

# **THE ECONOMIC CONTRIBUTION OF TOURISM TO SELECTED PROVINCES OF SOUTH AFRICA**

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## ABSTRACT

### THE ECONOMIC CONTRIBUTION OF TOURISM TO SELECTED PROVINCES OF SOUTH AFRICA

The main purpose of this study was to determine the economic contribution of tourism to selected provinces of South Africa. One of the reasons why this research is important is the fact that tourism is not reported as an industry in the national accounts, and this makes it very difficult to determine the economic impact of tourism. Most other sectors contain tourism related activities in their estimates and therefore tourism's economic contribution is greater than it seems at first. The underestimation of the complex nature of the tourism industry means that the contribution of tourism is not always seen as an important area of potential economic growth and development. To determine the above goal, the study is made up of two research articles. Article one is titled: 'Estimating the economic contribution of tourist spending to the nine provinces of South Africa.' The main purpose of this article was to estimate the direct and indirect contribution of tourist spending to the regional economies of the nine provinces. This was done in order to determine whether tourist spending is similar in each of the nine provinces or does the indirect effects of tourist spending lead to some provinces benefiting more from tourism than other provinces. The tourist expenditure data used in this article was taken from two reports, namely the Domestic Tourism Survey (completed during May 2000 to April 2001) and the Foreign Winter Executive Summary (completed during August and September 2001). The research for these reports was conducted on behalf of South African Tourism (SAT) and the Department of Environmental Affairs and Tourism (DEAT). Data on tourist arrivals and the economic activity of the provinces were obtained from Statistics South Africa (Stats SA). An input-output model was also used as an instrument in order to achieve the mentioned goals.

Article 2 is titled: 'A Demand and Supply Analysis of the tourism industry in the North West Province'. The purpose of this article was to perform a demand and supply analysis of the tourism plant in the North West Province in order to identify possible gaps between demand and supply. This information could be used to increase tourists' contribution to the provincial and therefore national economy. In South Africa there is very little information available on the supply side of tourism in the nine provinces. Absence of information such as the number of tourism products, the number of people working within the tourism industry, the availability of beds and the variety of products, makes it especially difficult to plan tourism developments in order to stimulate growth and improve economic impact. Policy implications were also formulated that the North West Province can use as guidelines. A database of all tourism products in North West Province was compiled. A

total of 646 questionnaires were personally handed out by a research team and were completed by 401 owners and/or managers of facilities. The results clearly indicated that provinces do not benefit equally from tourism and that the contribution of tourism to the GDP of South Africa is increasing steadily. Another finding was that provinces with the most developed tourism infrastructure benefit most from tourism. The final finding was that developing provinces such as North West need to place more emphasis on their tourism supply side in order to attract more tourists. The development of tourism attractions and the supply of good quality services are essential for improving the economic contribution that tourists make towards a province.

## **OPSOMMING**

### **DIE EKONOMIESE BYDRAE VAN TOERISME TOT GESELEKTEERDE PROVINSIES VAN SUID-AFRIKA**

Die hoofdoel van die studie was om die ekonomiese bydrae van toerisme tot geselekteerde provinsies van Suid-Afrika te bepaal. Een rede waarom hierdie navorsing belangrik is, is die feit dat toerisme nie in die nasionale verslae as 'n industrie aangedui word nie, en dit maak dit uiters moeilik om die ekonomiese uitwerking van toerisme te bepaal. Die meeste ander sektore sluit aktiwiteite by hulle berekenings in wat met toerisme verband hou; dus is die ekonomiese bydrae wat toerisme lewer groter as wat dit aanvanklik blyk te wees. Die onderskatting van die komplekse aard van die toerismebedryf beteken dat die bydrae van toerisme nie altyd beskou word as 'n belangrike gebied van potensiële ekonomiese groei en ontwikkeling nie. Om bogenoemde doel te kan bepaal, is die studie saamgestel uit twee navorsingsartikels. Artikel 1 is getitel: "Estimating the economic contribution of tourist spending to the nine provinces of South Africa." Die hoofdoel van hierdie artikel was om die direkte en indirekte bydrae van toerismebesteding tot die streekseksonomie van die nege provinsies te bepaal. Dit is gedoen met die oog daarop om vas te stel of toerisbesteding in elkeen van die nege provinsies dieselfde is, en of die indirekte effek veroorsaak dat sommige provinsies meer voordeel uit toerisme trek as ander provinsies. Die toerisbesteding-data wat vir hierdie artikel gebruik is, is uit twee verslae geneem, naamlik die "Domestic Tourism Survey" (wat gedurende Mei 2000 tot April 2001 afgehandel is) en die "Foreign Winter Executive Summary" (wat gedurende Augustus en September 2001 afgehandel is). Die navorsing vir hierdie verslae is namens Suid-Afrika Toerisme (SAT) en die Departement van Omgewingsake en Toerisme (DEAT) ondemeem. Data oor toeriste-aankoms en die ekonomiese aktiwiteit van die provinsies is van Statestiek Suid-Afrika (Stats SA) bekom. 'n Inset-uitset-model is ook gebruik as 'n instrument om genoemde doelwitte te behaal.

Artikel 2 is getitel: "A Demand and Supply Analysis of the tourism industry in the North West Province". Die doel van hierdie artikel was om 'n vraag-en-aanbod-ontleding van die toerisme-omgewing in die Noord Wes Provinsie te doen om daardeur moontlike leemtes tussen vraag en aanbod te identifiseer. Hierdie inligting kan gebruik word om die bydrae wat toeriste tot die provinsie maak, en dus tot die landseksonomie, te verhoog. In Suid-Afrika is uiters min inligting beskikbaar oor die aanbod-komponent van toerisme in die nege provinsies. Die afwesigheid van inligting soos die aantal toerismeprodukte, die aantal persone wat in die toerismebedryf werksaam is, die beskikbaarheid van beddens en die verskeidenheid produkte, maak dit veral moeilik om toerisme-ontwikkeling te beplan met die oog daarop om groei te stimuleer en die uitwerking van die

ekonomie te versterk. Beleidsimplikasies is ook geformuleer wat die Noord Wes Provinsie as riglyne kan gebruik. 'n Databasis wat alle toerismeprodukte bevat, is saamgestel. Seshonderd ses en veertig (646) vraelyste in totaal is persoonlik deur 'n navorsingspan uitgedeel en is deur 401 eienaars en/of bestuurders van fasiliteite binne die Noord Wes Provinsie ingevul. Die resultate het duidelik aangetoon dat provinsies nie ewe veel voordeel trek uit toerisme nie en dat die bydrae van toerisme tot die Bruto Binnelandse Produk (BBP) van Suid-Afrika stadig maar seker toeneem. Nog 'n bevinding was dat provinsies met die mees ontwikkelde toerisme-infrastruktuur die meeste baat vind by toerisme. Die finale bevinding was dat ontwikkelende provinsies soos Noord Wes meer klem moet lê op hul toerisme-aanbod-komponent om sodoende meer toeriste te lok. Die ontwikkeling van toerisme-aantreklikhede en die aanbod van dienste is noodsaaklik om die ekonomiese bydrae wat toeriste tot 'n provinsie maak, te verhoog.

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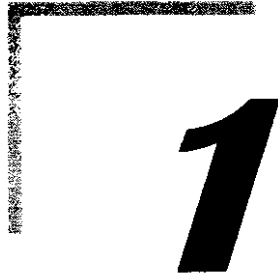
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# 1

## **CHAPTER 1**

### **PROBLEM STATEMENT, OBJECTIVES AND METHODS OF RESEARCH**

#### **1.1 INTRODUCTION**

According to the World Travel and Tourism Council (WTTC) (1999), tourism is currently the world's largest generator of work opportunities. There was a remarkable increase in international tourist arrivals from 25 million in 1950 to 664 million in 1999, which represents an average annual growth rate of 7 percent World Tourism Organisation (WTO) (2001a). By the year 2020 international arrivals are predicted to reach 1.18 billion, representing an average growth rate of 4.1 percent. Long-haul travel is predicted to grow even faster (WTO, 2001b). International tourism will continue to grow and tourism is making a major contribution to the economic viability of many destinations today.

In South Africa, even politicians started to recognise the enormous job creation, infrastructure and wealth generating ability of tourism and the sustainable role it can play in the country's economic and social progress (Page, 2003). The World Travel and Tourism Economy employment was estimated at 214,697,000 jobs in 2004, or 8.1% of total employment, or one in every 12.3 jobs. By 2014, this should total 259,930,000 jobs, or 8.6% of total employment or one in every 11.6 jobs. The World Travel and Tourism Industry contributed 3.8 percent to the Gross Domestic Product (GDP) in 2004 (US\$ 1,542.1 bn), which is expected to rise in normal terms to US\$ 2,425.8 bn (3.8 percent of total) by 2014 (WTTC, 2004). However, the distribution of these estimates, and thus the contribution of tourism throughout different regions of the country, was not determined.

The System of National Accounts (SNA93) categorises economic activities on the basis of their production system or industries, such as agriculture, mining, fishing, manufacturing and services. Consumption by tourists, or tourism economic activity, is hidden within different industries in the conventional national accounts. Thus, tourism might make up some parts of 'services', 'manufacturing', 'fishing' or other industries (Sinclair & Stabler, 1998). Tourism's relative economic

contribution is therefore greater than it seems at first, since all the other economic sectors contain tourism-related activities in their estimates. Because the complex nature of the tourism industry is often underestimated the contribution of tourism is not always recognised as an important area of potential economic growth and development (Vellas & Becherel, 1995).

In its simplest form the tourism system consists of an origin and a destination. On the one hand, an origin represents the demand-side of tourism, the region or country generating the visitors. A destination, on the other hand, refers to the supply-side of tourism that may have certain attractiveness powers (Loannides & Debbage, 1998). These concepts of demand and supply also have a big influence on the economic impact within a certain region.

One of the best ways for a region to increase its economic impact is to increase its demand. The more visitors a region attracts, the longer they will stay; and the higher their total expenditure on tourism-related products, the bigger the region's economic impact will be (Saayman, 2001). However, any tourism purchasing decision must include the provision of a service or product by a business or organisation to meet the visitors' needs and demands. This provision is known as tourism supply. In any analysis of supply there are four basic questions that a tourism region has to consider, all of which are related to economics (Page, 2003):

- What should the region produce to meet a certain form of tourism demand?
- How should it be produced?
- When and where should the region produce the tourism product?
- What destinations/places should be featured in the tourism experience in order to meet demand?

It is thus very important to balance demand and supply. An increase in demand has an impact on the supply side in terms of a shortage on operational requirements, staffing, infrastructure and environmental and socio-cultural carrying capacity (Frechtling, 2001). It is therefore vital to analyse the demand and supply thoroughly in order to increase the tourist arrivals and the economic impact of a certain region.

## **1.2 PROBLEM STATEMENT**

Because tourism is not reported as an industry in the national accounts, it is very difficult to determine its exact economic impact. Furthermore, most other sectors contain tourism-related activities in their estimates (Bull, 1993; Saayman, 2001).

In reports by Statistics South Africa, tourism is also not indicated as a separate sector, resulting in a lack of information on the economic contribution that tourism makes to different provinces of South Africa. All nine provinces have their own tourism promotion agencies and strategies to grow and develop tourism. These provincial authorities are independent of the national government in the sense that provinces can determine their own economic priorities. All provinces have identified tourism as an important industry, although the real impact of tourism on regional and provincial economies has not been quantified.

The first question that can be raised is therefore: *“Is the economic impact of tourist spending similar in all nine provinces of South Africa, or do certain provinces benefit more than other provinces as a result of the indirect effects of tourist spending?”*

This possibility leads to another question that should be addressed, namely: *If there are indeed provinces that benefit less from tourism than other provinces, why is this the case and how can this situation be improved?*

Saayman (2001) points out that travel takes place because tourists believe that their needs and desires will be better satisfied in the place to which they are travelling than in the place from which they have come. These needs will motivate people to travel to various destinations and to spend money in those specific regions. According to Page (2003), tourists' destination decision and the amount they are willing to spend will be influenced by the following:

- The type of products available for the tourists within the region;
- The number of accommodation facilities available within the region;
- The number of trained staff available to serve tourists within the region;
- The condition of general and tourism infrastructure within the region.

