

LEVERAGING STATE OWNED TOURISM ASSETS FOR BLACK SMME DEVELOPMENT: THE CASE OF STATE OWNED PARKS, LODGES AND ATTRACTIONS

The School of Tourism and Hospitality

College of Business and Economics

30 November 2020



UNIVERSITY
OF
JOHANNESBURG

Acknowledgements

- To the Department of Tourism for funding this 2 year project
- The project findings are the result of a team of researchers, co-ordinated by Prof Tembi Tichaawa and with significant contributions by Dr Julia Giddy and Dr Love Idahosa who were responsible for the studies on the state owned parks.
- The project also has significant contributions made by our post graduate students at the University of Johannesburg in particular recognition must be given to, Thobeka Dlomo, Devin Harmer, Andile Mtshali, Zinzi Sixaba.



INTRODUCTION



Introduction

- Focus of this UJ project for past 2 years has been to examine the use of a range of state-assets which have been identified by the Department of Tourism in order to open up SMME opportunities for Black entrepreneurs.
- The project has been examining two overlapping core issues.
 - The maximisation of the state assets for the **direct engagement** of black entrepreneurs in tourism.
 - The maximisation of the state assets for the **indirect engagement** of black entrepreneurs through tourism supply chains, including through leveraging of public procurement.



Policy Context

- The maximisation of these state assets can be potentially critical vehicles for assisting tourism-led Local Economic Development, for inclusive growth, transformation and expanding the role of black entrepreneurs in the tourism sector of South Africa.



SCOPE OF THE UJ PROJECT



Scope

- The University of Johannesburg research project has involved conducting a number of investigations about the challenges surrounding maximizing state assets in relation to different forms of state assets and by different levels of government.
- In year one of this project research studies were undertaken of the leveraging of state assets in terms of the Pilanesberg National Park in North West province and at the municipal level the leveraging of assets for potential tourism development in the Overstrand Local Municipality, Western Cape.



Scope

- In year 2 studies were undertaken of the leveraging of state assets in terms of the Addo Elephant National Park in the Eastern Cape parallel to the Pilanesberg case study. At the municipal level the leveraging of assets for potential tourism development in the King Sabata Dalindyebo local municipality.
- In addition, in year 2 a further study was undertaken of one specific municipal asset for tourism development namely, municipal caravan parks.



Scope

- In terms of this summary presentation time and personnel permits only the discussion of findings in relation to local municipal assets
- Three sections in presentation:
 - First, brief overview of the findings relating to one local municipality - Overstrand
 - Second, key findings from the thematic study of caravan parks in South Africa
 - Three, 9 final conclusions/policy recommendations from the 2 year project as a whole



THE OVERSTRAND STUDY:

