

A risk management model for the tourism industry in South Africa

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SUMMARY

The primary objective of this research was to develop 'A Risk Management Model for the Tourism Industry in South Africa', when viewed from a business perspective. To achieve this objective, a number of secondary objectives were established, these being:

- 1 To explore relevant existing theories and models related to risk and risk management within tourism businesses and the tourism industry in general
- 2 To analyse domestic and international risks associated with the domestic tourism industry
- 3 To conduct a survey to determine those risks that should, from a manager's (supply side) perspective, form part of the model
- 4 To draw conclusions from the empirical analysis for the inclusion of risks in the risk management model and to make recommendations as to how the risk management model can be implemented by role players of the tourism industry

Risk is inherent in every sphere of life and, no matter the size of the risk, it will have a detrimental effect and cause damage in some way. This study examines the steps that the industry has taken regarding actions necessary to prevent or limit risks. Since the advent of universal suffrage in 1994, South Africa has attracted significantly more visitors to the country's shores. With an increase in tourism traffic, there is always an increase in risk. Additionally, the literature review indicated not only an increase in the frequency of risks, but that no well-accepted risk management model exists within the industry.

The study investigated both domestic and international risks and their effects on the industry from a business perspective. The categories of risk include, but were not limited to, natural risks, crime, health and safety, political factors, economic risks, technological risks and socio-demographic risks.

A literature study into the existence of a suitable risk management model for the tourism industry (Chapter 2) revealed that, although a number of models existed, there were none specifically for the tourism industry. This emphasised a need in the tourism industry, which was subsequently confirmed by further literature study into

the risks that can be associated with the tourism industry (Chapters 3, 4 and 5). To assist with the construction of an appropriate risk management model, a number of risk management models from other industries and disciplines were examined to obtain a structure that could be useful to the tourism industry.

Further literature study revealed that, even though mentioned by a number of authors, these authors did not recognise risks that were prevalent and specifically associated with tourism. No literature source was found that provided either complete or detailed discussion of risk and risk management aimed specifically at the tourism industry worldwide. This supports the view that there is also no specific risk management model for use by the tourism industry.

The in-depth literature study looked into potential risks associated with the tourism industry from a domestic and international perspective. With reference to the South African tourism industry, domestic risks include those risks that are internal and external to businesses operating within the industry (Chapters 2 & 3).

A structured questionnaire was sent out to 800 operators and owners of businesses in the industry, to tour operators, travel agents, guesthouses, bed and breakfast establishments and lodges registered with the Association of Travel Agents (ASATA) and with the South African Travel Services Association (SATSA). The results obtained from the 212 valid questionnaires returned were used as input to the model.

The study, through empirical research, was able to establish which risk factors had the greatest effect on the industry and which factors had little or no effect on the industry. The analysis of risk, taken from the questionnaires, did not provide evidence that tourism businesses are equally affected by most factors (categories of risk). The analysis does, however, indicate that infrastructure, particularly in the areas of both domestic and international marketing, has the greatest perceived risk followed by safety (safety of the business) and thereafter by finance. The lowest perceived risk was in the area of organisational risk, which includes internal and external business risks, largely involving staff and their ability to manage the business. The analysis, however, did show that there is a need for training. The topic of safety highlighted that tour operators and travel agents, due to the nature of

their business, saw this as important whereas guesthouses and bed and breakfast establishments were less likely to attract international guests and were therefore not strongly influenced by aspects such as airline safety, exchange rates and currency fluctuations.

The study highlighted the fact that some categories of risks significant to one business sector may not have the same affect on another sector. However, this did not adversely influence the development of the model.

This research has identified two significant deficiencies in respect of risk management in the (South African) tourism industry - that there is no literature source that provides an in-depth discussion of risks and risk management in the tourism industry, and that there is no generally accepted risk management model and process for use by the industry. In view of this, this research has made a valuable contribution to the existing body of knowledge related to the tourism industry by:

- Highlighting the importance of identifying risks as well as a more formal approach to risk management for the Tourism Industry
- Identifying various risks that could have an impact on the industry
- Showing that risks differ from sector to sector within the Tourism Industry
- Developing a risk management process and model, which has not existed before, in the tourism literature
- Providing a user-friendly tool for use by tourism industry operators to manage risks specific to their business, thereby reducing the negative impact of domestic risk on the business and industry and also maximising the benefit that may be obtained by exploiting the external risks
- Highlighting the complexity of managing risks from a destination point of view

A final contribution is that this is the first research of its kind in the South African tourism literature.

Based on the study of both local and international literature sources, the above contribution is not only of value to the South African tourism industry, but worldwide.

OPSOMMING

Die primêre doelstelling van hierdie navorsing was om 'n 'Risikobestuursmodel vir die Toerismebedryf in Suid-Afrika', vanuit 'n besigheidstandpunt, te ontwikkel. Om hierdie doel te bereik is 'n aantal sekondêre doelstellings opgestel, wat soos volg is:

- 1 Om bestaande en relevante teorieë en modelle met betrekking tot risiko en risikobestuur in toerismebesighede en die toerismebedryf in die algemeen te ondersoek
- 2 Om plaaslike en internasionale risiko's, met betrekking tot die Suid-Afrikaanse toerismebedryf te analiseer
- 3 Om 'n meningspeiling te onderneem om vas te stel watter risiko's deel moet wees van die model soos gesien uit die bestuurder (verskafferkant) se oogpunt
- 4 Om gevolgtrekkings te maak uit die empiriese analise vir die insluiting van risiko's in die risikobestuursmodel, en om aanbevelings te maak oor hoe die riskobestuursmodel deur die verskeie rolspelers in die toerismebedryf geïmplementeer kan word

Risiko's kom op alle terreine/gebiede van die lewe voor, en ongeag die omvang van die risiko, sal dit 'n nadelige invloed hê en op een of ander manier skade veroorsaak. Hierdie studie ondersoek in watter mate die bedryf stappe geneem het om die risiko's te voorkom of te beperk. Vanaf die bereiking van demokrasie in 1994 het Suid-Afrika baie meer besoekers na die land getrek, en met 'n styging in toerismegetalle verhoog die risiko ook. Verder het literatuurstudie 'n verhoging in die herhalendheid van risiko's getoon, en ook dat daar geen riskobestuursmodel in die industrie bestaan nie.

Die studie het plaaslike sowel as internasionale risiko's en hulle uitwerking op die bedryf vanuit 'n besigheidsaspek ondersoek. Die kategorieë van risiko sluit die volgende in, maar is nie daartoe beperk nie: Natuurlike risiko's, misdaad, gesondheid en veiligheid, politiese faktore, ekonomiese risiko's, tegnologiese risiko's en sosiaal-demografiese risiko's.

Literatuurstudie na die bestaan van 'n risikobestuursmodel vir die toerismebedryf (Hoofstuk 2) het gewys dat daar 'n aantal risikobestuursmodelle bestaan, maar is

nie spesifiek op die toerismebedryf gerig nie. Dit het 'n behoefte in die toerismebedryf beklemtoon wat bevestig was deur verdere literatuurstudie met betrekking tot risiko's in die toerismebedryf (Hoofstukke 3, 4 en 5). Verskeie risikobestuursmodelle wat in verskillende bedrywe en dissiplines gebruik word was ondersoek om 'n struktuur te vind wat bruikbaar sal wees in die toerismebedryf (Hoofstuk 2).

Verdere literatuurstudie het gewys dat risiko's genoem word deur verskeie skrywers, maar nie direk verbind word met toerisme nie. Geen literatuurbron kon gevind word wat 'n volledige of in-diepte bespreking van risiko's of risikobestuur wêreldwyd aandui, wat spesifiek gemik is op die toerismebedryf nie. Dit bevestig dat daar nie 'n risiko-bestuursmodel bestaan vir die gebruik in die bedryf nie.

In-diepte literatuurstudie het moontlike risiko's vanuit 'n plaaslike en internasionale oogpunt wat betrekking het op die toerismebedryf. Met betrekking tot die Suid-Afrikaanse toerismebedryf sluit risiko's op plaaslike vlak interne en eksterne risiko's vir die besighede in die bedryf in. (Hoofstukke 3 en 4).

'n Gestruktureerde vraelys was uitgestuur na 800 operateurs en eienaars van besighede in die bedryf, naamlik: toeroperateurs, reisagentskappe, gastehuse, bed- en ontbytondernemings en herberge wat geregistreer is by die 'Association of Travel Agents' (ASATA) en die 'South African Travel Services Association' (SATSA). Die resultate verkry uit 212 geldige vraelyste wat teruggestuur was, is gebruik vir insette in die model.

Die studie, deur empiriese navorsing, het getoon watter risiko faktore die grootste uitwerking op die bedryf het en watter min of geen effek op die bedryf het nie. Die analise van risiko's geneem uit die vraelys het geen bewys gelewer dat toerismebesighede op gelyker vlak geaffekteer/beïnvloed word deur die meeste faktore (kategorieë van risiko) nie. Die analise het nietemin getoon dat infrastruktuur, veral in bemarking op plaaslike en internasionale vlak, die grootste risiko inhou gevolg deur veiligheid (van die besigheid) en finansies. Die laagste waargenome risiko op die gebied van organisatoriese risiko, wat interne en eksterne besighedsrisiko's insluit, was die werknemers en hulle vaardighede om die besigheid te bestuur. Die ondersoek het wel getoon dat opleiding nodig is. Uit die

aard van hulle besigheid het toeroperateurs en reisagentskappe veiligheid as belangrik gesien. Gastehuse en bed- en ontbytondernemings is minder aangewese op internasionale besoekers en word ook minder geraak deur lugvaartveiligheid, gelduitruilwaarde en skommeling in geldwaarde.

Die studie het beklemtoon dat sekere risikokategorieë wat 'n beduidende uitwerking op 'n besigheid het, nie noodwendig dieselfde uitwerking op 'n ander besigheid het nie.

Die navorsing het dus twee belangrike ontbrekings uitgewys in verband met risikobestuur in die (Suid-Afrikaanse) toerismebedryf, naamlik dat daar geen literatuurbron is wat 'n in-diepte bespreking van risiko en risikobestuur in die toerismebedryf bevat nie, en dat daar ook nie 'n risikobestuursmodel en proses vir gebruik in die bedryf bestaan nie. Met betrekking tot bogenoemde het hierdie navorsing 'n waardevolle bydrae tot die bestaande kennis in verband met die toerismebedryf gelewer deur:

- Die belangrikheid om risiko's te identifiseer en om 'n meer formele benadering tot risikobestuur in die toerismebedryf te handhaaf, en uit te lig
- Die identifikasie van risiko's wat 'n invloed kan hê op die bedryf
- Te wys dat risiko's van sektor tot sektor binne die toerismebedryf verskil
- Die ontwikkeling van 'n risikobestuursmodel, wat voorheen nie bestaan het nie, vir gebruik deur toerismebedryfoperateurs
- Die voorsiening van 'n gebruikersvriendelike gereedskap vir gebruik deur toerismebedryfoperateurs om die negatiewe uitwerking van plaaslike risiko's op die besigheid en bedryf te verminder, en ook om die grootste voordeel te trek uit internasionale risiko's
- Die kompleksiteit van risikobestuur vanuit die bestemmingsoogpunt te sien

Die finale bydrae is dat hierdie navorsing die eerste van sy soort is in die Suid-Afrikaanse literatuur oor die toerismebedryf.

Gebaseer op die studie van beide plaaslike en internasionale literatuurbronne is die bogenoemde bydrae nie net van waarde vir die Suid-Afrikaanse toerismebedryf nie, maar wêreldwyd.

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CHAPTER 1

INTRODUCTION AND PROBLEM STATEMENT

*"Visionary companies zealously preserve their core values while striving for state-of-the-art products and processes."
(K.R. Allen, 1999)*

1.1 INTRODUCTION

Tourism is a modern-day buzzword, used in many nation-building and political speeches as the salvation of the unemployed. Tourism is said to be the major job creator in the New South Africa. Bennett (2005:03) refers to tourism as being a relatively young discipline, which implies that there are tremendous opportunities in terms of development and careers in this field. Currently, this is due to the relatively few qualified people in this particular industry. Özükan (2009) says it is not easy to provide human resources for the tourism industry because, even though unemployment is at peak levels, *"... we have been unable to find qualified people for the service-intensive tourism business"*. Hence, the lack of qualified staff is seen as a limit to the growth of the tourism industry. The lack of properly trained staff will also create a vacuum in the skills needed to identify and manage risks. Based on the arguments by Özükan (2009) and Bennett (2005), it can be deduced that the tourism industry is not yet sufficiently promoted as an industry with many career opportunities for young people entering the employment market, nor yet to the unemployed who have the potential for working in this field. It is evident that the South African Tourism Industry should make a controlled effort to encourage more people to enter the exciting world of tourism.

The world of tourism offers a wide variety of career opportunities, ranging from tour operators, travel agencies, hotels, resorts, airlines and the entertainment industry, physical planning, marketing and public relations and many more. Cooper, Fletcher, Gilbert, Shepherd and Wanhill (2005:24) conclude that, in a world of change, the last quarter of the twentieth century has shown a sustained growth of tourism both as an activity and an industry.

Rifai (2009), in his speech at the ITB Travel Trade Show on 11 March 2009, opened by reiterating the biggest challenges that faced world leaders of the past half century. Reference was made to risks such as the then-current credit crunch, economic disarray, mounting unemployment and the recessionary reduction in market confidence. He expressed the opinion that no one knew how long these challenges would last.

Reference can also be made to a report by the United Nations World Tourism Organisation (UNWTO, 2009b) stating that the current troubled economic situation is not expected to change in that year, and could indeed continue for some time. Under the influence of the current volatile world economy caused by risks such as the financial crisis, rising prices in the commodity sector, together with the increasing prices of oil and exchange rate fluctuations, tourism demand has slowed significantly. The report made special mention of the number of international arrivals having declined slightly during the second half of 2008, a trend that continued in 2009. Against the backdrop of both the upturn in international tourism figures and overall economic indicators in recent months, UNWTO forecasts a growth in international tourist arrivals of between 3% and 4% in 2010. The International Monetary Fund (IMF) has recently stated that the global recovery is occurring 'significantly' faster than expected, as compared with its October assessment which already counted on a clear return of economic growth in 2010 (+3.1% worldwide, with stronger performance for emerging economies at +5.1%, alongside a more sluggish one for advanced economies at +1.3%) (Travel Industry Wire, 2010).

The Levin Institute rates tourism as one of the largest industries worldwide, accounting for 10% of the world GDP (US\$7-8 trillion) and 10% of the US GDP (US\$1.2 trillion dollars) (UNWTO, 2009a). The report further notes that tourism is the main income for the Bahamas and other island economies, as well as being the main source of employment in those countries. The implication of this is that countries, especially developing countries and regions that depend on tourism, will be the hardest hit by mayor decreases in travel. Reference is made to the state of tourism development worldwide in a report by the World Travel and Tourism Council (2010) (WTTC). The Travel and Tourism industry was hard hit by the by the credit and housing collapses in many countries, resulting in corporations reducing

their travel budgets and households cutting back on leisure travel. The report goes on to say *“that although the Travel and Tourism activity was so depressed, it still employed over 235 million people across the world in 2009, and generated 9.4% of global GDP”*. It is further reported that despite the current dip in growth trends, research has shown that in the longer term prospects remain positive. Travel and Tourism over the next ten years will continue to grow and remain as one of the world’s highest-priority sectors and employers.

However, according to the World Economic Outlook (WEO) (2009), output in the advanced economies is now expected to expand by 2% in 2010, following a sharp decline in output in 2009. The new forecast reflects an upward revision of three quarters of a percentage point. In 2011, growth is projected to edge up a little further to 2.5%. In spite of the revision, the recovery in advanced economies is still expected to be weak by historical standards, with real output remaining below its pre-crisis level until late 2011. Moreover, high unemployment rates and public debt, as well as not-yet-fully-healed financial systems and, in some countries, weak household balance sheets, are each presenting further challenges to the recovery of those economies.

What is evident from the above is that tourism is an industry with immense potential. However, there are a number of challenges facing the tourism industry that have to be managed.

Robertson, Kean and Moore (2006) emphasise that there is a need for government and community agencies to form a multi-agency partnership to coordinate disaster/risk management activities that include the needs of the tourism industry. These activities include the development of plans, systems, processes and procedures, the training of personnel to work within the systems, and the implementation of the plans developed appropriately to their specific roles and responsibilities in the organisation. Further, the plans, systems, processes and procedures must be reviewed and updated at regular or predetermined intervals to ensure continued relevance.

The aim of this chapter is to provide an overview of the problem statement and the research objectives. The method of research used will be discussed and some

background information will be provided for clarification of concepts. Finally, the structure of the thesis is briefly outlined to provide the reader with an insight of what follows in the remaining chapters.

1.2 PROBLEM STATEMENT

Tourism is regarded as the industry with the highest growth rate and potential for job creation world-wide (Fyahman, 2004). However, tourism, as with any industry, is susceptible to risk. Risk manifests itself in many forms that can have disastrous consequences on the tourism industry if they are not managed effectively. These risks can be broadly categorised as follows: nature, crime, health and safety risks, political factors, socio-demographic, technological and economic risks (see Table 1.1). For example, the present worldwide economic recession is one factor that contains the risk of limiting the amount of travel. In turn, this affects the income of role-players in the industry and may cause many businesses to downscale or even to close their doors.

Anon (2009) defines risk as: *“the probability that a hazard will turn into a disaster. Vulnerability and hazards are not dangerous, taken separately. But, if they come together, they become a risk or, in other words, the probability that a disaster will happen.”* Kerzner (2001:07) refers to risk as constituting a lack of knowledge of future events, especially those events that have a negative impact on the business, also referred to as unfavourable events.

Risk can be seen as the potential of loss or harm to an entity, (where) such an entity can be a person, a group, an organisation a system or a resource (Raval & Fichadia, 2007:29). For example, technological risk focuses on risks to information assets such as unauthorised changes or modification to programs or data, theft of data and the unauthorised use of information assets. Risk can be divided into two groups, internal (domestic) and external (international). Domestic risks occur within the host country, in this case South Africa, and are usually of a detrimental nature that can adversely affect tourism to the country. External (or international) risks are risks that occur outside the host country's borders, and affect tourism to those countries negatively. Of course, external risks to other countries, present

opportunities that can possibly be exploited to attract more tourists to come to South Africa.

It can therefore be accepted that, unless risk is controlled and managed, growth in the industry and job creation will not be achieved. This is substantiated by the works of various authors who have identified risks relating to tourism and the tourism industry, as illustrated in Table 1.1.

Table 1.1: Risk Categories Associated with Tourism and the Tourism Industry

Risk Category	Reference
Nature , including, but not limited to: ▪ Natural disaster (Floods, etc.) ▪ Weather and climatic conditions ▪ Climate change ▪ Environmental factors	George (2008); SAWS (2008); Ehmer & Heymann (2008); Page (2007); Met Office (2007); Cioccio & Michael (2007); Goeldner & Ritchie (2006); Wall & Mathieson (2006); Cooper <i>et al</i> (2005); Abbott (1996); National Hurricane Center (2005); Australia (2003; Solarnavigator (nd)
Crime , including, but not limited to: ▪ Fraud ▪ Hijacking ▪ Acts of terrorism	Baltzan, Phillips & Haag (2009); Krueger (2007); Oberschall (2007); Powell (2007); Reid, Kirby & Greaves (2006); Hallsworth & Young (2004); Michie & Botha (2005); Raynor & Robinson (2005); Reid & Hsinchun (2005); Gordon (2004); Mazrui (2004); Muncie (2004); Kushner (2003); Brunt, Mawby & Hambly (2000); Dimanche & Leptic (1999); Leslie (1999); Wagner, , Sonmez, Apostolopoulos & Tarlow (1999); Pizam (1999); Pizam, Tarlow & Bloom (1997); Bar-On (1996); Aziz (1995); Garcia & Nicholls (1995); Hall, Selwood & McKewon (1995); Moore & Berno (1995); Sonmez & Graefe (1998); Enders, Sandler & Parise (1992); Richter & Waugh (1986)
Health and Safety , including, but not limited to: ▪ Infectious diseases ▪ Malaria	WHO (2008, 2006a, 2006b); Avert (2007); Kahneman & Krueger (2006); Moutinho (2000); Lippincott, Williams & Wilkins (2005); Neumann (2002); Carter (1998); Clift & Grabowski (1997); Mbendi Information Services (2009-); Lawton & Page (1997); Cossens & Gin (1994); Vellas & Becherel (1995); Encarta Dictionary (s.a)
Political Factors , including, but not limited to: ▪ War ▪ Political instability ▪ Strikes	Bagraim (2009); Rudd (2009); Cockburn (2007); Jackson (2004); Zizek(2000); Leslie (1999); Sonmez, Apostolopoulos & Tarlow (1999); Bar-On (1996); Aziz (1995); Ellis (1995); Enders Sandler & Parise (1992); Sonmez, (1998); Weinberg & Davis (1989); Sonmez & Graefe (1998); Richter & Waugh (1986)
Economic , including, but not limited to: ▪ Lack of funding ▪ Exchange rates ▪ Rising oil and fuel prices ▪ Economic recession (local and worldwide) ▪ Financial crises ▪ Transport ▪ Transport development	Defence Web (2010); Baltzan, Phillips & Haag (2009); Magubane (2009); Turbonews (2009); Downing (2008); National Bureau of Economic Research (2008); SA Chamber of Commerce and Industry (2008); Schussler (2008); Black (2009); Bennett (2005); Cooper <i>et al</i> . (2005); Dorf & Beyers (2008); Fourie & Pretorius (2005); George, (2008); Goeldner & Ritchie (2006); Jordan & Silcock (2005); Lubbe (2000); Matthews (2008); Ntuli (2005); Oosthuizen & Baloyi (2000); Oxelheim & Wihlborg (1998); Page (2007); Raval & Fichada (2007); Richardson & Fluker (2004:18); Saayman & Snyman (2005); SABOA

	(2008); Schiller (2008); Hill (2002); Weaver & Lawton (2002); European Commission (2001); Hill (2001)
Technology - Information technology (IT) - Reservation systems - Computer programs	Haag, Baltzan & Phillips (2009); Dorf & Beyers (2008); Raval & Fichada (2007); Jordan & Silcock (2005); Ball & Webster (2003); Rayner (2003); Jacobsen, Booch & Rumbaugh (1999)
Socio-demographic - Age & sex - Family life - New/ageing markets - New routes	Wild Junket (2010); State & Nedelea (2008); Tretheway & Mak (2006); Villa & Thousand (2005); George (2001); Krippendorf (1987); Cooper <i>et al.</i> (2005); Callaghan, Long & Robinson (1994); Hunt & Layne (1991)

Examples of the various risks in the categories mentioned in Table 1.1 include:

- The Tsunami in the East – January 2004
- Terrorist attacks in Kenya, Egypt, Pakistan, India, Spain, England and countries in the Middle East
- The instability of the South African Rand against foreign currencies making travel budgeting unpredictable
- Outbreak of cholera, foot and mouth disease
- Hurricane in Haiti
- Mudslides in Madeira
- Recession world-wide
- Technological developments, for example, new computer programs, booking systems, transport systems, cost efficiency
- Earthquakes in Chile

The authors (refer to Table 1.1) are in general agreement with the following:

- Terrorism is a scourge and is extremely detrimental to safety in tourism
- War and political instability have a major bearing on the tourism industry
- Health and safety risks are of major concern
- Crime exists not only in some countries but affects all countries throughout the world

Saayman and Snyman (2005) explain that risks in the tourism industry can be divided into internal and external risks (that is, domestic and international). Internal risks include crime, and various transport risks taking place at the destination. External risks include natural disasters, hijacking, terrorism, economics, politics and diseases taking place outside the borders of a destination but that impact upon travel to a destination. What makes it difficult in the tourism industry to determine the overall effect of risk is the fact that not just one company is involved, but an

industry or destination that may be made up of many attractions and businesses. Therefore, individual businesses not only experience internal risks as does any business and the South African tourism industry (that is, domestic risk). Further, the South African tourism industry also experiences external (or international) risks that influence the broader tourism industry, but not necessarily all businesses within that industry. The flow of risk with respect to the tourism industry is illustrated by Figure 1.1. Because of this duality of risk factors, the tourism industry requires a somewhat different approach in managing those risks.

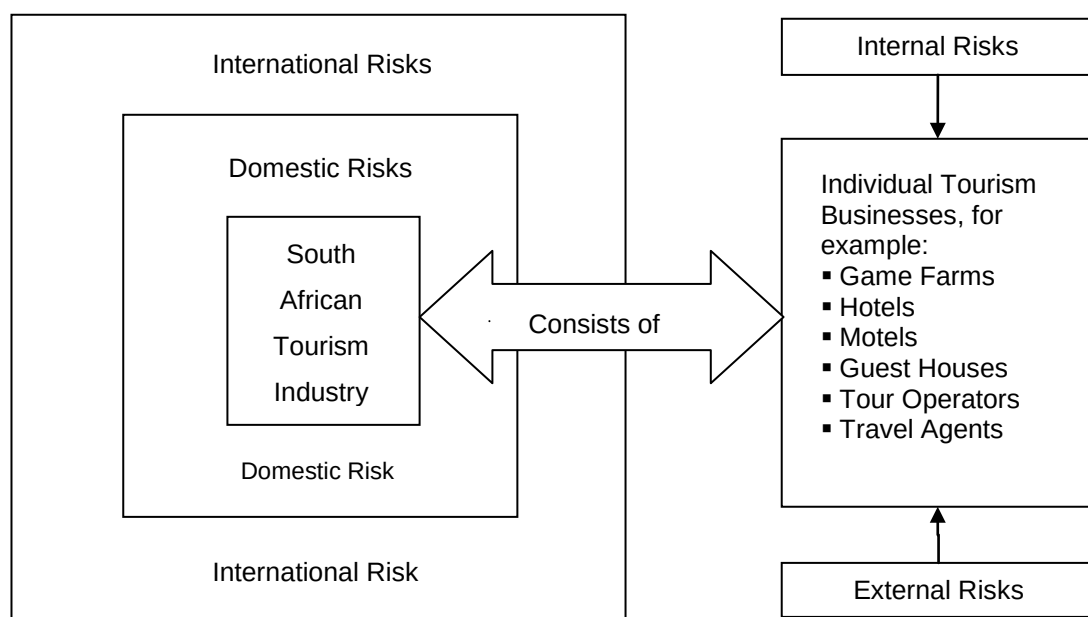


Figure 1.1: The Flow of Risks (Source: Researcher)

According to Pearce and Robinson (2000:47), executives may avoid even acceptable levels of risk if the anticipated reward is minimal. They will rather opt for more conservative strategies that place the company in a lower category of risk. Executives who are not inclined to accept even minimal risk will rarely support plans for innovation or diversification, potentially leading to rapid growth. Often, however, this decision-making process takes place without having all the required facts at hand.

The survival of any business, including the tourism industry, depends on well-identified risks that are managed. This can happen either by eliminating the risk entirely or, at the least, reducing the adverse impact on the business to a minimum

should the risk occur. This concept is supported by the authors referred to in Table 1.1 who, in their reports and statements, indicate that there is a need for a risk management model to be implemented in the tourism industry. Although these are international opinions, they are equally applicable to the South African tourism industry.

Valsamakis, Vivian and Du Toit (2004:03) cites management guru Peter Drucker, commenting on risk management, as, “*The ability to manage the unexpected*”, while Gray and Larson (2006:208) define risk management as a proactive approach to minimising the negative consequences of undesirable events (risks) that may occur.

Kerzner (2001:07) reiterates that risk management and monitoring are not problem-solving techniques but should be seen as proactive techniques to obtain objective information to prevent adverse events from occurring, or towards minimising the negative impact thereof. In the tourism industry, a risk that occurs outside the South African border may present an opportunity to be exploited for the benefit of the tourism industry inside the borders.

Risk management aligns itself with all issues associated with the tourism industry businesses, which includes tour operators, travel agents, hotels, lodges, game farms, bed and breakfast establishments, national, provincial and local parks, attractions, festivals, restaurants, airlines and guesthouses, to name a few (again see Figure 1.1). Many of these businesses are interdependent. For example, hotels, lodges, bed and breakfast establishments and guesthouses are dependent on the numbers of tourists coming to South Africa. At the same time, if these establishments cannot provide sufficient accommodation, the number of tourists to the country will be curtailed. The complexity of the industry is increased by the effectiveness and efficiency of other sectors such as transport, the handling capacity of South African airports and harbours, and the services offered by the food and beverage sector and the entertainment sector. Added to the challenges at hand is the fact that a large percentage of tourism businesses are Small, Micro and Medium Enterprises (SMMEs). These businesses find it more difficult to absorb some of the identified risks. Indeed, Saayman and Snyman (2005) have indicated this to be one of the downfalls of SMMEs in the tourism industry. Further, the industry is not

only large but it is greatly fragmented. This may lead to the implication that the tourism industry is not well organised. Indeed, the mere fact that there are so many organisations involved attest to this lack. However, it can be readily envisaged that, for example, risks affecting game farms might pose no risk at all to hotels or other establishments.

It is therefore important that companies should not only possess the ability to manage risk, but also the skill and foresight to recognise risk, since these potential risks will have a tremendous bearing on the growth of the tourism industry. In the tourism industry, risk management should be an ongoing process as it is critical to the sustained safety and security, together with the well-being, of the industry. This applies not only at local, but also at international levels. Therefore, due to the complexities involved, risk management in the tourism industry must be seen as a process that requires constant review and updating (Neitlich, 2009).

Page and Meyer (2000) state that a risk management model is essential to reduce the impact of risk, as the model will contain a full representation or description of a phenomenon or set of relationships, including the statements defining the assumptions and interactions in the model. Although there are various risk management models available, particularly in the realm of project management, as proposed by Gray & Larson (2006), the literature review for this undertaking has not revealed a risk management model highlighting a risk or a combination of risks that have a direct bearing on the tourism industry.

The introduction of such a model will assist the tourism industry to understand the value of being able to identify risks and the worth of being proactive in the management of these risks. By so doing, the potential to maximise the continuity of normal business and the safety of staff and visitors can be realised. Such a model is required as the tourism industry is sensitive to risks and its different markets respond differently to risks.

From the foregoing, it can be seen that the question that this research must seek to answer is, "What are the aspects from a supply side that need to be considered to develop a risk management model for the South African tourism industry?"

1.3 RESEARCH OBJECTIVES

The problem statement has clearly illustrated the need for, and the importance of, a risk management model for the South African tourism industry. It follows, therefore, that the objective of this research is to develop such a model.

1.3.1 Primary Objective

The primary objective of this research is to develop a risk management model for the tourism industry in South Africa, when viewed from a business perspective.

1.3.2 Secondary Objectives

To achieve the primary objective, the following secondary objectives have been identified:

- 1 To explore relevant existing theories and models related to risk and risk management, as they affect tourism businesses and the tourism industry in general
- 2 To analyse domestic and international risks associated with the domestic tourism industry
- 3 To conduct a survey to determine those risks that should, from a manager's (supply side) perspective, form part of the model
- 4 To draw conclusions from the empirical analysis of the data underpinning the risk management model, and to make recommendations regarding its implementation by role players in the tourism industry

1.4 METHOD OF RESEARCH

The research methodology describes how this research will be conducted in terms of data collection and information collation, and the ensuing analysis and presentation of results. The main sources of data and information will be a literature study and empirical research.

1.4.1 Literature Study

The primary purpose of the review of published literature was to establish what previous research has been conducted concerning the domestic and international risks associated with the tourism industry, to examine existing risk management models (not necessarily in the tourism industry) and to determine what various authors have written about the subject. The literature study therefore used various sources such as texts, articles, reports, masters' dissertations and doctoral theses relevant to the research. Available electronic databases were also consulted. Sources for these databases include Ebsco-host, Proquest, Sabinet SeaPublications, Blackwell, and Google. Additionally, materials available through the United Nations World Health Organisation and United Nations World Tourism Organisation were consulted. The following keywords were used throughout the searches of these resources: Risk, tourism management models, risk management, health, terrorism, natural disasters, crime and transport.

1.4.2 Empirical Survey

A quantitative approach was chosen for this research. The empirical survey used will be examined under the following headings: Objective of the survey, design of the questionnaire, survey method and analytical methods (Graziano & Raulin, 2004).

A Objective of the Survey

The objective of the survey, using a structured questionnaire, was to extract from the respondents information that they termed as risk, on a descending scale (Likert scale) from extremely high risk (5), high risk (4), moderate risk (3), low risk (2) and extremely low risk (1). The questionnaire measured the importance (weight) that each respondent attached to each risk element identified. The information gained will be analysed in this study and a model constructed and presented for use in the industry.

B Design of the Questionnaire

It is acknowledged that qualitative data collection methods are reliant on questions as the means for extracting primary data. So questionnaires were the main source of soliciting information from the participants.

An instrument for measuring needs and attributes was designed by the researcher with the assistance of the study supervisor, Prof M. Saayman of the Institute of Tourism and Leisure Studies at the North-West University (NWU), Potchefstroom Campus.

The questionnaire (Appendix 1) was structured in two sections. Of the two sections, Section A consists of institutional information, which includes:

- The type of business
- The province in which the business is situated
- The education level of the owner/operator
- The method of determining and evaluating business risks
- The key factors considered important when determining risk

Section B consisted of 57 statements related to risk intensity. These were rated on a 5-point Likert scale, as stated above.

C Sampling and Survey Method

The target population included tour operators, travel agents, hotels, lodges, bed and breakfast establishments and guesthouses. Approximately 800 members out of an estimated 1200 members were requested to complete questionnaires. The 800 members were the members selected as being suitable for the target market and were members in good standing with the associations and all had e-mail addresses thereby meeting the selection criteria.. These were sent out by Association of South African Travel Agents (ASATA) and the South African Travel Services Association (SATSA) to their members on behalf of the researcher. The research procedure entailed e-mail surveys followed by a round of reminders. The period in which the research was conducted was between June 2009 and November 2009. The decision to use the databases of both ASATA and SATSA was informed by the fact that, according to Keyser (2009:157), these two organisations represent the interests of the majority of the operators in the tourism industry. Two further reasons for this decision were that the tourism industry generally is reluctant to complete questionnaires, and that by using the total population as defined by the SATSA and ASATA, the resulting databases will ensure a high degree of relevant representation.

The responses were slow in coming, as had been anticipated, and so a second request was sent out. The time lapse between the 1st and 2nd sending was approx eight (8) weeks. Once again, this request met with only a limited response. Overall, 254 questionnaires were returned. This equates to a response rate of 31,75%, which is considered satisfactory for this type of survey (Cooper & Schindler, 2001:314). Of the responses received, 212 (26,5% of the 800 questionnaires sent out) were satisfactorily completed and could be used for analysis purposes.

D Analytical Methods

Microsoft[®] Excel[®] was used for capturing the data and basic data analysis and SPSS (SPSS Inc, 2007) was used for the factor analysis. A factor analysis was used to determine identify risk sub-groups through a combination of attributes (Rao, Carr, Dambolena, Kopp, Martin, Rafii & Schlesinger, 1966:364).

A principal component factor analysis using an Oblimin rotation with Kaiser Normalisation, analysis of variance (ANOVA) and Tukey's *Post-hoc* test was used to analyse the data obtained from the survey. The Kaiser-Meyer-Olkin measure of sampling adequacy was then used to determine whether the covariance matrix was suitable for factor analysis. Kaiser's criteria were used for the extraction of all factors with Eigenvalues larger than one, because they are considered to explain a significant amount of variation in the data (Pallant, 2007:182).

The findings of both the quantitative and qualitative analyses are presented in tabular format and, where appropriate, include graphs and diagrams to enable the reader to interpret the results more readily.

1.5 DEFINITIONS

The underlying section intends to clarify certain definitions and meanings of terms that will be used throughout the study.

1.5.1 Tourism

Tourism can be defined as *“a temporary absence, inside or outside the country, of residence, away from home for reasons other than earning an income in the place visited”* (Burkhart & Medlik, 1981 as cited in Lickorish & Jenkins, 1997). This is corroborated by Gunn (1994) who states that the best definition of tourism is *“the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs”*. Saayman (2008) defines tourism as the total experience that originates from the interaction between tourists, job providers, government systems and communities in the process of providing attractions, entertainment, transport and accommodation to tourists.

Within the context of the above definitions, travelling outside the borders of the country of residence is termed international or external tourism whereas travelling within the borders is seen as domestic or internal tourism (Coltman, 1989).

Coltman (1989) agrees with Lundberg (1976) that domestic tourism is far more complicated and difficult to quantify than is international tourism as, for domestic tourism, there are no borders to be crossed where tourists can be counted. Lundberg estimates that the numbers of domestic tourists could be between 75% and 80% of all tourism activity. Coltman (1989) further suggests that most international travellers come from countries that have a high standard of living associated with a high economic growth rate in which commerce and industry form the base of the economy. He further suggests that the international tourism market is made up of mainly middle-income people who have managerial or professional positions or from people holding supervisory and skilled jobs.

1.5.2 Tourism Industry

George (2008:15) cites Leiper (1979:401) when discussing the tourism industry. The tourism industry consists of all firms, organisations and facilities that service the needs and wants of the tourist. All of the businesses and organisations in the delivery service fall under the tourism industry ranging from car rentals to travel agencies. George further cites Lickorish and Jenkins (1997:1) when highlighting the

lack of a common structure representative of the tourism industry throughout the world. To explain the South African tourism industry, George (2008:15) offers a structure that logically divides the tourism industry into sectors and sub-sectors. When reference is made to the tourism industry in this study, it also uses these sectors (see Figure 1.2).

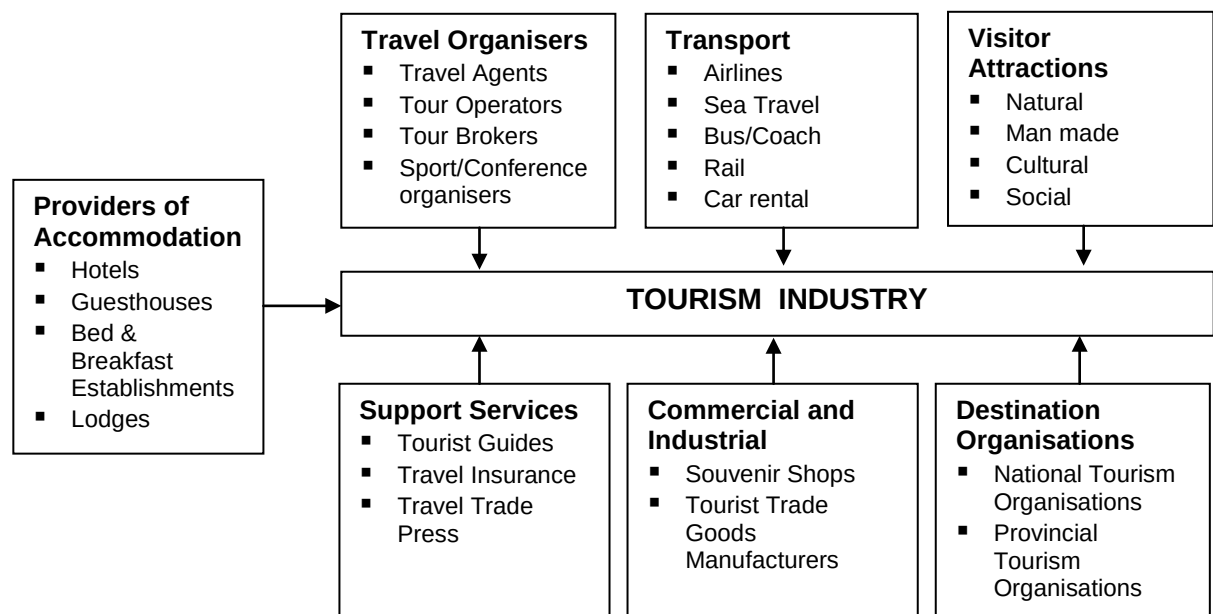


Figure 1.2: Sectors and Sub-sectors of the Tourism Industry
(Adapted from George, 2008:15)

1.5.3 Risk

Every industry is open to an element of risk, and tourism is no exception. It is therefore necessary to investigate and examine what is meant by risk when describing it as a destabilising factor within the tourism industry.

Queensland Tourism (2009) describes risk as the chance of something undesirable happening. Uncertainty causes risk. It is measured in terms of the probability of it happening, and of the cost of the results if the anticipated risk occurs. Dorf & Byers (2008:134) define risk as the chance or possibility of loss, and opine that this loss could be physical, reputational or financial. Tourists and potential tourists are faced with many forms of risk. These could be in the form of physical danger (crime), air disasters (air crashes, hijacking), natural disasters (tsunamis), financial (travel agency closing down, currency deflation), political (riots, change of government),

terrorism (9/11), health (contagious diseases, AIDS, malaria, SARS, bird 'flu, and others.

Cooper *et al.* (2005;356) suggest that, throughout the population, the individual perceptions of *economic, physical, performance, psychological and health risk*, will differ due to age, income and experience differences.

1.5.4 Risk Management

Baltzan, Phillips and Haag (2009:524) describe risk management as a process of ongoing risk identification, analysis and developing responses to risk factors. According to Allen (2007:426), risk management is a process by which challenges and deviations from expected outcomes can be confidently managed by being prepared in advance.

Risk management as defined by Kerzner (2001:907) is the art or practice of dealing with risk. Risk management includes identifying, assessing and analysing risk issues, as well as planning for the occurrence of risk, and includes developing a management system to handle risk. This system should be designed to allow for the monitoring of risks to determine how they have changed.

According to Queensland Tourism (2009), ignoring the risks that apply to business activities could affect:

- The health and safety of employees and customers
- The businesses reputation, credibility and status
- Public and customer confidence
- Financial position
- Equipment and the environment

By adopting effective risk management, methods and techniques can improve safety and business performance in the organisation and thus ameliorate the potential damage of any risk (Neitlich, 2009).

1.6 STRUCTURE OF THE THESIS

Chapter 1 is an introductory chapter that lays the foundation for the research to be undertaken. The chapter provides theoretical, as well as practical, background information to the research problem. Throughout the introduction, the focus remains on the problem statement, the research objectives and the chosen method of research.

Chapter 2 is an examination of some of the available risk management models in literature. The purpose of this analysis is to identify risk management models for the tourism industry and to establish other models available to determine their suitability to be included or adapted to the tourism industry. This chapter will address secondary objective 1 of the research.

Secondary objective 2 of the research is addressed in Chapters 3 and 4. Chapter 3 explores and reflects on issues that can be regarded as risk, or potential risk, likely to occur within the borders of South Africa that may have an influence on tourism in South Africa. This chapter therefore addresses the domestic risks faced by the South African tourism industry.

The international risks that may affect the South African tourism industry either positively or negatively are then explored and discussed in Chapter 4.

Chapter 5 provides empirical analyses of data obtained through a survey questionnaire that was sent to members and participants in the South African tourism industry. By means of various statistical methods, (see Section 1.4.2) secondary research objective 3 is addressed in this chapter.

Chapter 6, which covers conclusions drawn from the research discussion in Chapters 2 to 5, addresses both the primary and also the fourth secondary research objective. A risk management process and model for the South African tourism industry is developed. Further future improvements to the process and model are suggested to make the model both comprehensive and user-friendly. In conclusion, areas for future research are identified and highlighted.

CHAPTER 2

RISK MANAGEMENT MODELS

"First weigh the considerations, then take the risk"
Count Helmuth Graf von Moltke, German General

2.1 INTRODUCTION

Risk management is required in many disciplines, but for finance, banking, insurance institutions and project management in particular. Chapter 1 indicated that there are various risks that face firms in the tourism industry. However, no specific risk management model dedicated to the tourism industry has been identified. It is with this in mind that various risk management models will be assessed in this chapter to determine their suitability to be adapted for use in the tourism industry. Although risk management models are available for various disciplines and businesses, some of the more comprehensive models that cover the entire scope of risk management are referenced and are used in the project management environment. Therefore, the majority of models referred to here relate to those used by the project management discipline.

In this chapter, the definitions of risk and risk management will firstly be re-visited and expanded to offer a more in-depth understanding of the concepts. Secondly, to develop a risk management model for the tourism industry of South Africa, it will be necessary to establish the relationship between those risk elements relevant to the decision-making processes used by tourists when deciding to travel. Next, various strategies to manage risk are discussed, as these will form an integral part of any risk management model that may be developed. Fourthly, a number of risk management models and processes will be explored and discussed to determine their suitability for use, or adaptation for use, by the tourism industry.

2.2 DEFINING RISK AND RISK MANAGEMENT

In this section, the concepts of risk and risk management will be explored further to obtain an in-depth understanding of them and their relevance to the tourism industry.

2.2.1 Risk

The world today is plagued by rising risk and increasing volatility (Daniell, 2000:03). Kuratko and Welsch (2001:212) define risk as *“the degree of uncertainty and the possible potential loss that can be associated with the outcomes from a given behaviour or set thereof”*. Kuratko and Welsch (2001) cite March & Shapira (1987:1407) describing executives' views of risk as not having outcome variability but being seen as a hazard – if things go wrong, how much they can be expected to lose?

The success of any business, including those associated with the tourism industry, is dependent on the choices or decisions made. Although these choices are usually well-informed choices, there is always the risk that the wrong choice is made. According to Kuratko and Welsch (2001:212), *“A risky choice is one that contains a threat of a very poor outcome.”* Pearce and Robinson (2000:47) emphasise that executives may avoid undesirable levels of risk if the anticipated reward is minimal, and therefore would opt for more conservative strategies that could place the company in a lower category of risk. Executives that are not willing, to a point, to accept risk will rarely support plans for innovation, diversification and rapid growth.

Edwards and Bowen (2005) refer to risk as pervasive, a universal experience and inescapable. Risk is something people and businesses all have to face, some people more frequently and more willingly than others. Although risk surrounds us, some accept it to such an extent that they actually seek it out. Others, conversely, are constantly worried by it. The daily newspapers, ignoring the advertisements, offer a sufficiency of evidence of this point. Perceived pressing issues are discussed by the government and the opposition who draw conclusions and issue statements accordingly.

Therefore, and based on the above, risk in the tourism industry can be defined as the possible occurrence of a known or unknown event that may have a negative or positive effect on the business, destination or country. However, not every risk occurrence warrants action to be taken. Depending on the frequency of occurrence and the impact thereof, the operator of a particular business must decide whether to take mitigating action or take no action and so accept the risk. Risks of medium to high magnitude will require action to be taken to minimise an adverse impact on the business or industry. On the other hand, where the effect is negligible, the risk can be accepted. It must also be realised that not every risk of high magnitude has a negative impact, depending on whether the risk occurs domestically or internationally. Internal risks usually present opportunities that can be exploited by the South African tourism industry to increase tourism to the country.

It is, therefore, important to determine whether the outcome of a risk event taking place has a significant impact or not and whether the impact will have a negative or positive effect on the business or industry. The answers to these questions will lead to the making of a decision as to how best to manage the risk. With this view in mind, the concept of risk management will be explored.