It is therefore very important to thoroughly analyse the tourism demand and supply within various destinations in order for tourist arrival to increase. This will also result in an increased economic impact of a certain region.

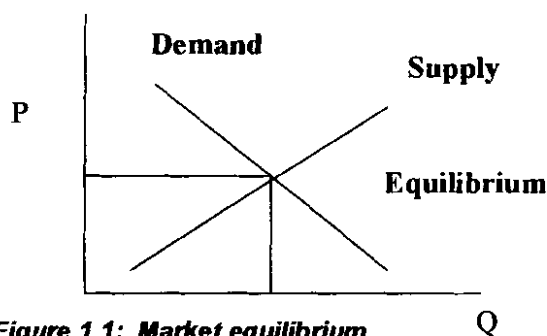
Tourism in South Africa is traditionally perceived of in terms of the demand-side or the consumer characteristics (tourist arrival figures) (Smith, 1996). Most tourism managers, marketers and public agencies use tourism demand as forecasters for tourism development and marketing plans (Frechtling, 2001). As a result, most tourism research is done on tourism demand topics, while the

tourism supply side is neglected. Very limited information is available on the supply side of tourism in each of the nine provinces. Information like the number of tourism products, the number of people working in the tourism sector, the availability of beds and the variety of products, are not available for the nine provinces of South Africa. This creates problems, especially as far as the planning of tourism development and growth is concerned.

The reason for the above situation is that an increase in demand has an impact on the supply side in the form of a shortage of operational requirements, staffing, infrastructure and environmental and socio-cultural carrying capacity (Frechtling, 2001). These aspects are not always easy to supply in the short term, for example infra- and suprastructures.

Producers and consumers need time to adjust to changes in market conditions. Product owners (producers) and potential owners make investment decisions with relation to products, equipment and training merely based on their own expectations of the market. Should any unexpected market change occur, it could mean that they have invested in the wrong areas. Likewise, consumers also plan their lives according to expectations they have for the future. Their buying behaviour can change fairly easily by means of more frequent, recurrent purchases (Cullen, 1997).

The fact that many people develop tourism products based on their personal perceptions, expectations and what the media communicate can result in an oversupply of certain products, such as too many guesthouses in a town or too many game farms in a specific region. The ideal is to work towards a price-quantity market equilibrium (Figure 1.1) condition where the quantity of a product which is demanded, is equal to the quantity of the product which is supplied (Van der Merwe, Styger & Grobler, 1995).



**Figure 1.1: Market equilibrium**

The second emerging question is therefore: *What is the demand for and supply of tourism in a developing province that benefits less from tourism?* In addition to this it may be asked: *What are the possible gaps between demand and supply?*

### **1.3 AIMS AND OBJECTIVES OF THE STUDY**

#### **1.3.1 Main aim of article 1**

To estimate the economic contribution which tourist spend makes to the provinces of South Africa.

#### **1.3.2 Objectives of article 1**

##### ***Objective 1***

To determine the GDP within each of the nine provinces in South Africa.

##### ***Objective 2***

To establish whether tourist spending is similar in each of the nine provinces or does the indirect effects of tourist spending lead to some provinces benefiting more from tourism than other provinces.

#### **1.3.3 Main aim of article 2**

To perform a tourism demand-and-supply analysis of the tourism plant in the North West Province.

#### **1.3.4 Objectives of article 2**

##### ***Objective 1***

- To identify the possible gaps between tourism demand and supply in the North West Province.

##### ***Objective 2***

- To make recommendations on policy implications in order to balance demand and supply in the North West Province.

### **1.4 RESEARCH METHODOLOGY**

The method of research involves a literature study and a survey.

#### **1.4.1 Analysis of literature**

The literature study was based on a qualitative study and included theses, articles, the internet, and sources on tourism economics, demand and supply.

### **1.4.2 Empirical research**

The tourist expenditure data used in article 1 was gathered from two reports, namely the Domestic Tourism Survey (completed during May 2000 to April 2001) and the Foreign Winter Executive Summary (completed during August and September 2001). The research for these reports was conducted on behalf of South African Tourism (SAT) and the Department of Environment Affairs and Tourism (DEAT). Data on tourist arrivals and the economic activity of the provinces was obtained from Statistics South Africa (Stats SA).

In article 2, a database of all direct tourism products within the North West Province was compiled with the help of North West Parks and Tourism Board as well as telephone directories. A questionnaire was compiled and the surveys were distributed to all these direct tourism products within the North West Province in June 2002. This study is the most comprehensive study of the tourism plant in South Africa to have been undertaken thus far. The tourism arrivals used in this article was gathered from two reports, namely the South African 2003 Annual Tourism Report and the North West Parks & Tourism Board Database (21 April 2004).

The research methodology will be explained in detail in chapter 2 and chapter 3.

## **1.5 TERMINOLOGY**

The following concepts are used regularly throughout the dissertation and therefore need clarification:

### **1.5.1 Tourism**

Tourism may be described as the total experience that originates from the interaction between tourists, job providers, government systems and communities in the process of attracting, entertaining, transporting and accommodating tourists (Saayman, 2001). The World Tourism Organisation (WTO) defines tourism as the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to exercise or an activity remunerated from within the place visited. The use of this broad concept makes it possible to identify tourism between countries as well as tourism within a country. *Tourism* refers to all activities of visitors, including both 'tourists' (overnight visitors) and 'same day visitors' (Page, 2003). Chadwick (1994) defines tourism as the field of research on human and business associated with one or more aspects of the temporary movement

of persons away from their immediate home communities and daily work environment for business, pleasure and personal activities.

### **1.5.2 Economy**

Economics analyse the ways in which individuals, groups and organisations use resources to improve their well-being. The *economy* is a term used to denote the patterns of economic activity in a country, including production and employment, income, consumption and living conditions (Cullen, 1997:49). In order to define the economy, the following must be taken into account:

- Production;
- consumption, saving and investment;
- exchanges and transfers.

### **1.5.3 GDP (Gross Domestic Product)**

The size and value of a national economy is usually expressed as the total value of all goods and services produced by that economy during a specified time period, such as one year. For convenience, this value may be called a country's Gross Domestic Product, or GDP (Bull, 1993:115).

### **1.5.4 Economic impact**

Economic impact is determined by an evaluation on the basis of macro- and micro- economic measures, namely employment, balance of payments, price stability and increasing national income (Standeven & De Knop, 1999).

Certain factors that influence tourism also have implications for tourist spending, namely:

- The total number of tourists visiting the region;
- Duration of stay;
- The average expenditure per tourist, and
- The circulation of tourist expenditure throughout the economy (Wilson, 1984).

### **1.5.5 Demand**

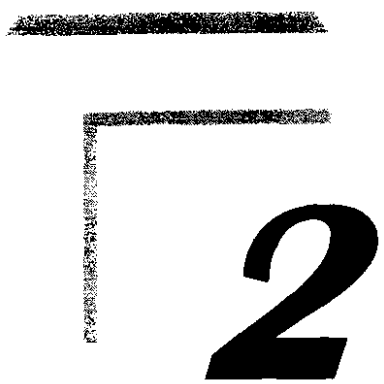
Tourism demand has been defined in numerous ways, including 'the total number of persons who travel, or wish to travel, to use tourist facilities and services at places away from their places of work and residence' (Mathieson and Wall, 1992:1). Other studies have defined it as '... the relationship between individuals' motivation [to travel] and their ability to do so' (Pearce, 1995:18). In contrast, more economic-focused definitions of demand are primarily concerned with 'the schedule of the amount of any product or service which people are willing and able to buy at each specific price in a set of possible prices during a specified period of time' (Cooper, Fletcher, Gilbert & Wanhill, 1997:15).

### **1.5.6 Supply**

Supply may be defined as the value of final output that firms are prepared to sell, plus the value of imports. The money that is paid out to firms goes in wages, profits and taxes and some is saved (Cullen, 1997:105). The act of supply requires the willingness and ability of an enterprise to acquire resources, including goods and services produced by other enterprises, and to process those resources into an output of products for sale (even at zero price) to consumers. Most analysts would nowadays include the roles of marketing the products as part of supply (Bull, 1993:78).

## **1.6 CHAPTER CLASSIFICATION**

The study consists of four chapters. Chapter one includes the problem statement, aims, methods of research and definitions of terms. Chapter two contains article 1, which deals with the process of estimating the economic contribution which tourist spending makes to the provinces of South Africa. Chapter three contains article 2, which is a tourism demand-and-supply analysis of the North West Province. Conclusions and recommendations are made in chapter four.



## **CHAPTER 2**

# **ESTIMATING THE ECONOMIC CONTRIBUTION OF TOURIST SPENDING TO THE PROVINCES OF SOUTH AFRICA**

### **Abstract:**

Tourism plays an important role in the economic status of all nine provinces within South Africa and is one of the top earners of foreign exchange. Ways to improve the positive impact of tourism on the regional economies and to create employment need to be considered. This article aims to estimate the economic contribution of tourism to the nine provinces of South Africa. This includes the direct contribution of tourist spending in each of the nine provinces, as well as the indirect impact of tourism on the regional economies and total economy. A domestic survey was completed in 2001 and every year two international tourism surveys are undertaken in South Africa. An input and output model was also used as an instrument in order to achieve the mentioned goals. The results clearly indicated that provinces do not benefit equally from tourism and that the contribution of tourism to the GDP of South Africa is increasing steadily.

**Key words:** Tourist spending, South Africa, economic contribution

# **Estimating the economic contribution of tourist spending to the provinces of South Africa**

## **2.1 INTRODUCTION AND PROBLEM STATEMENT**

Tourism has long been an important part of our lifestyle, but only recently has it received increased attention for its role in determining economic importance (Van Hassle, 1994). Today tourism is regarded as the fastest-growing industry worldwide, with economies benefiting from its positive impacts (Ranchod, 1993; Brynard, 1995; De Villiers, 1996). Tourism is recognised as a key contributor to employment, accounting for approximately 4 percent of world employment (WTTC, 1998). Internationally, tourism is often promoted in developing countries for its positive effect on the balance of payments and much-needed foreign exchange earnings (Williams & Shaw, 1992:32).

Tourist expenditure directly affects the tourism industry, but it also has an indirect impact on other sectors of the economy such as agriculture, manufacturing, food processing, and communication and also in services such as banking, foreign exchange transactions, postal services, transport and insurance (Futter & Wood, 1997). The fact that tourism is not reported as an industry in the national accounts makes it very difficult to determine the exact economic impact of tourism, because most other sectors contain tourism related activities in their estimates (Bull, 1993; Saayman, 2001). Tourism's relative economic contribution is therefore greater than it seems at first, since all the other economic sectors contain tourism-related activities in their estimates. The underestimation of the complex nature of the tourism industry means that the contribution of tourism is not always seen as an important area of potential economic growth and development (Vellas & Becherel, 1995). Estimating multipliers is one method used to overcome this problem and to determine the indirect impact of tourism.

In South Africa, even politicians started to recognise the enormous job creation, infrastructure and wealth generating ability of tourism and the sustainable role it can play in the country's economic and social progress. The World Travel and Tourism Council (WTTC) constructed a tourism satellite account for South Africa in 1998 and estimated the direct contribution of tourism to the South African economy at 3.2% of GDP (1997) and the total contribution at 6.8% of GDP. Forecasts with the account lead to the estimates of 3.4% direct contribution to GDP in 2000 and 6.9% total contribution (2000). However, the distribution of these estimates, and thus the contribution of tourism throughout different regions of the country were not determined. Tourism is also not indicated as a separate sector in Statistics South Africa's reports, contributing to the lack of

information on the economic contribution of tourism to the different provinces of South Africa. All nine provinces have their own tourism promotion agencies and strategies to grow and develop tourism. These provincial authorities are independent of national government in the sense that provinces can determine their own economic priorities. All provinces have identified tourism as an important industry, although the real impact of tourism on regional and provincial economies has not been quantified.

