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Leveraging State-owned tourism assets for black Small, Medium and Micro Enterprises development: a case of state owned parks, lodges and attractions

University of Johannesburg

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EXECUTIVE SUMMARY

A major policy challenge in South Africa is for achieving greater 'inclusion' in the tourism industry and especially the provision of opportunities for formerly disadvantaged communities to benefit from sector growth. The National Tourism Sector Strategy calls for a broadening of the economic beneficiaries of tourism development and in particular calls for programmes to attract more black entrepreneurs into the tourism sector and to own and operate tourism SMMEs. One aspect of transformation and for expanding inclusivity in South Africa's tourism economy is through the promotion of SMME development and especially of new entrepreneurship opportunities for Black-owned SMMEs. This can include both direct involvement of black entrepreneurs in tourism or of encouraging preferential usage of Black owned suppliers and the inclusion of SMMEs within supply chains. Overall the challenge of inclusive tourism requires that greater benefits flow to local (black) communities as well as other groups (especially women and the disabled) that formerly remained largely outside of the mainstream of the country's tourism economy. This said, a 2018 report issued in 2018 by the Department of Tourism concerning the state of transformation in the South African tourism sector suggested that the pace of change is 'slow' and 'concerning'.

Since 2000 national government has introduced or supported a range of initiatives to deepen specifically SMME development in tourism sector, to support wider objectives of transformation and of inclusive growth in tourism. These interventions have been geared to address the particular challenges and needs of SMMEs in the tourism sector. Of particular note has been the activities of the Tourism Enterprise Partnership (formerly the Tourism Enterprise Programme) which provided SMMEs with skills development, market access and business support advice. More recent interventions have included the Tourism Support Programme (TSP), a DTI financing initiative which was a sub-programme of the Enterprise Investment Programme launched in 2008. In addition, the Department of Tourism launched its own dedicated SMME support programmes as part of the greater objective of the revised NTSS for 2016-2026 with the goal of ensuring the sustainable development and growth of tourism enterprises that facilitates inclusive participation, job creation as well as strengthening the competitiveness of tourism destinations. The programme accords acknowledgement that "effective enterprise support" would allow for the development of "black tourism related businesses". Under the Department's Tourism Enterprise Development Programme there are several focal areas including market access, supplier development, mentorship and coaching, training and development, an information portal, and incubation. Other innovative programme interventions include assistance for the establishment or operations of tourism business incubators

The impact of this raft of recent policy initiatives on SMME development in tourism remains to be evaluated. However, it is observed that the majority of these existing initiatives are supply-side interventions aimed to enhance support for tourism SMMEs. Recently, the DoT has been concerned to complement these supply-side support interventions with a suite of demand-side initiatives. One significant facet of fresh policy thinking towards demand-side interventions is to leverage the potential of state-owned assets for tourism development and in particular for SMME upgrading. A first step towards achieving this objective has been the undertaking of a national audit of such state assets. The DoT engaged with stakeholders and compiled a partial list of state-owned assets in terms of state-owned land, lodges and attractions. These assets include those of national and provincial government as well as an array of municipal assets. Arguably, the most significant of these assets include those of SANParks, North West Parks and Cape Nature. In addition, one must not overlook the large number of often smaller municipal assets which can include local nature reserves, accommodation complexes, camp sites, caravan parks and even a number of lighthouses. The maximisation of these municipal assets can be potentially critical vehicles for assisting tourism-led Local Economic Development particularly in many small towns.

The question of leveraging state assets for tourism development was identified by the DoT as a focus for research in the National Tourism Research Agenda. The University of Johannesburg is undertaking a 3-year research project to examine the potential for leveraging the state assets for a demand-driven approach for inclusive tourism. It is against this backdrop that in response to a call for proposals by the National Department of Tourism, the University of Johannesburg is undertaking a research project which aims to examine the potential for leveraging the state assets – national and sub-national tiers – for a demand-driven approach for enhanced support and promotion of tourism SMMEs which are owned or operated by black South Africans. This policy focus is in alignment with government objectives for transformation and social inclusion in the tourism sector. The research project involves conducting a number of investigations about the challenge of maximizing state assets in relation to different forms of state assets and by different levels of government. In year one of this project studies were undertaken of the leveraging of state assets in terms of the Pilanesberg nature reserve in North West province and at the municipal level the leveraging of assets for potential tourism development in the Overstrand Local Municipality, Western Cape.

For the North-West study, the economy of the survey area – The Pilanesberg National Park – is predominantly driven by tourism and mining both of which are dominated by the private sector. However, the local economy seems only to benefit from these sectors via the channel of jobs created for individuals by the big companies who dominate these sectors. SMMEs are largely left out from the value-added chain of these bigger companies who choose bigger suppliers, usually outside the locale, in their supply chain. The black-owned SMMEs surveyed in the area in this study provide over 750 jobs to the local economy, excluding their own employment (i.e., total jobs injected into the local economy would be over 900 employment spaces). The SMME economy is, however, primarily sustained by small-scale transactions by local residents with very limited interactions with government establishments and the larger firms in the private sector.

This points to the disconnect between the proposed policies of the North West Parks Board to facilitate local SMME development and the actual procurement procedures of facilities located within the Pilanesberg National Park. One of the primary reasons for this is the ownership and management structure of the NWPB. All lodges, visitor centres and restaurants which operate in North West Parks are managed by private companies. In addition, many are also owned by private companies which have long-term leases. The reasoning behind this is likely due to the relative poverty of the province and the need for private investment for tourism development in the area. The province has two major wildlife parks, Pilanesberg and Madikwe, but with limited resources to develop their own infrastructure for tourism. Therefore, they have created long-term leases with private companies (including some large hotel groups) on the property for the management companies to build and develop their own infrastructure. These larger hotel chains, private owners and management companies are not governed by NWPB procurement policies and the NPWB has no influence or control over the procurement processes of these entities. Therefore, aside from minor procurement and a couple of major projects overseen by the park itself, there is little the NWPB and the government can do to increase local black-owned SMME development. Overall, in the case of the Pilanesberg National Park one of the key issues is that there do not appear to be many local black-owned businesses which are primed-ready to enter the tourism supply chain of the government and larger private organisation. Furthermore, there appear to be issues related to capacity for small black-owned businesses who could potentially feed into the tourism supply chain.

With these local businesses, there is also a sense of apathy towards engaging with the government, mostly stemming from a lack of awareness and information on how to go about such engagements, and from a distrust in the government. These small businesses feel neglected by the government and indicate that no matter what they do, the government favours larger businesses for contracts. Many of the black SMME owners complained about not having access to the lodges and tourism attractions around to establish business linkages. The leading reason cited is a *lack of information on the entire tender/contract process*, beginning with information/knowledge ow what tenders are, and extending to the process of applying and requirements of the application process. It also emerged that most businesses do not take advantage of business support opportunities and services which are made available by the government and the private sector. The reasons stated by them for this is lack of time (about 25% of respondents) and lack of information/interest (about 40% of respondents).The Pilanesberg study concludes with recommendations for improving infrastructure which is geared towards better communication and dissemination of information, better streamline the tender process to allow access for SMMEs and addressing the gendered nature of the black-owned SMME environment in the Pilanesberg area by increased female empowerment and engagement in SMME development

In the municipal study of Overstrand different issues and challenges emerge in terms of leveraging state assets for tourism development and more especially for greater economic inclusion. It was shown that the existing ownership structure of the Overstrand tourism economy is massively under the dominance of white entrepreneurs and the local tourism economy cannot be described as inclusive. Nevertheless, 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. This said, the evidence is clear that these assets are underperforming for the local tourism economy for several reasons. These include: (1) lack of entrepreneurialism of the Council, (2) bureaucratic delays and red tape surrounding approval of development projects, (3) seeming lack of understanding by Council of the real potential of these assets for tourism, and (4) major divisions and conflict within the local black and coloured communities which have repeatedly thwarted the progress or launch of several carefully crafted project proposals which would have offered local benefits including for local tourism entrepreneurs. In terms of the need for expanding inclusivity in Overstrand tourism the above factors need to be understood as the core underpinnings for the slow pace of transformation and inclusion. In several respects the key findings from Overstrand appear to confirm those from the limited research undertaken in East London which demonstrated that municipal assets as a whole are poorly used for tourism development in that municipality.

Beyond direct involvement in tourism there are a small number of opportunities which arise for emerging black entrepreneurs to engage as suppliers linked to municipal assets but as yet these provide only limited opportunities for the growth of black-owned businesses. In order to maximise such opportunities interventions are required in terms of supplier development as indicated in the Department of Tourism's Enterprise Development Programme. The key conclusion is that – at least in the case of the Overstrand - procurement processes around state assets in tourism are of minor significance for black SMME development in tourism. Indeed, the analysis reveals that, in many respects, the focus on procurement processes is a sideshow or distraction. More significant for advancing economic inclusion is to unblock the constraints around the maximisation of municipal assets for further tourism development in the Overstrand as shown by the historical catalogue of missed opportunities. Arguably, these missed opportunities have including many with real potential for expanding the business involvement of entrepreneurs from marginalized communities.

Certain preliminary recommendations emerge from the Overstrand research regarding the potential leveraging of municipal assets. First, there is an urgent need to heighten the awareness of all local municipalities to potential opportunities for using municipal assets to promote tourism. At the outset this requires that municipalities publish an audit of municipal assets where these either incomplete or are unavailable it is recommended that they be provided for addition to the Department of Tourism's data base. Second, for maximising municipal assets for tourism requires at the local level it is recommended that there be a more active involvement of all tourism stakeholders, including the private sector. For local communities it requires awareness campaigns, effective training, and exchange of best practices between municipalities. Three, the results from the Overstrand reveal the need for municipalities to change the mindset from one of simply managing municipal assets to instead seek to maximise their potential for the local economy. In order for this shift to occur, it is recommended that workshops be organised by national and provincial governments in order to educate local government departments how to integrate tourism activities more comprehensively into local economic development planning.

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1. INTRODUCTION

The question of leveraging state assets for tourism development was identified by the DoT as a focus for research in the National Tourism Research Agenda. The University of Johannesburg is undertaking a 3-year research project to examine the potential for leveraging the state assets for a demand-driven approach for inclusive tourism. It is against this backdrop that in response to a call for proposals by the National Department of Tourism, the University of Johannesburg is undertaking a research project which aims to examine the potential for leveraging the state assets – national and sub-national tiers – for a demand-driven approach for enhanced support and promotion of tourism SMMEs which are owned or operated by black South Africans. This policy focus is in alignment with government objectives for transformation and social inclusion in the tourism sector. The research project involves conducting a suite of investigations about the challenge of 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 nature reserve in North West province and at the municipal level the leveraging of assets for potential tourism development in the Overstrand Local Municipality, Western Cape.

This report is organised into six further sections of discussion.

- Section two provides the study rationale and highlights issues of the challenge of inclusive tourism
- Section three situates the leveraging state assets for tourism SMME development within the context of international and local scholarship on public procurement. Two sub-sections of material are discussed examining respectively with international and South African debates and policy initiatives around leveraging public procurement.
- Section four identifies in detail the purpose of the empirical research and the specific objectives that are addressed in the two case studies.
- Sections five and six present respectively the results of the first two case studies which examine respectively the leveraging of state-owned attractions in the Pilanesberg National Park and of municipal assets in the case of the Overstrand Municipality. Each study is discussed in the format of presenting study context, research methods, findings, conclusions and recommendations.

- Section seven of the report provides a listing of references.

At the outset it must be understood that the recommendations that are offered in sections five and six are specific to each case study. Arguably, the development of a set of generic recommendations about leveraging state assets *as a whole* can only be appropriately undertaken at the conclusion of Phase 3 of the project. Such recommendations necessarily would need to be informed by the results drawn from a wider range of case studies interrogating different forms of state assets in different areas. These are the focus of Phase 2 and Phase 3 of this project to be undertaken in 2019 and 2020.

2. STUDY RATIONALE

The creation of new market opportunities for SMMEs is one of the central challenges for building the SMME economy in South Africa (Osiba Research, 2011). This is acknowledged in several policy commitments made by the Department of Small Business Development for SMME development as a whole and by the National Department of Tourism for pronouncements for transforming the tourism sector. Since the early years of the new democracy energetic efforts have been made to open new market opportunities for SMMEs through direct support measures of improving access to finance and expanded opportunities for training and upskilling opportunities (Rogerson, 2008a). Another set of important initiatives have involved seeking to foster market linkages between SMMEs and large corporates, including most recently through encouraging private sector supplier diversity initiatives (Herrington and Overmeyer, 2006; Rogerson, 2012). It is generally acknowledged, however, that the results of a range of several different government initiatives to support business development in the SMME economy of post-apartheid South Africa have been somewhat disappointing (Rogerson, 2004). Accordingly, in recent years national government has been searching for alternative pathways and policy initiatives in order to catalyse the SMME economy (Osiba Research, 2011). Essentially these alternative pathways include a focus on direct demand-driven initiatives such as those directed at fostering entrepreneurship and SMME development through state procurement programmes as opposed to the emphasis given in early SMME policy interventions which were largely supply-driven in character. The critical relevance of addressing demand driven-initiatives is underscored by commitments made in the National Development Plan 2030 which asserts that public procurement "will be an essential stimulator of demand for small and expanding firms" (The Presidency, 2011: 119).

Over the two past decades national government has introduced a range of initiatives to deepen SMME development in tourism, wider objectives of transformation and of inclusive growth in tourism (Rogerson, 2008b). Of note has been the activities of the Tourism Enterprise Programme (TEP) which provided SMMEs with skills development, market access and business support advice; the activities of the TEP have been evaluated in a number of studies (Rogerson, 2007, 2008c, 2013a). More recent interventions have included the Tourism Support Programme (TSP), a DTI financing initiative which was a sub-programme of the Enterprise Investment Programme launched in 2008. In 2012 administration of this programme moved from DTI to NDT; the TSP offers a reimbursable cash grant towards investment costs for establishing or expanding existing tourism operations including accommodation and tour operators (Van Wyngaardt, 2012; Dludla, 2014). During 2017 the Tourism Minister announced a further government backed tourism development fund to support SMMEs, including community-based projects, as part of strategic planning for inclusive growth (Ensor, 2017). Other useful programmatic interventions have encompassed assistance for the establishment or operations of tourism business incubators (Rogerson, 2017).

The impact of this raft of recent initiatives remains to be evaluated. It is observed, however, that there is growing interest on behalf of the NDT to complement these supply-side support interventions with a suite of demand-driven initiatives. One significant facet of fresh policy thinking towards demand-side interventions is consideration that is being given to leverage the potential of state-owned assets for tourism development and in particular for SMME upgrading (Ensor, 2017). A first step towards achieving this objective has been the undertaking of a national audit of such state assets. The NDT has engaged with stakeholders and has compiled a partial list of state-owned assets in terms of state-owned land, lodges and attractions. These assets include those of national and provincial government as well as an array of municipal assets. Arguably, the most significant of these assets include those of Sanparks, North West Parks and Cape Nature. This said, one must not overlook the large number of often smaller municipal assets which can include local nature reserves, accommodation complexes, camp sites, caravan parks and even a number of lighthouses. The maximisation of these municipal assets can be potentially critical vehicles for assisting tourism-led Local Economic Development particularly in many South African small towns. Overall, the compilation of the NDT list provides a basis to begin an exploratory analysis of the potential for leveraging state assets for inclusive growth, transformation and expanding the role of black entrepreneurs in the tourism sector of South Africa.

The topic of leveraging state assets for tourism development was identified by the NDT as one issue of concern for the National Tourism Research Agenda (Department of Tourism, 2018). It is against this backdrop that in response to a call for proposals by the National Department of Tourism, this document sets out a proposed research project which aims to examine the potential for leveraging the state assets – national and sub-national tiers – for a demand-driven approach for enhanced support and promotion of tourism SMMEs which are owned or operated by black South Africans. This policy focus is in alignment with government objectives for transformation and social inclusion in the tourism sector.

3. CONTEXT

This research on leveraging state assets for tourism SMME development and opportunities for transformation must be located in the context of international and local scholarship on public procurement. Two sub-sections of material are now presented dealing respectively with international and South African debates and policy initiatives around leveraging public procurement.

3.1. National Policy Context

Growing foci of debate in tourism are around the extent to which the sector is 'inclusive' (Bakker and Messerli, 2017; Scheyvens and Biddulph, 2018) and of identifying drivers or constraints to tourism-driven inclusive growth (Bakker, 2018; Biddulph, 2018; Campos et al., 2018; Hampton et al., 2018). In the upsurge of international research around economic inclusion and tourism the South Africa case is of major interest (Butler and Rogerson, 2016). In several pronouncements offered during 2015 by South Africa's Minister of Tourism considerable attention is accorded to issues of inclusion in the tourism sector and of national government's understanding of the concept. In March 2015 the Minister declared "tourism is not only about the activity of tourism" rather "it is about inclusive economic growth and the better life that it creates for those most in need" (Hanekom, 2015a: 1). Further, in addressing a major conference of tourism stakeholders in August 2015, the Minister proclaimed that among three key objectives of the country's tourism policy in future was "very importantly we want to make the entire sector more inclusive and representative by bringing people who have been marginalized into the mainstream tourism economy" (Hanekom, 2015b: 2). In another statement the two core "strategic imperatives" for South

African tourism were identified as 'greater sustainability' and 'greater inclusivity' (Hanekom, 2015c: 1). In addressing local government tourism representatives the Minister argued that for defining 'success' in tourism and the extent to which it is a 'force for good' in South Africa additional ways of measuring the impact of tourism were needed beyond simply that of numbers of international tourist arrivals. It was stressed as follows: "We will need to measure how inclusive this growth is, and how many more marginalised people and communities we are bringing into the mainstream" (Hanekom, 2015c: 1).

During 2018 the attainment of "inclusive and quality growth of the South African tourism economy" is situated at the heart of the country's National Tourism Sector Strategy (Department of Tourism, 2018a: 18). The NTSS calls for a broadening of the economic beneficiaries of tourism development in South Africa and in particular calls for programmes to attract more black entrepreneurs into the tourism sector and to own and operate tourism SMMEs. Overall, inclusive tourism growth is firmly on the policy agenda in South Africa and requires that greater benefits flow to local (black) communities as well as other groups (especially women and the disabled) that formerly remained largely outside of the mainstream of the country's tourism economy. Nevertheless, the most recent report issued in 2018 by the Department of Tourism concerning the state of transformation in the South African tourism sector suggests that the pace of change is 'slow' and 'concerning' (Department of Tourism, 2018b: 71). One aspect of transformation and for expanding inclusivity in South Africa's tourism economy is through the promotion of SMME development and especially of new entrepreneurship opportunities for Black-owned SMMEs. This can include both direct involvement of black entrepreneurs in tourism or of "encouraging preferential usage of Black owned suppliers and the inclusion of SMMEs within supply chains" (Tourism B-BBEE Charter Council, 2018: 1). The focus on SMME development as an anchor for transformation in tourism is a mirror of wider national debates in South Africa about the SMME economy and transformation as a whole. Transformation legislation was introduced in South Africa in order to address the debilitating legacy of apartheid policies which had included the deliberate marginalisation if not outright exclusion of black business. The South African government has recognised that SMMEs can play a critical role in the economy variously as central drivers for economic growth, job creation and potentially even of innovation (Bureau for Economic Research, 2016). The promotion of the SMME economy has been a major commitment of national government policy since 1994 and more especially after the release in 1995 of the White Paper on SMME development. Confirmation of national government's commitment to the significance of SMME development was evidenced by the establishment during 2014 of a new Ministry of Small Business Development. In the National Development Plan SMMEs are identified as a key component for progressing inclusive growth and development as the Plan envisions that by 2030 90 percent of new job growth will be from SMMEs (The Presidency, 2011).

The results and impacts for SMME development of more than two decades of government policy intervention in South Africa have been somewhat disappointing (Osiba Research, 2011; Rogerson, 2004). Public sector support for SMMEs has typically assumed the form of supply-driven interventions whereby a range of services are delivered to enterprises. Bukula (2018: 89) argues, however, that while such interventions can and do provide beneficial support "many are questionable when it comes to the scale and sustainability of benefits derived by participants". As most recently documented by the Bureau for Economic Research (2016: 10) the majority of South African SMMEs rarely survive beyond their nascent business phase. The SMME economy still struggles under the weight of a multitude of challenges including *inter alia*, limited access to finance and credit, poor infrastructure, low levels of R & D, regulatory issues including excessive red tape, high levels of crime and lack of coordination of support interventions introduced by various departments of government. The World Bank (2018) records that lack of access to financial products as the major limit on the expansion of black -owned SMMEs. Although national government has introduced a number of financial support programmes, it remains that the fragmentation of these programmes "as well as unintended exclusion arising from eligibility criteria and the granting process undermine their effectiveness" (World Bank, 2018: 19). Arguably, for SMMEs there is an uneven geography of access to finance with the most extreme difficulties faced in poorer regions of the country (World Bank, 2018: 71). Bhorat et al. (2018) stress that different constraints must be recognised for two distinct groups of SMMEs. On the one hand there are the larger SMMEs which are mostly male-owned, non-youth, White and high skilled entrepreneurs and on the other hand for own-account (mostly survivalist) businesses which tend to be in the informal sector and run mainly by more female, youth, Black and low-skilled entrepreneurs. For the former competition with large enterprises followed by infrastructure shortcomings are the most regularly cited constraint on business expansion. By contrast for own-account enterprises infrastructure is identified as the biggest growth constraints followed by difficulties in accessing finance (Bhorat et al., 2018).

The creation of new market opportunities for SMMEs is acknowledged as another of the core challenges for building the SMME economy in South Africa (Osiba Research, 2011; Bureau for Economic Research, 2016; Bukula, 2018). This is recognized in several policy commitments made by the Department of Small

Business Development (DBSD) for SMME development as a whole and by the Department of Tourism (DoT) for pronouncements for transforming the tourism sector. Since the early years of the new democracy energetic efforts have been made to open new market opportunities for SMMEs through direct support measures of improving access to finance and expanded opportunities for training and upskilling opportunities (Rogerson, 2008a; Bureau for Economic Research, 2016). Other important initiatives have involved seeking to foster market linkages between SMMEs and large corporates, including most recently through encouraging private sector supplier diversity initiatives (Herrington and Overmeyer, 2006; Rogerson, 2012). It is generally acknowledged, however, that the results of a range of several different government supply-side initiatives to support business development in the SMME economy of post-apartheid South Africa have been limited (Rogerson, 2004; Bhorat et al., 2018). Accordingly, in recent years national government has been searching for alternative pathways and policy initiatives in order to catalyse the SMME economy (Osiba Research, 2011; Bukula, 2018). One of these alternative pathways include a focus on direct demand-driven initiatives such as those directed at fostering entrepreneurship and SMME development through state procurement programmes as opposed to the emphasis given in early SMME policy interventions which were largely supply-driven in character. The critical relevance of addressing demand driven-initiatives is underscored by commitments made in the National Development Plan 2030 which asserts that public procurement “will be an essential stimulator of demand for small and expanding firms” (The Presidency, 2011: 119).

The mandate of the DBSD – the core national government department with responsibility for SMME development since its establishment in July 2014 - is “the coordination of efforts towards a strong and sustainable community of SMMEs and Cooperatives to enable them to contribute positively to economic growth and job creation in South Africa” (Department of Small Business Development, 2018a: 4). In support of its mandate the DBSD has initiated a National Interdepartmental Coordinating Committee in order “to reflect a government-wide perspective, to promote and support the growth and development of the small business and cooperatives sector through inter-departmental planning” (Department of Small Business Development, 2018b: 5). The inter-departmental committee is made up of representatives of 24 government departments, including tourism.. Among key interventions currently pursued by DBSD are those to improve access to financial and non-financial support, build market access for SMMEs, support the national township and rural enterprises strategy, and drive for policy, legislative and regulatory review with a special focus on ‘red tape’ reduction which has implications for several aspects of tourism (Department of Small Business Development, 2018b). It has been announced by Minister Lindiwe Zulu that the DBSD is in the process of developing a National Red Tape Reduction Strategy to address the negative impacts of red tape on small businesses as a whole. Among its objectives is removal of barriers that hinder new innovative tourism ventures and most importantly "including a typical bureaucratic mind-set of 'it's against the rules or not in the rules' need to be addressed'" (Department of Tourism, 2018c: 8). Finally, the DBSD seeks to strengthen government procurement programmes in support of SMME development as a whole, and by implication to include the tourism sector (Department of Small Business Development, 2018b: 8).

The core business challenges facing tourism SMMEs parallel those relating to SMME development as a whole, including shortcomings relating to infrastructure, access to finance and market access opportunities (Department of Tourism, 2016). In common with the observations about the differentiated challenges facing SMMEs as a whole (Bhorat et al., 2018) marked differences emerge between the enterprise constraints facing more established, mainly white owned SMMEs and those of many black and marginalized entrepreneurs seeking to enter the tourism economy (Rogerson, 2005). Further difficulties for tourism SMMEs as a whole arise from local government capacity shortcomings for tourism planning and development which result in haphazard planning, often the mismanagement of tourism and that for many local governments the rhetoric of tourism support not being backed up by consolidated practice as tourism is not a local government priority. Over the two past decades national government has introduced a range of initiatives to deepen specifically SMME development in tourism sector, to support wider objectives of transformation and of inclusive growth in tourism (Rogerson, 2008b; Department of Tourism, 2018c). These interventions have been geared to address the particular challenges and needs of SMMEs in the tourism sector (Department of Tourism, 2016; Bukula, 2018). Of particular note has been the activities of the Tourism Enterprise Partnership (formerly the Tourism Enterprise Programme) which provided SMMEs with skills development, market access and business support advice; the activities of the TEP have been evaluated in a number of studies (Rogerson, 2007, 2008c, 2013a). More recent interventions have included the Tourism Support Programme (TSP), a DTI financing initiative which was a sub-programme of the Enterprise Investment Programme launched in 2008. In 2012 administration of this programme moved from DTI to NDT; the TSP offers a reimbursable cash grant towards investment costs for establishing or expanding existing tourism operations including accommodation and tour operators (Van Wyngaardt, 2012; Dludla, 2014). The Department of Tourism launched its own dedicated

SMME support programmes as part of the greater objective of the revised National Tourism Sector Strategy for 2016-2026 with the goal of ensuring the sustainable development and growth of tourism enterprises that facilitates inclusive participation, job creation as well as strengthening the competitiveness of tourism destinations (Department of Tourism, 2018a). The programme accords acknowledgement that "effective enterprise support" would allow for the development of "black tourism related businesses" (Department of Tourism, 2018a: 31).

