports indicated a major increase in passenger traffic during 2015/16, with an average 15% growth during the period. The 2016/17 period showed a 2% growth.

**Figure 71: National airports total passenger traffic**



Source: ACSA, Passenger Traffic 2011/12 – 2016/17

The sector has also seen multiple new destinations in South Africa, improving their airports status to receive domestic scheduled flights; thus, opening access to destinations that were not accessible by air before, such as Pilaesberg and Mahikeng Airports (North West Provincial Government, 2016).<sup>153</sup> Both these airports, which are based in the North West Province, started scheduled flights in 2015/16. Plans are also underway to provide air access to the western coastal region of the Northern Cape.

Therefore, the use and accessibility of air travel will grow, providing increased physical access to international and domestic travellers, with value for money and ease of entry being

<sup>151</sup> Airline Network News and Analysis. 2017. *East London is South Africa's fastest growing airport; 39.7 million passengers in 2016; traffic up five million in four years*. Available at: <http://www.anna.aero/2017/01/30/east-london-fastest-growing-airport-south-africa/>. Accessed on: 2017/03/14

<sup>152</sup> ACSA. 2017. Passenger Traffic 2011/12 – 2016/17.

<sup>153</sup> North West Provincial Government. 2016. *Provincial Budget Speech 2016/17 Presented by Honourable MEC Wendy Joy Nelson for Finance, Economy and Enterprise Development*, Bokone Bophirima Provincial Legislature, Mahikeng, 03 March 2016.



prioritised. Moreover, the entry of E-gate technology, mobile travel management, and partnerships will continue to improve the accessibility for tourist and travellers.

#### ❖ Land Access

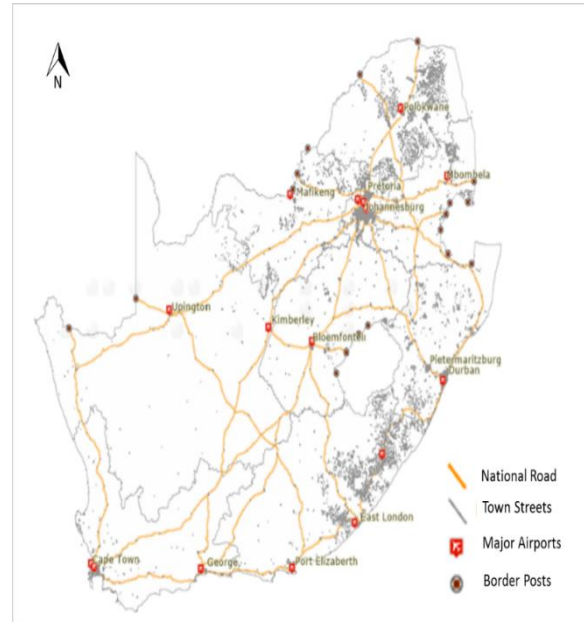
South Africa's land transport infrastructure and services is relatively good, compared to other African and developing countries. However, the vastness of the country, (as illustrated in Figure ) and limited availability of suitable public transport services for tourists, impacts the ability of tourists travelling to the country via the public network.<sup>154</sup>

Nonetheless, the public-private and private sector has filled this gap through established car rental companies, meter taxi services/shuttles, tour operators, rail tourist packages (SAT, 2017).<sup>155</sup> Moreover, the concept of ridesharing companies such as Uber, have revolutionised the way in which tourists travel within a destination.

What might be considered as the closest thing to a 'metro-rail' within first world countries, is the high-speed Gautrain, which has been operating in the greater Johannesburg area. In addition to this, wealthier tourists can choose to travel on the Blue Train, one of the world's most famous luxury trains (Expatica, 2016).<sup>156</sup>

Johannesburg's successes with the Bus Rapid Transport System (BRT) has led to it being adapted and implemented in other South African cities, including Cape Town, Nelson Mandela Bay, Rustenburg, Tshwane and Ekurhuleni (Brand South Africa, 2013).<sup>157</sup> A vast majority of South Africans and a large portion of domestic tourists use taxis as their prime transport.

**Figure 72: South Africa main road network and road access clustering**



Source: Urban-Econ, 2016

<sup>154</sup> Expatica. 2016. *South Africa transport: Trains, metro, buses, and taxis in South Africa*.