To determine economic impacts, the additional "new money" generated for the local economy due to tourism is normally considered (Gelan, 2003). Within tourism, tourists visiting a province or region usually create this "new money". The definition used in this article to define a tourist is the one supported by the World Tourism Organisation (WTO) where a tourist is a person who spends at least one night in a destination away from home. From a regional perspective both foreign and domestic tourists visiting the region represents "new money", while day excursion to the region is excluded.

The question that inspired this article is: "Is the economic impact of tourist spending similar within each of the nine provinces of South Africa, or does the indirect effects of tourist spending lead to some provinces benefiting more from tourism than other provinces?". The main purpose of this article is to estimate the direct and indirect contribution of tourist spending to the regional economies of the nine provinces of South Africa in order to determine the importance of tourism and the focus on different kind of tourists (domestic or international) for different provinces.



**Map 1: South Africa**

South Africa is situated at the southern tip of the continent of Africa (Erasmus, 1995). This 1.2 million km<sup>2</sup> country is divided into nine provinces (Map 1), three urban provinces (Gauteng,

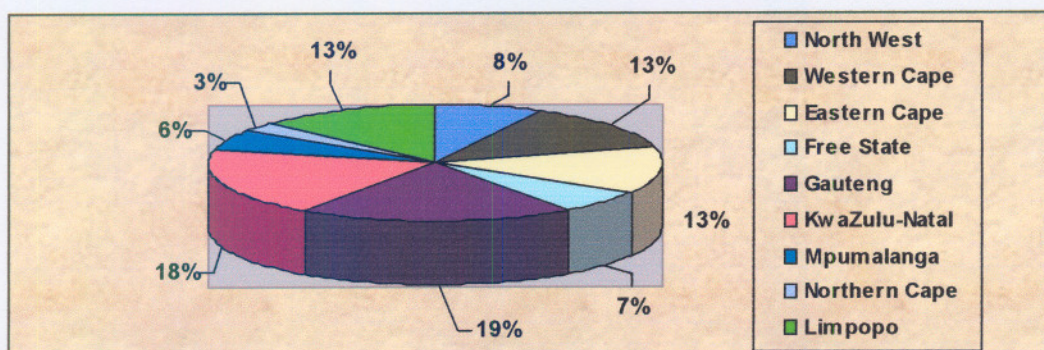
Western Cape & KwaZulu-Natal) and six developing provinces (Eastern Cape, Free State, Mpumalanga, North West, Northern Cape and Limpopo) (Olivier & Olivier, 1998). The Gauteng province makes the largest contribution to the economy of South Africa (33.9% of total gross domestic product) and the Northern Cape has the smallest contribution with only 2.0% to total GDP (Stats SA, 2002). The three provinces that receive the greatest number of tourists are Gauteng (19%), KwaZulu-Natal (18%) and the Western Cape (13%) and these are also the three provinces with the best-developed infrastructure in the country (DEAT, 2001).

## 2.2 METHODOLOGY

### 2.2.1 The data

The tourist expenditure data used in this article was gathered from two reports, namely the Domestic Tourism Survey (completed during May 2000 to April 2001) and the Foreign Winter Executive Summary (completed during August and September 2001). The research for these reports was conducted on behalf of South African Tourism (SAT) and the Department of Environmental Affairs and Tourism (DEAT). Data on tourist arrivals and the economic activity of the provinces were obtained from Statistics South Africa (Stats SA).

The Domestic Tourism Survey indicated that there is an average of 33.5 million domestic overnight trips within South Africa during the course of one year. Figure 2.1 indicates the division of these overnight trips between the nine provinces of South Africa. The Gauteng province received the most of these overnight trips (19%), followed by KwaZulu-Natal Province (18%) and the Limpopo Province (13%). The province with the least overnight trips was the Northern Cape Province (3%) (DEAT, 2001). The main reason for the high percentage of overnight trips to Gauteng may be attributed to the number of business people travelling to this province. Gauteng is also the gateway to south Africa.



**Figure 2.1: Breakdown of overnight trips per province (Source: DEAT, 2001)**

Table 2.1 indicates the amount of money that was spent per trip within each of the nine provinces of South Africa. The Western Cape Province has the highest average expenditure per trip (R687) followed by the Eastern Cape (R496). The province with the lowest average expenditure is the Free State Province (R238) (DEAT, 2001).

**Table 2.1: Average expenditure per trip (Rand) by domestic tourists**

Province	Expenditure
Gauteng	R340
KwaZulu-Natal	R448
Northern Province	R267
Eastern Cape	R496
Western Cape	R687
North West	R270
Free State	R238
Mpumalanga	R350
Northern Cape	R267

Source: DEAT, 2001

Based on the information provided by Table 2.2 it is clear that the largest category of the domestic expenditure is transport (42%), followed by food (22%) (DEAT, 2001). The reason for the lower accommodation percentage (22%) could be ascribed to many domestic tourists staying with friends or family.

**Table 2.2: Expenditure breakdown of a domestic tourist (per trip)**

Breakdown	Percentage
Transport	42%
Accommodation	22%
Food	24%
Entertainment	8%
Gifts	4%

Source: DEAT, 2001

The foreign tourist expenditure survey reported different results with regard to foreign tourist expenditure and travel patterns. Out of the total of 4 026 664 land tourists (tourists that enter South Africa through the border posts) {calculated from (Stats SA, 2002)}, the highest percentage visited

the Gauteng Province (56%) followed by the Mpumalanga Province (19%) (see Table 2.3). Out of the total of 1 814 019 air tourists (tourists that enter the country at airports) {calculated from Stats (SA, 2002)}, the Gauteng Province also received the most tourists (43%) (South African Tourism, 2001). The main reason for this high percentage may be attributed to the fact that Gauteng hosts the largest and busiest international airport both in South Africa and Africa.

**Table 2.3: Provinces visited by foreign tourists**

Province	Land	Air
Gauteng	56%	43%
Mpumalanga	19%	14%
Western Cape	7%	32%
KwaZulu-Natal	7%	18%
North West	7%	3%
Limpopo	4%	3%
Northern Cape	3%	2%
Eastern Cape	2%	6%
Free State	4%	2%

Source: South Africa Tourism, 2001

Table 2.4 indicates the expenditure of foreign tourists in South Africa. No prepaid expenses or airfare are included in this calculation, since a large amount of these expenditure accrue to non-South African companies. Based on the information provided in Table 2.4, it is clear that the largest amount of the expenditure by land and air tourists per trip was on shopping (R1155 and R2539 respectively), followed by expenditure on food (R362 and R1749 respectively) (South African Tourism, 2001). It is also evident that the expenditure of air tourists exceeds the expenditure of land tourists.

**Table 2.4: Breakdown of foreign tourist expenditure per trip (Rand)**

Expenditure category	Land	Air
Accommodation	R 650	R 2 705
Local transport	R 123	R 962
Food	R 362	R 1 749
Recreation	R 139	R 786
Shop	R 1 155	R 2 539
Other	R299	R1 611

Medical	R60	-
Total	R2 788	R10 352

Source: South African Tourism, 2001

In Table 2.5 the 2001 Regional Gross Domestic Product (GDP) of the different provinces in South Africa is indicated. It is the most recent estimates of the regional GDP available in South Africa. From Table 2.5 it can be seen that Gauteng Province is by far the most important economic region in South Africa, followed by KwaZulu-Natal and the Western Cape. The Northern Cape Province has the smallest economy, followed by provinces such as the Free State, Mpumalanga, North West and the Eastern Cape (Stats SA, 2002). It is therefore not surprising that poverty is more severe in these provinces.

**Table 2.5: Gross domestic product per region (2001) (Rand million)**

Province	Current prices	Constant prices (1995=100)	Percentage contribution to total GDP
Western Cape	R 136 062	R 93 728	13.8%
Eastern Cape	R 81 027	R 53 735	8.2%
Northern Cape	R 19 585	R 13 770	2.0%
Free State	R 53 900	R 35 260	5.5%
KwaZulu-Natal	R 152 703	R 101 257	15.5%
North West	R 72 230	R 41 305	7.3%
Gauteng	R 333 171	R 217 561	33.9%
Mpumalanga	R 70 621	R 46 558	7.2%
Limpopo	R 63 646	R 38 865	6.5%

Source: Stats SA, 2002

### 2.2.2 The Model

While the direct contribution of tourism can easily be calculated from the data (provided in section 2.1) the indirect impact of the additional spending by tourists in the country calls for another method of evaluation. There are a variety of methods available to assess the indirect impact from tourist spending, ranging from econometric modelling, to cost-benefit analyses to incorporate a social dimension to the more sophisticated multiplier methodologies derived from input-output analysis (Randall & Warf, 1996). As an alternative to these methods, Zhou, Yanagida, Chakravorty & Lueng (1997) used the Computable General Equilibrium (CGE) technique to estimate the economic impact of tourism. CGE models were developed in the 1960s to simulate the workings of a competitive market economy. In their paper, "Estimating the Economic Impacts from Tourism",

Zhou *et al.*, (1997) indicated that the results obtained from the CGE model are very similar to the results given by the input-output analysis.

The input-output was originally adopted as an economic planning tool pioneered by Leontief in the 1930's. The input-output structure is a sophisticated matrix of industries. Each of the industries is a producing unit of goods and services as well as a consuming unit of other industries' goods and services. The input-output process classifies businesses into industries and traces business transactions and flows of payment. Thus, the input-output method takes into account the inter-industry linkage and is capable of precise calculation of an industry's impacts on other industries in an economy (Wang, 1997).

Multiplier models based on input-output analysis measures the more complicated elements of the indirect and induced impacts of the visitor spending. These impacts arise because the money spent by the visitors circulates within the economy via the multiplier process (Vaughan, Farr & Slee, 2000; Ritchie & Goeldner, 1994; Stynes, 1999). This process arises because the businesses in which visitors spend money make purchases from other local businesses and residents use income earned as a result of visitor spending to purchase goods and services locally. The outcome depends on the proportion of income spent locally and how the businesses are interrelated with each other. The key is that the smaller the leakages the higher the induced effect (Vaughan *et al.*, 2000). Archer (1977) distinguishes three elements of the tourism multiplier effect: the direct component (the initial expenditure), the indirect component (subsequent increases in income, revenue derived from the initial direct consumption) and an induced component (a further rise in income and revenue as local wages and salaries increase the level of local consumption).

The input-output analysis has its drawbacks, namely (i) it deals with an aggregate of an industry rather than with a set of firms; (ii) results are not easily translated into applied recommendations; (iii) the feasibility of using the method at local government level is questionable; (iv) detailed data is required in the model; (v) pricing plays a limited role in production decisions in the model and (vi) the rigidity of input substitution in the model (Kottke, 1988:123, Archer, 1997 and Zhou *et al.*, 1997:79).

Notwithstanding its drawbacks, the approach is the most predominant in determining the economic impact of tourism and has been used by researchers such as Wanhill (1994), Frechtling & Horvath (1999), Zhou *et al.*, (1997), Diamond (1976) and Archer & Fletcher (1990). The method has the advantage that it creates multipliers. This is the most frequently used approach for quantifying tourism's impact on the economy (Wanhill, 1994).

The model used in this article is the 1996 South African input-output model (Coningarth Consulting Economists, 1999), since it is one of the most recent input-output models of the South African economy available. The multipliers generated by the simulations are used to determine the indirect impact of tourism on the economy. The model is only an aggregate of the economy as a whole, since no regional input-output model is available in South Africa. This is a drawback encountered in this research since most other studies on regional economic impact make use of the regional input-output models (Randall & Warf, 1996). To compensate for this weakness, the indirect and induced impacts were weighted with the relative share of the industry that is "produced" by the province. Although this is obviously not the optimal solution, it provides a more realistic approach in a country with limited data and model resources.

### 2.2.3 The Simulations

Given that foreign tourist arrivals to South Africa have increased on average 6-8% per year during the past decade and that domestic tourism has increased from 22.655 million trips in 1996 to 33.5 million trips in 2001 (an average growth of approximately 8% per year), the simulations attempt to analyse the impact of a 10% increase in both domestic and foreign tourist arrivals. The assumption is made that there is a linear relationship between tourist arrivals and tourist spending.