During 2017 the Tourism Minister announced a government backed tourism development fund to support SMMEs, including community-based projects, as part of strategic planning for inclusive growth (Ensor, 2017). Under the Department's Tourism Enterprise Development Programme there are several focal areas including market access, supplier development, mentorship and coaching, training and development, an information portal, and incubation (Department of Tourism, 2018d). Promising innovative programmatic interventions have encompassed assistance for the establishment or operations of tourism business incubators (Rogerson, 2017). At the heart of the tourism incubation programme is the provision over a three year period of needs based enterprise support which is targeted to reduce business failure in selected tourism hubs by maximizing trade networks and business linkages through training and development support interventions (Department of Tourism, 2018d). Business incubators for supporting tourism entrepreneurs are viewed as key vehicles for transforming the South African tourism sector in terms of making it inclusive and accessible to new entrants (Department of Tourism, 2018e). In alignment with other national government programmes for inclusion, the support from Department of Tourism is spatially targeted at potential and emerging tourism SMMEs in rural and semi-rural areas, including townships (Department of Tourism, 2016). The overall goal is stated as to create a conduit for economic inclusion "by building the competitiveness of tourism businesses for increased sustainable jobs and economic growth and development (Department of Tourism, 2018d). Further impetus for Black SMME development is anticipated from the implementation of BBBEE Codes and especially of Enterprise and Supplier Development which is viewed as a key driver for transformation (Department of Tourism, 2018b).

The impact of this raft of recent policy initiatives on SMME development in tourism remains to be evaluated. It is observed, however, that there is growing interest on behalf of the DoT to complement these supply-side support interventions with a suite of demand-driven initiatives. One significant facet of fresh policy thinking towards demand-side interventions is consideration that is being given to leverage the potential of state-owned assets for tourism development and in particular for SMME upgrading (Ensor, 2017). A first step towards achieving this objective has been the undertaking of a national audit of such state assets. The DoT has engaged with stakeholders and has compiled a partial list of state-owned assets in terms of state-owned land, lodges and attractions. These assets include those of national and provincial government as well as an array of municipal assets. Arguably, the most significant of these assets include those of SANParks, North West Parks and Cape Nature. This said, one must not overlook the large number of often smaller municipal assets which can include local nature reserves, accommodation complexes, camp sites, caravan parks and even a number of lighthouses. The maximisation of these municipal assets can be potentially critical vehicles for assisting tourism-led Local Economic Development particularly in many South African small towns. This said, it is acknowledged that South African local municipalities are faced with many challenges in managing their municipal assets. Indeed, in terms of tourism the evidence from limited research in East London is that “many South African municipalities are failing to incorporate their assets effectively” for tourism development (Dlomo and Tseane-Gumbi, 2017: 3). Critical findings of the East London study related not only to the poor maintenance of municipal assets that could be utilized for tourism development but also that “lack of tourism knowledge by many municipality departments leads to the underutilisation of many immovable municipal assets” (Dlomo and Tseane-Gumbi, 2017: 8).

Overall, the compilation of the DoT list provides a basis to begin an exploratory analysis of the potential for leveraging state assets for inclusive growth, transformation and expanding the role of black entrepreneurs in the tourism sector of South Africa. The topic of leveraging state assets for tourism development was identified by the NDT as one issue of concern for the National Tourism Research Agenda (Department of Tourism, 2018f). It is against this backdrop that in response to a call for proposals by the National Department of Tourism, the University of Johannesburg is undertaking a research project which aims to examine the potential for leveraging the state assets – national and sub-national tiers – for a demand-driven approach for enhanced support and promotion of tourism SMMEs which are owned or operated by black South Africans. This policy focus is in alignment with government objectives for transformation and social inclusion in the tourism sector. In addition, it speaks to what the World Bank (2018) describes as “an incomplete transition” and of the imperative for South Africa to overcome the legacy of apartheid exclusion.

3.2. State Procurement for Social Inclusion

The research on leveraging state assets for tourism SMME development and opportunities for transformation is located in the context of international research and debates about inclusive tourism. In particular, it is situated within the body of international literature and local scholarship on public procurement. The term 'public procurement' essentially "refers to the purchase of goods and services by government or public entities to fulfil their various functions" (Bolton, 2016: 4). Two sub-sections of material are now presented dealing respectively with international and South African debates and policy initiatives around the leveraging of public procurement.

3.3. Leveraging State Procurement: International Experience

As argued by Hoekman and Sanfilippo (2018: 1) governments around the world purchase a large variety of products from the private sector and such state procurement often accounts for "a significant share of GDP and thus aggregate demand". According to the UNEP (2017: p. viii) public procurement wields enormous power, accounting for an average of 12% GDP in the group of OECD countries and reaching as much as 30% in many developing countries. In countries of the global South Wittig (1999: 3) identifies the public procurement sector as "often the largest domestic market". Likewise, Hoekman and Sanfilippo (2018) confirm that in some of the poorest regions of the world, including sub-Saharan Africa, the magnitude of public procurement is highly significant in configuring the economic landscape.

Conventionally state procurement systems incorporate procedures to ensure that contracts are awarded to the lowest cost suppliers that satisfy particular technical specifications. This said, in most countries value for money is not the only goal of public procurement as many governments also have leveraged state procurement in order to pursue other social or distributional objectives (Nijaki and Worrel, 2012; Flynn and Davis, 2015; UNEP, 2017; Loader, 2018). The use of public procurement to drive innovation is a strong focus particularly in the European Union where "the purchasing power of governments is being recognised as a demand-side tool that can stimulate innovation" (Bolton, 2016: 4). Most recently, the application of public procurement has been extended to achieve environmental objectives with much attention devoted to issues of 'green procurement' or sustainable procurement in which SMMEs are a major priority for target support (Nijaki and Worrel, 2012; UNEP, 2017; Delmonico et al., 2018). Low carbon procurement is also a new research agenda – particularly in Europe - as a response to the importance of addressing climate change issues (Correia et al., 2013). Overall, across the international scholarship among key barriers identified to successful procurement are that "often people do not see public procurement as strategic or even a real profession", "competing procurement priorities", "lack of awareness" and in the developing world "lack of products or services to procure" (UNEP, 2017).

In emerging economies questions around sustainable public procurement have attracted academic attention with work suggesting that "organizational culture stands out as a particular barrier" (Delminico et al., 2108: 70). Across the region of sub-Saharan Africa there is a growing literature on issues around public procurement (African Procurement Law Unit, 2018). Most existing African literature focuses on issues of governance, legal issues, reduction of corruption, the development of enhanced institutional and management frameworks and firm performance (eg. Quinot and Arrowsmith, 2013; Williams-Elegbe, 2013; Leon de Mariz et al., 2014; Uromi, 2014; Williams-Elegbe, 2015; Ambaw and Telgan, 2017; Engelbert, et al. 2016; Engelbert, 2017; African Procurement Law Unit, 2018; Hoekman and Sanfilippo, 2018). Beyond these studies, one must note Akenroye et al. (2013) on the implementation of green public procurement in Nigeria, Mphela and Shunda (2018) on the challenges for SMMEs to engage with public procurement in Botswana, and, Amoah and Shakantu (2017) on public procurement preferences in Ghana in support of the local construction industry. African research which examines issues of public procurement and social inclusion include works by Bolton (2006, 2008a) on South Africa and most recently by Basheka (2018) on Uganda.

Notwithstanding policy interest in many advanced and emerging economies for leveraging public procurement it is observed that public procurement remains a relatively neglected theme for academic research (Thai, 2001; Mahmood, 2010). Most especially attention has lagged in respect of how it can be utilised to promote entrepreneurship (Preuss, 2011). Nevertheless, as discussed below, public sector procurement has been applied as a lever for SMME development in several countries especially by using set asides to catalyse market access for certain preferred groups of SMMEs, an initiative which emerges out of a longer history of leveraging state procurement. Historically, it is argued that the application of "public procurement as a tool to advance national priorities can be traced back to the 19th century when procurement was used to tackle social justice issues such as fair labour conditions and wages or improved opportunities for disabled people" (UNEP, 2017: 10). McCrudden (2004) provides a valuable overview of how governments attempt to use procurement to produce desired social outcomes regulating the use of its purchasing power to advance conceptions of social justice". Indeed, it is suggested that at least in the global North "modern procurement systems evolved alongside the development of the welfare State, and it is hardly surprising that the former was used in part to underpin the goals of the latter"

(McCrudden, 2004: 258). For example, in the United Kingdom after World War 1 public procurement was applied to address the needs of disabled ex-servicemen with the establishment of sheltered workshops where limited types of goods were made and given preference in government purchasing. In the USA similar initiatives were introduced during the 1930s to support the blind. Such early initiatives to leverage the power of public procurement extended in scope and in geographical context (McCrudden, 2004).

Most interest centres on the United States experience of affirmative action programmes in which conditions were attached to government contractors for non-discrimination practices. Later provisions were enacted to ensure through 'set-asides' such that a determined proportion of government contracts be secured by black owned businesses "in an attempt to further the development of an entrepreneurial black middle class" (McCrudden, 2004: 260). Indeed, the most striking application of set asides has been to nurture the development of "minority businesses" (mainly African-American owned enterprises) in the USA; later the focus of these programmes expanded to include other minority groups (especially Hispanics) and women-owned businesses as well (Sonfield, 2010: 11). By the 1960s these programmes were extended "to ensure that businesses owned by women would also secure a proportion of government contracts" (McCrudden, 2004: 261). The core legislative thrust was designed "to promote equality and social cohesion through a policy of 'affirmative action' by having 'set asides' for socially and economically disadvantaged owners of small businesses" (Centre for Research in Ethnic Minority Entrepreneurship, 2007: 9). For Preuss (2011: 790) the focus of these programmes "is to counteract social exclusion through support for women- and minority-owned enterprises". Indeed, in the USA the set aside was a "tool to enhance the survival of small disadvantaged business enterprises" (House-Soremekun, 2007).These set asides are of two basic forms: (1) asides which provide that a certain percent of government contracts be awarded to minority owned businesses; and (2) subcontract set asides which require that a certain share of a prime contractors fee be spent with minority enterprise contractors (Rice, 1991:114). In public procurement US public organizations were legally required to buy 25 percent of their goods and services from 'diverse' suppliers such as minority businesses. The underlying principle of equality of outcome in the USA informed these 'affirmative action' policies, with the aim being to use set asides to compensate for past discrimination (Ram and Smallbone, 2003).

Arguably whilst the USA enjoys a long history of set aside programmes which can be traced back even as far as the 1930s (House-Soremekun, 2007: 20), the most important developments occurred in the 1960s and 1970s. A landmark legislation was the Small Business Act which established what one observer calls "the famous 8 (a) program in 1969 which provided for the use of federal contracts to companies owned by 'economically disadvantaged individuals' (House-Soremekun, 2007: 23). Set asides were widely deployed to assist the growth of minority business enterprises and subsequently for women-owned enterprises (Myers and Chan, 1996; Dilger, 2010). Although the US Competition in Contracting Act of 1984 requires "full and open competition" for government procurement contracts, "procurement set asides are permissible competitive procedures" (Dilger, 2010: 1). The set-aside restricts competition for a federal contract to specified contractors. It is pointed out that set-asides can be exclusive or partial, depending on whether the entire procurement or just part of it, is restricted (Dilger, 2010). In the USA the 'small business set aside' is widely used to support market access for small business. It restricts or sets aside certain contracts exclusively for small business participation. The Small Business Set-Aside Program is one of the oldest initiatives set up to assist small businesses in the USA to win government contracts. The programme assures that small businesses are awarded a 'fair proportion' of government contracts through reserving certain purchases exclusively for small business suppliers (House-Soremekun, 2007). An important determination in whether a contract will be set-aside for small enterprises is the "rule of two". Under the US legislation on set-asides it is stated that certain purchases "shall be set aside for small business unless the contracting officer determines there is not a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery" (Dilger, 2010). The Small Business Administration (SBA) is mandated to aid small businesses and to ensure that they receive a fair proportion of federal contracts. The US Congress established a 23 percent government goal of its roughly US $ 400 billion in annual contracts for the award to small businesses "with lower targets for businesses owned by women, disabled veterans and the economically disadvantaged" (Athey et al., 2011: 1). Each year the SBA negotiates target goals with each government department and agency; such goals may be higher or lower than national goals depending on the types of supplies and services the particular agency requires. In addition to federal contracts for set asides, "many state and local governments also set goals regarding small business or locally owned firms" (Athey et al., 2011: 1).

Overall, set asides are flexible tools widely used in the USA to support small businesses as a whole and for supporting specific targeted kinds of small business, such as minority-businesses and women-owned businesses (Bates, 2001; House-Soremekun, 2007). Much criticism, however, was directed at these public programmes, in particular at the application of federal government set-asides (LaNoue, 1992;

Myers and Chan, 1996). Typically, these were styled as 'reverse discrimination', inherently inappropriate and illegal (Sonfield, 2010). Critics directed their attacks on the lack of 'capacity' of minority suppliers, the impacts of overly relaxed bidding procedures on the quality of supplies, allegations of 'favouritism', the additional budgetary costs of procurement linked to minority suppliers, and encouragement of 'evasive behaviour', including fronting (Ram et al., 2002; Ram and Smallbone, 2003; Nakabayashi, 2009). Although their impacts are contested, several analysts praise these programmes emphasizing that they were "necessary to level the playing field and create opportunities for minority business creation and growth" (Sonfield, 2010: 12). Arguably, one consequence of preferential procurement was that new markets were opened up for minority enterprises which allowed them to diversify their activities away from the traditional focus on retail and personal services (Ram et al., 2002: 20). Nevertheless, the arguments against preferential procurement in the USA were sustained by legal developments in terms of increased scrutiny of set-asides (Ram et al., 2002). This culminated in a US Supreme Court ruling in 1989 which required that public sector minority contracting programmes clearly demonstrate past and/or present discrimination and the application of a programme that was narrowly targeted only to benefit the victims of such past discrimination (Rice, 1991). After the laying down of these tough new legal standards for federal, state and local government minority assistance and set aside programmes, many state and local programmes were re-evaluated and subsequently either halted or severely cut back (Sonfield, 2010). According to Preuss (2011: 790) some of these programmes were "reinstated later in a modified form"

Notwithstanding these cutbacks in set aside programmes in the USA the leveraging principle of public procurement to support disadvantaged groups has been extended and replicated in several other countries. In the United Kingdom during the 1960s legislation was introduced to support ethnic minority businesses (mainly by Asian immigrants) through public procurement (Ram and Smallbone, 2003). Loader (2018) identifies a continuing emphasis in the UK experience of applying public procurement policy to assist SMEs especially in the period 2010-2015. In Canada set-asides are used in certain government contracts with mandatory provisions for Aboriginal suppliers through an Aboriginal business procurement policy (Orser 2009). Instead of relying on procurement goals or targets which relate to small business sourcing, often from disadvantaged groups in Canada "set-asides reserve certain purchases for competition only among a certain group of disadvantaged owners of SMEs" (Orser, 2009: iii). In Malaysia public procurement was strategically applied to assist the develop of native Malays

(*Bumiputeras*) through according a margin of price preference over a reference price for government contracts (McCrudden, 2004). A 2006 law in Brazil grants set asides to small businesses and gives priority to small businesses on purchases under a cost limit of 80 000 reals (Timm, 2015).In India procurement rules stipulate that certain products are 'set aside' and must be purchased exclusively from the small-scale sector in order to support artisans and small-scale firms even if prices charged are up to 15% higher than those offered by competitors (McCrudden, 2004). During 2015 India enacted a policy that obliges state-owned enterprises and departments of central governments to source 20 % of goods and services from small enterprises (Timm, 2015).

Overall, therefore, there is an extensive body of international evidence to support the use of public procurement and especially of 'set-asides' for certain categories of small enterprises. In the extant international literature, however, Hjalager (2002) pointed out that there has been almost no discussion of the application of public procurement to support specifically tourism businesses. This assessment made in the early 2000s remains valid nearly two decades later as no studies could be traced of analysis of leveraging state assets through public procurement to support particular categories of tourism enterprises. The next section turns to the South African record and broad debates about leveraging public procurement.

3.4. Leveraging Public Procurement in South Africa

According to McCrudden (2004) in its changed policies relating to procurement post-1994 South Africa has borrowed extensively from the policy experience of Canada and Malaysia. Bolton (2006: 193) makes clear that prior to the democratic transition in 1994 the government procurement system in South Africa favoured large and established businesses and created an environment in which it was very difficult for small enterprises to enter the procurement system. In 1994, however, government procurement was granted constitutional status and acknowledged as a vehicle for addressing past discriminatory practices (Bolton, 2008a, 2008b). Public procurement has been applied since 1994 as a policy tool "to correct South Africa's history" (Bolton, 2006: 202) and "address past apartheid injustices" (Bolton, 2016: 10). Of critical importance has been that in procuring goods and services, organs of the South African government are required to take into account a number of factors when awarding state contracts. As Bolton (2006: 202) stresses the concept of "empowerment" "plays an important role in determining whether or not a contract is awarded to a particular contractor". Provision is made for the implementation of a policy of what is described as "affirmative" or "targeted" procurement which is aimed "at providing employment and business opportunities for marginalized individuals and communities – referred to as 'target groups'" (Bolton, 2008a: 2). Since 2000 much progress has been made to establish a supportive policy and legislative environment for preferential procurement with the implementation of a number of policies beginning with the Preferential Procurement Policy Framework Act (2000) (Kaiser Associates, 2010: 2). Indeed, South Africa is observed as one "of few countries in the world to have procurement subject to its Constitution" (Herrington and Overmeyer, 2006: 9). According to Bolton (2016) the key legislation provisions of the PPPFA and Regulations provide a national framework for the roll out and implementation of preferential procurement policies in South Africa.

In addition to the policy focus on Black Economic Empowerment, growing interest has centred on using public procurement as a strategic tool to support the objectives of SMME development policies. One recent report concluded that "South Africa could vamp up support to small businesses if it looked at setting aside certain types of procurement for SMEs, as a number of countries like South Korea, the US and Japan already do" (Timm, 2011: 43). Within government the possible use of set-asides has been under discussion for several years in South Africa. In 1994 a report was submitted on the contribution of "emerging enterprises" to both public and private sector procurement programmes. This report was authored jointly by the World Bank and a South African reference group on small business development convened by the Ministry of Trade and Industry (The Reference Group on Small Business Development and the World Bank, 1994). Accordingly, as far back as 1995, procurement reform began and focused on good governance in procurement and the attainment of socio-economic objectives through procurement, including SMME development (Herrington and Overmeyer, 2006: 7). In 1995 national government adopted a Ten Point Plan to furnish SMMEs with opportunities to participate in government procurement thereby offering "new markets for their goods and services". This initiative was followed up in 1997 by Ntsika's production of a handbook of procurement guidelines for SMMEs and service providers relating to markets in the state sector (Ntsika, 1997).

The appearance of these various reports following democratic transition demonstrates that the basic issues around creating market opportunities for SMMEs through public procurement are not new in South African policy debates. In 2005 following the presentation of the Integrated Small Enterprise Development Strategy, the official framework for small business development policy in South Africa, Cabinet proposed that government implement a procurement programme that gave effect to the procurement of specified 10 products from all government departments and state agencies (Department of Trade and Industry, 2006). Cabinet proposed that the DTI jointly with National Treasury identify the ten products to be recommended as suitable for this programme and further prepare recommendations on procurement, reporting and monitoring measures designed to ensure that proper guidelines are in place for implementation of this programme as a government wide strategy to expand market access to SMMEs utilizing government procurement opportunities (DTI, no date). A DTI-National Treasury Task Team completed an analysis of government procurement trends using a sample of departments and government procurement related research material. The outcome was the identification of ten products for government procurement from small enterprises which was presented in a Cabinet memorandum which was approved by Cabinet in November 2007.

Under the approved "Ten Products Initiative" government would only procure certain products from (black) SMMEs. The Government Preferential Procurement for Small Enterprise Products and Services isolated ten product and service categories to be supplied by SMMEs (Kaiser Associates, 2010). The ten identified product categories considered as targets for SMMEs were advertising, media and communication; interior and exterior cleaning services and cleaning product supplies; clothing and textiles; computer equipment and consumable supplies; interior and exterior furniture and décor; events coordination and management; maintenance and repairs, construction, office space, furniture and vehicle body works; travel coordination and shuttle services; food perishable supplies (catering); and, stationary supplies and printing (Kaiser Associates, 2010). Implementation of this initiative, however, was stalled such that whilst government was encouraging (and increasingly compelling) the private sector through B-BBEE codes to expand linkages with black-owned enterprises it has not been practicing this in its own direct procurement. Notwithstanding a subsequent Cabinet resolution on 10 targeted goods and services which were designated for procurement by SMMEs in all public sector procurement activities, by 2012 this resolution had not been implemented. In terms of reasons for the lack of implementation, Timm (2011: 46) reported that National Treasury "probably shares the concern that many other governments around the world have with set-asides, namely that putting in place set-asides will result in inflating the costs of procurement". In interviews with officials from National Treasury, however, it was made clear that their core objections with set-asides and the 10-product targeted procurement plan relate to the "unconstitutional" nature of set-asides (Rogerson, 2013b). The grounds for the "unconstitutional nature" of set-asides relate specifically to an interpretation made by the Office of the Chief State Law Adviser dated 20 September 2005. which concerns the Preferential Procurement Framework Act No. 5 of 2000 and specifically to interpretation of Section 217 of the Constitution which stresses the principles of transparency, fairness and competitiveness consistent with international best practice. It is ironic that the legal determination which blocked market access and implementation of the 10 products targeted procurement set-aside for small businesses was based on a legal opinion that it would be unconstitutional to exclude 'white tenderers' to bid in a tender process (Rogerson, 2013b).

As is made clear by Mesatywa (2011) the strength of National Treasury in inter-departmental decision-making around procurement policy is extremely powerful. The practice is that "organs of the state follow National Treasury prescripts" with the consequence that the B-BBEE Act has largely been unused in state procurement (Mesatywa, 2011: 9). Current support directions were linked therefore to the implementation of the Preferential Procurement Act which gives "preference" in tenders to black suppliers. Other initiatives surrounded establishment of a National Procurement Portal. The intention of this initiative is to address poor access to markets by creating a platform which will host all procurement/tender opportunities of government departments (Breytenbach, 2011). In addition, it would do the following. First, is to improve information accessibility on opportunities to suppliers, and information to buyers so as to increase the participation of small enterprises in public sector tendering and in requests for quotation. Second, is to streamline procurement processes in order to reduce administrative burden for SMMEs. Three, is support for collaboration between the public and private sector on information on opportunities. Four, is to enhance adherence to timings/deadlines on contract advertisement, award, delivery and payment cycles. Last, is to strengthen information access and transparency of government procurement processes (Breytenbach, 2011).

Overall, however, it is pointed out that whilst the national government in South Africa is the champion of B-BBEE policy as well as SMME development and the largest procurer of goods and services in the country, examination of its own procurement spend and procedures suggests that it is not "walking the talk" because it is not supporting its own policies by its practices (Herrington and Overmeyer, 2006: 25). Critically, it is revealed that government spending not only has been insufficient on preferential procurement but also and most especially so in respect of its contribution to (black) small enterprise development. Further criticism can be directed at national government for raising expectations that market access for SMMEs through government's own initiatives would be improved but then failing to implement promised policies and procedures that already were announced. One recent detailed report on public procurement in South Africa contains several critical policy findings relating to SMMEs (Kaiser

Associates, 2010). First, it is concluded that as a consequence of definitional problems with SMMEs and weak data gathering processes "it is not possible to develop a full picture of public procurement from SMMEs in South Africa" (Kaiser Associates, 2010: i). Second, few organs of government actually set targets for procurement from SMMEs and even in cases where targets are set, often they are only for a subset of procurement opportunities. Three, whilst preferential procurement by state departments supports SMMEs, including through information sharing and early payment cycles, there are missed opportunities where centralized (as opposed to decentralized) procurement systems exist as these preclude the supply of large contracts to SMMEs.

Four, criticism is levelled at the fact that seemingly there is no mechanism that link together and integrate different types of government support for SMMEs with market access to procurement opportunities. Although it is evident SMMEs attach importance to government support programmes targeted at their development, considerable gaps in support structures exist and there is a mismatch between existing programmes and the actual needs of SMMEs (Kaiser Associates, 2010: v). Five, data on precise value and number of contracts obtained by SMMEs is unavailable as existing government management information systems lack cohesion and are uncoordinated (Kaiser Associates, 2010). For example, there is "no common system for data collection and management as well as lack of functionality in data capturing systems due to various levels of technical capacity" (Kaiser Associates, 2010: 85). Six, opportunities are identified for the expansion of public procurement from SMMEs particularly in those goods and services that can be procured in small quantities (food and beverages), products that do not demand high skills, technology or capital input (gardening, maintenance repairs), products that do not constitute a high risk to buyers (office supplies, stationary) and rural/highly localized services where products currently are not locally supplied because of scale considerations (Kaiser Associates, 2010). Seven, concern is expressed that the current direction of "preferential procurement legislation is shifting toward BBBEE enterprises, and away from SMMEs" (Kaiser Associates, 2010: 9). As a whole, this shift was reflected in the emphasis given to B-BBEE points in the procurement regulations which were gazetted in June 2011 which sought to align the B-BBEE policy with the Public Procurement Policy Framework Act (Mesatywa, 2011). From the perspective of National Treasury the outcome of these regulations was that public procurement in South Africa must be directed by *preferences* to be given to SMMEs rather than through use of set-asides. The danger remains, however, that the benefits of this preference would be captured by larger black-owned enterprises rather than the actual target group of SMMEs.