2.2.2 Risk Management

According to Borge (2001:03), the term risk management conjures up thoughts of caution and timidity, of hours spent with insurance agents and of constant reminders and lectures from peers or parents on the dangers of having a good time. Borge (2001:04) is of the opinion that people who think about risk management believe it to be a grim experience, at best. From another perspective, Borge relates to risk management as being 'riveting' as it has ways to gain power over events that could change lives. Risk management is a means of avoiding danger and, simultaneously, offering an opportunity, for good risk management can make the difference between wealth and poverty, between success or failure, and even between life and death. Therefore it is worthy of close attention.

Again, according to Borge (2001:04), risk management is a profession in its own right and he suggests that people who once wanted to become lawyers, doctors or

engineers are now opting to become risk managers, and are often rewarded handsomely for doing so.

Mansfeld and Pizam (2006:11), when speaking of risk and crisis management, determined that past experiences have posited that forward-thinking destinations, concerned about security incidents, have been able to deal with the situation in one or both of the following ways: either (1), before the incident took place, having proactive risk management policies as part of a contingency plan, or (2), when an incident occurred and caused some sort of tourism incident, by removing the crisis management plans from their storage drawers and putting them into action. It therefore follows that the well-prepared destination was more effective in its response to the security crisis. Mansfeld and Pizam (2006:271) firmly believe that risk-free travel is not just the aspiration of every tourist, but that it is in the interests of the tourism industry to ensure safe and incident-free travel for every traveller world-wide.

According to HM Treasury (2004:27), the purpose of managing risk is to change uncertainty into benefits for the organisation by constraining threats and taking advantage of opportunities.

As referred to in the notes from HM Treasury (2004:13), management of risk cannot be regarded as a linear process, rather, *“it is the balancing of a number of interwoven elements which interact with each other and which have to be in balance with each other if risk management is to be effective”*. Further, specific risks cannot be addressed in isolation from one other; the management of any one risk may have an impact on another; and management actions that are effective in controlling more than one risk simultaneously may be achievable.

Valsamakis, Vivian and du Toit (2004:02) refer to risk management as being the relatively loose art and science of managing risks. The degree of risk management and the actions taken will vary among the different organisations within an industry, depending on the organisation's appetite for risk or the risk culture that exists in the organisation.

Risk management can therefore be seen as process of identifying potential risk events, and quantifying these in terms of the likelihood of occurrence and of the influences they could have on the business. Based on this information, it is possible to decide the strategy to be followed in addressing a specific risk that either would eliminate the risk or would minimise the adverse affect thereof on the business. Risk management also provides the opportunity to identify risk events occurring elsewhere, for example in other countries, that may be exploited to the benefit of the tourism industry. The risk management process therefore covers not only risk identification, but also risk assessment, risk response (action) development and risk control or strategy.

This thesis focuses on a holistic risk management process. Various risk management strategies and actions, as well as processes, are discussed in this chapter. The risk identification in respect of the South African tourism industry is covered in Chapter 3 (Domestic risk) and in Chapter 4 (International risk). The information in these chapters leads to the development of a suitable risk management process and model as propounded in Chapter 6.

Accordingly, the various risk management strategies that can be followed will be discussed in detail hereinafter.

2.3 RISK MANAGEMENT STRATEGIES

The word 'strategy' is itself briefly defined to provide an understanding of the concept, followed by a discussion of the various risk management strategies available to operators in the tourism industry that would enable them to make the best possible decision whenever there is uncertainty or risk.

2.3.1 Defining Strategy

Strategy is a mindset and thinking issue (Goldman & Nieuwenhuizen, 2006:02). To understand how people think and accept a particular mindset, it is important to acknowledge that there are various mind patterns that can be described as creative,

responsive, innovative, forward, backward, as rigid or conservative. There are, of course, those minds that seem not to think at all, but to react instinctively and without thought. Nevertheless, to think strategically, it is important to be aware of changing patterns, to be responsive to what is happening in the environment and to see opportunities as and when they become available. Lynch (2003:08) notes three main areas of strategy:

- The organisation's internal sources
- The external environment within which the organisation operates
- The organisation's ability to add value to what it does

Strategy can be seen as the linking process between the organisation's management and the external relationships with its suppliers, customers and competitors, whilst taking particular cognisance of the economic and social environment in which it operates. Lynch (2003:23) asks, "What makes a 'good' strategy?", and then describes the obvious answer that 'good' strategy delivers the purpose set out for the strategy in the beginning. Lynch (2003:23) then proceeds to ask several important questions that must be taken into consideration before accepting the obvious:

- Was the purpose itself reasonable? For example, perhaps the purpose was so easy that any strategy would be successful
- What needs to be done when it is difficult to define the purpose clearly, beyond some general and indefinite objective of survival or growth? Such vagueness may make it difficult to test whether a 'good' strategy has been developed or not
- Since the whole purpose of strategy is to explore what is to be done in the future, can time be wasted in waiting until the objective has been achieved before testing whether it is 'good'?

According to Smith (2006:157), most decisions made by managers have little or nothing to do with strategy - rather they relate to what is called operational decisions, and can be considered short term. He states that strategic decisions, in contrast, have long-term consequences and affect many people, thus making them 'Big Decisions'.

Chatterjee (2005:XIV) reflects on the assumption that risks in any business come from not knowing the demand/threat from the competition, and from not having the appropriate capabilities. He goes on to state that, to reduce risk, clarity is needed regarding where the risks are, and (how best) to create choices or options to tackle those risks.

2.3.2 Strategies to Manage Risk

Different authors define strategies to manage risk in different terms. However, they all have the same objectives in mind regarding the choices available. This concept will be discussed in more detail in the remainder of this section. Table 2.1 shows the different terms used by a number of sources to describe the same strategies, which are collectively explained in more detail under a common classification.

Table 2.1: Risk Management Strategies

Common Classification	Nieman, Hough & Nieuwenhuizen (2003:139)	HM Treasury (2004:27)	Gray & Larson (2006:215-217)	PMBOK (2000:142-143)
Accepting risk	Retention	Tolerate	Retain	Accept
Mitigating risk	Reduction	Treat	Mitigate	Mitigate
Avoiding risk	Avoidance	Terminate	Avoid	Avoid
Transferring risk	Transfer	Transfer	Transfer	Transfer
Sharing risk			Share	

(Source: Gray & Larson, 2006; HM Treasury, 2004; Nieman, Hough & Nieuwenhuizen, 2003; PMBOK, 2000)

A. Accepting the Risk

In some circumstances, the strategy would be to bear or accept the risk as this is part of the business. This strategy is normally adopted when the potential for loss is minimal, or when the cost of transferring the risk to a third party is too high, or when the probability of the risk occurring is low. Should the risk actually occur, then the adverse impact may be limited through contingency planning (Gray & Larson, 2006:217; HM Treasury, 2004:27; Swaabrooke, Beard, Leckie & Pomfret 2003:170).

According to Valsamakis *et al.* (2004:186), retained risk may be either funded (contingency planning) or unfunded. A risk is unfunded and retained when no

provision is made for the financial consequences of a loss. Funded risk, on the other hand, is a planned risk retention where a programme or procedure has been set up to fund losses should they occur.

De Loach (2000:213), refers to the 'capacity to bear risk', which is the capacity to which the organisation is capable of undertaking such risk. De Loach goes on to say that capacity is a complex issue as it is a function of many things, of people, and of processes and technology used to measure, monitor and manage risk. Some may consider this definition to be contrived.

When the decision is made to accept the risk, a contingency plan is normally developed in advance to reduce the cost and other adverse effects the risk may bring with it, should it occur. Together with the contingency plan, a contingency budget that will include allowances for time, money and resources, is established to cater for the occurrence as either a known or even as an unspecified risk (PMBOK, 2000:143)

Nieman *et al.* (2003:140) suggest that some risks should be retained, either because they cannot be identified or because no decision has been made on how to handle them. The following circumstances should be present when considering a strategy of retention:

- There is no practical means of avoidance
- The risk is unknown
- The consequences are not serious
- The consequences of avoiding the risk are unacceptable
- Risk is actively desired

B. Mitigation or Treating the Risk

Risk can be mitigated or treated by:

- Reducing the likelihood that the risk event will occur
 - Reducing the impact that the adverse event will have on the organisation.
- (Gary & Larson, 2006:215; PMBOK, 2000:142)

The cost of mitigation should be appropriate to the probability of the risk occurring and to the adverse consequences it may bring. Mitigation may result in a new course of action being planned (PMBOK, 2000:142).

When there is little possibility of eliminating the risk completely, this strategy will be considered and, by so doing, the impact of the risk is reduced by:

- Revising the business plan regularly
- Implementing management control systems
- Implementing safety programmes

HM Treasury (2004:27) suggests that the majority of risks will be addressed under this heading. The organisation should be in a position to operate under normal operating conditions whilst giving treatment to the risk and, by so doing, constrain the risk to controllable and acceptable levels.

C. Avoiding the Risk

Risk is an integral part of any business; to have a business that is risk free is not to have a business at all. Nieman *et al.* (2003:140) make special mention that if risk avoidance means not investing in a new venture or in an existing venture, it will mean doing nothing at all. The principle of risk and return is a constituent part of all business ventures, always remembering that the higher the risk, the higher the return that will be sought. Even so, if upon analysing the venture and accepting that the chances of loss are high, perhaps the best strategy would be to avoid the risk.

According to Gray and Larson (2006:216) and PMBOK (2000:142), risk can be avoided by changing the plan to eliminate the risk or condition creating the potential risk. However, risks that prove to be only treatable and/or containable to a point of acceptable level should be terminated (HM Treasury, 2004:27). This option should be considered when it becomes clear that the projected cost/benefit relationship is in jeopardy.

D. Transferring the Risk

The transferring of risks can be undertaken by the conventional method of insurance, or by paying a third party to take the risk (Gray & Larson, 2006:216; PMBOK, 2000:142).

It is important to understand that certain risks are not transferable. HM Treasury (2004:27) refers particularly to reputation risk, even (perhaps particularly) where the delivery of service is contracted out. Swarbrooke *et al.* (2003:170) suggest that risk should be transferred from the operator to others as being a key method used in the management of risk. They further state that the transferring of risks to insurance companies is regarded as the main method of risk management in operation at present. Nieman *et al.* (2003:140) concurs with this strategy by agreeing with the idea of buying insurance against disaster. Longenecker, Moore, Petty & Palich (2006:418) also recommend buying insurance or making contractual arrangements with others in order to transfer risk.

Risk transfer is probably the most popular strategy currently followed by business people. Nieman *et al.* (2003:140) suggest thorough underwriting and insurance. Taking insurance transfers much of the risk to the insurance company, should disaster strike. The basic principles to be followed when considering insurance are:

- Identify the business risks to be insured
- Limit the cover to major potential losses
- Relate premium costs to the probability of the loss

E. Sharing the Risk

When sharing the risk, portions of the risk are allocated to different parties, for example, to partners or associates (Gray and Larson 2006:217). Risk sharing differs somewhat from risk transfer in that not all of the risk is transferred to a third party, but part of the risk or cost of the risk is retained by the organisation.

F. Taking the Opportunity

HM Treasury (2004:27) believes that this should not be seen as an alternative to the risk management strategies discussed, but should rather be addressed as an option to be considered when tolerating, transferring or treating risk. However, there are two sides to this belief. The first is whether an opportunity arises at the same time as mitigation of threats and so exploits a positive impact. The second is whether circumstances arise which, whilst not generating threats, offer positive opportunities for the tourism industry that can be exploited by taking suitable actions.

2.4 RISKS AND DECISIONS AFFECTING THE TOURISM INDUSTRY

As has been mentioned in Chapter 1, there are many risks associated with the tourism industry that may detrimentally affect both short- and long-term profitability, perhaps the very existence of different operators within the industry, and even the industry as a whole.

This section will consider those risks and the decisions associated with risks for tourism in respect of travel and holidays. While the focus of this thesis is on risks facing organisations in the tourism industry, it is necessary also to discuss the risks that a tourist faces (the demand-side perspective). The travel decision model and holiday system in Figure 2.1 presents this view. In closing, rational decision-making in the face of perils and hazards associated with the risks identified in the tourism industry is briefly discussed, once again illustrating the need for a risk management model for the industry.

2.4.1 The Travel Decision Model

Moutinho (2000:52) underlines the fact that, to understand exactly how tourists reduce vacation risks, it is necessary to consider the major types of perceived risks:

- Functional risk, that is, the risk that the product will not perform as expected
- Physical risk, where the risk is that the tourist product will be harmful
- Financial risk or the risk that the product will not be worth the cost, either in time or in money
- Social risk, the risk that a poor product choice may result in embarrassment before others
- Psychological risk, that is, the risk that poor product choice will harm the consumer's ego

To assist the tourist, operators in the tourist industry will have to consider the various types of perceived risks. In a buying situation, perceived risks will include uncertain buying goals, lack of purchasing experience, peer influence and financial considerations (Refer Figure 2.1).

Although the travel decision model relates to how the individual tourist decides whether to travel or not, it has a direct influence on the tourism industry and is therefore relevant in terms of a number of risks to the industry. The tourist's decision is based on a number of perceptions created in his/her mind by, for example, the effectiveness of destination advertising, the facilities and type of accommodation available, and perceived value for money. Therefore, not knowing or understanding the individual's needs and expectations will constitute a risk, the risk that the business may lose a customer. This applies at local (business) level, and at provincial and national levels also, which implies that the town, province and country must advertise and project images that show that all expectations and needs can be catered for. Bluntly, not knowing and understanding what motivates a tourist represents a risk to the business.

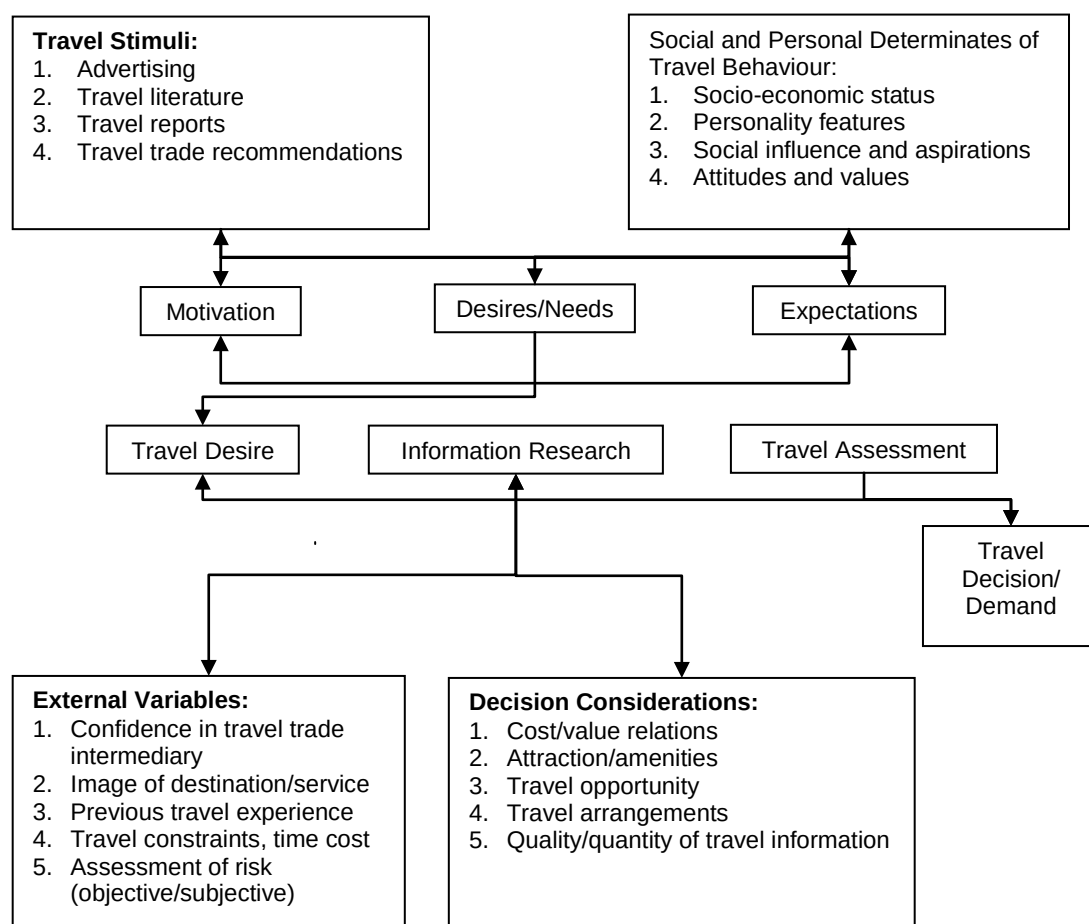


Figure 2.1: Travel Decision Model (Source: Moutinho 2000:54)

For the risk assessment to have meaning, it should be a study of the risk variables that comprise past tourist behaviour and the learning processes towards travel-related concepts. These must include intrapersonal characteristics and the information sources used both before and after the tourist product purchase. To assist the tourist, Moutinho (2000:54) believes that several risk reduction strategies should be used, such as:

- Expecting less from the product or service
- Regularly purchasing the same product
- Acquiring tourist information
- Purchasing the most expensive product
- Relying on travel reports
- Relying on tourist guarantees

The vacation tourist should consider the analysis of the cost/benefit equilibrium level against the price paid. The tourist has in mind the type of product consistency expected and this will play an important role in the destination 'sold' to the tourist.

2.4.2 The Holiday System

According to Lubbe (2000:257-8), the systems approach can explain the independence of the various elements that make up the holiday experience. Any policy or operational changes are brought about because of the way the system functions and because of the environment within which the industry operates. Lubbe (2000) refers to the following elements (or subsystems):

- The natural or primary destination attractions, for example, the climate and natural attractions
- Secondary features, such as accommodation, transport, or the leisure infrastructure
- Destination inputs, for example, the managerial and technical skills and investor capital, which are used to plan, co-ordinate and provide the primary and secondary elements. Tourist expectations are a further input determining the outcomes of the system
- Outputs of the system such as the impact of changes in input and primary and secondary elements on the community, economy and environment, as

well as on the stakeholders such as the tour operators, travel retailers, tourists, residents and destination services

- Influences of the external environment on the system by, for example, changes in technology and transport, legislation, the demographics of the market or the politics that affect the competitive conditions within which the stakeholders operate

The entire system will be affected by any changes to any of the elements of the system illustrated in Figure 2.2, 'the inclusive holiday system' also referred to as the TOMM (Tourism Optimisation Management Model). The model in Figure 2.2 is very revealing of risks pertinent to the tourism industry when perused in conjunction with the effect they have on the needs, expectations and aspirations of the clients.

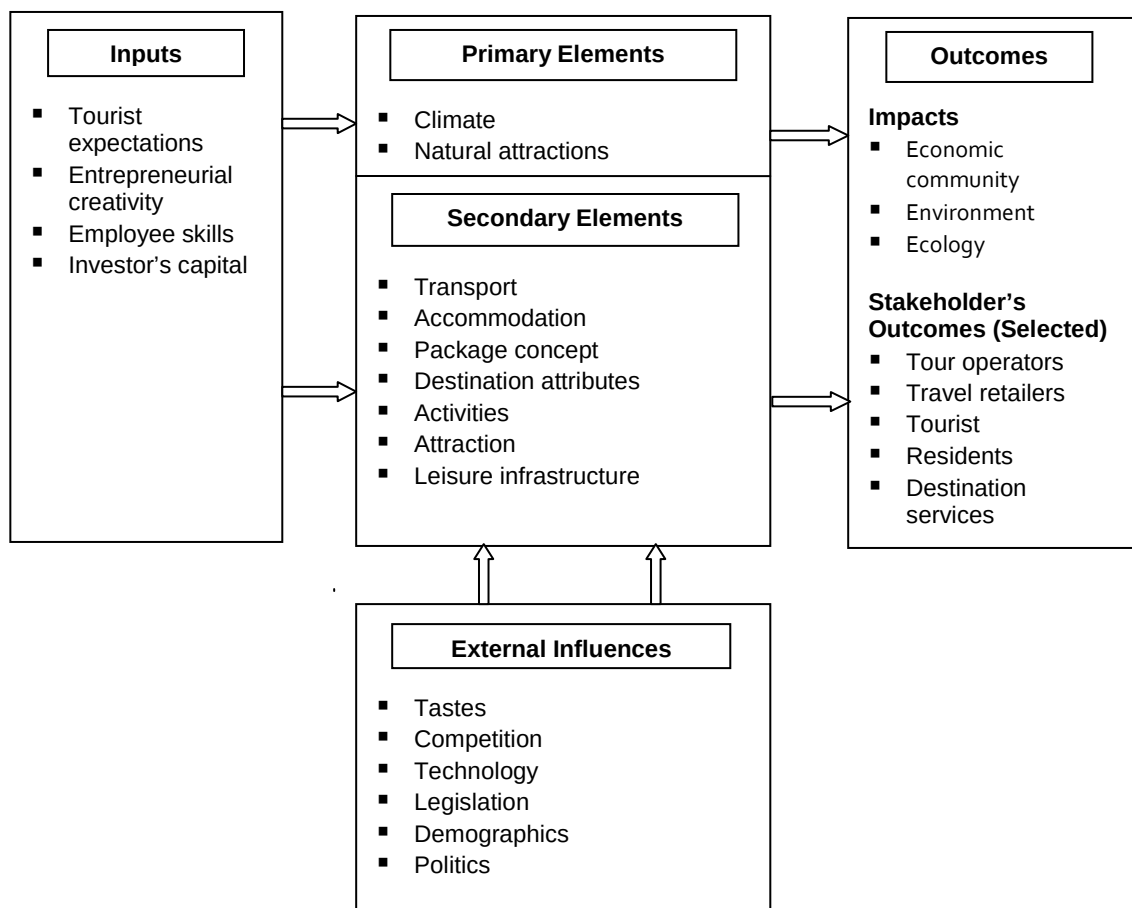


Figure 2.2: The Inclusive Holiday System (Tourism Optimisation Management Model – TOMM) (Adapted from: Laws 1997:31)

An Australian company based in Sydney in the 1990s developed a model especially for tourism planning in natural areas. This is now known as the tourism optimisation management model (TOMM). Political, socio-cultural and economic contexts are very important in this framework.

When analysing Figure 2.2, risk is not specifically mentioned anywhere, but a closer scrutiny reveals risk as a component of many of the constituent elements.

A. Inputs

Each of the inputs contains an element of risk. For example,

a) Tourist Expectations

What are the tourist's expectations? Were they explicitly set out at the first contact? Does the agent understand the client's expectations? Failure to answer these questions satisfactorily will result in having a hostile client upon his/her return from holiday, and the agency's reputation could be at risk.

b) Entrepreneurial Creativity

Preparation is based on the background, experience and knowledge the entrepreneur brings to the product. Studies show that 50% to 90% of start-up ideas emerge from the entrepreneur's prior work experience (Barringer & Ireland, 2008:49). Should this experience and knowledge be lacking, the client's experience will equally fall short of being satisfactory.

c) Employee Skills

This could possibly be the most important factor since, without qualified employees possessing the necessary skills and training, clients could have several bad experiences with a variety of problems concerning transport, accommodation, attractions and other factors. Human error, possibly due to a lack of skills, is one of the most common causes of failure or problems in the tourist experience, and therefore constitutes a considerable risk to any organisation particularly because these risks are often hard to predict.

d) Investor's Capital

Ventures are normally started by obtaining funds from investors, whose sole objective is to make a profit. Should the venture not be managed or run successfully, the investor will be at risk. On the other side of the coin, the venture could also be waiting for the promised funding from an investor. Delays or non-performance here will place the venture in financial trouble. Whichever way the investment fails or is delayed, the client will be at risk.

B. Primary Elements

a) Climate

A common phenomenon is that tourists or holidaymakers tend to escape the climate of their home regions. Lumsdon (2000:240) suggests that North Europeans are renowned for their search of the sun. Unseasonal changes, or even climatic change, each contain an element of risk

b) Environment

According to Deloach (2000:253), environmental risk relates to activities harmful to the environment and exposes the organisation to liabilities that include bodily injury, punitive damage, property damage, perhaps even extending to cost of removal or repair of the damage. Deloach (2000:269) defines environmental risk as arising *"when there are external forces that could either significantly change the fundamental assumptions that drive a firm's overall objectives and strategies or, at the extreme, render its business model obsolete"*.

c) Natural Attractions

Laws (1991:24) suggests that all major destinations feature certain attractions, for example, the Great Barrier Reef in Australia, the Grand Canyon in the USA, and the jungles and rivers of the Amazon. These attractions lure tourists to the mystique and adventure. However, in themselves, they have an element of risk attached to them. Shark attacks at the Great Barrier Reef, becoming lost or stranded in the Grand Canyon, snake bites and infections from mosquito or insect bites in the jungles and rivers of the Amazon, each form a type of risk that can be seen as intrinsic to the natural attraction.

C. Secondary Elements

a) Transport

Transportation consists of the volume of, and all modes of transport (Newsome, Moore & Dowling, 2002:06). Mention must be made of the world energy crisis prevailing at present, as this could result in the cancellation of flights, rail and bus services causing frustration to the client. A further example is the recent eruption of the volcano on Iceland that adversely affected air traffic in respect of flights to and from Europe as all aircraft were grounded (Van Rensburg, 2010; Rapport Sake24, 2010:3,12).

b) Accommodation

Lubbe (2000:207) notes that accommodation includes spending guidelines according to cities, and types of hotel considering the levels of personnel employed at luxury or economy hotels, preferred hotels or hotel chains. Special attention should be given to policies regarding guaranteed reservations and cancellations, and should include extra services allowed.

c) Package Concept

According to Lubbe (2000:66), the EU has a statutory regulation introduced in 1993 and referred to as 'The EU Package Travel Directive'. The main requirements of the directive are that organisers must provide financial security to consumers in the event of the organiser's insolvency; they must provide extensive information to consumers before they enter into package holiday contracts; and the organisers must accept strict, or near strict, liability for breach of contract. Moutinho (2000:05), however, suggests that price-based market share between the major operators has, in either reality or perception, been responsible for the lower quality of holidays on offer. This does not mean that package holidays will disappear, but it will result in unpacking them, rather than mere repackaging.

d) Destination Attributes

Positioning and image are both involved under this heading. According to Lubbe (2000:17), image is an important factor to be considered by suppliers and carriers alike. First-class passengers expect first-class service, and suppliers and carriers servicing this segment of the market should select distribution intermediaries which

themselves have the image and capacity to fulfil the expectations of the tourist. Mansfeld and Pizam (2006:13) highlight the fact that tourist destinations are symbols of cultural and national identity and therefore strikes against them are regarded as attacks against a nation and/or its culture.

e) Activities

Cooper *et al.* (2005:276) believe that the characteristics of tourists are closely linked to their activities. Gambling, however, can bring with it specific social problems and stresses that are far greater than those caused by the same number of tourists undertaking different, but non-gambling, activities.

f) Attractions

Cooper *et al.* (2005:346) also suggest that attractions are the single most important reason for leisure tourism. Reference is made to the Colosseum when marketing Rome, Table Mountain when marketing South Africa, and the London Eye when promoting London. Many further examples can be drawn, each supporting the contention.

When determining travel and tourism purchasing decisions, it is important to consider attractions and other specific facilities that play a key role. There are many regions that recognise the importance of infrastructural developments in the local economy (Moutinho, 2000:32). When it comes to an economic perspective, Telfer and Sharpley (2008:77) believe that tourist resorts may opt to keep the tourists inside the boundaries of the resort to ensure that the tourist spend is retained by the resort rather than accommodate competition for the tourist spend from outsiders.

g) Leisure Infrastructure

Tourism providers are extremely dependent on existing infrastructure to handle travel, hospitality and communication (Moutinho, 2000:32).

D. Outcomes in Terms of the Impacts on Tourism:

a) Economic

Hall, Timothy and Duval (2003:83) cite Chen & Noriega when referring to the economic effects of 11 September 2001, the infamous '9/11', when terrorists flew

aircraft into the Twin Towers of the World Trade Centre in New York, as being monumental. The report mentions the layoffs and unemployment resulting from the hidden recession fuelled by 9/11. Tourism and travel are closely linked to the economy and marketing personnel must therefore find strategies that will not only satisfy the financial concerns of the public, but must also consider the actions of big business insofar as these actions will affect the tourist product.

b) Environment

When tourism is promoted, the environment, whether natural or artificial, is regarded as the most important ingredient. Cooper *et al.* (2005:197) postulate that the development of tourism without incurring environmental impacts is not possible. However, with proper planning and management, it is possible to minimise the negative impacts while still encouraging the positive impacts.

c) Ecology

Ecology Global Network (2008-2009b) refers to eco as the home, the place where people live, and ecology as the science of how all living creatures interact with our home. According to Ecology Global Network (2008-2009a), it was *“coal that fuelled the Industrial Revolution, forever changing the way people would live. It would not be until the early 1960s that most people would begin to realise the impact of this exponential growth on human health and ecology”*.

d) Stakeholders

The focus of the research is on the supply side of the tourism industry. Therefore, the outcomes in respect of a few selected stakeholders are briefly discussed here, and will be further explored Chapters 3 and 4:

▪ Tour Operator

The function of the tour operator is to act as the intermediary in the tourism distribution system, linking the producers with consumers. Moutinho (2000:161) identifies the tour operator as having the ability to combine travel products and offer them to tourists at reasonable prices. Moutinho believes that tour operators have great influence in the travel decision process, and will become more important as the distance between the point of origin and the destination becomes longer.

- **Travel Retailers**

Goeldner and Brent Richie (2006:582) define travel retailers as sellers of carriers' tickets and wholesalers' or operators' tours. In essence, retail agents are commission- or sub-agents.

- **Tourists**

These can be defined as temporary visitors whose purpose could be identified as leisure, recreation, sport, health, study, holiday or religion with a minimum stay of not less than 24 hours (Holloway, 2002:02).

- **Residents**

According to The Concise Oxford Dictionary (2007), a resident is a person who lives somewhere on a long-term basis; a guest in a hotel who stays for one or more nights.

- **Destination Services**

Cooper *et al.* (2005:725) record destinations as being the amalgams of tourism products and services that comprise the total tourism experience under one brand name. Moutinho (2000:135) believes that experience should feature high on the destination marketing objective, as the destination marketer is selling a tourist experience.

E. External Influences

External influences or risk are inherent in any business and may be either of a domestic or of an international nature. Some of these influences will be discussed briefly here but expanded further in Chapter 3 and 4:

a) Competition

The more competitors there are, the more likely it is that one or more will cut prices to obtain a larger market share. This normally occurs when the competitors in the industry are of a similar size and there is no clear market (Barringer & Ireland, 2008:138). Businesses frequently ignore the reality of competition, believing the marketplace contains no close substitutes, or that their success will not attract other competitors (Longenecker *et al.*, 2006:130).

b) Technology

Smith (2006:44) offers a quote from the notes of McGinn (1991:18): *“Technology is the human activity which is devoted to the production of technics (material products of human making or fabrication) or – technic-related intellectual products – and whose root function is to expand the realm of practical human possibility.”* New products, services and processes are themselves the product of developing technology.

c) Legislation

Governments, through legislation, public policy and the actions of their institutions, are able to regulate and control the style of travel and tourism activities (Callaghan, *et al* 1994:161). Mansfeld and Pizam (2006:164) point out that, although legal responsibilities may rest elsewhere, tour operators must adhere to both legislation and common-law requirements.

d) Demographics

This refers to the age, sex, income, socio-economic group and stage in the family life cycle (Callaghan *et al.*, 1994:199). Cooper *et al.* (2005:143) make note of the fact that some countries do not prioritise tourism due to their own issues of poverty, resource shortage or, even, hunger. In some cases, water (or more precisely, the lack thereof) may also act as a constraint on tourism growth.

e) Politics

Hall and O’Sullivan (1996:105) cite Richter and Waugh (1986:231) when they say, *“Tourism may decline precipitously when political conditions appear unsettled. Tourists simply choose alternate destinations. Unfortunately, many national leaders and planners either do not understand or will not accept the fact that political serenity, not scenic or cultural attractions, constitutes the first and central requirement of tourism”*.

The Inclusive Holiday System (Tourism Optimisation Management Model – TOMM) consists of inputs, both primary and secondary elements, outcomes and external influences that may be considered as risks or impacts of risk to which the tourism industry is exposed. Some of these will be examined further in Chapters 3 and 4 to

determine if, and how, they can or perhaps, must be, incorporated into the risk management model that will be developed in Chapter 6.

2.4.3 The Rational Decision-Making Model

Nieman and Bennett (2002:158) are of the opinion that successful decisions are a combination of well-constructed processes and include situation analysis and proper planning. Success, however, is reliant on a systematic approach of identifying the problem and of developing and selecting the most appropriate alternate situation to solve the problem. The advantages and disadvantages offered by the alternative selection are then compared. The solutions should include details of feasibility, cost, quality, acceptability, access and safety. This all-inclusive process could, perhaps, be considered as a rational decision-making model.

Edwards and Bowen (2005) believe that everyone manages risk to some extent, be it in either a business or private capacity. They are of the opinion, and many risk managers support this, that risk management is more of a people issue than it is a mathematical conundrum. One of the important aspects is getting people to understand risk in general. However, encouraging them to adopt a formal approach to identifying and dealing with a specific risk is another matter entirely. The suggested formal approach to risk identification and dealing with risk is one way of encouraging the use of a risk management model.

Baranoff (2004) elaborates on risk when he adds perils and hazards to the criteria to be considered. Perils are presumed to be the immediate causes of loss. The environment is filled with perils that surround people, such as floods, death, sickness, theft, accidents, tornadoes, fires and lightning. Baranoff further breaks down perils into two categories, natural and human perils. Natural perils are perils over which people have little control, such as hurricanes, volcanoes or even lightning. It can therefore be understood that causes of loss largely within the control of humans, including suicide, war and theft, would fall under the heading of human perils. Recession could perhaps be considered as a third category, economic perils, such as employee strikes, arson, flooding for economic gain (profit)

and other similar situations (see Table 2.2) although some people would still regard these as human perils given their human origin.

Table 2.2: Different Types of Perils

NATURAL PERILS	
Generally Insurable	Generally Difficult to Insure
Windstorm	Flood
Lightning	Earthquakes
Natural combustion	Epidemics
Heart attacks	Volcanic eruptions
	Frost
HUMAN PERILS	
Generally Insurable	Generally Difficult to Insure
Theft	War
Vandalism	Radioactive contamination
Hunting accidents	Civil unrest
Negligence	Terrorism
Fire and smoke	
E-commerce	
Mould	
ECONOMIC PERILS	
Generally Insurable	Generally Difficult to Insure
	Employee strikes
	Arson
	Flooding for economic gain

(Adapted from Baranoff, 2004)

Managing risk within the tourism industry seems to demand little attention and to be of little consequence. However, when all the elements that affect tourism are taken into account, together with the effects risk can have not only on the industry but on the economy as well, the significance of these risks obviously needs to be considered. For instance, terrorism is one risk recognised throughout the world as a scourge. This, however, is almost never in the minds of the tour wholesaler or travel agent when recommending a destination.

It is the intention of the researcher, through the construction of a risk management model, to reveal such risks that should be recognised as having a high priority in the minds of the supplier as well as that of the tourist. The major risks considered when constructing this model will be based on the outcomes of the empirical study and on the five risk categories mentioned in Chapter 1.

This section has illustrated the complexity of risk management in the tourism industry and has reconfirmed the need of a risk management model for the tourism industry. In the next section, a number of concepts and risk management models will be analysed to identify one or more models that may be adaptable to the tourism industry.

2.5 ANALYSIS OF RISK MANAGEMENT MODELS

It is important that the risks associated with the tourism industry be identified and that appropriate methods be selected to manage these risks. However, before developing any kind of a model, it is imperative that the differences and/or the combination of processes, strategies and models are known. According to Cooper and Schindler (2001:53), there are different versions of the definition of these aspects of model derivative. They include the following:

- Processes - a series of actions, directed at a specific aim. A series of natural occurrences that produce change or development
- Strategy - a carefully devised plan of action to achieve a goal. The art of developing or carrying out a plan
- Model - something that is used for a related idea, process or system

Given the above definitions, processes or systems could perhaps also be regarded as models.

Cooper and Schindler (2001:52) describe 'a model' as a term used throughout business and allied disciplines but with little agreement as to its actual definition. This could be because most definitions relate to numerous functions, structures and types of various models in existence. These researchers define a model as being a representation of a system that has been constructed to enable study of various aspects of that system or even the system itself.

The term "model" as described by Page and Meyer (2000) expresses the fact that models go a little further than theories and are a *"full representation or description of a phenomenon or a set of relationships, including statements about assumptions and interactions in the model"* They conclude that theories, concepts, constructs

and models are ways of thinking and expressing ideas and interrelationships between ideas. In essence they are a way of conveying knowledge about the world to others.

The difference between models and theories is that models are representations whereas theories are explanations. *“A model is not an explanation; it is only the structure and/or function of a second object or process. A model is a result of taking the structure or function of one object or process and using that as a model for the second. When the substance, either physical or conceptual, of the second object or process has been projected on to the first, a model has been constructed”* (Hawes, 1975:111, as cited by Cooper & Schindler, 2001:52).

De Vos (2003:37) cites Bailey (1994:322) when defining a model. A model is a copy, a replica or an analogy that differs from the original in some way. De Vos (2003) explains that this difference could be not only in size but may also not be complete in every detail, as the model includes only those features that are necessary for the modeller’s purpose.

Daniell (2000:06) quotes Sir Richard Bacon: *“If we are to achieve results never before accomplished, we must expect methods never before attempted.”* Daniell (2000:06) goes on to explain that old problems have assumed new dimensions, and old remedies are no longer valid. Systems have evolved. New sets of risks and opportunities have presented themselves. Priorities have changed and, to date, virtually nothing or very little has been achieved in developing the capability to reduce risk, capture opportunity and master complex systematic challenge. Nieman *et al.* (2003) not only agree with Daniell, but also refer to the wheel of misfortune, adapted from Longenecker, Moore & Petty (2000:547).

Some authors refer to the models as processes. Lynch (2003:17) defines a process as the manner in which actions link together or interact with one another as the strategy unfolds against the environment. This unfolding can then be depicted in a model.

In the context of this discussion, the term model will be used to refer to a process used to depict the situation as it might exist and could be expected to react to the perils threatening the situation.

Therefore, it can be deduced that a risk management model is a representation of the process to be used to manage risk.

2.5.1 Analysis of Existing Risk Management Models

Various risk management models are used in business, particularly in the project management environment. The risk management models used in the project management environment tend to be more general in that they are applicable to a variety of circumstances depending on the type of project. They are not developed for a specific business sector, such as finance or the banking industry, and therefore they appear to be more adaptable and can easily be changed to suit the tourism industry. As will be seen, these models do not differ significantly from one another, but some have limitations that others do not and may not be suitable for the tourism industry. A brief discussion of some of the models encountered in literature follows in an attempt to establish their suitability for use in the tourism industry.

A. Valsamakis, Vivian & du Toit

Valsamakis *et al.* (2000:80) postulate that risk management is an ongoing process, not to be seen in isolation nor as a single event. Figure 2.3 demonstrates that the process starts with risk identification, with evaluation being the main feature to identify for risk control (for both business and event risks), before finally providing financially for the consequences of event risk. To manage a risk, it must first be recognised and/or identified, before any type of risk management programme can be put into action. This part of the process should be viewed as the most important function of the risk management programme and should be approached in a structured, systematic and well-managed manner.

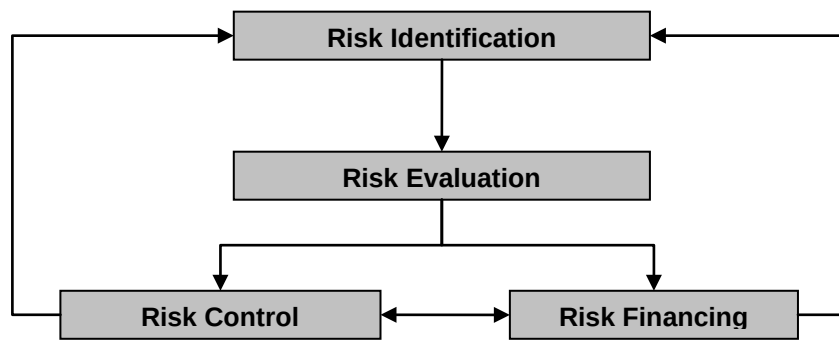


Figure 2.3: Risk Management Model (Adapted from Valsamakis *et al.* 2004:96)

The model presented by Valsamakis *et al.* (2004:96) and shown as Figure 2.4, concentrates on financial risks. It shows the risk control and risk finance elements of the model in greater detail.

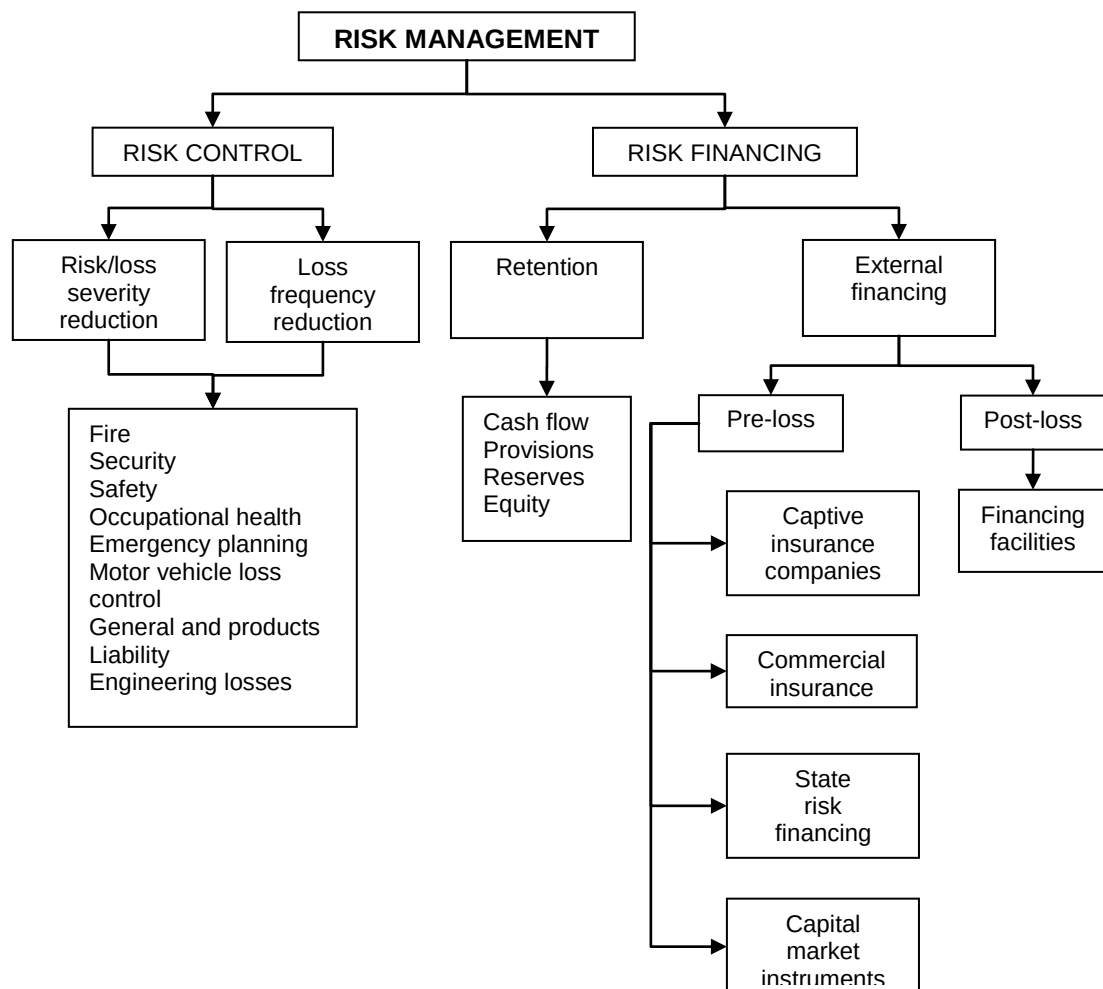


Figure 2.4: The Risk Control Model (Adapted from Valsamakis *et al.* 2000:13)

The models presented by Valsamakis *et al.* (2000, 2004) in Figures 2.3 and 2.4 may be suitable for managing risks that lead to financial losses and so the tourism industry could use such a model to manage financial risk. However, it is not ideally suitable for adaptation as a risk management model to manage the other risks associated with the tourism industry. The model also has shortcomings in that the two important steps of implementation, and of evaluation and review are omitted.

B. Burke's Model

The integration and interactions of the Burke's risk management processes are illustrated in Figure 2.5, (as adapted from Burke (2000)).

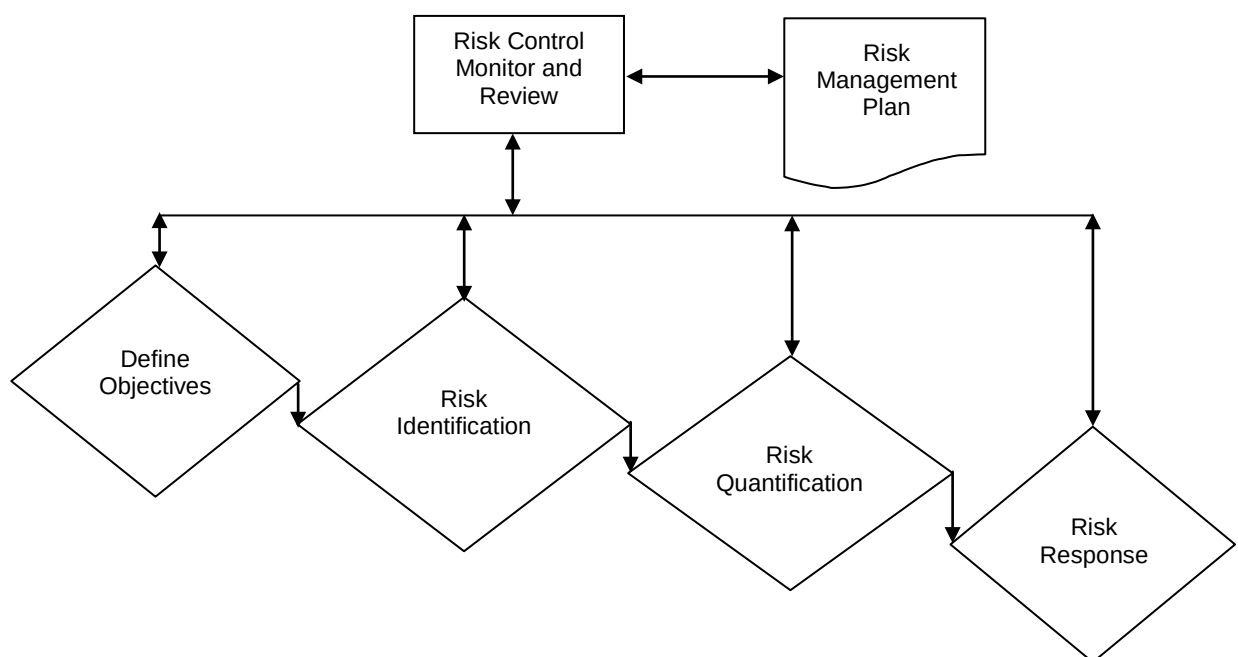


Figure 2.5: Risk Management Model (Adapted from Burke 2000)

Burke's risk management model clearly shows the logical sequence of the process outlined and how each part integrates with the whole. Defining the objectives can be seen as determining the risk tolerance of the business, and of what the business is prepared to accept - or not - in terms of risk impact. Risk identification, quantification and response, together with monitoring and control, constitute the risk management plan that then becomes formal documents detailing how the business will manage and respond to identified risk.