The 2001 spending data that was used in the simulations was deflated by means of the consumer price index to reflect 1996 constant prices in order to be compatible to the 1996 input-output table. The expenditure categories were attributed to various sectors in the 1996 input-output table according to the proportions of consumer expenditure reflected in the table. The expenditure patterns in 1996 constant prices are indicated in Table 2.6.

**Table 2.6: Expenditure of a typical domestic and foreign tourist in South Africa (1996=100)**

Expenditure category	Domestic	Foreign Land	Foreign Air
Accommodation	R 71.3	R 477.8	R 1 988.4
Local transport	R 133.8	R 90.4	R 707.2
Food	R 77.2	R 266.2	R 1 285.7
Recreation	R 25	R 102.2	R 577.8
Shop	R 14.7	R 849.0	R 1 866.4
Other	-	R 21.8	R 1 184.2
Medical	-	R 44.1	-
Total	R 322	R 1 851.5	R 7 609.7

## 2.3 RESULTS

### 2.3.1 The Direct Contribution of Tourism

The direct contribution of tourist spending to each of the nine provinces of South Africa were calculated based on the data obtained from the domestic and foreign tourist surveys, as described in section 2.2 of this article. The results of the calculations are indicated in three tables to indicate the relative importance of each type of tourist for different provinces. The first table indicates the results of the domestic tourist survey calculations, the second the results of the foreign land tourist calculations and the third the results of the foreign air tourist calculations.

#### INSERT TABLE 2.7 HERE

Based on the information provided by Table 2.7 it is clear that the Western Cape Province receives the most revenue from tourists' spending (R2 905.5m), followed by the KwaZulu-Natal Province (R2 880m). The province that receives the smallest amount of the tourists' spending is the Northern Cape.

#### INSERT TABLE 2.8 HERE

Based on the information provided in Table 2.8 it is clear that the Gauteng Province receives the most revenue from foreign land tourists' spending (R5 777.5m), followed by the Mpumalanga Province (R2 161.7m). The provinces that receive the least from land tourists' spending are the Eastern Cape, Free State and Limpopo (R321.0m).

#### INSERT TABLE 2.9 HERE

Based on the information in Table 2.9 it is evident that the Gauteng Province receives the most revenue from foreign air tourists' spending (R6 510.1m), followed by the Western Cape Province (R5 132.8m). The provinces that receive the least from foreign air tourists' spending are the Free State and Northern Cape (R210.8m).

#### INSERT TABLE 2.10 HERE

Table 2.10 indicates the total tourist spending (domestic, foreign land and foreign air tourists) relative to the provinces regional GDP. This represents the direct contribution of tourism to the regional GDP of each province and it can be seen that tourism contributes the most to the economy of the Western Cape (6.62%), followed by Mpumalanga (5.97%) and the Eastern Cape (5.45%). The Free State Province benefits the least from direct tourist spending (2.0% of regional GDP).

### **2.3.2 The Indirect Contribution of Tourism**

The simulations produced output multipliers, which indicate the indirect impacts of tourist spending. The results also indicated which sectors of the economy benefit most from an increase in tourist expenditure. The results of the simulations are indicated in Table 2.11. From the Table it can be seen that the multiplier effect of foreign air tourists exceeds those of domestic tourists and foreign land tourists. A 10% increase in foreign air tourists also leads to a greater increase in output than a similar increase in domestic and foreign land tourists.

**INSERT TABLE 2.11 HERE**

The detailed results indicated that the sectors that benefit the most from tourist expenditure are the manufacturing, transport and communication, services and catering and accommodation sectors. Indirectly, the four main sectors that benefit the most from tourism are manufacturing, services, agriculture and trade (as indicated in Table 2.11). By using tourist spending, detailed information obtained from the results and the various multipliers as well as the sectoral distribution in South Africa (see Appendix 1), the indirect impact of tourist spending was calculated and apportioned to each province. The results of this calculation are indicated in Table 2.12.

**INSERT TABLE 2.12 HERE**

From Table 2.12 it can be seen that the economies of Gauteng (R12 885.7m), KwaZulu-Natal (R8 092.4m), Western Cape (R6 915.8m) and Eastern Cape (R3 450.1m) indirectly benefit the most from tourism. Tourism makes a significant indirect contribution to the economies of the following provinces: KwaZulu-Natal (5.3% of regional GDP), Western Cape (5.08% of regional GDP), Mpumalanga (4.7% of regional GDP) and the Free State (4.64% of regional GDP). Again the more rural and underdeveloped provinces, for example North West, Limpopo and the Northern Cape, benefit the least.

## **2.4 CONCLUSIONS AND RECOMMENDATIONS**

The main purpose of this paper was to determine the contribution of tourist spending to the regional GDP of the nine provinces of South Africa. While the research indicated that tourist spending (directly and indirectly) contributes approximately 8.77% to the GDP of South Africa, it also showed that the provinces that benefit the most from tourism are the Western Cape, Mpumalanga, the Eastern Cape and KwaZulu-Natal. Earlier research by Saayman, Saayman & Viviers (2002) also

identified KwaZulu-Natal, the Western Cape and Gauteng as provinces that indirectly benefit the most from tourism expenditure. Most of the tour operators as well as the main international airports are also based in these provinces, including Gauteng province. The latter is the engine room of the South African economy and most of the economic activity (33%) takes place in this province. For this reason the contribution of tourism is relatively small compared to other provinces although the indirect Rand revenue received by this province exceeds that of any other province. Hence, it can be concluded that all provinces do not benefit equally from tourism growth in South Africa. In fact, the provinces with the most developed tourism infrastructure benefit the most from tourism.

The findings of this research have serious policy implications for provincial governments:

- Firstly, if tourism is to be used as a vehicle for development to address developmental issues such as job creation, poverty alleviation and wealth creation, proper tourism infrastructure is essential. Since, indirectly, the less developed provinces are not the main beneficiaries of tourist spending, these provinces need to attract direct tourist spending in order to benefit from the spin-offs of tourism. As the case of South Africa and the analysis of the nine provinces clearly indicate, the provinces that are economically more developed benefit more from tourism (directly and indirectly).
- Secondly, mechanisms need to be found to limit leakage from provincial economies. This can be achieved by well-structured tourism structures (both governmental and non-governmental). Provinces need to provide as far as possible their own services, for example tour operators, instead of relying on a few major tour operators based in one or two provinces. This again places emphasis on the development of SMEs at a provincial level.
- Thirdly, provincial tourism authorities, especially in the most less developed provinces (Limpopo, Northern Cape, North West) have to repackage their products in order to focus their marketing on reaching specific target markets. This way these provinces should also start to reap the benefits of tourism.

## APPENDIX 1

### Sectoral distribution of output in South Africa:

	WC	EC	NC	FS	KN	NW	GP	MP	LIM
Agriculture, forestry & fishing	22.6	6.4	3.8	11.3	28.3	7.5	5.0	9.9	5.2
Mining & quarrying	0.4	0.1	5.7	8.4	2.8	35.7	5.3	20.7	20.9
Manufacturing	15.0	8.0	0.4	3.9	21.3	2.5	39.9	7.2	1.7
Water & Electricity	12.8	12.7	2.7	8.3	9.5	4.2	20.3	23.3	6.2
Construction	19.5	5.9	1.5	4.0	19.2	5.3	34.4	4.7	5.4
Trade, hotels & restaurants	14.9	10.2	1.8	4.9	15.5	6.1	34.4	5.5	6.8
Transport & communication	14.6	7.8	2.3	5.0	21.3	6.7	29.3	7.5	5.5
Finance, real estate, business services	20.4	8.1	2.0	5.1	13.3	4.8	36.6	4.1	5.7
Community, social & personal services	11.5	11.5	2.9	10.0	16.1	8.9	26.9	6.2	6.0
Government services	7.5	10.0	1.3	4.1	11.5	4.4	50.4	3.5	7.3
<b>Total</b>	<b>13.8</b>	<b>8.2</b>	<b>2.0</b>	<b>5.5</b>	<b>15.6</b>	<b>7.3</b>	<b>33.9</b>	<b>7.2</b>	<b>6.5</b>

**Table 2.7: Total spending by domestic tourists per province (R million)**

	<b>North West</b>	<b>Western Cape</b>	<b>Eastern Cape</b>	<b>Free State</b>	<b>Gauteng</b>	<b>KwaZulu- Natal</b>	<b>Mpumalanga</b>	<b>Northern Cape</b>	<b>Limpopo</b>
<b>Transport</b>	300.1	1208.3	893.3	224.4	937.6	1197.6	280.7	135.2	484.6
<b>Accommodation</b>	157.2	632.9	467.9	117.5	491.1	627.3	147.0	70.8	253.8
<b>Food</b>	171.5	690.4	510.4	128.2	535.9	684.4	160.4	77.3	276.9
<b>Entertainment</b>	57.2	230.1	170.1	42.7	178.6	228.1	53.5	25.8	92.3
<b>Gifts</b>	35.7	143.8	106.3	26.7	111.6	142.6	33.4	16.1	57.7
<b>Total</b>	<b>721.7</b>	<b>2 905.5</b>	<b>2 148.1</b>	<b>539.5</b>	<b>2 254.8</b>	<b>2 880.0</b>	<b>675.0</b>	<b>325.2</b>	<b>1 165.4</b>

**Table 2.8: Total spending by foreign land tourists per province (R million)**

	<b>Gauteng</b>	<b>Mpumalanga</b>	<b>Western Cape</b>	<b>KwaZulu- Natal</b>	<b>North West</b>	<b>Limpopo</b>	<b>Northern Cape</b>	<b>Eastern Cape</b>	<b>Free State</b>
<b>Accommodation</b>	1 350.2	375.1	225.0	262.5	150.0	75.0	75.0	37.5	75.0
<b>Transport</b>	254.7	707.5	42.5	49.5	28.3	14.2	14.2	7.1	14.2
<b>Food</b>	749.6	208.2	125.0	145.8	83.3	41.6	41.6	20.8	41.6
<b>Recreation</b>	287.8	80.0	48.0	56.0	32.0	16.0	16.0	8.0	16.0
<b>Shopping</b>	2 391.8	664.4	398.6	465.1	265.8	132.9	132.9	66.4	132.9
<b>Other</b>	619.2	172.0	103.2	120.4	68.8	34.4	34.4	17.2	34.4
<b>Medical</b>	124.2	34.5	20.7	24.2	13.8	6.9	6.9	3.5	6.9
<b>Total</b>	<b>5 777.5</b>	<b>2 161.7</b>	<b>963.0</b>	<b>1 123.5</b>	<b>642.0</b>	<b>321.0</b>	<b>321.0</b>	<b>160.5</b>	<b>321.0</b>

**Table 2.9: Total spending by foreign air tourists per province (R million)**

	<b>Gauteng</b>	<b>Mpumalanga</b>	<b>Western Cape</b>	<b>KwaZulu- Natal</b>	<b>North West</b>	<b>Limpopo</b>	<b>Northern Cape</b>	<b>Eastern Cape</b>	<b>Free State</b>
<b>Accommodation</b>	1 701.1	359.8	1 341.2	719.7	130.9	65.4	32.7	556.1	32.7
<b>Transport</b>	605.0	128.0	477.0	255.9	46.5	23.3	11.6	197.8	11.6
<b>Food</b>	1 099.9	232.7	867.2	465.3	84.6	42.3	21.2	359.6	21.2
<b>Recreation</b>	494.3	104.6	389.7	209.1	38.0	19.0	95.1	161.6	95.1
<b>Shopping</b>	1 596.7	337.8	1 258.9	675.5	122.8	61.4	30.7	522.0	30.7
<b>Other</b>	1 013.1	214.3	798.8	428.6	77.9	39.0	19.5	331.2	19.5
<b>Total</b>	<b>6 510.1</b>	<b>1 377.2</b>	<b>5 132.8</b>	<b>2 754.1</b>	<b>500.7</b>	<b>250.4</b>	<b>210.8</b>	<b>2 108.3</b>	<b>210.8</b>