In supporting a greater impact of public procurement upon SMME development, endorsement was given to several recommendations offered by Kaiser Associates (2010: 126-135). It was recommended that national government address and improve the existing uncoordinated information management systems for monitoring and supporting procurement processes. In addition, it was recommended that support be provided for state organs to better assess and target appropriate levels of SMME procurement and structure procurement appropriately (ie assess and target procurement; structure contracts appropriately; improve definitions of SMMEs; shorter payment cycles; raise commitment of supply chain managers to SMMEs). Further it was recommended that national government evolve tools for supporting effective supplier development programmes (improve quality of advice and mentoring, coordinate across these programmes). One final recommendation relating to public procurement concerned the non-implementation of commitments made to support the opening of market opportunities through public procurement. Accordingly, it was recommended that National Treasury and DTI should commit to implementation of the Government Preferential Procurement for Small Enterprise Products and Services Cabinet resolution on 10 targeted (commodities) goods and services designated for procurement by SMMEs in all public sector procurement activities.

A new chapter opened in 2011 with the publication of the revised Preferential Procurement Regulations. According to the National Treasury (2017) this was influenced by the need to provide a mechanism to empower through procurement certain defined categories of SMMEs also classified as EMEs or QSEs, Cooperatives, Townships and Rural enterprises. The backdrop was that this was an outcome of social dialogue on the New Growth Path wherein government and social partners signed a Local Procurement Accord on 31 October 2011 which solidified a government commitment to leverage public procurement. The 2011 revised regulations were aligned also to the pronouncements made in the 2015 State of the Nation Address made by President Zuma (National Treasury, 2017). Specifically, it was announced that government would 'set-aside' 30 % of state procurement for certain defined categories of state enterprises (Timm, 2015; Bolton, 2016). As a consequence, the National Treasury began an engagement process with the Department of Small Business Development to craft a 'practice note' governing set asides and thus reverse its previous block on DTI initiatives which sought to ensure that the state buy 85 % of the 10 designated categories of goods and services from small businesses (Timm, 2015). In

February 2015 the National Treasury published a procurement review document which signaled its potential greater acceptance of the use of set asides. It stated that measures to promote preference and socio-economic transformation "would be conditional on these being able to keep cost premiums to a minimum and being aligned to Section 217 (1) of the constitution" which reads state procurement is conditional on a system that is "fair, equitable, transparent, competitive and cost-effective" (Timm, 2015). The World Bank (2018: 69) cautions that for South Africa the absence of sunset clauses in the set aside legislation means that "firms may never achieve competitive levels outside of government procurement" and thus might "remain dependent on government at the expense of the taxpayer". It was reported that substantial lobbying pressure was brought by the Black Business Council for National Treasury to drop its opposition to set-asides and further amend the regulations in the Preferential Procurement Policy (Ntingi, 2016).

On 20 January 2017 the National Treasury gazetted the revised Preferential Procurement Regulations making these the second round of revisions since their initial promulgation in 2001 (National Treasury, 2017). The new measures were informed by the ongoing narrative concerning inclusive growth. According to Minister Pravin Gordhan the measures were applied "to use public procurement as a lever to promote socio-economic transformation, empowerment of small enterprises, rural and township enterprises, designated groups and promotion of local industrial development" (National Treasury, 2017). According to the World Bank (2018: 71) the revised public procurement regulations which will establish the Office of the Chief Procurement Officer aim "to provide for an agile system of preference that will support socioeconomic transformation". The revised regulations include the provision that organs of the state be required "to identify tenders, where it is feasible, to sub-contract a minimum of 30% of the value of the contract for contracts above R30 million" for supporting SMME development (National Treasury, 2017). More specifically, the legislation is directly targeted to those categories of SMMEs as defined in terms of the Broad-Based Black Economic Empowerment as either Exempt Micro Enterprises (EMEs) or Qualifying Small Enterprises (QSEs)[1] (National Treasury, 2017). The specific details are that a tenderer must subcontract a minimum of 30% of the value of the contract to:

(a) an EME or QSE;

[1] In terms of BBBEE legislation EMEs are the smallest entities with an annual turnover of R10 million or less. QSEs are those with an annual turnover of between R10 million and R50 million. Beyond these two categories are Generic Enterprises or GENs which are the largest enterprises with an annual turnover exceeding R50 million.

(b) an EME or QSE which is at least 51% owned by black people;
(c) an EME or QSE which is at least 51% owned by black people who are youth;
(d) an EME or QSE which is at least 51% owned by black people who are women;
(e) an EME or QSE which is at least 51% owned by black people with disabilities;
(f) an EME or QSE which is at least 51% owned by black people living in rural or underdeveloped areas or townships;
(g) a cooperative which is at least 51% owned by black people;
(h) an EME or QSE which is at least 51% owned by black people who are military veterans; or
(i) more than one of the categories referred to in paragraphs (a) to (h) (National Treasury, 2017).

In the framework agreement of the 2018 Presidential Jobs Summit the leveraging of public procurement was isolated as critical for SMME development. It was stated that whilst “some progress has been made in leveraging Government procurement for SMME growth, much more still needs to be done to achieve the maximum impact of this policy” (Republic of South Africa, 2018: 46). Key areas for policy attention include increasing awareness campaigns targeted at procurement officials to ensure implementation of the policy and strengthening the reporting and monitoring of information in order to enable the improved and effective tracking of the 30 percent set aside (Republic of South Africa, 2018). During 2018 the National Treasury recorded the abuse in certain provinces and municipalities of the requirement that 30 percent of public procurement contracts be subcontracted to designated groups in terms of the 2017 Preferential Procurement Regulations. It was alleged “that some people are now demanding that they, instead, be paid in cash 30% of the value of each contract awarded in these provinces and municipalities” and failing that payment “they threaten contractors, interrupt or stop the implementation of projects” (National Treasury, 2018: 1). In addition, the National Treasury draws attention also to certain practices in terms of procurement preferences that are not provided for in terms of the existing regulatory framework. Of note in particular, is that existing regulations seemingly do not permit geographical area preferences. The National Treasury (2018: 1) states that irregular practices include “the ring fencing of procurement for service providers and suppliers who live within certain geographical areas”. It is made clear that government funds “spent on tenders awarded in this manner will be classed as irregular expenditure since they do not comply with the Supply Chain Management and Preferential Procurement Provisions and prescripts” (National Treasury, 2018: 1).

The 2017 Preferential Procurement Regulations were introduced as a temporary measure and will be superseded by the new Public Procurement Bill which was due to be ready in late 2018. From the perspective of the World Bank (2018: 91) the existing procurement policy framework exhibits “very complex overlapping objectives” which “are often competing, and they remain difficult to implement and measure”. The forthcoming Bill is set to repeal the Preferential Procurement Policy Framework Act in its entirety. For the National Treasury (2018) the Bill will consolidate various laws which currently deal with procurement and enable government to more effectively use public procurement as a strategic lever for inclusive growth objectives (Ensor, 2018). According to the Department of Small Business Development (2018b: 15) once it is enacted this “will be the single national regulatory framework for public procurement” in South Africa. Potentially, according to national Treasury, the bill “will give provinces the flexibility to determine their own transformation and empowerment strategies and programmes based on their local economic development needs within the broader national framework” (Ensor, 2018: 1).

It is within this radically changed context of regulations surrounding preferential public procurement in South Africa that in May 2017 the (then) Minister of Tourism Tokozile Xasa announced that as part of initiatives for inclusive tourism that the Department would ‘walk the talk’ and promote black entrepreneurs through its own procurement budget. Additionally, it was announced at the same time that state-owned assets and properties would be leveraged to support tourism SMMEs for inclusive tourism (Ensor, 2017). This announcement further underlines the significance of this research project undertaken by the University of Johannesburg.

Over the two past decades, the national government has introduced a range of initiatives to deepen SMME development in tourism, wider objectives of transformation and of inclusive growth in tourism (Rogerson, 2008b). These programs include the activities of the Tourism Enterprise Programme (TEP) (Rogerson, 2007, 2008c, 2013a); the Tourism Support Programme (TSP) (Van Wyngaardt, 2012; Dludla, 2014); community-based projects, as part of strategic planning for inclusive growth (Ensor, 2017); and assistance for the establishment or operations of tourism business incubators (Rogerson, 2017). While the impact of these initiatives remains to be evaluated, there is growing interest by the NDT to complement these supply-side initiatives with a suite of demand-driven interventions. A significant facet of fresh policy thinking in line with this is the consideration of the potential to leverage state-owned assets for tourism development and in particular for SMME upgrading (Ensor, 2017). This topic of leveraging state assets for tourism development was identified by the NDT as one issue of concern for the National

Tourism Research Agenda (Department of Tourism, 2018). It is against this backdrop that in response to a call for proposals by the National Department of Tourism, this document sets out a proposed research project which aims to examine the potential for leveraging the state assets – national and sub-national tiers – for a demand-driven approach for enhanced support and promotion of tourism SMMEs which are owned or operated by black South Africans. This policy focus is in alignment with government objectives for transformation and social inclusion in the tourism sector.

4. PURPOSE OF STUDY

The primary aim of the three year research study is to examine the potential for leveraging state assets in terms of parks, lodges and attractions for tourism SMME development with a view to improve the growth and development of black-owned SMMEs. In particular, the focus is upon the potential and opportunities that exist that such linkages could be expanded and maximised by leveraging procurement for the benefit of Black-owned SMMEs in order to advance transformation in the tourism sector (Department of Tourism, 2017). Also important for the study is to determine potential policy recommendations in respect of procurement in relation to state-owned assets for the benefit of tourism SMME expansion.

The scope of the study explores among others the following broad objectives:

- Establishing the nature of state-owned entities by different tiers of government that might be leveraged for opportunities for tourism black-owned SMMEs supply with goods and services.
- Investigate current procurement regulation that impact state assets and the extent to which existing regulations is effective, implemented and monitored.
- Investigate existing supply chains of state-owned assets and the extent if any that black SMMEs are engaged.
- Investigate products and services that are in the supply chain of state assets and which might offer potential opportunities for the involvement of black tourism SMMEs.
- Identify black-owned SMMEs businesses that are existing suppliers to state-owned entities with products and services, with a specific focus on their business challenges
- Identify existing black-owned SMMEs that are potential suppliers to state owned assets and currently are NOT existing suppliers, with a specific focus on their business challenges and reasons for non-engagement with state assets.

- Determine the possibility of amending conditions for procurement by state owned entities from tourism SMMEs.
- Provide recommendations on how to create sustainable business linkages and networks between the state-owned entities and tourism SMMEs.

5. THE PILANESBERG NATIONAL PARK CASE STUDY

The Pilanesberg National Park in located north of Rustenburg in the North West Province of South Africa, (Figure 1). It lies within the Bojanala region, more specifically in the Moses Kotane Local Municipality (NWTB, 2018). It is operated by the North West Province Parks Board (NWPB). The Pilanesberg National Park is a big five game reserve and therefore is considered a wildlife park. It covers 550km^2 making it one of the largest wildlife parks in South Africa. Such wildlife parks are major tourist attractions for South Africa, particularly for international tourists (Saayman & Saayman, 2008). The Pilanesberg is approximately two and half hours north west of Johannesburg and thus is a key tourism attraction for those who live in or visit Gauteng Province. The Pilanesberg is currently operated by the North West Parks Board, with headquarters in Mahikeng. However, due to displacement which occurred under apartheid in order to establish the park, two indigenous communities hold shares in the park, namely the Bakglata and Manyane tribes.

During the apartheid period it was a designated Bantustan or “homeland” area of the Tswana people called Bophuthatswana. It was only established as a game reserve in 1979 at which point game was re-introduced (Carruthers, 2007). It is considered one of the largest wildlife relocation projects in South Africa, as nearly all of the native game in the area had been eradicated at the time of the park’s establishment (Carruthers, 2011). The term “National Park” is associated with game reserve despite the fact that it is not operated by the South African National Park system. The labelling as a “national park” is a result of the fact that the area became the so-termed ‘independent’ nation of Bophuthatswana in 1977. As such it was not considered as part of the Republic of South Africa by the apartheid government at the time of the park’s establishment (Carruthers, 2011). Unlike other protected areas in South Africa, the people living on the land at the time, primarily the Bakglata tribe, voluntarily relocated out of the crater area where the park was planned, in return they not only continue to have a financial stake in the park but also were involved in much of its development.

The location of the Pilanesberg is strategic in its proximity to the resort complex of Sun City which opened in 1979 and was developed by Sol Kerzner of Sun International (NWTB, 2018). Sun City was created as a casino-gambling complex during the apartheid period in the Bophuthatswana homeland due to the strict regulations within areas of 'white' South Africa as governed by the apartheid government which prohibited gambling (Harris, 2005).

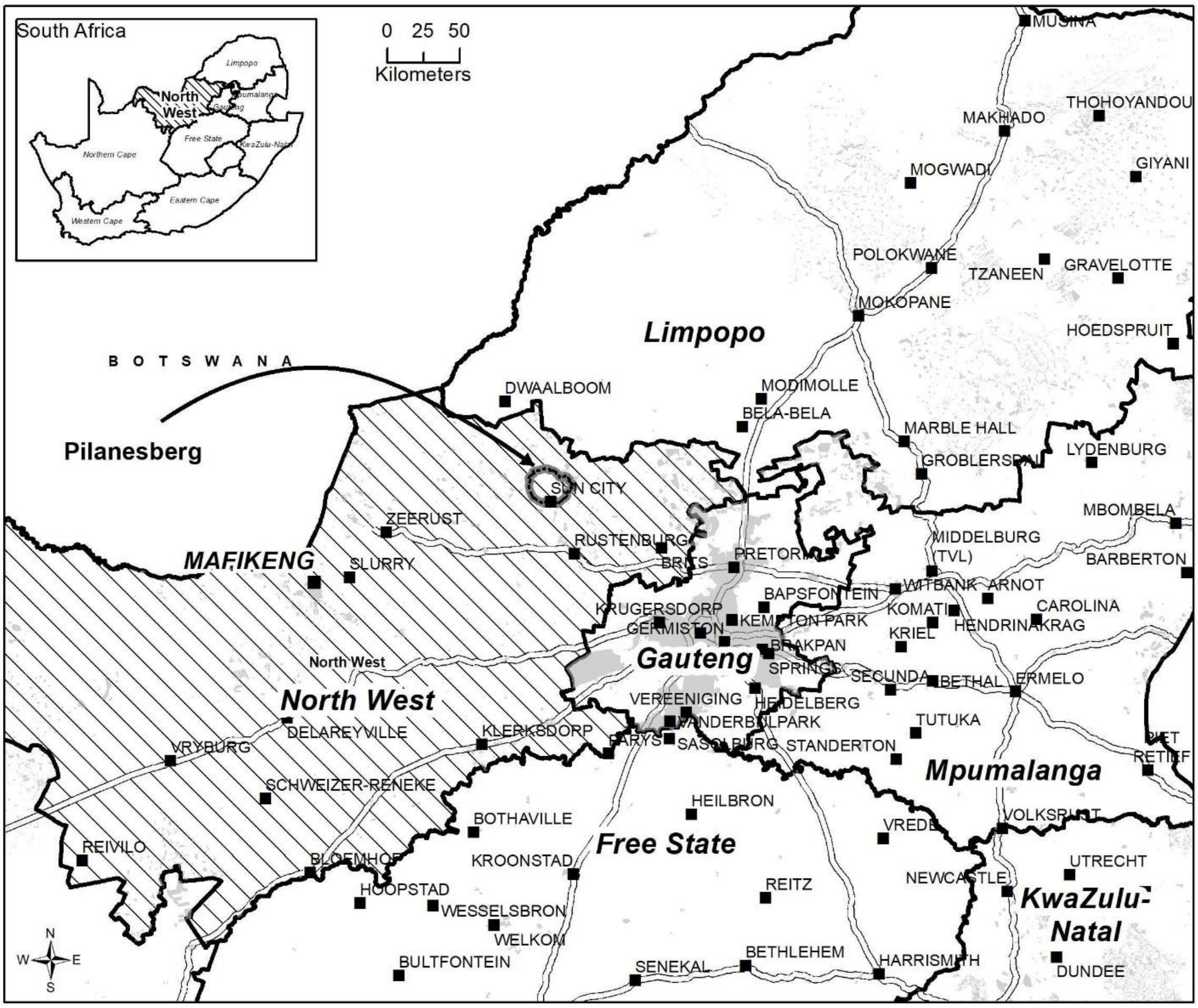

Figure 1: Location of the Pilanesberg

Therefore, what has now become the Sun City complex, was originally established as a casino resort. Sun City remains an important tourism attraction for the North West Province and so the establishment of the Pilanesberg park in close proximity to Sun City allows the utilization of tourist assets in Sun City by those visiting the Pilanesberg (NWTB, 2018). In addition, those visiting Sun City can have easy access to the Pilanesberg. Sun City includes a number of tourism products such as a range of accommodation offerings, numerous restaurants and eateries and a wide range of activities including two golf courses. Due to the proximity of both Sun City and the Pilanesberg to Johannesburg, these two major assets have become an important tourist attraction for those visiting Johannesburg and as a weekend destination for residents of Gauteng (NWTB, 2018).

Adjacent to the Pilanesberg National Park is a private game reserve called Black Rhino Game Reserve. Black Rhino houses a number of private and commercial up-scale game lodges. Recently, the boundary fences between Black Rhino and the Pilanesberg were removed, allowing free movement of animals between the two reserves. Subsequently, game drive vehicles from Black Rhino were granted traversing rights in the Pilanesberg. Aside from the Pilanesberg, the NWPB also owns and operates Madikwe Game Reserve which is a big-five game reserve located on the border of Botswana. The NWPB began developing ideas to create a conservation corridor between Madikwe and Pilanesberg, starting in 2012 but there have been some issues as many have deemed the project unfeasible due the numerous mines in the space between the two reserves (Pilanesberg National Park, 2014).

For the purpose of this study, research is limited to the facilities located within the geographic boundaries of the Pilanesberg National Park and does not include those located in Black Rhino. In the following discussion, the methods and findings for the demand-side analysis and supply-side are separated.

5.1. Demand-side Analysis- Methodology

A qualitative research approach was used for the collection of data from the facilities within the state-owned park, in this case, the Pilanesberg. The study investigates a relatively new topic, particularly within the South African context and is therefore exploratory, which warrants use of a qualitative methodological approach. In addition, a great deal of information was needed from key stakeholders of the Pilanesberg, in order to gain deep insight into the concepts under scrutiny. The qualitative portion of the Pilanesberg study focused on the perspectives of those involved in and responsible for procurement within the park (i.e. the consumers). This process was significant for informing the quantitative research which assessed the experiences and perceptions of current and potential local suppliers.

5.1.1. Data Collection

The first stage of research involved visiting the Pilanesberg National Park to determine the facilities which lie within its boundaries. A field trip was made to the park to identify the different facilities. The primary facilities are eight lodges/accommodation, one centre with a restaurant, a curio shop and a tuck shop, and numerous hides, lookout points and picnic spots. Upon an initial, informal discussion with the park manager, it was determined that six of the lodges are privately owned while the remaining two are state-owned but privately managed. The centre is also state-owned but privately managed. Therefore, the only facilities which are managed in the park itself are the hides, lookout points and picnic spots. However, upon visitation, it was also clear that the organization called Friends of the Pilanesberg, has taken over responsibility for maintenance of several of the hides. Furthermore, it was determined that all procurement associated with managing the hides, lookout points and picnic spots is conducted through the North West Parks Board head office in Mahikeng.

Therefore, the next step was to conduct qualitative data collection with the various stakeholders who are specifically involved in the process of procuring goods and services required by facilities found within the park. Due to the variety of stakeholders involved, interviews were conducted with the following individuals:

- NWPB procurement manager;
- Park Manager of the Pilanesberg National Park;
- Procurement Manager and/or General Manager for state-owned privately managed facilities; and
- Procurement Manager and/or General Manager for privately owned facilities within the park

5.1.2. Research Instruments

The interviews were semi-structured in order to obtain the necessary information but also to allow respondents to elaborate on procurement processes and their linkages with local businesses. Due to the wide variety of stakeholders involved in the management of park facilities, it was determined that four different research instruments would be required to obtain accurate and relevant information from the different types of stakeholders involved. Therefore, a unique interview guide was constructed for all of the above. For ethical reasons names of individual interviewees are withheld.

Some of the aspects included in the interviews were understanding the procurement process undertaken by the NWPB, the Pilanesberg National Park and the facilities located within the park. The interviews also sought to establish the existing policies with regards to procurement across the range of state-owned assets found within the park and how these processes are monitored. This interview also, importantly assisted in profiling the services used by the park and its facilities according to those which are in-sourced versus those which are out-sourced. In terms of potential opportunities linked to state-owned assets in nature parks the following products and services were under scrutiny:

- Fresh food supplies
- Non-perishable food supplies
- Transport of guests
- Transport of staff
- Construction services
- Laundry
- Cleaning
- Maintenance (Electrics/Plumbing)
- Gardening
- Security services
- Furniture
- Craft

Furthermore, the standards required for specific goods and services are included in these interviews, for example standards required for specific food products or certifications required by contactors. This was of particular importance for the lodges, many of which have four- and five-star tourism gradings.

The ability to gain information from a wide variety of tourism assets within a specific geographic area and related to a specific tourism subsector (i.e. nature-based tourism) is significant for understanding the potential differences in the processes utilized by various types of assets and facilities and the differences between the governing NWPB and the privately managed facilities. These interviews sought to elicit information on the precise companies they utilize which could have helped inform the interviews with, and questionnaire subsequently distributed to black-owned SMMEs; however, this was not always possible. Insight into why these companies are selected, the characteristics companies look for in suppliers and some of the challenges faced in the procurement process was also included. In the interviews with specific facilities, we sought to gain insight into the amount of flexibility and concessions given to these direct managers in terms of the procurement of the specific goods and services they require, or whether they must strictly adhere to policies governed by the NWPB, provincial or national government. Finally, the interviews attempted to elicit possible opportunities for local businesses to better benefit from these tourism assets.

In addition, a few *ad-hoc* interviews were conducted. The most significant of these was with the acting CEO of the NWPB. This interview provided unique insight into the relationship between the NWPB, specifically the Pilanesberg National Park, the privately-owned facilities and the local community as well as some of the primary suppliers they used. In addition, further insight was gained into their procurement process and the bigger picture as to some of the challenges faced by the park more broadly.

5.1.3. Limitations

One of the primary limitations faced is that the vast majority of the facilities found in the park are privately owned and those which are state-owned are privately managed. Therefore, we made the decision to include all the facilities which are found on state-owned land. The reason this decision was made is, first, to conduct a comparative study which investigates the state-owned and managed facilities, the state-owned privately managed facilities and the privately-owned facilities. In addition, all the privately-owned lodges are located on state-owned land with leases for various durations. As explained by many of the lodge managers and the NWPB managers, the land is still owned by the state and the state is therefore, within its rights to take over ownership of the properties if these lease agreements are not renewed. Therefore, a decision was made that including these facilities would be significant for understanding the dynamics of the linkages between facilities found in the Pilanesberg and local businesses. The Pilanesberg itself is a state-owned asset and, therefore, the state does have the authority to implement certain requirements even among privately owned or managed facilities. Furthermore, it was disclosed that even the privately-owned lodges were operating on the basis of long-term leases with the park. Therefore, the land is still state-owned and upon termination of the leases, the lodges would become state property.

5.2. Demand-side Analysis - Findings

The findings discussed below relay the results from the qualitative interviews focusing on the demand-side (i.e. the perspectives from the state-owned assets). It first discusses the management structure of the Pilanesberg National Park and then goes on to provide a brief overview of the facilities found within the park. This is followed by a detailed account of the procurement procedures of the various facilities within the park. Next, the relationship between local SMMEs and the facilities found with in the park are discussed both from a demand and supply perspective.

5.2.1. The Management of Facilities

The Pilanesberg National Park is operated by the NWPB. This said, one of the primary preliminary findings, discovered early in the research was that the state manages very little of the facilities in the Pilanesberg National Park. It was revealed that the Parks Board does not necessarily have the capacity to manage these lodges. In fact, the NWPB does not manage any lodges located within any of their 15 parks. Furthermore, the history of the Pilanesberg, which is located in the former Bophuthatswana homeland, played a role in the way the park evolved and also how it operates today. Relocation of local people occurred as a result of the establishment of the park, therefore two of the local tribal authorities are shareholders in the park, namely the Manyane and Bakglata tribes. Within the boundaries of the park there are seven lodges and one centre with a convenience store, souvenir shop and a restaurant. The centre and two of the lodges are state-owned but privately managed. The remaining five lodges are privately owned with long-term lease agreements with the NWPB.

5.2.2. Facilities within the Pilanesberg National Park

There are several different types of facilities which are found within the park (Figure 2). The first is the Pilanesberg Centre, which includes a curio shop, a convenience store and a restaurant all three of which are privately managed. There are also eight accommodation facilities found within the park. Two of the accommodation establishments are state-owned but privately managed. There are an additional six establishments which are privately owned but which operate on state-owned land. Five of these establishments have formal leases with the NWPB, while one operates on the campgrounds of one of the state-owned facilities. In addition, there are a number of hides, lookout points, picnic spots and points of interest located throughout the park. These facilities are all owned and managed by the park itself, which is overseen by the park manager.