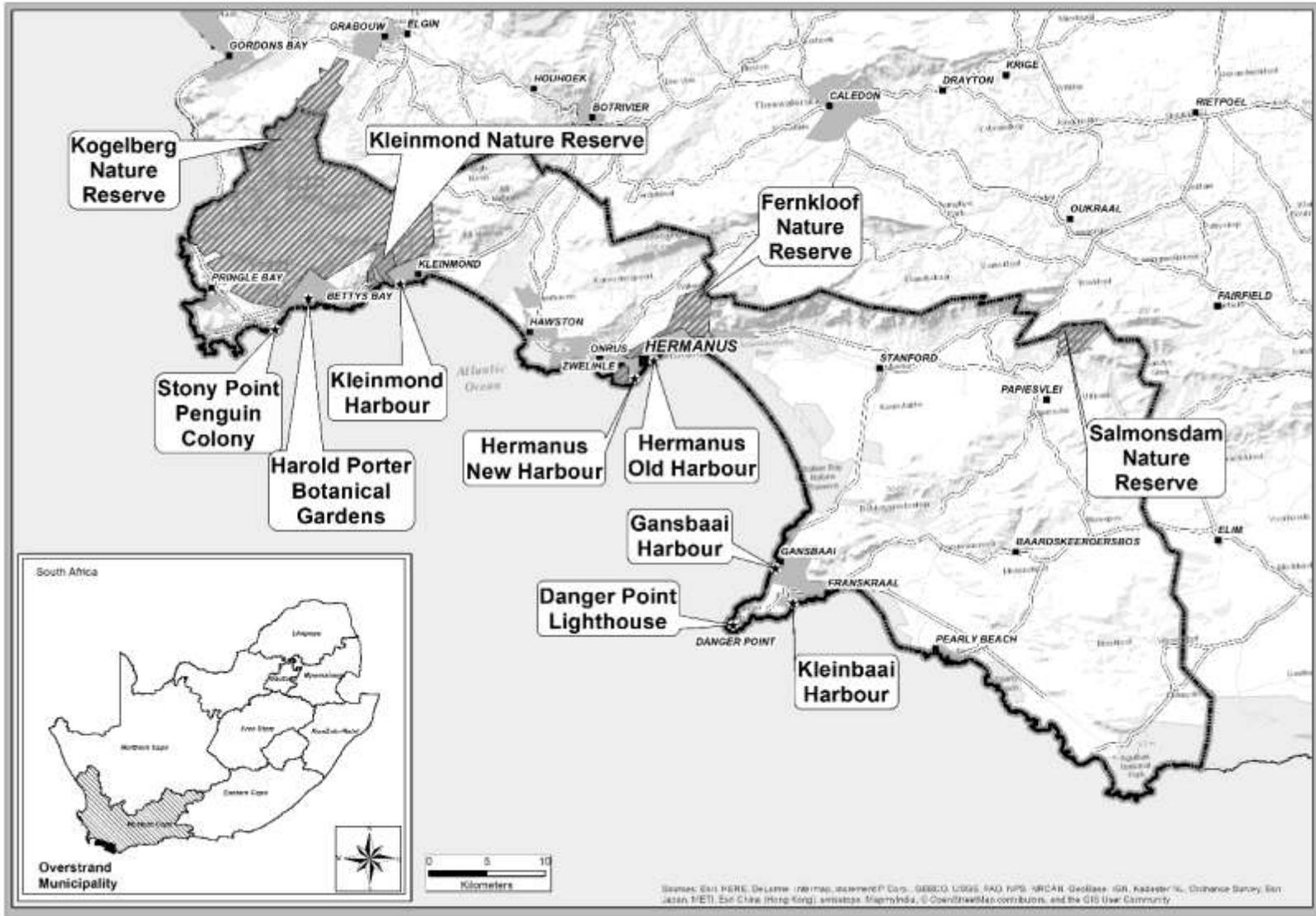
Key Findings



Overstrand Key Findings – Lack of Inclusion

- The **Overstrand** tourism is not inclusive – in white ownership.
- The **Coloured and black communities** of the Overstrand are represented in the tourism sector almost exclusively as workers rather than as entrepreneurs.
- But: the municipality has rich asset base





Overstrand Key Findings – Using and Not Using State Assets

- On TripAdvisor several of the ‘top things to do’ in the Overstrand actually relate to state assets.
- The stakeholder interviews as well as documentary sources disclosed the significant finding that in recent years several initiatives for building a more inclusive Overstrand tourism economy have been launched in terms of project proposals by many different institutional actors.
- **BUT:** Few successes, however, have been recorded in terms of expanding the direct participation of members of marginalised communities for tourism SMME development.



Overstrand Key Findings – Using and Not Using State Assets

- Once again, we have in the report documented *a catalogue of missed opportunities* in terms of projects to use municipal assets
- Various reasons include typical problems at local level of integrating tourism into LED planning
- Lack of community buy-in and conflicts around projects
- Issue that certain critical assets are *in* the municipality but not under the control of municipality



Overstrand Key Findings – Using and Not Using State Assets

- There have been a number of **municipal-led initiatives** targeted at assisting potential black entrepreneurs to enter tourism.
- Cape Whale Coast marketing has hosted **free tour guide training courses** offered to community members. Unfortunately, few attendees complete the course in its entirety in terms of handing in the necessary final portfolio and therefore do not receive the certification.
- Overstrand tourism marketing indicated that *“we have been trying for two years to register people for tourism initiatives but in many cases they start something and then leave it for something new before it has really got off the ground”*.