<sup>155</sup> SAT. 2017. *Getting Around*. Available at: <http://www.southafrica.net/za/en/guides/entry/getting-around>. Accessed on: 2017/03/14

<sup>156</sup> Expatica. 2016. *South Africa transport: Trains, metro, buses, and taxis in South Africa*.

<sup>157</sup> Brand South Africa. 2013. *South Africa's transport network*. Available at: <https://www.brandsouthafrica.com/investments-immigration/business/economy/infrastructure/transport>. Accessed on: 2017/03/14.



Hence, the government has introduced compulsory safety standards and a taxi recapitalisation programme, improving the safety and experience for users.

There are two arguments surrounding the statement of integrated accessibility in South Africa, related to the tourism sector:

1. The lack of integrated transport services which provides an opportunity for private sector development; and
2. Integrated transport increases the environmental impact of tourism and limits the freedom of movement for tourists.

According to the National Department of Transport (2016)<sup>158</sup>, the massive investment in the rail infrastructure is also expected to reduce congestions on our roads and the cost of road maintenance. In the Eastern Cape Works and Wild Coast Project, SANRAL has completed road infrastructure of about R1,4bn by the close of the 2015/16 financial year. There is currently work taking place in the N3 route, which is the busiest road freight corridor in South Africa. The work is estimated to cost about R8,3 billion, and the upgrading of the N3 is important as one of government's strategic integrated projects linking the Port of Durban with Gauteng is to succeed. On the N1 north, SANRAL is building a ring road around the town of Musina that will cost about R700 million.

Effectively, South Africa is on its way to becoming the first country in Africa to have rapid public transport networks. Such networks will not only change the face of the country, but will boost economic development, job creation and tourism.

### **5.2.2. Universal Accessibility Prioritisation**

Accessible Tourism enables people with access requirements, including mobility, vision, hearing and cognitive impairments, to function independently and with dignity through the delivery of universally designed tourism products, services and environments. This includes all people including those travelling with children in prams, people with disabilities, and senior citizens. The Universal Accessibility Declaration is a commitment to the implementation of universal accessible principles by role players in the broader tourism value chain to achieve the following objectives<sup>159</sup>:

- Provide the same options for all travel consumers;

<sup>158</sup> National Department of Transport. 2016. Address by the Minister of Transport, Ms Dipuo Peters, on the occasion of the launch of the 2016 October Transport Month in Mmorogong Village, Moses Kotane Local Municipality North West.

<sup>159</sup> Department of Tourism. Universal Accessibility in Tourism in a City Destination.



- Ensure full participation for people with disabilities (including the elderly and families with children);
- Protection of the individual's right to travel with dignity; and
- Encourage tourism practitioners to include the principle of universal access to tourism infrastructure, products and services, tourism master plans, policies and programmes.

As part of the implementation of the Framework, the Directorate of Responsible Tourism secured commitment from one City Destination to pilot the Framework. A self-assessment survey was sent to five cities namely: Johannesburg, Pretoria, East London, Cape Town and Durban; however, Cape Town and Durban were ultimately selected to take part in the pilot project.

Programmes and initiatives are being undertaken to make public areas and transport more accessible. The National Department of Tourism is undertaking an initiative to green all the World Heritage Sites in South Africa. Moreover, the sector aims to increase the universal accessibility of the tourism sector, particularly related to SMMEs and rural/underdeveloped areas.

### **5.2.3. Other External Influences**

There are several external factors that indirectly impact the tourism sector. According to sector representatives, the following factors played a critical role on the performance of the tourism sector.

Visitor safety remains an important topic worldwide. Perceived or real threats to visitor safety have immediate impacts on a destination's reputation and can dramatically affect visitation. If visitor health and safety is not well managed, adverse incidents can significantly impact on the profitability and sustainability of an individual business, community or destination.<sup>160</sup> TBCSA acknowledges (2017)<sup>161</sup> that fighting crime is not the core business of the tourism industry; however, the sector needs to be vigilant.

<sup>160</sup> Sustainable Tourism Online. Health, Safety and Security.

<sup>161</sup> Interview with TBCSA on 3 March 2017.