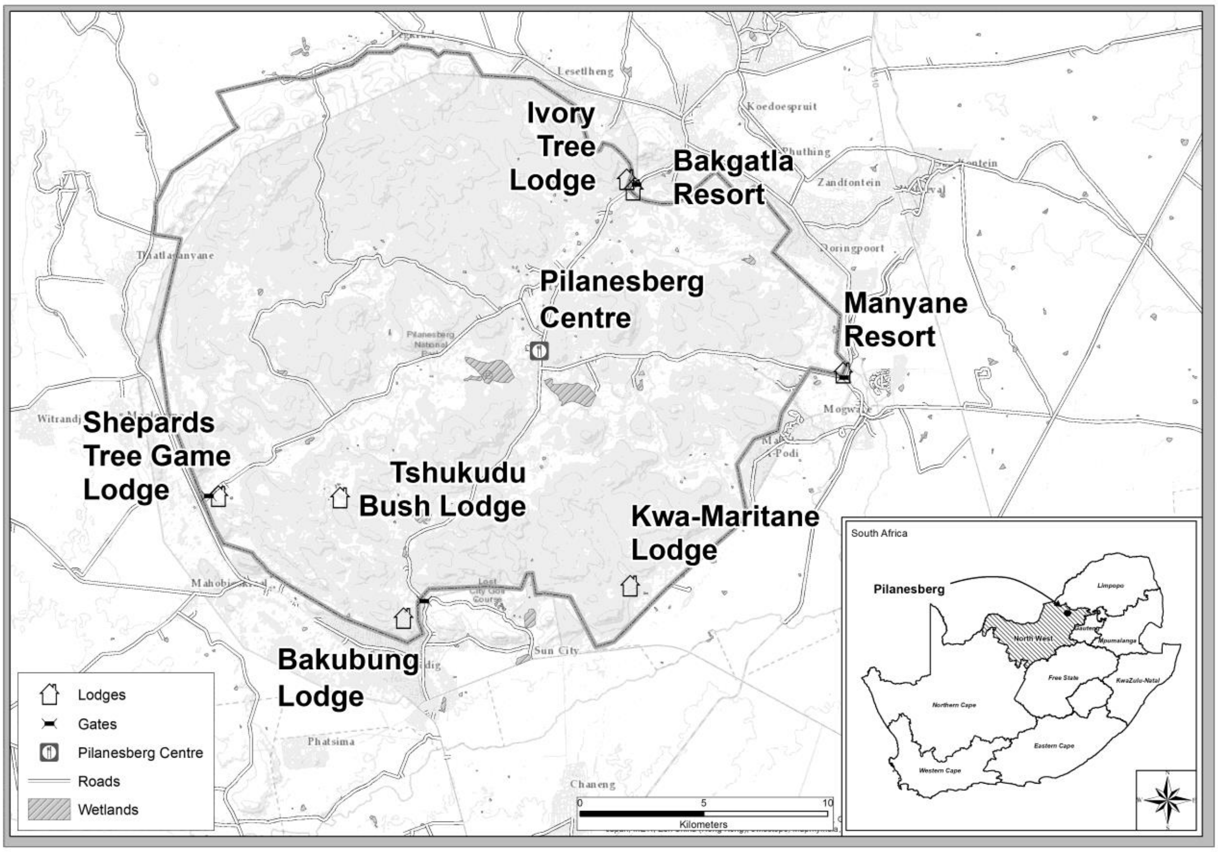

Figure 2: Facilities found within the Pilanesberg National Park.

The Pilanesberg Centre is a state-owned facility which is leased out and privately managed. A single entity has obtained the tender for the entire centre, however, there are three different entities which operate within the centre. There are two shops, one curio shop and one convenience store which are operated by one management company which obtained the tender for the centre. There is also a restaurant, which is subcontracted and therefore managed separately called Zebra's Crossing. The original tender was five years but expired in 2016 and has since been renewed on a yearly basis.

A. Manyane and Bakglata Resorts

The two state-owned resorts which are found on the eastern side of the park are the Manyane and Bakglata Resorts. They are managed by Golden Leopards Resorts which exclusively manages properties owned by the North West Parks Board. Aside from Manyane and Bakglata, Golden Leopards also manages Madikwe River Lodge, another NWPB-owned lodge in the Madikwe Game Reserve. Both Bakglata and Manyane Resorts offer a range of accommodation including self-catering, camping and caravan spots. Manyane also operates a restaurant.

B. Kwa Maritane, Bakubung and Tshukudu Lodges

The Legacy Hotel and Lodges group owns and operates three lodges located within the boundaries of the Pilanesberg National Park, Kwa Maritane, Tshukudu and Bakubung. The first lodge, Kwa Maritane, was the first of its kind established within the park boundaries in the 1980s. At the time, due to the park being newly established, a long-term 99-year lease was given to Kwa Maritane. All three establishments provide 'all-inclusive' experiences, which include game drives and all meals on top of accommodation. Kwa Maritane and Bakubung also have timeshare properties available for sale and both these lodges are four-star graded. Tshukudu is an exclusive-use lodge and is five-star graded.

C. Ivory Tree and Shepard's Tree Lodges

Ivory Tree and Shepard's Tree lodges are owned by African Ivory Lodges and managed by aha Hotels and Lodges. They are both five -star graded and also provide all-inclusive services. Ivory Tree is considered a bush lodge while Shepard's Tree is considered a bush hotel, according to those interviewed at the lodges. Ivory Tree was also one of the initial lodges established in the park and the lodges hold 45-year lease agreements.

D. Pilanesberg Tented Camp

The Pilanesberg Tented Camp is an accommodation facility which is owned and operated by Tented Adventures. The company has a unique business model in that it does not own or lease any property. Rather, the operation books out camp sites in various state-owned parks and offers visitors an all-inclusive bush experience at reduced rates.

5.2.3. Procurement within the North West Parks Board

After an initial informal interview with the park manager it became clear that the park employees themselves do not have authority in the procurement of goods and services. Rather, all procurement is done through the NWPB head office in Mahikeng. Many of the services they do use are in-sourced and they mentioned that they have a policy of employing local people, albeit this could not be verified. They have permanent employees who conduct basic maintenance and service the facilities which the park itself is responsible for such as bathrooms, picnic spots and hides. According to the park manager, the only regular services which are outsourced are security and the maintenance of electric fences.

The procurement processes of goods and services, therefore, became apparent after an interview with the procurement manager for the NWPB. For minor projects and procurement of goods required for operation, the NWPB uses a three-quote system. The threshold of costs was unclear as he indicated this process was used for anything under ZAR500,000 while the park manager stated that it applied to any good or service which was under ZAR300,000. Upon clarification it became evident that for goods or services which cost between R300,000 and R500,000, five to six quotes are required. Park managers will source quotes for the goods or services they require and submit these quotes to the NWPB head office, which will process the quotes and select a supplier. The NWPB procurement manager indicated that he primarily focuses on price in making such a decision, however, he will also take into account the preference of the given manager as they are typically more familiar with the quality of services provided by the companies they use. In the case of procurement for these smaller goods and services, the NWPB head office is only involved in the final stages of requisition. It was mentioned that there are certain standards required for a company to be utilized by the NWPB. The primary requirement is that they are registered on the Central Supplier Database (CSD), which is a state-operated national database of utilized by all state-owned entities. They also need to have a VAT registration number, which is also required for registration on the CSD. In addition, for construction companies, they require gradings by the Construction Industry Development Board (CIDB). There are certain policies which govern the procurement process including some national policies such as the Preferential Procurement Legislation, and the Public Finance Management Act.

In addition, the NWPB have their own procurement policies and a NWPB strategic plan. However, upon probing, it was unclear to what degree these policies influence procurement, aside from the fact that they seek suppliers with BEE accreditation and they focus on local businesses. Another policy which was mentioned is that orchestrated by the North West Provincial government called the Villages, Towns and Small Dorpies policy, which dictates that 70% all procurement by state-owned operations must be from companies which fall into this category. However, due to the management structure of the parks governed by the NWPB, very little procurement, particularly within the tourism sector, is facilitated directly by the entity. These policies do not apply to the private management companies which manage all the accommodation offerings within the North West Parks.

For larger projects, over R500,000 regular services such as security, and for the management tender of state-owned facilities, tenders are opened to the public for bids. The parks board is highly involved and in primary control of the selection of suppliers for these large projects and a lengthy process ensues. The tender process is governed by the North West Province Department of Finance. All tenders must be advertised in two local and two national newspapers, on the government e-portal and distributed to NWPB networks. Once applications are submitted, they are first processed by the tender evaluation committee, from there several applications, which meet the prescribed criteria based on the needs of the particular facility, are selected and referred up to the adjudication committee. From there the adjudication authority recommends a bidder to the accounting authority who make the final decision. If the contract is accepted by the chosen supplier, an agreement is made. In the case of the state-owned privately managed facilities, this process was undertaken.

5.2.4. Procurement within State-owned Privately Managed Facilities

The Pilanesberg Centre is a state-owned facility which houses two shops and a restaurant. The tender for the centre belongs to Pty Ltd Pilanesberg who subcontracts the various facilities. The shops are managed by In da Bush, while the restaurant is managed by Culinary Pty, a large catering firm. According to the manager of In Da Bush, the NWPB and government procurement policies have no influence, whatsoever, on the procurement process of any of the facilities in the Pilanesberg Centre. They operate as an independent entity. The manager of In Da Bush said that he primarily uses local suppliers, and has a database of the suppliers which he uses. The suppliers are listed online and he submits orders online. He is very loyal to his suppliers and approaches them individually in order to be included in his supplier database. Any changes in his suppliers would have to go through his boss, the owner of Pty Ltd, who is located in KwaZulu-Natal. However, the manager of In Da Bush stated that he has most of the control over suppliers since he is currently the manager on the ground. One of the key aspects which they look for in suppliers is that they are flexible and do not need consistent orders from In da Bush. This is due to the significant seasonality experienced by the shops as they need increased supply during peak seasons, but place relatively few orders in the off-season. As In Da Bush operates a souvenir shop and a tuck shop, there are much fewer goods which need to be replaced regularly (such as fresh produce). It is also important that potential suppliers are able to deliver the products due to the remote location of the facility (which is located in the centre of the park). It was found that most products are delivered by courier. Service delivery is one of the primary aspects which they look for in a supplier. As for the restaurant, they also do not have strict policies or procedures with regards to procurement, and the restaurant is supplied based on the season. However, unlike the shop, there is a much faster turnaround for the goods required by the restaurant, so they do have consistent supplies of fresh produce. Indeed, they look for suppliers who can meet a constant demand and focus significantly on prices.

The two state-owned lodges are managed by Golden Leopard Resorts, Bakgatla and Manyane. They offer bed and breakfast, self-catering and camping facilities. Manyane is the first lodge which was established and initially was a government owned and operated facility. Eventually, a management company, Dirapeng, was created by the North West Provincial government, who are still shareholders in the private management company. There is one procurement manager for Golden Leopards Resorts and she oversees procurement for both the Bakglata and Manyane Resorts. As the property is state-owned there are some policies which must be considered the management of the lodges, however, it was noted that this primarily related to Human Resource Management rather than to the procurement process. Apparently, the NWPB has no control or influence on the procurement processes of the resorts. The procurement manager oversees procurement for all properties managed by Golden Leopards, though each lodge has a procurement manager. Golden Leopards operates under a three-quote system where managers of the individual properties will source and send her three quotes from different suppliers. She will select the appropriate quote from these. Golden Leopards has a database of suppliers and a list of preferred suppliers for specific goods and services. She did state, however, that they are often being channelled to specific suppliers since the company developed by the North West government, Dirapeng, holds shares in the properties. They are, however, working on getting access to the Central Supplier Database, which is used by state-owned facilities in order to better manage their procurement process. Also, as a state-owned entity, although the NWPB does not influence procurement, they are governed by provincial procurement policies, namely the North West Development Corporation which has supply chain management policies. Nevertheless, it was unclear to what degree these policies influence procurement. The primary qualities that she looks for in suppliers is price, location of operators as they try to utilize business which are based in the North West Province and also that they are relatively flexible with regards to meeting demand as the resorts operates very seasonally.

5.2.5. Procurement within Privately-owned Facilities

There are five privately owned luxury lodges within the boundaries of the park. There is also a sixth privately owned small enterprise, called Tented Adventures which operates on the campgrounds of the Manyane Resort. None of these entities are governed by the NWPB in any way. Procurement for the lodges is done entirely independently.

Procurement for the two African Ivory lodges, Shepard's tree and Ivory Tree is overseen by one procurement manager. For food and beverage, the lodges have a standard list of suppliers from which they draw on. For maintenance or construction, they use a three-quote system. The head of the department who requires maintenance is responsible for sourcing the three quotes. The procurement manager is then responsible for selecting one of the three quotes. In addition, in some cases, their management company, aha Hotels, has been able to negotiate deals with specific suppliers based on the size of the company. It was, however, stated that aside from a few negotiated deals, aha has little input in the procurement process and the lodges themselves have relative flexibility when selecting suppliers aside from the need for suppliers to be registered on the database.

Bakubung, Kwa Maritane and Tshukudu are all managed by Legacy Hotels. Therefore, the process of procurement and the database of suppliers which they draw from is relatively uniform. And the broad processes under which they work is the same. However, different persons are responsible for the procurement of Kwa Maritane and Bakubung, while Tshukudu is overseen by the same procurement manager as Bakubung. There are also different managers for procurement of food and beverage and the supplies needed for housekeeping than those required for maintenance and construction. Therefore, there are four procurement managers for this group within the Pilanesberg. All, however, draw from a large list of suppliers which are loaded on a central database and have a number of different options for each service or good required. Aside from the requirement that the supplier be included in the database, they have relative flexibility when it comes to procurement. In order to be included in the database, the company must have a VAT registration, BEE certification and complete a form. They usually receive food and beverage deliveries twice a week. A similar procurement process is used at Bakubung as that Kwa Maritane. In addition, it was found that there is a process of registering businesses on the database as there is a need to create "items" associated with specific suppliers. This required pricing for the item which is set. The food and beverage procurement manager at Bakubung also discussed that in some cases when new suppliers are added it is often required that the supplier be visited to ensure quality and standards. He also emphasized his desire to use more local suppliers and stated that companies should have BEE level 3 or higher. He also mentioned that there is a specific manual supplied by Legacy Hotels for procurement, but we were unable to get access to this manual. In addition, Bakubung is currently undergoing a major building project which will see the development of timeshare units, though the construction is being undertaken by a large company. As Legacy Hotels operates three lodges in the

Pilanesberg, many of their services are in-sourced including maintenance, transportation of staff and guests and gardening. For example, Bakubung does not have its own vehicle maintenance services, but it utilizes those based at Kwa Maritane.

The last privately own accommodation within the park is Tented Adventures. As this is a small operation the co-founder and operations director is responsible for the procurement of goods and services for Tented Adventures. The operation is relatively “hands-on” as it is quite small. Therefore, all building and maintenance is conducted by the company itself as well as cleaning and servicing of accommodation. As the company is based on campgrounds run by the Manyane resort, they do not have any ablution facilities or restaurant. They have a “main” tent, where meals are served and several guest tents. The acquisition of goods is often done *ad hoc* as they are a small operation with a maximum occupancy of 16 guests. It was indicated that often they source food from local grocery stores, though these are primarily part of chains.

5.2.6. External Procurement of Goods and Services

When examining the use of local black-owned SMMEs by the park itself and the various facilities found within the Pilanesberg, it was first necessary to determine what goods and services were required by these various facilities and second to determine which are outsourced or procured externally. Due to the relatively remote location of the park many of the services which are required for daily operation are in-sourced. These include garden services, cleaning staff and basic maintenance. Many of the facilities managers mentioned that the bulk of their staff is local and therefore they are providing opportunities through these in-sourced services. The parks itself outsources some goods and services. These are listed below.

- Security
- Electric fence maintenance
- Garden maintenance
- Road maintenance

In the case of security and electric fence maintenance, two services which are consistently required, the public tender process, discussed in detail above, was undertaken. They operate on five-year contracts. In addition, garden, road and other smaller maintenance projects go through the three-quote system unless they will cost over R500,000. However, minor maintenance is conducted by park employees.

As for the other facilities found within the park, there are a number of additional requirements, most notably food, which is required for operation. Some of the services which are outsourced by one or more of the facilities are listed below:

- Landry
- Game guides
- Transport of staff
- Transport of guests
- Security
- Larger construction projects
- Maintenance of air conditioners
- Pest control
- Larger landscaping projects
- Interior decorating projects
- Some electrical maintenance
- Servicing fire extinguishers

In some cases, names of specific suppliers were provided but in other cases vague details on the company were given. In general, many of the tenders for larger projects included construction and landscaping, were given to companies based in Johannesburg or Pretoria. In addition, laundry services and security are largely contracted to large companies based in Johannesburg and the surrounding metropolitan area, though some claimed that in the case of security there were many local employees. The transport of staff and guests was found to be an interesting aspect. Guest transport appeared to revolve primarily around game drive activities, many of which the individual lodges offer. Therefore, this type of transport was found to be primarily in-sourced, particularly by the high star rated accommodation. In the case of the state-owned lodges, game drives and transport to and from Sun City is outsourced to a single enterprise which has been given traversing rights by the North West Parks Board. In the case of staff transport this is either organized by the facility which contracts specific local taxi drivers or is left to the employees in which case local taxi operators have created informal networks to transport said staff.

As for the goods sourced by the individual facilities found within the park, the primary goods necessary for operation fall under the food and beverage category.

- Fresh food
- Non-perishable food
- Beverages (alcohol and non-alcoholic)
- Crafts/souvenirs

- Wood
- Furniture
- Gas

The majority of food and beverages are sourced from large companies based in Johannesburg. This includes both non-perishable and perishable food. The majority of lodges obtain food orders biweekly while the restaurant obtains orders more frequently though this is largely seasonal. Wood and crafts were some of the primary goods which were said to be sourced locally and often by local black-owned small and micro enterprises. This was found to be the case across the range of facilities, albeit some do source souvenirs such as branded apparel from larger companies based in Johannesburg. Furniture was also found to be sourced primarily from larger furniture corporations; only one facility mentioned obtaining gas from a local supplier.

5.2.7. Characteristics of Ideal Suppliers

Respondents were asked a broad question on the characteristics of 'ideal suppliers' of goods and services. This is meant to not only add to the understanding of why there appears to be difficulty in utilizing local suppliers, but also as means of providing recommendations for how local SMMEs can more effectively enter the supply chain. Some of the traits which the facilities look for are relatively standard and would likely apply to most business such as price and consistency. However, others are more specific to the case of the Pilanesberg, due to the characteristics of the location and the standards of the facilities. One major characteristic which nearly all facilities mentioned as a key quality of an ideal supplier is the ability to meet their relatively inconsistent demand. There needs to be consistency in the supply of goods required for operation and also the skills needed for specific services. Another majority concern, which coincides with consistent supply, is timely and complete delivery. Due to the remote location of the park, if the orders do not arrive on time or are incomplete, it can cause major problems for operations as they do not have local shops which are able to source many of the goods required on short notice and in the quantities needed. Another important aspect, which applies specifically to the many four and five star graded establishments found within the park, is the need for specific quality levels particularly of goods such a fresh food. Finally, an important aspect noted, particularly by the lodges, is the inconsistency in the quantity of goods they require and therefore the necessity of having flexible suppliers. Visitor numbers vary quite significantly throughout the year and so the amount of good they require can also vary.

Therefore, they need suppliers with the same flexibility rather than a need for consistent order quantities throughout the year.

5.2.8. SMME Engagement in State Procurement – A Demand Side Analysis

Overall, according to the interviews with procurement managers from the different types of facilities, the facilities within the Pilanesberg use very few local suppliers and minimal black-owned suppliers. The NWPB expressed, repeatedly, that they try and source from local businesses, but, for the most part, they were found to be relatively minimal. In some cases, the facilities consider any business which is based in the North West Province to be considered "local." Furthermore, upon deeper investigation, it became clear that several of local suppliers which were used were not black-owned. The one good which appeared to be primarily sourced locally across the range of lodges was crafts which are sold in nearly all lodges as souvenirs. Another good which came through as often supplied locally is wood. In addition, one manager noted that they hire local artists to perform at the lodge occasionally.

There were two primary reasons given by nearly all of the procurement managers as to their difficulties in utilizing local businesses. The first is that local suppliers are simply unable to provide the necessary goods and services required by the lodges. In most cases, procurement managers mentioned the inability of local suppliers to meet the demands of the facilities, particularly in terms of quantity. Many mentioned that in cases where they had tried to use local suppliers, they were also often unreliable and would only have stock certain weeks, but not others which proves difficult for managing a facility where certain products are needed regularly. In addition, as mentioned above, due to the remote location of the park, if suppliers fail them, there are often no alternatives for obtaining the goods required. For the most part, these issues were discussed in reference to supplying food products, particularly fresh produce. The second primary reason given for not using local businesses is the standards of goods. As the majority of the lodges in the Pilanesberg are all-inclusive luxury lodges with 4 or 5-star gradings, they have certain standards which they must adhere to in order to maintain their grading and ensure guest satisfaction. This includes quality requirements for food and very specific requirements in the case of furniture, such as beds. Other challenges were mentioned by some procurement managers. Another important aspect which emerged from the interviews and might be a barrier to using local businesses is that nearly all facilities (with possibly the exception of Tented Adventures) are required to use suppliers who are VAT registered. This requirement is problematic for some local suppliers, partially due to the size of their businesses and also due to access to the necessary government facilities to ensure they are properly registered.

5.2.9. Primary Challenges in Utilizing local SMMEs

Clearly, there are several reasons why facilities in the Pilanesberg National Park face challenges in utilizing local black-owned businesses and these have been highlighted in the previous sections. However, also significant is understanding some of the broad challenges faced in the procurement process. This information helps provide a context as to some of the reasons why utilizing local businesses might even more difficult.

One aspect which became apparent when interviewing those responsible for procurement within the facilities is the conceptualization of “local”. In many cases this extends to any business which is based in the North West Province and not just those adjacent to the Pilanesberg National Park. This was particularly apparent in the discussions with the procurement manager of the North West Parks Board, itself. There are certain preferences given to small businesses located in small towns, but this did not necessarily mean that the business needed to be located in a small town adjacent to the facility which is procuring services.

Another major challenge, which is alluded to in the previous section, is the issue of compliance with regulations. The North West Parks Board must adhere to national government regulations on procurement and so all suppliers must be drawn from a specific central supplier database. In order to be added to this database, the business must be VAT registered, which sometimes creates issues for very small local providers. In addition, most facilities found within the park are managed by larger management companies which operate their own supplier lists from which individual procurement managers must draw.

Another interesting perspective which was brought up by the procurement manager of the state-owned resorts is the issue of the availability of primary goods which is found in the local area. Aside from mining, there is very little primary economic activity which is occurring in the area that could, potentially, serve to supply the tourism industry. Unlike other parts of the country, and even the province, there was little evidence of small-scale farming in the areas surrounding the Pilanesberg National Park. Therefore, many of the local businesses in the area are distributors rather than direct suppliers. Most of the goods which are sold by local businesses are obtained from some of the same suppliers used directly by the facilities.

Therefore, it makes more economic sense to obtain goods directly from suppliers. This is related to the fact that most of local economy in the towns surrounding both the Pilanesberg National Park and the adjacent Sun City complex are still largely based around the surrounding mining industry and much less focused on tourism development. The Pilanesberg National Park and Sun City are relatively insular operations with little connection to the surrounding towns for secondary tourism assets (which is often the case around large tourism attractions). In particular, Sun City was designed to be self-sufficient with the numerous activities, accommodation and restaurants found within the complex. The first lodges which were developed in the Pilanesberg were all-inclusive and the vast majority which have emerged since have followed suit. For this reason, there appears to be less of a drive among the local communities to develop secondary tourism assets which can serve visitors to the park.

Another major challenge noted by nearly all facilities managers is issues with local suppliers meeting the necessary demand. According to the facilities managers, there is little consistency of supply, particularly in the case of fresh food. In a similar fashion, a few managers noted issues with local suppliers' ability to complete projects effectively and within a given time frame. This issue was noted in the particular case of construction projects. The park manager and the manager of the state-owned lodges mentioned issues with the way that payment for such project occurs. Often small local businesses need large deposits in order to source the goods and labour they require for specific projects. Nevertheless, the payment policies enacted by the state and also by certain management companies do not allow for this and instead have strict policies as to how payments can be made. This can, therefore, result in incomplete projects and/or prevents local business from obtain contracts in the first place.

Another concern for small local businesses, which is alluded to above, is the inconsistency in demand based on tourism seasonality. Small businesses often require consistent orders in order stay afloat. The precarity of some of the goods and services required by the facilities found within the Pilanesberg National Park can often made it difficult to generate enough business to sustain small and, particularly, emerging business. These small businesses, thus, cannot rely on the facilities within the park to place consistent orders or consistently contract out their services, in many cases.

5.3. Supply-Side Analysis: The SMME Environment in the Pilanesberg Area

In terms of the supply-side analysis at the outset it is acknowledged that the economic environment in the Pilanesberg area is dominated by the mining and tourism sectors. These sectors are primarily run by large privately-owned platinum firms and tourism establishments, with stake/stock ownership by the community in these firms. Essentially, the local business economy is polarized between large privately-owned establishments and small SMMEs, and mostly stimulated by the employment created by the larger organisations. The area immediately surrounding the park, as well as near-by villages and townships, is dominated by Setswana speakers (Carruthers, 2011) of African origin. Local residents of the villages and towns around the park directly benefit from the mining and tourism sector via jobs created by the big companies located in the vicinity of the area. This, in turn, keeps the local SMME economy alive by providing salaries that are spent by the locals who patronise these SMMEs.

5.4. Supply-side Analysis - Methodology

In undertaking the supply-side study of state procurement from SMMEs in the Pilanesberg area, a mixed methods approach was adopted to obtain a balanced and consistent understanding of the economic environment. This began with meetings with stakeholders to understand their context, followed by interviews with black SMME owners in the area to juxtapose and verify their feedback with that from the stakeholders. The SMME owners interviewed include:

1. A new local kitchen with online ordering that supplies local-residents and workers.
2. Three Curio retailers at Bakubung gate entrance to Pilanesberg park
3. A Franchise owner (under special-arrangements)
4. One art, one curio and one leather specialist operating a local arts and crafts company
5. A construction entrepreneur
6. A mobile cleaning entrepreneur (cleans carpets, venues, upholstery, etc.)

Given that a key finding from the demand side assessment was the non-inclusion of local SMMEs in the supply chain of the main players in the Pilanesberg economy (both government and private sector) and the reason for this was attributed to the inability of these SMMEs to comply with quality and capacity requirements, these interviews focused on exploring this issue with the aim to better understand how to improve it. These interviews also formed the background for developing the survey instrument that was administered to a wider ranger of black-owned SMMEs.