Overstrand Key Findings – Using and Not Using State Assets

- In terms of indirect engagement of black entrepreneurs through supply chains.
- In its procurement operations the interviewees confirmed that the Overstrand municipality follows national and provincial guidelines regarding procurement.
- Only limited opportunities for black SMMEs in supply chains in relation to assets – clearance of alien vegetation, general repair and maintenance work.



Overstrand Key Conclusions

- The Overstrand municipality has a **significant basket of municipal assets** which can be leveraged for tourism development, including for the potential benefit of entrepreneurs from disadvantaged communities.
- These assets are not being maximised and are **underperforming** for the local tourism economy for several reasons.
- **MOST IMPORTANT:** Procurement processes around state assets in tourism are of **minor significance** as compared to issue of improving asset management of existing tourism resources



CAMPING AND CARAVAN PARKS:



UNIVERSITY
OF
JOHANNESBURG

The Current Situation



What are Municipal Assets?

- Department of Tourism data base shows across South Africa municipalities have different kinds of assets in relation to tourism.
- The most common are nature reserves, holiday resorts, camping and caravan parks, museums and heritage sites, botanical or nature gardens, harbours and beaches.
- Our case study is on **ONE TYPE OF ASSET** - caravan parks



Camping and Caravanning in South Africa

The Current Situation

- South Africa caravan parks are used increasingly by people who are **tenting out of choice - aligns with drive tourism.**
- Caravanning is becoming a leisure activity that incorporates “a series of experiences”
- The caravan sector now manifests an upgrading in terms of *quality* and the market value of the caravan industry as a whole potentially has risen.
- The profile of its participants –**don’t want a “rough experience” the decision to ‘camp’ is a lifestyle choice . These caravanners “contribute substantially to the local economy of towns and regions”**



Structure and Geography of Caravan and Camping Parks

- As no official data exists specifically about the structure and geography of the modern camping and caravanning sector. Picture of the **national situation based upon information from two national guidebooks which are produced by the private sector and which list opportunities for caravanning in South Africa (Huysamen, 2017; Map Studios, 2018).**
- These two guidebooks are focussed on the *successful* and *operational* parks and they overlook other caravan parks in states of various disrepair or abandonment.
- The analysis reveals, for 2019, a national total of **629 operational caravan parks in South Africa** (Map Studios, 2018).



Number and Percentage of Caravan and Camping Parks by Province

Province	Total Number of Caravan and Camp Sites	Percentage	Municipal Listings	Nature Provincial or SANParks
Western Cape	193	30.7	15	3
Eastern Cape	80	12.7	1	6
KwaZulu-Natal	73	11.6	0	5
North West	59	9.4	0	2
Limpopo	57	9.1	0	3
Northern Cape	54	8.6	0	1
Free State	41	6.5	0	1
Mpumalanga	37	5.9	0	4
Gauteng	35	5.6	5	0
TOTAL	629	100	21	25