Some stakeholders stated that the new visa regulations that came into effect in October 2014, negatively impacted the majority of South Africa's international tourism market. However, over the past year, the Department of Home Affairs<sup>162</sup> initiated an intervention plan to ease the introduction of the visa regulations. This includes, amongst others, Accredited Tourism Company Programmes and Visa Facilitation Centres in various source countries.

According to the Tourism Business Index (2016), the key external issues that affected the business environment for the tourism sector are:

- Poor economic activity and uncertainty regarding the Ratings downgrade;
- Poor road infrastructure in rural areas and an increase in traffic congestion delaying transfer and tour times;
- Unrest at universities tarnishing image as a stable/ safe destination;
- Political instability within government departments;
- Limited guiding services with adequate foreign language skills; and
- Lack of training of immigration officials causing delays at airport.

### 5.3. Enabling Environment

It is within this enabling environment where the functions of government, institutions, policies, strategies and inter-relations create a suitable environment for socio-economic development and growth in the industry sectors, including tourism. The following section provides insight into the institutional support environment.

#### 5.3.1. Institutional Structure and Support

The Department of Tourism was awarded the Best Functioning National Department in 2016 by the National Batho Pele Excellence Awards (NDT, 2016).<sup>163</sup>

Government-owned tourism infrastructure relates to attractions, museums, heritage sites, nature reserves, resorts, etc. (state-owned assets either at national, provincial or local government level) that are important attributes to the Tourism Sector. The National Department of Tourism, alongside the sector, is promoting effective management and commercialisation of government-owned tourism infrastructure (NDT, 2016).<sup>164</sup>

<sup>162</sup> Department of Home Affairs. 2017. *Towards a new white paper on international migration*. Presented in Ekurhuleni.

<sup>163</sup> NDT. 2016. *Tourism – The Best Functioning National Department of the Year*. The Department of Public Service and Administration's (DPSA) Batho Pele Excellence Awards.

<sup>164</sup> NDT. 2016. *Revised Draft of the National Tourism Sector Strategy 2020*. Pretoria: Government Printer.



The National Department of Tourism (NDT) has developed various tourism strategies and programmes that are aimed at enhancing the growth and development of the tourism sector in South Africa; to name but a few:

- The Local Government Tourism Development and Growth Support Programme
- Capacity Building Training for Tourism Practitioners
- Visitor Information Centre (VIC) Training
- The Municipal Tourism Self-Assessment Tool
- Tourism Incentive Programme (TIP)
- Social Responsibility Implementation (SRI) Project
- Tourism Enterprise Partnership
- Incubation; and Business support services
- Tourism Buddies Programme
- Tourist Guide Training Programme
- Women Executive Development Programme
- Lilizela Tourism Awards

### **5.3.2. Visitor Information Services**

“Knowledge is Power,” as knowledge influences the decision-making of tourists and their experiences at a destination. Therefore, it is critical that information and knowledge is transferred and accessible on both a supply and demand-side, to inform, motivate and inspire action within the tourism sphere and in general.

From a supply-side, research, information provision, and communication play a crucial role in marketing, strategic decision-making, and delivering of a product. The demand-side requires information and communication abilities to not only inform tourists decision-making and travel plans; but, assists with bookings, accessibility, communication, social media, and tourist safety information.

It is essential for tourists to have access to information at the destination to which they travel. Visitor information centres (VIC) play a vital role by linking tourists and suppliers with one another. VICs have the ability to provide information, generate revenue, collect data on travellers, engage with local communities, and market the destination. The data collected from tourists can include complaints or compliments about their experience at a destination, as well as their future travel plans and expectations.



The main areas in which destinations have visitor information centres are at ports of entry. There is a total of 219 VICs in South Africa. Table illustrates the distribution of the VICs across each province; publicly and privately owned.<sup>165</sup>

**Table 22: VICs in South Africa**

Province	Government Owned	Private Owned	Total
Eastern Cape	13	3	16
Free State	6	12	18
Gauteng	9	3	12
KwaZulu-Natal	30	14	44
Limpopo	9	0	9
Mpumalanga	3	15	18
North West	7	3	10
Northern Cape	20	4	24
Western Cape	31	37	68
<b>Grand Total</b>	<b>128</b>	<b>91</b>	<b>219</b>