Interviews were also conducted with stakeholders in the SMME and entrepreneurship support spaces in the Pilanesberg area. These stakeholders included individuals from the public and private sector who were responsible for, or worked directly with those responsible for small business and entrepreneurship development in the Pilanesberg area. The stakeholders interviewed were:

1. The Managing Director, Bakgatla Ba Kgafela Development and Welfare company
2. The Governing body, Moses Kotane Accommodation Association

3. Manger of Enterprise Development – Local Economic Development (LED), Mogwase.
4. The Manager, Arts and Culture – Local Economic Development (LED), Mogwase.
5. The Director, Arts and Culture – Local Economic Development (LED), Mogwase.
6. The Manager, Mphebatho Cultural Museum, Moruleng, Pilanesberg.
7. The Cultural Officer, North-West Provincial Department of Culture, Arts, and Traditional Affairs.
8. The Secretary, Pilanesberg Tour Operators Association.
9. Socio-Economic Development and Community Engagement Manager, Sun City

The decision to interview these stakeholders was informed by the feedback obtained from the local black-owned SMMEs about key influencers in the SMME development environment in their area. While more of these stakeholders have been interviewed, time constraints, as well as the non-availability of some of these stakeholders limited the scope of those that could be interviewed. However, those interviewed provide in-depth and quality responses that provide reliable insight into the workings of the SMME support and development environment in the Pilanesberg.

Based on information condensed from interviews with the supply side, black-owned SMMEs, and with stakeholders in the development space, a survey instrument was developed for further investigate the demand side of state procurement from Black owned SMMEs. The survey questionnaire was administered to 277 black-owned SMMEs in the Pilanesberg area. In terms of sampling, the population distribution in the Pilanesberg area is geographically dispersed with various settlement clusters existing around the park, separated by wide expanses of mostly uninhabited land. The area is surrounded by villages, locations and townships, each with its own local economic hub, which occasional cross-interact to participate in economic activities. As such, in sampling to administer the survey instrument, the spatial segmentation of economic activities had to be taken into consideration. From the interviews, the key economic areas around the Pilanesberg National Park were identified as: Ledig, Mogwase, Lerome, Moruleng, Tlhatlhaganyane, and Rustenburg (see Figure 3).

Although Rustenburg is further out from the Pilanesberg park than other locations, it was included because a number of the interviewees on the supply side had indicated that they get most of their 'local' supplies from Rustenburg, albeit these suppliers were rarely black-owned SMMEs. Including black-owned SMMEs in the sample was, hence, deemed relevant to understanding the environment of SMME operations around the park. The sampling method adopted had to take into consideration the spatial spread of economic activities around the area to ensure that a significantly representative picture is captured.

Due to the non-availability of a documented sampling frame of SMMEs in the area, or of the population distribution of these SMMEs, a probability sampling method could not be adopted.

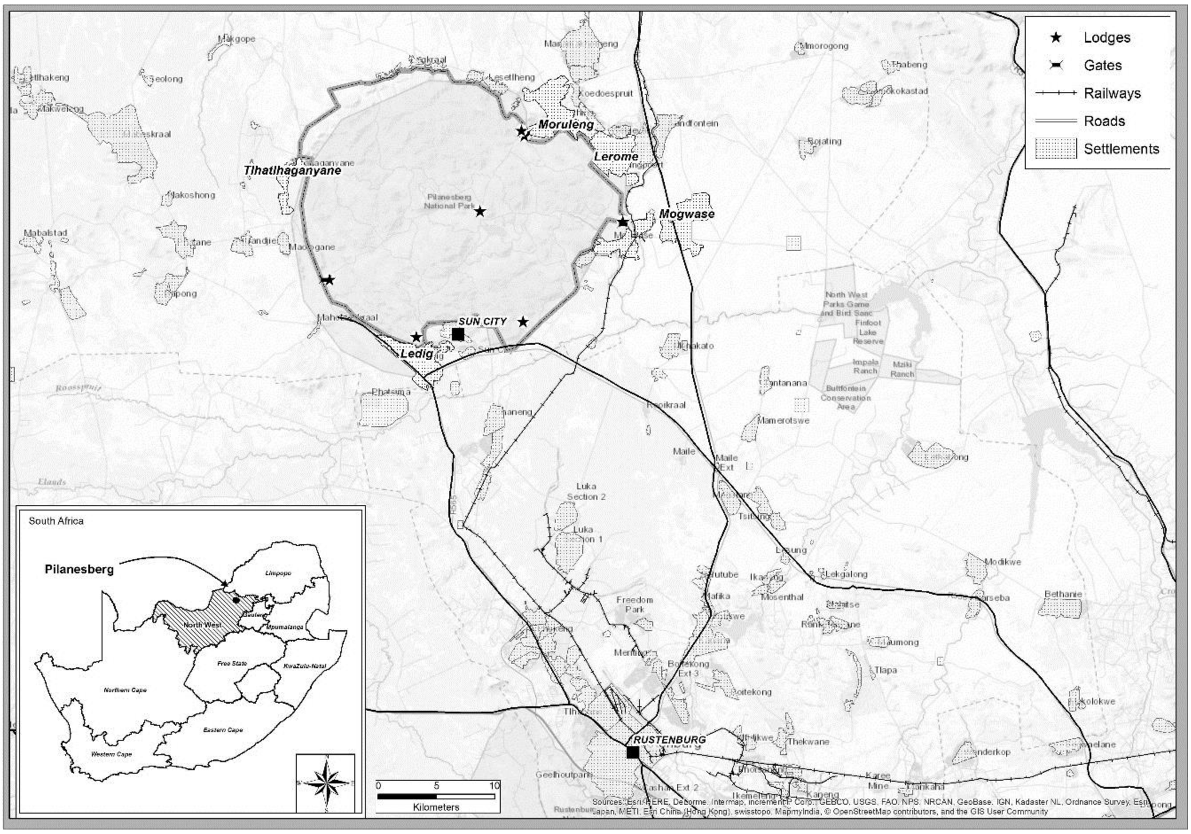

Figure 3: Map of Survey Areas Surrounding Pilanesberg National Park

Given that the population of interest was specifically black-owned SMMEs around the Pilanesberg National Park, the quota sampling method was adopted where survey participants were selected, first, based on the location (i.e., by going into the locations around the park), secondly based in the ethnicity of the owner of the business approached, and finally based on the size of the company.

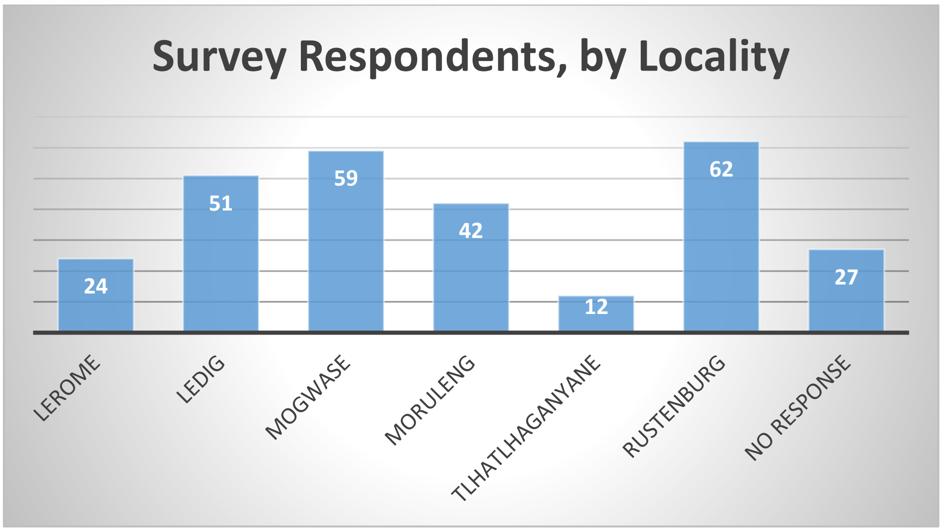

Figure 4: Breakdown of Survey Respondents, by Locality

The quota sampling method ensures that, based on these criteria, the characteristics of these sub-population are adequately captured and represented in the survey. The breakdown of survey respondents from each locality is provided in Figure 4. The numbers largely reflect the concentration of economic activities in each locality. For example, the Mogwase and Ledig communities have a higher number of respondents than Tlhatlhaganyane, reflecting the difference in the level of economic activities, with the Mogwase and Ledig having a higher concentration as a result of their proximity to Sun City. Given that the Pilanesberg park is surrounded by predominantly Setswana speakers, the ethnic criteria did not constitute much of a limitation in the selection of participants.

5.5. Supply-side Analysis - Findings

5.5.1. Respondents Characteristics

In keeping with the study's objectives, only black-owned businesses in the study area were surveyed. Businesses in the immediate community surrounding the park were approached to complete the survey questionnaire. The characteristics of participating business owners/operators is provided in Table 1. It is shown on Table 1 that almost 75% of respondents are South African citizens, permanent residents, or refugees and 70% report being originally from the North West. This demonstrates that the vast majority of respondents meet the basic qualification requirement for most government concessions and engagement for procurements. The other 25% is included in the analysis to provide a balanced picture of the SMME environment. In total, 85% of respondents are owning or managing stakeholders in the business, justifying their responses as authoritative on the subject matter(s) being interrogated. The majority of these stakeholder are male (over 67%) indicating that the black-owned SMME environment in the Pilanesberg area is still very gendered, and signalling that there is room for more female empowerment.

Table 1: Respondent's Characteristics

Residency Status	**Frequency**	**Percent**	**Cumulative percentage**
South African Citizen	178	64.26	64.26
South African Permanent Residence	17	6.14	70.4
Refugee	12	4.33	74.73
Foreign National	62	22.38	97.11
No response	8	2.89	100
Total	**277**	**100**	
North West?			
No	70	25.27	25.27
Yes	193	69.68	94.95
No response	14	5.05	100
Total	**277**	**100**	
Role in business			
Owner	144	51.99	51.99
Co-owner	13	4.69	56.68
Manager	78	28.16	84.84
Employee/Assistant	27	9.75	94.58
No response	15	5.42	100
Total	**277**	**100**	
Gender			
Female	87	31.41	31.41
Male	187	67.51	98.92
Rather not say	1	0.36	99.28
No response	2	0.72	100
Total	**277**	**100**	

AGE (in years)			
		Quartiles	
		0.1	25.11
Frequency	238	**0.2**	27.94
Mean	36.53	**0.3**	29.77
S.D.	10.69	**0.4**	31.64
Min	19.23	**0.5 (Median)**	33.53
0.25	28.95	**0.6**	36.79
Median	33.65	**0.7**	39.64
0.75	41.90	**0.8**	43.99
Max	71.49	**0.9**	52.59

The age distribution of respondents also shows that the majority (70%) of black-owned SMME establishments are owned/manged by youths under the age of 40 years (55% of which are less than 35 years). This demonstrates that the youths in this locality are engaged in entrepreneurial activities and not only focused on job seeking. Policy geared towards promoting this economic sector is, hence, important.

5.5.2. Business Characteristics

Based on the survey data collected, the dominant activity sector of black-owned SMMEs around the Pilanesberg national park is the services sector (see Table 2). The range of services includes accommodation, catering, transport and travel, tour operators, and arts, crafts, and entertainment.

Table 2: Key Commercial Industries and Sectors

Agriculture	Manufacturing	Construction	Services		Other
Agriculture **Horticulture**	Manufacturing	Mining Construction	Electricity; Motor repairs & service; Wholesale; Catering; Accommodation; Transport, Travel & logistics; Telecommunications Finance	Tour guide or Game ranger; Security; Social or personal services; Professional services; Retail; Salon; Arts, Craft, Curio & Entertainment; Tuck/Spaza shop	Other
1.98%	**5.95%**	**3.97%**	**83.33%**		**4.76%**

Industry	Frequency	Percent	Cumulative Percentage
Agriculture	4	1.44	1.44
Mining	1	0.36	1.81
Manufacturing	15	5.42	7.22
Electricity	4	1.44	8.66
Construction	9	3.25	11.91
Motor repairs & service	12	4.33	16.25
Wholesale	5	1.81	18.05
Catering	28	10.11	28.16
Accommodation	5	1.81	29.96
Transport, travel & logistics	3	1.08	31.05
Telecommunications	5	1.81	32.85
Finance	4	1.44	34.3
Tour guide or Game ranger	12	4.33	38.63
Horticulture	1	0.36	38.99
Security	2	0.72	39.71
Social or personal services	10	3.61	43.32
Professional services	7	2.53	45.85
Retail	67	24.19	70.04
Salon	18	6.5	76.53
Arts, Craft, Curio & Entertainment	19	6.86	83.39
Tuck/Spaza shop	9	3.25	86.64
Other	12	4.33	90.97
No response	25	9.03	100
Total	**277**	**100**	

Overall, a wide range of business activities exist in this sector, from catering to telecommunications. Analysis of the data collected from the field, as well as evidence from field observations shows that most of these businesses are concentrated in retailing. This does not reflect the mining and tourism specialisation of the area revealing that the local black-owned SMMEs are not very engaged in the key sectors that drive the local economy. This finding is further evidenced by the clientele base these business report. As Table 3 shows the largest proportion of the surveyed businesses mostly supplied local residents, occasionally supplied residents from outside their locality, and seldomly supplying local and near-by businesses and tourists to the area.

One of the many complaints picked up during interviews with these black-owned small business owners was that the bigger businesses in the area, like Sun City, took up most of the market. The contribution of Sun City to local economic development, is hence, indirect, in the form of paying employee salaries which they then spend in their locality.

Table 3: Business Clientele

	Yes	**No**	**No response**
Tourists			
Frequency	77	196	4
%	27.8	70.76	1.44
Local residents			
Frequency	232	41	4
%	83.75	14.8	1.44
Government			
Frequency	28	245	4
%	10.11	88.45	1.44
Outside businesses			
Frequency	33	240	4
%	11.91	86.64	1.44
Local businesses			
Frequency	55	218	4
%	19.86	78.7	1.44
Outside residents			
Frequency	115	158	4
%	41.52	57.04	1.44

This indicates a local SMME economy that is primarily driven by local resident's consumption and demonstrates that the local SMME economy is, in a sense, excluded from the main commercial activities (mining and tourism) of the Pilanesberg area.

The average age of these SMMEs is about 8 years, with 50% of them being about 5 years old (see Table 4). Businesses in the services industry, which tourism belongs to, are aged about 7 years old, and the maximum age of 75% of all businesses is 10 years.

Table 4: Age distribution of black-owned SMMEs

Age of Business	Frequency	260		Average business age, by industry			
	Mean	7.78			Mean	Standard Deviation	Frequency
	Standard Deviation	8.73		Agriculture	4	5.4772256	4
	Minimum	0		Manufacturing	8.6	9.3716899	15
	25th Quartile	2		Construction & Mining	5.6	4.1686662	10
	Median	5		Services	7.315	7.9695258	200
	75th Quartile	10		Other	10.636364	14.739557	11
	Maximum	49		Total	7.4208333	8.3100221	240

Although the lifespan of business in the services industry is around the average of businesses in the area, exploring means of ensuring their continued survival is still important, especially given their contribution to the local economy especially for job creation. Table 5 shows that the surveyed black-owned SMMEs employ about 850 employees in their daily operations[2]. These conservative figures demonstrate the significance of the SMME sector to the local economy, especially as the bigger businesses cannot possibly absorb the entire workforce supplied by the locality.

Table 5: Employee and Ownership Structure of black-owned SMMEs

No of Employees	Frequency	Percent	Cumulative percentage
0 to 4	208	75.09	75.09
5 to 9	37	13.36	88.45
10 to 49	25	9.03	97.47
50 to 200	3	1.08	98.56
More than 200	1	0.36	98.92
No response	3	1.08	100
Total	**277**	**100**	
Business' Legal Status			
Sole proprietorship	176	63.54	63.54
Partnership	66	23.83	87.36
Cooperative	4	1.44	88.81
Closed cooperation	6	2.17	90.97
Don't know	2	0.72	91.7
Other	4	1.44	93.14
No response	19	6.86	100
Total	**277**	**100**	

[2] This conservative figure is calculated by multiplying the lower-bound for each range by the frequency, except for the ‘0 to 4’ range where the median value (i.e., 2) is used. The categories ‘more than 200’ and ‘no response’ are excluded from the analysis. [(2 x 208) + (5 x 27) + (10 x 25) + (50 x 1)] = 851

The sustainability of their contribution is, however, threatened by their legal status as predominantly sole proprietors (about 64% - see Table 5). This indicates that their liability in the case of a business challenge is unlimited (SARS, 2019) and limits their access to capital and the risk-taking options of the business.

5.5.3. SMME Engagement in State procurement – a Demand side analysis

In this section, the extent of SMME engagement in the procurement chain of government assets is explored from the demand side. The analysis is extended to all government establishments and assets, and not only tourism assets, to demonstrate that the trends being picked up are not unique to the tourism sector only. As previously highlighted (Table 3), the main demand base for the black-owned SMMEs in the survey area is local residents. These SMMEs have very limited business linkages with the bigger businesses, government agencies, and tourist attractions in the area.

To further explore the extent of SMME involvement in the supply chain of government assets (including tourism assets), the survey interrogated the level of SMME's interest in engaging with government agencies and assets. Table 6 below shows that about 77% of respondents have never competed for a government tender. Also, about 81% of respondents report not having any business or even support relationships with government establishments. The respondents were also specifically asked if they had any business relationships with the lodges and tourism establishments in the area, to which about 75% of them said they did not. This is shown on Table 7.

Table 6: SMME engagement with government agencies

Experience competing for a tender	Frequency	Percent	Cumulative percentage
I have never competed for a tender	213	76.90	76.90
I have competed but did not get it	28	10.11	87.00
I have completed and got it	19	6.86	93.86
Missing	17	6.14	100.00
Total	**262**	**100.00**	
Government Relationship (Business and/or Support)			
Yes	19	6.86	6.86
No	224	80.87	87.73
No response	34	12.27	100
Total	**277**	**100**	

Table 7: SMME engagement with private tourism attractions

Do you supply any of the lodges or tourism attractions in the area?	Frequency	Percent	Cumulative percentage
Yes	62	22.38	22.38
No	207	74.73	97.11
No response	8	2.89	100
Total	**277**	**100**	

Table 8 shows that although almost 70% of respondents have registered businesses, indicating their awareness of the business operations regulations in South Africa, less than 30% of them report being registered on any supplier database. This means than even in cases where business engagement opportunities are available in these larger firms, these SMMEs are not within the purview for consideration. It indicates a significant gap between the activities of the government agencies and assets in the area (including private tourism establishments) and the black-owned SMME economy.

Table 8: SMME readiness for business opportunities

Business Registration	Frequency	Percent	Cumulative Frequency
Yes	185	66.79	66.79
No	1	0.36	67.15
No response	91	32.85	100
Total	277	100	
SS Database registration			
No	185	66.79	66.79
Yes	79	28.52	95.31
No response	13	4.69	100
Total	**277**	**100**	

To further explore the reason for this gap, the reasons for non-engagement with the government agencies and private sector establishments were probed. Some questions (structured and open-ended) were included in the survey instrument in order to understand the reasons for the limited engagement of SMMEs with government and larger private sector agencies.

5.5.4. Reasons for not applying for tender or engaging with government and private agencies:

Table 9 provides a summary of responses to the open-ended question asking respondents why they did not apply for tenders or engage with the government and private business structures available in their locality. The leading reasons cited for not engaging with business opportunities by the government are *lack of information on the entire tender/contract process*, beginning with information/knowledge of what tenders are, and extending to the process of applying and requirements of the application process.

Table 9: Reason for limited SMME engagement

Reason for not applying for tender or engaging with government agencies	**Frequency**
Lack of awareness of opportunities	24
Transparency: Lack of trust in government - they have certain negative beliefs about the government. For example: the system of getting tenders and working with the government is corrupt and does not favour small businesses.	24
Contract duration with big businesses is very long, thus shutting out others and leading to a monopoly in access to such opportunities. Most times, upon the expiry of a contract, the same people often get it again.	1
Do not have money but interested	5
Lack of access	4
Lack of information on the availability of government contracts/tenders; on how to compete for tenders/government contracts, and on the requirements of a successful tender.	36
Unaware of any government agencies in the area	9
Limited capacity (e.g., staff and transport) to commit to the high time required to apply for government contacts and tenders.	11
Lack of interest - prefer to be independent of the government	22
Business is not registered	6
Services rendered not relevant	10
Requirements for obtaining government contracts/tenders are too complex	8
Still new to the business - the business is still small/young	12
Lack of support for small businesses	5
Non-registration on Suppliers database	
Lack of adequate stock capacity (an agric. company)	
Government does not pay on time (especially for sub-sub-contractors who are only contracted when those who received the tenders fail and time has run out.	
Government is non-responsive to questions on reasons for lack of success with tender applications.	
Why do you not supply businesses in the area?	
Lack of access to these businesses or opportunity to do business with them	50
Inadequate Capacity	35
Irrelevance of service provided to businesses	23
Lack of information/knowledge	13
New to business	10
Yet to try	7
Not interested	22
Why no database registration?	
I am unaware of any SS database	98
I am not interested	10
I cope well on my own	18
It is not necessary/important	5
The process/requirements are too difficult	15
It is too expensive	4
I do not have the time	2
I do not qualify	4

The next two leading reasons cited for not engaging in business transactions with the government are a '*lack of awareness of opportunities'* (including awareness of the type of services the government requires, and of when and how tender/contract calls are advertised when available); and '*lack of trust in government'* where respondents expressed the belief that the government structures are not transparent. This is reflected in the expression by a number of them that they required certain 'connections' inside the government or needed to have 'relatives' in positions of power to be able to have access to government contracts and tenders. The perception of lack of transparency is related to the idea they expressed that the government is corrupt, and the tender/contract systems are not exempt from this corruption.

A further key reason cited for not engaging with the private sector (specifically tourism) in the area is '*lack of access'* to these businesses – where a large proportion of respondents indicated that the larger businesses in the area were unwilling to do business with them, would not grant them the opportunity for an audience, or make the process of any partnership difficult thereby discouraging such engagement. Respondents also cited *'inadequate capacity'* as a limiting constraint, often referring to funding limitations to grow their business to the level required to partner with these bigger businesses. Another reason constraining those who are willing to partner with these bigger businesses is the '*lack of information'* on these partnership opportunities and on how to engage these firms and the obvious '*lack of awareness'* of the existence of suppliers' databases. Arguably, this lack of awareness and information might be indicative of a more general attitude of 'disconnect' from the business environment in the Pilanesberg. To further explore this disconnect, the overall attitudes of the SMMEs to business development and external linkages were further interrogated.

5.5.5. SMME Attitude to Business Development and External linkages

To explore the SMME attitudes to business development and external linkages in the Pilanesberg area various questions (structured and open-ended) were included in the survey instrument to understand the reasons for the limited engagement of SMMEs with government agencies. Specifically, information about their non-engagement with available business support and enterprise development structures was sought.

It was revealed that various business support structures and enterprise development initiatives have been put in place in the Pilanesberg area by both the government and the private sector. These vary in availability from the National, Provincial, and Municipal levels. These include but are not limited to:

1. The Pilanesberg Tourism Incubator
2. Bakgatla Ba Kgafela Development and Welfare company
3. Royal Bafokeng Enterprise Development
4. National Empowerment Fund (NEF)
5. Small Enterprise Development Agency (SEDA)
6. The Local Economic Development (LED) Initiative
7. The Small Enterprise Finance Agency (SOC) Ltd (SEFA)
8. Industrial Development Corporation (IDC)
9. The Department of Small Business Development (DSBD)
10. National Youth Development Agency (NYDA)

The private sector also offers business support and training initiatives for SMMEs which some business owners in the area report benefiting from. These include the Pantree small farming support programme; various socio-economic development and community engagement initiatives by Sun City; and SAMSUNG's Khulanathi Supplier Development Programme, amongst others.

Notwithstanding the availability of these services with a few tailored specifically for businesses around the Pilanesberg area and located in the area (e.g., The Pilanesberg Tourism Incubator, Bakgatla Ba Kgafela Development and Welfare company, Royal Bafokeng Enterprise Development, and the Provincial LED office), the evidence from the field indicates that most business in the area have not taken advantage of these initiatives. Table 10 shows that more than 80% of respondents report having any engagement with business support agencies and less than 30% report ever participating in any SMME training programme.

Table 10: SMME engagement with business support and training

Worked with Government/Private Support Agency	**Frequency**	**Percent**
No	222	80.14
Yes	29	10.47
No response	26	9.39
Total	**277**	**100**
Participated in SMME training?		
No	186	67.15
Yes	80	28.88
No response	11	3.97
Total	**277**	**100**

The low level of engagement with local support and training opportunities is concerning, especially given the fact that a lot of investment is put into making these initiatives available. The reasons for this was further investigated. Specifically, the respondents who reported not engaging with the support and training initiatives were asked to provide reasons for this non-engagement. Table 11 shows that the majority of responses to the reasons for non-engagement with SMME support initiatives and training programs had to do with a lack of awareness of the support initiatives (about 52%) and lack of information on the business trainings/seminars (36% of responders). An interesting response is the disinterest in, and perceived irrelevance of the support and training programmes (29% for support and 15% for trainings). This unexpected level of disinterest in these programmes which might be tied to the quality of the support and trainings offered as those who provide these responses clearly have some form of information/experience with them. If policies are to be put in place to address the high level of unawareness of these programmes, it is important that their quality and relevance be first re-evaluated to ensure that those who attend them benefit. In a different vein, in the case that the disinterest is tied to the distrust of the government as captured earlier, awareness programmes also need to address the negative perceptions of the government and its structures if they are to be successful.

Table 11: Reasons for not engaging in business support and training

Reason for not participating in SMME support	**Frequency**	**Percent**
I am unaware of any business/entrepreneur support agency	104	51.74
I am not interested	28	13.93
I cope well on my own	23	11.44
It is not necessary/important	8	3.98
The process/requirements are too difficult	16	7.96
It is too expensive	4	1.99
I do not have the time	8	3.98
I do not qualify	6	2.99
Other	4	1.99
Total	**201**	**100**
Reason for not attending SMME trainings/seminars		
It is too expensive	15	9.62
Self/Family trained or Outsourced	7	4.49
Lack of time	49	31.41
Lack of information on trainings/seminars	56	35.90
Responsibility of suppliers	1	0.64
Not interested/ Not relevant	23	14.74
Other	5	3.21
Total	**156**	**100**

Also, given that the majority of respondents self-trained and self-funded their business (with only 1% of respondents reporting obtaining training from government incubator/workshop/training programs and less than 1% reporting obtaining start-up funding from a government agency), the idea that ignorance is the main problem in this area is re-iterated. This would require the government to invest in exposure and infrastructure development (roads and internet) to allow people to easily access information on opportunities. Furthermore, an improved communications infrastructure can help addresst the negative perceptions as it would allow for correct and informed information accumulation and dissemination.