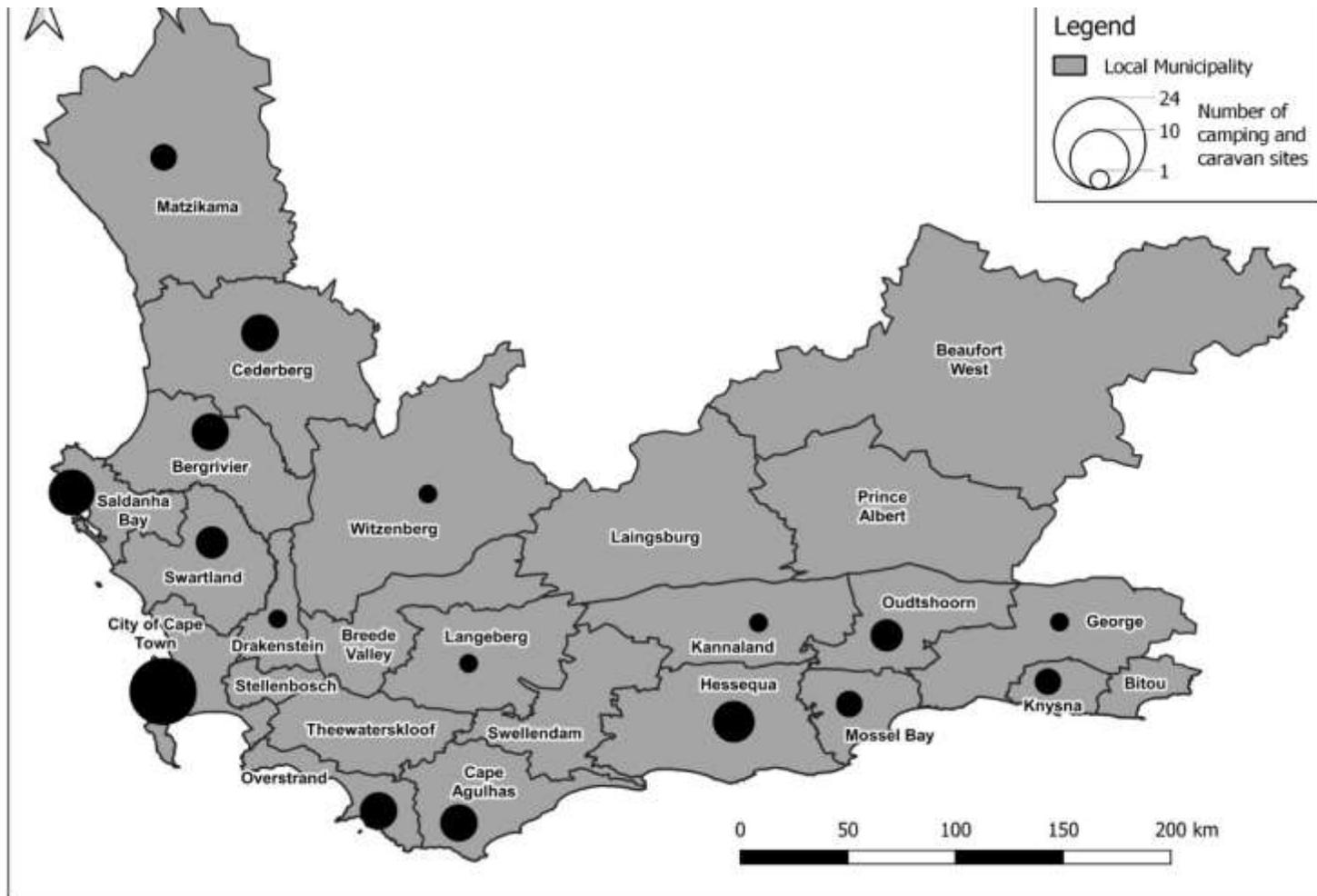


Number of Municipal and Private Parks in the Western Cape

Municipality	Municipal Parks	Total Parks (inc. Private)
City of Cape Town	13	24
Matzikma	2	6
Cederberg	4	22
Berg River	4	4
Saldanha Bay	6	12
Swartland	3	7
Witzenberg	1	6
Drakenstein	1	5
Stellenbosch	0	3
Breede Valley	0	11
Langeberg	1	13
Theewaterskloof	0	3