Source: NDT, Visitor Information Centres Master Database. 2017

The Western Cape has the most VICs with a total of 68, followed by Kwazulu-Natal with 44 and the Northern Cape with 24. Limpopo has the least amount of VICs, with a total of only 9. For the period of 1 April to 12 June 2016, O.R Tambo International Airport received a total of 841 enquires. These enquires are approximately the same as the ones in the 4<sup>th</sup> quarter of 2015. The increase in enquires can be attributed to an increase in the events which took place during this period. The figure below illustrates the number of enquires handled at O.R Tambo International Airport according to provinces and percentage.<sup>166</sup>

**Table 23: Visitor enquires handled at the desk by province and percentage share, April –June 2016**

Province	Number of Enquires	% Share
Gauteng	626	74%
Kwa-Zulu Natal	40	5%
Mpumalanga	72	8%
North-West	43	5%
Western Cape	51	6%
Free State	0	0%
Limpopo	6	1%
Northern Cape	1	0.5%
Eastern Cape	2	0.5%
<b>TOTALS</b>	<b>841</b>	<b>100%</b>

Source: NDT, Financial Year: 2016/2017, Quarter One: April – June 2016 report on the National Tourist Information Gateways at O.R Tambo international Airport.

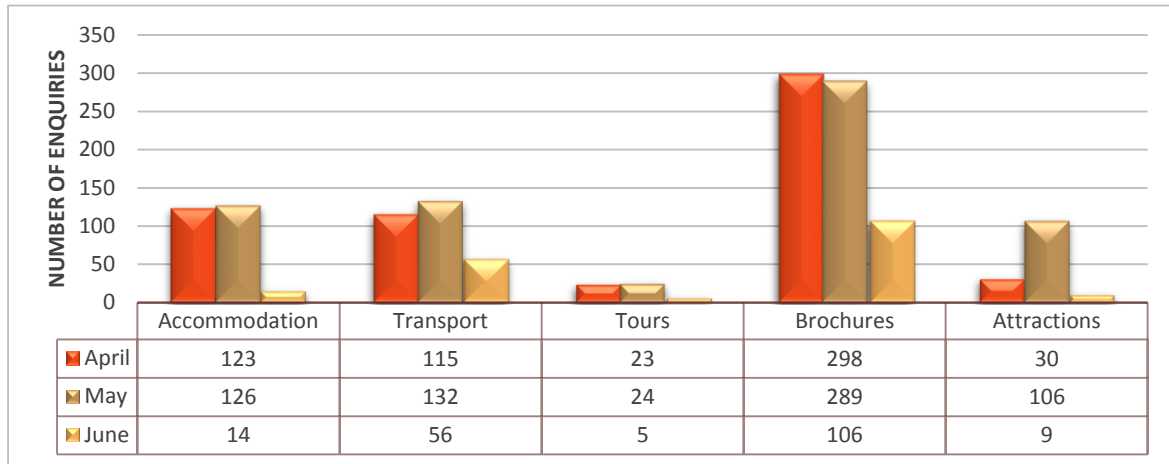
<sup>165</sup> NDT. 2017. *Visitor Information Centres Master Database*.

<sup>166</sup> NDT. 2017. *Financial Year: 2016/2017, Quarter One: April – June 2016 report on the National Tourist Information Gateways at O.R Tambo international Airport*.



VICs receive different types of enquires and not all enquires received are tourism-related. Below is the breakdown of tourism related enquires from the period of April to June 2016 at O.R Tambo International Airport.