**Table 2.10: Total direct contribution of tourist spending as a percentage of regional GDP**

<b>Gauteng</b>	<b>Mpumalanga</b>	<b>Western Cape</b>	<b>KwaZulu- Natal</b>	<b>North West</b>	<b>Limpopo</b>	<b>Northern Cape</b>	<b>Eastern Cape</b>	<b>Free State</b>	<b>Total economy</b>
4.36%	5.97%	6.62%	4.43%	2.58%	3.23%	4.38%	5.45%	2.0%	4.52%

**Table 2.11: Results of the simulations**

	<b>Output multiplier</b>	<b>Increase in output</b>	<b>Sectors that benefit in total</b>	<b>Sectors that benefit indirectly</b>
<b>Domestic tourism</b>	1.87	R200.050 Million	Manufacturing (34.4%) Transport & communication (25.58%) Services (12.61%) Catering & accommodation (12.37%)	Manufacturing (42.5%) Services (17%) Agriculture (16%) Trade (8.8%)
<b>Foreign land tourism</b>	1.94	R132.625 Million	Manufacturing (33.38%) Services (21.12%) Catering & accommodation (15.67%) Transport & communication (8.03%)	Manufacturing (39.9%) Services (21.4%) Agriculture (15%) Trade (8.1%)
<b>Foreign air tourism</b>	2.00	R264.226 Million	Manufacturing (31.06%) Services (26.71%) Catering & accommodation (14.5%) Transport & communication (9.92%)	Manufacturing (37.5%) Services (23.6%) Agriculture (13.5%) Trade (9.1%)

**Table 2.12: Indirect contribution of tourism as a percentage regional GDP and R million**

<b>Gauteng</b>	<b>Mpumalanga</b>	<b>Western Cape</b>	<b>KwaZulu -Natal</b>	<b>North West</b>	<b>Limpopo</b>	<b>Northern Cape</b>	<b>Eastern Cape</b>	<b>Free State</b>	<b>Total economy</b>
12 885.7	3 321.1	6 915.8	8 092.4	2 212.4	1 865.5	741.7	3 450.1	2 499.7	41 984.2
3.87%	4.7%	5.08%	5.3%	3.06%	2.93%	3.79%	4.26%	4.64%	4.27%

# 3

## **CHAPTER 3**

### **DEMAND AND SUPPLY**

### **ANALYSIS OF THE TOURISM**

### **INDUSTRY IN THE NORTH**

### **WEST PROVINCE**

#### **Abstract:**

Most of the research in the tourism industry focuses on tourism demand, while aspects of supply are neglected. As a result very little information is available about supply in tourism in South Africa. Absence of information, such as the number of tourism products, the number of people working within the tourism industry, the availability of beds and the variety of products, makes it especially difficult to plan tourism developments in order to stimulate growth. The reason for this is simply that an increased demand has an impact on the supply side in terms of a shortage of operational requirements, staffing, infrastructure and environmental and socio-cultural carrying capacity. The purpose of this article was to perform a demand and supply analysis of the tourism plant in the North West Province. A database of all tourism products was compiled. A total of 646 questionnaires were personally handed out by a research team and were completed by 401 owners or managers of facilities. The article highlights the major problems or gaps between demand and supply and identifies the policy implications that the province can use as guidelines to improve its current tourism position. This research is important, as it represents the first demand and supply analysis to be done in South Africa by means of this particular methodology. Secondly, certain gaps were identified which have implications for policy and need to be addressed. Thirdly, the research indicated that an integrated approach for tourism planning is essential since this analysis clearly showed that different aspects are involved here, for example infrastructure, marketing, investment and skills development.

**Key words:** Demand, Supply, Tourism, North West Province

# **Demand and supply analysis of the tourism industry in the North West Province**

## **3.1 INTRODUCTION AND PROBLEM STATEMENT**

Tourism is arguably the world's largest and fastest growing industry, accounting for 5.5% of the global Gross National Product and 6% of the employment world-wide (Glasson, Godfrey & Goodey, 1999). Tourism is usually promoted by a country for its ability to spread economic development and reduce inequalities in income distribution by providing employment to people in a particular geographical area (Pearce, 1988; Coccossis & Parpairis, 1995). Governments, particularly in the Third World, encourage tourism investment because of assumption that it will contribute to economic development of their countries (Hall, 1995). In developing countries, regions, towns and cities tourism is seen as a fast track to development. Governments therefore view tourism as a catalyst for national and regional development, bringing with it advantages such as employment, exchange earnings, balance of payments and important infrastructure developments which benefit locals and visitors alike (Glasson *et al.*, 1999).

In its simplest form the tourism system consists of an origin and a destination. On the one hand, an origin represents the demand side of tourism: the region or country generating the visitors. A destination, on the other hand, refers to the supply side of tourism, which may have certain attraction powers (Loannides & Debbage, 1998).

Sinclair & Stabler (1998) defines tourism supply as a composite product involving all transport, accommodation, catering, natural resources, entertainments and other tourism facilities and services within a specific geographical area. Tribe (1995) includes labour (skilled and unskilled) as an important aspect of tourism supply. He divides tourism supply into fixed and variable factors: fixed factors of supply are defined as those factors which cannot be easily varied in the short run, for example buildings like hotels, guesthouses and restaurants; whereas variable factors of supply can be changed in the short run and include aspects such as labour (skilled and unskilled).

Tourism demand may be defined as the number of persons who travel, or wish to travel, to use tourist facilities and services at places away from their places of work and residence (Page, 2003). In contrast, more economically focused definitions of demand are concerned primarily with the schedule of the amount of any product or service which people are willing and able to buy at each

specific price in a set of possible prices during a specified period of time (Cooper, Fletcher, Gilbert & Wanhill, 1993).

Tourism is traditionally conceived of in terms of the demand side or the consumer characteristics (tourist arrival figures) (Smith, 1996). Most tourism managers, marketers and public agencies use tourism demand as forecasts for tourism development and marketing plans (Frechtling, 2001). As a result of this, most tourism research focuses on tourism demand, while the supply side is neglected. In South Africa it is easy to access information on the demand side of tourism within each of the nine provinces because the arrival figures are freely available from Statistics South Africa (SAT, 2003) and from provincial tourism boards, for example the North West Parks and Tourism Board. However, there is very little information available on the supply side of tourism in the nine provinces. Absence of information such as the number of tourism products, the number of people working within the tourism industry, the availability of beds and the variety of products, makes it especially difficult to plan tourism developments in order to stimulate growth.

In general, the process of tourism development and the generation of money mark a continuing adjustment between supply and demand. Facilities, infrastructure and services aimed at tourists may be provided in response to a growing market demand (more tourists visiting a destination), but development may also be initiated to stimulate demand. Whatever the initial impetus, successful tourism development in the medium and long term necessitates a matching of supply and demand in terms of range, quality, quantity and price (Pearce, 1989). The reason for the latter is simply that an increased demand has an impact on the supply side in terms of a shortage of operational requirements, staffing, infrastructure and environmental and socio-cultural carrying capacity (Frechtling, 2001). These aspects are not always easy to supply in the short term, for example infra- and suprastructures.

Based on the above description of the problem, the purpose of this article is to do a demand and supply analysis of the tourism plant in the North West Province. To achieve this, the article has been organised in different sections, with section 3.2 offering an overview of the North West Province, section 3.3 discussing the research methodology, section 3.4 discussing the results and section 3.5 presenting the main findings (the gap between demand and supply). Conclusions and recommendations on possible policy implications are made in section 3.6.

### 3.2 OVERVIEW OF THE PROVINCE

The North West Province is a predominately rural province and offers a wide variety of tourist attractions, ranging from conservation (Pilanesberg National Park) and culture to geology, history and a world-renowned theme park (Sun City) (Everest & Murray, 1993; SA Yearbook, 1998:14; Nortje, 1999) (see Map 2). North West covers an area of 116 320 km<sup>2</sup>, representing 9,5% of the total surface area of South Africa. Only three provinces (KwaZulu-Natal, Mpumalanga and Gauteng) cover a smaller area (see Map 3). The population density is 29 people per km<sup>2</sup>, which is slightly less than the average of 34 per km<sup>2</sup> for the country in general. Mining and quarrying are the most important economic sectors of this province (Saayman, Saayman & Rhodes, 2001). This inland province's unemployment rate is 43,5%, 75% of the people live in rural areas, and its contribution to the economy of South Africa is approximately 7,3% (Stats SA, 2002). The tourism sector falls under the four most important economic sectors within this province (Anon, 2002).



**Map 2: North West Province**



**Map 3: Map of South Africa**

### 3.3 METHOD OF RESEARCH

This study made use of primary and secondary data. After an initial inventory of tourism-related businesses, surveys were undertaken of businesses (supply side) in June 2002/3. The surveys involved a variety of questions about the number of tourism products, the number of beds, conference facilities and employment within the tourism industry (plant) in the North West Province.

A database of all tourism products were compiled by the Institute for Tourism and Leisure Studies with the help of the North West Parks and Tourism Board as well as telephone directories. These products included all direct tourism products, for example accommodation establishments, game farms, tour operators, game reserves, cultural centres, information centres and restaurants

(excluding restaurants in towns that serve predominantly local people). A total of 646 questionnaires were personally handed out by a research team and 401 were completed by the owners or managers of the facilities. E-mails and faxes were used to deliver the questionnaire to those products which were inaccessible to the researcher. Some establishments did not co-operate and were unwilling to complete the questionnaire. From the survey a report was published containing the results.

The tourism arrivals figures used in this article were gathered from two reports, namely the South African 2003 Annual Tourism Report (SAT, 2003) and the North West Parks & Tourism Board Database (NWPTB, 2004). The North West Province was chosen because the researchers were familiar with the province and because the province has improved its market share over the past five years in terms of tourist arrivals. In addition, the province has implemented a marketing plan in 1999 and it was the first province to implement a Tourism Master Plan in 1998 in order to stimulate tourism growth. North West Parks and Tourism Board also strives to make the North West Province one of the four most popular tourism destinations in South Africa (Master Plan, 1998). To obtain this goal it is important that demand and supply must be analysed and compared, so as to identify possible strategies for development and growth.

### **3.4 RESULTS**

The results will be presented by firstly discussing the tourism demand within the North West Province. The article will look at the arrival figures, to estimate how many people visit the province. It is also important to look at the main domestic and international target markets of the province, to determine where the most tourists (biggest demand) are situated. Secondly, the supply analysis will be discussed. This analysis will focus on the number of tourism products within the province, the number of people employed and the total number of beds that the province supplies for tourists.

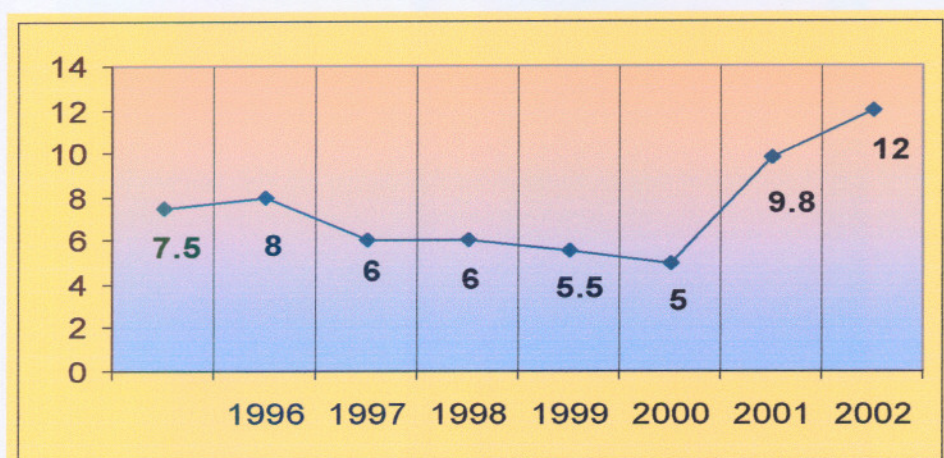
#### **3.4.1 International demand analysis**

The demand side is divided into international and domestic travel patterns. Firstly, the international arrivals will be discussed.