5.5.6. SMME Challenges and Limitations

To further understand the limits in the operational environment of these black-owned SMMEs operate, they were asked to rate the significance level of certain business operation constraints gathered from the literature and from preliminary interviews. Their responses are provided in Figure 5 and show that the biggest challenges to SMME success remains *access to affordable finance*.

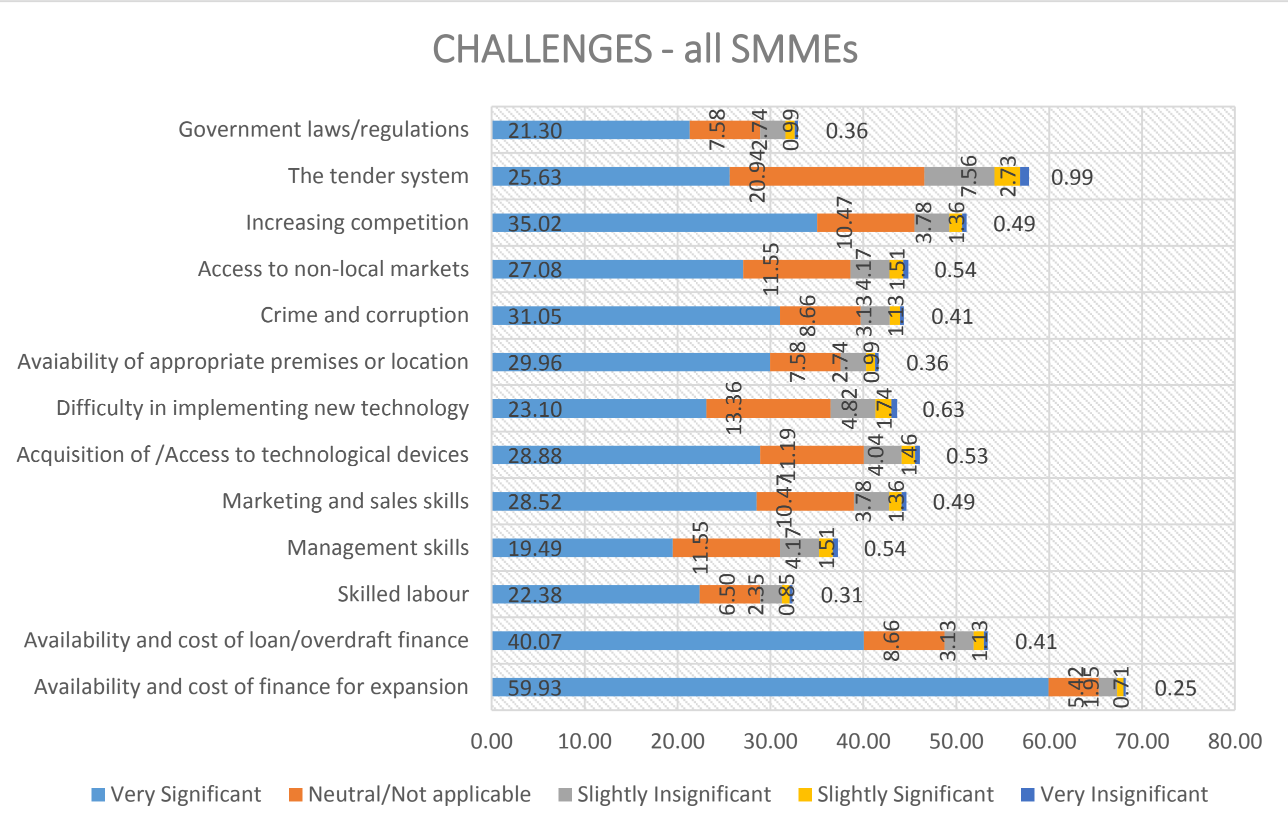

Figure 5: Rating of Key Business Challenges, for all respondents

This is followed by the *increasing competition* from larger businesses, *crime and corruption* in the business operating and regulatory environment, and *access to capacity* in the form of technical skills, technology and premises.

Furthermore, to understand the extent to which these challenges affect those who already have working business relationships with government agencies, the data was limited to respondents who indicated that they did make some revenue from work carried out for government organisations. Their responses are captured in Figure 6. The results indicate that while these businesses face the same challenges in terms of *access to affordable finance* and *increasing competition* as the entire cohort of respondents, *the tender system* is a more important challenge to them than to those entrepreneurs who are not engaged in business relationships with government agencies. Indeed, Figure 6 shows that the tender system is almost as important a challenge as the finance constraint. This points to the imperative to better streamline the process to allow access for SMMEs.

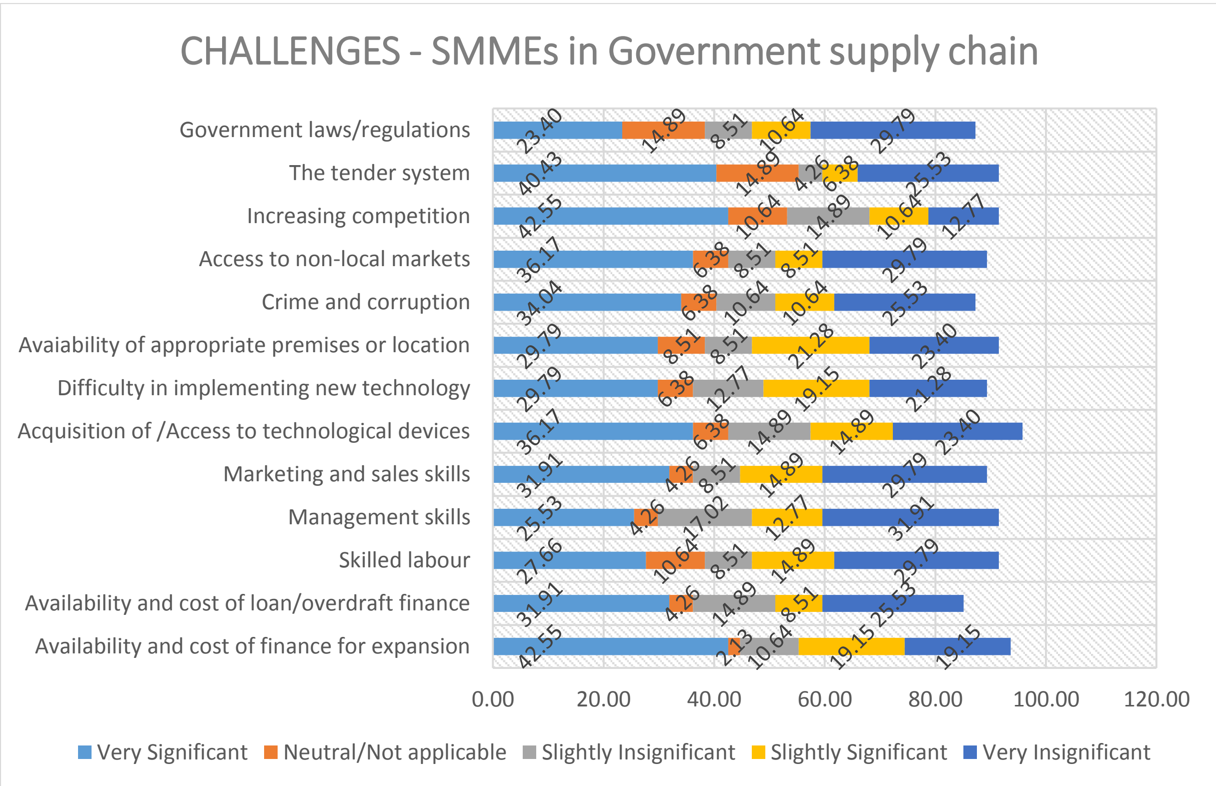

Figure 6: Rating of Key business challenges for businesses in government supply chain

5.6. Conclusions for the Pilanesberg Study

In summary, it is evident that the local economy of the Pilanesberg area is predominantly driven by tourism and mining both of which are dominated by the private sector. However, the local economy seems only to benefit from these sectors via the channel of jobs created for individuals by the large companies which dominate these sectors. Arguably, it is clear that SMMEs are largely left out from the value-added chain of these bigger companies who choose bigger suppliers, usually outside the locale, in their supply chain. The black-owned SMMEs surveyed in the area in this study provide over 750 jobs to the local economy, excluding their own employment (i.e., total jobs injected into the local economy would be over 900 employment spaces). The majority of black SMME owners/managers are male (over 67%) indicating that the black-owned SMME environment in the Pilanesberg area is still very gendered, and there is room for more female empowerment and engagement in SMME development. The black-owned small business economy in the Pilanesberg area is predominantly dominated by sole-proprietors in the services industry.

It is clear from the foregoing analysis that there is a disconnect between the proposed policies of the North West Parks Board to facilitate local SMME development and the actual procurement procedures of facilities located within the Pilanesberg National Park. One of the primary reasons for this is the ownership and management structure of the NWPB. As mentioned above, all lodges, visitor centres and restaurants which operate in North West Parks are managed by private companies. In addition, many are also owned by private companies which have long-term leases. The reasoning behind this is inseparable from the relative poverty of the province and the need for private investment for tourism development in the area. Although the province has two major wildlife parks, Pilanesberg and Madikwe, it does not appear to have the resources to develop essential infrastructure for tourism. Therefore, the province have created long-term leases with private companies (including some large hotel groups) on the property for the management companies to build and develop their own infrastructure. These larger hotel chains, private owners and management companies are not governed by NWPB procurement policies and the NPWB has no influence or control over the procurement processes of these entities. Therefore, aside from minor procurement and a couple of major projects overseen by the park itself, there is little the NWPB and the government can do to increase local black-owned SMME development.

Another conclusion which emerges from these results is that the conceptualization of “local” according to governing policies appears to extend all businesses located within the North West Province. Therefore, even the policies which govern the procurement of the park itself do not necessarily focus on the immediate surrounding area. The majority local businesses which are utilized by the facilities found within the park, are located in the secondary city of Rustenburg. Further investigation disclosed that most of these businesses were not black-owned.

Another significant finding is that concessions to operate any kind of tourism business in the park are limited. This is important for understanding specifically tourism SMME development in the area surrounding the Pilanesberg. It appears there is only one company, which is based in Sun City, that has traversing rights in the park (i.e. are allowed to take visitors on game drives) aside from the lodges which are located within the park boundaries. This limits the potential development of small-scale tourism SMME development by anyone outside of those associated with these large operations. The limited opportunities coincide with some of issues which emerge in the ability for local black-owned businesses to enter the supply chain. Only allowing one external game drive operator to conduct tours within the park restricts the possibility of nurturing new nature-based tourism small enterprises. In addition, the fact that this one operator is based within the Sun City, also restricts the development of secondary tourism assets such as accommodation from developing outside of the park and Sun City, as it would mean all visitors would need to self-drive.

The small villages surrounding the Pilanesberg and Sun City are largely still highly dependent on the surrounding mining industry rather than tourism. This is problematic because of the decreasing role that mining is playing in economic development in South Africa. The tourism assets are there, but they are relatively isolated, and the surrounding area is not really engaged in the tourism industry or tourism development unless they are directly employed by the park, the lodges or Sun City. Therefore, at least according to the procurement managers who were interviewed there is a lack of providers of goods and services which can supply the park and its facilities. As mentioned above, one issue is that many of the local small businesses are distributors of goods rather than engaged in production. Indeed, there does not appear to be a significant number of local producers of goods as fresh food. And, those who do, do not appear to be able to generate enough product to effectively supply any of the assets which require regular and consistent supply. Furthermore, as observed, there are critical issues with the quality assurance required, particularly for fresh food, among the establishments which are star graded. The one exception where black entrepreneurs where involved was supply of craft. Many of the craft goods sold at the facilities are sourced from members of the local community.

In short, in case of the Pilanesberg National Park, it appears that one of the key issues is that there do not appear to be many local black-owned businesses which can effectively enter the local tourism supply chain. This gap is exacerbated by the management structure of the park which drastically reduces the ability for the governing body, the NWPB, to implement any regulations which would support local black-owned SMMEs. Furthermore, there appear to be issues related to start-up capital for small black-owned businesses which might potentially feed into the tourism supply chain. It must be reiterated that most of the surveyed businesses supply only local residents; some occasionally supply residents from outside their locality; and very few function as suppliers to local and nearby businesses and tourists to the area. Overall, only about 10% of these businesses report supplying government agencies with any of their services, and only about 7% report ever having any formal business (i.e. in the form of contracts or tenders) or support relationship with the government in the area. It was observed that many of the SMMEs view their businesses as avenues for youth employment and local economic development and seek opportunities to improve the youth in the community.

Among these local businesses there is observed a sense of apathy towards engaging with the government, which mostly is underpinned by a lack of awareness and information on how to go about such engagements, as well as from a distrust in government. These small businesses expressed that they feel neglected by the government and indicate that no matter what they do, the government seemingly inevitably favours bigger businesses for contracts. During our interviews many of the black SMME owners complained about not having access to the lodges and tourism attractions around to establish business linkages. The leading reasons cited are a *lack of information on the entire tender/contract process*, beginning with information/knowledge of what tenders are, and extending to the process of applying and requirements of the application process. A significant finding related to lack of take-up of available SMME support services. It was shown that most businesses do not take advantage of business support opportunities and services made available by the government or the private sector. The reasons stated by them for this is lack of time (about 25% of respondents) and lack of information/interest (about 40% of respondents). In addition, the workings of the *tender system* is a more important challenge to black-owned SMMEs engaged in business relationships and almost as important a challenge as the finance constraint, indicating the severity of the tender system and the need to better streamline the process to allow access for SMMEs.

5.7. Preliminary Recommendations for Pilanesberg

Based upon our findings from both the qualitative and quantitative analysis several recommendations can be put forward to further promote Black-owned businesses to enter into the tourism supply chain. These are listed below.

1. It is necessary to develop SMME capacity in the Pilanesberg area.
2. When creating or renewing leases or awarding tenders for the management of facilities with the Pilanesberg, the NWPB should develop contracts which requires them to meet certain standards with regards to utilizing local SMMEs. This could be done by generating a policy geared specifically towards this unusual management structure of state-owned assets.
3. Training programmes targeted specifically at developing businesses which could supply state-owned tourism assets should be initiated. These should not, however, be limited to tourism businesses. Indeed, they could include construction and maintenance of structures within the park and fresh food production. In addition, training programmes are required to provide locals with specific skills sets which could service the facilities within the park. One finding which emerged is some of the specialized skills required for the upkeep of the lodges such as gas installation and maintenance, servicing fire extinguishers and air conditioning units, minor electrical maintenance and pest control. These are specialized technical skills which are frequently required by nearly all the facilities within the park (and likely also in Sun City). Therefore, specific training in some of these specialized skill sets might be a useful way for leveraging the park for local SMME development, and more especially for Black-owned SMMEs.
4. Arguably, further tourism development, particularly in the surrounding areas would allow more community members to feed into the tourism supply chain. Related to this would be the imperative for educating the local communities on the potential benefits of tourism development, though this would need to coincide with training and capital provided by entering the tourism supply chain. One aspect would be training game guides and game rangers, though this would not prove successful unless the restrictions surrounding traversing rights within the park are also changed. Therefore, NWPB should reconsider the way that existing traversing rights are granted to tourism operators wishing to establish businesses which take visitors into the park.
5. An important potential initiative which could be implemented is the development of food coop structures which would allow several community members to supply smaller quantities of good to increase the ability of local suppliers to meet the demand of the facilities.

6. There are several existing initiatives and support structures provided by both the government and the private sector. This said, the capabilities of these initiatives are limited as a result of a lack of flow of information between them. Therefore, increased communication and awareness initiatives should be at the core of SMME development. Furthermore, the NWPB could generate their own programmes which provide tenders and start-up capital to local businesses who might be able to provide services to the park itself and the facilities within the park, specifically.
7. Infrastructure limitations (like roads, cell phone networks, and internet access) has been cited by a number of the business development and support a as a key limitation to reaching their client base (i.e., the SMMEs).

6. THE OVERSTRAND CASE STUDY

6.1. Introduction

This section of the report turns to present the findings from research on the locality study which is focussed on the Overstrand. The locality study interrogates maximising municipal assets for tourism development and involvement of Black entrepreneurs.

The Overstrand Local Municipality is situated south east of Cape Town in Western Cape province (Fig. 7). The Overstrand Local Municipality is part of the larger Overberg District Municipality. It covers an area from Rooiels to the north west to Die Dam in the south east. The Overstrand region is bordered by the Atlantic Ocean and thus tourism in this local municipality is part of the ‘blue economy’ and of wider initiatives for expanding coastal and marine tourism in South Africa. Within the Overstrand Municipality there are several tourism destinations including Hermanus, Kleinmond, Betty’s Bay, Stanford and Gansbaai. The area encompasses a range of popular tourism attractions including wine farms in the Hemel en Aarde Valley and the Walker Bay region, numerous natural protected areas which provide hiking and camping opportunities as well as a variety of marine activities most notably whale viewing and cage diving at Gansbaai with great white sharks.

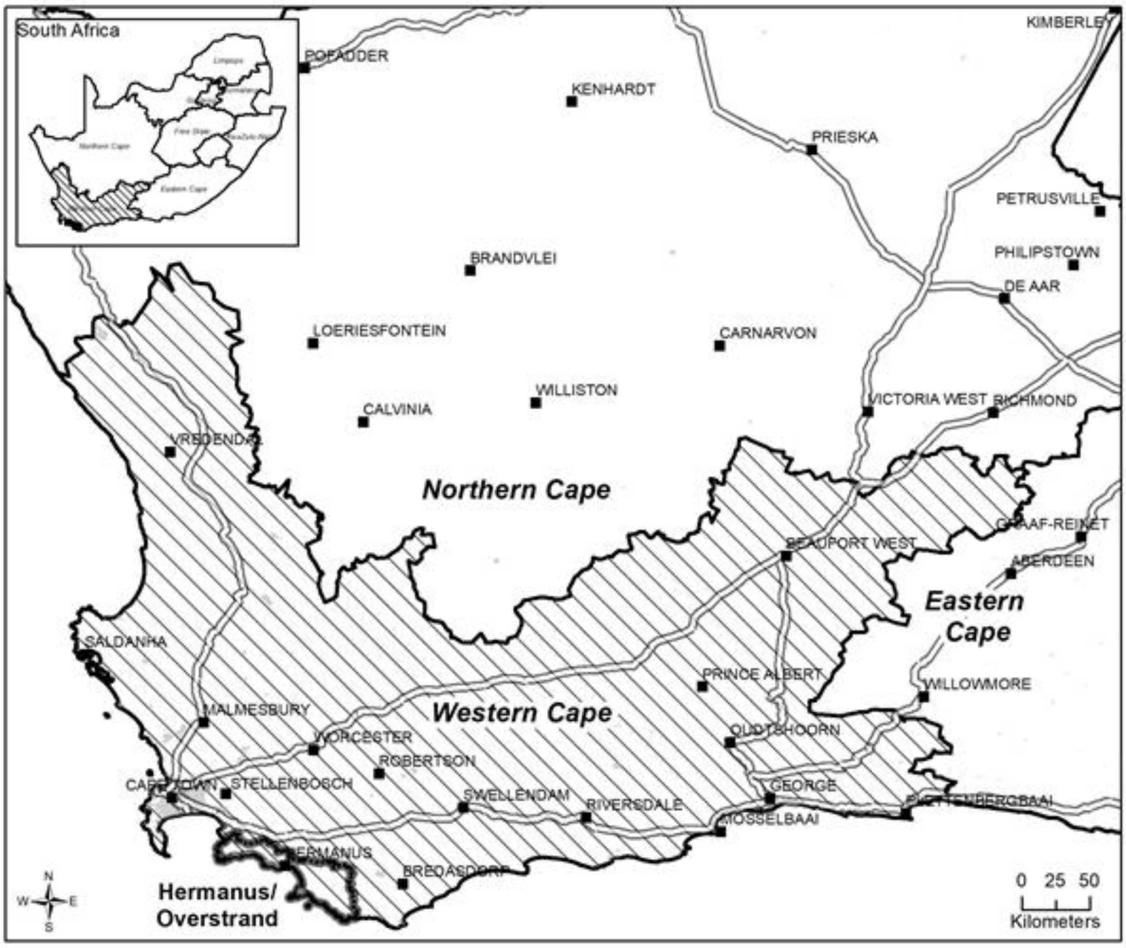

Figure 7: The Overstrand Municipality Contextualized.

Recently, the total population in the Overstrand region has expanded rapidly in particular as a consequence of migration from the Eastern Cape. The expansion of settlement at Hermanus has continued and according to some observers it is now the second fastest growing urban settlement in South Africa. According to the 2011 census the recorded population of the Overstrand was 80 432 with the largest town being that of the coastal community of Hermanus. The current estimates suggest that by 2017 the population had grown to 91 190 in total (Western Cape Government, 2017). In terms of its racial composition, Hermanus is still, in many respects, spatially segregated with the long-established 'Coloured' settlements of Mount Pleasant and Hawston and the newer 'black' township of Zwelihle separated from the more affluent (mainly white residential) areas of the town. The origins of Hawston go back to 1860 and Mount Pleasant to 1930 (Tredgold, 1980). The black township of Zwelihle was inaugurated in 1957 in order to house black communities that were evicted from Mount Pleasant under the segregation enforced by the Group Areas Act (Leatham, 2014; Lee, 2018a). The first housing construction at Zwelihle commenced in 1963 (Cele et al., 2014). Although Hawston originated as a mixed fishing community during the mid-20th century it involved into a classic apartheid township. Hawston was declared a Coloured Group Area in 1963 and it became a dumping ground for communities forcibly removed from areas of Hermanus as well as Kleinmond (Overstrand Heritage Landscape Group, 2009a).

This case study involves an analysis of the potential leveraging of state assets for further engagement of black-owned SMMEs. The case study examines the leveraging opportunities for a range of state-owned tourism assets in the Overstrand Local Municipality, Western Cape. Among the acknowledged main drivers of the local economy is the tourism sector (Overstrand Local Municipality, 2012: 23).The choice of this particular local municipality was influenced by several factors, including (1) the comprehensive detail of the listing of state assets as provided for this Local Municipality in the NDT data base; (2) the potential access to the Local Municipality officials for UJ as one staff member was Head of the Overstrand Local Economic Development Agency and retains connections with municipal officials; (3) the importance of leveraging state assets for more inclusive tourism development in view of civil disturbances during 2018 in the municipal area part of which were fuelled by absence of economic livelihood opportunities. It is evident that resident protests and disturbances were underpinned by the absence of affordable housing in the area and (relatively) high levels of local unemployment estimated as 23 percent for Overstrand as a whole but with youth unemployment exceeding 30 percent (Dassonville et al., 2014; Steyn, 2018a, 2018b, 2018c, 2018d, 2018e, 2018f).

This final report on this research unfolds through a brief description of research methods followed by a discussion of local context of the municipality. Attention then turns to profile the contemporary tourism economy, an examination of municipal assets and presentation of emerging findings about maximisation of those assets. A set of interim conclusions on our findings are provided. Overall, it will be argued that whilst the tourism economy of Overstrand cannot be described as 'inclusive' in its current structure and impacts, there have been several missed opportunities for extending participation in tourism for the area's marginalized communities. In addition, major challenges exist for achieving further growth and greater inclusivity in the Overstrand tourism economy including through the leveraging of municipal assets.

6.2. Methods

In undertaking the locality study a critical start point is the need to understand the development of the local economy and the role of tourism in the local economy. This has been an additional and significant element in the research that was not included in the original proposal. In understanding the local economy and issues pertaining to tourism an extensive search therefore was undertaken for relevant planning reports, the local Integrated Development Plan, existing studies on tourism in the municipality, of planning issues around particular municipal assets, and of the wider Overberg region. In addition, relevant data concerning the changing tourism economy was accessed through these reports and the IHS Global Insight data base. Reliance upon primary source material was necessary as economic development issues relating to the Overstrand region in general and to Hermanus in particular have not been the focus of much scholarly attention with the exception of works by Findlay (1997) on whale watchers, by Witbooi et al. (2011) on entrepreneurship challenges in the Overberg district, and most recently by McKay (2017) on shark-cage diving at Gansbaai.

The key local planning documents that have been accessed are as follows:

- The foundation documents and reports of the Overstrand Local Economic Development Agency (Overstrand Local Economic Development Agency, 2008, 2009);
- Provincial reports, particularly about small harbour (re)development, which impact the Overstrand and especially the tourism sector (Kaiser Associates, 2012) and a socio-economic profile of the municipality as a whole (Western Cape Government, 2017);
- The core planning documents for local development in the Overstrand municipality, most importantly the Integrated Development Plan (Overstrand Local Municipality, 2012, 2014, 2018a, 2018b); and,
- Several specific reports relating to proposed developments in the tourism sector and of related developments including for aquaculture projects (Anon., no date; Gabriel Fagan Architects, 2008; Overstrand Aquaculture Consortium, 2008; Gotz, 2014; Fernkloof Advisory Board, 2015; Withers Environmental Consultants and Urban Dynamics, Western Cape, 2017).

Further primary material on contemporary issues was secured in terms of working through newspaper reports since 2017 of *The Village News,* the local Overstrand newspaper. In addition, historical material on the changing development trajectory of tourism in the Overstrand was obtained through material produced by the South African Railways and Harbours and from the (very active) local heritage association. In terms of balance of the report the detailed historical findings are not included here.

Arguably, a detailed understanding of the local economy and of the role of tourism therein and of the challenges facing local tourism is necessary to inform specific issues around contemporary inclusion and of potential opportunities for leveraging municipal assets for inclusive tourism opportunities by marginalized communities. The pursuit of the set of qualitative semi-structured key interviews was informed by the results of this extensive documentary analysis as well as by field visits and observation at most of the 15 local municipal assets listed in the NDT data base. In terms of stakeholder interviews, these have been undertaken with *inter alia*:

- The former CEO of the Overstrand Local Economic Development Agency,
- The head of the local heritage association,
- The head of marketing for the Cape Whale Coast Association,
- Heads of tourism Marketing for Gansbaai and Stanford,
- A number of local property developers,
- Several key private sector stakeholders in the local and regional tourism economy including the leader of a local think-tank (initiated following the protest actions) to improve the local tourism economy and work with the Municipality and Province,
- Staff and personnel (including community members) working at the municipal assets (especially the museums); and,
- The only established black tourism entrepreneur in Hermanus.