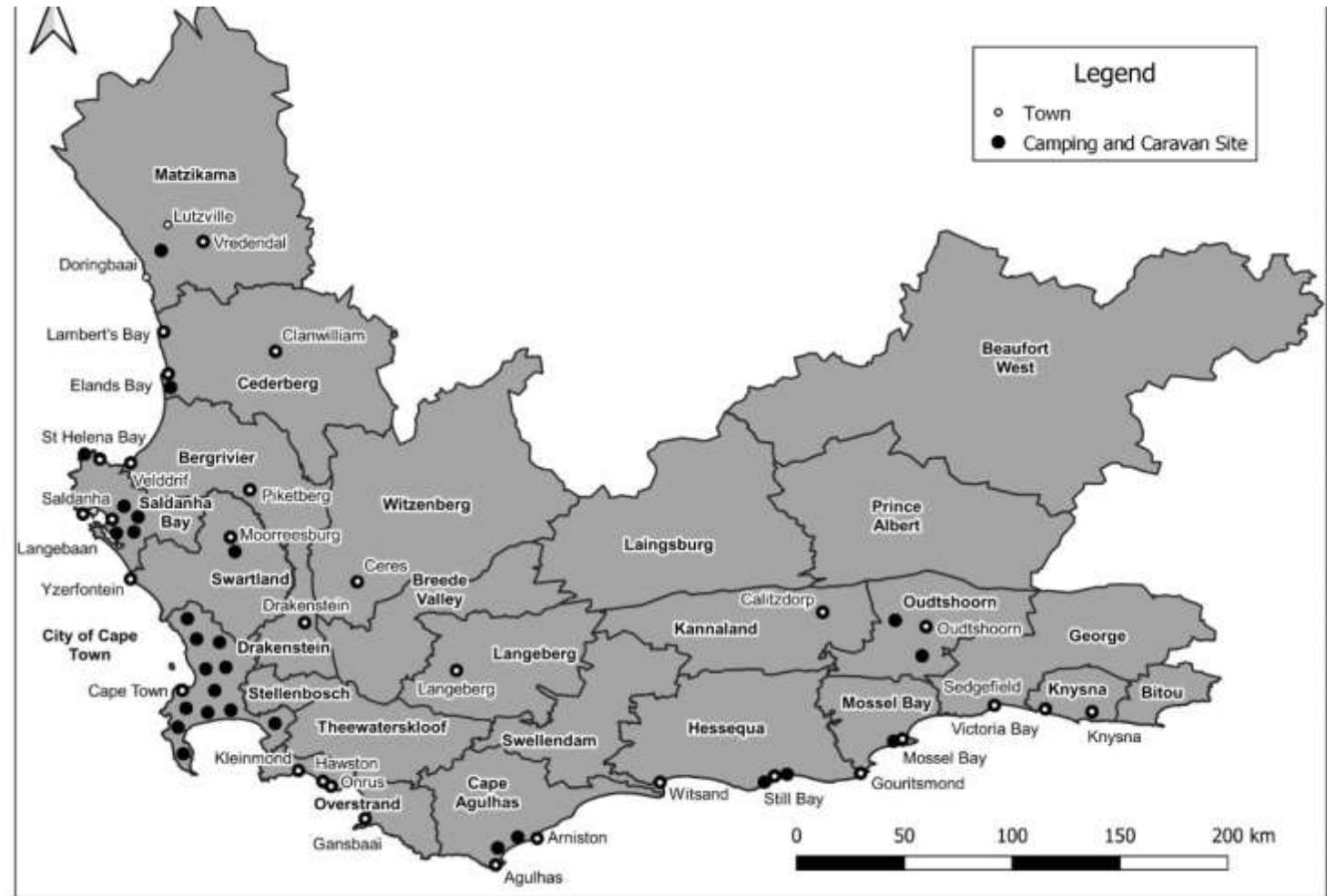
<i>Continued...</i>		
Overstrand	4	10
Cape Agulhas	4	7
Swellendam	0	5
Kannaland	1	5
Hessequa	5	11
Mossel Bay	2	12
George	1	16
Oudtshoorn	3	10
Bitou	0	4
Knysna	2	7
Laingsberg	0	1
Prince Albert	0	1
Beaufort West	0	4
TOTAL	57	209





The Geography of Municipal Caravan and Camping Parks in the Western Cape

The Location of Municipal Caravan and Camping Parks within the Local Municipalities of Western Cape Province



Organization and Current Challenges of Municipal Caravan parks

- A set of interviews conducted with 14 municipal officials and stakeholders.
- Together, these represent the accountability for over 40 percent of the operational municipal parks in Western Cape.
- More importantly, **in terms of the small towns of Western Cape, the sample of interviews represents 52 percent of the total.** In the sampled municipalities responsibility existed for the operations of between four and six caravan parks. At least two different organizational models were applied for the management of these parks. Majority fall under municipal *direct management* and 2 leased to private enterprise, further option is a dedicated admin unit *within the municipality to manage caravan parks.*



Key Findings from Municipal Interviews

Key Findings – Overview

- A key finding was of **the diverse position of caravan parks within the administrative structure of local municipalities.**
- The management of caravan parks falls under no common department. In the case of Cape Agulhas responsibility falls to the **Department of Public Services** for day to day management. At Hessequa management is the **department of technical services.** At Overstrand Local Municipality the administration of the four caravan parks is within the **portfolio of Community Services.**
- The general pattern was that caravan parks was part of a bundle of diverse responsibilities that would fall within the portfolio of specific sections of municipal administration. **Lack of a dedicated focus.**