Figure 73: Type of tourism related enquiries

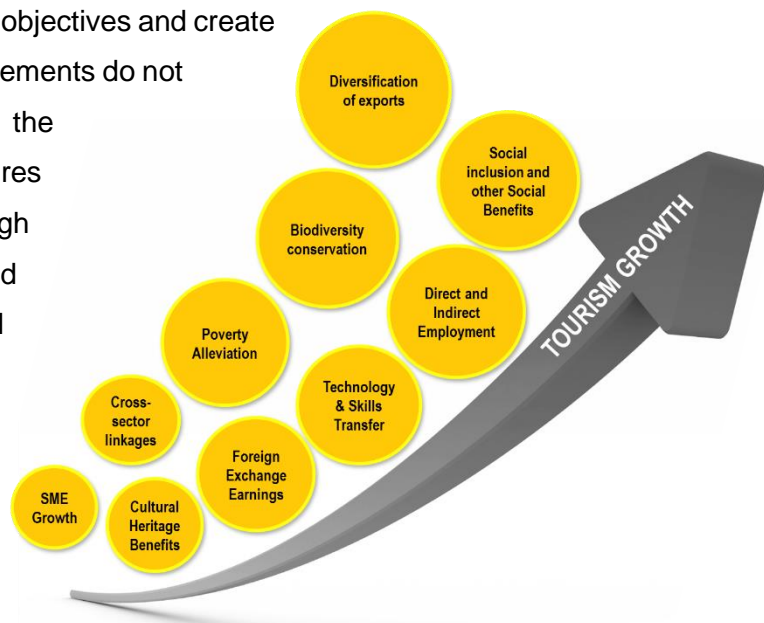


Source: NDT, Financial Year: 2016/2017, Quarter One: April – June 2016 report on the National Tourist Information Gateways at O.R Tambo international Airport.

The breakdown shows that the largest number of enquiries received are for travel brochures (generic provincial travel guides). This is followed by transportation, the most requested mode of transportation is metred taxis, the Gautrain and shuttle services; this information is not limited to the Gauteng province. Other transport enquiries for other provinces include the need for train, shuttle and long distance bus services either to neighbouring provinces and or countries.

### 5.3.3. Sector Transformation

Tourism can achieve transformation objectives and create jobs, since its nature of labour requirements do not involve high levels of skills within the majority of its organisational structures and activities; alongside, the high potential for in-house training, and skills development. If managed properly, tourism has the potential to benefit women and young people while contributing to poverty alleviation. Thus, enhancing investor confidence, increasing national pride, and



serving as an engine of growth; while generating income for biodiversity conservation and cultural heritage protection (ACET, 2014).<sup>167</sup>

To ensure South Africa increases its competitive edge in the tourism sector, as a sustainable trade, it needs to build on its current strengths, create new opportunities, and develop from its weaknesses. The areas that South Africa is underperforming in the Global Tourism Competitiveness Index (refer to Section 2) include Human Resources, Labour Market, Safety and Security, Health and Hygiene. Placing the country 105<sup>th</sup> out of 141 countries, within the Human Resources and Labour Market Pillar. Hence, motivating the need to improve the labour environment surrounding the tourism sector. This relates to Transformation, Skills Development and Service Delivery.

South Africa's ranking relating to the labour market is not very strong and requires improvement, as illustrated in 24. Thus, motivating transformation, skills development and service delivery improvement.

**Table 24: South Africa Travel and Tourism Competitiveness Index relating to Human Resource and Labour Markets 2015**

HUMAN RESOURCES AND LABOUR MARKET	OUT OF 141
<b>Qualification of the labour force</b>	<b>66</b>
Primary education enrolment rate	117
Secondary education enrolment rate	23
Extent of staff training	18
Treatment of customers	67
<b>Labour market</b>	<b>135</b>
Hiring and firing practices	140
Ease of finding skilled employees	126
Ease of hiring foreign labour	138
Pay and productivity	133
Female labour force participation	83

Source: World Economic Forum, 2015

<sup>167</sup> ACET. 2014. *Growth with Depth: 2014 African Transformation Report*.



### ❖ Tourism BEE Charter

Tourism functions as a development tool in transforming developing counties. This emphasises the improvement of educational systems, occupational qualifications, higher studies and sectorial, training schemes; which have all proven to improve travel and tourism service quality; in conjunction with the implementation of the transformation activities. The current tourism sector is characterised as being led by the white minority, creating a glass ceiling effect for previously disadvantage groups, with the majority only employed in middle and lower management levels, and new enterprises lacking experience and work quality (SAT, 2017)<sup>168</sup>. Effectively, the development of the tourism sector at national and local level requires skills development within different spheres of the community, to improve the capacity and capabilities of the labour and entrepreneurial market surrounding the tourism sector. The Report on the State of Transformation of Tourism Enterprises (2010)<sup>169</sup> recommended that the National Department of Tourism and its partners should focus their efforts on helping enterprises succeed in the areas of skills development, preferential procurement and enterprise development, as it is anticipated that such interventions will drive transformation in other areas. Hence, the amendment of the Tourism B-BBEE Sector Code aims to improve compliances and transformative activities through increase ownership, career development through management control, skills development, enterprise and supplier development, and socio-economic development (NDT, 2017).