C. The Gray & Larson Model

Gray and Larson (2006:209) detail a process similar to that of Burke (2000). This is shown as Figure 2.6. Although there are again four steps in the process, each is a little different to those of Burke's model.

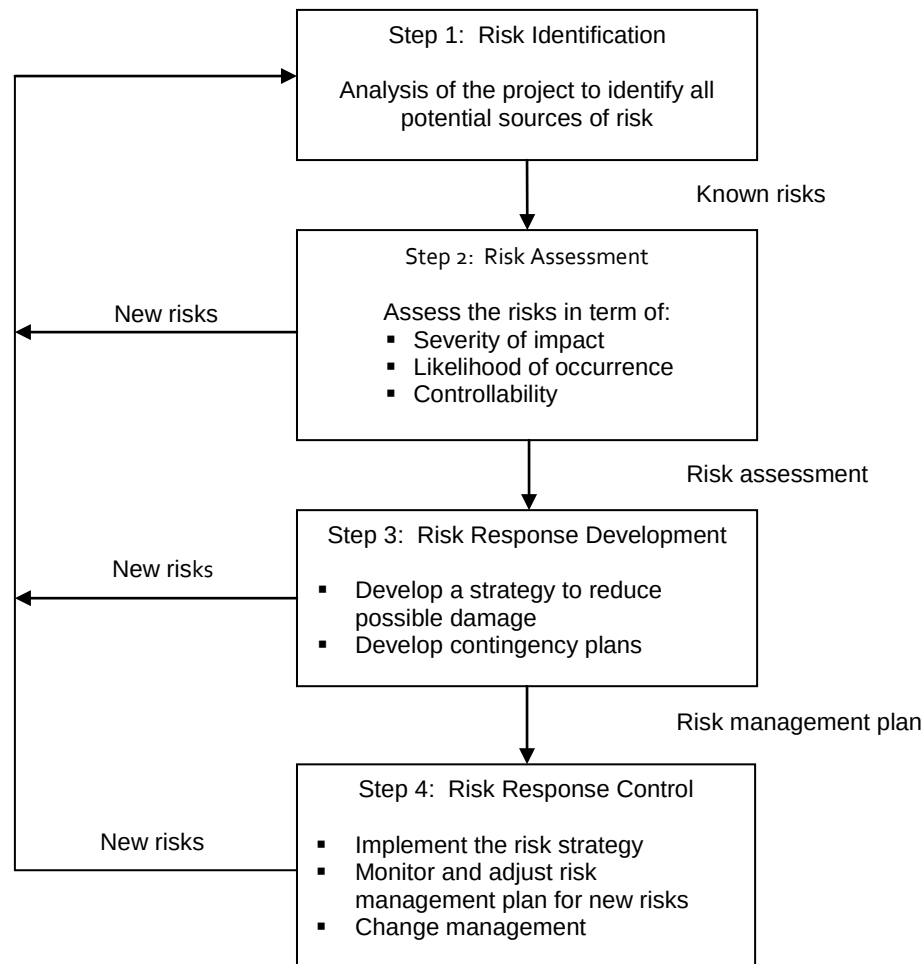


Figure 2.6: The Risk Management Model (Adapted from Gray & Larson 2006:209)

An important element that is missing from Gray & Larson's model, but one that is included in Burke's model, is the setting of an objective. In other words, what is to be achieved by risk management? This is not always as self-evident as might be thought. A further essential difference between the two models is that Burke starts with risk control whereas this step is just part of the implementation of risk responses and, therefore, the last step in the Gray & Larson model. The model presented by Gray & Larson (2006) also explains what needs to take place at each step of the process

D. The AS/NZS (Australian/New Zealand Standard) Model

A very comprehensive model, known as the 'Risk Treatment Process' was developed by the Australian and New Zealand Standards Body in 1995. This model is very similar to those of Nieman & Niewenhuizen (2009), of Gray & Larson (2006) and of Burke (2000), but provides much greater detail with respect to the decision-making processes. The model presented in Figure 2.7 also includes the decision making process associated with each of the four or five steps found in the other models.

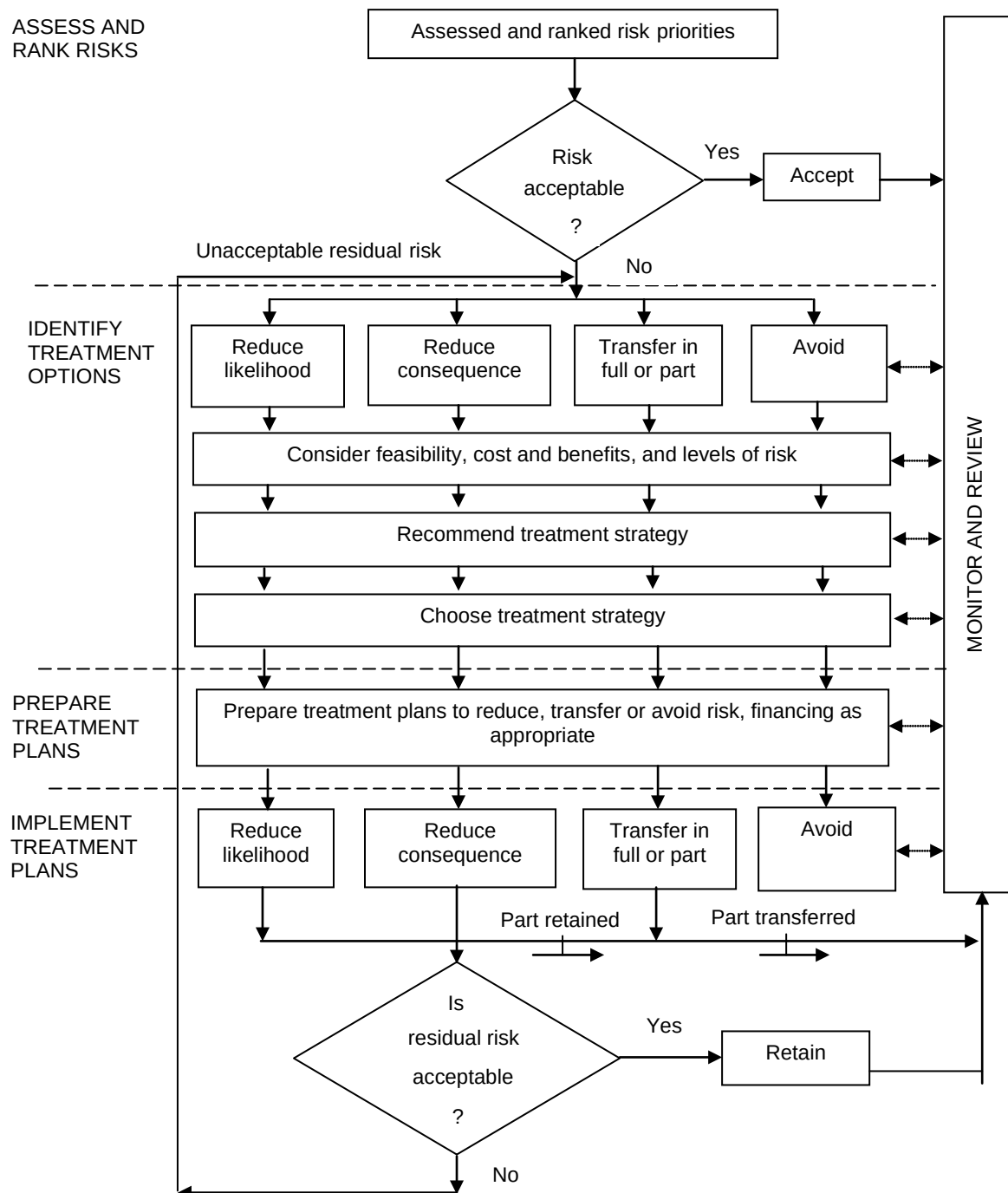


Figure 2.7: The Risk Treatment Process (Model) (Adapted from Australia 1995).

The steps in the processes indicated by the model presented by Gray & Larsen (2006) in Figure 2.6 and the objectives mentioned in Burke's (2000) model in Figure 2.5, as well as other models mentioned are discussed in more detail following:

Step 1. Define Objectives

Prior to producing any risk management plan, the organisation needs to set objectives in respect of what it wants to achieve with the risk management plan. This will determine the scope of the risk management plan, and the amount of effort, resources and money that will be spent in developing the risk management plan. The objective will also provide guidance in respect of the type of response to be developed for certain risks (Burke, 2000).

Step 2. Risk Identification

Risk identification could be considered the most important step in the risk management process. The preoccupation of risk managers with risk financing in particular has been seen as neglecting the importance of risk identification.

Risk identification must be an integral part of every risk management process as it is obvious that a risk cannot be managed if it is not identified as such.

The risk identification process involves identifying and documenting all known and potential risks that may affect the sector of the tourism industry in which the owner of the business operates. The identification of risks may be by means of a checklist, may be based on past events or on assumptions made about the industry. Cause and effect diagrams, flowcharts, influence diagrams and other suitable techniques may all be used in the process (PMBOK, 2000:127, 132-133).

Step 3. Risk Assessment

The risk assessment process can be undertaken by means of quantitative or qualitative analysis or by a combination of both (PMBOK, 2000:127).

Qualitative risk analysis assesses the impact (usually cost) and probability (or likelihood) that the identified risk may occur by prioritising (ranking) the potential or known risk, according to the potential impact on the business (PMBOK, 2000:135).

In the case of quantitative risk analysis, the probability is determined from past occurrences or by using simulation techniques such as the Monte Carlo method. The impact of the risk is determined from historic data or estimated in monetary terms (Rand value). Techniques that can be used for the quantitative analysis include sensitivity analysis, decision trees and simulation. The risks can be ranked in order of the 'expected monetary value' (EMV) where $EMV = \text{Probability of occurrence} * \text{Rand value of impact}$ (PMBOK, 2000:130, Richrath, 2009a:96-100).

Step 4. Risk Response Development

Response development involves developing procedures, techniques, actions and/or new plans to enhance opportunities and reduce threats to the tourism industry. Opportunities normally arise from external risks or threats, that is, events occurring outside the South African border. This process ensures that the identified risks are properly addressed to ensure that the effects of the risk or the impact are minimised, if not eliminated, should the risk occur (PMBOK, 2000:127, 140).

Step 5. Risk Response Control

During the risk response control phase, the risk responses are implemented, monitored and evaluated to determine their success. New risks are identified and handled by the processes established in the risk management model. Assumptions are tested for current validity and then compliance with policies and procedures implemented to reduce risk or impact is determined. Risk control may result in new strategies being developed, the implementation of contingency plans and taking new corrective and/or preventive action (PMBOK, 2000:127, 143-144).

The risk management plan is established from the outset and is updated as information becomes available and as the processes in the risk management model are applied. It is a documented plan of all identified risks, the assessment thereof; the responses developed, and is intended to provide a record of implementation.

2.5.2 Problem Solving Methodology to Support Risk Management

The risk management process as described in the various models in Section 2.5.1 can be supported by the decision-making or problem-solving processes established

in the Industrial engineering environment and referred to by Richrath (2009b:127-134) as being applied in the quality management environment, PMI (2004:34-37) and Nieman *et al.* (2003:121)).

Nieman *et al.* (2003:121) suggest that successful decisions follow a well-constructed process, which includes situation analysis and planning. Nieman *et al.* are of the opinion that rational decision making can be described as a logical and systematic approach to identifying a problem, further adding that developing alternative situations and then selecting the most appropriate solution is required.

The decision-making (problem-solving) model is illustrated in Figure 2.8. According to Nieman *et al.* (2003:131), following the steps in the model will not, however, guarantee good decisions, but will increase the chances of success in decision making.

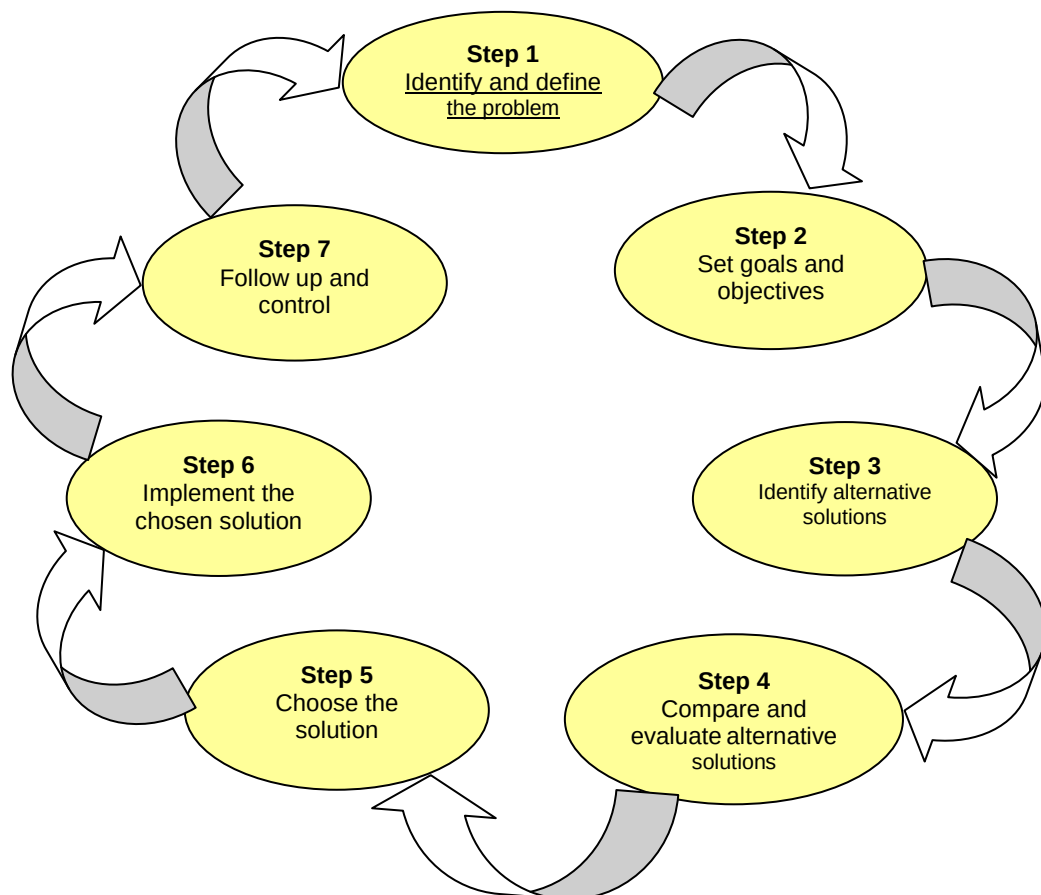


Figure 2.8: Decision-making Process – Problem-solving Model
(Adapted from Nieman *et al.*, 2003:121)

Step 1. Define and Diagnose the Problem

This step involves three stages. Firstly, internal and external environmental forces should be analysed and a decision made as to which of these contribute to the problem(s). Secondly, the actual causes of the problem then need to be established to avoid confusing them with the symptoms. Finally, the diagnosis must be related back to the current or desired goals.

Step 2. Set Goals and Objectives

Once the problem has been defined, specific goals for eliminating the problem must be set. These must include the selection of ideal outcomes, including who must do what, and when it must be done. Timelines of implementation schedules, are vital.

Step 3. Search for Alternative Solutions

During this step, alternative ways must be sought to achieve the set goals. Brainstorming can be used as a creative process to find alternative solutions.

Step 4. Compare and Evaluate Alternative Solutions

The alternatives that have been identified will now be compared and evaluated by considering the advantages and disadvantages of each. Feasibility, quality, acceptability, costs and ethical impacts are the criteria to consider when comparing the alternatives.

Step 5. Choose from Among Alternative Solutions

Decision making is associated with having to make a final choice. This often involves a process of elimination, eliminating the least attractive solution first, and then continuing the process, until the most favourable solution is retained. This selection process involves systems thinking - that is, thinking about the impact the solution will have on the total system and not only on the problem area. A decision must be made on what is ultimately the best result for the business.

Step 6. Implement the Solution Selected

There is, unfortunately, no guarantee that the chosen solution will be successful. The implication of this is that the chosen solution is the best solution of those that were available. To assist with successful implementation of the chosen solution, it

must be well planned and those affected should be consulted to ensure their acceptance and co-operation.

Step 7. Follow-up and Control (Monitor)

Continuously monitoring implementation activities, the evaluation of results and, if needed, corrective action, will be necessary. Feedback could either point to effective implementation or could suggest the need to restart the decision-making process or parts thereof.

2.6 SUMMARY

The aim of this chapter was, primarily, to re-visit the definitions of risk and risk management and to discuss these in some detail to provide a better understanding of the concepts. Secondly, to establish the relationship between the risk elements employed in the decision-making process used by tourists when deciding to travel, and, thirdly, to explore and discuss various strategies to manage risk, for these will form an integral part of any risk management model that may be developed. Fourthly, it was appropriate to explore a number of risk management models and processes and to determine their suitability for use, or adaptation for use, by the tourism industry. These aims were achieved by means of reviewing available literature sources relevant to the research topic.

Having analysed various processes, strategies and models, the conclusion is that there are a number of models that can be adapted to suit the tourism industry in South Africa. They can each be used to create unique risk management plans for a particular sector of business within the industry.

The concept of risk and risk management discussed in this chapter is summarised in Figure 2.9, which illustrates a few of the many complex aspects that need to be considered when developing a risk management model for the tourism industry.

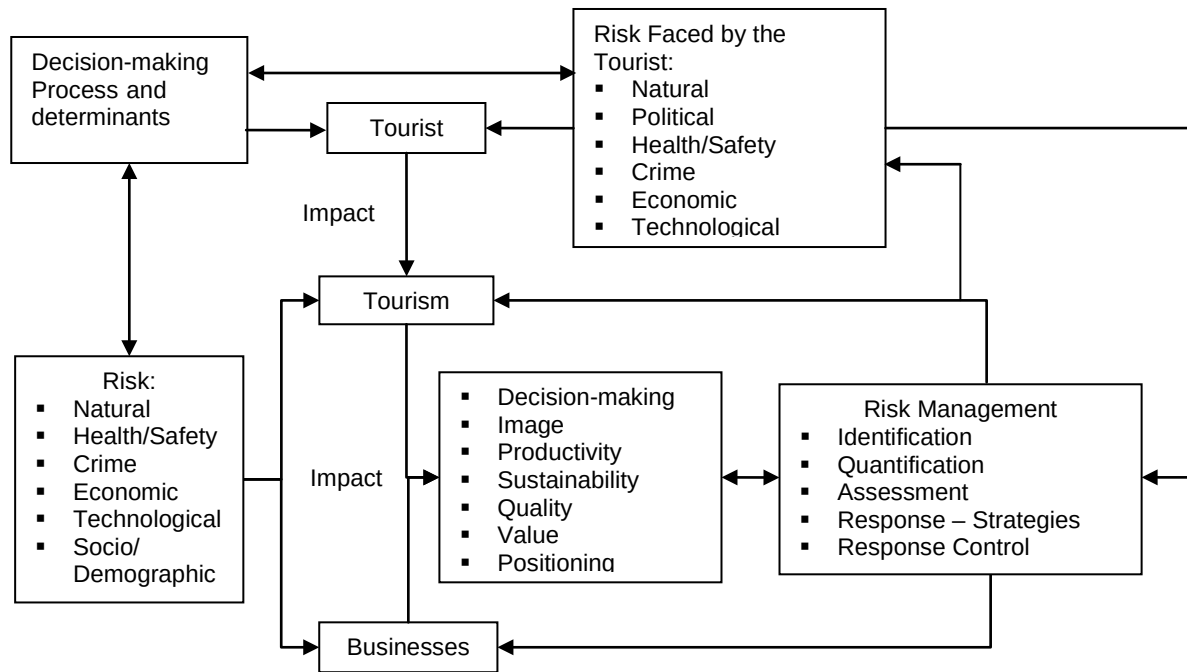


Figure 2.9: Risk and Risk Management in the Tourism Industry

Figure 2.9 shows that risk impacts not only on the businesses associated with the tourism industry, but on the industry as a whole. The risks impact, among other things, on decision making, determinants (a factor that causes or influences something), on the image, productivity and sustainability within the industry and also on the individual businesses. The risks facing the tourist, such as natural disasters, political, health and safety, economic, social and technological risks are also included as they, too, influence the industry. The impact can be either positive or negative and therefore might be exploited beneficially or perhaps minimised if adverse, by choosing the best strategy through the effective use of a suitably designed risk management model.

The tourism industry has now advanced sufficiently that a risk management model can be developed to incorporate the multidimensional nature of risk management in the South African tourism industry. Such a model and a risk management plan, envisaged to be a combination of the models discussed, will be developed in Chapter 6.

However, before such a management model and plan can be fully developed, more information is required in respect of the domestic (internal) and international

(external) risks facing the tourism industry. Chapters 3 and 4 will highlight many types of the risks facing the tourism industry. Chapter 5, in which the empirical research is discussed will also make a valuable contribution to the final risk management model for the South African tourism industry.

CHAPTER 3

IDENTIFYING DOMESTIC RISKS

"In its paradigm shift the tourism industry has to incorporate safety, security, and economic viability considerations into one entity"
Mansfeld & Pizam (2006:30)

3.1 INTRODUCTION

In Chapter 2, it was shown that risk management implies risk identification, risk measurement and risk control/strategy. This chapter expands on this concept of risk management by identifying the relevant domestic risks that face a tourism business in South Africa, and identifying the relevant measures that can be taken in preparation for the risk.

Domestic events normally have a negative impact on all businesses, and therefore on the tourism industry too. These risks have to be identified and analysed. George (2008:15) cites Lickorish & Jenkins (1997:1) when highlighting the lack of a common structure representative of the tourism industry throughout the world. This lack of a common structure can be easily justified when considering that some risks, regarded as external by businesses, are, however, domestic (or internal) from a tourist industry point of view. The complexity of the industry is shown in Figure 1.2. Where necessary, for the sustainability of the tourism industry in South Africa, actions must be formulated to eliminate the risk or at least minimise the adverse impact thereof.

For the purpose of this research, the word domestic refers to destinations, attractions and tourism businesses within the borders of the Republic of South Africa. The research relates to risk believed to be relevant to the operators (suppliers) in tourism industry. These suppliers would include tour operators, travel agents, hoteliers, lodges, bed and breakfast (B&B) establishments, game farms and guesthouses. These establishments, and others, all face the same risks in the Tourism Industry, and so all could adopt similar methods and techniques to lessen

the risk. This similarity, in essence, assists with the identification, evaluation and controlling of the risk.

Supply factors usually work in combination. They include the availability, quality and variety of tourism products on offer, and they may offer domestic risks. These factors will have either a positive or a negative influence on the country as a tourist destination. Although the availability and variety of the product may be there, if the quality is perceived to be poor, then there is a risk of demand decreasing, depending on the individual tourist's priorities.

The chapter will investigate domestic risks pertinent to the South African tourism industry under their respective headings and will discuss each with the intention of finding ways to eliminate or reduce the risks to all aspects of the business. Table 1.1 was used as guideline to develop the framework to investigate risks under the following headings: nature (environmental risks)(see Section 3.2); crime (see Section 3.3.2), health and safety (see Section 3.3.2), which are socio-economic risks (see Section 3.3); political factors (risks) (see Section 3.4), economic risks (see Section 3.5); technology (technological risks) (see Section 3.8) and Socio-demographic risks (see Section 3.9). In addition, transport risks (see Section 3.6) and internal business risks (see Section 3.7) are discussed in separate sections.

3.2 ENVIRONMENTAL RISKS

Environmental risks include natural disasters such as floods, fire and climate change. Wall and Mathieson (2006:154) talk of the term environment as being a catchphrase opening up discussions causing diverse and emotional comments. With the advent of environmental legislation, there have been many new attempts to define the term. Wall and Mathieson (2006:154) cite Lerner (1977:02) when noting that environment now includes not only land, water, air, fauna and flora, but also people, their creations and the social, cultural and economic conditions that affect their lives.

South Africa is a country that does not have vast numbers of natural disasters such as volcanoes, heavily snow-capped mountains, glaciers or severe tornadoes.

However, destructive fires and heavy flooding are a cause for concern as these often occur in tourist destinations throughout the country.

3.2.1 Floods

With the ever-expanding structural development in South Africa, flooding is becoming more frequent during the rainy seasons. Tourists visiting this country must be made aware of this and, most of all, instructed in the action needed to avoid being caught unaware (Tshivhidzo, 2008).

According to the South African Weather Service (SAWS, 2008:01-3), flooding occurs when streams and water channels overflow due to heavy rains. Flooding could also occur when, due to drainage overflow, water flows into areas that are not normally submerged. Flash floods are associated with thunderstorms, which occur upstream from the site of the flooding and may not even be visible from the position where it is likely to take place. Widespread flooding can happen over a period of hours or it may take days. Prolonged rainy spells are the indicator of possible flooding. Emphasis in terms of risk is placed upon health, hygiene, and the risk of contracting infections from the water.

Tsunamis are not a South African phenomenon but can be related to the extensive flooding and damage caused to the coastal infrastructure along the KwaZulu-Natal coast by wave heights exceeding 7 m in March 2007. This caused damage estimated at R115-million and it took at least two years before the region's beaches and infrastructure were fully repaired. This cost estimate does not include damage suffered to private property, which would push the figure significantly higher. Restaurants on the Lower Marine Parade in Durban, a major South African holiday resort, suffered millions of Rands in damage. In one case, staff were trapped inside a building and had to be rescued. Houses situated close to the beaches had to be evacuated due to flooding and wave damage. In Umkomaas, the beach road was completely destroyed (SAWS, 2007:1-6). This demonstrates that, although South Africa does not experience the full forces of a full-blown Tsunami, the country is not immune to exceptionally high seas (SAWS, 2007:1-6).

The bad news is that surf of similar force and intensity - or even greater - can be expected within the next few years. The sea level is rising along the South African coast. At Durban, for example, the sea level is rising about 2.7 mm per year.

Foreign Affairs and International Trade Canada (Canada, 2008:07) discusses natural disasters and climate. The report makes special reference to flash storms experienced in Gauteng between November and April, and heavy rains along the south coast between June and September. The report warns November travellers to take care when travelling along dirt roads as this type of road tends to become hazardous during these periods.

3.2.2 Tornadoes

South Africa is not a tornado-prone country and, even when tornadoes are experienced, they do not rate notably high on the Fujita Scale (See Table 3.1). Only once was there a rating of F4 (F standing for Fujita). This occurred during January 1999 in the Eastern Cape. The rarity of tornados perhaps explains why tornado precautions do not feature greatly on any South African risk management schedule.

However, tornadoes can occur anywhere a thunderstorm is possible (SAWS, 2003:1-3). An analysis was completed showing that tornadoes occurred mostly in Gauteng, Free State, KwaZulu-Natal and the northern region of the former Transkei. It is reported that tornadoes tend to occur in mountainous regions. Sixty-five percent (65%) of tornadoes occurring in South Africa are classified as F0 or F1 class (light damage). A tornado that swept through Harrismith in November 1998 was classified as F2.

Table 3.1: The Fujita Tornado Scale

F-Scale	Intensity	Wind Speed (MPH)	Damage
F0	Gale	40-72	Some damage to chimneys; breaks branches off trees; pushes over shallow-rooted trees; damages sign boards
F1	Moderate	73-112	The lower limit is the beginning of hurricane wind speed; peels surface off roofs; mobile homes pushed off foundations or overturned; moving autos pushed off the roads; attached garages may be destroyed
F2	Significant	113-157	Considerable damage. Roofs torn off frame houses; mobile homes demolished; boxcars pushed

			over; large trees snapped or uprooted; light object missiles generated
F3	Severe	158-206	Roofs and some walls torn off well constructed houses; trains overturned; most trees in forests are uprooted
F4	Devastating	207-260	Well-constructed houses levelled; structures with weak foundations blown off some distance; cars thrown and large missiles generated
F5	Incredible	261-318	Strong frame houses lifted off foundations and carried considerable distances to disintegrate; automobile sized missiles fly through the air in excess of 100 meters; trees debarked; steel reinforced concrete structures badly damaged
F6	Inconceivable	319-379	These winds are very unlikely. The small area of damage they might produce would probably not be recognisable along with the mess produced by F4 and F5 wind that would surround the F6 winds. Missiles, such as cars and refrigerators would do serious secondary damage that could not be directly identified as F6 damage. If this level is ever achieved, evidence for it might only be found in some manner of ground swirl pattern, for it may never be identifiable through engineering studies

(Source: The Tornado Project, 1999)

It is evident from the Fujita scale (Table 3.1) that South Africa is affected by only mild tornadoes. However, as previously indicated, F2 and F4 tornadoes have struck and have caused serious damage in the past. The South African Weather Service (SAWS, 2003:01) has posted tornado danger-warning signs asking readers to learn and take note of these:

- An approaching cloud of debris can mark the location of the tornado even if the funnel is not visible
- Before the tornado hits, the wind may die down and the air becomes very still
- Tornadoes occur near the trailing edge of thunderstorms. It is not uncommon to see clear, sunlit skies behind a tornado

3.2.3 Drought

In South Africa, drought is a perennial feature of the climate. Droughts have had significant environmental and social impacts and bring to the fore how vulnerable South Africa is to these continuing phenomena (SAWS, 2003). In addition, drought has a severe impact on the tourism industry since it impacts on all the sectors of the industry. Agriculturalists, policy makers, the public in general and business people need information regarding rainfall for decision making and planning. This is the reason that the South African Weather Service decided to create a drought-

monitoring desk. The objective of the desk is to have long-range forecasts and rainfall patterns accessible in one place. It also provides an opportunity to compare rainfall figures from previous dry periods. This, in turn, assists with decision making and planning practices.

South Africa has an average annual rainfall of 464 mm, compared to a world average of 860 mm. In total, 65% of the country has an annual rainfall of less than 500 mm – regarded as the absolute minimum for successful dry-land farming. The rainfall is unreliable and unpredictable, and below-average rainfall figures are more commonly recorded than above-average annual rainfall. The Western Cape often receives frontal rain, while the interior receives convectional rain associated with thunderstorms. Orographic/relief rain occurs on the windward side of the mountains of the Great Escarpment and the Cape folded mountains (SAWS, 2009)

Western Cape has its highest rainfall in the winter months; other provinces have their highest rainfall in summer. When travelling to Cape Town, it is advisable to do so during the spring, summer and autumn (SAWS, 2009).

3.2.4 Fires

Another cause for concern is veld fires, which are very unpredictable and extremely dangerous, for they spread very quickly and, in high winds, can travel at speeds of 60 km/h or more. Travellers are advised to stay clear of any wildfire and always to verify local conditions before going on bush walks during the dry season. Moll (2008:154-5) postulates that, during the last weeks of January and the first week in February 2008, weather conditions and arsonists were responsible for the fires that ravished parts of the Cape Peninsula mountain chain. Thankfully, these fires were contained by the fire services that are well versed in extinguishing *fynbos* fires. Moll (2008:155) argues that, in the past, prescribed burning of mountain firebreaks was executed at certain places to control the spread of wildfires. This was undertaken by the (then) Cape Peninsula Fire Protection Committee. The landowners complied with certain standard fire prevention measures and these were overseen by the committee. Today, the Peninsula's vegetation is under the control of managers who no longer apply such strict control measures. Moll (2008) is adamant that, unless something is done to implement proper fire prevention and protection policies,

devastating wildfires will be experienced from time to time. He believes that these can have a severe impact on the tourism industry in that significant natural tourist attractions are destroyed. All this doom and gloom may have a benefit, however, according to Claasens (2008:160) , during February 2006, most of the Fir Tree Park Reserve (Breede River Valley) was badly burned, this resulted in a magnificent show of spring flowers in the following two years.

The Cape Peninsula, here taken as stretching to the Overberg district, experienced extreme veld fires fuelled by gusty winds and sweltering temperatures which were, with difficulty, successfully contained by fire-fighters (Witten, 2009). There were no reports of casualties or of houses being damaged. At Montague Gardens, a fire destroyed the Paarl Gravure printing press valued at R200 million. The building where it was housed was also destroyed (Els & Moses, 2009).

3.3 SOCIO-ECONOMIC RISKS

These risks include both health and crime-related issues. South Africa is presently experiencing a problem with a number of medical conditions including tuberculosis, HIV/AIDS, diarrhoea, cholera and malaria infection levels.

Although these illnesses can be seen as diseases that attack the poor and undernourished, they are also diseases that, if contracted by staff members, may have serious repercussions on the effectiveness of the business.

One of the risks of allowing foreign tourists or travellers into South Africa is that the tourists bring with them the chance of disease contamination from another country. That is, diseases carried by tourists can be introduced into South Africa. The opposite is also true, that infections caused in South Africa can be carried back to the tourist's home country or to their next destination. Although a considerable distance from most countries in Europe, the Orient and Asia, Australasia, Japan or the Americas, air travel has made it possible for tourists to visit South Africa relatively easily.

3.3.1 Health Issues

Health issues can become a risk to the business in various ways. For example, an outbreak of cholera in Zimbabwe is also now reported in neighbouring countries such as South Africa, Botswana and Mozambique (Public Health Agency of Canada, 2009). Health issues may also constitute a risk to the business in the form of illness among its employees where an employee suffering from a serious illness results in days away from work, placing other staff under pressure and at a risk of themselves falling ill and, of course, the possibility of lowering the standards of service offerings.

The World Health Organisation (WHO, 2005) describes people in their home environment as living in a state of equilibrium with the various strains of micro-organisms that occur in their regions, as well as with the altitude and climatic conditions of the areas. The report points out that this becomes an unstable equilibrium with the introduction of unfamiliar micro-organisms into the home environment.

When it comes to the health of the tourist, the single biggest contribution can be made by minimising health problems in general and infections in particular. This requires effective education and, perhaps, behavioural change. Cossar (1996:23) reiterates the adage that “there is a price to pay for the freedom of travel”. Should the traveller pick up an infection, there is a chance that he/she will pass it on. Cossar (1996) further states that “immunisations and medications only protect against 5 to 10% of the problems encountered by tourists; the rest relate to personal behaviour”.

Some of the most significant health issues affecting the South African tourism industry and that puts the tourists at risk are:

A. Tuberculosis

According to USAID (2009:01), South Africa is regarded as having the highest rating in the world’s high-burden tuberculosis (TB) countries. It is believed that the TB epidemic will be further exacerbated over the next few years due to co-infection with HIV/AIDS. With this in mind, all tourists should be notified of the seriousness of the

disease and every effort should be made to ensure they take the necessary precautions against contracting it.

To add to these health concerns, there has been an outbreak of a new form of TB, known as Extremely Drug-resistant TB (Centers for Disease Control and Prevention, 2008a, 2008b). Faul (2006:01) wrote an article about the virulent new strain of TB discovered in South Africa and said that it was likely to spread beyond the rural area where 52 of 53 people diagnosed with the new strain had died from their illness. The article by Faul referred to a warning by the World Health Organization in 2003 at a news conference in London, stating that people could be dying in places that do not have the capacity to find and diagnose patients. WHO classified the strain as extremely drug-resistant, when referring to two of the six medicines used as a last line of defence against TB proving ineffective against the new strain.

B. HIV/AIDS

According to the CHIVI (2006), human immunodeficiency virus (HIV) is a virus. A person infected with HIV becomes 'HIV positive' and until a cure for the infection is found, that person will remain HIV positive. HIV infects and kills white blood cells called CD4 lymphocytes or T-cells and can ultimately affect the immune system, leaving the body unable to fight off many kinds of infections and cancers.

AIDS is the acronym for Acquired Immune Deficiency Syndrome. AIDS is caused by HIV. The names HIV and AIDS can be confusing because both terms seem to describe the same disease. AIDS can be thought of as an advanced stage of HIV. A person with AIDS has an immune system so severely compromised by HIV that the person becomes ill from one of several opportunistic infections or cancers such as PCP (a type of pneumonia), KS (Kaposi sarcoma), wasting syndrome (involuntary weight loss), memory impairment, or TB itself. The development period from HIV to AIDS is usually between two and ten years. According to the Centre for HIV Information (CHIVI), once a person has been diagnosed with AIDS, he/she is always considered as having AIDS (CHIVI, 2006).

The HIV pandemic is worldwide, although figures show that southern Africa alone accounted for almost one-third of all new HIV infections and AIDS deaths globally in

2007 (UNAIDS, 2007:008). This infection rate could have a severe impact on staff as well as upon the image of the country as a whole.

C. Diarrhoea

Steffen (1997:29) reports diarrhoea as mild in most cases, (but) accompanied by abdominal cramps in two-thirds of the cases. This, in turn, can impair freedom of movement and could lead to extreme frustration during a period of highest need. Diarrhoea can be avoided by adhering to the golden rule: *“boil it, peel it, cook it or forget it”*.

Fortunately, South Africa is not regarded as a high-risk area for this illness. However, precautions should always be taken and tourists should be advised to eat and drink at recommended hygiene-conscious establishments, and to be extremely careful of the water they drink.

D. Cholera

Tourists who intend visiting or who are entering South Africa should be made aware of the current cholera situation and should be advised of precautionary measures to be taken and of the treatment available should they be afflicted by the disease.

Cholera is an acute and often fatal disease that produces severe gastrointestinal symptoms (Encarta Dictionary, s.a.). WHO (2008:01) defines cholera as, *“an acute intestinal infection caused by ingestion of food or water contaminated with the Bacterium Vibrio cholerae. It has a short incubation period, from less than one day to five days, and produces an enterotoxin that causes copious, painless, water diarrhoea that can quickly lead to severe dehydration and death if treatment is not promptly given. Vomiting occurs in most patients”*.

According to Hadebe (2009), the latest figures for the cholera epidemic show that it has claimed 15 lives across the country, while the number of reported cases is presently more than 2 000 at the time of writing.

E. Malaria

Cooper *et al.* (2005:177) give malaria as one of the less newsworthy diseases that can be transmitted when people from different countries interact. They highlight

more than 8 500 occurrences of malaria reported in the UK, largely due to tourists and tourist traffic.

Van Jaarsveld (2001) believes that climate change will have a positive effect on the risk of the South African population contracting malaria, a disease that is currently expanding its incidence owing to failure of both drugs and insecticides.

WHO (2006a) reports that malaria is one of the most common and life-threatening diseases found in tropical and sub-tropical areas. Malaria is further reported to have epidemic status in 100 countries that are visited by some of the more than 125 million international travellers every year. WHO points out that some international tourists returning from infected areas fall ill with malaria every year. Approximately 10 000 cases are reported annually. However, it is suggested that under-reporting could see the figure actually being as high as 30 000 cases. The risk among international travellers of contracting malaria is high, as these travellers are non-immune and are often exposed to late, or incorrect, diagnoses when returning to their home countries.

Human malaria is caused by four different species of the protozoan parasite Plasmodium: *Plasmodium falciparum*, *P. vivax*, *P. ovale* and *P. malariae*. The malaria parasite is transmitted by various species of the Anopheles mosquito, which are active mainly between sunset and sunrise (MicrobiologyBytes, 2009:1-5).

The incubation period of the disease is seven days or longer. The most severe form of malaria is caused by *P. falciparum*. Initial symptoms include fever, chills, headache, muscular aching and vomiting, coughing, diarrhoea and abdominal pains. It is recommended that early diagnosis and treatment be encouraged, as this could be life-saving. People regarded as high-risk victims are pregnant women, young children and elderly travellers. Malaria in pregnant travellers increases the risk of maternal death, miscarriage, stillbirth and neonatal death (MicrobiologyBytes, 2009:3).

From a tourist point of view, malaria, especially in the areas regarded as high-risk areas, should be acknowledged as such and preventative measures should be

taken. This aspect can be managed by means of preventative medication, together with appropriate precautions by tourism businesses in the affected areas.

Tourists visiting South Africa should be advised of the relevant health issues by travel agents and authorities in their home countries prior to their departure, and should take the necessary precautions both prior to and subsequent to, their arrival in this country.

3.3.2 Crime

Crime should not only be seen as affecting people outside the business, it can manifest itself in the business in many ways such as fraud, theft, leaking of information to the opposition or simply working against the interests of the business. According to Schonteich (2000:01), South Africa is often referred to as having the highest levels of crime in the world, and Johannesburg is referred to as the world's crime capital. According to the 1997 Interpol statistics mentioned by Schonteich, South Africa had the highest *per capita* rates of murder and rape, the second highest rate of robbery and violent theft (after the Bahamas), and was rated fourth in serious assault and sexual offences, of the 110 countries whose crime levels are listed by Interpol.

Bloom (1996:91) acknowledges that South Africa appears acceptable as an emerging tourist destination. However, Bloom goes on to say that the political transition in South Africa has "brought about high levels of crime, non-political violence and general lawlessness". This, in turn, has led to potential tourists being afraid for their safety.

Foreign Affairs and International Trade Canada (2008:10) highlights safety and security in South Africa as a major issue and advises travellers to exercise extreme caution and to be especially vigilant.

A. An Overview of Crime

Crime is committed against all persons, not only tourists. Nevertheless, whomever it affects, it creates a negative perception and image of a destination, one that tourists might choose to avoid. All statistics show crime committed and reported,

and there is no distinction made between locals and tourists. This lack of clarity easily causes the perception that the tourist is the main target.

As shown in Table 3.2, numerous categories of crime have been defined. However, not all crimes have a bearing on tourists. Those with an asterisk in Table 3.2 are seen as crimes affecting South African establishments and businesses only.

Table 3.2: Crime in South Africa 1994-2004

Crime Category	April to March									
Year	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004
Murder	25,965	26,877	25,470	24,486	25,127	22,604	21,758	21,405	21,553	19,824
Rape	44,751	49,813	51,435	51,959	49,679	52,891	52,872	54,293	52,425	52,733
Attempted murder	26,806	26,876	28,576	28,145	29,545	28,179	28,128	31,293	35,861	30,076
Assault with the intent to inflict grievous bodily harm	215,671	223,097	231,497	234,819	237,818	261,804	275,289	264,012	266,321	260,082
Common assault	200,248	206,006	203,023	201,317	203,678	232,024	248,862	261,886	282,526	280,942
Robbery with aggravating circumstances	84,785	77,167	66,163	73,053	92,630	98,813	113,716	116,736	126,905	133,658
*Carjacking (Sub Category of Robbery with aggravating circumstances)	-	-	12,912	13,052	15,773	15,172	14,930	15,846	14,691	13,793
*Truck hijacking (Sub Category of Robbery with aggravating circumstances)	-	-	3,732	4,657	6,134	5,088	4,548	3,333	986	901
* Bank robbery (Sub Category of Robbery with aggravating circumstances)	-	-	561	463	493	450	469	356	127	54
* Robbery of cash in transit (Sub Category of Robbery with aggravating circumstances)	-	-	359	236	223	226	196	238	374	192
* House robbery (Sub Category of Robbery with aggravating circumstances)	-	-	-	-	-	-	-	-	9,063	9,351
* Business (Sub Category of Robbery with aggravating circumstances)	-	-	-	-	-	-	-	-	5,498	3,677
Common robbery	32,659	45,683	50,676	54,932	64,978	74,711	90,215	90,205	101,537	95,551
Indecent assault	4,009	5,127	5,224	4,920	4,968	6,106	6,652	7,683	8,815	9,302
Kidnapping	4,101	4,174	4,091	4,036	4,267	4,902	4,916	4,433	3,071	3,004
Abduction	2,802	2,175	2,057	2,951	3,147	3,372	3,302	3,132	4,210	4,044
Neglect and ill-treatment of children	3,070	2,634	2,264	2,297	2,173	2,497	2,487	2,648	4,798	6,504
Culpable homicide	12,560	13,885	13,679	13,492	13,004	11,706	10,635	10,944	11,202	11,096
Public violence	917	993	891	1,102	1,107	1,195	1,038	907	1,049	979

* Arson	10,948	9,611	10,110	9,863	10,037	9,583	8,945	8,739	9,186	8,806
Malicious damage to property	123,305	129,679	129,781	126,542	129,164	134,346	139,455	145,451	157,070	158,247
Crimen Injuria	33,381	35,262	36,500	39,373	41,291	49,510	57,611	60,919	63,717	59,908
* Burglary at residential premises	231,355	248,903	244,665	251,579	274,081	289,921	303,162	302,657	319,984	299,290
* Burglary at business premises	87,600	87,377	87,153	90,294	94,273	93,077	91,445	87,114	73,975	64,629
Theft of motor vehicle and motorcycle	105,867	98,669	97,332	102,571	107,448	103,041	100,030	96,859	93,133	88,144
Theft out of or from motor vehicle	183,367	191,833	174,675	179,191	190,027	195,411	200,532	199,282	195,896	171,982
* Stock theft	47,287	43,429	41,992	41,573	41,492	41,429	41,536	41,635	46,680	41,273
Illegal possession of firearms and ammunition	10,999	12,336	12,750	13,386	14,714	15,387	14,770	15,494	15,839	16,839
Drug related crime	45,928	39,334	40,363	42,452	39,493	43,602	44,939	52,900	53,810	62,689
Driving under the influence of alcohol or drugs	25,699	23,040	24,522	28,749	25,109	26,035	25,512	24,553	22,144	24,886
All theft, not mentioned elsewhere	386,292	387,612	375,180	399,042	441,521	496,345	559,636	576,676	620,240	606,460
Commercial crime	63,056	60,949	62,182	63,292	63,350	67,915	66,573	58,462	56,232	55,869
Shoplifting	66,302	63,338	61,786	63,522	64,597	66,046	67,665	68,404	69,005	71,888

(Adapted from South African Police Service: SAPS, 2004)

Table 3.3 shows the crime ratio per 100 000 of the population in South Africa as reported for each of the nine provinces.