Key Findings – Performance

- Notwithstanding its somewhat marginal position, caravan parks were seen as significant for the local economy and most especially for tourism development.
- Typically, one interviewee stated: that the caravan and camping parks in Saldanha “*are very important for the local tourism economy as they provide affordable options for accommodation and provide access to the sea, not all campsites do*” (Leentjiesklip Resort Manageress).
- The municipal director for Hessequa views the “*parks as important as they have a direct and indirect investment. Tourism spend within the town is more important than the direct spend with the resorts itself for accommodation*”.



Key Findings – Factors that Impact Performance

- **First**, is that the activity of caravanning is observed as **markedly seasonal with the December-January period the most crucial for the overall operational performance of the parks and for their contribution to the local economy.**
 - In certain municipalities - 21 day minimum stay in December. In terms of job creation caravan parks provide a core of permanent jobs throughout the year.
 - At Saldanha Bay the number of job opportunities created by the caravan sector is 52 staff at the resorts variously for maintenance, managers, cleaning and gardening. It was explained as follows: *“There are mostly permanent workers at the resorts although temporary workers fill in when necessary mainly during the peak holiday season”*. The Agulhas caravan park manager observed: *“In season we have 6 to 8 workers to help with general upkeep and cleaning and 4 workers in the off season”*. Thus, during the seasonal peak season the municipalities usually increase their staffing with the engagement of temporary workers.



Key Findings – Factors that Impact Performance

- **Second**, is that for all parks no permanent residence is permitted and generally the maximum occupancy is for a period of three months. *“We have a maximum occupancy period of 3 months. It used to be longer but they found that long term residents would not pay the higher Christmas season rate and they would refuse to move out”* (Overstrand Director).
- **Third**, is that of the off-season role of South Africa’s ‘grey nomads’, the pensioner and retiree market who sometimes are beneficiaries of low season cheaper rates.
 - **Overstrand** - *“We are looking at ways to overcome seasonality by offering pensioner rates. There are times when the parks are completely empty and maybe only have visitors over the weekends, or irregular overnights who stop by on their way up the coast”* (Overstrand Director).



Key Findings – Factors that Impact Performance

- **Fourth, and very important, is the role that can be played by events and festivals for boosting the occupancy levels of caravan parks.**
 - Saldanha Bay- For the Cape Columbine Nature Reserve the Tietiesbaai manager reflected that that the nature friendly jazz festival – Jazz on the Rocks – takes place nearby and fills the park in February as well as stimulating return visitors at other times of the year and thus to strengthen local destination marketing.



Key Findings – Lack of Linkages

- Across the small towns of the Western Cape - remarkably few linkages between caravan parks and tourism planning because of the responsibility for park administration *outside* of tourism and within a department which had other more pressing ‘core’ priorities.
- The most striking finding was the partial or complete disconnect of caravan parks from municipal tourism planning. For example, at Saldanha Bay, with its seven caravan parks and a long-established focus on family caravanning, the municipal director observed: *“Currently there is minimal communication with the local tourism departments. The relationship can be a lot better as at the moment it is minimal. We want to work towards that relationship as the Tourism Department could help with the marketing of the resorts as destinations”*.



Key Findings – Lack of Linkages

- Local tourism committees focus primarily on marketing in relation to the private sector and give little attention to marketing for the municipal assets. In the Cederberg local municipality, the tourism committee *“is largely focused on accommodation and is not necessarily too interested in camping resorts. The focus of the committee is generally directed towards private entities and offerings. The Tourism Department is more focused on accommodation options and not necessarily camping. They never market municipal places. They complain if something is wrong but do not assist much or market. They are more like a police force to us”* (Cederberg Resort Manager).