**Figure 74: Tourism B-BBEE Sector Code, five elements.**



Source: NDT, Amended Tourism B-BBEE Sector Code, 2016

The hospitality (including accommodation) and related tourism services sub-sectors are performing well in black senior/top management, black management and black employees' categories. The travel distribution system performs better than the other sub-sectors in the black stakeholder ownership and B-BBEE awareness. Hence, the tourism sector is active in transforming, but still lacks in compliance with the set Tourism B-BBEE codes and targets.

Regardless of the performance of the Tourism B-BBEE code compliance, transformation is more reliant on the holistic growth and innovative development of the sector. Therefore, South

<sup>168</sup> Interview with SAT on 9 February 2017.

<sup>169</sup> NDT. 2013. *Report on the State of Transformation of Tourism Enterprises in 2010*, updated in April 2013.



Africa's tourism sector is committed to empowering employees, enterprises and communities within the sector, in order to ultimately contribute to the growth and sustainability of the industry (NDT, 2017). The constraints in developing the tourism sector as a transformation mechanism relate to the following:

- Unpredictable business environment
- Institutional Weakness
- Inadequate Access
- Low level of linkages
- Price and value mismatch

Currently, NDT, along with stakeholders, are developing a Tourism Transformation Strategy together with a baseline study, in order to measure and growth the tourism sector through transformation.<sup>170</sup>

#### ❖ Responsible Tourism

South Africa aims to be one of the foremost responsible tourism leaders in the world, alongside other industries; with the vision that South Africa belongs to all its people and that the future is therefore, a collective responsible future – “making it work is everyone’s collective responsibility,” as stated in the NDP.

The National Department of Tourism, in South Africa, won Gold at the 2016 African Responsible Tourism Awards<sup>171</sup>, in Best Public Sector Policy/Support category for its steadfast commitment over 20 years to the principles of responsible tourism as set out in the 1996 white paper. This success is due to the Department championing the Responsible Tourism Standard, Tourism Incentive Programme and the adoption and application of Responsible Tourism principles by provinces and agencies. The National Minimum Standard of Responsible Tourism (SANS1162)<sup>172</sup> aims to establish a common understanding of responsible tourism. The standard consists of 41 criteria divided into the following four categories:

- Sustainable operations and management
- Economic criteria
- Social and cultural criteria
- Environmental criteria

<sup>170</sup> Interview with NDT Transformation Directorate on 2 February 2017.

<sup>171</sup> Better Tourism Africa. 2016 African Responsible Tourism Awards winners. Available at: <https://bettertourismafrica.org/african-responsible-tourism-awards/past-winners/2016-3/>.

<sup>172</sup> National Minimum Standards. 2016. National Minimum Standard for Responsible Tourism (SANS 1162).



The South African National Standards for Responsible Tourism requires sustainable operations and management in respect of the design and construction of buildings and infrastructure.

#### *Cape Town Responsible Tourism Case Study*

Within the national context of sustainable and responsible tourism, the City of Cape Town has for many years been the forth runner as a responsible tourism destination. In 2002, a historic international conference on sustainable tourism was held in Cape Town (Responsible Tourism Partnership, 2017)<sup>173</sup>. It culminated in what is now referred to as the Cape Town Declaration on Responsible Tourism. In 2009, Cape Town won an international award for being a best destination in terms of Responsible Tourism, due to it being the only city in the world to have aligned itself with responsible tourism practices.

This year, at the 2016 African Responsible Tourism Awards, the City of Cape Town won two out of six awards. For the second year in a row, gaining silver in the category for Best Public Sector Policy/Support, following last year's silver award for Best Destination for Responsible Tourism (African Responsible Tourism Awards, 2016)<sup>174</sup>.