For ethical reasons names of individual interviewees are withheld.

6.3. Local Context and Contemporary Tourism Economy

A profile of the contemporary tourism economy of the Overstrand can be obtained through an analysis of the local level data which is extracted from the IHS Global Insight data base. The available information for 2001-2015 is supplemented by the findings drawn from a number of recent investigations on the state of the local tourism economy which have been prepared for the local municipality (Pricewaterhouse Coopers, 2010; Lloyd, 2018a), as well as from material sourced from our stakeholder interviews. The major characteristics of the local tourism economy are presented and analysed on Tables 12-15.

Table 12: Overstrand Municipality- Purpose of Trip 2001-2015

	2001	%	LQ	2006	%	LQ	2015	%	LQ
Leisure	73653	59.3	2.72	96515	60.2	3.41	119 292	55.6	3.02
Business	9830	7.9	0.79	12961	8.1	0.80	15 968	7.4	0.65
VFR	34359	27.7	0.51	46820	29.2	0.46	75 285	35.1	0.57
Other	6345	5.1	0.36	3997	2.5	0.27	3971	1.9	0.21
Total	**124 187**	**100.0**		**160 292**	**100.0**		**214 517**	**100.0**	

Source: Author calculations from IHS Global Insight data

Table 12 reveals the growth of Overstrand as a tourism destination with the near doubling in total number of tourist trips recorded in the period 2001 and 2015. This said it is estimated that 81 percent of tourist trips to Overstrand are for a one night stay only (Steyn, 2018g). In terms of purpose of visit it is revealed that the Overstrand tourism economy is dominated overwhelmingly by leisure trips which accounted for 60 percent of all tourist trips in 2006. Between 2006 and 2015 a relative decline in the numbers of leisure trips is evidenced. During 2018 leisure visits to the Overstrand were boosted by the water crisis in Cape Town; in one municipal report it was remarked of 2018 trips that "there was a component of visitors who see the Cape Whale Coast as a short-distance local destination with the prospect of taking a bath and doing laundry high on the agenda" (Overstrand Local Municipality, 2018: 22). Since 2001 it is apparent that VFR tourism has expanded in significance in the Overstrand. Nevertheless, the share of VFR travel which is recorded for the Overstrand is far below that of the country as a whole. Business tourism is of only minor significance in the contemporary Overstrand tourism economy, albeit there are a number of initiatives seeking to boost this segment which are associated with the establishment of several small conference venues at local hotels and in particular at the upmarket Arabella Golf Estate (Lloyd, 2018a). Another dimension of conference tourism is The Grail Centre in Kleinmond which is run by a faith-based organisation and targeted at the NGO and NPO market (The Grail Centre, 2018). The calculation of location quotients shows clearly that Overstrand tourism economy is massively concentrated around leisure tourism with business and VFR travel of minimal significance. Across the different aspects of leisure tourism the interviewees asserted that the strength of the Overstrand region and especially of Hermanus was as *'a family-oriented'* destination as compared to an '*aspirational destination'* such as Franschhoek. The Overstrand IDP (2012: 85) acknowledges also the need to focus on enhancement of recreational facilities for the youth and family activities which it considered could be achieved "through development of harbours and caravan sites with tourism concentrations".

Table 13: Overstrand Municipality: Origin of Trip 2001-2015

	2001	**%**	**LQ**	**2006**	**%**	**LQ**	**2015**	**%**	**LQ**
Domestic	99 478	80.1	0.96	126 364	78.8	0.94	167 915	78.3	0.98
International	24 709	19.9	1.19	33 928	21.2	1.25	46 602	21.7	1.05
Total	**124 187**	**100.0**		**160 292**	**100.0**		**214 517**	**100.0**	

Source: Author calculations from IHS Global Insight data

Tables 13 and 14 unpack the data by origin of visit, whether domestic or international. Table 13 focuses on trips and Table 14 on bednights. Table 13 shows the dominance of domestic tourists in the Overstrand economy which represents the continuation of a long history of the evolution of Hermanus as a domestic tourism resort (Lloyd, 2018a). It is observed, however, that across the period 2001-2015 there is a relative reduction in the overall share of domestic as opposed to international trips from 80.1 percent in 2001 to 78.3 percent by 2015. This is a general reflection of the downturn in domestic travel since 2010 accompanying a downturn in the national economy. According to one report most domestic visitors are either from the Western Cape (58%) or Gauteng (17%) (Steyn, 2018g). In terms of location quotients, it is revealed that Overstrand emerges as relatively strong for international as against domestic travel.

Table 14: Overstrand Municipality: Bednights by Trip Origin 2001-2015

	2001	%	LQ	2006	%	LQ	2015	%	LQ
Domestic	568189	62.5	0.86	834 825	61.7	0.81	626 569	50.9	0.81
International	341586	37.5	1.34	519 280	38.3	1.60	603 463	49.1	1.30
Total	**909775**	**100.0**		**1 354105**	**100.0**		**1230032**	**100.0**	

Source: Author calculations from IHS Global Insight data

Unlike the national picture of international tourism which is dominated by regional visitors from sub-Saharan Africa the cohort of international tourists to Hermanus is comprised mostly of long-haul international travellers. In the research undertaken by PricewaterhouseCoopers (2010: 25) it was recorded that the "majority of international visitors come from Europe and the United Kingdom". More recent research points to the leading three international source markets are Germany (29 %), the United Kingdom (25%) and the United States (6 %) (Lloyd, 2018b; Steyn, 2018g). The Netherlands is further cited as a significant source market. Tour groups from China are also observed as growing in numbers particularly in Hermanus (but not other parts of the Overstrand) and most recently, the interviewees from the local destination marketing organisation have observed an upturn in visitors from Israel to the area.

The rising significance of international tourism in the local Hermanus economy is particularly evidenced on Table 14 which focuses on bednight data. It is disclosed that the share of bednights accounted for by international as opposed to domestic tourists is considerably higher than that recorded by trip data demonstrating their longer average stay. By 2015 of total estimated bednights (commercial and non-commercial) of 1.23 million almost half were accounted for by international visitors. The computation of location quotients shows clearly the significance of international tourists in terms of bednights in the area's range of commercial accommodation establishments – hotels, bed and breakfasts, guest houses, backpackers as well as a surge in Airbnb offerings. In interviews it was observed that the established larger accommodation establishments currently are seeking municipal intervention in order to curtail the continued growth of 'illegal' non-registered accommodation providers on grounds that such establishments function without the appropriate payment of local rates and taxes. Larger businesses consider that the municipality is not enforcing by-laws regarding guesthouses and (almost exclusively white-owned) Airbnb establishments such that bednights are *'taken away'* from formal establishments with knock-on effects for local revenue and taxes.

Key Overstrand tourism assets surround the area's spectacular natural beauty (sea vistas, beaches, wine farms and biodiversity in terms of fynbos) and in particular that Hermanus represents one of the world's best locations for land-based whale-watching. In addition, Gansbaai is the most important base for shark-cage diving which is a popular 'bucket-list' item for many long-haul international tourists particularly from Europe and North America. Other adventure tourism activities in the Hermanus area include canopy tours, ziplining, parasailing, sand boarding, tubing and quad biking. The demarcation of hiking trails and cycling pathways are further additions to the regional tourism assets (Anon., no date; Turnbull & de Waal, 2012; Withers Environmental Consultants and Urban Dynamics, Western Cape, 2017; Zietsman, 2018). Of particular significance is the ecotourism trail that traverses the Kogelberg Nature Reserve and includes the establishment of a network of (eco)cabins for hikers (Anon., no date; Zietsman, 2018a). Another recent initiative – launched in December 2018 - that impacts Hermanus is Cape Cycle Routes, which is an initiative of the Western Cape Government to grow the provincial tourism sector and create jobs by promoting cycling tourism. The Overberg Meander is a 364 km cycling route that starts in Swellendam, moves to the most southern point of Cape Agulhas and then back through the mountains to Bredasdorp before returning to the coast in Hermanus (Zietsman, 2018b). Overall, one interviewee opined that Hermanus more deserving than Tsitsikamma of the title of 'adventure tourism capital' of South Africa.,

Culinary tourism is rising in importance as a result of the opening of a number of fine dining establishments particularly in the Hemel-en-Aarde Valley and Wine Route which it was stated recently had overtaken Paarl to be now the fourth most important wine route in South Africa. The respondents stressed that Hemel-en-Aarde is 'the Pinot Noir capital' of South Africa and was the only wine route with such a strong association to a particular type of wine. The growth of second homes and retirement communities also is noted as significant elements in the make-up of the Overstrand tourism economy. One of the least developed niches in the Overstrand tourism economy is cultural tourism which has prompted a number of initiatives to collect local stories and histories to build this focus (Lloyd, 2018a, 2018b). Cultural heritage potential exists in archaeological features of the Fernkloof Nature Reserve (Fernkloof Advisory Board, 2015; Withers Environmental Consultants and Urban Dynamics, Western Cape, 2017). Major heritage potential exists in the Overstrand area, including the towns of Hermanus and Stanford but most importantly around Gansbaai. At Danger Point close to the town of Gansbaai there is the memorial to the sinking of the HMS Birkenhead troopship in 1852. This site is of international significance in terms of maritime heritage for it being the first maritime protocol that when abandoning ship the convention is of 'women and children first' (now named the Birkenhead Drill) (Bevan, 1998). A number of attempts have been undertaken to launch township tours in Zwelihle albeit these enjoy limited success mainly because of the lack of any distinctiveness of a local township tour there as compared to Khayelitsha or Langa.

Table 15: Overstrand Municipality: Calendar of Festivals and Events

Month	Event	Type	Location
January	Blue Flag Festival	Eco-attraction	Hermanus
January	Total Sports Challenge	Adventure/Sport	Kleinmond
March	Cape Epic Mountain Bike Race	Adventure/Sport	Hermanus/Kleinmond
April	Hermanus Stanford Canoe race	Adventure/Sport	Hermanus/Stanford
April	Hermanus Harbour Museum Seafood	Cultural/Food	Hermanus
July	Hermanus Food & Wine Festival	Cultural/Food	Hermanus
August	Kalfie Fees	Cultural/Food	Hermanus
September	Hermanus Whale Festival	Ecotourism	Hermanus
September	Hermanus Half Marathon	Adventure/Sport	Hermanus
October	Stanford Birding Festival	Ecotourism	Stanford
November	Festival of the Gans	Ecotourism	Gansbaai
December	Hawston Sea Festival	Cultural/Food	Hawston

Source: Adapted after PricewaterhouseCoopers (2010:19) and Overstrand Local Municipality (2012:87)

In Hawston the potential was observed for the growth of church tourism and particularly to one church which has the biblical Ten Commandments inscribed in High Dutch. The regular hosting of a series of festivals and events throughout the year is critical also for boosting tourist spending in the town as well as day visitors drawn mainly from Cape Town (Table 15). Amongst the most significant festivals is the annual Whale Festival (2018 in its 27th year of operation) which is held in late September in order to celebrate the arrival from Antarctica of breeding communities of Southern Right whales in Walker Bay.

Other festivals include the Fynarts Festival during June, Kalfiefees during August celebrating Afrikaans culture through drama and theatre, the Hermanus Wine and Food festival (held in October during 2018), as well as a myriad of smaller week-end sporting and cultural events in the towns and surrounding wineries (PricewaterhouseCoopers, 2010). Our respondents noted that beyond the Whale Festival the most impactful is Kalfiefees. By contrast, the June Fynarts Festival was described by one interviewee simply as "*a wonderful way for locals to get together with a glass of wine*". The caveat was added, however, that over a longer period the potential existed for growth of this festival and to bring in tourism to Hermanus. The vital importance of events to Hermanus tourism is endangered by community protest actions which occurred in 2018 and caused blocking of the main R43 access road from Cape Town into Hermanus. One estimate of the economic damage caused by the 2018 protest and unrest is at least R400 million (Steyn and da Silva, 2018). The incalculable reputational damage to the image and branding of Hermanus is an additional cost that needs to be considered of the protest actions. During early November 2018 after residents blocked the R43 road into Hermanus with burning tyres and rocks the organisers of the Wines2Whales Mountain Bike Race decided to change the route of the last leg of the race to exclude Hermanus. The consequence was a dramatic downturn in local business with the loss of thousands of tourists, mountain bikers, support teams and spectators not visiting Hermanus (Steyn, 2018h). Looking forward, a further threat to Hermanus tourism is that the 2019 Cape Epic cycling event, one of the largest in the world, which is due to come to Hermanus for two days in March is now under threat because of safety concerns. On recent estimate is that should a cancellation occur and the event be re-routed away from Hermanus the loss to the Overstrand economy is calculated at R75 million (Steyn, 2018i).

Overall, the key respondents reiterated that whilst Hermanus traditional strength was as a 'family' friendly tourism destination it was undoubtedly at present growing its reputation for its culinary offerings as well as for adventure tourism. Several challenges were raised for the continued health and development of the Overstrand tourism economy. The 2018 community protests following the negative knock-on effects for Hermanus of the droughts and of Cape Town's water crisis (which impacted international bookings in the Overstrand) had tarnished the image of the area, particularly as a 'family-friendly' tourism destination. The major promotional initiatives for the Overstrand in terms of expenditure were led by the local private sector which it was stated spends *"around R20 million in marketing Hermanus and surrounds as compared to the pittance spent by the municipality"*. The vision of the marketing strategy for the Cape Whale Coast is for it "to be one of the top five preferred tourist destinations in South Africa" (Lloyd, 2018a: 4). In terms of implementation the central aims of the marketing strategy include, *inter alia*, the attraction of more return visitors, encouraging longer-stays, the promotion of a calendar of events/festivals, and ensuring "the efficient utilisation of resources in order to deliver against the tourism strategy" (Lloyd, 2018a: 3).

In stakeholder interviews critical issues were aired of inappropriately targeted marketing and of the failure of the local destination marketing organisation to aggressively promote Hermanus (as compared to other areas of the Western Cape) to attract the attention of visiting international travel writers. For example, in terms of overseas marketing Hermanus had missed out on international road shows recently undertaken to India and Australia. One respondent stated that the local destination marketing organisation for Hermanus tourism *"does not apply the pressure to get the people who count here"* in terms of visiting VIPs. In support was cited the example of missing out opportunities to connect with 80 press agents from the United Kingdom visiting the Western Cape. In addition, key stakeholders reflected that Hermanus also was not maximising potential benefits from initiatives and marketing undertaken by WESGRO, the provincial marketing agency. It was argued that much greater effort in terms of marketing and signage could be given to the promotion and boosting of the Cape Whale Coast route and of the products linked to it. Respondents pointed to the success of the Midlands Meander as compared to the limited impact so far recorded of the Overstrand route tourism initiatives. It was considered that Hermanus was not receiving sufficient visitor flows from the N2 highway and in particular as compared to destinations such as Caledon.

Notwithstanding these issues, stakeholders argued that overall the major accommodation providers in the town operate at almost full occupancies particularly in peak season. High levels of occupancy are recorded not only at the top-end accommodation service establishments in peak season but also in budget accommodation. Certain municipal caravan parks in Overstrand, such as Gansbaai reported over 90 percent occupancy during the 2017 Xmas-New Year seasonal peak (Overstrand Local Municipality, 2018b: 15). Overall, it was recorded that for this period "camping at Overstrand camping resorts did well with a 90% occupancy rate" (Overstrand Local Municipality, 2018b: 16).This said, existing research on the nature of Overstrand tourism as well as the findings from our stakeholder interviews confirm that the core problem is that of seasonality which negatively impacts the local tourism economy. In particular during the months of May, June and July the local tourism economy experiences a major downturn in terms of tourist arrivals and accommodation bookings. The Overstrand IDP notes that one of the major challenges for the implementation of the municipal LED strategy is "a strong seasonal economy" (Overstrand Local Municipality, 2012: 22).The hosting of a number of festivals in these months has only partially addressed this issue which during 2018 was exacerbated by the wave of community protests that swept across the Overstrand. One interviewee suggested the need to refocus some of the marketing initiatives undertaken by the local destination marketing organisation. One respondent argued that there was *"no point"* in marketing Hermanus in season as there *"are no 400 or 500 bedrooms to fill"*. It was argued that the feeling was widespread that for tourism promotion Hermanus had become '*complacent'* and that there now was a need for a long-term marketing strategy for the region. One suggestion to address the seasonality issue was for the possible innovation of a winter pass for Hermanus which might offer discounts to attract out of season visitors along the lines of the observed success of similar initiatives recently undertaken by Port Elizabeth. The need for Overstrand to become a yearlong destination is acknowledged in the municipal IDP documentation which states as follows: "Over the years through many creative and innovative efforts in collaboration with the private sector the ever problematic and slow economic drive of the bane of seasonality has been a priority" (Overstrand Local Municipality, 2018a: 67).

Table 16: Overstrand Municipality: Total Tourism Spend (R'000s Current Prices)

Year	R '000s	% RSA
2001	553 359	0.07
2006	927 876	0.07
2015	1 877 789	0.08

Source: Author calculations from IHS Global Insight data

Table 16 shows computed estimated total tourism spend for the Overstrand municipality. In the national context Overstrand represents an estimated share of close to 1 percent. Overall, by 2015 Overstrand was 11th ranked in terms of South African municipalities for numbers of leisure trips (1.6 % national total), 17th in terms of international trips (0.9 percent of national total) and 16th most important municipality in terms of national tourism spend (0.8 percent). In terms of estimated contribution of total spend to local GDP for Overstrand it is calculated that at least 50 percent is accounted for by tourism which places Overstrand amongst the top 10 most tourism-dependent municipalities in South Africa. Arguably, as the lead sector in the Overstrand economy tourism is the main driver for local employment. The major individual employer in the area, however, is local government and followed by Abagold, which is a private sector enterprise engaged in aquaculture which is founded on the cleanliness of the local seawater. The rising significance of aquaculture is a distinctive facet of the Overstrand local economy (Overstrand Aquaculture Consortium, 2008). The aquaculture sector began to develop in the late 1990s and headed by "entrepreneurs and private companies with limited support from government institutions" (Overstrand

Aquaculture Consortium, 2008: 9). Fifteen years later a complete value chain, from hatcheries to export channels has been consolidated such that the local aqua-hub produces export quality world-class products. Expansion has occurred on municipal land (Overstrand Local Municipality, 2014). Aquaculture is "one of the fastest growing industries in the area" and not least is significant as it "helped mitigate job losses in the agriculture sector" (Overstrand Local Municipality, 2018a: 67). Manufacturing activity in Overstrand is confined mainly to abalone processing and a number of establishments which are engaged in the production of wine, craft beer and gins. All these manufacturing operations have synergies with the local tourism economy in terms of offering factory tours and alcohol tastings. Abalone tours as well as visits to craft beer breweries, craft gin producers as well as the region's high quality wine farms are an important aspect of the local tourism product.

Overall, for the Overstrand Local Municipality, tourism is a critical sector of the 'blue economy' alongside the illicit 'mining' as well as legal farming of abalone which drive the local economy and in particular of Hermanus its major tourism hub. The critical role assumed by tourism in Overstrand economic development is manifest clearly in the municipal Integrated Development Plan (IDP). The IDP review strongly endorses the promotion of economic and social development and aligns its IDP objectives to those of the global Sustainable Development Goals. Successful tourism promotion is viewed as linked to several SDGs including 1 to end poverty, 3 to ensure healthy lives and promote well-being, 5 to achieve gender equality and most importantly SDG 8 "to promote sustained inclusive and sustainable economic growth, full and productive employment and work for all" (Overstrand Local Municipality, 2018a: 170-171).

6.4. Leveraging Municipal Assets for Overstrand Tourism: Emerging Findings

The historical development of tourism in the Overstrand is a story which is exclusively dominated by white entrepreneurs. For example, in several works such as those by Tredgold (1980) and by Lee (2017) the important historical roles are highlighted that are played by early hoteliers such as the Luyt family with their establishment and continued operations of the Marine Hotel in Hermanus. Hunt's (2017) account of the historical development of hotels in Hermanus also celebrates the town's entrepreneurial citizens who transformed what was in 1915 an insignificant fishing village to become by 1947 "one of the pre-eminent sea-side holiday resorts in the country, and well-known abroad" (Hunt, 2017: 39). The commanding role assumed of white entrepreneurs in the Hermanus tourism economy continued during the apartheid period. Moreover, following the democratic transition, the ownership structure of the key components of the tourism economy was unchallenged.

It is not surprising therefore that an analysis of the contemporary tourism economy of Hermanus reflects its 'exclusive' character in terms of ownership of key tourism assets by small corporates, independent hotel operators and a large number of tourism SMMEs operated by white entrepreneurs. Table 17 shows the major accommodation establishments in the Overstrand Local Municipality some of which are in corporate ownership as part of hotel groups and others being independent white owned small accommodation services. The Coloured and black communities of the Overstrand are represented in the tourism sector almost exclusively as workers rather than as entrepreneurs.

Table 18 is an attempt to provide a summary analysis of the key findings about the contemporary Overstrand tourism economy and of its ownership profile. It is evident that the Overstrand tourism economy is *not* a case of inclusive tourism that incorporates marginalised groups as participants in the local tourism economy. All the key stakeholders confirmed that Overstrand tourism is exclusive in its dominance by white capital and white SMME entrepreneurs.

In accommodation services, tour services and restaurants/dining sector the story is of continued overwhelming white ownership. The fine dining country establishments and boutique offerings as well as the majority of local restaurants geared to visitors are white-owned and operated. Across the majority of the major tour attractions from shark diving, adventure tourism or wine estate visits it is a familiar pattern of white ownership of the enterprises which are associated with these attractions. For example, as McKay (2017) shows for the shark-cage operators at Gansbaai the activity is dominated by white entrepreneurs.

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Table 17: Major Accommodation Service Providers in the Overstrand

Name	Location	Ownership	Characteristics
Arabella Hotel and Spa	Kleinmond	African Pride – Protea Marriott	Four/Five Star, 145 rooms. Golf course and spa
The Grail Centre	Kleinmond	Non-Profit, Faith-based organisation	13 self-contained cottages
Windsor Hotel	Hermanus	Independently Owned	Three star, 70 bedrooms. Built on original site of the Sanatorium
Birkenhead House	Hermanus	Owned by Liz Biden and part of her Royal Portfolio of 5 hotels	Boutique Five-star, 11 luxury rooms
The Marine	Hermanus	Owned by Liz McGrath Collection of 3 hotels	Boutique Five star, 40 rooms
Misty Waves Hotel	Hermanus	Privately owned	Four Star, 32 guest rooms
Harbour House	Hermanus	Privately owned	Four star,48 rooms
Baleens Hotel	Hermanus	Privately owned	21 rooms
The Whale Coast Hotel	Hermanus	De Chatillion Collection	Four stars, 15 rooms
Marine Square Luxury Holiday Suites	Hermanus	Privately owned	Five-star, 10 self-catering suites
Hermanus Esplanade	Hermanus	Privately owned	2-star, 25 self-catering units
Auberge Burgundy Guest House	Hermanus	Privately owned	Five-star guest house, 19 rooms
Abalone Guest Lodge	Hermanus	Privately owned	12 rooms
Whale Rock Luxury Lodge	Hermanus	Privately owned	4 stars, 11 rooms
Schulphoek House	Hermanus	Privately owned	5-star guest house, 15 rooms
Hermanus Boutique Guest House	Hermanus	Privately owned	4 star, 17 rooms
Ocean Eleven Guest house	Hermanus	Privately owned	5-star guest house, 10 rooms
7 On Marine	Hermanus	Privately owned	Four-star guest house, 10 suites
Sea Villa	Pringle Bay	Privately owned	Three star, 24 rooms
Blue Gum Country Estate	Stanford	Privately owned	13 rooms
Hermanus Backpackers	Hermanus	Privately owned	10 rooms – backpacker lodge
Zoete Inval Travellers Lodge	Hermanus	Privately owned	10 rooms, backpacker lodge
Kleinvlei Hermanus	Hermanus	Privately owned (?)	20 rooms, backpackers (self-catering and camping)
Stanford Valley Guest Farm	Stanford	Privately owned	18 units, self -catering and B and B
Uylenvelei Retreat	Gansbaai	Privately owned	15 rooms, self -catering and tents with communal facilities
Gansbaai Boarding Lodge	Gansbaai	Privately owned	13 rooms, B and B and dorm rooms
Grootbos Lodge and nature reserve	Gansbaai	Privately owned	5 star, 29 suites, nature related activities (includes 2 villas of 4 and 6 bedrooms)

Sources: TGCSA, Rooms for Africa, Safari Now, SA Venues

The only exceptions in tourism are a black owned bed and breakfast establishment in Zwelihle (now closed), one local DJ and young entrepreneur who is seeking to develop the entertainment industry in Zwelihle (Overstrand Local Municipality, 2018b:17), and most significantly one black tour operator who established his business in 2012.

Table 18: Key Tourism Products and Inclusivity in the Overstrand Region - Preliminary Analysis

Tourism Product/Asset	Ownership
Accommodation Services	In Hermanus there are 8 hotels and over 150 bed and breakfasts, guest houses or lodges as well as 292 advertised Airbnb listings (November 2018) of houses, garden cottages and flats. The two hotels at the apex of the local accommodation services are boutique establishments and part of two different small Western Cape portfolios. All graded independent guest houses/bed and breakfast establishments are located in the predominantly white residential areas. In the township of Zwelihle there is one listed bed and breakfast (Bikos); none are listed for Hawston. There are no Airbnb listings for either Hawston, Mount Pleasant or Zwelihle
Tour Services	Several local tour service providers offer travel services including specialist tours on motor-bikes. In total Trip Advisor lists 27 Hermanus tour companies engaged with dolphin and whale watching (9), nature and wild life tours (6), scuba and snorkelling (6), shark diving (5), sightseeing (5), adrenalin and extreme tours (3) and boat tours (3). With one exception, there is minimal evidence of involvement by black entrepreneurs in tour services as entrepreneurs.
Restaurants/Fine Dining	Trip Advisor lists 96 restaurants and fine dining experience in Hermanus and surrounds. The apex of the food and wine experience is at the upmarket wineries and boutique hotels and country restaurants which cluster in the Hemel-en-Aarde valley and picturesque view sites in Hermanus town. Outside Hermanus the town of Stanford is another focal point for food tourism with 19 listed restaurants. No evidence exists of black entrepreneurial involvement in food tourism. One community-owned restaurant has been initiated at Stony Point.
Tourism attractions	All the core tourism attractions of the Overstrand, including ecotourism, wine and food and adventure activities are operated and owned by white entrepreneurs. Conference tourism is focused on the corporate owned Arabella golf course under the ownership of the African Pride Group which are part of Protea/Marriott. No evidence exists of black entrepreneurial involvement. It is noted, however, that on Trip Advisor several of the listed ‘top things to do’ are related to state owned/municipal assets including Fernkloof Nature Reserve, the Hermanus Cliff path, Harold Porter National Botanical Garden, Grotto Beach, Voelklip beach, the Old Harbour and its museums, Kleinmond beach, and Stoney Point Penguin Colony.