##### **3.4.1.1 International share**

Since 1994 tourist arrivals to South Africa have increased significantly. It is of paramount importance to maintain a sustainable growth rate in this respect, for this will ensure sustainable employment (Uys, 2003). Growth of South Africa as a tourist destination also implies growth to

North West. Hence, the province is very dependent on national marketing policies and efforts. North West has done particularly well in increasing its market share of international tourists, from 5% (289 369 visitors) in 2001 to 12% (780586 visitors) in 2003. Figure 3.1 shows a clear increase in the international tourism demand from 2001 to 2003. This has a significant economic impact because more visitors imply more revenue for the province (Saayman & Saayman, 2004).



**Figure 3.1: Percentage share of North West Province**

Source: (SAT, 2003)

**Table 3.1: North West's market share**

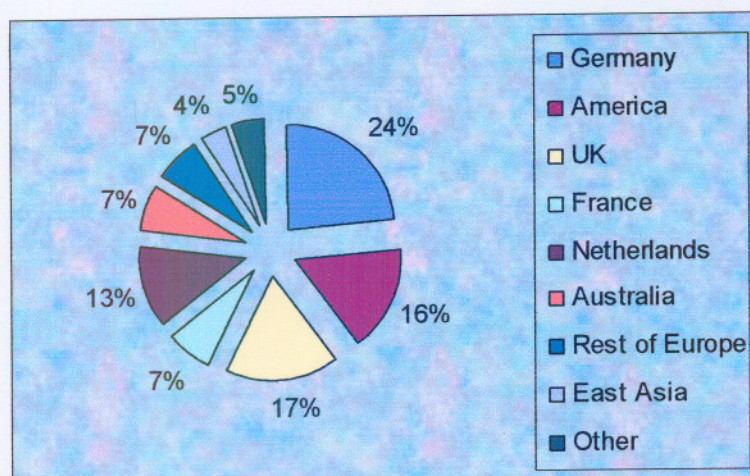
Year	International Visitor Arrivals to SA	Percentage share of the North West Province	Actual Number(s)
2003	6,504,890	12	780 586
2002	6,429,583,	9.8	627 200
2001	5,787,370	5	289 369
2000	5,872,248	5.5	322 974
1999	5,890,507	6	353 430
1998	5,732,039	6	343 922
1997	4,976,349	8	398 108
1996	4,944,430	7.5	370 832

Source: (SAT, 2003)

#### 3.4.1.2 International target markets

The main international target markets of the North West Province, in order of preference, are Germany (24%), the UK (17%) and America (16%). The Netherlands (13%), France, Australia and

the rest of Europe generate 7% of international tourists. These statistics are also supported by the fact that most tourists to South Africa are from the UK, Germany, the USA and the Netherlands (SAT, 2003). It is therefore a good reflection of national trends. Tourists who fall in the other 5% are mostly from Botswana (Figure 3.2).

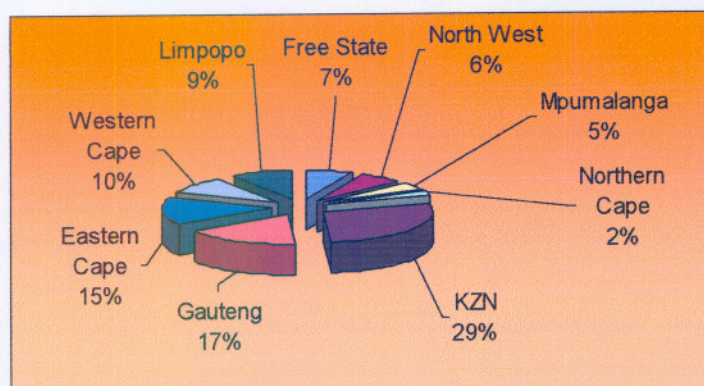


**Figure 3.2: International target markets**

### 3.4.2 Domestic demand analysis

#### 3.4.2.1 Provincial share of domestic market

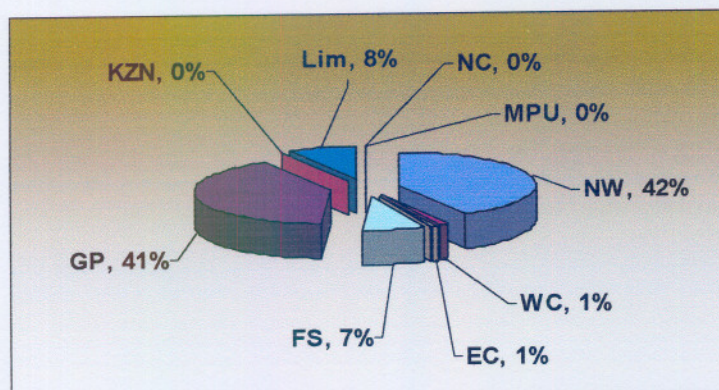
The North West's 6% market share makes this province the 7<sup>th</sup> most visited province by domestic tourists in South Africa (Figure 3.3). This is an indication that the province is not doing very well compared to other provinces. Domestic tourism is the foundation of the tourism industry, and therefore the emphasis should be on increasing the domestic market (Saayman *et al.*, 2001).



**Figure 3.3: Provincial percentage share of the domestic market**

**Source: (SAT, 2003)**

### 3.4.2.2 North West Province Domestic Source Markets

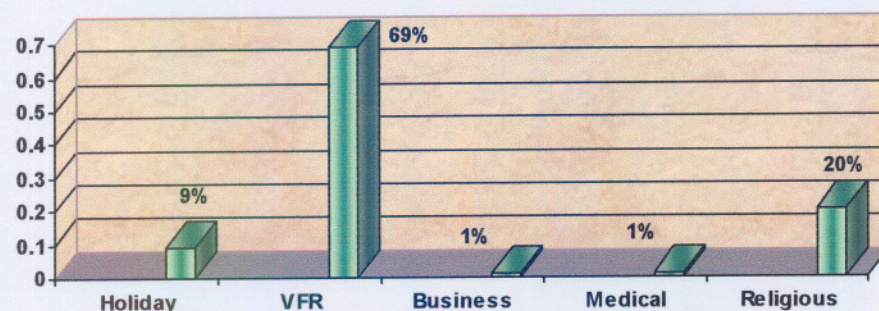


**Figure 3.4: North West province's domestic source markets**

**Source: (SAT, 2003)**

Most of the tourists who make use of tourism products in North West are from the province itself (42%) followed by Gauteng (41%). Tourist figures from other provinces are very low (Figure 3.4). Considering the geographical location of the province, North West should be expected to do better, because it borders on Gauteng, which is described as the industrial and financial centre of South Africa (Stats SA, 2002). These results suggest that the North West Province must improve its marketing in the bordering provinces in particular (Limpopo, Northern Cape, Gauteng and the Free State).

### 3.4.2.3 Purpose of visit



**Figure 3.5: Purpose of visits**

**Source: (SAT, 2003)**

Figure 3.5 indicates the main reasons why tourists visit the province. The majority visit friends and relatives (69%), followed by religious reasons (20%). Only 9% visit the province with holiday as the main purpose. The province needs to increase this percentage to increase the domestic demand

and the economic impact of tourism within the province. According to Stats SA (2002) a tourism region needs to attract more “holiday tourists” because this group of tourists spends the most money. KwaZulu-Natal and the Western Cape receive the biggest domestic tourism income and also receive significant numbers of “holiday tourists” (SAT, 2003). The main reason why “holiday tourists” visit a specific region is to see and experience attractions (Saayman, 2000). More attractions may therefore also contribute to an increased demand in the province.

### **3.4.3 Supply side**

Any tourism purchasing decision depends on the provision of a service by a business or organisation to meet the visitors’ needs or demands. This provision is known as tourism supply. Page (2003) identifies five basic questions that need to be answered in any analysis of tourism supply within a certain region:

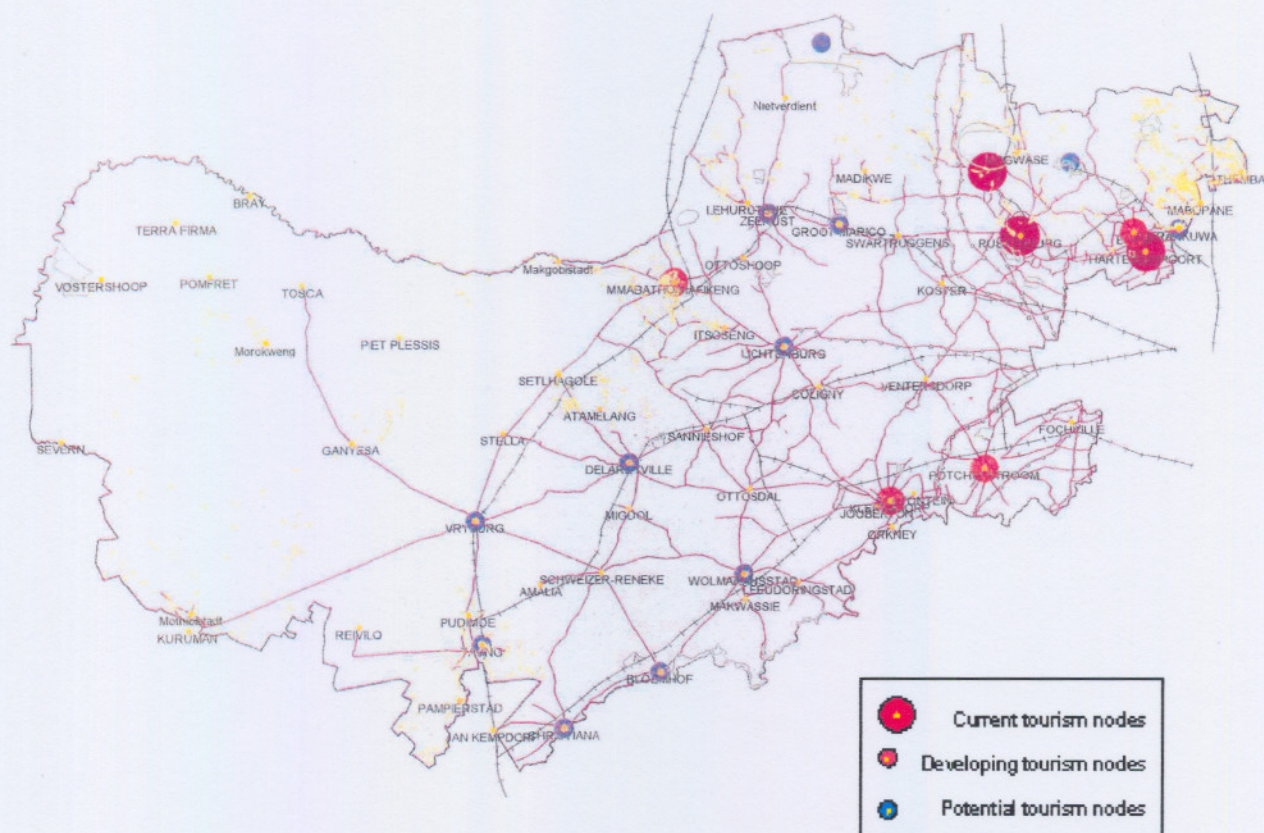
- What types of products are available for the tourists within the region?
- How many accommodation facilities are available within the region?
- What is the bed occupancy rate within the region?
- What is the number of trained staff available to serve the tourists within the region?
- What is the condition of general and tourism infrastructure within the region?

#### **3.4.3.1 Tourism businesses**

In 2002 there were 646 direct tourism products within the North West Province. According to Table 3.2 most of the products in the Province are guesthouses (26%) and bed & breakfast establishments (17%) (totalling 43%), followed by lodges (10%). The restaurants indicated in Table 3.2 exclude city or town restaurants whose primary target market is locals. Most of the tourism products within the province are accommodation facilities. The province needs to supply more attractions in order to attract more visitors. Attractions and activities are fundamental elements of any tourist’s itinerary, and in some cases the attraction, event or activity may be the main reason for the visit (Page, 2003). Swarbrooke (2001) notes that successful attractions are vital for a healthy tourism sector, so that visitors have sufficient scope to undertake visits and spending during their stay. He also comments that the visitor attraction product is now usually viewed as an experience (Swarbrooke, 2002).