Table 3.3: Crime Ratio/100 000 of the Population

Crime Ratio per 100 000 of the Population							
Provinces : 2007 Boundaries	2001	2002	2003	2004	2005	2006	2007
Eastern Cape	75.8	64.6	73.9	79.4	101.4	84.2	79.6
Free State	99.1	94.6	93.7	101.4	95.5	90.9	88.8
Gauteng	118.5	109.8	105.3	103.1	98.9	93.8	83.3
KwaZulu-Natal	74.8	74.2	71.3	72.7	74.1	72.0	64.9
Limpopo	68.3	61.2	54.4	64.1	57.1	60.0	52.1
Mpumalanga	84.1	76.9	81.1	87.2	88.2	86.9	74.5
North West	95.0	93.8	89.8	93.0	94.3	92.5	88.9
Northern Cape	114.6	117.0	114.3	124.3	108.8	101.8	92.5
Western Cape	121.4	111.6	103.7	112.3	98.9	88.8	82.6
RSA Total	91.7	85.6	84.1	88.0	88.2	82.9	75.6

(Source: Crime Information Management: SAPS, 2008)

From Table 3.3, it can be seen that the Limpopo province has the lowest crime ratio, followed by KwaZulu-Natal, both of which are tourist destinations, particularly KwaZulu-Natal. The other provinces are also important tourist destinations, but

become less attractive when the risk of crime is taken into account. Therefore, more emphasis needs to be placed on risk management in respect of crime in all provinces. The table also shows that, in all provinces excepting the Eastern Cape, there has been a decrease in the occurrence of violent crime over the years recorded.

Figure 3.1 provides an illustration of how South Africa compares to other selected countries on the African continent in respect of serious and violent crimes. This comparison, adapted from Schonteich (2000)ⁿ is expressed as occurrences per 100 000 of the country's population.

Figure 3.1: Number of Violent Crimes/100 000 for Selected African Countries
(Adapted from Schonteich, 2000)

From Figure 3.1, it can be seen that South Africa has the highest occurrence of all types of violent crime for the selected African countries. Although Tanzania does not have the lowest occurrence in all categories, it is the safest country of those countries selected for the analysis. This shows that crime in South Africa constitutes a high risk for the South African tourism industry, which again confirms the illustration of Table 3.2.

B. Rape

According to Robertson (1998), NICRO estimates that only one in twenty rape cases are reported to the police. Based on this report, it has been calculated that one rape occurs every 83 seconds. However, a much bleaker picture has been presented by the SAPS (South African Police Service), which states that the present rape figures stand at an alarming one rape every 35 seconds. The occurrence of rape cases in South Africa, as obtained from the Crime Information Management of the South African Police Service, is shown in Table 3.4.

Table 3.4: Rape in South Africa 2001-2007

Cases Reported to SAPS							
Provinces: 2007 boundaries	2001	2002	2003	2004	2005	2006	2007
Eastern Cape	5,133	4,404	5,106	5,473	6,989	5,807	5,499
Free State	2,886	2,751	2,783	2,976	2,820	2,691	2,628
Gauteng	10,201	9,680	9,569	9,460	9,227	8,939	8,073
KwaZulu-Natal	7,071	7,102	6,946	7,109	7,293	7,148	6,502
Limpopo	3,550	3,225	2,900	3,403	3,053	3,217	2,816

Mpumalanga	2,828	2,622	2,820	3,006	3,060	3,050	2,635
North West	3,065	3,070	3,000	3,121	3,139	3,121	3,017
Northern Cape	1,233	1,223	1,219	1,332	1,173	1,114	1,020
Western Cape	5,115	4,819	4,664	5,126	4,589	4,217	4,000
RSA Total	41,082	38,896	39,007	41,006	41,343	39,304	36,190

(Source: Crime Information Management: SAPS, 2008)

Table 3.4 shows that the highest reported number of rapes occur in the Gauteng province and so, therefore, there is a risk to tourists that must be considered. On the other hand, the risk is smaller in the Northern Cape where the lowest number of occurrences is reported.

Table 3.5 provides a comparison of rape statistics, expressed as a frequency of occurrence per 1 000 people, for various countries around the world.

Table 3.5: Rape Statistics by Country

Rating	Countries	Per 1000 People (Rounded to 5 decimal places)
1	South Africa	1.19538
2	Seychelles	0.78829
3	Australia	0.77800
4	Montserrat	0.74938
5	Canada	0.73309
6	Jamaica	0.47661
7	Zimbabwe	0.45778
64	Azerbaijan	0.00380
65	Saudi Arabia	0.00329
Weighted Average		0.10000

(Adapted from United Nations Office on Drug and Crime: United Nations, 1998 – 2000)

C. Xenophobia

Xenophobia may, in terms of tourism, not be a disruption for it usually occurs in informal settlements or hostel dwellings that tourists would not normally visit. There is sometimes an overspill of violence into cities but these situations are dealt with speedily by the authorities.

The people participating in the act have no regard for human life or property. With the recent outbreaks of xenophobic attacks in many cities and suburbs of South Africa, it is relevant to include this occurrence as a risk.

According to a joint publication by the International Labour Office (ILO) (2001), International Organisation for Migration (IOM) and by the Office of the United Nations High Commissioner for Human Rights (UNHCR), (2001), xenophobia is described as “... *attitudes, prejudices and behaviour that reject, exclude and often vilify persons, based on the perception that they are outsiders or foreigners to the community, society or national identity*”.

According to the ILO, the definition of xenophobia and its differentiation from racism and racial discrimination is still evolving.

The report reflects that one in every 50 human beings is regarded as a migrant worker, a refugee, an asylum seeker or an immigrant living in a ‘foreign’ country. This represents 2.5% of the world’s population, that is, approximately 150 million people living permanently or temporarily outside their countries of origin.

Governments find themselves having to grapple with the new realities of their multi-ethnic societies. This reality of global redistribution of peoples has resulted in an increase in discrimination and violence against migrants, refugees and other non-nationals by groups, extremist or merely fearful, in many parts of the world.

Campbell (2008:01), who equates xenophobia with *apartheid*, mentions the Second World Conference to Combat Racism and Radical Discrimination, held in Geneva, during August 1983. It was at this conference that *apartheid* was officially designated a ‘crime against humanity’. The conference formulated measures to ensure that the instruments adopted by the UN to eliminate racism, racial discrimination and *apartheid* were implemented. This was to ensure that measures to augment social justice and freedom of movement were in place to support the rights of the disadvantaged peoples.

The African National Congress (ANC) came into power in 1994 in South Africa. What the people of South Africa needed at that historic moment was a clear

understanding that reconstruction in South Africa should be linked to all peoples that had been hurt or disadvantaged by the economic and military policies of *apartheid*. It is widely acknowledged that the newly-elected government failed in this respect by not respecting the sacrifices of people outside of South Africa. Campbell (2008:01) states that, in the dying days of apartheid, workers from across southern Africa had agreed on a charter for social and economic rights. Once the ANC came into power, however, this charter was forgotten. The political leadership inspired anti-African xenophobia, bigotry and even discrimination against non-South African Africans. The blame for the absence of housing, jobs, electricity and running water was placed at the feet of the poor African workers from neighbouring societies, thus making them the scapegoats. This was compounded by the econo-political situation in Zimbabwe deteriorating to such an extent that millions of Zimbabweans flocked to South Africa. Even though former-South African president Mbeki said on many occasions that there was 'no crisis' in Zimbabwe, poor South Africans increasingly see African immigrants, often from Zimbabwe, as the cause of crime, violence, unemployment and overcrowding (Campbell, 2008:01).

3.4 POLITICAL RISKS

The creation and survival of tourism projects are subject to political aspects that will affect success or failure. The political risks for South African businesses include a world-wide financial crisis, attracting foreign investment, energy shortages, corruption and social unrest (frequently, xenophobia). Goeldner and Ritchie (2006:249-250) cite issues such as land use (zoning), creation and maintenance of infrastructure and promotional efforts, all which require public funding, and seen as compounding the challenges. Tribe (2005:176) cites Veal (2002) when discussing the political environment that is shaped by those in power or by those able to influence events. In the case of democratically elected governments, the party in government is the key player in this regard until the next election. However, should socio-economic pressures build, non-democratic measures may be adopted by those losing patience with democratic structures.

The newly elected South African government has introduced changes to various aspects of legislation, particularly South African Labour Laws, some of which are intended to advance the relations between employee and employer and to bridge the racial gap between blacks and whites created during Apartheid. However, these

changes have also been perceived to have adverse effects (BEE, 2008; BEE, 2007).

The Black Economic Empowerment (BEE) Act (South Africa, 2003) was, for instance, a step by the government aimed at empowering the formerly disempowered majority, and as a step towards skills development, ownership, management, socio-economic development and preferential procurement. Its implementation, however, meant defeating its intended purpose because it would have to bring back racial classification. This is because, while consisting of only 10% of the entire South African population, Europeans ('whites') owned and controlled the vast majority of the large businesses in both the public and private sectors, and this had to be changed. The BEE Act was intended to alter the economy to reflect the demographic fabric of the country by enforcing an advantage to those previously disadvantaged and to remove the privilege of the previously-advantaged. In effect, this meant businesses, and government also, had to consider the social background of applicants instead of merely making decisions on merit and qualifications.

However, the BEE Act, together with the Employment Equity Act 55 of 1998 (South Africa 1998a) has resulted in qualified, but white, expertise leaving the country for states where a racial bias in enhancing the economy is absent. The Inkatha Freedom Party has also criticised the BEE Act because, by obliging many qualified and experienced white people to leave the country, it exacerbates an existing skills shortage (Mail & Guardian, 2007a).

Archbishop Desmond Tutu warned that, despite changing legislation, South Africa is sitting on a 'powder keg' because millions are living in 'dehumanising poverty'. The implication is that BEE only serves an elite few while ignoring the needs and plight of the many (Mail & Guardian, 2007b).

Moreover, legislation meant to complement the BEE Act, such as the Employment Equity Act 55 of 1998 (South Africa, 1998a), the Skills Development Act 97 of 1998 (South Africa, 1998b), The Public Service Labour Relations Act 105 of 1993 (South Africa, 1993a), the Education Labour Relations Act 146 of 1993 (South Africa, 1993b) and others of similar intent, has had detrimental effects on all sectors of

business and industry, including the tourism industry. The tourism industry has been impacted negatively by the unavailability of competent persons to work in the industry, partially due to education standards having dropped. It would seem that students are accepted into colleges and universities not because they are intelligent, but because they had the right demographic in terms of race (Leonard, 2005; BBC, News, 2004).

George (2008:148) states that tourism is a major industry, and it is therefore necessary for government to play an important role in influencing and supporting the industry. It is known that many of the core visitor attractions belong to the public (that is, are national assets). These include national parks, heritage sites – here George refers to UNESCO World Heritage Sites (WHs) - and beaches. Governments have a duty to service and to protect a country's heritage.

Todaro (2000:133) finds that growth in the economy is influenced more by the stability of the political regime than by its type, be it either democracy or dictatorship. It was also reported that there is a slowdown in the economy due to pressure groups during a transfer from dictatorship to democracy.

Hill (2002:67) best describes politics, in relation to costs, as the risks of doing business that are determined by political, economic and legal factors. There is every likelihood that profit and other goals of a particular business enterprise will be adversely affected by political forces. Hill (2002:67) concludes not unexpectedly that political risk is higher in countries where social unrest and disorder exist. Countries experiencing strikes, demonstrations, terrorism and violent conflict are often seen as social unrest manifesting itself.

3.5 ECONOMIC RISKS

The development and use of tourist services and facilities have a beneficial economic impact on the tourism destination. Alterations to the natural environment such as transport, lack of funding and some business risks are considered as economic environmental impacts (Wall & Mathieson, 2006:38). Some of the risks

that may be linked to the economic environment are addressed in this section and include:

A. Relative Prices and Price Inflation

The tourism industry is very price competitive, with many special offers available from time to time, hoping to promote travel. Therefore, price competition in South Africa will influence the demand for the country as a tourist destination. This implies either higher prices, leading to lower demand, or lower prices, so encouraging higher demand.

B. Transport Cost

Increases in the cost of transport from the country of origin to the destination, as well as high transport costs within South Africa will decrease the demand for South Africa as a tourist destination.

C. Exchange Rates

The potential or actual fluctuation in the exchange rate between the country of origin and the destination country influences cost effectiveness and creates uncertainty. Therefore, exchange rates will have an influence on the tourist demand, which may be positive or negative, for South Africa as a destination.

3.5.1 Economic Growth and Tourism

South Africa’s economy over the past 13 years has moved from an economy based on primary sector industries, largely agriculture and mining, to one dominated by the tertiary sector. By 2007, the finance, real estate and business services sector contributed the majority share (19.6%) to the country’s gross domestic product (GDP). This share was followed by manufacturing (16.3%), wholesale and retail trade, hotels and restaurants (14.1%), general government services (12.7%), and transport, storage and communication (9.7%) (South Africa, 2008).

Mining and quarrying contributed just 5.8% to the GDP, personal services 5.3%, construction contributed 3.1%, agriculture, forestry and fishing 2.3% and electricity, gas and water 2.1% (see Table 3.6).

Table 3.6: Sectors of the SA Economy: Contribution to GDP 2007

Sector	Industry	%
Primary	Agriculture, forestry and fishing	2,3%
	Mining and quarrying	5,8%
Secondary	Manufacturing	16,3%
	Electricity, gas and water	2,1%
	Construction	3,1%
Tertiary	Wholesale and retail trade, hotels and restaurants	14,1%
	Transport, storage and communication	9,7%
	Finance, real estate and business services	19,6%
	General government services	12,7%
	Personal services	5,3%
	Total value added	91,1%
	Taxes less subsidies on products	8,9%
	GDP at market prices	100,0%

(Source: Statistics South Africa: South Africa, 2008)

Since the early 1970s, a persistent downward trend has characterised South Africa's growth record, in terms of Gross Domestic Product (GDP).

South Africa's post apartheid economic growth has been impressive, rising from 3% in the first decade of freedom to 5.1% in 2005. This has been aided by the introduction of the Growth, Employment and Redistribution strategy (ANC, 2006). The initiative was intended to boost South Africa's economic growth rate, and to maintain annual real GDP growth at 6% between 2010 and 2014. It is expected that by 2010, the tourism industry will contribute about 12% of the GDP (Appel, 2007).

There can be no doubt that the tourism sector contributes significantly to economic growth. According to Lee and Chang (2008), tourism development not only increases foreign exchange income, but also creates employment opportunities, stimulates the growth of the tourism industry and triggers overall economic growth. Inasmuch as extensive research has already been conducted (Oh, 2005; Dritsakis, 2004; Balaguer & Cantavella-Jorda, 2002 and Tosun, 1999), it has been consistently shown that tourism has a long-run economic growth effect. Some authors, however, have pointed out that there are costs involved. These costs include increased public expenditure caused by mass tourist arrivals due to the need to provide infrastructure and public services (Po & Huang, 2008; Palmer & Riera, 2003). According to the latter studies, it is entirely possible that the increase in tourism may or may not increase the economic growth.

According to the World Travel and Tourism Council (WTTC, 2009), the travel and tourism industry is defined by a diverse collection of products and services, such as transport, accommodation, food and beverages, entertainment, and government services, for example, that are delivered to visitors.

3.5.2 Interest Rates

Moffatt (2002), as updated in the Economics Glossary (2010), defines interest rates as, “... *the yearly price charged by the lender to the borrower in order for the borrower to obtain a loan. This is usually expressed as a percentage of the total amount loaned.*” Moffatt further explains that normally, in day-to-day conversation, reference is made to ‘interest rate’. However, this can be somewhat misleading as, in any economic transaction between lenders and borrowers; there could be many different interest rates. These rates differ due to factors such as the risk perceived by the borrower and also the duration, or term, of the loan. In business, people discussing interest rates normally refer to nominal interest rates, which do not include the effects of inflation, whereas real interest rates take inflation into account as well. All businesses, including the tourism industry, must account for both the interest and the real interest rates when drawing up budgets.

Tourism involves the consumption of goods and services and of leisure time. As such, tourism activities are affected by interest rates. According to some studies (Dwyer, Forsyth & Rao, 2000; Durberry & Sinclair, 2003; and Gu, 1995), a negative relationship exists between interest rates and tourism activities. A positive and significant relationship, however, exists between interest rates and prices. Lower interest rates are generally associated with lower prices. The cost of tourism to the visitor includes the cost of transport services and cost of so-called ground content (accommodation, tour services, food and beverage, and entertainment). International travellers are sensitive to price, and so higher interest rates encourage people to delay their tourism consumption. Conversely, a lower interest rate encourages tourism consumption sooner rather than later.

3.5.3 Price Inflation

Inflation can be explained as a sustained increase in the average price of all goods and services. During inflationary periods, money loses purchasing power as each monetary unit buys fewer goods or services. Inflation is a national average of all prices and may differentiate between the various types of products or services offered. For example, the fuel price could have a smaller effect on a hardware business than on a travel agent, and each business will therefore experience the effects of inflation differently. Unpredictable inflation can severely disrupt the economy of any country. It is therefore necessary for governments to control inflation as the inflation rate could cause uncertainty in financial decisions and lead to the uneven distribution of wealth (Investopedia, 2010.)

3.5.4 Exchange Rates

By definition, this is the rate at which one currency is converted into another. The exchange rate plays an important role in the tourism industry as foreign tourists cross international borders and, together with the national tourism industry, undertake marketing activities in foreign countries. A decline in exchange rates offers both advantages and disadvantages for the local tourism industry.

Oxelheim and Wihlborg (1998) relate to the last few decades when periods of recurring exchange rate instability were prevalent. Interest rates have remained high, although inflation has decreased in most industrial countries.

Aaron, Elbadawi and Kahn (2000), cite Elbadawi and Hartzenberg, as believing that South Africa, in adhering to simple nominal and real exchange rules, has adopted a too-rigid position. The real rate of exchange does not stay constant but responds to changes in a wide range of fundamentals. This affects the economy. There are criticisms that, when a trade deficit occurs, there will be increased demand for the foreign (rather than domestic) currency that will push up the price of the foreign currency in terms of the domestic currency. This in turn makes the prices of foreign goods less attractive to the domestic market and thus depresses the trade deficit (Suranovic, 2008:504).

The key variable in commercial exposure is highlighted as the exchange rate, and the interest rate is rarely mentioned. This is, however, a strange conclusion, as the correlation between interest rates and stock market prices is well known. A rise in the interest rates affects the valuation of stocks, thus raising the expectations of the market participants who, in turn, demand better returns commensurate with the increased returns available on less-risky options such as bonds.

In economics, the exchange rates (also known as the foreign-exchange rate, forex rate or FX rate) between two currencies specify how much one currency is worth in terms of the other. In essence, it is the value of a foreign nation's currency in terms of the home country's currency. For instance, ZAR100 could be worth US\$10 (O'Sullivan & Sheffrin, 2003).

The tourism industry is a great source of foreign exchange income and, as such, the exchange rates play quite significant roles within the tourism sector. These rates fluctuate daily and this results in both advantages and disadvantages to the tourism industry. The so-called fluctuations occur either when the demand for the currency is greater than the available supply or, conversely, whenever supply is less than the demand. Large fluctuations in currency exchange rates between any two given countries can cause significant changes in consumer prices for tourists, and this naturally influences the willingness of tourists to travel overseas. For instance, depreciation of the foreign currency reduces the number of overseas tourists coming into South Africa. Appreciation of the local currency, on the other hand, has the effect of reducing the travel costs for the foreign tourists, thus increasing their travel demand and, in turn, increasing the number of foreign tourists arriving in South Africa (Moffet, Stonehill & Eiteman, 2008).

The way in which a state governs and regulates its currency in respect of foreign currencies and the foreign exchange market is referred to as the exchange rate regime, which is closely related to monetary policies of that particular country. There are various exchange rate regimes, the first one being a floating exchange rate, where a currency's value is allowed to fluctuate according to the market demand. Adopting such a method is essential for developing states because it is hardly possible to maintain the stability in the rate of exchange for its currency in the exchange market. This type of regime is then most suitable as it does not hinder

foreign trade, and is known to increase foreign exchange instability. For instance, when liabilities are denominated in foreign currencies while assets are in the local currency, unforeseen depreciations of the exchange rate deteriorate bank and corporate balance sheets so and threaten the stability of the domestic financial system (Calvo & Reinhart, 2002). This challenge is often found in emerging economies and, in the 1990s, the number of such occurrences increased tremendously (Levy-Yeyati & Sturzenegger, 2004).

Two other foreign exchange regimes are, a pegged float and a fixed exchange rate. The first occurs where the currency is pegged to some band or value, which is either fixed or periodically adjusted. The latter implies that the currency can be converted directly to another currency. This has the advantage of stabilising prices and increasing clarity, which makes the rates comprehensible to the public. Since the exchange rate would be tied to that of the other country, it means that when the rates of the anchor country fall, those of the 'dependent' country also feel the effects of the fall (McDonough, 1996).

There are criticisms that, when a trade deficit occurs, there will be increased demand for the foreign (rather than the domestic) currency, which will push up the price of the foreign currency in terms of the domestic currency. This, in turn, makes the price of foreign goods less attractive to the domestic market and so pushes down the trade deficit that, in turn, can influence the exchange rate (Suranovic, 2008).

Aaron, *et al* (2000) are of the opinion that for South Africa to adhere to simple nominal and real exchange rules is too rigid. The real exchange rate is not constant over time, but responds to changes over a range of fundamentals and shocks to the economy.

Due to the effect that foreign exchange rates can have on the tourism industry, it is important that the participants in the industry have an understanding of what an exchange is, what influences the rate, and the impact (positive or negative) the exchange rate changes will have on their respective businesses. Negative impacts or risks must be counteracted, by, for example, hedging, and positive impacts, due to risk encountered in foreign countries, need to be exploited for the benefit of the

local industry. Hedging can therefore reduce potential losses or profits depending in which direction the currency moves (Financial Dictionary, 2010). Positive impacts, due to risk encountered in foreign countries, need to be exploited for the benefit of the local industry.

3.5.5 Economic Forecasts

Risk is a main factor when it comes to economic forecasts. Formal economic forecasting is usually based upon how the economy works. When businesses construct an economic forecast, it is of utmost importance that realistic assumptions are made, as these will have an effect on the future of the business. The effects on air travel due to the rising fuel prices, the exchange rate fluctuations, electricity tariff increases and the high food prices – all have an impact on salary increases. These and many more looming factors that will drive up prices should be foreseen and accommodated in the economic forecast.

Tourists should ensure that they are kept informed by their travel agents and tour operators with regard to exchange rate movements and price inflation, and so will be able to purchase airline tickets and travellers cheques prior to foreseen increases or will be able to take advantage of discounts offered.

3.6 TRANSPORT

Since the beginning of time, people have travelled by some or other form of transport. People painstakingly, and quite accurately, point out that tourism and transport are closely linked. As tourism grows, there will be greater demand on the transport sector. Gallagher, Mariehau, Illig and Kozarsky (2010) refer to the various modes of transport and to their places in each sector. Cars are used extensively on shorter trips, and are the most popular means of getting around, while air travel dominates the long and middle distance routes, with rail now apparently playing a more limited, specialised, role. Even so, the introduction of high-speed trains now being introduced into service could possibly increase rail traffic (Goeldner & Ritchie, 2006:120).

The mode of transport is integral to the tourism experience, according to Page and Connell (2006:150). This is evident particularly in cruising and scenic railway journeys. These authors cite Lumsdon & Page (2004), who identify transport for tourism as having a low intrinsic value in relation to the tourist experience. Simply put, transport is seen as a means of getting from point of origin to destination. However, since visitors will rely on some form of transport to get around to the various sites and venues of interest, it is important that they be made aware of the types of transport available and of the risks present when making use of that particular service.

South Africa is notorious for its long distances between cities and tourist destinations, which does not bode well for the transport sector. The passenger rail transport sector is in dire need of upgrading, municipal bus services are at a low level of functionality and the public transport sector in general leaves much to be desired. However, air links are believed to be reliable and safe. Nevertheless, there are risks involved in using the popular air link services. They are few, but will cause inconvenience to tourists:

- Limited luggage capacity; leading to the risk of having to leave an important item or set of documents behind
- Limited number of scheduled flights; with the risk of being late for important meetings or unsuitable for connecting flights
- Not having transport at destination; having to make use of expensive car hire, alternatively, relying on someone for collection and return
- Cancellation or delay risks, perhaps due to inclement weather at small airports

All is not entirely lost, however, as there is an abundance of mini-bus taxis available. However, this form of transport is not considered an especially safe mode, particularly for unsuspecting tourists.

3.6.1 Road Transport

No other form of transport industry can boast such phenomenal growth as can the mini-bus taxi industry of South Africa. This growth has, perhaps, had a negative effect on the other modes of transport on the middle and short distance routes.

One of the major risks associated with road transport is becoming involved in a road accident resulting in possible injury or even fatality. This risk will have an impact on the tourism industry, especially if a large number of tourists are involved in a single incident, as can be the case of accidents involving tourist coaches. The total number of accidents that were reported in South Africa during the period January 2001 to March 2002 is given in Table 3.7, adapted from data provided by the National Traffic Information System (NaTIS) (South Africa, 2002b).

Table 3.7: Number of Accidents in South Africa 2001 - March 2002

Year	Province	Fatal	Major	Minor	Damage Only	Total
2001	Gauteng	239	1 366	3 336	20 292	25 233
	KwaZulu-Natal	424	1 577	4 691	16 615	23 307
	Western Cape	52	257	1 302	7 067	8 678
	Eastern Cape	18	62	149	629	858
	Free State	49	127	231	1 223	1 630
	Mpumalanga	77	238	341	1 331	1 987
	North West	48	256	385	1 776	2 465
	Limpopo	46	217	233	1 556	2 052
	Northern Cape	16	63	100	416	595
	Total	969	4 163	10 768	50 905	66 805
2002 Jan to March	Gauteng	39	330	713	4 424	5 506
	KwaZulu-Natal	60	353	1 209	4 102	5 724
	Western Cape	8	15	54	218	295
	Eastern Cape	5	35	126	538	704
	Free State	10	18	48	231	307
	Mpumalanga	23	59	62	310	454
	North West	4	28	39	180	251
	Limpopo	7	31	29	196	263
	Northern Cape	1	9	19	92	121
	Total	157	878	2 299	10 291	13 625

(Source: NaTIS; South Africa, 2002b)

Unfortunately, the figures in Table 3.7 may be unreliable because accident report forms are not always completed correctly indicating whether it was a private vehicle or a vehicle licensed to transport passengers for reward that was involved. There are also some known duplications (South Africa, 2002b).

Table 3.7 shows that the two provinces with the highest occurrence of accidents, and therefore the highest risk that a tourist may be involved in an accident, are Gauteng and KwaZulu-Natal, both of which are important tourist destinations.

A. Taxi Industry

South Africa has experienced major challenges with public transport due to the lack of proper management and planning in this sector. This has given rise to the mini-bus taxi industry, a system where vehicles intended (or adapted) to seat around thirteen passengers are used in their thousands to transport the many South Africans who do not have, or chose not to use on a daily basis, their own transport. Ntuli (2005:01) describes how hundreds of thousands of South Africans depend on taxis daily. He makes light of the imaginative hand gestures on the streets of Soweto and the “*Kaap-toe-nou*” in the Western Cape. The taxi industry accounts for 65% of all public transport, trains for 21% and buses for the remaining 14%, which demonstrates that the mass of the population is extremely dependent on the mini-bus taxi industry. As Ntuli (2005:01) points out, the mini-bus taxi business has remained unregulated for many years, raising concerns that the industry is unsafe, that the vehicles are poorly maintained and that the vehicles themselves appear prone to accidents.

Fourie and Pretorius (2005:1-11)¹ concur that the overall objective of the mini-bus taxi industry is to provide public transport to commuters in an economically sustainable manner. To achieve this goal, two necessary conditions must be met:

- The industry must provide an attractive service
- The industry must be profitable

Their study relates to the industry being in the free market thus enabling the customers to purchase the product that provides them with the best value for money. The product the article refers to is transport, and commuters making use of this transport will base their decision on the affordability, speed, reliability, safety and convenience of the service. Likewise, taxi operators will only participate in the industry if they can run profitable businesses. One might argue that this is not necessarily true of public transport as governments generally subsidise these services. However, governments worldwide are reducing their subsidies and are privatising elements of public transport. There is increasing pressure on the providers of public transport to become self-sustaining.

¹ Kind permission has been given by the authors for much of the content to be presented as written to ensure accuracy

In many of the remote areas of South Africa, mini-bus taxis are the only means of transport as public transport is not always available on such routes. Further, intimidation practices may exert pressure on commuters to make use of one specific mode of transport, without them being able to exercise free choice.

The answer lies in the fact that poor regulation of the industry has led to overtraded routes and to the associated low cost-recovery abilities of the operation, resulting in low profitability. Reduced profit margins encourage operators to skimp on maintenance and to overload their vehicles – which they believe will boost their income. At the same time, poor regulatory control has had a direct impact on the other necessary condition of providing service at attractive levels. Appalling road safety levels and high incidences of violence in the industry discourage commuters from using taxis and this results in the industry losing market share. Even so, according to Oosthuizen and Baloyi (2000), many tourists and visitors from other areas of the country and abroad make use of mini-bus taxis. However, understanding the routes, and finding out which taxi operates to which destination is often difficult and a cause for concern. In an effort to counter these difficulties, the Greater Pretoria Metropolitan Council, in co-operation with the local tourism board, intends to publicise route colour-coding information in due course.

South Africa welcomes tourists from all African countries and some of these tourists are reliant on mini-bus taxis to get into and out of the high-density suburbs, otherwise known as ‘townships’. One of the particular risks associated with the use of mini-bus taxis, just as would be the case with any mode of transport, is the occurrence of accidents, which may result in fatalities.

Comparative statistics for the period 2001 to August 2002, by province, of mini-bus taxis involved in fatal accidents are given in Table 3.8, which offers an indication where the risk is the greatest. It should be noted that the information contained in this table does not indicate private vehicles or vehicles licensed to transport passengers for reward. These figures may therefore include private mini-buses that are neither registered, nor licensed but are used as taxis. These are very preliminary figures and may include duplications.

Table 3.8: Number of Mini-bus Taxis Involved in Fatal Accidents (Preliminary)

Province	2001	2002 (January – August)
Gauteng	53 (76)	67 (96)
KwaZulu-Natal	86 (123)	56 (80)
Western Cape	17 (24)	19 (27)
Eastern Cape	35 (50)	36 (51)
Free State	47 (67)	23 (33)
Mpumalanga	18 (26)	38 (54)
North West	15 (21)	26 (37)
Limpopo	12 (17)	16 (23)
Northern Cape	6 (9)	1 (2)
Total	289 (413)	282 (403)

(Source: National Fatal Accident Information Centre: South Africa, 2002a)

The figures in Table 3.8 are not accurate as the reporting by the South African Police Service is only about 70% and the figures (in brackets) are as amended by the National Fatal Accident Information Centre to compensate for this under-reporting (South Africa, 2002a).

According to the first comprehensive statistical analysis of road traffic management incidents, published by the Traffic Offence Survey (2003), the cost of accidents to individuals, commerce, communities and to the country is estimated to be in the region of R38 billion annually. The report reflects that an average 36 lives are lost per day, 15 of which are pedestrians and 3 are directly related to mini-bus taxi incidents. The report also highlights the frightening number of persons permanently disabled on our roads, reported at 20 per day, with an annual total in excess of 7 000 victims. Beside permanent injury and deaths, there are approximately 100 persons seriously injured each day, leaving families and communities with financial hardships. The cause of more than 90% of all crashes is reported as being due to lawlessness. Here, driver and pedestrian negligence and/or ignorance are causing huge financial burdens and incalculable human suffering.

The reason for including the figures as quoted in the various reports is to highlight the risks to the passengers who have no alternative transport other than mini-bus taxis. Furthermore, tourists who use mini-bus taxis to sample the 'real South African' way of getting around should be made aware of the risks associated with getting into such a mini-bus taxi. Let it be said that there are reputable operators who are well aware of their responsibilities. Unfortunately, the converse is also true.

B. Buses/Coaches

The bus and coach industry in South Africa has made a vital contribution to the social and economic development of the country. According to the South African Bus Owners Association (SABOA, 2008), there are some 22 000 buses operating countrywide, three-quarters of which service public transport activities by running either scheduled passenger services or charter services, together with private charter operators. The remaining quarter is operated by government or large companies for their own in-house purposes. SABOA reports that 80% of South Africa's population is very dependent on public transport, which includes bus, mini-bus taxis and commuter rail, for their mobility needs (SABOA, 2008:03).

SABOA (2008) estimates there are 17 000 buses operating in the public transport sector (for reward). It summarises the economic impact for public transport as follows:

- Replacement of 17 000 buses, estimated at R17 billion
- Public transport buses travel 1.02 billion kilometres per annum and use 453 million litres of diesel fuel
- The industry provides direct employment to approximately 36 000 people throughout the Republic, while approximately 153 000 people are indirectly dependent on the industry
- Public transport operators undertake about 816 million passenger trips per annum. Bus and chassis manufacturers, fuel and tyre companies, along with many other smaller suppliers, are dependent on the industry.

The bus industry has high visibility in terms of safety and transport of passengers. SABOA (2008) rates safety as paramount, and is therefore an active participant in important structures encouraging safety. SABOA has initiated and supports such campaigns as:

- The Arrive Alive campaign
- The Road to Safety Strategy 2001-2005
- National Department of Transport safety initiatives
- The SABS committees tasked with road safety, technical and design specifications

SABOA has been identified as a major role player in providing transport for the 2010 World Cup Soccer and is intimately involved with government and other relevant role players in planning for this important event.

In the 1930s, bus and coach travel reached a peak in most countries, according to Page (2007:137), who differentiated between the terms bus and coach by defining a trip of less than 24 km as relating to a bus trip and any distance that exceeded 24 km being regarded as a coach trip. The European Conference of Ministers of Transport (1987, as quoted by Page, 2007) classifies the international coach travel market into three categories, as follows:

a) Scheduled Services (Lines)

These services operate with pre-determined and specified times, based on a timetable and over specified routes. The system operates by picking up passengers and setting them down at recognised and established stops. These services are often referred to as express coach services and are often owned and operated by consortia of companies or private individuals.

b) Shuttle Services

These depart and return to the same departure point after transporting tourist groups to various tourist destinations and attractions. They normally comply with the conditions of an itinerary and length of stay. These services are often called holiday shuttles.

c) Occasional Services

These include a complete range of different services such as:

- Closed door tours
- Services with the return trip unloaded
- All other services

C. Car

Today in South Africa, with the lack of municipal transport services as well as the risk perceived by many of using mini-taxis, it has become a given that making use of a private car as a means of getting around is the most reliable, indeed the preferred, mode of transport. The effect of having so many private cars on the South African

roads is, however, placing enormous pressure on their condition and is leading to their rapid deterioration. The national government, local government and municipalities are now taking cognisance of this and are upgrading roads as a matter of priority. According to Global Road Safety Partnership (2004), there are approximately 6 million licensed drivers and 7.5 million registered vehicles in South Africa, 4 154 593 of which are motorcars, 241 000 mini-buses and 27 221 buses. In 2004, motorised vehicles made up 89.3% of the total vehicle population and towed vehicles 10.7%. Based on the above statistics, motor cars are the most-used form of transportation. Obviously, these statistics exclude unlicensed drivers and unregistered vehicles.

George (2008:92) postulates that travelling on South African roads is unsafe for a number of reasons:

- During holiday periods, there are a number of fatal accidents
- There are too many unroadworthy cars/light motor vehicles including mini-bus taxis that should not be driven on the roads
- Drivers do not obey the rules of the road and are therefore the cause of many accidents

To this list can be added those who drive while drunk and those who drive without valid driving licences Page and Connell (2006:153) note the car as having been widely neglected in tourism for it has been placed in the everyday use category and its use in tourism is somewhat taken for granted. Weaver and Lawton (2002:156) bring into play the benefits that car rental companies have received since the expansion of air travel, providing passengers with, so to say, their own motor vehicle on arrival at away-from-home destinations.

3.6.2 Rail Transport

In the past, rail transport was a major form of commuting between work and home, as well as for travelling on holiday. Rail, however, has lately become a high-risk means of transport in South Africa.

According to George (2008:95), urban passenger rail transport is experiencing a number of problems as far as ageing rolling-stock (coaches) and infrastructure is concerned. George (2008) cites research findings by Dot (2006:31-32) proving that

71% of local users of the service are unhappy with the constant overcrowding on trains, while the same research shows that 63% believe train security and safety do not meet adequate standards.

South African Railways established the first official travel department in the Union of South Africa in 1927, then known as the Publicity and Travel Department. The main function of this department was to advertise the services of the South African Railways and so promote South Africa's tourist attractions (Lubbe, 2000:27). Since then, rail transport in South Africa has not yet adapted to the needs of modern tourism. There are a number of technical reasons for this. Introducing a high-speed, intercity passenger service will need a large capital investment and would cause serious disruption to present services. There would also need to be a considerable number of passengers using the trains on a regular basis if they were to be profitable. For trains to compete with the convenience of cars and the speed of aircraft on the long-haul routes would be extremely problematical. However, South Africa has scenic train tours that rank with the best in the world. Two examples are the Blue Train, running from Gauteng to Cape Town, and the very popular, privately owned, Rovos Rail. Another very popular steam train experience for tourists is the Apple Express running from Port Elizabeth.

Early rail travel in Britain, say Goeldner & Ritchie (2006:57), was not without its detractors. This new form of rail locomotion was considered by the writers of the time in the powerful organs of public opinion, as a device of Satan. In South Africa today, it is deemed unsafe to travel by rail, be it either locally or from city to city.

The introduction of a high-speed train namely: the Gautrain has been planned to operate between cities in the Gauteng Province. The intended route where the Gautrain will operate will be between Hatfield in Tshwane and the Park station in Johannesburg with links to OR Tambo International Airport and Sandton which is deemed to be the business hub and offering a variety of accommodation George (2008:95). At the time of writing this project was well on the way to completion scheduled for end 2010.

3.6.3 Air Transport

South African Airways (SAA), even in its stages of expansion and poor profitability, continues to carry millions of passengers locally and internationally. SAA, being the national carrier, has to compete with many other national airlines (1Time, Kulula, Comair, Mango Air, SA Airlink), and International airlines (British Airways, Air France, Lufthansa, Singapore Airlines, Qantas Airways and many more) for passengers and cargo.

Air travel is characterised by its ability to transport passengers worldwide as well as to remote areas in the shortest time and in relative luxury. Lubbe (2003:136) refers to the limited capacity of air travel when compared individually to trains and cruise ships, but this shortfall is compensated by the greater speed, convenience and turn-around times. Lubbe (2003:137) distinguishes between domestic and international air services by stating that domestic air services are totally subject to the authority of one government in which the service is operated whereas international air services, on the other hand, are established by the cooperation of at least two governments from whom authority is required to establish and operate the service.

Goeldner and Ritchie (2006:122) marvel at the fantastic growth of the airline industry. They reflect on the very first flight that lasted less than a minute when undertaken by Orville and Wilbur Wright on 17 December 1903, at Kitty Hawk, North Carolina, USA. Over the last 100 years, the airline industry has grown from infancy to a giant and now carries more than 1.6 billion passengers per year. In the United States alone, it is reported that commercial aviation generates in excess of a staggering US\$100 billion in annual revenue, and employs about 600 000 people.

Air transport, according to Weaver and Lawton (2002:154), can be divided into three main categories, scheduled airlines, charter airlines and private jets.

Scheduled airlines may have charter subsidiaries to be able to offer a wider coverage of the market. In South Africa, Airlink is just such a subsidiary operating smaller aircraft to many less-used destinations throughout South Africa. Similarly, Air Silk is operated by Singapore Air Lines, and Mount Cook Airlines is operated in New Zealand. The airline industry has, in recent years, made major developments

towards airline alliances such as the *Oneworld* and the *Star Alliance* that offer integrated services and greater reciprocity in frequent flyer programmes and private lounge privileges for the passengers of the relating airlines.

Gallagher, *et al* (2010) report that travellers have concerns about the health risks of flying in airplanes. Illness that occurs as a direct result of air travel is uncommon, but the main concerns of air travellers are:

- Exacerbation of chronic medical problems due to changes in air pressure, humidity, and oxygen concentration
- Relative immobility during flights (risk of thromboembolic disease)
- Close proximity to other passengers with certain communicable diseases
- Spraying of airplane cabins with insecticides (disinfection) prior to landing in certain destinations as mandated by legislation of the relevant destination

Other risks include:

- Overbooked flights, causing time spent waiting for the next available flight
- Deep Vein Thrombosis, caused by sitting in the same position for long periods also known as economy class syndrome
- Late departures, perhaps causing tourists to miss connecting flights, or the inconvenience to persons having to wait for expected arrivals, and irritation for not being informed

Although air hijackings are uncommon in the skies of South Africa, there have been isolated incidents of this terrible crime. Public transport in South Africa generally leaves much to be desired, but air transport is considered safe and reliable. Little reliable information on South African air hijackings is available in the public purview. Nevertheless, three incidents are worth mentioning:

- 24 May 1972: The first recorded hijacking of a South African Airways plane. Two men hijacked an SAA Boeing 727 tri-jet LETABA en route from Durban to Johannesburg (South African History Online, n.d.)
- 19 June 2006: A 21-year-old man believed to be a University of Cape Town student allegedly threatened a flight attendant with a syringe, demanding entry into the cockpit (SABC News, 2006)

- 22 January 2007: A man claiming to be an al-Qaeda member was arrested at OR Tambo International for attempting to hijack a flight from Botswana to Johannesburg (CBS News, 2007)

With the reported hijacking incidents at very low levels, it can be considered relatively safe to travel on South African airlines.

South Africa has always had a solid reputation for its safety and maintenance on all carriers operating within and out of the country. This reputation was blemished in 2007 when an engine dropped off Nationwide flight CE723 (Bricknell, 2007). This incident caused the grounding of all Boeing 737-200's belonging to the operators, Nationwide, Kulula and SAA Cargo, until they had been declared safe after engine mounting inspections. Comair closed shop on 29 April 2008 and left over 1 000 staff members in the dark - quite literally.

September 23, 2009 saw yet another aircraft accident when a Jetstream 41 Turboprop aircraft belonging to SAA Airlink made a crash landing at Durban's La Mercy Airport, in KwaZulu-Natal.

According to the Civil Aviation Authority (CAA), their investigation indicated that the plane's right-side engine had been having some trouble; that the plane was supposed to be able to fly with one engine only (even with the maximum load) and that the functioning engine had had 'a decrease in power' shortly after take-off (Gibson, 2009).

Justifying travel to South Africa is going to be difficult with the statistics showing such negative results.

3.7 INTERNAL BUSINESS RISKS

When discussing risks, the ability of the business to handle risk should not be addressed lightly, for businesses are not immune to risk and if these risks are not attended to speedily in a professional manner, the business itself could be at risk. The risk areas of fraud, complaints, economic forecasts, market statistics, drop in

turnover, group discussions (brainstorming), interviews tourists/visitors, seminars, workshops and media reports and working closely with government institutions will now be examined in the following pages.

3.7.1 Fraud

According to Goss (2003:01), marketplace identity fraud is increasing at an alarming rate. There are numerous ways a fraudster can obtain the information needed to commit fraud, by going through the waste in the bin, through the mail, and by internet skimming. Often, identity fraud is facilitated by aggrieved or venal employees. This is just one reason for screening employees and potential employees before employing them.

3.7.2 Complaints

Complaints often result from human errors on behalf of employees and so constitute an employee risk. It can be said without any fear of contradiction that all businesses will receive complaints. However, it is the manner in which the received complaints are handled that makes the difference of either keeping or losing the customer. Attentive listening to customers' opinions can provide information leading to their ultimate satisfaction and retention as a customer. Employees are the contact between the business and the customer. According to Moore, Petty, Palich & Longenecker (2008:527), it is therefore necessary to ensure staff are both trained and encouraged to obtain information from customers, be it positive or negative. Is there a quality-assurance system in place that helps a business to meet its customers' requirements? Why would such a system be necessary? Nieman and Nieuwenhuizen (2009:163) advocate the following reasons:

- Improvement of performance
- greater focus on business objectives
- achievement and maintenance of the quality of service extended to the customer
- evidence to customers and potential customers of the businesses capabilities
- the opportunity to compete in the same market as the bigger businesses

3.7.3 Drop in Turnover

A Profit and Loss (P&L) Statement is a standard financial document that summarises a company's revenue and expenses for a specific period, usually one quarter of a fiscal year, or of the entire fiscal year. When discovering from the P&L statement that the business is suffering a loss of turnover in comparison to the budget or to past monthly comparisons, there is a risk that the business is in trouble.

There are various turnaround procedures that can be adopted depending on the level of failure as illustrated by Pretorius in Nieman and Nieuwenhuizen (2009:314), for example,

- Business underperforming – Gross margin decreases
- Business in trouble – net margin decreases and cash flow problems
- Business in crisis – negative cash flow for long periods

3.7.4 Lack of Funding

For a business to remain on even keel or grow, it is essential that the necessary infrastructure be in place and that the business be funded accordingly. The following areas are discussed below: marketing, development training and service delivery and management.

All companies when starting up may struggle to break even as they introduce a new product or service. Nieman and Nieuwenhuizen (2009:283) emphasise the flow of funding, which marks the beginning of the start-up phase of the venture/company. There will be money flowing into and out of the company, be it for infrastructure or a first sale. The lag between spending to generate revenue and creating an earning income from operations often creates cash flow problems. This happens mostly with new and smaller companies, and to those companies that grow too rapidly. Barringer & Ireland (2008:285) refer to a 'burn rate', which happens when a company spends its capital before it reaches profitability. This may be due to advance marketing, purchasing of plant or buildings, staff training or establishing its brand. This cash shortage can have severe complications.

Tourism in South Africa earns R1 bn monthly according to a South African survey, reports Masango (2005:01). This income was derived from accommodation (66%)

and from restaurant and bar sales (25%). An average monthly 99 600 units of stay (such as hotel rooms or powered sites in caravan parks) were available in the South African accommodation industry. The largest contributor was hotels (47%), followed by other accommodation units such as B&Bs or lodges.

Despite the challenges facing the industry identified by the Department of Environmental Affairs and Tourism, such as inadequate funding and delays in acquiring investment licences, *“there is inadequate tourism education, training and awareness for the general public, and a lack of protection for the environment”* (Gadebe, 2005).

The researcher will concentrate below on the segments that lack the necessary funding, these being marketing, development, training and service management.

A. Marketing

To succeed, a company has to address the critical issue of funding. Barringer and Ireland (2008:317) suggest a three-pronged approach of firstly segmenting the market, then selecting a target market and thereafter establishing a unique position in the targeted market.

Market research, by definition, is the responsibility of all the companies and organisations operating in the tourism space. Market research is the gathering and analysing of information and data about the markets and customers (George, 2008:280). Research also assists managers to appreciate the marketplace in which they operate and the tourism suppliers, travel agencies, tour operators, hotels, guesthouses and bed and breakfast establishments operating in the same industry. Holloway (2002:242) remarks that, when exploiting or searching for a destination or a region for a tour package, it becomes an act of faith as much as a carefully researched outcome. Tourist patterns do not remain constant, but change over time. There can even be a change in pattern from one country to another as well as from one form of accommodation to another. For example, tourists visiting Switzerland would possibly stay in a Swiss chalet with the comfort of an open fire and warm refreshment, whereas visitors in South Africa and visiting a game reserve might opt for a tent or log cabin. Price may be the dominating factor, so the mass tour operator's concern is to provide the best value for money, while keeping in mind

sun, sea and sand as attractions. Other factors that come into play when researching the market are land transport, flights, accommodation, political stability of the destination, the amount of support given to developing tourism to the destination by the carriers and/or tourist office of the country, as well as the relationship between the host and the destination countries. There are costs associated with proper and successful marketing, which must be carefully budgeted for when researching a final destination.