Source: Authors, based on Rooms for Africa, SA Venues, Trip Advisor and Airbnb site.

Of significant note, however, is that on TripAdvisor several of the ‘top things to do’ in the Overstrand actually relate to state assets. This finding points to the importance of further examining the details, scope and leveraging possibilities for state-owned assets in the Overstrand. Figure 8 maps the most significant of these assets and Table 19 provides a listing and brief description of the mix of assets that exist in the Overstrand region.

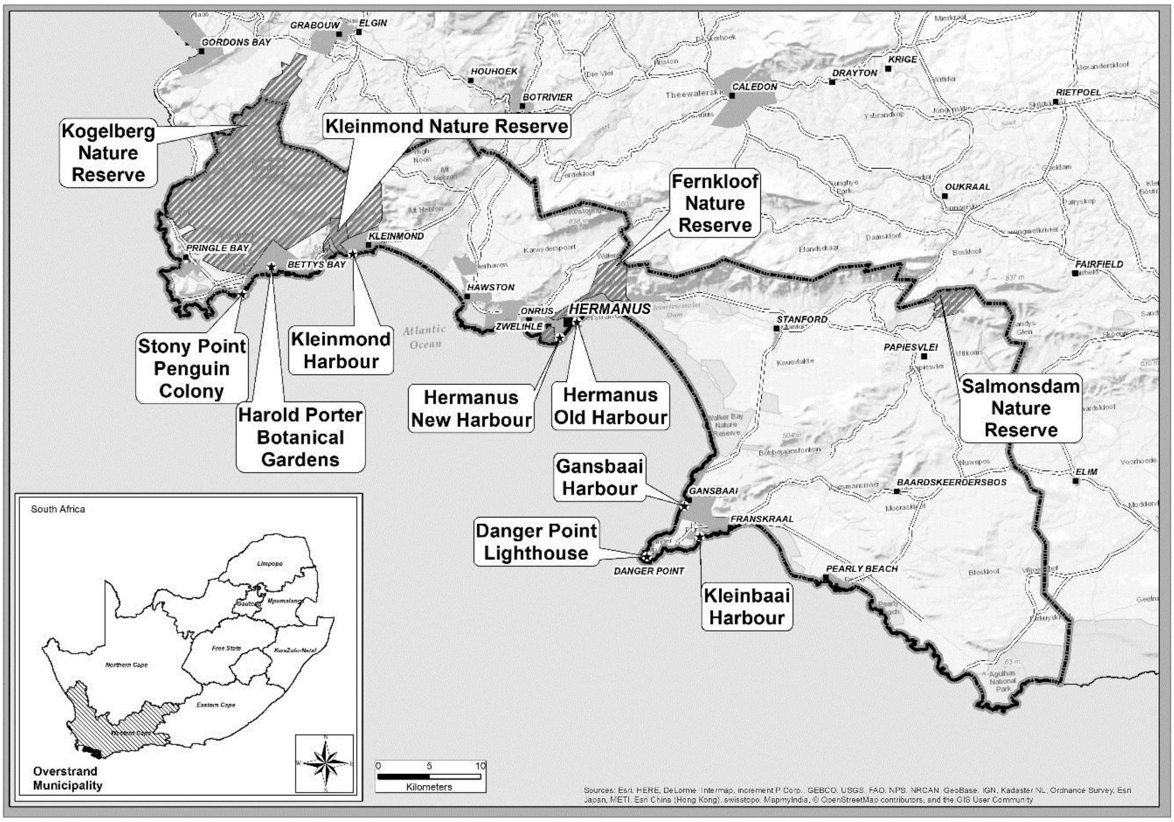

Figure 8: Key Municipal Assets in the Overstrand Local Municipality

These include nature reserves, beaches, two important harbours, museums, caravan parks, a lighthouse, a botanical garden and a penguin colony. 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. Few successes, however, have been recorded in terms of expanding the direct participation of members of marginalised communities for tourism SMME development. These themes are elaborated in the discussion below.

The first chapter in terms of planning initiatives targeted at broadening the engagement of entrepreneurs from previously disadvantaged communities in local tourism relates to the activities of the Overstrand Local Economic Development Agency or OLEDA, which was a “private company owned by the Overstrand Municipality” (Overstrand Local Economic Development Agency, 2008: 2). OLEDA was established after a resolution taken by the municipal council in 2003 that “a legal entity be created, separate but wholly owned by the municipality which would focus on the achievement of selected goals and achievements set out by Council” (Overstrand Local Economic Development Agency, 2008: 3). The establishment of OLEDA was part of a wave of LEDA establishments that occurred in the period 2000-2010 to give further support to place-based local development initiatives across South Africa (Lawrence, 2013; Lawrence and Rogerson, 2018).

Table 19: State-Owned Municipal Assets in the Overstrand

Name	Type of Asset	Location
Fernkloof Nature Reserve	Nature Reserve	Hermanus
Grotto Beach	Beach	Hermanus
Hermanus New Harbour	Harbour	Hermanus
Hermanus Old Harbour	Harbour	Hermanus
Walker Bay Nature Reserve	Nature reserve	Hermanus
Onrus Caravan Park	Caravan park	Hermanus
Old Harbour Museum	Museum	Hermanus
De Wet's Huis Photo museum	Museum	Hermanus
Hermanus Cliff path	Nature walk	Hermanus
Hawston Beach	Beach	Hermanus
Kleinbaai Harbour	Harbour	Gansbaai
Gansbaai harbour	Harbour	Gansbaai
Duiwelsgat Hiking Trail	Nature reserve	Gansbaai
Danger Point Lighthouse	Lighthouse	Gansbaai
Dyer Island	Nature Reserve	Gansbaai
Strandveld Museum	Museum	Franskraal beach – Gansbaai
Kleinmond Beach	Beach	Kleinmond
Kleinmond Harbour	Harbour	Kleinmond
Rooisand Nature Reserve	Nature reserve	Kleinmond
Palmiet Caravan Park	Caravan park	Kleinmond
Kogelberg Nature Reserve	Nature Reserve	Kleinmond – Rooi Els
Harold Porter Botanical Garden	Botanical Garden	Betty's Bay
Stony Point Penguin Colony	Penguin colony	Betty's Bay
Salmonsdam Nature Reserve	Nature Reserve	Stanford

Source: Unpublished data base produced by National Department of Tourism

Indeed, established in terms of the 2000 Municipal Systems Act and the 2003 Municipal Finance Management Act, OLEDA's core business was to support local government in respect of the objective of promoting social and economic development. All of OLEDA's approved projects were incorporated in the IDP of Overstrand Municipality (which was constituted in 2000) and aligned "with Local Economic Development strategies as strategic thrusts for local economic development" (Overstrand Local Economic Development Agency, 2008: 3).

From 2003 the agency was in its pre-establishment phase and during 2008 OLEDA moved to the establishment phase with the appointment of personnel and active scoping of development projects on behalf of the municipality. The vision of the leadership of OLEDA was "*that the Overstrand municipal area will be the most sustainable/responsible investment and tourism destination in the Western Cape*". The project scoping undertaken by OLEDA was to identify high potential projects which would serve as "primary or key projects" of its operations. Among several of OLEDA's projects there were a number related to tourism and including the potential for opportunities to be leveraged for entrepreneurs from previously disadvantaged communities. First, was the upgrading of the Palmiet Caravan Park, a municipal caravan park and holiday resort which is situated on the beach and on the Palmiet River lagoon outside Kleinmond. With its picturesque seaside location it was argued by OLEDA that the "facility is totally underutilized and has very high potential to be developed as a tourist destination to the wider public" (Overstrand Local Economic Development Agency, 2008: 4). The park comprises 100 caravan sites and 70 camping sites. The proposed upgrade was occurring against a backdrop of a poor economic climate in South Africa as reflected in the downturn in domestic tourism and local travellers downscaling to lower-cost holidays. It was argued that the upgrading of Palmiet in order to offer upmarket, clean and well-maintained caravan and camping facilities was very attractive in order to offer "holiday accommodation that can be rented on a short term basis" (Overstrand Local Economic Development Agency, 2008: 21).

A second group of projects were proposed for Hawston and explicitly targeted "to make a significant contribution to the socio-economic transformation process" as well as "to create and stimulate economic empowerment opportunities" (Overstrand Local Economic Development Agency, 2008: 29). During 2006 there had been proposals to use some of the heritage assets in Hawston and set up a local museum as a tourism resource, but the project did not materialise (Overstrand Heritage Landscape Group, 2009b). OLEDA proposed a mixed-use development was proposed on municipal land, a defunct caravan park located next to the Hawston Blue Flag Beach with plans for a hotel as well as golf links development. The area enjoys an Olympic size swimming pool maintained by the municipality which is utilised by the general public, and especially the local community, for recreational purposes. OLEDA's proposal was to facilitate the preparation of a development plan for the area, feasibility study and facilitate the process of securing development rights. Two other projects in Hawston were proposed for development of a marine aquaculture node (that potentially might have tourism spin-offs) and the Hawston Gateway to be developed on vacant land adjacent to the R43 which makes Hawston the gateway to Hermanus from the Cape Town and N2 direction. OLEDA identified Hawston "as a potential tourist destination in the Overstrand area" and its proposed projects would serve as "an opportunity to develop small local businesses which would benefit the residents of Hawston" (Overstrand Local Economic Development

Agency, no date [2008]). At the planned Hawston gateway, one focal point was to be a striking whale statue which was a landmark development for the local community. Another subsequent tourism proposal at Hawston was for a proposed camping area (Overstrand Local Economic Development Agency, 2009). Among a range of other OLEDA scoped projects were, *inter alia,* identification "of new opportunities for environmentally related projects with focus on tourism that includes the establishment of a hiking trail from the Kogelberg to Gansbaai", a proposed waterfront development at Stanford, the redevelopment of Kleinmond harbour precinct into a mixed use waterfront, and upgrading of facilities at Kleinmond Blue Flag Beach, which is without international standard facilities (Overstrand Local Economic Development Agency, 2008).

Notwithstanding the rich potential development opportunities identified by OLEDA for tourism as a whole in the Overstrand and especially for leveraging business opportunities for members of previously disadvantaged communities, little progress occurred. The full history remains to be written of OLEDA as one of South Africa's first LEDAs to cease operations. It is known, however, that OLEDA had a strained relationship with the municipality and frustrated by the inability to function as a development agency due to the red tape of municipal processes. Eventually, in 2010 OLEDA operations were closed down with full responsibility for economic and social development reverting directly to the Overstrand municipality LED department. Our interviews revealed that *"a lot of proposals have not happened"* and *"there were repeated missed and lost opportunities"* as the municipality *"stopped a lot"* and did not move forward proposals to the stage of putting out tenders. It was stressed that the municipality was not entrepreneurial and was *"one of the most conservative"* in terms of its planning. Other limiting factors on the progress of tourism projects proposed for Hawston related to lack of community buy-in which was acknowledged as essential (Overstrand Local Economic Development Agency, 2009). OLEDA recognised in a SWOT analysis the threat posed by "high and complex community expectations" surrounding proposed developments in Hawston (Overstrand Local Economic Development Agency, 2008: 33). Our key stakeholder respondents flagged that certain project proposals failed to reach fruition *"because of community divisions and conflicts".*

With the ending of OLEDA the focus now turns to examine the status of other tourism development proposals which offer potential entrepreneurial opportunities for residents from previously disadvantaged communities in the Overstrand. Recent municipal-led initiatives for LED exhibit a marked pro-poor focus. The municipality acknowledges that "Poverty and unemployment are becoming our number 1 and 2 enemies respectively as communities face a variety of constraints that are borne from the slow economic growth constituted by unemployment, illiteracy, inequality and lack of inclusivity"(Overstrand Local Municipality, 2018b: 2) In an official Overstrand report of 2018 it was explicitly stated that LED in local government "must support the developmental mandate that seeks to change and better the lives of the previously disadvantaged communities whilst supporting private sector initiatives and growth to improve local Gross Domestic Product" (Overstrand Local Municipality, 2018b: 1). This commitment is not always reflected in municipal practices as was revealed in a number of instances.

The redevelopment of Kleinmond Harbour and its mixed-use waterfront is of note (Gotz, 2014). In addition to the waterfront the project involves a heritage element linked to the restoration of cottages of the Visbaai fishing community (mainly Coloured households) whose village was demolished after the community was forcibly removed because of the Group Areas Act (Gabriel Fagan Architects, 2008). The interviews revealed that progress has been limited on this ambitious project with explanations offered that "*it is a divided community not knowing where to take the development potential of the area".* Mistrust between the private sector property developer, the local fishing community as well as heritage groups have resulted in the stalling of this project with neither the developer or community prepared to commit. It was revealed through our interviews that the developer has tried over a period of 10 years to engage with the local community and reached a contractual agreement (including establishment of a Trust) but *"it was reneged on three times by the community"*. Further frustrating the progress of this particular project was the lack of law enforcement by the municipality in the project area and *'internal politics'* within the municipality surrounding planned developments at the harbour. Missed opportunities for tourism development occurs also beyond Kleinmond. Progress in redevelopment of Hermanus New Harbour redevelopment has been slowed by an inter-governmental dispute between the Western Cape province and national government over the management of 12 harbours in the province, including at Hermanus (Kaiser Associates, 2012). The province alleges that it is unconstitutional for these assets to be under the control of national government which it charges with "gross mismanagement" and that the serious degradation of these public assets negatively impacts socio-economic opportunities in the fishing, aquaculture and tourism sectors (Lee, 2017). At Danger Point in Gansbaai further problems surround Transnet's ownership and control of the site which includes the Lighthouse and surrounding heritage area. Interviewees suggest that Transnet has *"blocked Whale Coast tourism"* and that tourist visits to the

Lighthouse are not guaranteed as it is closed on weekends and public holidays and even on other days the lighthouse keeper is *"around only intermittently*".

At Betty's Bay one project has moved forward for a community-owned restaurant which was established at the entrance to Stony Point penguin colony, one of only two land-based penguin colonies in the world and a major local tourism attraction. In 2005 details of the project were first announced (IOL, 2005). Following several years of extensive public participation and the challenges of amending site plans the project came to fruition in April 2015 when the Stony Point Eco-Centre and restaurant was opened. The project was funded by the National Department of Tourism as part of its Social Responsibility programme and implemented by Casidra, the Cape Agency for Sustainable Integrated Development in Rural Areas (Casidra,2015). Further support was provided by the Western Cape Department of Tourism through funding from the Extended Public Works Programme for the construction of a themed visitor information centre, a tearoom and a heritage site for whaling history. The project is a community initiative and developed in partnership with the Mooiuitsig Community Trust, which holds the rights to manage the restaurant and eco-centre (Casidra, 2015). The restaurant was described by interviewees as *"a vision of the community*" with the project facilitated by government and Cape Nature the custodian of the initiative. At its launch the Minister of Tourism Derek Hanekom described the project as contributing to "a vibrant, equitable and sustainable tourism economy to the benefit of the local community" (Overstrand Local Municipality, 2015). The project, however, has experienced difficulties particularly concerning the operations of the *On The Edge restaurant*. By 2016 municipal officials were cautioning about "*difficulties*" at the restaurant which were attributed "*mostly to poor management*" and linked back to the Community Trust. Field observations in 2018 confirm the opinion of interviewees that the project *"is not operating at its full potential"* and *"that it is a sticky situation to administer due to the Community Trust".* Another shortcoming of the Stony Point Eco-Centre is the absence of any arts and crafts sales outlet which was included in the original proposals announced in 2005 (IOL, 2005).

At Hawston missed opportunities on other tourism proposals were attributed to *"ideas not being seen through due to disagreements within the community"*. Private sector interviewees suggested that another layer of problems for moving forward relate to the fact that the municipality itself *"don't have an understanding of tourism"* as is reflected by the fact that *"they do not see blacks as tourists"* and moreover are *"not addressing the major issues such as seasonality"*. A repeated problem from interviewees relates to municipal *"red tape"* and complaints about protracted periods of delay on Council making decisions on proposed business developments especially by town planning which was seen as "*not proactive for the business community*". The frustrations of private sector entrepreneurs about Council are captured in the lament that *"they would rather delay everything rather than do the work"* in terms of development facilitation. The above responses point to the municipality's lack of entrepreneurialism towards business development and instead preferring that its LED operations be focused squarely on poverty alleviation projects linked, for example, to the Expanded Public Works Programme. From the perspective of private sector there is minimal focus on investor needs and that municipality *"don't take LED seriously"*. In scathing comments from interviewees it was observed variously that the municipality "*do not know how to facilitate things"* for private investment, that the town planning department is *"a tourism hindrance as business plans either can take over a year to be passed or be lost altogether*" and damningly certain Council administrators *"have been there too long and have lost their passion"*. This said it was admitted by representatives of the local tourism business sector that *"there is no link between big business and developing local business and we do need the municipality's help"*

Notwithstanding the above criticisms directed at the local municipality there have been a number of municipal-led initiatives targeted at assisting potential black entrepreneurs to enter tourism. The IDP review acknowledges that one of the most significant challenges facing Overstrand is "the lack of transformation in tourism business ownership and opportunities" which it seeks to address through improved access to training and opportunities for previously disadvantaged communities (Overstrand Local Municipality, 2018a: 66). In this spirit 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. Likewise, 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".* In one statement about the traditionally fishing village of Hawston the municipality identified *"fishing as something that the Coloured community could do with tourists and training was offered but nobody was interested".* Another training initiative is at the Fernkloof Nature Reserve where the municipality currently are working with four (black) 'Fernkloof Rangers' who have trained as field guides to assist tourists. The municipality views this project as a platform or launching pad for the trainees to move on to other tourism entrepreneurial endeavours. In a similar vein at the municipal Blue Flag beaches contracts are awarded during the tourist season to black entrepreneurs for renting out umbrellas and chairs at the beaches as well as training is offered to local community members to be beach stewards. The municipality would like to use these basic tourism opportunities and offer further training to assist these community members into other more full-time avenues for tourism entrepreneurship.

In terms of the minimal involvement of local black entrepreneurs in the Hermanus tourism economy, the views of the one successful black tour operator are, perhaps, instructive. It was indicated that his business was founded (in 2012) on *"a passion for tourism"* and that the lack of other black tourism entrepreneurs was attributable to "*Mentally they want to work for someone else. People are too lazy to start something"* and *"it is also very risky to start a business".* In addition, he argued as follows that government "*does not send the right message*" as "*they want to be elected in 2019 so they promise free housing, free education and job creation. The government will do everything so there is no need [for blacks] to make the effort to start a business".* In a further statement it was argued that "*people are looking for something to come to them"*. The entrepreneur acknowledged support he had received in business development from the municipality in terms of training courses: "*Cape Whale Coast marketing people have been very helpful in assisting with training and courses…they send out emails with course updates"*. Among acknowledged challenges are that "*tourism is a big business and you ask yourself where can I start?*". Particular difficulties that face potential entrepreneurs relate to access to finance and in certain respects lack of direct support for business development, issues which are a mirror of a national needs' analysis for tourism SMMEs (Department of Tourism, 2016). In one highly critical statement the entrepreneur reflected that the municipality do not take up his transfer services and he sees himself as *"the last option"* in his view the "*municipality use white people first".* This said, this black tourism entrepreneur was unaware that the municipality has a list of preferred suppliers. Overall, the interview pointed to a general lack of knowledge in the Zwelihle community of any possibilities of becoming a tourism entrepreneur. Suggestions were offered that more information could be disseminated through the local radio station (in Xhosa), more local workshops be held in the township including to highlight support potentially accessible from the local SEDA office and from the municipal training offerings.

The discussion now moves beyond initiatives to directly engage and promote black entrepreneurs in the Overstrand tourism economy. The focus turns to the promotion and expanded involvement of black entrepreneurs in the supply chains associated with the key state tourism assets. In its procurement operations the interviewees confirmed that the Overstrand municipality is required to follow national and provincial guidelines regarding procurement. The municipal IDP stated that in meeting its economic development goals among several programmes it would put in a place a process for "steering the procurement process to favour emerging service providers" (Overstrand Local Municipality, 2012: 75). In addition, it was added that in cases "where contracts are huge for emerging service providers to handle, take steps to get larger companies to enter into joint ventures with smaller partners" (Overstrand Local Municipality, 2012: 75). In subsequent statements it was announced that the "Overstrand Municipality adopted a Preferential Procurement Policy, placing emphasis on empowerment of local service providers and opportunities for previously disadvantaged individuals" (Western Cape Government, 2014). It was further made clear that following national policy directions that the focus was on capacity building with the long-term aim of building the competitiveness of service providers. Tender processes are fairly standard in terms of advertising using a variety of forms of communication including the municipality's website, community and municipal notice boards, local and national newspapers, the CIDB for construction related tenders and SITA for IT related tenders. The municipality offers "numerous training" offerings which "are organised and link to opportunities" (Western Cape Government 2014). Service providers are encouraged to register on the municipal data base and on a separate emerging service providers data base for training and other opportunities. Overall, the municipality's preferential procurement policy aligns with national and provincial norms in terms of subscribing to the application of BBBEEE principles and practices as outlined in the municipal IDP and thereby for "giving people equal opportunities to grow and participate in the economy of the Overstrand" (Western Cape Government, 2014). This policy direction is re-stated in the most recent review documentation of the municipal IDP in which the municipality identifies as a response to the risk of deteriorating economic and social conditions that one of its interventions is "making use of supply chain as an economic lever" (Overstrand Local Municipality, 2018a: 31).

Key stakeholders confirmed in interviews that *"there is a lot of goodwill from Overstrand tourism to engage with local black entrepreneurs"* albeit that the municipality's engagement is required with its obligation to comply with the Municipal Financial Management Act. The interviewees stated there is a national as well as provincial database for procurement which they use and in terms of council procurement *"they have contractors on the database who know how to comply"*. Further, the extensive supplier data base is categorized as SMME or BEE compliant, albeit they "*have found that there is only a relatively small number of reliable companies"*. In one observation the importance of procuring locally from suppliers in the Overstrand municipality itself was identified. One interviewee stated that in terms of procurement and price the municipality was *"encouraged to give a contract to a local supplier if they are more expensive than somebody from Somerset West* (in the adjoining municipality) *but only within a certain margin".* The available information collected so far from field observation undertaken at the key municipal assets listed on Table 8 and from interviews is that the services of black supplier enterprises are contracted in a number of different capacities in the Overstrand. Among these are for the clearance of alien vegetation (Fernkloof), building contracts (Harold Porter Reserve), general repair and maintenance, and catering services at municipal functions including those at the location of municipal assets. From existing evidence there appears to be (at least) one catering enterprise (Gilberts) which has been growing and become established as a consequence of preferential procurement linked to state assets.

6.5. Conclusions for the Overstrand Study

Overall, the evidence from this case study of the Overstrand points to the following conclusions. The existing ownership structure of the Overstrand tourism economy is massively under the dominance of white entrepreneurs and the local tourism economy cannot be described as inclusive. Nevertheless, 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. This said, the evidence is clear that these assets are *underperforming* for the local tourism economy for several reasons. These include: (1) lack of entrepreneurialism of the Council, (2) bureaucratic delays and red tape surrounding approval of development projects, (3) seeming lack of understanding by Council of the real potential of these assets for tourism, and (4) major divisions and conflict within the local black and coloured communities which have repeatedly thwarted the progress or launch of several carefully crafted project proposals which would have offered local benefits including for local tourism entrepreneurs. In terms of the need for expanding inclusivity in Overstrand tourism the above factors need to be understood as the core underpinnings for the slow pace of transformation.

In several respects the key findings from Overstrand appear to confirm those from the limited research undertaken in East London which demonstrated that municipal assets as a whole are poorly used for tourism development in that municipality (see Dlomo and Tseane-Gumbi, 2017). Beyond involvement in tourism there are a small number of opportunities which arise for emerging black entrepreneurs to engage as suppliers linked to municipal assets but as yet these provide only limited opportunities for the growth of black-owned businesses. In order to maximise such opportunities interventions are required in terms of supplier development as indicated in the Department of Tourism's Enterprise Development Programme. Our key conclusion is that – at least in the case of the Overstrand - procurement processes around state assets in tourism are of minor significance for black SMME development in tourism. Indeed, the analysis reveals that, in many respects, the focus on procurement processes is a sideshow or distraction. More significant is to unblock the constraints around the maximisation of municipal assets for further tourism development in the Overstrand as shown by the historical catalogue of missed opportunities. Arguably, these missed opportunities have including many with real potential for expanding the business involvement of entrepreneurs from marginalized communities.

6.6. Preliminary Recommendations for the Overstrand

In terms of policy recommendations regarding municipal assets.

1. Following Dlomo and Tseani-Gumbi (2017) there is a need to heighten the awareness of all local municipalities to opportunities for using municipal assets to promote tourism. At the outset this requires that municipalities publish an audit of municipal assets where these either incomplete or are unavailable it is recommended that they be provided for addition to the Department of Tourism's data base.
2. Maximising municipal assets for tourism requires at the local level it is recommended that there be a more active involvement of all tourism stakeholders, including the private sector. For local communities it requires awareness campaigns, effective training, and exchange of best practices between municipalities.
3. The results from the Overstrand reveal the need for municipalities to change the mindset from one of simply managing municipal assets to instead seek to maximise their potential for the local economy. In order for this shift to occur it is recommended that workshops be organised by national and provincial governments in order to educate local government departments how to integrate tourism activities more comprehensively into local development planning.

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