The City of Cape Town notes that even though the destination and its tourism product offerings are performing well within the responsible tourism sphere, there is still a long way to go before the city is a fully operational responsible tourism destination. To promote and increase the application of sustainable and responsible tourism principles in the sector, the Metro along with other partners, are implementing multiple awareness and assistance platforms<sup>175</sup>:

- Cape Town Responsible Tourism Challenge
- Responsible Tourism in Cape Town: How-to Guide
- Responsible Tourism Charter
- Cape Town Responsible Tourism Branding
- SMME development and showcasing
- Youth and community tourism development
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<sup>173</sup> Responsible Tourism Partnership. 2017. *Cape Town Declaration on Responsible Tourism*. Available at: <http://responsibletourismpartnership.org/cape-town-declaration-on-responsible-tourism/>. Accessed on 2017/03/29.

<sup>174</sup> African Responsible Tourism Awards. 2016. *African Responsible Tourism Awards: Overall Winner 2016*. Available at: <http://www.living-in-south-africa.com/african-responsible-tourism-awards.html>. Accessed on 2017/03/29.

<sup>175</sup> Responsible Tourism Cape Town. 2016. *Responsible Tourism Cape Town at WTM Africa 2016*. Available at: <http://responsiblecapetown.co.za/cape-town-at-wtm-africa-2016/>. Accessed on 2017/03/29.



**SUMMARY SNAPSHOT**

Tourism is not classified as one of South Africa's ten (10) main economic sectors, and consists of multiple industries. Nonetheless, the value of tourism to South Africa as well as globally is now gaining recognition as a primary socio-economic driver, with many developing countries showing significantly faster growth in the tourism sector compared to other sectors in the economy. With the potential decrease in production in the mining, manufacturing and agricultural sectors, South Africa seeks to promote tourism as a transformative sector to create employment, alleviate poverty, create a positive image for the country, encourage enterprise and skills development, and promote social cohesion and sustainable practices (as endorsed by the National Development Plan 2030). The improvement of physical and information accessibility, alongside increased transformation and knowledge development in the sector foresees greater geographical growth and development of the tourism as an economic driver at local and national level.



To achieve the outcome set by the NDP and the NTSS, taking into consideration state of tourism 2015/16, the following gaps need to be taken into consideration, indicated in Table .

**Table 25: State of tourism implications and recommendations**

Pillars	Implications	Recommendations
<b>Market Penetration</b>	<ul style="list-style-type: none"> <li>• Low growth in Africa air market during 2015/16</li> <li>• New emerging markets from Asia, South America, Middle East, and Indian Ocean Islands</li> <li>• High seasonality of main European and North American markets.</li> <li>• Low geographical spread of the international tourists</li> <li>• Increase in business tourism interest by main markets, including Europe</li> <li>• Increase holiday purpose of visit for Regional and BRICS markets</li> <li>• Continuous decline in domestic tourist trips</li> <li>• Increased seasonality index of domestic market</li> <li>• Increase interest in business tourism by domestic market</li> <li>• Greater geographical spread and impact by domestic market</li> <li>• The potential value of VFR</li> <li>• Millennials are becoming a major travel market for South Africa</li> </ul>	<ul style="list-style-type: none"> <li>• The MICE (meeting, incentives, conferences, exhibition) industry holds great value for trade investment and improving seasonality</li> <li>• Increased investment required in to Africa regional markets</li> <li>• Promote South Africa as a trade and tourism destination to BRICS markets</li> <li>• Improve the seasonality and geographical spread of main Europe and America markets</li> <li>• Focus marketing on Asia countries as they are one of the fastest emerging travel market.</li> <li>• Increase effort to create value for money experiences to attract domestic markets</li> <li>• Decrease seasonality of domestic market through events, social tourism and add-ons</li> <li>• Innovate and embrace millennial tourist trends</li> </ul>
<b>Ease of Access</b>	<ul style="list-style-type: none"> <li>• Impact of visa regulations and application processes</li> <li>• Increase air route access to multiple destinations in South Africa</li> <li>• Poor public transport and network integration</li> <li>• Projected image of South Africa negative</li> <li>• Cost and means of domestic travel limited</li> <li>• Universal accessibility critical</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-empt political and regulatory changes that can affect the sector</li> <li>• Encourage multiple ministerial department to work cohesively to ensure tourism development though development of their sectors</li> <li>• Increase adoption of universal accessibility into tourism products</li> </ul>