According to Lubbe (2000:23), Comair adopted a three-group approach where its efforts were focused on:

- a) specific companies in the hope of obtaining their corporate travel accounts
- b) travel agents
- c) individual frequent travellers

Comair, together with British Airways, conducted research called the global performance monitor. This research was based on placing questionnaires on certain passenger seats, on specific flights where the purpose was to examine passenger satisfaction, onboard service, and other factors. The research found that approximately 10% to 15% of Comair's sales resulted from the partnership with British Airways. Comair 'Telesales' accounted for a further 10% sales directly to the public, and the balance of approximately 75% of tickets resulted from sales made through travel agencies. This research had associated costs, but any company lacking the funding to bear the costs associated with market research will lag behind its competitors in growth.

Many companies, new and old, know the importance of a good market strategy but do not always allocate sufficient funds to research this function.

B. Development

Hisrich, Peters and Shepherd (2008) identify stages of business development funding.

- a) Early Stage Funding
 - *Seed capital.* Relatively small amounts to prove concepts and finance feasibility studies

- *Start-up capital.* Product development and initial marketing, bearing in mind no commercial sales to that point, funding required only to get company operations started

b) Expansion or Development Financing

- *Second stage.* Working capital for initial growth, no profitability or cash flow
- *Third stage.* Major expansion for rapid growth, company at breakeven or positive profit

All pioneers of businesses had to provide funding for development costs, and this funding not only had to be found, but carefully utilised.

C. Training and Service

Formal training is the transfer of knowledge and skills, and is for the benefit of all members of staff. Training will vary according to the specifics of the operation, but should include controlled and monitored on-the-job training. Failure to undertake thorough and formalised training places the organisation at risk and could lead to the loss of business and profits (Timmons & Spinelli, 2009:228).

Tribe (2005:285) prioritises training and places education high on the importance list when it comes to increasing productivity and quality of service. It is a regrettable reality that customers have, at some stage, been badly treated by the employees or even the management of companies from which they require products or services. This practice costs companies millions of Rands and a loss of future business and referrals as well.

D. Management

Katz and Green (2009:535) suggest the function of management is the same no matter what the field of business operated.

Today, management is vital to the running of any business; and the costs of successful training can run into many thousands of Rands. Some companies, however, employ self-trained or poorly trained managers and hand over the full responsibility of running and managing the company to them. These companies eventually find themselves in dire difficulties because they fail to ensure that all

facets of management are controlled, and that finance, human resources, marketing, advertising and production are in the hands of experienced personnel. Venter, Urban & Rwigema (2008:43) opine that business knowledge is being conversant with the following:

a) Management Knowledge

Managers should have the ability to manage and organise themselves to manage the business. To acquire the skills necessary to manage the business, they should attend recognised short courses and should learn from business associates. Managers should be able to make correct decisions under varying circumstances and should, therefore, have skills in planning, leading, controlling and organising.

b) Technical Knowledge

It is of the utmost importance that managers have a sound knowledge of the services and products they offer.

c) Financial Knowledge

Capital is the lifeblood of any organisation/company and the manager should have a sound understanding of financial issues.

d) Competitiveness

According to Timmons & Spinelli (2009:412), the business must constantly compare competing products or services based on market share, price, quality, timing and any other pertinent features.

e) Competition

In the opinion of Timmons & Spinelli (2009:170), by examining products manufactured and or products sold by the competitors, it is possible to see if one's product can be bettered or imitated, and whether the product is patented nor not. Longenecker, *et al* (2000:89) are of the opinion that the location of the competitor is important, as well as whether the competition is gaining or losing ground in the race.

3.8 TECHNOLOGY

It is essential and beneficial that tourism operators remain up-to-date with technological systems including banking and credit facilitation, the internet, and management systems.

The methods of doing business both within South Africa and with overseas associates are rapidly changing. The Internet provides many new opportunities for new businesses. It is a cost effective means of reaching new customers and of opening new markets, of introducing new products globally.

E-commerce includes electronic trading, electronic messaging, electronic data interchange (EDI), electronic fund transfers (EFT), electronic mail (e-mail), electronic catalogues, internet, intranet and extranet services.

Nieman and Nieuwenhuizen (2009:386) advocate e-commerce as having benefits for business, customers and for society. They equate the main benefits as being that:

- A company with minimal capital outlay can now expand the electronic marketplace to include national and international markets. It is possible to easily and rapidly locate reputable suppliers, new customers, and even business partners, quickly and efficiently
- The costs associated with retrieving paper based information are drastically reduced by using electronic commerce
- Excessive inventories can be eliminated and deliveries speedily executed by e-commerce
- E-commerce supports business process re-engineering. An increase in productivity of up to 100% can be attained of people, knowledge workers and administrators simply by changing processes

E-commerce can reduce the time in setting up a business, without the need for offices or business premises. Simply, a website can be designed, and hosted by an Internet service provider. The business has 'presence', and has existence even if it does not have premises.

However, technology has its own set of risks. Jordan and Silcock (2005; 1) point out that risks exist in every business venture and that there is always a possibility that things will not work out as they are planned. It is common knowledge that risks must be taken in business, for any active strategy has clear risks that may not be pleasant to contemplate. Nevertheless, a do-nothing strategy has its own set of risks.

Jordan and Silcock (2005:9) postulate that IT risks are not all the same, but that there may be huge benefits if they are brought together and managed consistently. This 'bringing together' they call a 'risk portfolio'. This portfolio gathers the risks together for three reasons, those of completeness, connectedness and of significance.

- Completeness - When priority is given to the most demanding some other areas may be overlooked
- Connectedness - An upgrade announcement, a compliance requirement or any single event can have multiple impacts in different classes of risk
- Significance - The overwhelming consequences posed by the totality of risks will become apparent when all IT risks are in a portfolio

The portfolio approach recognises that all IT risks are ever-present. Of course, this implies that, as they are always extant, they are to be continuously monitored.

Raval and Fichadia (2007:237) highlight the concerns of managers concerning the risks regarding the controls of databases. Most transactional- and decision support-data for business is stored in databases. The availability of this data and the performance of IT systems in receiving, storing and manipulating this data are of great concern for management. For companies that engage in e-commerce, the transaction data on the database has often to exceed 99.9% of capacity and the transactional response time - that is, the time it takes to read and write from and to the database is required to be measured in split-seconds. It is for this reason that management has to ensure that only highly qualified personnel design the database so that it meets the requirements of the organisation. Furthermore, it is important to understand that, relative to operating security systems, management often underestimates the need for database security. Raval and Fichadia (2007:241) again refer to the risk as they emphasise risks associated with poorly controlled user

IDs and passwords. It is always imperative that intruders should not gain access to the data stored on the databases, even with minimal privileges, as they can escalate their privileges by using other means and so corrupt or damage the database. The implications of this for the organisation cannot be overestimated, and yet many businesses chose to downplay or to ignore this particular risk.

3.9 SOCIO-DEMOGRAPHIC RISKS

Keyser (2009:384) concludes that many young people migrate from rural areas to the cities, either to find jobs, or merely for the excitement of living in the big cities. Salto-Youth (2007), on the other hand, believes youth must identify with their rural heritage and should be proud of their roots. Before leaving for new pastures, they should always make a deliberate, thought-out, conscious decision, to ensure that the decision is the best decision. However, youth see the cities as places of action and opportunities, and appear willing to forgo the love of the countryside. Keyser (2009:384) includes other impacts on economic patterns such as:

- the structure of the population
- types and forms of occupation
- economic inequity
- loss of traditional industries

Another important aspect here is the impact of tourism on the infrastructure and upon community assets (Keyser, 2009:391). As tourists use the same infrastructure as the local community, including water, electricity and roads, this can have a negative effect and can create an overload on the infrastructure.

The intense concentration of tourists during short seasonal periods can lead to congestion and overcrowding which, in turn, causes a poor tourism experience and can also cause extensive damage to the resources and the environment. Tourism can, however, also have a positive effect on the infrastructure when the infrastructure is upgraded to accommodate an influx of tourists. Governments, for example, can tar a road to a favourite destination. This will benefit the community by allowing improved access to schools and other facilities in the area.

George (2008;151), citing Hall (2005:2280), says that economically marginal groups such as low-income families, single-parent families, the handicapped, as well as the elderly, benefit from social tourism. Assistance is made available in the form of finance (that is, grants, or low-interest loans) or even free holiday accommodation and coach trips as well as price-discounted holiday packages. To encourage the historically disadvantaged individuals (HDIs) the South African government has embarked on a number of campaigns to create a culture of travel in South Africa. 'Sho't Left' is an example of just such a campaign with the main driver behind the marketing of this campaign being SA Tourism. A slogan 'It's possible' was devised with domestic tourism in mind. The intention is to facilitate and encourage local tourism by all South Africans by ensuring that it is both affordable and possible to travel in and around South Africa, that there is a sufficient variety of attractions for all tastes, and to alert South Africans in general that tourism is not for the foreigner only, but can be enjoyed by everyone.

3.10 SUMMARY

This chapter has looked at the major problems tourists, either local and from abroad, could face when visiting South Africa. The research has shown that the risks that should receive the highest priority are health related. This relates to the challenges arising from the current cholera and diarrhoea outbreaks, as well as the HIV/AIDS pandemic, for South Africa has an ever-growing number of HIV/AIDS patients living with the disease. Transport problems relating to the high number of accidents on South African roads are seen as another form of risk for South African tourism to contend with. The lack of funding, often responsible for companies taking short cuts because they do not have the funds for proper management, staff training or market research, is another serious risk to tourism. The risk of falling victim to crime affects all persons living in or visiting South Africa, and remains at the forefront of the minds of many local and potential visitors.

When all risks facing the tourism industry are examined, and when the problems currently being experienced in South Africa are taken together, it is clear that the national government will have to take serious concerted action to eradicate or to

clear up many of these problems if South Africa is to become the tourist's destination of first choice.

CHAPTER 4

INTERNATIONAL RISKS AFFECTING THE TOURISM INDUSTRY

International risks, risks that occur outside the borders of a country
*“Any expected event that affects traveller confidence
in a destination and interferes with
the ability to operate normally”*
UNWTO

4.1 INTRODUCTION

The South African tourism industry is faced by risks that may occur both within its borders and by those that occur outside the country's borders. The former, which are of a domestic nature, were discussed in Chapter 3. Those of an international nature will be discussed in this chapter.

International risks are the risks that occur outside the borders of South Africa and include environmental risks, natural disasters and crime (in the form of hijacking), terrorism, political factors, wars or economy-related events. Risks that occur in other countries may sometimes have an effect, either positive or negative, on the South African tourism industry. For example, the Indian Premier League (IPL) that attracts high profile players from around the world was moved from India to South Africa because the dates of the tournament clashed with those of the Indian general elections, and the Indian government was not willing to risk staging an international tournament due to security concerns (Sky News, 2009). This event had a positive impact on tourism to South Africa due to the increase in the number of visitors to the country, as well as the longer-term marketing benefits. On the other hand, the existing situation in Zimbabwe and the attitude and actions of the ruling ZANU-PF party can be seen as an intentional risk event that has a negative impact on the South African tourism industry as the two countries share a common border. This geographical proximity may result in tourists thinking that South Africa is no different to Zimbabwe and therefore become reluctant to visit the country.

It is therefore important that operators within the South African tourism industry are aware of, and are capable of recognising international risks and implementing action plans to deal with the potential impacts either by minimising the negative effects or, preferably, by exploiting the incidental opportunities.

International risks will be discussed and evaluated in this chapter by means of appropriate examples or actual occurrences, with the intention of identifying the potential impact of such risks on the South African tourism industry. Using Table 1.1 as guideline, international risks are discussed under the following headings: Environmental risks (see Section 4.2), natural disasters (see Section 4.3), climate change (see Section 4.4), socio-demographic changes (see Section 4.5), socio-economic risk (see Section 4.6), political risks (see Section 4.7) and economic risks (see Section 4.8).

4.2 ENVIRONMENTAL RISKS

Environmental risks are events which, if they occur, result in damage to the environment and may upset the ecological balance. Where there is a presence of human beings, there is always an environmental risk. In other words, environmental risks, and therefore the potential damage to the environment, are created by humanity. Such risks include pollution of the atmosphere and water sources, mainly through industrial activity or mining activity in pristine areas in the proximity of wetlands. Dumping of waste and littering results in damage to the environment and endangers wildlife, both on land and in the water. Other environmental risks include events at sea, such as ships running aground or colliding with other ships or icebergs, resulting in vast oil spillages. The oceans and sea life near coastal areas are affected by the illegal dumping or discharge of chemical waste or raw sewage. Environmental damage resulting from permitting risk events to take place will therefore have a direct effect on tourist destinations and may discourage tourism to those areas or countries affected.

The importance of the environment is becoming so important to tour operators and tourism marketers that it has become one of the most frequently used phrases in the industry, to the extent that there is now a growing body of knowledge that

recognises the importance of managing and protecting the environment (Page & Connell, 2006:373). Despite this, according to Richardson & Fluker (2004:158), tourism operations are placing pressure on the environment in a number of ways, including the misuse of natural resources, harm to wildlife and habitats, as well as pollution and waste.

When considering the environment, people believe the environment revolves around plants and animals. This is far from accurate as the environment does not only consist of natural elements, but also includes social, economic, cultural, political and historic elements (Keyser, 2009:347). It is often the totality of features of the environment that attracts tourists to a destination. Resources such as beaches, mountains, lakes, forests and wildlife are regarded as the natural resources, whereas the buildings, cities and monuments are regarded as man-made resources. Keyser (2009:351) is of the opinion that free and unrestricted demand for a public area could possibly result in the demise of the environment at that area due to over-exploitation.

An example of environmental neglect is given by Agung (2010), who says that in the last 12 years, the number of tourists to Indonesia has fluctuated between 4 and 5 million with an average length of stay of 10 days. This has dropped to barely 8.5 days of stay in 2008. The neighbouring countries now attract far greater numbers: Singapore, 10 million, Thailand, 15 million and Malaysia 22 million visitors, for example. Agung (2010) finds it strange that Indonesia is brimming with a wealth of culture whereas Malaysia is basically barren. The tragedy started in 1980 when Indonesia was cash-strapped and pointed to Bali as its tourist cash-cow. Since then, little has changed and Bali has become Indonesia's main attraction with devastating consequences as illustrated by the visible erosion of the natural environment due to the explosion in infrastructure. The over-concentration of tourists to Bali has brought not only unmanageable flows of tourists but also the wrong type of tourists who cannot appreciate the natural beauty or the unique culture of the area. This, lack of respect for the environment and culture has, in turn, led to the despoilation of all the beautiful and attractive tourist destinations along the archipelago (Agung, 2010).

The adverse impact of risk on the environment in international tourist centres may be detrimental to those countries affected and can result in pressure being exerted by environmentalists to reduce tourism to the area so that the environment may be preserved. This can be beneficial to the South African tourism industry in that tourists can be attracted to visit South Africa with its many natural parks, such as the Kruger National Park, and its other nature reserves. However, the South African tourism industry must take cognisance of the greed and failings of other countries and must endeavour to continue with the upgrading and improvement of its own environment and natural resources, as well as safeguarding the wetlands and prime beaches against mining, for example. Burnett (2010) reveals that much of the internationally recognised wetland at the Orange River mouth has lost its rich green colour. The river mouth has been treated with disrespect for decades by the long-standing diamond mining operations. Rusted barbed wire is strewn on the ground, mounds of rubble can be seen along the roadsides and huge mine dumps blight the horizon. Only by proper care and upgrading of the environment will South Africa be in a position where it can attract international visitors to its natural splendours.

4.3 NATURAL DISASTERS

Goeldner and Ritchie (2006:570) identify natural disasters as floods, hurricanes, earthquakes and tornadoes. The locations of these natural disasters, as well as wars, local uprisings and events of mass destruction, are all recognised as places of interest or possible tourism destinations. This current study, however, restricts itself to natural disasters that will discourage tourists rather than tempt them to visit a destination.

This section will briefly cover natural disasters that have a significant negative impact on the tourism industry in the country where they occur, but have a potentially positive effect on the South African tourism industry. These events include tsunamis, hurricanes and tornadoes, drought and fire. Grobler (2001:12-15) is of the opinion that South Africa is a country that is not associated with major natural disasters. However, South Africa is not exempt from them and the usual ones that occur are the climatic opposites of flood and droughts. Grobler (2001) goes on, however, to include isolated instances of tropical cyclones, tornadoes and

severe thunderstorms, that result in flooding and damage to buildings and even to loss of life. Both floods and droughts are insurable events, but usually most of the losses caused by drought are covered by government funding, through the drought relief fund. The biggest loss from an insurance perspective is due to flooding, because of the widespread damage over a short span of time. With natural disasters being largely limited to only two types, of which one, drought, having a very low threat horizon to tourists, it can be assumed that South Africa is a 'safe' destination alternative.

4.3.1 Tsunami

Abbott (1996) describes the word 'tsunami' as being derived from a Japanese word, which translates as 'large waves in harbours'.

Abbott (1996) explains that tsunami are generally called tidal waves in the USA, which is a misnomer, as tsunami have little to do with tides, winds, or storms. They are caused by surges made in the ocean depths by volcanic eruptions, fault movements, landslides, and even by meteorite impacts and similar geological events.

A tsunami, although not a disaster that happens often, is one that has catastrophic consequences, not only in terms of loss of life, but also in terms of the tremendous damage to the environment. Therefore there are very large costs associated with the reconstruction and rehabilitation after a tsunami.

One such tsunami that caused havoc, accompanied by a major loss of life and devastation to the environment, was the tsunami that struck Northern Indonesia in 2004. This tsunami was caused by a massive earthquake measuring 9.0 on the Richter scale, and hit the west coast of Northern Indonesia on 26 December 2004. Approximately 240 000 people were killed during this incident. The earthquake that caused this incident has been referred to as the world's most powerful earthquake in more than 40 years. The extent and impact of this tsunami was not localised to Indonesia, but impacted on and affected countries over an extensive geographical area (United Nations, 2005).

The tsunami in Indonesia has had the effect of discouraging tourists from visiting the country, even if only in the short-term and there is therefore an opportunity for the South African tourism industry to exploit this situation, as tsunami hardly ever occur in South Africa. This does not mean, however, that similar disasters do not occur at all (refer to Chapter 3).

Reference is also made to harbour waves, which can reach great heights in inlets and harbours because the narrowing topography that channels the waves into smaller spaces. For example, an 8 metre wave on the open ocean may be squeezed to heights of 30 metres as it crowds into a narrow harbour. These harbour waves are not necessarily tsunami or even caused by one (Abbott, 1966).

It can be seen from Table 4.1 that the tsunami of 26 December 2004 was the most devastating that has been recorded in the history of humanity. Table 4.1 highlights the tremendous loss of life caused by a tsunami in years past in various countries around the globe.

Table 4.1: Notable Tsunami Through The Ages

Date	Cause	Wave Height	Site	Deaths
01 Nov 1775	Earthquake	10m	Lisbon, Portugal	30 000
27 Aug 1883	Krakatoa collapse	35m	Indonesia	36 000
15 Jun 1896	Earthquake	29m	Japan	27 000
02 Mar 1933	Earthquake	20m	Japan	3 000
01 Apr 1946	Earthquake	15m	Alaska	175
22 May 1960	Earthquake	10m	Chile	1 250
27 Mar 1964	Earthquake	6m	Alaska	125
01 Sep 1992	Earthquake	10m	Nicaragua	150
12 Jul 1993	Earthquake	11m	Japan	175
26 Dec 2004	Earthquake		Indonesia	240 000
12 Jan 2009	Earthquake	No Tsunami	Haiti	100 000
22/28 Jul 2009	Earthquake	2m	Japan	nil
30 Sep 2009	Earthquake	No Tsunami	Padang	1 100
27 Feb 2010	Earthquake	Not reported	Chile	214

(Source: Abbott (1996), News 24 (2009); CNN (2010); Telegraph. (2010)

As tsunamis are rare or non-existent events at South African coastal resorts, these resorts become attractive alternatives for international tourists in contrast to countries such as Indonesia, Philippines and Thailand that were favourite tourist destinations. However, tourists are now much more cautious and do not visit

countries where the risks of tsunami are high, especially during the 'holiday seasons'.

4.3.2 Hurricanes/Tornadoes

According to the National Hurricane Center (2005), hurricanes are categorised as severe tropical storms that form in the North Atlantic Ocean, the Northeast Pacific Ocean east of the dateline, or in the South Pacific Ocean east of 160° E. For hurricanes to form, the right climatic conditions of warm tropical oceans, moisture and light winds above them must exist. If these conditions last long enough, a storm can form and produce violent winds exceeding 119 km/h, at which point it becomes a hurricane, creating incredible waves, torrential rains and flooding.

Hurricanes rotate around the central focus or 'eye'. Hurricanes are called by other names in different regions of the world, according to Holland (1993). The terms 'hurricane' and 'typhoon' are regionally specific names for a strong 'tropical cyclone'. The National Hurricane Center (2005) offers some examples of hurricanes or related events in respect to the geographical areas they are likely to occur. These are:

- Typhoon (Northwest Pacific Ocean, west of the dateline)
- Severe tropical storms (Southwest Pacific Ocean, 160°E West, Southeast Indian Ocean (East of 90° E)
- Severe tropical storm (North Indian Ocean)
- Tropical cyclone (Southwest Indian Ocean)

Hurricanes can have a detrimental effect on travel to and within the affected countries. This, in turn, adversely affects the tourism industry of those countries. However, during these incidents, seen as very threatening by some, tourists can be encouraged to visit other destinations that are less prone to these calamities. With the correct, effective advertising and promotion by the Department of Tourism and the tourism industry, South Africa could be promoted as a destination of choice.

Table 4.2 shows the severity of the financial impact of hurricanes during the period June 2001 to August 2004, on towns in the USA. It can be seen that Florida, a popular tourist centre, was hit three times causing billions of dollars of damage

(National Hurricane Centre, 2005). However, the USA is not the only tourist destination plagued by hurricanes, tornadoes or other severe storms; there are many others, some of which are known as tourist destinations.

Table 4.2: The Impact of Hurricane Damage in the USA (June 2001–October 2005)

Hurricanes, Tornadoes & Severe Storms	Category	Date	Damage in Billion US\$	Deaths	Area
Allison		Jun 2001	5.1	43	Houston
Storms & Hail		Apr 2003	1.6	3	Texas
Severe Storms		May 2003	3.4	0	Midwest/Ohio/NT
Isabel	2	Sep 2003	5.0	55	Nevada/Carolina
Katrina		Aug 2004	81.2	1 836	New Orleans
Charley	4	Aug 2004	N/R	N/R	Florida
Ivan	3	Sep 2004	14.0	57	Alabama
Frances	2	Sep 2004	9.0	48	Florida
Jeanne	3	Sep 2004	6.9	28	Florida
Dennis		Jun 2005	2.23	42	Haiti/Cuba/USA/Jamaica
Rita	5	Sep 2005	10.0	7	Louisiana, Mississippi
Wilma	2	Oct 2005	16.8	22	Haiti/Jamaica / Florida

(Source: National Hurricane Center 2005)

Table 4.2 highlights the following major natural disasters to hit the USA that, besides the immediate damage caused, have been seen as having a severe and adverse effect on the local tourism industries in those regions of the USA. The National Hurricane Center (2005) reports these events to include:

- Severe storms in the American Midwest Mississippi Valley, the Ohio/NT valleys and parts of the Southeast in May 2003 during which time a record total of 400 tornadoes were documented
- Severe storms and accompanying hail that hit the southern plains and lower Mississippi Valley in early April 2003, with Texas receiving the brunt of these
- Tropical storm, Allison, that occurred in June 2001 caused severe flooding, especially in the Houston area, due to a recorded rainfall of 760 mm – 1016 mm

- Hurricane Isabel occurred in September 2003 causing considerable storm surge damage along the coasts of North Carolina and Virginia
- Hurricane Charley hit the southwest of Florida in August 2004, resulting in major wind and storm surge damage in Florida, and some damage in the states of South and North Carolina
- Hurricane Jeanne made landfall in east Florida in September 2004, causing considerable wind, storm surge and flood damage
- A third hurricane, Frances, occurred in September 2004 in east-central Florida, causing significant wind, storm surge and flood damage and considerable damage in the states of North Carolina and Southwest Virginia
- Hurricane Ivan made landfall on the Gulf Coast of Alabama in September 2004

Tropical storms are not, of course, isolated to the USA alone and occur in other parts of the world with equally disastrous effects. For example, Australia has experienced cyclones, floods and resulting landslides (Cioccio & Michael, 2007). Solarnavigator (n.d.) reports that tornadoes have been observed on every continent except Antarctica. Most recorded instances occur in the United States but they are also common in Canada, South-central and Central Asia, Central South America, Southern Africa, Northwest and Central Europe, Italy, western and south-eastern Australia and in New Zealand. The report relates to the deadliest tornado on record as that which occurred in Bangladesh on April 26, 1989, killing approximately 1 300 people. These weather events must have a damaging affect on the tourism industry of those countries. This is particularly true if the areas that are hit by them are tourist centres, such as Florida. Comparatively, South Africa can be regarded as a 'safe' destination when it comes to hurricanes, tornadoes and cyclones. South Africa has not been plagued by hurricanes, as have other countries. Tropical cyclones have, however, occurred on the east coast when these tropical storms move through the Mozambique Channel. Small, very localised tornadoes, on the other hand, have occurred inland in KwaZulu-Natal. These events, however, did not have a significant impact on tourism. Even so, 178 homes were destroyed and 66 people were injured when a freak storm, believed to be a tornado, wreaked havoc at Ingwe Local Municipality in KwaZulu-Natal during November 2009, according to News24 (2009).

Because the impact of hurricanes, tornadoes and other tropical storms is greater on many of the popular foreign tourist destinations than it is on South African tourist destinations, such as the coastal region or inland resorts such as the Kruger National Park and others, these external risks offer an opportunity that may be exploited beneficially. Again, through good and effective advertising and promotion, South Africa can be sold as an alternative tourist destination and can attract foreign tourists to the country.

4.3.3 Drought

Droughts are another natural phenomenon that can have an adverse effect on the tourism industry of the country in which they occur. South Africa, in this instance, is no exception. However, it is possible to turn events occurring elsewhere to the tourism industry's advantage by directing tourists to the destinations in areas not affected by drought.

Examples of situations where drought has severely affected international locations and thus may have detrimentally affected the tourism industry of those countries are:

- In 2002, widespread drought was experienced in spring and early autumn in the Great Plains of the USA, causing damage estimated to be over \$10 billion (National Hurricane Center, 2005)
- Australia has experienced its share of droughts over the years, which often were accompanied by devastating bush fires (Cioccio & Michael, 2007)
- While it is sometimes accepted that Europe is never stricken by drought, according to the Royal Geographical Society (1973-2003) drought in Europe is not uncommon.

Every 50 years, a specific area in Europe will suffer a severe water shortage. The conditions experienced currently are that some part of Europe will experience water shortages as frequently as every five years. This shortage can last for several years. This is also illustrated to some extent in Table 4.3, which highlights occurrence of drought over the 30-year period from 1973 to 2003 (Lloyd-Hughes, 2008).

Table 4.3: Drought in Europe (1973 to 2003)

Year	Region	Impact
1973	Austria, Germany & the former Czechoslovakia	Very dry winter/spring resulting in low snow melt and subsequent water shortages.
1976	Northern Europe (Scandinavia to France)	Unprecedented 16-month duration in UK led to massive subsidence claims as building foundations failed. French milk yields were reduced by 25%. Over 20 000 pigs slaughtered as watering requirements could not be maintained.
1984	North and west UK	Very dry spring and summer led to the imposition of hosepipe bans.
1988-92	Most of Europe	Anomalous circulation pattern caused rainfall deficits over a large area interspersed with short wet periods. Insured losses due to subsidence estimated at £600m for UK alone.
1992	Germany, Hungary, Bulgaria and much of western Russia	German crop production reduced by 22%. Irrigation suspended in Bulgaria Worst Russian drought in 10 years.
1990-95	Spain, Portugal	Prolonged drought across the entire Iberian Peninsular. Water supplies in Seville were cut for up to 12 hours per day during 92 – 93. Hydroelectric power suspended 94 -95.
1995	Ireland, UK, Norway and Sweden	Agriculture losses in the UK were valued at £180 m. Reduction in Norwegian hydropower capacity led to 600% increase in mean weekly prices.
1999	Finland	Hot dry summer resulted in very low water levels in rivers and groundwater.
2003	Much of continental Europe	Many deaths for unusually prolonged high temperatures. Forest fires, subsidence, power cuts and agriculture

(Source: Lloyd-Hughes (2008) Benfield Hazard Research Center UCL,)

Table 4.3 shows that the regions or countries affected include many popular tourist centres in Europe. The shortage of water does not only affect the subsistence and life-style of the affected country, but also has an effect on that country's potential to attract and support tourism during the condition of drought and, probably, for some time thereafter. The negative impact resulting from major drought conditions comes as increased costs, in respect of accommodation and food, in the affected countries. Although similar situations are likely to occur in South Africa, the impact is usually not as significant for South Africa is known to be a country with a low annual rainfall. Effective advertising overseas can promote South Africa as an attractive tourist destination, even during dry periods. Drought in foreign countries can, therefore, be an opportunity which, if successfully exploited by the South African tourism industry,

will attract tourists to popular destinations in South Africa. Major droughts can, however, lead to cancellation of major events, such as the Midmar Swimming Mile and Dusi canoeing event. Dearing (2010) reports that the drought in Southeast Asia is having a detrimental effect on the tour boat operators who have had to cancel all tours due to the extremely low levels of the rivers normally used.

4.3.4 Fire

Fire; like storms and drought, can also negatively affect the tourism industry of those countries in which they occur, as fires are spectacularly destructive and can occur in coastal as well as inland regions. Although fires may not be seen to be as devastating as tsunamis, their impact can be significant to the tourism industry, for example in cases where fires rage through the national parks of the affected countries. Fires in this context are referred to as natural disasters although they are not always necessarily the results of natural phenomena such as lightning strikes, but are sometimes the result of arson. Examples of disastrous fires around the world include:

- In the USA, 11 western states reported major fires from the Rocky Mountains to the West Coast during spring and early autumn of 2002. These were mainly caused by continuous drought and were fanned by high winds. Fortunately, no deaths were reported, but damage was reported as being in excess of US\$10 billion (National Hurricane Center, 2005)
- In 2003, bush fires in north-eastern Victoria (Australia) destroyed 1.1 million hectares of parks and forests. This figure included the large number of lightning-caused fires that were contained in the first weeks of January of that year. The Eastern Victoria, Australia, fire which was declared contained on 7 March and safe on 30 April 2003, was the largest fire Victoria had experienced in over 60 years. It destroyed about 75 000 hectares of farmland, 41 houses, 200 other buildings, 3 000 km of fencing and 110 000 head of stock (Ministerial Taskforce, 2003).

Cassidy (1991) points out that the need for strategic planning to incorporate disaster risk management grows in direct proportion to the growth of the tourism industry. An extract from the Ministerial Taskforce's Final report (2003) claims that the bushfires affected more than 1 100 tourism businesses, where adventure tourism

businesses operating on public land were the most seriously affected (Ministerial Taskforce, 2003). At least 15 businesses remained closed. Ashworth (2009) points out Californian wildfires of 2009 had caused damages worth US\$100 million, and that figure still continued to increase. This cost, however, does not include the values attached to loss of life or property or natural resources. When these costs are added to the bottom line, the figure runs into billions. The article refers to tourism as one of the many casualties of the fires. Wildfires in the Californian region are not a new phenomenon as, to some degree, they occur every spring and summer due to the hot and dry state of ground cover and trees. Even so, the report highlights the fires as a chronic problem and has encouraged the Governor, Arnold Schwarzenegger, to double the annual fire emergency budget to US\$192 million. These fires not only drive residents from their homes, but also tourists from the forests.

From the few examples offered above, it can be deduced that natural disasters in tourist centres elsewhere in the world can have a positive impact on the tourism industry in South Africa where wildfires are pre-empted and controlled and, when they do occur, are quickly brought under control. However, a concerted effort must be made by all players in the tourism industry to effectively project the image of South Africa internationally as a safe, and therefore, preferred tourist destination.

4.4 CLIMATE CHANGE

Ehmer and Heymann (2008:1) postulate that climate change will bring with it more risks than opportunities. There will be regional and seasonal shifts in tourist flows, and this will bring with it both winners and losers. Even so, the tourism industry is forecast to continue to be a growth sector, despite the challenges of climate change. Ehmer and Heymann (2008:23) believe that Africa will be the continent most seriously affected by climate change. This is only partly true for the tourist sector. High temperatures are not unusual for holidaymakers in Africa, whereas increased water shortages could have a detrimental effect on the tourism industry. The report suggests that South Africa could fare somewhat better as it has more heterogeneous and fewer climate-dependant products to offer tourists.

A question on the lips of everyone from scientists to politicians to students is climate change – is it fact or fiction? Page (2007:444) notes that there is concern amongst scientists that the world's climate is changing. The world's major destinations could be affected by 2050 due to climate change with temperature increases of up to 0.5°C per decade. With Mediterranean and African climates becoming too hot for comfortable use in peak summer season, tourists may seek new coastal resorts. As a result of rising sea levels, many small vulnerable islands at sea level that currently have thriving tourism industries (the Maldives are a prime and well-publicised example of this) may be lost. Resorts dependent on winter sports will lose their appeal as the *sine qua non* of winter sports, snow, may fail to arrive. This will motivate destinations to think more strategically about risk assessment associated with climate change. Cooper *et al.* (2005:755) add to the list of challenges by noting that the increased danger of sunlight-caused skin cancer and cataracts may reduce the demand for attractions such as beach tourism.

The Meteorological Office (2007:02) lists a number of pertinent facts regarding climate change. Their report states that temperatures are rising across the planet, and the global average temperature has risen by 0.7°C over the past 100 years. Any increase in the greenhouse gas levels in the atmosphere means that more heat is trapped and so the global temperatures increase. Concentrations of CO₂ are created largely by the burning of fossil fuels. Because CO₂ is a greenhouse gas, the increased concentrations have contributed both to the recent, increased levels of warming and, indeed, probably most of the warming over the last 50 years.

An increase of more than 0.15°C has been experienced in temperature globally since the mid-1970s. It is reported that, in the last 50 years, warming has been unprecedented and the 17 warmest years on record have all occurred in the last 20 years. According to Dewey (2003:1-19), climate change will affect outdoor tourism and ecotourism operators, which in some areas may prove to be positive, whilst in others, negative. Dewey (2003) states seaside tourism and mountain resorts will also suffer from the effects of global warming and identifies the following factors that will place them under strain:

A. Seaside Resorts:

- Beach erosion
- Greater damage from storms and sea surges

- Higher sea levels
- Decrease in fresh water supply

B. Mountain Resorts:

- Decreased demand for winter sports
- Shorter seasons
- Increased demand for high altitude resorts

The Met Office (2007) report states: *“In the 20th century the situation becomes more complicated. There is some evidence that increases in solar heating may have led to some warming early in the 20th century, but direct satellite measurements show no appreciable change in solar heating over the last three decades. Three major volcanic eruptions in 1963, 1982 and 1991 led to short periods of cooling. Throughout the century, CO₂ (levels) increased steadily and has been shown to be responsible for most of the warming in the second half of the century”*. Yet burning fossil fuels also produces small particles known as aerosols that cool the climate by reflecting sunlight back into space. The temperatures are, however, expected to increase and are likely to result in increased weather events such as storms, heat waves and flooding, all of which will increase in both frequency and severity. The earth’s natural systems could be set in motion by large-scale changes caused by the rising levels of greenhouse gases in the atmosphere. Some of these changes could be irreversible, for instance, the melting of large ice sheets will result in major flooding of low-lying areas throughout the world.

Watts (2009) reports that national leaders and sleep-deprived negotiators worked late into the night to reach an agreement to limit global emissions that could determine the balance of power, and even the possible future of species. The list below gives the breakdown and the main key points agreed:

- Temperature: the global temperature should not rise by more than two degrees. Even so, this was above the 1.5°C demanded by the smaller islands who feared their homes will be flooded.
- Peak date for carbon emissions: The terminal date could not be fixed, which was disappointing, but it was understood that the developing countries had to put their fragile economies first

- Emissions cuts: Developed countries were to start immediately to reach mid-term reduction targets for 2020. The US was to target a 14 to 17% reduction on 2005 levels, while the EU should seek a still-to-be determined goal of around 20 to 30% on 1990 levels. Japan was expected to reduce its emissions by 25% and Russia by 15 to 25% on 1990 levels.
- Forests:- More than 15% of CO₂ emissions were attributed to forest clearing; this was raised as a concern by conservation groups.
- Money:- There was a collective commitment by developed countries to provide new and additional resources amounting to US\$30 billion. Developed countries set a collective goal of US\$100 billion dollars a year by 2020 to meet the needs of developing countries.
- An attempt was made to replace the Kyoto Agreement:- This was, however, not achieved but left open the question of whether to continue a twin-pack process that maintains the Kyoto Agreement, or to adopt a single agreement. Europe, Japan, Australia and Canada appear desperate to move to the one-track approach, the developing countries however, refused to kill the protocol (Watts, 2009).

If South Africa is to remain competitive in the tourism market despite the climate change being experienced worldwide, it will have to adopt stringent climate change policies to demonstrate that the country is doing everything possible to prevent the proliferation of climate change conditions. Given South Africa's dependence on solid-fuel fired thermal electricity, this seems problematical. However, Jones (2004) reports that South Africa has embarked on a national strategy to guide the country's response to climate change, such as moving towards natural and renewable energy sources and thereby reducing the country's carbon footprint. Moroka (2010), deputy director of climate change in the office of the Department of Environmental Affairs and Tourism (DEAT) reports that change will start within government departments, which will develop plans for integrating climate change issues into policies and practices.

Renewable or alternative energy refers to energy sources such as wind, solar, hydro-electric or nuclear energy, that each has lower carbon emissions when compared to conventional energy sources, such as burning fossil fuels that are carbon based (AEI, 2010).

4.5 SOCIO-DEMOGRAPHIC CHANGES

The world of tourism is ever-changing, and to substantiate this remark, Tretheway & Mak (2006:21-27) reminisce - from when a child starts exploring its surroundings until, as they grow older, they aspire to explore the world. They draw attention to younger people travelling for education or adventure while, as people grow older, they travel because they have the finance and time available after pursuing careers or raising a family.

The following factors highlight a paradigm shift in the world's tourism industry:

- Tourists are shifting from visiting developed countries of the world to the developing world. The modern means of air transport, the Boeing B747-400 seats 509 passengers, the Airbus A300-600R seats 393 passengers, and these aircraft are capable of landing at most international airports, even those of developing countries. This ease of travel is encouraging more tourists to visit such countries.
- Tourists from China and India, in particular, will benefit the tourism industry in other regions of the world. Tourists from these countries are now being encouraged to visit the western world, and it is now possible because of the changing socio-demographics in those countries.
- Low cost airlines have caused a major change in the way tourists travel to their destinations. The competition amongst the major airlines, leading to lower prices, is making it more possible for tourists to visit places they had never before envisaged. Using the internet as a source for obtaining the best available price to a favourite destination is an enabling process for today's travellers.
- Ageing populations in the developed world, for example, in France, the USA, England, Holland and Germany, have different needs to those of younger populations. Older tourists do not seek the same experiences as the younger tourists. The older and more mature tourist seeks to explore the museums, culture heritage sites, historical sites and stay in more comfortable (and probably more expensive) accommodation, whereas the younger and more robust tourist may settle for the backpacker's experience, the hiking trail through the roughest terrain and sleeping under the stars in the bush.

- Internet-based distribution channels in many parts of the developed world are now being used by hotels, airlines and car hire companies. This has caused a fundamental change in the way tourists buy their products. It is reported that many carriers have reduced or ceased payment to travel agents thus causing them to re-engineer their business models.
- Family life-cycles and structures are also changing. The reported demise of the nuclear family has led to more single-parent families that will, ultimately, also influence tourist arrivals.

Krippendorff (1987:174-176) predicted that the changing composition of the tourist population in the market will become more environmentally oriented and socially responsible. In the 21st Century, an ecologically-minded tourism industry will safeguard prospects for growth. This is endorsed by Tretheway & Mak (2006:21-27) when they suggest that tomorrow's tourist will focus, not only on the experience, but also on the environmental impacts of their experiences.

State and Nedelea (2008:1-5) argue that while demographic change occurs slowly, marketers can assist by identifying small tendencies of potential change that may become more significant over time. By paying attention to these small changes, organisations can prepare long-term strategies and so be prepared when the changes become more obvious and urgent. The article observes that even the quality of the food and the type of food consumed, as well as the manner in which the food is consumed, could have complications. There are dramatic demographic changes around the world. It is realised that the so-called 'baby boomers' market is ageing and, for this reason, companies including consumer packaged goods, hotels, financial services healthcare, automotive, and even real estate businesses, will have to focus on serving a very different type of consumer, one with different needs; the over-50-year-old consumer with different needs and expectations.

State and Nedelea (2008:1-5) point out that senior tourists are a more attractive market as they have financial stability and freedom, a better education, belong to a generation that has travelled and are (generally) healthy and believe that tourism contributes to a healthy lifestyle. They conclude by stating that, in general, people are living longer, and the decrease in the number of younger people having children or delaying having children will result in the type of travel and tourism products and

services having to change dramatically to accommodate these growing market segments. South Africa is regarded by the world as a developing country and, as the tourist markets shift from the developed to the developing countries, it can be expected that many more tourists will then visit South Africa. Since 1994, countries such as China and India are exporting larger goods, such as motor vehicles and heavy machinery into South Africa. It would seem likely that the local populations of China and of India would benefit from interaction between the two countries. This, in turn, will encourage tourism to South Africa. Lower costs of airline travel will also encourage visitors from developed countries to tour South Africa. The ageing populations of the developed countries, arriving in South Africa to take advantage of the lower cost of travel would want to experience the things they have only read about such as game drives in the magnificent game reserves, lazy days on the sun-drenched beaches of KwaZulu-Natal, the Table Mountain cable car excursion and many other relaxing offerings. Whereas the younger generation, who are now earning better salaries and are thus able to travel, will visit for the excitement of hunting, of wildlife safaris, challenging mountain trails and to play on the pristine, world class golf courses and other sporting facilities. Thanks to the Internet, hotel reservations and airline tickets can easily be obtained.

Exotic and adventure destinations are becoming popular among the younger generation who seek something more than just sightseeing and recreation. Adventure tourism can be defined as 'Recreational travel undertaken to remote or exotic destinations for the purpose of exploration or engaging in a variety of rugged activities' (Travel Industry Dictionary, 2010). It is also sometimes called 'Adrenaline Travel'. There are countries that offer adventure tourism and are keen to expand their tourism industries and so to derive the benefits of foreign tourists and their spending power. Lew (2008) wrote about the experiences that most tourists would wish to seek as '*once in a lifetime*' experiences, be they short-term events or events lasting for weeks, months or even years. Lew reminds the reader that the world is a magical place and there are numerous magical places to visit. '

Wild Junket (2010:1-17) has listed the seven up-and-coming adventure tourism destinations for 2010:

A. Iceland

The financial recession has left Iceland on the verge of bankruptcy. The country's currency has plummeted and so have prices. This now places Iceland as a destination within the reach of many tourists. The attractions vary from Reykjavik's blue lagoon with its bubbling spring water, to whale watching in Husavik. The country's airline, Iceland Air, flies from 25 airports in Europe, USA and Canada.

B. Israel

Israel is slowly stealing into the limelight as a country steeped in culture and history. Among the attractions are the beaches of Tel Aviv, Jerusalem itself, the most holy city in the world or a 4x4 tour through the desert of Mitzpe Ramon.

C. South Africa

South Africa is famed for its wildlife, its vibrant cosmopolitan cities, its coastline and hospitality. The most popular attractions include Kruger Nation Park, Table Mountain, the Drakensberg mountain range with its many resorts and the beautiful white beaches of KwaZulu-Natal. The importance of having a number of World Heritage Sites cannot, from a tourism viewpoint, be underestimated.

D. Bhutan

Bhutan is reputed to be the 'Happiest Country in the World'. Although rated as one of the most expensive countries to visit, it remains high on the list of desirable destinations. Main attractions include a religious palace, 'Land of the Thunder Dragon', where people seek inner peace and tranquillity, the Buddhist sites in the cultural heartland of Bumthang Dzongkhag and a hike to the world-famous Tiger's Nest monastery.

E. Slovenia

Slovenia is coming into its own after having gained independence in 1991. Just half the size of Switzerland, it is one of the smallest countries in Europe. Nicknamed the 'Sunny Side of the Alps', its main attraction is Lake Bohini, a calm Alpine lake beneath Mount Triglav. It is reported that many travellers prefer Slovenia to its neighbours - Croatia, Hungary and Austria - because of the mixture of Mediterranean climate and mountain breezes.

F. Morocco

Morocco reputedly bridges Africa and the world. It is possible to explore the isolated Sahara Desert and the high Atlas mountains. Morocco has been one of the most visited of the north African countries thanks largely to its proximity to Europe.

G. Burma/Myanmar

Travel warnings regarding this country were lifted only a few years ago. Before the lifting of the travel warnings, Myanmar was boycotted and ostracised by the world for many years. Myanmar is a time-warped country that is ideal for the adventure type traveller, one that seeks adventure in a lost world. Admire the 4 000 sacred stupas (used in religious worship) scattered across the plains at Bagan, drift down the Ayeyarwady in an old river steamer, or laze on the beaches of Ngapali. Myanmar is a raw country just waiting to be discovered.

The tourist of today is better educated and understands the happenings of the wide world. There is a new feeling of excitement, a need to explore the unknown or the far-flung destination. Today's easy access to the various modes of transport make it possible to travel the globe and visit the places previously only dreamed of. With increased leisure time and an increase in disposable income, more people than ever before are venturing beyond the boundaries of their countries.

4.6 SOCIO-ECONOMIC RISKS

Two major contributors to socio-economic instability dealt with in this research are crime and health-related issues. Crime has a large impact on socio-economic behaviour. Tarlow & Muehsam (1996) are of the opinion that crimes against tourists have been highlighted in the international press and have received so much attention that the travel industry has had to allocate vast amounts of scarce and valuable resources to reassure tourists that travelling in their countries is safe.

This section will address crime and health risks. These include HIV/Aids, avian influenza, ebola, Severe Acute Respiratory Syndrome (SARS), food and water borne diseases, malaria, foot and mouth disease, and sunburn.