Key Findings – Lack of Linkages

- Overstrand - *“At the moment Tourism looks after bookings and Community Services has the sites in their portfolio for maintenance. Clearly marketing (of parks) can be improved and the municipality is looking to get some help from District and using Xplorio to promote the sites. We are putting together a full campaign for Kleinmond. We need to keep up with the market and changes in customer preferences as people do not want to visit every year and just have the same facilities”* (Overstrand Director).
- This said, in the town’s local tourism strategy has no focus on caravan and camping. Arguably, *“it would make sense to have caravan and camping within the Tourism portfolio instead of just for marketing and bookings. There is a need to redesign portfolios as at the moment it is not sure who caravan and camping really belongs to”* (Overstrand Director).
- In addition, it was acknowledged that visitor numbers could be boosted by a closer relationship concerning the marketing of local events and festivals: *“But the sites could do a lot better. We plan on looking at the Tourism economy and linking the parks to biker rallies, mountain biking events, festivals etc, link with schools and offer discounted rates for camps”* (Overstrand Director).



Key Findings – Outsourcing

- The situation was that in virtually all municipalities **the construction and maintenance work is done in-house.**
- Certain opportunities do arise and the process is to use the municipal procurement system with the hiring of businesses run either by Coloured or Black persons.
- In Saldanha Bay - The resort manager takes responsibility for initiating maintenance, identifies the needs and sends through a procurement request for contractors to the council. **If work is not done in-house a municipal tender process is initiated and work outsourced and “generally black and coloured small businesses from Saldanha that are registered on the municipal database will carry out the work”** (Leentjiesklip Resort Manager). **Security is outsourced and runs through a tender process from the municipality”.**



Key Findings – Outsourcing

- At Saldanha Bay, the seasonal peak provides temporary opportunities for SMMEs. *“Over December a tender is put out for cleaning services and gate guards. It adds up to an additional 140 temporary job opportunities in the season. 95% of the contractors used within the parks are local. It upskills a lot of local workers that are then able to complete private work. A lot of contractors don’t perform well and this is an opportunity for Local Economic Development Department to develop them”*.
- Overall, caravan parks do provide a number of (short-term) opportunities with the most significant long-term opportunities relating to the outsourcing of security.



Key Findings – Future Development

- Several options exist going forward for the management of caravan parks.
 1. First, is a no change situation with municipalities continuing to manage the parks.
 2. Second, is the option of privatisation and the selling off of assets which usually involves a change of land use often for commercial or residential development.
 3. Third, is to consider developing a joint venture partnership with Provincial government and/or private developers/operators to facilitate the development, management and operation of the resorts.
 4. Four, there is the option of institutional restructuring and of establishing a unit within the local municipality which would be dedicated to caravan parks (Seaton Thomson & Associates, 2012).



Key Findings – Future Development

5. Finally, there is the option of the leasing out of parks to the private sector for a defined time period and on a tender basis. For many the last option is attractive and preferred as caravan parks are seen as “*not our basic service*” in municipalities. Municipalities do not want to lose ownership of the property but instead want to get optimal return on investment the decision is often to outsource as the private sector lessee is mandated to upgrade and improve the parks in a way that municipalities do not have the funding to do so.
- The interviews revealed that different options are under consideration and under discussion for several years.



Key Findings – Future Development

- Finally, at Overstrand the issue of enhancing the performance of parks through linkages to the calendar of local events and festivals is under consideration.
- There is acknowledgement that the **local camps are losing their competitiveness with the expansion of more upmarket facilities (including glamping) at private parks and the lack of budget funding that has been available for upgrading of local parks - “*over the years little in the way of facilities has been added to the caravan sites*”.**
- The municipality is engaged in a costing exercise looking critically at the profit/loss situation of each of its four parks. **Under consideration are possible partnership ventures with the private sector and at Kleinmond are looking at awarding a 99-year lease including for diversified products such as glamping.**



Key Findings – Future Development

- No consideration is being given to the option of selling off the assets entirely.
- Overall, it was acknowledged that the **municipality needed a better understanding of best practice for managing camping and caravan sites and of need for them to offer variety at the parks at all levels from upmarket glamping to affordable and more basic camping for the traditional caravan market.**



Recommendations

Recommendations

- In much of South Africa **municipal ownership parks have lost their significant role**. The coastal province of the Western Cape is the largest focus for caravan parks, both private and municipal.
- In terms of **SMME development a small number of short-term opportunities** currently exist with the **only major long term business opportunity being in security** as most maintenance work is done in-house.
- **Municipalities are currently struggling to manage appropriately and optimally** the operations of municipal parks and many are **considering options for privatisation through sell off or leasing parks to private investors**.