A lack of information centres was identified within the province. This is a problem, as the best way to create a bigger demand is to inform tourists of activities and attractions in the province (Saayman, 2001). It must be remembered that most domestic tourists visiting the province are from

the province itself. Furthermore, the province also needs to supply more trained tourist guides (0.9%) and tour operators (8%) – by doing this the province will also decrease the leakages of money flowing out of the province. Another important fact is that geographically the largest percentage of tourism products within the North West Province is situated in the Rustenburg, Hartebeespoort, Brits/ Ga-Rankuwa area, followed by the Potchefstroom and Klerksdorp area (Master Plan, 1998) (Map 4). It is also in these specific regions where the most beds within the province are located (Map 4). Attractions in the province are therefore not equally distributed. Although this in itself is not a problem, it is of concern that most of the development is taking place in a very small area in the province, as may be deduced from the map. Contrary to this situation, the Master Plan clearly states that it is important to distribute the attractions across the province so that all the regions within the province can benefit economically from tourism. Such a strategy will combat unemployment and contribute to growth and development of rural areas in particular.



**Map 4: Geographical distribution of tourism attractions in the North West Province**

**Source: (Master Plan, 1998)**

**Table 3.2: Type of business**

Type	Percentage
Guesthouses	26%
Bed & Breakfasts	17 %
Hotels	6%
Game Farms	6%
Health Resorts	0.9%
Adventure Resorts and Holiday resorts	9%
Caravan Parks	4%
Game reserves	3%
Conferences	6%
Tour guides	0.9%
Travel agents	0.9%
Lodges	10%
Tour operators	8%
Information centres	0,3%
Wedding facilities	0,3%
Campsites	0,6%
Restaurants	0,3%
Casinos	0,4%
Cultural Villages	0,4%
<b>Total</b>	<b>100%</b>

### 3.4.3.2 Beds per category

**Table 3.3: Beds per category & Bed occupancy per establishment**

Establishment	Beds per category		Bed occupancy per establishment		
	Total beds	%	In season	Out of season	Average
Bed & Breakfasts	846	4%	71%	55%	63%
Guesthouses	1 421	7%	72%	55%	64%
Hotels & Motels	9 699	49%	72%	58%	65%
Game farms	640	3%	63%	41%	52%
Adventure & Holiday Resorts	4 000	18%	66%	43%	54%
Game Reserves	520	3%	66%	47%	57%
Lodges	2 940	15%	73%	51%	62%
Other	222	1%			
<b>Total beds</b>	<b>20 288</b>	<b>100%</b>			
<b>Total Conference capacity</b>	<b>26 258</b>				

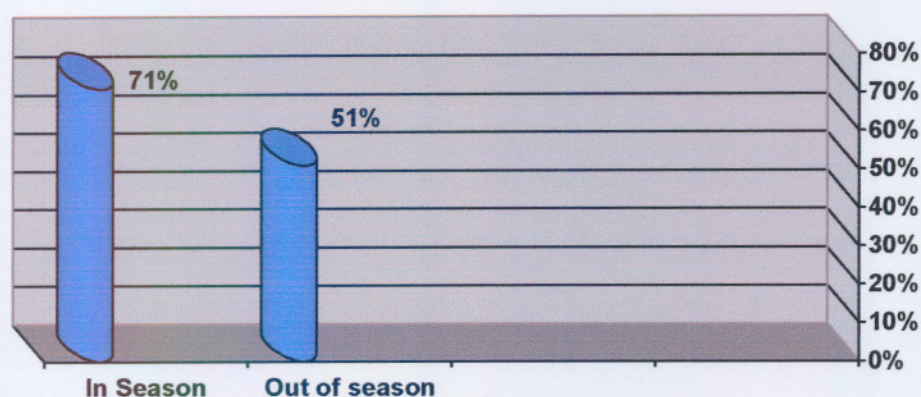
According to Table 3.3, hotels (49%) represent the establishments with the most beds in the North West. This is followed by resorts (18%) and lodges (15%). Even though bed and breakfast and guesthouse establishments show the highest distribution in the province (65%) they contribute only 11% to the number of available beds. This is an indication that large establishments have a greater economic impact because they can attract and accommodate more tourists, and they also employ more workers (Pearce, 1995).

Hotels (65%), followed by guesthouses (64%) and bed and breakfast establishments (63%), have the highest bed occupancy rate in the province. Game farms (52%) have the lowest bed occupancy rate. Saayman and Van der Merwe (2002) concludes that this could be because game farms base their activities mainly on hunting, which normally takes place in the hunting season (May to August) (Table 3.3). The province can increase this bed occupancy rate by focusing more on domestic marketing and weekend breakaways.

There are 26 258 conference seats available in the province, which is less than the number of beds. This implies that certain conference facilities can only accommodate day visitors. The average expenditure per tourist will increase when his/her duration of stay increases (Saayman, 2000 and Page, 2003).

#### **3.4.3.3 Bed occupancy**

Figure 3.6 indicates that the in-season bed occupancy is 71%, while the out of season percentage is 51%. These percentages compare very well with those of the rest of the country, and in some cases it is even higher than the rest of the country, which shows an average of between 40% and 62% per year (Stats SA, 2002). The province needs to supply attractions and events that tourists can visit throughout the year, so as to decrease seasonality (Uys, 2003). The out of season bed occupancy can be increased by marketing more weekend breakaways as well as by making use of events (Saayman *et al.*, 2002).



**Figure 3.6: Bed occupancy**

#### **3.4.3.4 Workers employed**

Table 3.4 shows that 42 124 workers are employed in the tourism industry in the province. The categories where most people are employed include cleaning staff (22,88%), gardeners (10,51%), managers (7,65%), owners (7,65%), waiters (6,45%) and technical staff (5,36%).

Most of the people working in the tourism industry are unskilled. These results correlate well with other studies that were done previously (Van der Merwe, 2000; Geldenhuys, 2000). Unfortunately, poor service can be a result of untrained and inexperienced staff and this can have a negative influence on demand, because a tourist who receives bad service usually does not return to the destination (Riley, Ladkin & Szivas, 2002). Cooper, Fletcher, Gilbert & Wanhill (1998) indicated that the challenges facing the tourism industry will only be met successfully by a well-educated, well-trained, bright, energetic, multilingual and entrepreneurial workforce who understands the nature of tourism and has a professional training. A high quality of professional human resources in tourism will allow enterprises to gain a competitive edge and deliver added value with their service and at the end of the day to satisfy the tourists' demands. Employees in low-skilled jobs find it difficult to improve their positions. Geldenhuys (2000) points out that their career path is very limited; hence training of staff becomes paramount.

**Table 3.4: Number of people employed**

	Percentage	Amount	Percentage formal training	Percentage no training
<b>Catering</b>	5,15%	<b>2169</b>	18%	82%
<b>Chefs</b>	4,48%	<b>1887</b>	51%	49%
<b>Waiters</b>	6,45%	<b>2717</b>	12%	88%
<b>Bartenders</b>	3,19%	<b>1344</b>	12%	88%
<b>Cleaning</b>	22,88%	<b>9638</b>	7%	93%
<b>Gardeners</b>	10,51%	<b>4427</b>	3%	97%
<b>Security</b>	3,78%	<b>1592</b>	22%	78%
<b>Technical</b>	5,36%	<b>2258</b>	17%	83%
<b>Porters</b>	0,42%	<b>177</b>	0%	100%
<b>Drivers</b>	1,31%	<b>552</b>	44%	56%
<b>Reception</b>	4,25%	<b>1790</b>	41%	59%
<b>Administration</b>	4,30%	<b>1811</b>	66%	34%
<b>Managers</b>	7,65%	<b>3223</b>	55%	45%
<b>Hunters</b>	0,42%	<b>177</b>	100%	0%
<b>Trackers</b>	1,02%	<b>430</b>	15%	85%
<b>Rangers</b>	3,19%	<b>1344</b>	30%	70%
<b>Field guides</b>	1,23%	<b>518</b>	66%	34%
<b>Tour guides</b>	0,15%	<b>63</b>	75%	25%
<b>Travel Agents</b>	0,13%	<b>55</b>	71%	29%
<b>Owners</b>	7,65%	<b>3223</b>	41%	59%
<b>Conferences</b>	0,65%	<b>274</b>	59%	41%
<b>Marketing</b>	1,29%	<b>543</b>	78%	22%
<b>Casinos</b>	1,66%	<b>699</b>	20%	80%
<b>Other</b>	2,88%	<b>1213</b>	40%	60%
<b>Total</b>	<b>100%</b>	<b>42124</b>	<b>39%</b>	<b>61%</b>

#### 3.4.3.5 Rating of tourism supply aspects

Respondents were also asked to rate the aspects listed in Table 3.5 and the results are as follows:

**Table 3.5: Rating of tourism supply aspects**

	Very Bad	Bad	Good	Very Good	Excellent
Infrastructure	32%	18%	39%	9%	2%
Road signs	14%	21%	41%	20%	4%
Info-centre	39%	23%	25%	10%	3%
Safety	15%	17%	41%	22%	5%
Customer service	21%	19%	39%	15%	6%

The province needs to upgrade its infrastructure (50% bad to very bad) and road signs (35% bad to very bad). A lack of information centres and the dissemination of information (62% bad to very bad) are a serious problem. To create a bigger tourism demand, it is essential to supply more information to tourists. Customer services also need attention (40% bad to very bad), because these have a significant impact on tourism demand. Safety is rated as good.

### **3.5 Findings (Gaps between demand and supply)**

Based on the results the following gaps between demand and supply were identified:

#### **Gap 1:**

The supply side does not offer a variety of attractions which tourists may see and experience (Table 3.2). The bulk of tourism products are accommodation related. The province needs to develop more attractions and to host events. Investing in larger and more unique establishments and attractions can help to stimulate demand.

#### **Gap 2:**

Geographically the attractions (supply) within the North West Province are not equally distributed. Tourism attractions need to be distributed across the province so that all the regions can benefit economically from tourism. Most of the products and accommodation may be found in the eastern regions of the province.

#### **Gap 3:**

The province is not faring well with regard to the dissemination of information. Seeing that most domestic tourists are from North West itself, information centres may create a bigger demand.

#### **Gap 4:**

On the supply side it has been found that most of the staff are not trained at all. Most staff are also in low-paid jobs with little potential to develop their career. Training will help with quality assurance as well.

#### **Gap 5:**

The number of beds (supply) should at least match the number of conference seats (demand for conferences) in order to benefit from conferences, because the longer tourists stay, the more money they spend and the greater the economic impact will be.

**Gap 6:**

Infrastructure and road signs are weak links on the supply side of the tourism industry in the North West Province. The province needs to upgrade roads and signs, so as to make the province more accessible to visitors.

**Gap 7:**

The province also needs more tourist guides and tour operators in order to capitalise on the growing demand, especially by foreign tourists. This will also help to keep more money in the provincial economy.

### **3.6 CONCLUSIONS AND RECOMMENDATIONS**

The article highlighted the major problems or gaps between demand and supply and identified the policy implications that the province can use as guidelines to improve its current tourism position. The contribution of this research is that it has been the first time that a demand and supply analysis was done in South Africa by means of this methodology. Secondly, gaps which have certain implications for policy were identified and need to be addressed. Thirdly, the research indicated that an integrated approach for tourism planning is essential since this analysis clearly showed that there are many aspects involved here, for example infrastructure, marketing, investment and skills development. The following specific recommendations are made:

- **INVESTMENT**

The investment policy should firstly concentrate on attracting investors to invest in products such as hotels, shopping malls and entertainment centres. Secondly, the focus should be on major developments, which will not only create jobs but also create a greater demand.

- **MARKETING**

The marketing policy must firstly address the increase of the domestic market, especially with regard to interprovincial travel. Secondly, the issues of seasonality should be addressed by means of hosting events. Thirdly, packaging of programmes and products should target a greater variety of market segments.

- **TRAINING AND HUMAN SKILLS**

The policy on training should not only focus on new entrants to the industry but should also aim to increase the number of tourist guides and tour operators. This policy should address the lack of career paths of people in the tourism industry as well.