Moutinho (2000:11) is a firm believer that health, security and legal liability are major concerns for the tourism industry.

George (2008:259) discusses the legal environment of tourism activities becoming more complicated once international borders are crossed. The tourist has no legal right to enter a country of which they are not nationals. This means that each country has the right to decide which tourist it will allow to enter its territory. In the case of tourists entering South Africa, arrangements are most likely to have been made with South African tourism business before they enter the country. It is therefore most probable that South African tourism businesses will want South African law to apply.

4.6.1 Crime

According to Cooper *et al.* (2005:177), it is difficult to establish a definite link between tourism and crime. Reference has been made to other authors who suggest that crime increases relative to the increase in population density, but whether crime can be associated with tourist activity is extremely difficult to establish. Press coverage has focused on Florida in the USA experiencing growing criminal activities concerning drug trafficking, robbery and violent crimes due to the increase of the tourist population. Cooper *et al.* (2005:177) are quick to point out that other destinations have received equal international press coverage due to the increasing criminal activities against tourists. They go on to say that tourists are easily identifiable because of their language, perhaps their skin colour, and because they carry large amounts of cash on their persons. Mansfeld and Pizam (2006:108) include other identifiable characteristics such as obviously different dress, carrying items of portable wealth, being relaxed and off guard, perhaps being less likely to press charges, being unfamiliar with surroundings, being willing to engage in risky activities and having no social support at their destination.

Bennett (2005:373) reflects on the fact that the use of credit cards in some African countries is often not usual, requiring tourists to carry large amounts of cash. This, in turn, causes illegal currency exchange and fraud schemes where the tourist is tricked and may well end up poorer in pocket, if richer in experience.

Tarlow and Muehsam (1996) state that crime against tourists is nothing new, in fact, it was known in Old Testament times (see Genesis 19). The term '*tourist trap*' was coined when it became apparent that prices of many items that would potentially be purchased by tourists were increased, as the perception existed that tourists knew no better than to pay the inflated prices. Schiebler, Crofts and Hollinger (1996) make mention of the fact that foreign embassies routinely furnish residents intending to travel abroad with safety advisories and warnings. Most developing countries are considered inherently more dangerous than developed nations. This perception is, however, changing, and some developed countries are now being included in these warning lists. The choice of public transport over rental cars is encouraged in areas where tourists are exposed to high crime neighbourhoods.

Crime in the Caribbean is threatening tourism, according to CNN (2002). In the words of the Bahamas Prime Minister, Perry Christie, "*Why would a visitor want to leave a clean, safe, all-inclusive resort to be exposed to filth and rip-offs?*" Tourism accounts for 50% of the economy in the Caribbean, and as much as 90% on the smaller islands. According to the CNN report, a business study from Karma Center for Knowledge and Research in Marketing at Canada's McGill University found the crime rate to be the main cause for tourists not considering Caribbean destinations. This study was conducted during 1998 when the Caribbean travel industry was robust with strong bookings and high occupancy rates and frequent flights (CNN, 2002).

The high rate of crime had a negative effect on tourism in the Caribbean that resulted in tourists changing destinations away from the Caribbean to destinations perceived as being safer. A perfect example of a case of environment degradation (a crime against tourism and against nature) in Indonesia was discussed in Chapter 3. Another example of environmental neglect is reflected in Indonesia where Agung (2010) writes that over the previous 12 years, tourist numbers have fluctuated between 4 – 5 million tourists, and the average length of stay has dropped from a starting point of 10 days to barely 8.5 days in 2008. The neighbouring countries received large numbers of tourists - Singapore, 10 million, Thailand, 15 million and Malaysia 22 million visitors. Agung finds it strange that Indonesia is brimming with a wealth of culture and yet, he believes, Malaysia is basically barren.

This should be a warning to South Africa to ensure that crime is urgently addressed or it may suffer the same substantial loss of tourists. Countries with a low crime rate will therefore be able to exploit this situation. Unfortunately, however, crime levels at other international tourist destinations will not benefit the South African tourism industry as South Africa itself is seen as having a high crime rate (SAPS, 2004).

4.6.2 Health Risks Associated with Tourism

George (2008:348) makes an interesting observation by including 'medical tourism' as a reason for visitors heading to South Africa in large numbers. The desire for anonymity is stated as being another reason for the rich and famous travelling to South Africa for what is referred to as a '*nip and tuck*'. George (2008) cites George (2004:238-249) who gave the existing numbers of registered medical tourism companies at 8, and the market size as a R100 million industry. It can therefore be concluded that the standards of medical treatment offered in South Africa are of a superior quality that, in turn, makes it a safe country to visit. The study highlights the positive side of the South African medical state from which the country will benefit; unfortunately, there is a negative side to the picture. As discussed in Sections 3.3.1, A, C, D, and E of Chapter 3, the HIV/AIDS epidemic and risk of cholera, diarrhoea and malaria create a greater awareness of the risk and so may make South Africa a less attractive destination. These are, however, treatable diseases and can be controlled with the correct use of medication.

Depending on the travel destination, travellers may be exposed to a number of contagious diseases. Exposure will depend on the specific infectious agents present in the area visited. The risk of infection varies according to the purpose of the trip, the itinerary within the area, the standards of accommodation, hygiene and sanitation, as well as the behaviour of the traveller. Vaccination can prevent infection by some of the diseases, but there are infectious diseases for which no vaccines exist. General precautions greatly reduce the risk of exposure to infectious agents and should always be taken when visiting any destination where there is significant risk of exposure to those agents. These precautions should be taken regardless of whether any prophylactic vaccinations or medications have been administered (WHO, 2006a).

According to WHO (2006a, 2006b), there are a number of infectious diseases such as HIV/AIDS, avian influenza (bird flu), ebola, SARS, food and water-borne diseases and malaria, all of which pose a potential risk to travellers.

A. HIV/AIDS

HIV/AIDS is a worldwide pandemic. South Africans, and visitors to South Africa, should understand that HIV/AIDS does not remain at home when the infected person travels abroad. According to UNAIDS (2009:10-12), statistics reveal the following numbers of people living with HIV/AIDS in countries other than South Africa to be:

▪ Middle East and North Africa	310 000
▪ South and South East Asia	3.8 million
▪ East Asia	850 000
▪ Oceania	59 000
▪ Latin America	2.0 million
▪ Caribbean	240 000
▪ Eastern Europe and Eastern Asia	1.5 million
▪ Western and Central Europe	850 000
▪ North America	1.4 million

This summarised data highlights areas where action that is more intensive is needed to achieve the desired effect of HIV/AIDS response (UNAIDS, 2009). South Africa is already aware of this need.

Moutinho (2000:10) makes special note of the fact that HIV/AIDS is having a negative impact on world tourism. HIV/AIDS at international tourist destinations holds no advantage for the South African tourism industry as South Africa itself has one of the highest HIV infection rates, and numbers of people living with AIDS, in the world (UNAIDS, 2007:008).

B. Avian Influenza (Bird Flu)

This is a disease not associated with South Africa and it can, therefore, have a positive effect by attracting tourists to visit this 'bird-flu-free' country. Avian influenza is an infection caused by avian (bird) influenza (flu) viruses. The viruses are carried in the intestines of wild birds worldwide. However, the birds themselves are not

infected. The Center for Disease Control and Prevention (2006) reports that avian influenza is extremely contagious and can affect some domesticated birds, including chickens, ducks and turkeys, causing severe illness or death. According to WHO (2008), avian influenza viruses do not normally infect humans. There have, however, been instances reported where humans have been in contact with poultry or objects contaminated by their faeces. Nevertheless, there is a concern that the virus could mutate to become more easily transmissible between humans, raising the possibility of an influenza pandemic and also, therefore, the introduction of the disease into South Africa. This may also occur due to the migratory nature of many wild bird species. Although the occurrence of avian influenza in other countries can have a positive effect on the South African tourism industry, it can also have a negative impact if cases are diagnosed in South Africa.

In 2004, a new and highly pathogenic strain of avian influenza spread across Asia affecting both humans and poultry. By the end of 2006, the virus had infected 263 people in ten countries from Asia to Turkey, and 158 people had died because of the virus. The effect on South African tourism was beneficial as tourists that once planned to visit the countries where the virus was present now sought the option to visit a virus free destination.

The World Health Organization drew up a 12-point plan taking the lead in five key areas (WHO, 2006a:3-5):

1. Reduce human exposure to the H5N1 virus.
2. Strengthen early warning systems.
3. Put in place measures that might contain the pandemic at source.
4. Increase the capacities of countries to prepare and cope with a global pandemic.
5. Encourage research and development of pandemic vaccines and antiviral medications for improving global productivity capacity.

C. Ebola

The Center for Disease Control and Prevention (CDC) (2002) defines Ebola as a severe, often-fatal, disease in humans as well as in non-human primates (monkeys, gorillas and chimpanzees). The disease was first recognised in the Republic of the Congo (formerly Zaire) in Africa in 1976 and was named after the Ebola River.

Travel Health (2006) concurs with the CDC that Ebola is an extremely contagious disease that is easily spread through contact with body fluids such as mucus, saliva or blood.

Ebola is not a disease associated with South Africa and will therefore not deter tourists from visiting the country. Instead, it may be used to attract tourists who would want to visit countries where there is no threat of ebola. As most of the countries where ebola occurs are mainly African countries, South Africa has the advantage of presenting the potential tourist with a similar, but less-threatening option. However, as South Africa is associated in the minds of many potential tourists with other African countries, it becomes necessary for the South African tourism industry to educate potential tourists that South Africa is not part of the Central African region where ebola occurs. It should be made known that South Africa, in particular, takes all possible precautions to prevent the introduction of the disease into the country. It is also important to understand the effects of the disease, for health workers have, in the past, been infected with the disease while treating patients with the disease, and have been in close contact with the patients without the required control precautions or adequate prophylactic nursing procedures (WHO, 2006b).

D. Severe Acute Respiratory Syndrome (SARS)

SARS is a viral respiratory illness caused by a corona virus, called SARS-associated corona virus (SARS-CoV). It is reported that SARS was first isolated in Asia during February 2003 and, over the next few months, spread to more than a dozen countries in North and South America, Europe and Asia before the global outbreak of 2003 was contained (Center for Disease Control and Prevention, 2004).

The virus generally spreads from person to person, and is thought to be most readily transmitted by respiratory droplets produced when an infected person coughs or sneezes. These droplets from the infected person generally travel short distances of up to 90 cm through the air and are thereafter deposited on the mucous membranes of the mouth, nose or eyes of persons within this range.

During the epidemic in East Asian countries such as Malaysia, Indonesia and Thailand, many tourists were initially cautious and refrained from visiting those

countries. Many organisations such as large conglomerate and corporate companies where staff were obliged to travel took precautionary measures against infection such as immunisation, or simply refrained from visiting those countries until the disease was under control. Other organisations asked their staff not to visit those countries as they could become infected and thereby infect other staff when the travellers returned to work. This made South Africa and other countries that were completely free from the disease possible tourist destinations.

E. Food-borne and Water-borne Diseases

Food- and water-borne diseases, such cholera, are transmitted by consumption of contaminated food and drink. Food and drink prepared under less-than-stringent hygienic conditions and consumed during travelling can have serious medical complications for travellers.

Vellas and Becherel (1995) correctly mention that foreign tourists are more susceptible to disease when visiting areas with different climates and epidemiological characteristics than are the local population. It is reported that tourists do not have the same immunities as local residents as their lifestyles are, in many ways, very different. The local populations have, in many instances, built up a resistance to local infections. For instance, when considering diet, many tourists enjoy meat being prepared 'rare' whereas the local population prefer their meat 'well done', which they believe is safer as all parasites have then been destroyed by the heat of cooking. This is not the case, however, where the meat has not been thoroughly cooked.

Another risk could be the quality of water, be it for the purpose of drinking or bathing (Vellas & Becherel, 1995). Many areas may not be equipped with the necessary facilities required to treat water correctly. This could become a potential health risk where there is a high concentration of people (tourists). During a trip, the drinking of contaminated or otherwise non-potable water from drinking fountains in stations, on trains or by the roadside should be avoided. Tourists should take particular care when travelling in hot countries where food tends to spoil quickly, and so becomes a breeding ground for bacteria that can result in serious consequences (botulism, as just one example). Tourists may possibly be advised to avoid countries prone to water-borne diseases. Keyser (2009:359) states that the rapid expansion of tourism

development has had a detrimental impact when it comes to the provision and maintenance of suitable water treatment infrastructure due to the lack of funding within local authorities charged with this responsibility.

Vellas and Becherel (1995) refer to a report by the World Trade Organization (WTO) entitled *Food safety in the tourism sector*. The report mentions the outbreaks of certain food-borne diseases that appear to have resulted in an unusually high number of cases of illness or death. The WTO cited the following cases, which may have a negative impact on tourism to the countries or agencies directly concerned, but may have a beneficial effect on other countries or organisations.

Firstly, in 1984, nearly 100 passengers, aircrew and ground personnel aboard British Airways were affected by a major food poisoning outbreak.

Secondly, in 1987, a number of significant cases were reported:

- Hours before departing for Montreal, 57 Canadian tourists were affected with food poisoning from eating contaminated fish casserole in a Caribbean tourist resort.
- Contaminated ice caused some 5 000 people from Pennsylvania and Delaware to become ill from a viral disease found in the ice. The Fourth US Food Protection Conference reported that some pathogenic organisms are able to survive and even grow under storage conditions of packaged ice.
- Contaminated orange juice was the cause of some 3 051 individuals travelling around Australia developing gastro-enteritis. A single company packed the orange juice.

The World Health Organisation, International Civil Aviation Organization and International Air Transport Association have introduced rigorous health measures for air transport. Following cases of simultaneous food poisoning among passengers and crew, the organisations have now stipulated that pilots and co-pilots should be served different meals from the passengers on the flight (Munce, 1989).

Food- and water-borne diseases occurring in other countries do not necessarily hold any advantage for the South African tourism industry, as there is some evidence that South Africa has a high incidence of cholera when compared to other tourist

destinations in First World (or developed) countries. In addition, the incidents of food poisoning in 1984 and 1987 could be seen as isolated cases, and, with the precautions subsequently taken, will not have a negative influence on tourism to South Africa.

F. Malaria

In Chapter 3, malaria was reflected as having epidemic status in over 100 countries visited by more than 125 million tourists annually. WHO (2006a) reports that malaria is one of the most common and life-threatening diseases found in many tropical and sub-tropical areas around the world. It points out that international tourists returning from infected areas fall ill with malaria every year. Approximately 10000 cases are reported annually. Infection can, however, be prevented by the use of anti-malaria tablets (prophylaxis) of which there are a number of different types available in South Africa. Choosing one depends on the traveller's own medical history and on the particular area being visited (Eco Travel, 2010):

- Mefloquine (mefliam) is taken in adult dosage of one tablet per week. This should be taken at least one week before entering the malaria area and continued for four weeks after leaving the area.
- Doxycycline is taken in an adult dosage of 100 mg per day, starting a day or two before entering a malaria area. Like Mefloquine (mefliam), it should be taken for four weeks after return.

Furthermore, the report suggests that travellers protect themselves against mosquito bites by the use of an appropriate insect repellent containing di-ethyl toluamide (also known as deet), and by wearing clothing to conceal as much of the body as practical. Sleeping under mosquito nets that are tucked in under the mattress and are free from holes, and by the spraying of sleeping quarters at night with a suitable pyrethroid-containing insecticide, or the burning of an insecticide-laden coil are also recommended malaria-prevention techniques (Eco Travel, 2010). Most destinations within the affected areas in South Africa take the necessary actions to prevent tourists contracting the disease by discussing the possibility in their travel brochures and by advising tourists of the available preventive medicines. Further to this, mosquito nets are provided over the beds, as well as mosquito screens on all doors and windows to prevent mosquitoes entering bedrooms, rondavels, huts and tents.

A. Summary – Socio-demographic Risks

From the discussion in this section, it can be concluded that socio-economic risks occurring at tourist destinations outside South Africa's border hold both potential advantages and disadvantages for the South African tourism industry. Intending tourists can only be attracted to visit South Africa if the crime and health risks that discourage them from visiting are adequately addressed by the national and local authorities.

Cognisance should be taken of measures adopted in other countries. The CPOP (2010) evaluates the following tourist-related crime prevention interventions:

- Working with the tourism industry to identify and address crime related concerns
- Training police and private security staff to recognise and address tourist-related safety concerns
- Encouraging tourist hotels, guesthouses, bed and breakfast establishments and lodges to adopt practices that will minimise or eliminate guests becoming victims
- Increasing uniformed police patrols in tourist areas
- Conducting surveillance at high-risk locations

In today's world, numerous insurance policies cover medical related issues from hospitalisation to major surgery. It is the responsibility of the travel agents and tour operators to advise tourists on the type of insurance most suited to the country they are visiting.

South Africa may, at present, be rated high-risk in the crime stakes, but the government is implementing a roll out plan that will ensure safety at the 2010 FIFA Soccer World Cup, and afterwards. According to Radebe (2009), Government will roll out a plan that will ensure that South Africa hosts the first FIFA World Cup on African soil with both efficiency and flair.

- 41 000 police officers will be deployed for the event at a cost of R640 million. This additional force will be made up of 31 000 permanent officers and 10 000 police reservists.

- To expeditiously deal with criminal matters, 54 dedicated courts will be spread across the country.
- An advanced, passenger processing department, in partnership with airlines, and the deployment of Immigration Liaison Officers at the key international airports, will insure ease of entry into, and exit from, the country.

4.7 POLITICAL RISKS

Hill (2002:67) defines political risk as the *“likelihood that political forces will cause drastic changes in a country’s business environment that adversely affect the profit and other goals of a particular business enterprise”*. Countries containing more than one ethnic nationality have a greater opportunity for political risk where competing ideologies are battling for political control. Unfortunately, many national leaders and planners either do not understand, or will not accept, the fact that political serenity, not scenic or cultural attractions, constitutes the first and central requirement of tourism (Richter & Waugh, 1986).

Hall and O’Sullivan (1996) pointedly state that *“tourism may decline precipitously when political conditions appear unsettled. Tourists simply choose alternative destinations”*. They go on to say that government policy is important to tourist flow as well as influencing tourist visitation to a country, but they then point out that the media, through books, magazines and newspapers, has a tremendous influence on images of destination areas. In today’s telecommunications world, thanks to satellites and cable links, actual happenings and events in faraway places, such as the events in Beijing’s Tiananmen Square, in New York on 9/11, during Operation Desert Storm and the like, can be recorded and beamed out for the viewer to watch while the event is actually happening. Potential travellers can be discouraged from travelling while watching media footage or strikes, civil disobedience, well-publicised murders and any other event that the potential traveller might find threatening.

Hall (1994) explains that governments have a wide range of legislative and regulative powers, which impinge directly or indirectly on the tourism industry. Policies regarding visas and passports are enforced by government and, in many cases, act as travel deterrents to the potential visitor.

This section will cover political risks under the headings: Political instability, terrorism and wars. It should be noted that political risks will inevitably cause the cancellation of sporting and other events such as conferences, talks, debates, exhibitions and discussions, and such cancellations could be extremely detrimental to the country's tourism opportunities.

Political instability, terrorism and wars cause severe damage to the image and reputation of a country and negatively affect the tourism industry in that country.

4.7.1 Political Instability

Political instability is a definite deterrent to tourism, since personal safety is often in danger in countries plagued by events such as the following:

- According to Kronstadt (2008), Pakistan has been buffeted by many serious political crises such as the assassination of former Prime Minister, and leading opposition figure, Benazir Bhutto in December 2007, after returning from self-imposed exile. That country's constitution was suspended by President Pervez Musharraf eight years earlier after assuming emergency powers as both president and army chief. These events will deter tourists to Pakistan.
- Another region of continued political instability is the Middle East where, according to Howell (2005:1), the situation is complex and the risks are extremely complex and high-stake. Since the state of Israel was established in 1948, the region has been in continuous turmoil. Howell goes on to say that Iraq, at present, heads the regional list of civil strife with the ongoing conflict involving the USA and other foreign troops. Israel, Lebanon and Yemen also compound the strife in the region.
- Zimbabwe, a landlocked country bordered by South Africa, Mozambique, Botswana and Zambia, constitutes a significant risk to the extent that personal and business security cannot be guaranteed. For many years, Zimbabwe was referred to as the 'jewel' of Africa. The farms were productive and the country produced food for its peoples and for export (Richardson 2005). Zimbabwe employed thousands of workers in its textile, cement, chemical, wood and steel industries. The country began its road to destruction in 2000 when President Mugabe began seizing farms and

ignoring court orders rendering such seizures illegal. The Reserve Bank of Zimbabwe handed a confidential letter to Mugabe warning that farm seizures would result in the withdrawal of foreign investment, the farm owners would default on loans and the country would experience a massive decline in agricultural production. During the four years between 2000 – 2004, the economy imploded with alarming speed. Richardson reports that financial investors fled the country, foreign direct investment stood at zero by 2001, and the World Bank risk premium on investment in Zimbabwe rose from 4% to 20%. Interestingly, the dispossessed commercial farmers left for other African countries such as Nigeria, Mozambique, Zambia and Ghana who welcomed their inputs. The farm seizures and consequent failure of their agricultural sector, exacerbated by drought conditions, resulted in widespread food shortages and famine. Zimbabwe and South Africa share a common border. The political instability of Zimbabwe can have a detrimental effect on the South African tourism industry due to a possible spillover of crime and infectious disease caused by the large number of border crossings, many illegal, of Zimbabweans fleeing the situation in their own country and seeking prosperity and safety in South Africa.

Bloom (1996) concludes, *“The susceptibility of tourism to instability and negative change is something no stakeholder in the tourism industry can afford to ignore. High levels of crime, violence, political instability and general lawlessness could cause irreparable damage to the image of a given area as a tourist destination.”*

In the case of Asia, for instance, political instability due to violence in the Asian and Pacific regions has occasioned considerable damage to tourism. The report mentions the siege by tens of thousands of anti-government protesters at the Bangkok airport late in 2008, and again violence erupted in Bangkok a few months later. This resulted in a drop in tourists by 20% in the first six months of 2009. Manoham, chairperson of Pacific Asia Travel Association is reported to have said that many tourists still worry that political violence could spoil their visits (VOANews, 2009). South Africa, since the introduction of democracy in 1994, is regarded as a politically stable country and, for this reason, will attract visitors.

Due to that political stability in South Africa, the uncertain political situations existing in the countries mentioned, and in many others, can have a beneficial effect on the South African tourism industry. However, this benefit may be counteracted by the high crime rate in South Africa. Fortunately, the Government and tourism industry has realised this to be a problem. The Government sees crime reduction as a top priority and anticipates spending some R85 billion to ensure that crime is addressed (Hamlyn, 2010).

4.7.2 Terrorism

The economic impact of a terrorist attack on a tourist destination has been discussed in a number of studies (Enders, *et al*, 1992; Sonmez, 1994, cited by Taylor & Chesworth, 2005:300) and is the focus of many travel articles following the incidents. Acts of terrorism are rarely directed at the tourist. However, the image of the affected destination is negatively affected in the minds of potential travellers. Results from numerous studies indicate that the adverse impact of a terrorist attack can last up to nine months (Taylor & Chesworth, 2005:300). Terrorism will have to be taken more seriously according to Weaver and Lawton (2002:104). As more and more international destinations become vulnerable to the threat of terrorism, South Africa has the potential to become a tourist destination of choice, provided that political stability prevails and a majority of other influencing factors are perceived as favourable.

The most well known event of international terrorism occurred on 11 September 2001 in the United States of America when the country suffered the greatest shock in its history. This event became universally infamous as '9/11'. The American nation was unprepared when an airliner carrying passengers was deliberately crashed into the North Tower of the World Trade Center in Lower Manhattan. This was followed shortly afterwards by a second airliner ploughing into the South Tower. Within minutes, a third airliner slammed into the western face of the Pentagon in Washington, D.C. A fourth airliner crashed shortly afterwards into a field in Southern Pennsylvania. More than 2 600 people died at the World Trade Center; 125 died at the Pentagon, 256 died on the four airplanes (United States, 2004).

Other terrorist activities in the USA include (United States, 2004):

- In February 1993, a truck bomb was used to try to bring down the World Trade Center.
- In 1995, a plot was uncovered to blow up dozens of airliners while they were flying over the Pacific.
- In June 1996, a truck bomb demolished the Khobar Towers apartment buildings in Dhahran, Saudi Arabia, killing 19 US service members and wounding hundreds.
- In April 2010, according to Lucas (2010), three suicide bombers struck near foreign embassies in the American-occupied city of Baghdad. Two of the bombs exploded near the German and Egyptian embassies, the third was near the Iranian diplomatic post in central Baghdad. The casualties were reported to be 30 dead and 168 wounded.
- A coordinated attack on two US embassies in Kenya and Tanzania during August 1998 left 213 people dead and over 5 000 injured in Kenya and 11 dead and 86 injured in Tanzania (Fast.facts, 1998).

However, acts of terrorism are not isolated to the USA or to USA-related targets. These acts occur worldwide, and in the majority of cases, the motivating factor is religion. These events have been reported as far as 66-70 AD (Hollenback, 2004). It is generally believed that a variety of small terrorist groups is being funded by al-Qaeda and its affiliates to enhance the existence of terrorist capabilities in the Middle East. One of these groups is the Lebanese Asbat al-Ansar (Naval Postgraduate School, 2007).

- Novosti (2010) reports that an attack on the Moscow subway by two terrorists killed 38 people and injured 60. The first attack (blast) took place at the Lubyanka station under the headquarters of the Federal Security Service during rush hour when people were hurrying to get to work. The second was four stations down the line at Park Kultury station (Novosti, 2010).
- According to BBC News (2005), three explosions on the underground left 35 people dead. Two people were killed in a blast on a double-decker bus. It was also reported that many commuters were obliged to walk long distances home because of the travel chaos, while other booked into hotels due to all underground services being cancelled.
- According to Chow (2010), the Aum Shinrikyo cult, in five coordinated attacks, released a toxic nerve agent on subway carriages on various lines of

the Tokyo metro. The attack killed 50 people and injured 50 others also causing temporary vision problems for thousands more commuters.

- Srivastava (2010) refers to 75 police officers being killed in the central state of Chhattisgarh by Maoist rebels. This Srivastava claims is making a mockery of New Delhi's claims that strong-arm tactics against the Maoist rebels are paying dividends across the North and East of India. The Prime Minister Singh called the incident 'horrific' and the Home Secretary stated that the rebels would be hunted.
- Adding fuel to the feud between Pakistan and India, both sides are holding parallel war games. The armies of India and Pakistan will hold simultaneous military exercises near their common borders. It is reported that Pakistan will mobilise 20 000 troops raising this number to 40 000 and ending with 50 000. The newspapers refer to this as the biggest military manoeuvre in two decades. The Indian army will practise launching self-contained battle groups which will include Russian T90 tanks, as well as the upgraded T72 M1 tanks. The report states that India and Pakistan, both nuclear-armed countries, have fought three wars and came close to a fourth war during 2002. A peace process started in 2003 was stalled when India accused a Pakistan-based militant group as being responsible for the November 2008 attacks on Mumbai (Pradhan, 2010).

With the wars and terrorist attacks around the globe, the tourist must decide very carefully on the choice of destination.

Terrorism has a double-sided effect on the South African tourism industry. The positive side is that South Africa has never been associated with international terrorism. This may make it a tourism destination of choice. The negative impact is that people may be too afraid to travel and so may opt to stay at home, as the most efficient means of transport to South Africa is by air. Aircraft, of course, appear to be a favoured target of terrorists.

4.7.3 Aircraft Hijacking

Aircraft hijacking has led to stricter control of visa applications. This is having a negative impact on travel in general. In recent decades, as air travel has grown, the

incidence of aircraft hijacking, which can often be classified as an act of terrorism, has increased and, indeed, is often associated with acts of terrorism. The *modus operandi* of hijackers is to take over the aircraft and hold the passengers as bargaining chips to advance their interests (Unger, 2005).

One of the best-known cases of hijacking/terrorism is possibly the downing of PanAm flight 103 over Lockerbie, Scotland in 1988. According to Prestwick Air Traffic Control (1988), the Boeing 747 left London Heathrow bound for New York's JFK Airport. The aircraft disappeared from the radar screen a mere hour later.

Other examples of airline hijacking besides the Lockerbie incident and those associated with 9/11 include (BBC News, 2001):

- The first serious Indonesian air hijacking in March 1981. The hijackers demanded the release of Commando Jihad members imprisoned in Indonesia, US\$1.5 million, as well as a plane to take those prisoners to an unspecified destination (Rustan, 1981).
- In the same year (1981), an Aer Lingus flight from Dublin to London was hijacked and diverted to Le Touquet in France (Askaboutmoney.com, n.d.)
- A Pakistan International Airlines jet was hijacked and taken to Kabul, Afghanistan. The plane then flew on to Damascus. The hostages were finally released after 13 days when the Pakistani government agreed to free 50 political prisoners.

Figure 4.1 illustrates the annual frequency of air carrier hijacking incidents for US and foreign registered carriers.

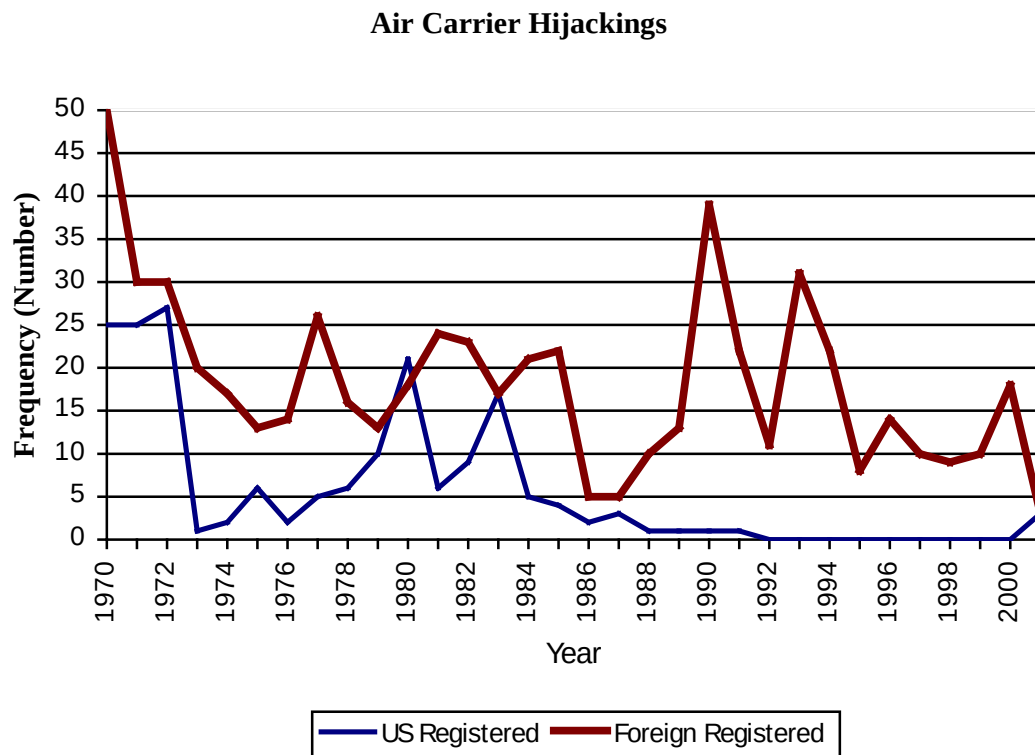


Figure 4.1: Worldwide Air Hijackings (Source: United States, 2002)

From Figure 4.1 it can be seen that there were no hijackings involving US registered carriers from 1992 to 2000, but the rate picked up in 2001, influenced mainly by the events of 9/11.

These incidents of aircraft hijacking create uncertainty, and possible fear, to the extent that people may be reluctant to travel by air to tourist destinations. This has a negative impact on the South African tourism industry, as air travel remains the most efficient means to reach South Africa from most non-neighbouring, countries. South African Airways (SAA) has a hijacking-free record, outside its borders, and therefore these events can be to the advantage of both the tourism industry as well as SAA.

4.7.4 Wars

Mihalic (1996:232) cites (Kaspar, 1991) when explaining that the tourism product is connected to the destination, and that many of its basic components are the actual attractions of the destination, such as natural and socio-cultural factors. Mihalic further refers to Burkhart and Medik (1974:193) and offers, "*attractions...may be*

defined as those elements in the tourist product which determine the choice of the tourist preferring one destination rather than another". Mihalic (1996:232) mentions that, in the case of war, it is the war itself, with all its dimensions, that is a crucial part of the tourist product. When a state of war exists, there is normally a drop in tourist numbers and, in many cases, the demand drops to zero. It is further stated by Teye (1988, as cited in Mihalic, 1996), that war affects both the demand and supply side of tourism. The demand comes from the tourist who wants to travel to the destination, but cannot do so because of:

- Borders being closed for land, air and sea transport
- Foreign authorities recommending their citizens not to travel to war-stricken states
- Maltreatment of tourists travelling to a state involved in war
- Adverse publicity in international media
- Blacklisting by tour operators and travel agents

These effects can have a positive influence on the tourism industry of South Africa as the country is not currently a war zone and is unlikely to become one in the near future. This makes South Africa an attractive and safe tourist destination. There are currently fifteen African countries involved in war, or who are experiencing post-war conflict and tension. In West Africa, the countries include Cote d'Ivoire, Guinea, Liberia, Nigeria, Sierra Leone and Togo. In East Africa, the countries include Eritrea, Ethiopia, Somalia, Sudan and Uganda. In Central Africa, the countries include Burundi, the Democratic Republic of the Congo and Rwanda. In North Africa, the country is Algeria and in Southern Africa, the countries include Angola and Zimbabwe (Africa Sun News, 2010).

All this reporting of conflict and war results in a negative perception toward the continent. It should be noted that although the report clearly states South Africa as not involved, it does point out the conflict areas as Angola and Zimbabwe.

On the supply side, there will be negative effects on the tourism industry of the country, which include:

- Development plans being reduced or cancelled
- Loss of investment capital from abroad
- Tourist infrastructure being occupied (airports and hotels)

- Destruction of game parks due to excessive poaching
- Consequences on night life (due to curfew)
- Military blackmail (toward passengers in airports and elsewhere)

Mihalic (1996) also refers to Vukonic (1993), who says that the demand for certain destinations is destroyed by war refugees and, in some cases, tourist facilities are used to accommodate refugees as being the only suitable facilities available.

It is intimate that every year more than 750 million people travel from their country of residence to tourism destinations for the purpose of leisure, business or other reasons, which is typically explained by flows from the demand-side. Traditional trade theories, however, allow that international trade flows are explained from the supply side. It is argued that the prominence of the demand side in the past is to some extent because tourism is always defined as a demand occurrence and is measured by people travelling from a point of origin to destination countries. This flow of people is, however, indirectly related to the flow of money (tourism receipts) from tourist origin to destination country as a result in exchange of an indirect flow of goods and services (Flows, 2007).

The tourist industry, according to Weaver and Lawton (2002:103), is extremely sensitive to instability, be it social or political, within a tourist destination. To substantiate this statement, these authors refer to the negative ramifications of the Gulf War that were prolonged due to fears of indiscriminate revenge-motivated attacks on tourists. For example, in the first six months of 2001, the inbound arrivals to Israel were 53% lower due to the escalation in violence between Israelis and Palestinians. This may be an indication of a marked reduction in the number of tourists entering Israel. These tourists could have been diverted to the South Africa by means of effective publicity promoting South Africa as a first rate tourist destination. South Africa cannot be regarded as being a substitute for visitors wanting to visit Israel as Israel is regarded as the home of the Jewish people from all over the world. However, with the continued trouble in Israel, tourists not returning to visit Israel for religious or family reasons, could possibly be persuaded to visit South Africa.

A growing Indian influence in Afghanistan is causing alarm in Pakistan, according to Hassan (2010) during his visit to Lahore University in 2010. The Taliban was evicted eight and a half years ago by the USA, and was replaced by Karzal as President. However, the US finds itself still bogged down in a war-torn country. The irony is that both corruption and drug running are rampant and both India and Pakistan are jockeying for influence, while Afghanistan remains in the middle. Once again, there are opportunities here to promote South Africa as a peaceful tourist-friendly destination to those who might have considered Afghanistan as a destination.

North Korea has restarted its nuclear reactor and is threatening South Korea if it joins the US in efforts to inspect vessels suspected of carrying weapons of mass destruction Mc Curry & Brannigan (2009). North Korea is thought to possess between five and seven nuclear weapons and enough fuel rods to produce another bomb by the end of 2009. South Africa very publicly destroyed its nuclear capability and so, again, could parlay this stand into becoming a destination of choice.

Shah (2009) reports that conflicts in Africa have given rise to more than 9 million refugees and internally displaced people. Civil wars and conflicts have resulted in hundreds of thousands of people being slaughtered. Shah singles out:

- The Democratic Republic of the Congo (formally Zaire), where seven nations were involved. The reasons have been extremely complex and include basic resources such as water, access to rich mineral deposits and political agendas.
- Nigeria, where environmentalists, human rights activists and fair trade advocates from around the world have focussed on the Niger Delta. The hanging of environmentalist Ken Saro-Wiwa and eight others drew worldwide attention. The activities of oil corporations such as Chevron, Mobile, Shell, Elf and Agrip have been the centre of concern and criticism.
- Sierra Leone, which has seen serious and grotesque human rights violations since 1991 when civil war broke out. There have been various problems such as the diamond connection, gross abuses by rebel and government forces alike and the existing peace treaty problems.

The article further refers to the conflict between Ethiopia, Eritrea and Rwanda. However, whatever the report may say, travel in countries such as Afghanistan, Pakistan North Korea and Africa can be seen as a high risk. This could have a positive effect on travel to South Africa.

According to Hall and O'Sullivan (1996), the disintegration of Yugoslavia into separate states, and the ongoing conflict among Bosnia, Croatia and Serbia have had a negative influence on the tourist industry in the former federation. This negative reporting has kept visitors away from these countries. According to the Balkan Travel (2010) Croatia will spend 30 million Euros on attracting tourists to the country from Russia, the Ukraine, Bulgaria, Serbia, Macedonia, Bosnia and Herzegovina and from western European states. This is a further example of how wars and conflicts deter tourism. Should the South African tourism industry wish to attract visitors that would have considered visiting these countries, a full, comprehensive, and accurately targeted marketing programme must be set up.

4.8 ECONOMIC RISKS

The economic environment is seen to be a complex one, as can be deduced from the factors that can influence demand, but is nevertheless of paramount importance to the tourism industry. The tourism product in itself is expensive, and a failed (or forgettable) holiday experience is lost forever. It is therefore imperative that the product on offer is seen to be affordable and one for which the customer is willing to pay. The holiday package that customers are willing to purchase depends largely on what they are able to afford under the prevailing economic conditions (Bennett, 2005:173).

Economic conditions play a significant role in the planning of a vacation. When visiting a country where the inflation rate is volatile, the likelihood of the exchange rates fluctuating frequently will play a part in the availability of funds to the tourist. In short, the actual exchange value available could fall well short of the budget required. Hill (2002:67) identifies and describes economic risk as follows: *"The likelihood is that economic mismanagement will cause drastic changes in a country's business environment that adversely affects the profit and other goals of a*

particular business enterprise”. He then repeats what other economists believe, that economic risk is not independent of political risk. These two factors go hand in hand.

Economic risks include, amongst others, financial crises, economic recession, high fuel prices and the effect of exchange rates, which will be briefly discussed in this section.

4.8.1 Financial Crisis and Economic Recession

Alan Greenspan, the former head of the US Reserve System, describes the 2007-2009 financial crisis as one that occurs once in 100 years. The bankruptcy of Lehman Brothers will go down in history as the largest bankruptcy in the economic history of the United States (Pravda.Ru, 2008:01). After receiving the news on the collapse of Lehman Brothers, Japan was obliged to release US\$25 billion into the market to maintain liquidity. The stock indices in Japan, Hong Kong, South Korea, Taiwan, as well as those of the Philippines, dropped by 4%.

The news reports from all over are reporting huge job losses because of the deepening global recession as can be seen by a report from the US (Glo,minimalGlobal, 2010) as shown in Table 4.4.

Table 4.4: Job Losses in the USA

Company	# No of Employees	Job Cuts	% of Company Lay-off
Microsoft	91 000	5 000	5.5
Intel	83 900	6 000	7.2
United Airlines	49 500	2 500	5.1
Pfizer	86 000	8 000	9.2
Print Nextel	60 000	8 000	13.3
Texas Instruments	30 000	3 400	11.3
Caterpillar	112 000	20 000	17.9
Total	512 400	52 900	9.93

(Adapted from Glo,minimalGlobal, 2010).

Table 4.4 shows that by these seven companies cutting back 52 900 jobs, this equated to nearly 10% in lay-offs. This means that, for those families affected by the lay-offs, there is less disposable income to be spent on holidays and tourism. The risk of such high job loss percentages, therefore, has a negative impact in that

there are reduced numbers of potential tourists for the South African tourism industry. The actual impact is probably higher as the above examples cover only seven companies in the USA and exclude many other American companies, Europe and other countries that are traditionally sources of tourists for South Africa.

By definition, an economic recession is a significant decline in activity spread across the economy; and said to last at least six months. The recession became visible in the wholesale retail trade, the industrial production, employment and real income sectors of the economy (Free Dictionary, 2008.). Economic recession is a financial meltdown that could last for a few months, or could last for a few years. A recession can have an effect on either regional, or the international economy.

According to Nxumalo (2009), South African job losses have doubled due to the recession between January 2008 and January 2009, with the majority of jobs being lost in the mining, manufacturing, construction, finance and retail sectors. Retrenchments have reached crisis proportions with 168% from the mining sector, followed by 135% from the construction sector and 55% in the manufacturing sector. These job losses led, in turn, to a decline in income thus having a roll-on effect in the overall purchasing power of the economy. This drop can be seen in the drop in numbers of people travelling both internally and externally. The results of the recession are only now being felt by the air transport sector.

The travel industry began to feel the impact of the recession when several major tour operators collapsed during the last months of 2007 (Jumpingislands.com, 2010). Most people are now taking shorter holidays, and are enjoying holidays closer to home. This is because of the tighter credit availability. Tourists are spending less on hotels, meals, shopping and entertainment. This means that tourist operators need to find destinations closer to the tourists' backyard. Today, travel can most definitely be considered a luxury spend.

The immediate impact of the financial crisis for the tourism industry in South Africa is that potential tourists in the affected countries have less disposable income. This, in turn, means that the number of potential tourists who can afford to travel to South Africa decreases, resulting in lower income for the tourist industry.

Fortunately, in the face of the drop in numbers of travellers from traditional travelling countries, the number of tourists from Africa to South Africa saw Nigeria arrivals by air increasing by 35% since the introduction of Virgin Nigeria. The most significant growth in arrivals came from the neighbouring countries, with Mozambican arrivals growing by 53% and Zimbabwean arrivals by 62%. With the opening of the Ressano Garcia border post on a 24-hour basis, this increase is expected to continue (Southafrica Info, 2010).

4.8.2 High Fuel Price

The Organisation of Petroleum Exporting Countries (OPEC) was established in 1960 with the express purpose of influencing oil prices by controlling supply. OPEC's main objective *"is to co-ordinate and unify petroleum policies among member countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry"* (OPEC, 2008:01).

BBC News (2008) reports that, in 2002, OPEC adopted a price band of between \$22 and \$28 a barrel. The agreement was that if the price went below \$22 a barrel, product quotas would be cut while if the price rose above \$28 a barrel, production would increase. This agreement was abandoned by OPEC in 2005 and, as it now stands, no official price is set. The BBC refers to a statement made by Manouchehr Talin from the Centre for Global Energy Studies that highlights happenings in the marketplace today, *"Producers fear that the financial sector will decide that there is oversupply in the market and move into other investments"*. Talin goes on to say, *"If there is a sudden change in sentiment like that, then the price could collapse"*. This is what is happening at present – prices have come down from over \$140 a barrel to under \$70 a barrel. Wall and Mathieson (2006:151) refer to the oil/fuel crisis as an economic indicator of the future of tourism.

Costs of travel are being influenced by the shortage of oil and the escalating prices as they relate to the tourism industry. Tourist destinations and travel behaviour will be affected by the airfares rising due to higher fuel prices. The result of increased airfares is likely to be fewer tourists coming to South Africa as the most effective means of travel is by air transport.

South Africa is, at present, feeling the costs of the high fuel price, for it influences all sectors of the economy and particularly the costs of travel, be the travel by road, rail or air. This, in turn, is affecting food prices as the increase in delivery costs is passed on to the consumers, including tourists. By taking all of the above potential increases into account, it is possible that South Africa will become an expensive tourist destination, even when considering the currently favourable exchange rate of the Rand against most major currencies. High fuel prices, therefore, have a very negative impact on the South African tourism industry.

4.8.3 Price Competitiveness

Bridge and Moutinho in Moutinho (2000:187-209) postulate the importance of profit making in an organisation for the organisation to survive. To ensure the performance of the organisation, it must monitor its plans against changing circumstances and modify its plans accordingly. For organisations to operate within financial constraints, it is imperative to maintain control over costs. George (2008:272) believes the art of successful pricing is to position the product at a price level that is low enough to offer great value to the tourist, yet high enough to enable the organisation to reach its financial objectives.

In a study conducted by Dwyer, Forsyth and Rao (2001:2-5), the competitiveness of an industry was found to be a critical determinant of how well it operates in world markets. The capability of a country's tourism industry to develop will depend largely on the ability of its service and the delivery of goods to its visitors such that it is able to maintain sustainable competitive advantage. Dwyer, Forsyth & Rao state, *"Competitiveness is a general concept that encompasses price differentials coupled with exchange rate movements, productivity levels of various components of the tourist industry and qualitative factors affecting the attractiveness or otherwise of a destination"*.

Forsyth and Dwyer (2009:78-79) provide evidence that, in their choice of destination, tourists take into consideration the price (cost of living) at the destination in relation to the cost of living at the origin (and at substitute destinations). This allows the tourist to compare costs at the destination, or at a substitute destination, which includes cost of food, tours, accommodation and

shopping, with those in their home country, and then making a decision whether or not to visit that destination.

Tourism demand is somewhat responsive to price factors:

- Within the micro-economic model of the organisation, the profit ideal output is situated where marginal cost is equal to marginal revenue. Under conditions of perfect demand and supply, each organisation is a price taker with the marginal revenue being constant and equal to the market price (Moutinho, 2000).
- Moutinho (2000) refers to diminishing returns that could cause rising marginal costs. It should be noted that any organisation that allows extensive variation in the mix of inputs should be aware of probable marginal product and increasing marginal cost if dwindling returns set in.
- Market penetration pricing, according to (George, 2008), is a ploy used by organisations when wanting to operate new markets to establish an offering. This may involve the lowering of prices to attract business or to undercut the prices of the competition.
- A pricing strategy widely used in the tourism industry is reduced pricing. This includes sales promotions and special offers such as
 - Spouse travels free if customer purchases business or first class ticket
 - discounts ranging from 10% to 40% off specified destinations (George, 2008).