Recommendations

- In terms of boosting performance, it is recommended that at minimum there is a need for **much closer institutional relationships between tourism and the department which is responsible for management of caravan parks. At present there is little connection.**
- Another linked recommendation is to ensure a higher profile for caravan parks in municipal IDPs for budgetary provision. Finally, there appear **obvious benefits for developing a closer relationship with tourism in terms of local event and festival planning.**
- **COVID-19 Huge impacts on tourism sector. Caravan parks appeal to domestic tourists who want affordable and socially distanced accommodation in scenic locations – evidence from European 2020 summer. Drive tourism, no health risks from flying.**



UJ PROJECT:

Final Conclusions



Final Conclusions - Number 1

- **The opportunities for SMME development linked to procurement for state assets are limited.**
 - For those few entrepreneurs that have been fortunate in growing their businesses through procurement contracts the benefits of leveraging through procurement are welcome; if this number can be expanded through tweaking of procurement then that would be a positive step.
 - But the study revealed the numbers of these beneficiaries to be tiny, in part at least, as a result of the use of inhouse contracting of services as found in the local municipal studies.



Final Conclusions - Number 2

- **The limitations on procurement as a vehicle for leveraging opportunities are impacted by weaknesses relating to tourism and local economic development planning.**
 - In the locality studies, local government either was not particularly committed to actively support tourism development or faced the problem that important assets were in but not of the municipality.
 - Often, the introduction of well-meaning policies proposed for tourism development were not implemented variously for reasons of funding, lack of local support, minimal focus on tourism in local planning or lack of ability to implement because of capacity issues.
 - The problems at municipal level to maximising tourism as a vehicle for local economic development thus emerged strongly throughout this investigation.



Final Conclusions - Number 3

- The disconnect between institutional planning for potential tourism assets and local economic development was most strikingly revealed in the thematic study of caravans.



Final Conclusions - Number 4

- The major conclusion that comes out of this study – and which runs through all the empirical investigations – is of the under-performance of state assets in relation to inclusive tourism development.
- Leveraging the possibilities linked to public procurement for black SMMEs are reduced considerably in circumstances where as a whole valuable state assets are underutilised at best, or neglected and in a state of deterioration in a worse case scenario.
- Valuable potential state assets which could bolster tourism development and SMME development opportunities across South Africa are not being maximised.



Final Conclusions - Number 5

- **There is a fundamental need for improved asset management for tourism and for the development of an asset management framework specifically for tourism assets in South Africa.**
- A valuable starting point for such a framework was made by the preparation some years ago by the Department of Tourism of its national register of tourism assets.
- This asset base is partial, however, albeit it provided the starting point for our research study.
- It is evident that knowledge and appreciation of local tourism asset potential is only poorly developed.



Final Conclusions - Number 6

- Although asset management applies across all levels of the state – national and sub-national - for the tourism sector the municipal level is especially important. .
- Ruhanen (2013: 82) states “local governments are often best placed to support tourism development within a destination due to their local knowledge; something that is often lacking in distant capital cities and among leaders who are less familiar with regional cultures and local conditions”.



Final Conclusions - Number 7

- **An asset management framework for tourism would be an important basis for improved planning for tourism development of destinations.**
 - In terms of SMME development a well-functioning asset management framework would complement the range of other support interventions – finance, skills, business incubators – which have been introduced in recent years by Department of Tourism.
 - In addition, such a framework might highlight opportunities in the life cycle of assets that might be taken up by emerging entrepreneurs and potentially through leverage of public procurement.



Final Conclusions - Number 8

- **An asset management framework would be a platform for supporting local economic development planning for tourism.**
 - In particular it would be a support for much needed ‘place-based development interventions’ which are anchored on use of endogenous or local assets.



Final Conclusions - Number 9

- In final analysis it is recommended that the Department of Tourism lead an initiative for the development of guidelines for local governments in South Africa on strategic management linked to tourism.



THANK YOU!



UNIVERSITY
OF
JOHANNESBURG