- **INFRASTRUCTURE**

The tourism policy should also address greater accessibility and should for example ensure the availability of clear directions (maps), information signs and a sufficient number of information centres.

Finally, it is recommended that similar research should also be conducted in the other provinces of South Africa. More research should also be conducted on different methods of determining a demand and supply analysis.

# 4

## **CHAPTER 4**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **4.1 INTRODUCTION**

The main aim of this study was to estimate the contribution that tourist spending makes to selected provinces of South Africa. Achieving this goal relied on the following objectives:

- To determine the GDP within each of the nine provinces of South Africa. This goal was achieved in Chapter 2 (Article 1).
- To establish whether the economic impact of tourist spending is alike within the nine provinces of South Africa, and to determine whether the indirect effects of tourist spending lead to some provinces benefiting more from tourism than other provinces. Chapter 2 (Article 1) addressed this problem and the research clearly indicated that provinces that are economically more developed benefit more from tourism (directly and indirectly).
- To do a tourism demand and supply analysis of the tourism plant in the North West Province. This analysis was done in Chapter 3 (Article 2). Tourism demand and supply were discussed separately and then compared with each other in order to achieve the above-mentioned goal.
- To identify possible gaps between the tourism demand and supply within the North West Province. Chapter 3 (Article 2) clearly identified these gaps.
- To make recommendations for policy implications so that a balance can be achieved between demand and supply within the North West Province. These policy recommendations are indicated in Chapter 3 (Article 2).

The aim of this chapter is to draw conclusions and make recommendations as well as to identify aspects for future research.

## 4.2 CONCLUSIONS

The conclusions will be discussed with regard to the literature review and the surveys, as reported in the two articles.

### 4.2.1 Conclusions with regard to the literature review

- **Tourism can contribute to economic upliftment** in areas where the necessary attractions, amenities and infrastructure exist and are organised in such a manner that they benefit locals. It should also be mentioned that the local community's involvement and willingness to improve their current situation, is of the essence. Members of the community, developers as well as governmental authorities must all take responsibility in improving the economical situation of their province.
- **Leakages flowing from the host community (province) should be reduced to the full extent so that wealth can be generated and jobs can be created.** Van Heerden (2003) also states that there are certain tourism strategies that can be used to minimise the leakages and increase the benefits of tourism within provinces.
- **Tourism generates tremendous job opportunities and employment.** Article 2 indicates that tourism can help decrease the high unemployment rate, especially within rural provinces of South Africa. However, the problems existing within most tourism jobs are firstly, seasonality, and secondly, the extensiveness of low paying jobs and its lack of potential to grow one's career within the tourism industry. These results correlate well with other studies that were completed previously (Geldenhuys, 2000).
- **Tourism plays an important role in the economic development of provinces and local communities.** This is particularly true with regard to geographic distribution of benefits, jobs per unit of investment, links with other sectors of the local economy and promotion of local entrepreneurship such as arts and crafts. A practical example of this is the Kruger National Park in Mpumalanga. It is a large tourism attraction that employs in excess of 2000 workers. It also contributes to the development of other entrepreneurial opportunities in and around the park, for example arts and craft stands, souvenir shops and tour operating businesses, to name but a few. Rural provinces are dependent on developments such as these in order to maximise their economic impact (Myburgh & Saayman, 1999).

- **Demand and supply need to be balanced as far as possible.** Article 2 clearly demonstrates that if demand increases, it has an impact on the supply of certain resources. This results in a shortage of operational requirements, staffing, infrastructure, environmental and socio-cultural carrying capacity. It is important to research the specific demands of tourists, and in doing so one can plan the supply of resources according to these needs. There must be a system in place that can measure demand and supply consistently. This can assist tourism planning in being more effective in the future and will narrow the gap between tourism demand and supply.
  
- **Highly maintained and quality professional human resources (trained employees with the right skills) within a tourism business will allow businesses to gain a competitive edge.** This results in satisfying tourist demand. An example of this would be the following: tourists have a certain expectation with regard to the level of service when visiting a five star graded hotel or elite restaurant. When the expected level of service is not experienced, whether it is as a result of poorly trained staff members or of them being insufficiently skilled, the tourist demand for visiting the facility will most probably decrease and the business loses clientele.
  
- **An integrated approach to tourism planning is essential** and can lead to sustainability. The analysis clearly indicated that many aspects are involved. These include infrastructure, marketing, investment and skills development.

#### **4.2.2 Conclusions with regard to the surveys**

- Tourist spending (directly and indirectly) contributes approximately 8.77% to the GDP of South Africa.
  
- Provinces of South Africa that benefit most from tourism are the Western Cape, Mpumalanga, the Eastern Cape and KwaZulu-Natal. Earlier research by Saayman *et al.* (2001) also identified KwaZulu-Natal, the Western Cape and Gauteng as provinces that indirectly benefit most from tourism expenditure.
  
- Not all provinces benefit equally from tourism growth in South Africa. In fact, the provinces with the most developed tourism infrastructure benefit most from tourism. Gauteng, the Western Cape and KwaZulu-Natal are excellent examples with regard to this. The provinces

have well developed roads, airports, harbours, hotels etcetera. These aspects all assist in the process of attracting tourists.

- Most people working in the tourism industry within the areas of the North West Province are not trained and work in low paid jobs. These jobs also have little potential to grow personal careers. Only 39% of the tourism staff is formally trained. This is a tremendous cause for concern.
- Most of the domestic tourists visiting the North West Province are from the province itself and their main reasons for visiting the province is to see friends and relatives.
- Most tourists visiting South Africa come from Germany, the UK (United Kingdom), America and the Netherlands (Stats SA, 2002). The research results indicated that these markets are also the main international target markets of the North West Province.
- According to Article 2, most of the tourism products within the North West Province are guesthouses and Bed & Breakfast establishments. There is a demand for more attractions and entertainment facilities within the North West Province. With reference to the above one can identify a huge gap between demand and supply. The bed occupancy rates also indicate that there are too many beds available and too few tourists to make use of them.
- Tourism attractions within the tourism plant of the North West Province are geographically not equally distributed. According to Article 2, most of the development is taking place in a very small area in the North West Province. It is important that tourism development takes place across the entire province in order to develop tourism and maximise the socio-economic impact, taking into consideration that not all areas can become tourism hubs.
- There are 20 288 beds as well as 26 258 conference seats available in the province, most of which are located in the Rustenburg area.
- The North West Province employs 42 124 people within the tourism sector.
- The bed occupancy level in the North West Province is 71% during seasonal periods and 51% during off-peak periods. Compared to the national average of 56% the North West Province is doing well, but it can still be improved upon. Strategies need to be developed to

combat seasonality in order to prevent tourism businesses from closing down and thereby preventing individuals from losing their jobs.

- The North West Province as well as many of the other provinces within South Africa have a problem with regard to the infrastructure, road signs and information centres that are not up to standard. This needs to be attended to, since better roads, signage and information can motivate people to travel and to spend more money.

### 4.3 RECOMMENDATIONS

Based on the conclusions above, the following recommendations can be made:

- **Tourism infrastructure is essential.** Since, indirectly, the less developed provinces are not the main beneficiaries of tourist spending, these provinces need to attract direct tourist spending in order to benefit from the spin-offs of tourism. As it is clearly indicated in the economic impact analysis of the nine South African provinces, those that are economically more developed benefit more from tourism (directly and indirectly).
- **Limit leakages from provincial economies.** This can be achieved by well-developed tourism structures (both governmental and non-governmental). Provinces need to provide their own services as far as possible, for example tour operators, instead of relying only on a few major tour operators based in one or two provinces. This again places emphasis on the development of SMMEs at a provincial level. Product owners should be motivated to buy local products. This will also improve the contribution of tourism to the GDP. Governmental policies should exist pertaining to the use of local services instead of out-sourcing.
- **Rural provinces need to attract investors.** Investing in products such as entertainment centres, hotels and shopping malls will help to attract more tourists to developing provinces. Secondly, the focus should be on major developments. These developments will not only create jobs but will also generate a greater tourist demand in visiting a specific destination. Large hotel complexes with casino's or other supporting entertainment facilities like game drives or golf courses will increase the demand to visit the province. Organising major events such as the arts, sports and religious festivals will also assist in attracting more tourists to the province.

- **Attractions in the North West Province are not equally distributed.** Investors must be motivated to invest and develop tourism products in areas where there are very few tourism attractions. Such a strategy will combat unemployment and contribute to the growth and development of rural areas in particular. It is important to analyse under-developed areas in the province in order to discover the existing tourism potential thereof.
- **Repackaging is essential.** Provincial tourism authorities, especially in the most rural provinces (Limpopo, Northern Cape, North West) have to repackage their products. When doing this, the marketing must be focussed on specific target markets. In this way the provinces should reap the benefits of tourism. The research indicated that many tourism markets still exist that are currently under-developed, for example ecotourism (including hunting), weddings, health resorts and conference markets. Product owners can also position their products within tourism rambles and routes, which will ensure that tourists visit more products during their stay.
- **The issues of seasonality should be addressed.** The negative impact of seasonality can be minimised by means of hosting events and offering specials on weekend breakaways.
- **The marketing policy must address growth of the domestic market** especially with regard to inter-provincial travel. More information on tourism activities taking place within the provinces need to be supplied to domestic tourists. Domestic travellers' special needs and demands must be researched in order to supply the right tourism products. More local advertising on billboards, newspapers and regional radio stations can create a stronger demand. Special prices can be offered for local residents, which can assist in attracting more locals to tourism products.
- **The policy on training should be addressed.** This is important, not only for new entrants to the industry, but also for the growth in tourist guide and tour operator numbers. This policy should also address the lack of career path options for people in the tourism industry. Too few people are formally trained and this could have serious implications for the level of services in the North West Province. Training institutions should therefore be made aware of the gaps that currently exist. Training courses on tourism management, event organising, quality service and tourism marketing needs to be conducted within the province. Product owners should realise the importance of both formal and in-house training. Government funded training programmes on the development of tourism SMMEs is also essential.

- **Information centres need to be empowered.** Currently staff members, especially within rural provinces, are not familiar with the products in their areas and the information available is limited. It should be policy that the personnel of these centres visit new products and know where they are situated. These staff members may be a valuable asset when aiming at maintaining an accurate database. A shortage of technological resources is a prominent problem currently existing in tourism information centres mostly situated in rural provinces. Information centres need phones, computers, printers and fax machines in order to be able to operate. Provincial or local governments need to supply these resources because tourists receiving more information on tourism products ensure a greater possibility that they will visit these places more often and spend more money. The operating hours of tourism information centres also need to be reviewed. The ideal is to supply a 24 hour tourism information service. Such a service can stimulate demand and employ more local people.
- **Tourism policy should also address easier accessibility.** Clear directions (maps) and information signs must be provided to make provinces more accessible to tourists.

#### **4.4. RECOMMENDATIONS WITH REGARD TO FURTHER RESEARCH**

Based on this research, the following questions need to be further researched:

- How can tourism infra- and supra-structure within provinces of South Africa be sustainably developed? Throughout this study, it was clear that provinces need sufficient and adequate infrastructure and supra-structure to be developed in such a way that communities and tourists can benefit from it, not only during holidays but throughout the year.
- How can tourist spending within each of the provinces of South Africa be maximised? There still is a lack of research on how South African provinces can and should benefit fully from tourism. The research can reveal strategies to be implemented for provinces to benefit economically from tourists, especially in off-peak seasons.
- How effective are current tourism policies within the nine provinces of South Africa? Which specific gaps within these tourism policies can be identified and how can they be improved upon so as to insure that the provinces reach their full tourism potential?

- What is the current situation concerning demand and supply in the remaining eight provinces of South Africa? It is important that tourism demand and supply analyses be done on all nine provinces. This research can improve effective and sustainable tourism planning for the future.
- What methodology can be used in analysing tourism demand and supply on a regular basis that is not too expensive or time consuming? It is important to put a system in place to make it easier to attain information on tourism demand and supply issues on a regular basis. This can make provincial tourism planning more effective and sustainable.

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