A favourable exchange rate results in potential tourists wanting to visit South African as they can obtain more Rands for their own currency. The higher the rand value amount compared to the foreign currency, the more attractive South Africa becomes to the tourist from a foreign country. This favourable (to the tourist) exchange rate makes South Africa an inexpensive choice as a tourist destination. When this is put together with the numerous attractions such as Robben Island, V&A Waterfront, Table Mountain, Kruger National Park and many others, South Africa is frequently seen as a destination of first choice.

4.8.4 Disposable Income

If the primary market has a decrease in disposable income, then people are unable to travel or are obliged to restrict their travel because they cannot afford to or do not wish to travel. Saayman and Saayman (n.d) cite Smith (2006), Narayan (2004); Lim (1997), Mudambi & Baum (1997); Smeral & Witt (1996) and Crouch (1995) who all offer a number of economic and financial factors that influence tourism demand for travel to South Africa from foreign countries. For example, when the income in the country where potential travellers reside is high, then the demand for travel and tourism increases as they have more disposable income.

4.9 SUMMARY

In this chapter, a number risk elements occurring internationally (that is, outside South Africa's borders) that can have a positive or negative impact on the South African tourism industry were highlighted and briefly discussed. Many of these risks are events that occur regularly, such as tornados and hurricanes, and can be taken into consideration before the tourists plan their trip. However, some events such as tsunami, 9/11 and hijackings, are spontaneous events, which can only be taken into consideration when the tourists take cognisance of the natural and political conditions prevailing at that time in that country.

It has also been shown that international risks can have both a positive or negative effect on the South African tourism industry. On average, the positive effects could tend to outweigh the negative, depending on how the operators and other participants in the South African tourism industry deal with these risks. To assist with the process of managing risk effectively, the tourism industry requires a risk management model.

The major risk elements that will need to be considered for inclusion in a risk management model for the South African tourism industry can now be summarised as follows:

- Environmental risks, including natural disasters, hurricanes/tornadoes, drought and fire

- Climate change
- Socio–economic risks, including crime and health risks
- Political instability, including terrorism, war and aircraft hijacking
- Economic financial crisis and economic recession, high fuel prices and exchange rates
- Demographic risks

The South African tourism industry has no control over international risks and cannot take any action to prevent their occurrence. However, as these events influence the industry, they must be monitored and evaluated to ensure that their impact is minimised in the case where it has a negative potential, such as the loss of disposable income in foreign countries. In this particular instance, the monitoring of such a risk as loss of disposable income may reveal that this risk is only limited to one country, unless there is a global recession. If the loss of disposable income is restricted to one country only, then the emphasis of the advertising campaigns drawing tourists to South Africa can be shifted to countries not affected.

On the other hand, if the international risk has a positive impact on the South African tourism industry, as may be case with a natural disaster occurring in a country that normally attracts large numbers of tourists, then monitoring and evaluating the risk is important so that South Africa can be promoted as a destination of choice.

International risks, therefore, have significant impacts on the South African tourism industry and cannot be ignored. With this in mind, the above risk elements have been included in the structured questionnaire to test their validity by means of statistical analysis in Chapter 5. From this, the relevance of their possible inclusion into the risk management model to be developed in Chapter 6 can be determined.

CHAPTER 5

EMPIRICAL ANALYSIS

*“All great truths are simple in final analysis,
and easily understood;
if they are not, they are not great truths.”*
Napoleon Hill , 1883-1970

5.1 INTRODUCTION

Literature reviewed in Chapter 2 revealed that there is currently no risk management model dedicated for the specific use of the South African tourism industry. However, before such a model can be developed it must be established what type of risks are faced by the industry. Possible risks were identified in Chapter 1 (see Table 1.1), which can be classified into domestic and international risks. Domestic risks occur within the host country's (South Africa's) borders and usually have a negative impact on the tourism industry of the host country. Domestic risks can be further classified as internal and external, where internal risks occur within a business itself and external risks impact on the business from outside. The domestic risks are discussed in Chapter 3. International risks can have a positive or a negative impact on the host country and occur outside the borders of the host country. These risks are discussed in Chapter 4.

The literature study carried out on domestic and international risks assisted with the establishment of the structured questionnaire used to obtain responses from operators within the South African tourism industry to identify risks faced by tourism businesses in South Africa. This chapter reports the results and discussion of the survey conducted by means of the questionnaire, which was sent to various sectors of the tourism industry, including tour operators, travel agents, guesthouses, bed and breakfast establishments, lodges and hotels by SATSA and ASATA on behalf of the researcher (See Section 1.4.2 in Chapter 1).

Although the questionnaires targeted individual businesses operating within the South African tourism industry in the nine provinces in South Africa, the responses are analysed in the context of the industry as a whole and not in terms of business

type or province. This may be considered as an area for future research to obtain a clearer indication of how the various risks affect individual businesses and/or areas. The responses to the survey contain sufficient information to develop a risk management model and process for the tourism industry, which will be discussed in Chapter 6.

The results obtained are discussed and conclusions formulated to develop a risk management model. The chapter will therefore address the following. Firstly it will give an overview of the statistical process and, secondly, report the results. The latter will be in three sections. Section one will give an overview of the profile of the respondents. Section 2 will deal with the factor analysis and Section 3 will discuss the Analysis of Variance (ANOVA) and Tukey's Post-hoc Test.

5.2 DESIGN OF THE STRUCTURED QUESTIONNAIRE

A structured questionnaire was designed to establish how the operators in the South African tourism industry rate risk and the impact thereof on the business or industry. The questionnaire is divided into two sections, demographic (institutional information) and rating of risk.

The demographic information includes:

- Type of business
- Level of education of operator or owner
- The province in which the business is situated

Other information requested in the demographic section was in respect of the mechanism used to determine and evaluate risk in the business and the key factors considered to be important when determining risk.

The purpose of this section of the questionnaire is to establish the distribution of the data across different types of businesses in the tourism industry and the province in which they are situated. This is important, since the research aims to encompass the tourism industry and not just one specific part of the industry (such as

accommodation). It is therefore necessary to ensure that the responses that are received are not biased towards one specific business type or sector within the industry. Although this research is mainly concerned with the development of a risk management model for the South African tourism industry, this information will also be useful for further research purposes. Examples being how the risks and their impacts vary from business to business, province to province, businesses within provinces.

The second section, consisting of 57 statements, is concerned with the risks associated with the tourism industry and how the operators rate the identified risks in respect of intensity (impact) to their business. Although the risks are associated with specific types of businesses situated in different provinces in South Africa, this research is concerned mainly with the South African tourism industry as a whole. The questions included in the questionnaire are based on the initial risks listed in Table 1.1 in Chapter 1 and the literature study carried out in Chapters 3 and 4. A 5-point Likert scale was used to assist with statistical evaluation of the responses received as discussed in Section 5.4, with 1 indicating an extremely low risk and 5 an extremely high risk to the business.

The questionnaire covered the categories mentioned in Table 1.1 as well as internal and external business risks and image/marketing. A number of statements were formulated for inclusion in the questionnaire as follows:

- Nature (natural disasters, weather conditions, climate change and environmental factors) – 7
- Crime (fraud, hijacking, acts of terrorism) – 4
- Health and safety (infectious diseases, transport safety) – 5
- Political factors (war, political instability, strikes) – 5
- Economic factors (lack of funding, exchange rates, rising oil and fuel prices, economic recession, financial crisis, transport) – 9
- Technology (information technology, reservation systems, computer programmes) – 2
- Socio-demographic (age, sex, urbanisation, ageing tourist markets, new markets, family life, new routes) – 4

- Internal and external business risks (lack of qualified and experienced staff, competition, quality of service, customer complaints, range of products) – 11
- Image (insufficient marketing, lack of municipal services) - 4

Refer to Appendix 1 for the questionnaire and accompanying letter.

Although no pilot study was carried out, the management of SATSA and ASATA reviewed the statements in the questionnaire and approved them before they were sent out to their members.

5.3 SAMPLING AND RESPONSE

The target population were the members of SATSA and ASATA encompassing an estimated membership of 1200. The questionnaire was sent to a random sample of 800 (66.67%) of the population by SATSA and ASATA. The researcher thus had no control over the distribution of the sample across the type of business or province. The reasons for choosing SATSA and ASATA to assist with this process are as explained in Section 1.4.2.C.

The distribution of the questionnaire across various operators in the South African tourism industry together with the responses received is shown in Table 5.1. The sample distribution was determined from the percentage of each business type in the population of 1200 SATSA and ASATA members. A breakdown of the sample and responses by business operator/owner is given in Table 5.1.

Table 5.1: Sample and Response

Type of Business	Population	Response	
	%	No.	% of Response
Tour operators	24,80	63	29.72
Guesthouses	14,96	38	17.92
Bed & Breakfast establishments	12,99	33	15.57
Travel agents	12,60	32	15.09
Lodges	9,06	23	10.85
Hotels	4,72	12	5.66
Other	4,33	11	5.19
Spoilt responses	16,54	42	****
Total	100,00	254	****
Total Valid Responses	****	212	100.00

The total response received was 254 from a sample of 800, which equates to 31,75%. After spoilt questionnaires were discarded, a total of 212 were found usable for analysis. A valid response of 26,5% is an acceptable response for this type of survey (Cooper & Schindler, 2001:314). The spoilt responses were not categorised into any type of business and their origin is not known.

As can be seen from Table 5.1 the largest percentage of the tourism businesses who participated in the survey were tour operators (29,72%) and the hotels had the lowest response rate (5,66%). Compared to the distribution of the population across the different types of business, the response distribution captures the main features of the population. The responses received are therefore not expected to be biased towards one type of business segment of the industry.

The distribution of the sample as measured over all provinces is shown in Table 5.2. Again, the population distribution is used as the benchmark against which the distribution of the responses is compared.

Table 5.2: Spread of Sample and Response Over Provinces

Province	Population	Response	
	%	No.	% of response
Western Cape	25.38	81	29.24
Gauteng	22.00	70	25.27
KwaZulu-Natal	15.38	49	17.69
Mpumalanga	7.50	24	8.66
Eastern Cape	6.00	19	6.86
Limpopo	3.75	12	4.33
Free State	2.38	8	2.89
North West	2.25	7	2.53
Northern Cape	2.25	7	2.53
Spoilt Responses	13.13	42	****
Total	100,02	319	****
<u>Total Valid Responses</u>	<u>****</u>	<u>277</u>	<u>100</u>

The responses reflected in Table 5.2 are higher than the 212 valid questionnaires because some of the businesses are situated in more than one province and therefore the respondent indicated this on the questionnaire. The distribution of the population has been calculated as in Table 5.1. Every province was therefore sampled with the major tourist areas, the Western Cape, Gauteng, KwaZulu-Natal and Mpumalanga representing the bulk of the tourism industry. Table 5.2 indicates

that most of the responses originate from the Western Cape (29,24%), Gauteng (25,27%) followed by KwaZulu-Natal (17,69%), while the other six provinces made up the remaining 27,80%. Again, it is evident that the respondent distribution reflects the population distribution and therefore no bias towards respondents from one province is suspected.

5.4 STATISTICAL METHODS

The data collected by means of the structured questionnaire was captured using Microsoft[®] Excel[®] and then analysed using SPSS (SPSS Inc, 2007; Field, 2005). A descriptive analysis was carried out on all the valid data to determine the mean intensity rating and standard deviation for the responses to all the statements in the questionnaire (see Appendix 2). Using the descriptive analysis it was possible to identify and distinguish between significant and insignificant risks.

The descriptive analysis of the data was followed by more intensive analysis using Bartlett's test of specificity, the Kaiser-Meyer-Olkin measure of sampling adequacy, principal component factor analysis, Levene's test of homogeneity of variances, analysis of variance (ANOVA), the Kruskal-Wallis non-parametric test for heterogeneity, correlation analysis and Tukey's Post-hoc test.

The 57 risk items (statements in the structured questionnaire) were analysed by means of a principal component factor analysis using an Oblimin rotation with Kaiser Normalisation to explain the variance-covariance structure of a set of variables through a few linear combinations of these variables. Bartlett's test of specificity was used to determine whether the data was valid and usable for factor analysis to establish categories (factors) of risks that can be compared to the risk categories originally listed in Table 1.1 in Chapter 1. The Kaiser-Meyer-Olkin measure of sampling adequacy was also used to determine whether the covariance matrix is suitable for factor analysis. Kaiser's criteria for the extraction of all factors with Eigenvalues larger than one were used because they were considered to explain a significant amount of variation in the data. In addition, all items with a factor loading above 0.3 were considered as contributing to a factor, whereas all items with factor

loadings lower than 0.3 were considered as not correlating significantly with this factor (Steyn, 2000). Any item that cross-loaded on two factors with a factor loading of greater than 0.3, was categorised in the factor where the best fit was achieved. A reliability coefficient (Cronbach's alpha) was computed for each factor to estimate the internal consistency of each factor. All factors with a reliability coefficient above of 0.7 were considered as acceptable in this study. The average inter-item correlations were also computed as another measure of reliability. According to Clark and Watson (1995), the average inter-item correlation should lie between 0.15 and 0.55.

Levene's test was used to determine whether the variances are homogenous, which is a requirement for ANOVA. Although Levene's test indicated heterogeneous variance, the ANOVA analysis was carried out and, for comparison, the data was analysed using the Kruskal-Wallis test for heterogeneous variances. Tukey's Post-hoc test was used to determine where differences between factors occurred. A correlation analysis was also performed to determine whether or not any of the risk factors are correlated.

5.5 DESCRIPTIVE RESULTS

5.5.1 Analysis of Demographic Data

In addition to the geographical location and the type of business of the respondents (as described in Tables 5.1 and 5.2), the questionnaire also asked the highest qualification of the respondent. The analysis of the demographic data also shows that the highest level of education among tourism business operators is a diploma/degree (50%) and 24% have a post-graduate qualification. On average, the business operators/owners appear to be fairly well qualified for the task. This is, however, an unqualified assumption as the survey did not establish the discipline in which the qualification has been obtained. Determining the discipline in which the respondents are qualified was outside the scope of this research. Therefore, to establish whether the respondents are suitably qualified to operate a successful

business within the tourism industry, further research is needed to identify gaps in the education and training required.

5.5.2 Analysis of Methods for Risk Determination and Evaluation

The respondents were asked to identify which methods they used most frequently to determine and evaluate risk in their business and which are the factors they felt were the most important to be considered when determining risk.

The analysis highlights that the following methods are mainly used to determine and evaluate risk: Complaints (76%), drop in turnover (76%) and physical inspection (74%). This indicates that the operators in the tourism industry realise the importance of satisfying the customer's (tourist's) needs. Every business is concerned when there is a drop in turnover as this means a drop in income and therefore a drop in profit. It must also be realised that if the number of complaints increases, so will the risk of turnover dropping. Physical inspection, in terms of analysing all potential risks, is also rated important and implies that all information related to any risk situation must be collected and evaluated to be able to take suitable action to minimise the negative impact of the risk or to exploit an opportunity presented by an international risk.

The respondents furthermore indicate that, when determining risks in business, the following key factors are considered: economic forecasts, economic growth/decline, crime levels and security, exchange rates, how the company is affected, likelihood of risk occurring, turnover and planning. Factors such as economic forecasts, growth and decline, crime levels, and security are risks in themselves, as discussed in Chapters 3 and 4, which have an impact on the company and turnover and therefore influence the planning of ways to deal with these risks in the event of their occurrence. The other key factors closely relate to the risk management models discussed in Chapter 2. For example:

- How the company (business) is affected – Impact or consequence of the risk
- The likelihood of risk occurring – Probability that the risk event will occur
- Planning – Developing responses to counter the risk occurrence and impact

5.6 INITIAL ANALYSIS OF RISKS

The initial analysis of risks using the descriptive statistics (see Appendix 2) and the frequency distribution of responses to the individual risk statements (see Appendix 3) has identified a number of risk types classified as extremely low or low (refer to Table 5.3) and high or extremely high (refer to Table 5.4). However, those considered to be in the category high to extremely high, as listed in Table 5.3, must be included in any risk management model that is developed for the tourism industry.

Table 5.3: Risks Categorised as Extremely Low or Low

#	Risk Statement	% Respondents in Agreement	Mean Intensity Rating
52	Number of temporary personnel	79	1.76
2	Diseases	67	2.09
50	Amount of overtime	66	2.10
17	Urbanisation	65	2.12
55	Range of products	68	2.12
1	HIV/AIDS	67	2.12
51	Vacation and absenteeism rate	61	2.17
56	Non-performance with compliance policy	64	2.19
53	Customer complaints	67	2.19
9	Theft in business by tourists	65	2.21
30	Carrying capacity – too many tourists/visitors	60	2.26
20	Air pollution	58	2.37
41	Unable to fulfil needs	59	2.38
49	Employee turnover	54	2.43
15	Aging market	49	2.43
22	Natural disasters	56	2.44
36	Climate change	55	2.46
19	Water pollution	56	2.48
44	Technological changes	51	2.48
37	Lack of proper financial systems	50	2.52
21	Availability of clean drinking water	54	2.53
40	Black Economic Empowerment (BEE)	50	2.61
38	Theft/fraud by business staff	51	2.61
23	Fire	50	2.66

Table 5.3 shows that between 49% and 79% of the respondents rate 24 of the 57 risk statements as either low or extremely low, with a mean intensity rating between 1.76 and 2.53. This implies that 42.11% of the risks are not considered important by the business operators/owners. However, this does not mean that these risks can be excluded from a risk management model, as the some of operators/owners

attach a higher degree of intensity to these risks and, in some instances, this may even be extremely high.

Table 5.4: Risks Categorised as High or Extremely High

#	Risk Statement	% Respondents in Agreement	Mean Intensity Rating
24	Image of the country/destination	66	3.83
10	Decrease in disposable income of tourists	64	3.80
3	Crime in general	51	3.53
9	Currency fluctuations	50	3.46
8	Exchange rates	50	3.42
46	Political instability in South Africa	48	3.40
47	Increase in cost of fuel	46	3.39
11	Inflation	44	3.39
31	Insufficient marketing by local authorities	47	3.33
4	Cost of transport	42	3.24
57	Electricity cuts	42	3.20

Table 5.4 shows that between 42% and 66% of the respondents rate the risk intensity of 11 of the 57 risk statements as high to extremely high with a mean intensity rating of 3.20 to 3.83. This implies that 19.30% of the risks are considered to be very important by the business operators/owners. The risks identified in Table 5.4 are not considered important by the respondents and can possibly be ignored in a risk management model. Although these risks may be considered extremely low to moderate by 34 to 58% of the respondents, they are definite candidates for inclusion in any risk management model that is developed.

Twenty-two of the risks (38.60%) can be considered to have an intensity rating of 3 on average. However, some of the respondents may rate these as low/extremely low or high/extremely high and therefore must be included in the risk management model.

The high/extremely high category of risk requires more attention when identifying the causes of these risks, the evaluation thereof and the response that is developed to minimise any negative impact of especially domestic risks or to obtain maximum benefit from exploiting international risks.

It must also be borne in mind that, with the use of a risk management model as

discussed in Chapter 2, the intensity ratings may well change as there has been no formal quantification of the risks taking into account the probability of occurrence and the financial impact of the risk. One of the objectives of the risk management model to be developed in Chapter 6 is to do precisely this and after establishing the possible root causes of any risk to formulate an appropriate response for implementation (refer to various models discussed in Chapter 2).

5.7 FACTOR ANALYSIS

The 57 statements in the structured questionnaire were based on the seven risk categories in Table 1.1 and analysed descriptively, which facilitated the identification of those risks considered to be important and not important by the operators and owners of businesses in the tourism industry. However, the descriptive analysis did not indicate whether the 57 risks fall into the same categories as originally envisaged. It was therefore decided, if the data was found to be valid for this purpose, to perform a factor analysis to establish a scientific grouping of risks into specific categories (factors) and confirm whether these categories corresponded to those in Table 1.1. The factor analysis was also used to identify the risk categories that are the most important and the individual risks within a category identified as important could be compared to those in Table 5.4 to confirm the findings of the descriptive analysis.

Bartlett's test of specificity yielded p-values of $<0,001$, which indicates that the correlation structure is valid for factor analysis of the data collected. The responses from the questionnaires were analysed using factor analysis to group the various individual risks items into a number of factors or categories and to establish whether these factors coincided with the risk categories mentioned in Chapter 1. The seven risk categories mentioned in Chapter 1 are nature, crime, health and safety, political factors, economics, technology and socio-demographic. Factor analysis has identified the following nine risk factors (categories), which are, in essence, not different from those in Table 1.1 and designated Table 5.5) as:

- F1 - Organisational risk (Internal business risk)
- F2 - Environmental (Nature)

- F3 - Competitiveness
- F4 - Crime and political factors
- F5 - Infrastructure
- F6 - Business insufficiencies
- F7 - Health risk
- F8 - Economic risk
- F9 - Transport risk

5.7.1 Analysis

The factor scores were calculated as the average of all items contributing to a specific factor so that it can be interpreted on the original 5-point Likert scale of measurement (1 = Extremely low risk; 2 = Low risk; 3 = Moderate risk; 4 = High risk and 5 = Extremely high risk).

The nine factors accounted for 60% of the total variance. All factors had relatively high reliability coefficients ranging from 0.35 (the lowest) to 0.93 (the highest). Although a reliability coefficient of 0.35 is low as there are only two risks included in this factor, all other reliability coefficients are above 0.63 (one factor) and the other seven are equal to or greater than 0.82. This indicates that overall, except for Factor 7 (health risks) the results are reliable. However, as the factor analysis has indicated health risks (Factor 7) as a factor and not individual items and therefore it has been accepted as a factor for the purpose of this research. Factor 7 has an inter-item correlation coefficient of 0.15 which is the bottom limit range acceptability as proposed by Clark & Watson (1995). Cooper and Schindler (1999:594) explains the interpretation of factor loadings is largely subjective. There is no way to calculate the meanings of factors: they are what one sees in them. For this reason, factor analysis is largely used for exploration. The average inter-item correlation coefficients lie between 0.15 and 0.69 which implies an internal consistency for all factors. Moreover, all items loaded on a factor with loading greater than 0.3. Relatively high factor loadings indicate a reasonably high correlation between the delineated factors and their individual items. The Kaiser-Meyer-Olkin measure of sampling adequacy of 0.87 also indicated that patterns of correlation are relatively

compact and should yield distinct and reliable factors (Field, 2005:640). The results of the factor analysis are divided into two tables and will be discussed in this section.

The results of the factor analysis show the relative importance of the perceived risk to the tourism industry operator by means of the mean value for each factor. A higher mean value implies a higher perceived risk. Within each factor, the individual items (risks) are ranked in order of importance from high to low by means of the factor loading. The importance or perceived risk increases as the value of the factor loading increases. The results are given in tabulated format for each factor in Table 5.5.

Table 5.5: Summarised Factor Analysis Results

Risk Items	Factor Loading	Mean Value	Reliability Coefficient	Average Inter-item Correlation
Factor 1: Operational Risk (Internal business risk)		2.29	0.93	0.49
Range of products	0.806			
Customer complaints	0.792			
Non-performance with compliance policy	0.755			
Amount of overtime worked by employees/employee errors	0.753			
Number of temporary personnel	0.738			
Vacation	0.729			
Employee turnover	0.700			
Lack of quality service	0.574			
Repeat business	0.570			
Unable to fulfil needs	0.476			
Theft in business by tourists	0.422			
Technological changes	0.370			
Factor 2: Environmental (Nature)		2.47	0.85	0.48
Water pollution	0.814			
Air pollution	0.807			
Availability of drinking water	0.713			
Urbanisation	0.515			
Seasonality	0.372			
Factor 3: Competitiveness		3.18	0.82	0.36
Exchange rate	0.754			
Currency fluctuations	0.681			
Airline safety	0.547			
Increased international competition	0.538			

Airport safety	0.537			
Crime	0.530			
Increased competition nationally	0.354			
Change in tourist needs	0.277			
Factor 4: Crime & Political Factors		2.71	0.83	0.49
Wars/conflicts	0.782			
Terrorist activities	0.764			
Natural disasters	0.578			
Political instability in South Africa	0.548			
Political instability in neighbouring states	0.477			
Fire	0.403			
Climate change	0.397			
Theft/fraud	0.277			
Factor 5: Infrastructure		3.27	0.82	0.33
National marketing	0.686			
Insufficient marketing by local authorities	0.679			
Image of country	0.558			
Legislation	0.430			
Road safety	0.418			
Electricity cuts	0.398			
Decrease in disposable income	0.364			
Lack of municipal services	0.363			
Too high prices	0.350			
Factor 6: Business Insufficiencies		2.83	0.84	0.51
Insufficient funding for training	0.776			
Lack of qualified staff	0.772			
Lack of experienced staff	0.760			
Lack of funding for product development	0.586			
Ageing markets	0.468			
Lack of proper financial system	0.278			
Factor 7: Health Risk		2.11	0.35	0.15
Diseases	0.753			
HIV/Aids	0.688			
Factor 8: Economic Risk		3.12	0.63	0.46
Inflation	0.763			
Interest rates	0.750			
Decreasing leisure time by tourists	0.291			
Factor 9: Transport Risk		2.88	0.82	0.69
Increase in cost of fuel	0.455			
Carrying capacity	0.371			
BEE	0.285			
Cost of transport	0.258			

The 57 risk statements have been grouped into the nine factors in Table 5.5 by means of principal component factor analysis using the pattern matrix (Appendix 4). However, closer analysis of the factors revealed that although statistically correct, some of the risk statements do not fall logically into the factor to which they have been allocated. An example of such misallocation is the inclusion of natural disasters and climate change in Factor 4, which is crime and political factors. A redistribution of risks into risk categories will therefore be necessary when constructing the risk management model.

There is also a difference in the importance of various risks as determined from the descriptive statistics and the factor analysis in that some of the risks considered to be important (high to extremely high intensity rating) in Table 5.4 are not considered that important by the factor analysis. For example, customer complaints rank high in importance in the factor analysis whereas, according to the descriptive statistics, 67% of the respondents rate customer complaints as a low to extremely low risk (see Table 5.3). However, Appendix 3 shows that the responses to each risk statement are spread across an intensity rating of 1 to 5, which confirms that a risk may be important to one business, but not to another.

Keeping the above in mind, the following is concluded from the factor analysis in respect of the nine risks:

A. Organisational Risk (Internal business risk – Factor 1)

The internal risks associated with the operation of the business are included in this factor and therefore have a direct impact on the viability and success of the business (see Chapter 3). These are also risks over which the operator or owner of the business has direct control and can implement suitable action to reduce the adverse impact of the risk to the business. This risk factor is closely related to Factor 6 (business insufficiencies), which are also internal to the business. Organisational risks are ranked as the most important of the nine factors and therefore require continuous attention and review (see Table 5.6). The most significant operational risks are:

- The range of products on offer, which may be limited or ageing and not meeting the tourist's needs
- Customer complaints, which can result in the number of clients (tourists) decreasing, resulting in a lower turnover. This can also lead to a lower contribution by the tourism industry to the national economy if customer complaints range over a large number of businesses (see Section 3.7.2)
- Non-conformance with compliance policy, which is also an indicator of standards expected by the tourism industry not being met
- The amount of overtime worked by employees resulting in employee error and therefore an increase in customer complaints
- The number of temporary employees in the industry who may not be fully trained and competent, which can, in turn, result in an increase in human error, non-compliance and customer complaints

The least significant risk is considered to be technology changes and theft in business by tourists (see section 3.8).

B. Environmental (Nature- Factor 2)

The risks included in this factor are all associated with the environment and natural phenomena and, in most cases, very little can be done to prevent these risks from occurring (see Section 3.2 and 4.2). However, most natural disasters can be covered by means of insurance, whereby the risk is transferred to a third party. However, some are more difficult to insure than others (see Table 2.2). Certain environmental risks can be prevented, for example the destruction of the environment by overloading (excessive number of visitors) can be controlled. Other areas where control measures can be implemented are air and water pollution and the availability of clean drinking water.

Water and air pollution are risks that require attention and, if this type of pollution is not controlled and tourists do not observe the effort made by the country to reduce water and air pollution, fewer tourists may come to the country. Although the tourism industry does not have any direct control over all environmental risks, they can play a significant role by creating awareness among tourists as well as the local population and industry of the consequence should these risks occur.

Seasonality does not appear to be a risk of great concern as tourists have an individual preference to visit South Africa during different seasons.

Two risks that should logically be included in this factor are natural disasters and climate change and not with Factor 7 (crime and political factors) as per the factor analysis.

C. Competitiveness (Factor 3)

Competitiveness includes all risks that impact on the capability of the business to compete effectively in the marketplace with other businesses in the tourism industry. This also includes international competition as the operators and owners of tourism businesses in South Africa compete internationally against foreign businesses to attract tourists to South Africa. Competitiveness can also be seen as the way the tourism industry as a whole can compete against the tourism industries of other countries, which can be directly affected by a number of other risk factors, such as infrastructure (Factor 5) and Factor 4 (crime and political factors) and others to a greater or lesser degree.

Exchange rates and currency fluctuations can have a significant effect on the competitiveness of the South African tourism industry *vis-a-vis* other countries (see Section 3.5.4). The exchange rate of the Rand to foreign currencies is a matter of concern. A weaker Rand implies that the tourist will receive more Rands for his money, which makes a holiday in South Africa or touring the country an attractive proposition. The opposite is also true: a stronger Rand means less money to spend and may therefore discourage tourism to South Africa. Exchange rate changes are linked to currency fluctuations. Increasing currency fluctuations due to constantly changing exchange rates creates uncertainty in respect of the value of the Rand over time. However, the exchange rate and currency fluctuations are risks over which the tourism industry has no control and are risks that it needs to accept, unless the business operator/owner is prepared to use hedging to counter the effect if the Rand loses value. On the other hand, the loss in value against foreign currencies may also be an advantage because South Africa becomes more

attractive as the tourists may receive more Rands for their currency, depending on where they come from.

Although crime has been included in this factor because it can influence the competitiveness of the industry, it is more logical to include it in Factor 4 (crime and political factors). However, crime can have an influence on the competitiveness of an individual business, depending on where the business operates since crime rate and type of crime can vary from one destination to another within the country. If crime is internal to the business such as theft by tourists from the business (Factor 1) or theft and fraud by employees (Factor 4), then it can also be seen as an operational risk.

D. Crime and Political Factors (Factor 4)

Terrorist activities and wars are the most significant risks in this category (see Section 4.7.2 and 4.7.4). However, as South Africa is not in a war zone and is not subject to terrorist activity, it is considered a safe tourist destination in respect of these risks. Therefore wars and terrorist activities can be seen as international risks, which can be exploited to the benefit of the South African tourism industry by promoting South Africa as a tourist destination of choice.

Crime (see Section 3.3.2) and political factors (see Section 3.4 and 4.7.1), as stated above in Sub-section C have an influence on the competitiveness of the tourism industry as a whole. A high crime rate (included in Factor 3 – competitiveness) can discourage tourists from coming to South Africa and cause them to consider alternative destinations with a lower crime rate.

Political factors are concerned with the political issues and legislation within South Africa that may constitute a risk to the tourism businesses and industry, including Black Economic Empowerment (BEE) which has been classified as a transport risk in Factor 9 (see Section 3.4). This may be because the transport industry is largely centred in the black taxi industry.

Fire (see Section 3.2.4 and 4.3.4) has been included in this factor, but it may also be classified as a natural phenomenon if caused by lightning. However, if caused as a

result of arson then it is definitely a crime. Natural disaster (see Section 3.2 and 4.3) should not have been included in this factor as they are neither of a criminal nor political nature, but environmental and therefore need to be included in Factor 2 (environmental risk).

E. Infrastructure (Factor 5)

Infrastructure risks relate to all risks associated with the country's infrastructure required to promote tourism and accommodate the needs of tourists in South Africa.

This risk category includes the ways that both national government and local authorities market the country and tourist destinations overseas to attract tourists (see Section 3.7.4). These are currently high risk areas and the respondents feel that not enough effective marketing is done to promote tourism to South Africa and present specific areas or towns as attractive and interesting tourist destinations. Although the individual business operator/owner may not be able to do much in respect of these risks, Federated Hospitality Association of South Africa (FEDHASA), SATSA and ASATA can influence government (Department of Tourism and the Environment) and local authorities to be more effective in their marketing attempts. Sufficient and effective marketing can have a direct impact on the image of the country and its destinations, which is ranked as the most important risk in Table 5.4.

Legislation pertaining to South Africa is classified as infrastructure and covers all the laws of the country that may impact on the tourism business. The only means that the tourism industry has at its disposal to counter legislation that may be detrimental is through SATSA and ASATA lobbying government to change legislation.

Other risks that fall into this factor include road safety, which includes the conditions of roads in the country (see Section 3.6.1), lack of municipal service and electricity cuts which can have a detrimental impact on the tourism industry.

The decrease in disposable income available to the tourist has been included here, but this tends to be more of an economic risk than an infrastructure risk (see Section 4.8.4).

F. Business Insufficiencies (Factor 6)

Business insufficiencies are shortcomings within the operation of the business itself and are therefore internal risks (see Section 3.7.4). Business insufficiencies have a direct impact on the operation and success of the business and could therefore also be seen as operational risks.

The significant risks associated with business insufficiency are the lack of qualified and experienced staff, which can be directly linked to the most significant risk in this category, insufficient funding of training. If there is a lack of funds, then training and education will not take place. These risks need to be addressed by the business operators/owners to ensure that the necessary funds are budgeted for. This can be further improved by SATSA and ASATA making grants available for training and education to ensure that the likelihood of these risks occurring is minimised. The lack of qualified and experienced staff also has a direct impact on the level of human error and, therefore, customer complaints, which are likely to increase.

Ageing markets can be seen as a business insufficiency due to a lack of market research to identify destinations that are decreasing in popularity and finding new destinations to replace these.

G. Health Risk (Factor 7)

Health risks occur throughout the world and are therefore both domestic and international risks (see Section 3.2.1 and 4.6.2). A high health risk in South Africa may act as a deterrent and discourage tourists from coming to the country due to fear of contracting an infectious disease. This can be overcome through educating the tourist in respect of precautions to be taken or available vaccination against such diseases. Alternative destinations outside areas where infectious diseases occur (malaria or cholera) can be suggested.

If health risks are international, the same argument as above applies, but this can be to the benefit of the South African tourism industry in that South Africa can be promoted as an alternative destination where the disease in question does not occur.

Table 5.6 shows health risks to be the lowest ranked of the nine factors, which indicates that it is the least significant of the nine factors.

H. Economic Risk (Factor 8)

Economic risks have a negative impact on the South Africa tourism industry and can occur both domestically and internationally (see Section 3.5 and 4.8). Domestic risks such as inflation (see Section 3.5.3) and interest rates (see Section 3.5.2) are considered to be domestic risks that affect the tourist coming to the country. Of these, inflation will have the more significant impact on the tourist and the industry as this is directly linked to pricing. High inflation rates indicate rapidly rising prices, which makes it more expensive to visit and tour South Africa. It is also a risk that the tourism industry by itself has little control over and therefore will have to accept this risk.

On an international level, higher interest rates and inflation will affect disposable income and potential tourists will think more carefully in respect of holidays abroad. However, the opposite may also be true in the case where the potential tourist has no debt and substantial savings as these savings will be earning a higher rate of interest which, in turn, increases the disposable income.

The leisure time available to tourists is not directly an economic risk, but is related to the economy as a whole. In today's economic climate, competition is intensive in every sphere of business and people are under constant pressure to perform. This leaves them with very little time for leisure, especially extended holidays to foreign countries.

I. Transport Risk (Factor 9)

Transport risks occur throughout the world and are therefore both domestic and international risks that affect the South African tourism industry (see Section 3.6 and 4.8.2). In the case of international air traffic, transport risks are increased as result of potential hijackings of aircraft (see Section 4.7.3) and acts of terrorism (see Section 4.7.2).

Although the cost of transport may be expected to be a significant risk, it is the least significant in this group. This is because the cost of transport is dependent on fuel prices, which is confirmed by the increase in fuel prices being the most significant risk followed by carrying capacity. The cost of fuel is dependent on the oil price, which is an international risk, and the tourism industry has no control over this. Further, the domestic fuel price is regulated by government and also cannot be influenced by the tourism industry. The rise in fuel price is therefore a risk that must be accepted by the tourism industry (see Section 4.8.2).

The carrying capacity has a limiting effect on tourism as this is related to the number of tourists that can be accommodated not only on aircraft but also on other means of transport in South Africa, including trains, buses, coaches, cars and taxis (see Section 3.6). Carrying capacity is also associated with the number of tourists that can be accommodated at specific tourist destinations in South Africa in hotels, lodges, guest houses and other means of accommodation. This is not a transport risk but can have a negative impact on the tourism business in South Africa.

Black Economic Empowerment (BEE) plays a significant role in the transport industry, as most of the country's taxis are owned by black South Africans. The entry of black entrepreneurs and businessmen into all spheres of the economy, including the tourism industry, is encouraged by government. This has brought about a skills shortage as experienced white South Africans have left the country, which can have a negative impact on the quality of service offered by tourism businesses until such time that the incumbents have reached the necessary level of experience to understand the business and perform with competence (see Section 3.4).

From this discussion, it can be seen that many of the risks are interlinked and are not isolated events. Therefore, by addressing one risk and eliminating it, there can be a 'snowball' effect resulting in the impact of other risks occurring being reduced.

Although certain risks have been classified by the factor analysis as international risks (refer to Table 5.5 and Chapter 4), these risks can also be domestic risks and, in certain cases, internal to the business as shown in Chapter 3. Similarly some, but

not all, risks classified as domestic risks (refer to Table 5.5 and Chapter 3) can be international risks. It is therefore difficult to determine which group of risks, domestic or international, has the greatest impact in the South African tourism industry. However, the risk group perceived to have the greatest negative impact on the industry is the domestic group of risks as these normally impact negatively on individual businesses and the tourism industry as a whole and this can result in significant losses. The domestic risks are also those over which the individual business and the industry have a greater degree of control and can formulate action plans to reduce or eliminate the negative impact (refer to Chapter 3). On the other hand, the international risk group, over which the South African tourism industry has little or no control, can also have a significant impact on the industry. The impact of international risk, however, is perceived to be positive as the occurrence thereof in a foreign tourist destination can be exploited to the benefit of the South African tourism industry and attract tourists the country (refer to Chapter 4).

For a detailed discussion of the risks discussed under the nine factor headings refer to Chapters 3 and 4.

The factors identified by the factor analysis in Table 5.5 have been ranked according to their mean values, from high to low, to indicate their importance in the eyes of the respondents to the survey questionnaire. The result is shown in Table 5.6.

Table 5.6: Ranking of Factors

Factor	Mean Value	Ranking
Factor 5 – Infrastructure	3.27	1
Factor 3 – Competitiveness	3.18	2
Factor 8 – Economic risk	3.12	3
Factor 9 – Transport risk	2.88	4
Factor 6 – Business insufficiencies	2.83	5
Factor 4 – Crime and political factors	2.71	6
Factor 2 – Environmental (Nature)	2.47	7
Factor 1 – Organisational risk	2.29	8
Factor 7 – Health risk	2.11	9

Table 5.6 indicates that Factor 5 (infrastructure) holds the highest risk for the average operator in the tourism industry. Within this category, national marketing and insufficient marketing by local authorities are the most significant individual risks as perceived by the operators. The remaining risks in this category are all directly or

indirectly linked to national, provincial and local government. This indicates the importance of the role that national and local government plays in the tourism industry. If the support is not there, then the tourism industry will not survive or, at the least, suffer badly and may not be sustainable in the long term.

Factor 5 is closely followed by Factors 3 and 8, competitiveness and economic risk, with the least important being organisational risk, which are risks internal to the business, and health risk. The low perceived risk of organisation and business type of risk indicates that the operators in the tourism industry are fairly confident in their staff and the way they manage their businesses. However, the analysis shows that business insufficiencies (Factor 6), which includes training, need to be improved.

5.7.2 Factor Correlation Matrix

The factor correlation matrix for the nine factors identified by the factor analysis presented in Table 5.5 is given in Table 5.7, where the factors are:

- F1 - Organisational risk (Internal business risk)
- F2 - Environmental (Nature)
- F3 - Competitiveness
- F4 - Crime and political factors
- F5 - Infrastructure
- F6 - Business insufficiencies
- F7 - Health risk
- F8 - Economic risk
- F9 - Transport risk

Table 5.7: Factor Correlation Matrix

Factor	1	2	3	4	5	6	7	8	9
1	1.000	0.238	0.199	0.273	0.240	0.366	0.068	-0.231	0.060
2	0.238	1.000	0.176	0.176	0.235	0.256	0.057	-0.276	0.133
3	0.199	0.134	1.000	0.155	0.149	0.168	-0.047	-0.187	0.076
4	0.273	0.176	0.155	1.000	0.209	0.168	0.132	-0.198	0.050
5	0.240	0.235	0.149	0.209	1.000	0.162	0.104	-0.218	0.072
6	0.366	0.256	0.168	0.168	0.162	1.000	0.036	-0.242	0.074
7	0.068	0.057	-0.047	0.132	0.104	0.036	1.000	-0.038	-0.036
8	-0.231	-0.276	-0.187	-0.198	-0.218	-0.242	-0.038	1.000	-0.068
9	0.060	0.133	0.133	0.050	0.072	0.074	-0.036	-0.068	1.000

Table 5.7 shows that none of the absolute values of the correlations coefficients are above 0.366, which indicates that the factors are not very highly correlated. Although correlation does not indicate causality, it does indicate the nature of the linear relationship - positive or negative. The factors with the highest correlation coefficients, according to Table 5.7, are given in descending order in Table 5.8.

Table 5.8: Ranked Correlations

Factors	Correlation Coefficient
(1:6) Organisational risks/Business insufficiencies (Training)	0.366
(2:8) Environmental/Economic	-0.276
(1:6) Organisational risks/Crime and political factors	0.273
(2:6) Environmental/ Business insufficiencies (Training)	0.256
(6:8) Business insufficiencies (Training)/Economic	-0.242

Table 5.8 highlights business insufficiencies (training) to be a crucial factor, which is correlated with a number of other factors. Business Insufficiencies (training) is correlated with three of the five factors identified in Table 5.8, which are organisational and business risks, environmental risks and financial risks. The results from Table 5.8 can be interpreted as follows:

Organisational and environmental risks are positively related to business insufficiencies, which indicates that when the one is high, the other is also likely to be high. . Should the economic risks increase there could be less money to spend on training and therefore business insufficiencies may increase and conversely if there is more money available for training due to economic risks decreasing that business insufficiencies will decrease as people become more competent through training”

-
- Economic risks are negatively correlated with environment risks and therefore less money or higher financial risk would be associated and environmental risks will decrease as economic risks decrease. For example, if the risk of rising inflation or interest decreases, more money may become available to spend on improving the environment by, for example, implementing appropriate action to decrease water and air pollution.

- Organisational risk and crime/political factors are positively correlated indicating that organisational risk will increase as crime and political factors increase. For example, as the risk associated with BEE increases, the organisational risk will increase because the new entrants into the workplace or tourism industry may not have the required experience.
- Environmental risks are positively correlated with business insufficiencies implying that as the risk of business insufficiencies increases, so will the environmental risks. For example, if the risk of insufficient funding for training (less money available for training) increases, the environmental risks will increase as the staff will not be able to provide guidance to tourists in respect of environmental legislation relating to the area visited or creating environmental awareness in general.

5.8 ANOVA AND TUKEY'S POST-HOC TESTS

The ANOVA was conducted to determine whether there was any significant difference between the mean responses of the factors identified by the factor analysis. Tukey's Post hoc tests for unequal sample sizes were then performed on the factors that differed significantly from the others to determine how each of the different type of businesses perceived the risks identified.

Most of the respondents indicated that they were tour operators (29.72%), followed by Guesthouses (17.92%) and Bed & Breakfast establishments (15.57%). Fifteen percent (15.09%) indicated that they were travel agents and 10.85% managed/owned a lodge while only 5.66% managed/owned a hotel. The remaining 5.19% of respondents are involved in the tourism industry in other ways (see Table 5.1).

5.8.1 ANOVA

The Levene test (Table 5.9) indicated small p-values which is an indication of heterogeneous variances. However, the results of the Kruskal-Wallis non-parametric test that allows for heterogeneous variances (see Appendix 5) show similar results to the ANOVA and therefore the ANOVA results are presented and discussed.

Table 5.9: Levene's Test of Homogeneity

Levene Test of Homogeneity of Variances Marked effects are significant at $p < 0.05000$								
Variable	SS Effect	df Effect	MS Effect	SS Error	df Error	MS Error	F	p
F1	1.237179	22	0.056235	0.000000	3	0.000000	1.368707E+30	0.00
F2	0.175385	22	0.007972	0.000000	3	0.000000	9.701516E+29	0.00
F3	0.861779	22	0.039172	0.000000	3	0.000000		
F4	0.447237	22	0.021693	0.000000	3	0.000000	2.639868E+30	0.00
F5	0.469136	22	0.021324	0.000000	3	0.000000	3.243820E+29	0.00
F6	0.810598	22	0.036845	0.000000	3	0.000000	4.483878E+30	0.00
F7	0.000000	22	0.000000	0.000000	2	0.000000		
F8	2.598291	22	0.118104	0.000000	3	0.000000	7.987487E+29	0.00
F9	0.134615	22	0.006119	0.000000	3	0.000000		

The results of the ANOVA are given in Table 5.10, which shows that only two risk factors differed significantly (with a 5% level of significance) from the other factors affecting the different tourism businesses and the tourism industry. These were competitiveness and health. For three other factors, there are also moderate differences between the various groups (at a 10% level of significance). These factors are F1, F6 and F9 and therefore an investigation in these factors is warranted.

Table 5.10: ANOVA (Analysis of Variance)

Analysis of Variance Marked effects are significant at $p < 0.05000$								
Variable	SS Effect	df Effect	MS Effect	SS Error	df Error	MS Error	F	p
F1	6.75194	5	1.350389	122.2907	184	0.664624	2.031810	0.076132
F2	1.58417	5	0.316834	160.3317	184	0.871368	0.363605	0.872950
F3	25.83019	5	5.166037	102.1383	184	0.555100	9.306503	0.000000
F4	4.41873	5	0.883746	166.3403	184	0.904024	0.977570	0.432806
F5	5.08514	5	1.017029	106.8992	184	0.580975	1.750557	0.125206
F6	7.12044	5	1.424088	130.5025	184	0.709253	2.007871	0.079476
F7	10.71641	5	2.143282	165.6116	183	0.904982	2.368315	0.041220
F8	3.99794	5	0.799588	124.8128	183	0.682037	1.172353	0.394449
F9	6.13668	5	1.227335	100.8312	184	0.547995	2.239681	0.052204

5.8.2 Tukey's Post-hoc Test

The factors identified as being significantly different from the others were subjected to Tukey's Post-hoc test for unequal sample sizes, which differentiates between the various operators in the tourism industry. The test was carried out to determine how these factors affected the individual operators in the tourism industry

The different operators are identified in Table 5.7 (Safety) and Table 5.8 (Health) as follows:

- Tour Operators {1}
- Travel Agents {2}
- Lodges {3}
- Hotels {4}
- Bed & Breakfasts {5}
- Guesthouses {6}

The first factor to be tested was Factor 3 (competitiveness), which was ranked as the second highest perceived risk in the factor analysis. The second analysed was Factor 7 (health risks) which, in the factor analysis, was seen to have the lowest perceived risk. (Refer to Table 5.11 and 5.12).