Pillars	Implications	Recommendations
		<ul style="list-style-type: none"> <li>• Monitor transport and infrastructure integration to convey tourist flows</li> <li>• Improve South Africa's air openness</li> <li>• Ensure amalgamation of tourist information and communication channels</li> </ul>
<b>Visitor Experience</b>	<ul style="list-style-type: none"> <li>• Good growth for tourism related industries regardless of 2015 economic and political shocks</li> <li>• Value of domestic tourism greater than international tourism</li> <li>• Cost of increasing overheads can influence the visitor experience and desire to travel</li> <li>• Red tape and increased taxation limiting growth potential</li> <li>• Three quarters of the sector is SMME based, but the larger corporations generate about 75% of the income in the sector</li> <li>• Skills development required to ensure a quality and innovative labour base in the tourism sector</li> <li>• Embrace both trade and tourism sectors to promote sustainable impacts, e.g. MICE</li> <li>• Environmental impacts on water and physical resources will become more constrained</li> </ul>	<ul style="list-style-type: none"> <li>• Acquire understanding of the impacts and influence of external factors on cost and operation of the tourism sector</li> <li>• Promote responsible tourism and the successful implementation of TIP (Tourism Incentive Programme)</li> <li>• Utilise MICE industry to grow investments and market shares</li> <li>• Increase investment and product focus on domestic market as a driver for growth</li> <li>• Ensure SMME's receive priority and are well integrated into the institutional structures of the tourism sector</li> </ul>
<b>Destination Management</b>	<ul style="list-style-type: none"> <li>• Accelerate the adoption of tourism as a key economic driver and investment tool</li> <li>• Improve knowledge sharing</li> <li>• Need for collaborated trade and destination marketing</li> <li>• Tourism not taken into consideration during planning and implementation of other sectors and governmental departments</li> </ul>	<ul style="list-style-type: none"> <li>• Build a business case for the tourism sector</li> <li>• Create awareness of knowledge sharing platform and development</li> <li>• Provision of market environment decision-making information</li> <li>• Involve all sectors and department in tourism planning, vice versa</li> <li>• Instil PR programme to address safety and security issues relating to South Africa's global image</li> </ul>

Pillars	Implications	Recommendations
<p><b>Transformation</b></p>	<ul style="list-style-type: none"> <li>• Transformation according to the Tourism B-BEE charter is not achieving the results</li> <li>• Training programmes do not equip participants with the necessary entrepreneurial and knowledge skills to gain success e.g. tourist guides</li> <li>• New entrants are impaired by limited funding, operational skills and market access</li> <li>• Innovation and technological trends are changing the market environment</li> </ul>	<ul style="list-style-type: none"> <li>• Incentives transformation</li> <li>• Elevate training programmes to equip participants with strategic and operational skills</li> <li>• Eliminate barriers to entry for new entrants through by-law alleviation, service excellence and quality assurance, market understanding and access, business and contingency planning.</li> <li>• Industries to pre-empt changes in technology</li> <li>• Pro-active innovation of product offering and new developments in the markets</li> <li>• Businesses to be vigilant</li> <li>• Promote career development and mentorship initiative through the private sector</li> </ul>

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SAT Definitions Note: Africa-land Markets are markets where at least 60% of arrivals to South Africa use road transport.

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## INTERVIEWS CONDUCTED FOR STATE OF TOURISM FRAMEWORK

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*Durban ICC conducted on 3 March 2017*

*Exhibition Association of South Africa (EXSA) conducted on 28 February*

*Federated Hospitality Association of Southern Africa (FEDHASA) 24 February 2017*

*National Department of Tourism: Knowledge Management conducted on 22 February 2017*

*National Department of Tourism: Knowledge Management. conducted on 2 February 2017*

*National Department of Tourism: Responsible Tourism conducted on 16 February 2017*

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*South Africa National Conventions Bureau (SANCB) conducted on 24 February 2017*

*South African Tourism (SAT) conducted on 9 February 2017*

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*South African Tourism Services Association (SATSA) conducted on 6 March 2017*

*South African Tourism: Research Unit conducted on 22 February 2017*

*South African Vehicle Rental and Leasing association (SAVRALA) conducted on 13 February 2017*

*Tourism Grading Council of South Africa (TGCSA) conducted on 22 February 2017*

*Tourism Grading Council of South Africa (TGCSA) conducted on 24 February 2017*

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