Table 5.11: Tukey's Post-hoc Test for Factor 3 – Competitiveness

		Unequal N HSD; Variable: F3 Marked differences are significant at p < .05000					
		{1}	{2}	{3}	{4}	{5}	{6}
Q1		M=3.5037	M=3.5949	M=3.0522	M=3.2273	M=2.5892	M=2.9140
1	{1}		0.996553	0.311323	0.953638	0.000028	0.016449
2	{2}	0.996553		0.133084	0.857123	0.000021	0.003501
3	{3}	0.311323	0.133084		0.993983	0.283175	0.988875
4	{4}	0.953638	0.857123	0.993983		0.337284	0.922501
5	{5}	0.000028	0.000021	0.283175	0.337284		0.484832
6	{6}	0.016449	0.003501	0.988875	0.922501	0.484832	

Table 5.11 shows that tour operators {1} and travel agents {2} regard safety risks as more important compared to, especially, bed & breakfast establishments {5} and guesthouses {6}. Tour operators and travel agents are more vulnerable to the risk items comprising this factor due to the nature of their businesses, whereas smaller establishments such as bed and breakfast establishments and guesthouses are less likely to attract international business and therefore are not as strongly influenced by aspects such as airline safety, crime, exchange rates, currency fluctuations.

Table 5.12: Tukey's Post-hoc Test for Factor 7 - Health Risks

Unequal N HSD; Variable: F1 Marked differences are significant at $p < .05000$						
Q1	{1}	{2}	{3}	{4}	{5}	{6}
	M=2.2456	M=1.8125	M=2.6087	M=2.0909	M=1.9242	M=2.0909
1 {1}		0.451974	0.788357	0.998958	0.743793	0.986129
2 {2}	0.451974		0.051648	0.983515	0.997162	0.850940
3 {3}	0.788357	0.051648		0.798028	0.142622	0.436154
4 {4}	0.998958	0.983515	0.798028		0.998507	1.000000
5 {5}	0.743793	0.997162	0.142622	0.998507		0.980615
6 {6}	0.986129	0.850940	0.436154	1.000000	0.980615	

As indicated in Table 5.12, travel agents {2} are less affected by health associated risks compared to lodges {3}). Although health risks are a discriminating factor in terms of the types of tourism businesses included in the survey, this factor has the lowest perceived risk, particularly to travel agents {2} and bed and breakfast establishments {5}. Lodges are most likely to be affected by health risks.

As the ANOVA (see Figure 5.10) indicated, factors F1 (operational risks), F6 (business insufficiencies) and F9 (transport risks) showed moderate differences between various groups at the 10% level of significance, Tukey's Post-hoc Test results will be briefly discussed. The results of Tukey's Post-hoc Test for these three factors are given in Table 5.13 (F1), Table 5.14 (F6) and Table 5.15 (F9).

Table 5.13: Tukey's Post-hoc Test for Factor 1 – Operational Risk

Unequal N HSD; Variable: F1 (Shaw) Marked differences are significant at $p < .05000$						
Q1	{1}	{2}	{3}	{4}	{5}	{6}
	M=2.3597	M=2.5315	M=2.0652	M=2.3506	M=2.0313	M=2.0718
1 {1}		0.959433	0.824859	1.000000	0.574487	0.705944
2 {2}	0.959433		0.377859	0.995393	0.138042	0.212592
3 {3}	0.824859	0.377859		0.963805	0.999992	1.000000
4 {4}	1.000000	0.995393	0.963805		0.941965	0.967252
5 {5}	0.574487	0.138042	0.999992	0.941965		0.999954
6 {6}	0.705944	0.212592	1.000000	0.967252	0.999954	

Table 5.13 shows that travel agents {2} regard operational risks as more important compared to, especially, bed & breakfast establishments {5} and guesthouses {6}. They are therefore more exposed and vulnerable to operational risks than bed & breakfast establishments and guesthouses.

Table 5.14: Tukey's Post-hoc Test for Factor 6 – Business Insufficiencies

Unequal N HSD; Variable: F6 (Shaw) Marked differences are significant at $p < .05000$						
Q1	{1} M=2.8552	{2} M=3.0938	{3} M=2.8667	{4} M=3.1818	{5} M=2.5525	{6} M=2.6626
1 {1}		0.867684	1.000000	0.944208	0.690044	0.939229
2 {2}	0.867684		0.942988	0.999880	0.104534	0.315297
3 {3}	1.000000	0.942988		0.951936	0.804171	0.963655
4 {4}	0.944208	0.999880	0.951936		0.496909	0.698831
5 {5}	0.690044	0.104534	0.804171	0.496909		0.994937
6 {6}	0.939229	0.315297	0.963655	0.698831	0.994937	

From Table 5.14, it can be concluded that travel agents {2} are more vulnerable to risks associated with business insufficiencies than guesthouses {6} and therefore regard these risks as more important than the guesthouses. This is confirmed when considering the individual risk associated with business insufficiencies (see Table 5.5).

Table 5.15: Tukey's Post-hoc Test for Factor 9 – Transport Risk

Unequal N HSD; Variable: F9 (Shaw) Marked differences are significant at $p < .05000$						
Q1	{1} M=3.0690	{2} M=2.9531	{3} M=2.9420	{4} M=2.8561	{5} M=2.6263	{6} M=2.6540
1 {1}		0.989147	0.992269	0.984759	0.146145	0.203518
2 {2}	0.989147		1.000000	0.999635	0.487817	0.587817
3 {3}	0.992269	1.000000		0.999799	0.698376	0.774462
4 {4}	0.984759	0.999635	0.999799		0.978554	0.987987
5 {5}	0.146145	0.487817	0.698376	0.978554		0.999989
6 {6}	0.203518	0.587817	0.774462	0.987987	0.999989	

Table 5.15 indicates that travel agents {2} rate transport risks as more important when compared to bed & breakfast establishment {5} and guesthouses {6}. This may be because travel agents are more dependent on transport and are therefore more exposed to risks associated with transport.

Tukey's Post-hoc Test of the five factors shows that travel agents are more exposed, and therefore more vulnerable, to most risks associated with the tourism industry than the other operators or business owners. The operators or business owners least affected by risk appear to be the bed & breakfast establishments and guesthouses. It is therefore important for travel agents to continuously monitor risk and keep their risk management plan up to date. By implementing appropriate preventive action, travel agents will be able to minimise the negative impact of the

risks associated with their business. This is especially applicable to those that can be regarded as internal to the business, which include operational risks and business insufficiencies.

5.9 SUMMARY

The purpose of this chapter was to discuss the findings of the empirical research starting with the design of a structured questionnaire consisting of demographic information and 57 risk statements to be rated in terms of intensity on a 5-point Likert scale and then analysing the responses using various relevant statistical methods. The method of sampling and responses received were discussed. The statistical methods used in the analysis of the data were briefly discussed, which included descriptive statistics, Bartlett's test of specificity, factor analysis, factor correlation, Levene's test of homogeneity, ANOVA, and Tukey's post-hoc test.

From the results of the statistical analysis, conclusions were drawn, some of which are mentioned in this chapter and discussed further in Chapter 6.

From the factor analysis, it can be concluded that all tourism operators (businesses) are equally affected by most factors (categories of risk). However, infrastructure risks are the greatest perceived risks, followed by safety (mainly safety of the business) and finance.

The analysis of variance shows that the only factors that differ significantly from the others are safety and health. Tukey's post-hoc test has shown which of the individual risk items have a greater effect on the different operators in the tourism industry.

From the correlation analysis it can be concluded that business insufficiencies in the form of training (an internal risk) have a significant influence on other risks such as organisational risks, economic risks and environmental risks. Therefore, if training can be enhanced and aimed at areas where problems are likely to occur as a result

of too little or ineffective training, the occurrence of other risks can be greatly reduced. The same argument applies to other business insufficiencies

The analysis (refer to Tables 5.5, 5.6, 5.7 and 5.8) has also provided an indication as to which risk item a particular operator needs to pay more attention to when evaluating the risks associated with the specific business and need to be included in the risk management model. From the analysis, one can conclude that certain categories of risk can be ignored or omitted from the model. However, this is not advisable and all possible risks should be included, because a risk that is insignificant to one business or operator may be highly significant to another. The level of significance is dependent on the prevailing conditions, both domestic and international in which the business operates. The analysis has, in the researcher's opinion, confirmed that the risk categories (factors) and the associated risk items identified are suitable and comprehensive enough to be included in the risk management model. The risk categories to be considered in the model are therefore:

A. Organisational Risk

Operational risks are internal risks to the business as all elements are related to the internal environment such as: range of products, customer complaints, number of temporary personnel, employee turnover, lack of quality service and many more.

B. Environmental (Nature)

Environmental (Nature) risk is considered as a domestic risk as it deals mainly with water pollution, air pollution, availability of drinking water, urbanisation and seasonality.

C. Competitiveness

Competitiveness falls under both domestic and international risk as it relates to exchange rates, currency fluctuations, airline safety and increased international competition.

D. Crime and Political Factors

Crime is a domestic and international risk. Political factors are seen as international risks as they include wars/conflicts, terrorist activities and political instability which currently do not occur in South Africa.

E. Infrastructure

Infrastructure falls under the internal category as all risks are internally related.

F. Business Insufficiencies

Business insufficiencies falls into the internal risk category as it relates to insufficient funds for training, and product development as well as a proper financial system, lack of qualified and experienced staff, and includes ageing of markets.

G. Health Risk

Health risks are considered as both domestic and international risks as they cover the world over to some degree.

H. Economic Risk

Economic risks are relevant domestic and international risks as they include inflation, interest rates and decreasing leisure time.

I. Transport Risk

Transport costs are risks carried by both domestic and international businesses. Because of increased fuel prices, the cost of transport is affected. Carrying capacity can be seen as a domestic and international risk.

The analysis of the risk factors focuses mainly on the businesses in the South African tourism industry and thus the industry as whole. Only the supply side of the South African tourism industry has been covered by the survey and analysis and does not address the demand side of tourism.

CHAPTER 6:

CONCLUSIONS AND RECOMMENDATIONS

*"There is no greater mistake than the hasty conclusion
that opinions are worthless
because they are badly argued"*
Napoleon Hill , 1883-1970

6.1 INTRODUCTION

This chapter reports on the conclusions drawn from the literature review and empirical research before it addresses the main aim of this research, the development of the risk management model. It also contains the recommendations and possible future research. The contribution of the research to the body of knowledge is also addressed. With this in mind the chapter is structured along the following lines:

Firstly, the introduction will briefly review the research objectives and indicate in which part of this study they have been achieved. Secondly, the contribution to the body of knowledge and to the tourism industry in South Africa is briefly discussed. Thirdly, the main findings from the literature review and the empirical research are reviewed. Fourthly, a proposed risk management model and process for use by the South African tourism industry is developed and further enhancements are suggested before areas of further research are highlighted in the final section of this chapter.

As indicated in chapter one, the primary objective of this research is to develop a risk management model for the South African tourism industry from the perspective of businesses (the supply side). This objective is addressed in section 6.5 of this chapter. To achieve the primary objective, the following secondary objectives have been set:

- To explore relevant existing theories related to risk and risk management, in tourism businesses and the tourism industry in general. This was addressed in Chapter 2 and the conclusions reached are addressed in sections 6.3.1 and 6.3.2 of this chapter.
- To analyse internal and external (domestic and international) risks associated with the domestic tourism industry. This objective was addressed in Chapters 3 and 4 respectively and the conclusions reached are further discussed in section 6.3.3 of this chapter.
- To conduct a survey to determine what risks should form part of the model from a manager's (supply side) perspective, which was addressed in Chapter 5.
- To draw conclusions from the empirical analysis for the inclusion of risks in the risk management model and to make recommendations as to how the risk management model can be implemented by role players in the tourism industry. This was addressed in Chapter 5 and will be further elaborated on in this chapter.

6.2 CONTRIBUTION OF THE RESEARCH

This research made the following contributions.

- 1 The research highlighted the importance of identifying risks as well as a more formal approach to risk management for the tourism industry.
- 2 The study identified various risks that could have an impact on the industry.
- 3 The research identified the main categories of risks faced by the tourism industry in South Africa and showed that most of the risks are generic to all businesses. However, there are certain risks that influence specific sectors within the Tourism Industry more than others.
- 4 This research has resulted in a risk management process and model for the tourism industry specifically which, according to the tourism literature, has not existed before.
- 5 This work has provided a user-friendly tool for use by tourism industry operators to manage risks specific to their business, thereby reducing the

- negative impact of domestic risk on the business and industry and also maximising the benefit that may be obtained by exploiting the external risks.
- 6 The study has highlighted the complexity of managing risks from a destination point of view.
 - 7 This is the first work of its kind in the South African tourism literature.

6.3 CONCLUSIONS DRAWN FROM THE LITERATURE STUDY

In this section, the conclusions drawn from the literature study relevant to the underlying theory of tourism, risk, risk management, risk management models, and the impact of domestic risks and international risks are briefly discussed, which addresses the first two secondary objectives of the research.

6.3.1 Tourism and the Tourism Industry

Saayman's (2008) definition indicates that the tourism industry is a complex industry as illustrated in Figure 1.1, which integrates with other industries and businesses outside the realm of tourism as shown in Figure 1.2 (refer to Chapter 1). Examples of such industries and businesses include manufacturers of goods for sale to tourists, souvenir shops and the organisers of conferences and sports events, of which the 2010 FIFA Soccer World Cup is an example. It is further impacted by events taking place in other parts of the world that are in direct competition with the local tourism industry or by risk events that negatively impact on the foreign tourism industry, but which can be beneficial to the South African tourism industry.

6.3.2 Risk and Risk Management

There are various definitions of risk, which is ultimately concerned with the uncertainty of the future and what may occur, known as risk events. These risk events may have a positive or negative impact on the tourism industry and may be of a domestic or international nature.

The research has indicated that South African tourism industry has to contend with many potential risks, both domestic and international, to grow the industry, create jobs and allow individual businesses and the industry to survive in the long term to the benefit of all its stakeholders. The negative impact of domestic risks on the South African tourism industry and the opportunities to be exploited due to international risk that may occur outside the country's borders emphasise the need to manage risk. This confirms that there is a need for a risk management model and process that can be used by the South African tourism industry. However, the literature review has shown that although there are various risk management models and processes for other disciplines such as project management, there is no specific model and process available for the tourism industry.

The definitions of risk management by various authors, as discussed in Chapters 1 and 2, are in agreement that the process consists of risk identification, risk assessment (analysis), risk response development and risk response control. These definitions form the underlying theory of any risk management model and process for any industry, including the South African tourism industry.

A risk management model and process therefore needs to be developed for the various businesses in the tourism industry and those associated with the industry to eliminate or reduce risk to achieve the maximum benefit from the business and industry as a whole. It is essential that, to be of maximum benefit to the users, such a model and process is easy to use and user friendly (Refer Section 6.5).

3.3.3 Domestic and International Risks

The risks that affect the tourism industry can be broadly classified into domestic and international risks. Domestic risks, including internal and external risks to the businesses, occur within the borders of South Africa and usually have negative consequences for the industry, whereas international risks occur outside the borders of South Africa and can be profitably exploited by the South African tourism industry. Risk events that occur domestically, inside the supplying country's borders, include risks that are both internal and external to an individual business within the tourism industry. These risks are usually detrimental to the industry and must, if possible,

be eliminated or action must be taken to reduce the likelihood of occurrence thereby minimising their negative consequences (refer to Chapter 3). International risks, on the other hand, may have a negative or positive impact on the South African tourism industry. The tourism industry and operators within the industry usually have very little control over such events. However, risks that have a positive impact on the South African tourism industry offer an opportunity to be exploited in presenting South Africa as a favourable alternative tourist destination as these risks do not occur in the country or their impact is minimal (refer to Chapter 4).

A. Domestic Risks

Domestic risks occur within the borders of the host country (supply side) and usually impact negatively on the tourism industry of that country. In Chapter 3 domestic risks were discussed under the following headings (categories):

- Environmental risks
- Socio-economic risks
- Political risks
- Economic risks
- Transport
- Internal business risks
- Technology
- Socio-demographic risks

All the risk categories, except for internal business risk, occur outside the business and are therefore classified as external risks that may impact on the business or on the tourism industry. Internal business risks are inherent to the business and occur within the business itself. Technological risks can be both of an internal and external nature depending on the cause of failure. If, for example, the telecommunication system fails and reservations cannot be made, then it is an external risk. However, if reservations cannot be made due to the inexperience of the person using the system then the risk is of an internal nature. Internal risks are under the direct control of the operator or business owner and it is therefore easier to formulate and implement preventive actions to eliminate the risk or at least reduce the negative impact that such a risk has on the business if it does occur.

Discussion of individual risks within the various risk categories has shown that many of the domestic risks that are of an external nature cannot be eliminated by the operator or owner of the business. However, this does not imply that no action can be taken by the operator or owner of the business as insurance can be taken out against certain risks and thus transferring the risk to another party as is the case for some of the natural disasters that occur from time to time. In other cases, an information brochure can be used to inform the tourist of specific risks and preventive action that can be taken by the tourist, as is the case with vaccination against diseases such as cholera or preventive medication against malaria.

It can also be concluded from the literature study that many risks are not isolated events and that the occurrence of one risk can trigger other risks and *vice versa*. The elimination of one risk can eliminate others or reduce their impact on the business or tourism industry as a whole. For example, by reducing the risk of a lack of funding, more money can be made available for training - resulting in a better service being provided and fewer customer complaints. This has an impact on the business and also on the efficiency of the tourism industry as a whole, depending on where the people are employed. This, in turn, improves the image of the tourism industry, destinations and the country as a whole.

It can therefore be concluded from the literature study of domestic risks that many of them can be counteracted by appropriate and effective preventive action implemented by any or all of the following: Individual operators/owners of businesses, SATSA, ASATA and government at local, provincial and national level need to work together to promote South Africa as a safe and attractive tourist destination. The same co-operation will be required to counteract domestic risks that lie outside the control of an individual or a single organisational body.

B. International Risks

International risks are risks that occur outside the borders of the host country (South Africa) and have been discussed in Chapter 4 under the following headings (categories):

- Environmental risks
- Natural disasters

- Climate change
- Socio-demographic changes
- Socio-economic risks
- Political risks
- Economic risks

International risk events highlighted in Chapter 4, which occur in other countries, may result in tourists avoiding such destinations in favour of South Africa where conditions may be more favourable. These risks are therefore generally seen as opportunities that can be exploited by the suppliers and to the benefit of the South African tourism industry: However, they may also have a negative impact on the host country as is the case with South Africa and neighbouring Zimbabwe where the result of events in Zimbabwe spill over into South Africa and increase the risk of overall damage to the South African tourism industry. Similarly events taking place in other African countries, not bordering South Africa, can trigger risk events merely by association since it has occurred in Africa and South Africa is part of Africa. Other international risks events are related to the global financial situation which may have a negative impact on the tourism industry because potential overseas tourists do not have the necessary financial resources available.

The South African tourism industry, government and individual operators/owners of businesses can do nothing to prevent international risk events from occurring. However, it is very important that all the players in the tourism industry are fully aware of such risks and the impact they have on the country where they occur and the tourism industry of that country. Without the knowledge of occurrence of international risk events and understanding the impact they have on the country of occurrence, the South African tourism industry and possibly operators and owners of businesses will not be able to exploit the opportunities presented or implement countermeasures in the event of a potential negative impact. This may be in the form of bad publicity or a poor image by association. In this case, national intervention may be required to present the country as it is, and not their neighbours or countries on the same continent.

The literature study of international risks has revealed that there is a similar interdependence between risk events, which is not limited to the country in which such a risk occurs. The occurrence of an international risk event may trigger a domestic risk as can be seen from previous discussion of events in neighbouring countries where the risk may result in an increased risk to damaging the image of South Africa as a favourable tourist destination.

It was also concluded from the literature study that many of the risks that are discussed under the heading of international risks, for example natural disasters, drought, climate change and crime may also occur within South Africa's borders and are therefore also domestic risks. Financial risk is a further example of risk that occurs both internationally and domestically. For example, the risk of a lower disposable income on the domestic scene may result in a decrease in local tourism by South Africans, whereas if this occurs in other countries (international risk) then the number of tourists from those countries to South Africa is likely to decrease.

Some the domestic risks are insurable and the risk can therefore be transferred (see Table 2.2). However, if these risks are of an international nature then it is very difficult, if not impossible, for operators and owners of businesses to obtain insurance against these events. Individual tourists can, and in most cases are compelled to, take out insurance against the impact of health risks should they be personally affected in the form of medical insurance and, in the case of accidents, in the form of a travel insurance.

From the literature consulted, it is evident that there are many, often integrated, domestic and international risks that the players in the tourism industry must identify, assess, and formulate appropriate responses that must be implemented and managed. This will be very difficult without using an effective, user friendly risk management model. Unfortunately, the literature study conducted in Chapter 2 has confirmed that, up to the present, such a model does not exist.

It can be concluded from the literature study carried out and discussed in Chapters 2, 3 and 4 that the following secondary research objectives have been achieved:

- 1 To explore relevant existing theories and models related to risk and risk management, with tourism businesses and the tourism industry in general
- 2 To analyse domestic and international risks associated with the domestic tourism industry

6.4 CONCLUSIONS DRAWN FROM THE SURVEY

The survey, which addresses the third secondary research objective, was conducted by means of a structured questionnaire sent to a sample of 800 out of an estimated population of 1 200 operators and owners of business in the South African tourism industry. A response of 212 valid questionnaires was received, which equates to a response rate of 25.6%, which is acceptable for this type of survey (Cooper & Schindler, 2001:314).

The businesses that participated in the survey, as indicated by the responses received, were: tour operators (29.72%), guesthouses (17.92%), bed and breakfast establishments (15.57%), travel agents (15.09%), lodges (10.85%), hotels (5.66%) and others (5.19%). It can therefore be seen that the survey was representative of the industry and was a good representation of the population.

The analysis of the demographic data further showed that the businesses were operating across the nine provinces of South Africa as follows: Western Cape (29.24%), Gauteng (25.27%), KwaZulu-Natal (17.69%), Mpumalanga (8.66%), Eastern Cape (6.86%), Limpopo (4.33%), Free State (2.89%), North West (2.53%) and Northern Cape (2.53%). It can therefore be concluded that the survey was representative of the tourism industry in South Africa, which supports the previous conclusion that the sample was a good representation of the population. The distribution of respondents is not only an indication of the popularity of the provinces as tourist destination, but is also closely related to the economic and business activity across South Africa. Gauteng is the economic hub of South Africa followed by the Western Cape and KwaZulu-Natal. It can therefore be concluded that many of the tour operators and travel agents conduct their business from these provinces, whereas the providers of accommodation are spread throughout the country with the

larger hotels being found in the three main centres and lodges in Mpumalanga and KwaZulu-Natal where the large game parks are situated.

The descriptive analysis of the 57 risk statements highlighted some important risks based on the average response to the intensity ranking based on a 5-point Likert scale (see Table 5.4). The three risks considered of the highest intensity and therefore most important by the respondents were: The image of the country/destination, decrease in disposable income of tourists and crime in general. Those considered to be least important by the respondents (see Table 5.3) were the number of temporary personnel employed in the business, diseases and the amount of overtime worked by employees. The analysis indicated that the responses to all the statements were spread across the scale of intensity rating which indicated that not all respondents consider the risks of equal importance to their businesses. A risk may be important to one operator/owner but not to another depending on the type of business and location.

However, the descriptive analysis was considered to be insufficient as it only provided information in respect of selected risk statement and not in terms of risk categories, which may include risk not contained in the structured questionnaire as indicated in Table 1.1. Therefore further analysis was conducted using principal component factor analysis, ANOVA, factor correlation, Kruskal-Wallis non-parametric test for heterogeneity and Tukey's Post-hoc test after proving that the data was valid to conduct these analyses.

In the problem statement, seven categories of risk were initially identified. These were Nature (environmental risks), crime, health and safety, political factors, economic risks, technology and socio-demographic risk (see Table 1.1). The factor analysis grouped the 57 risk statements into nine categories (factors), which are: Organisational risks that are internal and external to the business (Factor 1); environmental risks (Factor 2); competitiveness (Factor 3); crime and political factors (Factor 4); infrastructure risks (Factor 5); business insufficiencies (Factor 6); health risks (Factor 7); economic risks (Factor 8) and transport risks (Factor 9) (see Table 5.5). (The pattern matrix from the factor analysis used to derive Table 5.5 is shown in Appendix 4). Transport, which was originally included under economics, is

an example of this. Health is a factor on its own and only includes health issues such as diseases whereas safety is included with competitiveness.. Business insufficiencies are a new risk factor or category that has been introduced as result of factor analysis.

Seven of the nine factors have a reliability coefficient greater than 0.82 and Factor 6 has a reliability coefficient of 0.63. The only factor with a low reliability coefficient (0.35) is Factor 7 (health risk). The low reliability coefficients were due to the small number of components included in the groupings (factor 6 – 3 and factor 7 – 2). Therefore, with the exception off F 6, it was concluded that the results obtained from the factor analysis were acceptable.

To determine which of the risk factors were considered to be most important to the operators/owners of tourism businesses, the factors were ranked according to their mean value of the risk intensity rating (see Table 5.6). The three most significant risk factors are infrastructure, competitiveness and economic risk with a mean response rating of 3.27, 3.18 and 3.12 respectively. This indicates that individual risk events grouped in these factors are important to respondents and require appropriate action to be formulated and implemented as soon as possible, if not immediately. The remaining six factors all have a mean response rating under 3,00, which indicates that appropriate action is required, but not necessarily immediately. Although Factor 6 (business insufficiencies) is only ranked sixth with a mean response rating of 2.83, it has a significant relationship with other factors and therefore needs to be given particular attention, for example the training of staff. Although no analysis has been conducted into the causes of risks associated with the business there are relationships as shown by the factor correlation analysis and therefore there is a possibility that by addressing one risk the occurrence of other risks may be reduced, but not necessarily so.

The ranking of the factors only provided an indication of which risk factors are important to the respondents. It did not give an indication of which risks are considered more important than others. To establish this, the factor loadings for the risks were examined to identify the degree of importance of individual risk events to the business as seen by the respondents. This analysis made it possible to group

the risks into three risk severity groups in respect of action required to reduce the negative impact or to be exploited for the benefit of the business and the tourism industry. As there are no fixed rules for such categorisation, a set of rules has been recommended in Table 6.1, which can also be used to test the proposed risk management process and model (see Section 6.5.1).

Table 6.1: Risk Severity Groups

Factor Loading (x)	Severity Rating	Preventive Measures
$x \geq 0.7$	High	Immediate action is required
$0.3 < x < 0.7$	Medium	Preventive measures need to be implemented, but not necessarily immediately
$x \leq 0.3$	Low	No immediate action required in the near future; there must be awareness of the risk

Further analysis was conducted using factor correlation which indicated that correlation coefficients were low, ranging from 0.276 to 0.366, which indicates that there are weak relationships between some of the factors (see Table 5.7). As no test of significance was conducted, the results are not conclusive. The strongest relationships based on Table 5.7 are:

- Organisational risk : Business Insufficiencies (Training) (0.366)
- Environmental risk : Economic risk (-0.276)
- Environmental risk : Business Insufficiencies (Training) (0.256)
- Business Insufficiencies (Training) : Economic risk (-0.242)
- Organisational risk : Infrastructure risk (0.240)
- Organisational risk : Environmental risk (0.238)

From Levene's test of homogeneity, which yielded small p values, it can be concluded that the variances are heterogeneous and therefore not really suitable for ANOVA as this requires variances to be homogenous. However, it decided to do the ANOVA and follow this up with the Kruskal-Wallis non-parametric test, which allows for heterogeneous variances. The Kruskal-Wallis test yielded similar results to the ANOVA (see Appendix 5 and Table 5.10 respectively). The ANOVA indicated that Factor 3 (competitiveness) and Factor 7 (health risk) differed significantly at the 5% level and that Factors 1, 6 and 9 (operational risks, business insufficiencies and transportation risk) differed at the 10% level. However, ANOVA only indicates that there are differences, but not where these differences are.

To establish where and what the difference are, the data for Factors 3, 7, 1, 6 and 9 were tested using Tukey's post-hoc test for unequal samples sizes (see Tables 5.11 to 5.14 respectively). Tukey's post-hoc test indicated that travel agents are more vulnerable to most of the risks associated with the tourism industry than any other business in the industry. The least affected businesses were the bed & breakfast establishments and guesthouses.

Based on the analysis of the responses to the structured questionnaire, it can be concluded that most, if not all, businesses must manage the risks (domestic and international) associated with the tourism industry. This applies especially to the travel agents, as they appear to be most vulnerable to risk.

To be able to manage risk effectively, the tourism industry and the business require a risk management process and model developed to meet the specific needs of the industry. It is further recommended that the operators/owners of businesses and other players in the South African tourism industry implement a risk management process and model. The development of a proposed model for the tourism industry of South Africa is discussed in the following section.

It can be concluded from the analysis conducted and discussed in Chapter 5 that the following secondary research objectives have been achieved:

- 1 To conduct a survey to determine those risks that should, from a manager's (supply side) perspective, form part of the model
- 2 To draw conclusions from the empirical analysis of the data underpinning the risk management model, and to make recommendations regarding its implementation by role players in the tourism industry

6.5 A RISK MANAGEMENT MODEL FOR THE TOURISM INDUSTRY IN SOUTH AFRICA

As stated in Section 1.3.1, the primary objective of this research is to develop a risk management model for the tourism industry in South Africa that will enable members of the tourism industry to manage associated risks by means of risk

identification, risk assessment, risk response development and risk response control. In this section, the proposed model will be developed and briefly discussed.

Risk management models can be constructed in various ways, for example using flow diagrams, mathematical models or simple means such as tables and spreadsheets. The model proposed as part of this research will be kept simple and will be presented in tabular format, which is easily converted into a spreadsheet. The operator of any business in the tourism industry then has the opportunity to select only those risk items that are identified for his/her business at any particular point in time.

The identified risks can be handled in different ways depending on the situation the operator is in (Gray & Larson, 2006:216-217) (see Section 2.3.2):

A. Mitigation

To mitigate a risk means to reduce the occurrence of that risk or, if does occur, to minimise the impact of the risk on the business. Risks that can be mitigated include operational risks such as customer complaints and lack of quality service provided. Business inefficiencies such as the lack of qualified or trained staff can also be mitigated by employing people with relevant qualifications or by the training of employees.

B. Transfer of Risk

Transfer the risk or its impact to another party by means of insurance. This can be expensive and does not prevent the risk from occurring, but minimises the cost to the business. Risks that can be transferred are all risks that can be insured against, for example theft, some natural disasters (see Table 2.2).

C. Avoidance

Risks can be avoided by changing plans to eliminate the risk or condition creating the potential risk. The risk of competition can be avoided by identifying and operating in a niche market where specialised or expensive attractions are offered and it is difficult or not profitable for competitors to enter. There may also be instances where it is too expensive to mitigate or transfer a risk, in which case the

operator/owner of the business may decide not to undertake or, if already started, to terminate the project.

D. Sharing

When sharing the risk, a proportion of the risk is allocated to different parties, for example partners. Risks can be shared by forming partnerships with other businesses in the same or related industry. An example being the tour operator arranging the tour and providing the guides in partnership with a company operating luxury coaches providing the transport, or hotels/lodges providing accommodation.

E. Accept (Retain) the Risk

Make a conscious and informed decision to accept the risk and take no further action. Risk can be accepted if the cost implications are not very high or the risk has a very low probability of occurrence. Other risks that can be accepted, because nothing can be done about them by the operator or owner of the business include climate change, currency fluctuations and interest rates.

6.5.1 The Risk Management Process

The final risk management process is based on the research of processes used by other industries, businesses and disciplines and has evolved to make it user friendly. The initial process is based on a combination of the processes discussed in Chapter 2 and is illustrated in Figure 6.1.

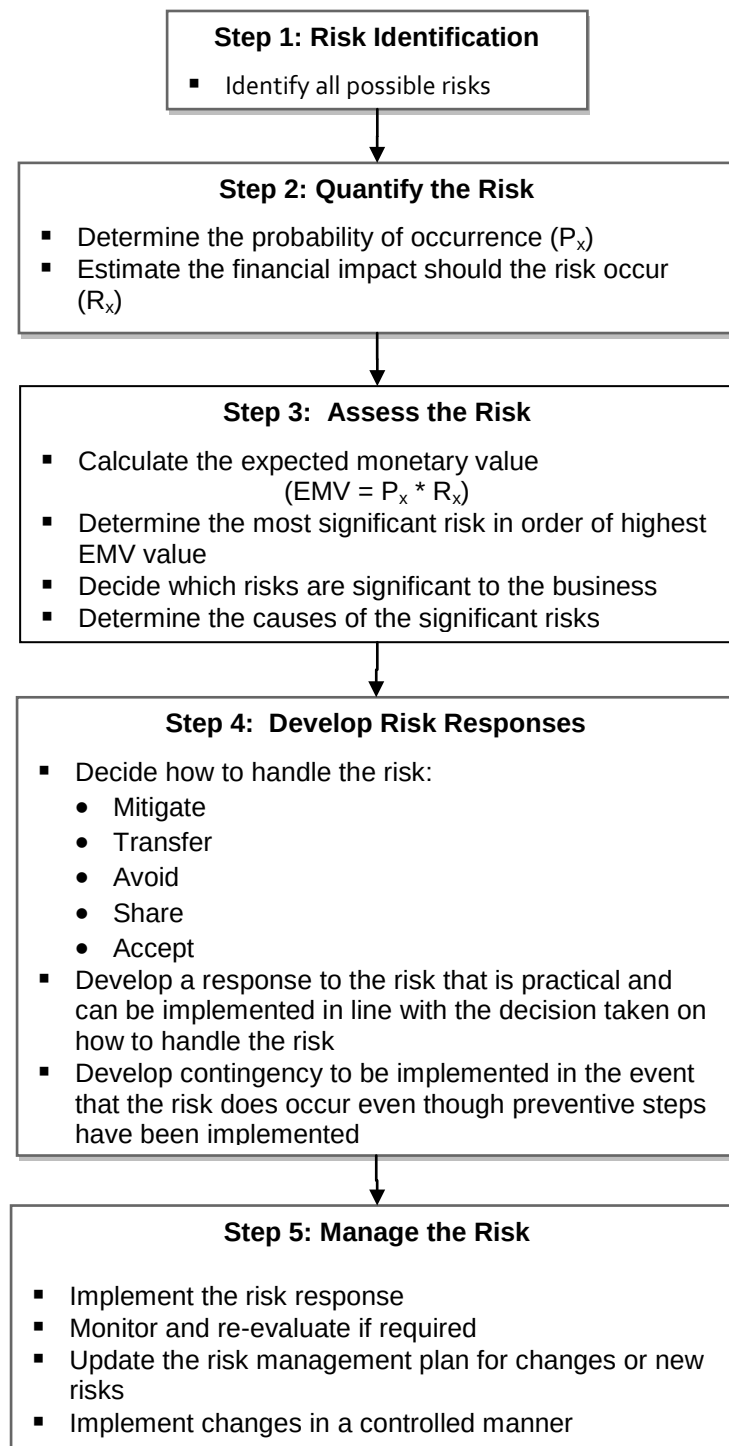


Figure 6.1: Initial Risk Management Process
(Source: Researcher: Based on various models discussed in Section 2.5)

Step 3 in the process presented in Figure 6.1 requires the determination of the probability of occurrence and the Rand value of the risk impact. Both these parameters are difficult to determine, especially by users who do not have a statistical background and understanding of the concept of probability. The term

EMV (Expected Monetary Value), which is the product of the probability and the Rand value is also not easily understood. It was therefore necessary that the process be simplified to make it more user-friendly and the model more readily usable.

To achieve this, it was decided to use a risk management matrix to classify the risks into three categories, high, medium and low. The revised model is illustrated in Figure 6.2.

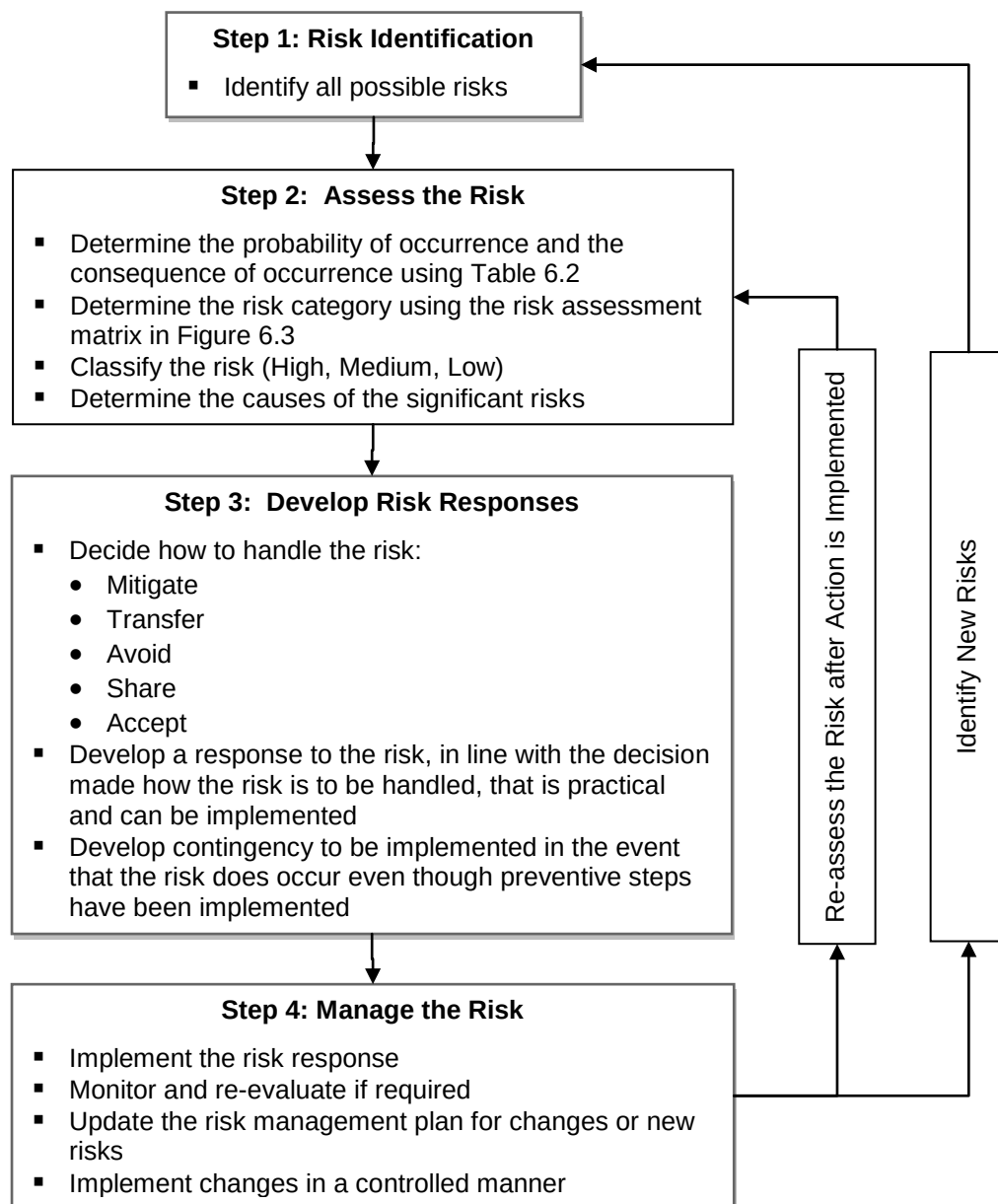


Figure 6.2: Final Proposed Risk Management Process
(Source: Researcher: Improvement of the model in Figure 6.1)

The probability of occurrence and consequence is determined using Table 6.2 as a guideline. Although no support can be found in the literature, the probability and occurrence ranking in Table 6.1 have been used by a number of industries, especially when performing safety risk analyses.

Table 6.2: Probability and Consequence of Occurrence

Probability		Consequence	
1	Regular (>80% Chance)	1	Extremely High Cost or Loss of Life
2	Probable (60 – 79% Chance)	2	High Cost or Serious Injuries
3	Can Happen (40 – 59% Chance)	3	Moderate Cost or Moderate Injuries
4	Low Likelihood (20 – 39% Chance)	4	Low Cost or Minor Injuries
5	Rare (6 – 19% Chance)	5	Extremely Low Cost or No injuries
6	Highly Unlikely (<5% Chance)	6	No Cost or Near Miss

The risk assessment matrix in Figure 6.3 is used to classify the risk's severity as high (1 -4), medium (5 – 7) or low (8 – 11). The severity ranking in the matrix is a logical derivation from the ranking of occurrence and consequence. Starting in the top right corner with the highest ranking of 1, which is derived from a probability rating of 1 and a consequence rating of 1, the severity ratings are then increased by 1 for every square moving from top to bottom in the right hand column and the left to right in the top row as the risk severity decreases. The lowest severity risk has a matrix ranking of 11 (bottom left corner).

Risk Assessment Matrix							
Consequence	1	6	5	4	3	2	1
	2	7	6	5	4	3	2
	3	8	7	6	5	4	3
	4	9	8	7	6	5	4
	5	10	9	8	7	6	5
	6	11	10	9	8	7	6
		6	5	4	3	2	1
		Probability of Occurrence					

High Severity Risks

Medium Severity Risk

Low Severity Risk

Figure 6.3: Risk Assessment Matrix

High severity risks (1 – 4) require immediate action to eliminate or at least reduce the occurrence of risk or its impact. When the risk is classified as one of medium severity (5 – 7) then preventive measures need to be implemented. Risks in the low severity category (8 – 11) do not require action in the immediate future and can be accepted, but personnel must be aware of the risk.

It recommended that every operator/owner of a business associated with the tourism industry in South Africa uses the risk severity matrix in Figure 6.3 to categorise and classify the risks that have been identified.

The process of quantifying the risk is subjective as it is based on the user's ability to determine the probability of occurrence and the cost of the consequence (or benefit) should the risk occur. Risk management is not an exact science, but still a useful tool to minimise the negative impact or maximise the benefit to the individual business, its owners and the industry as a whole.

6.5.2 The Risk Management Model

The process illustrated in Figure 6.3 was used to develop the proposed risk management model for the South African tourism industry shown in Figure 6.4.

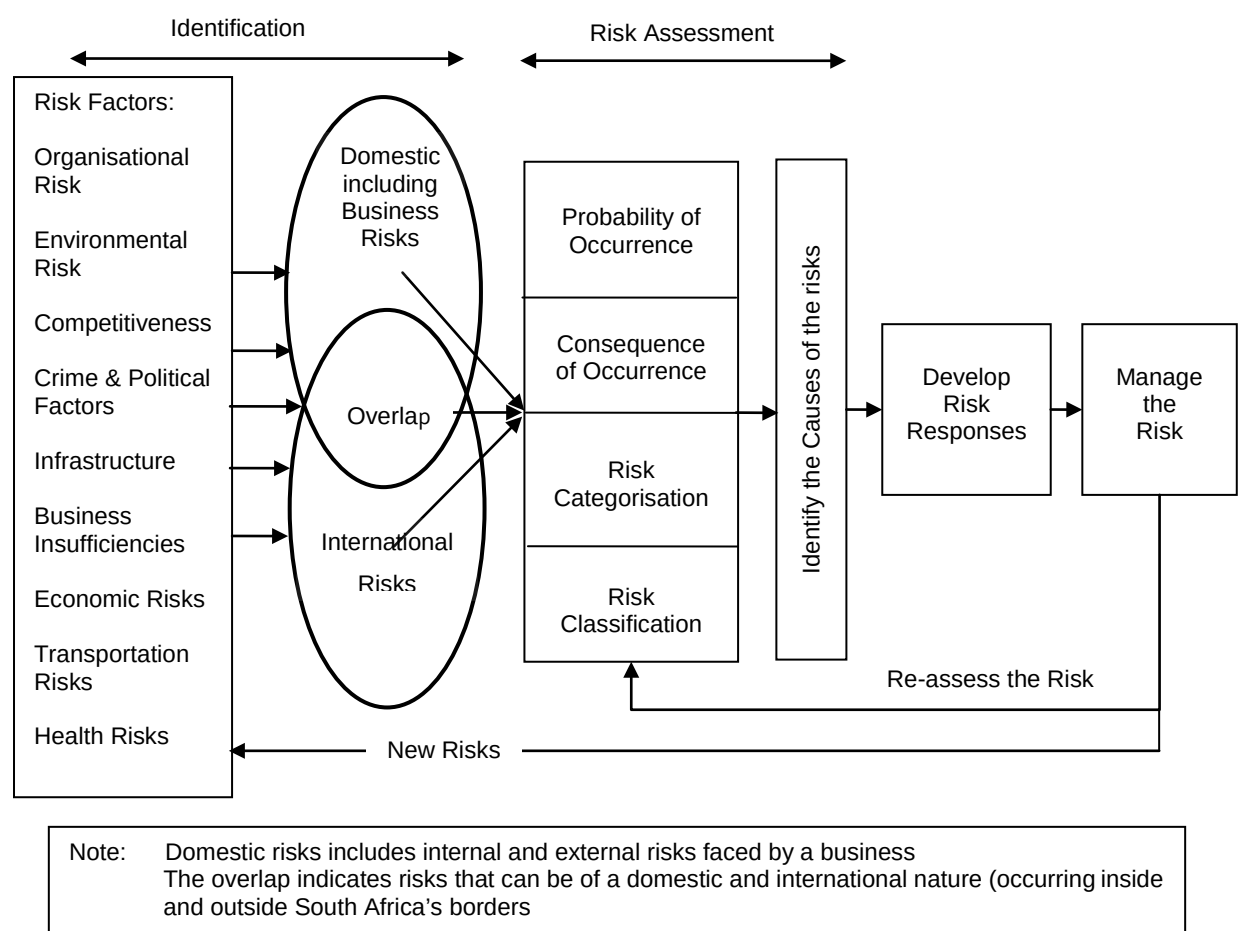


Figure 6.4: Proposed Risk Management Model
(Source: Researcher: Based on the risk management process in Figure 6.2)

The risk management model in Figure 6.4 illustrates the risk management process in Figure 6.2. The individual risks found under the risk factors can be domestic or international risks. Some of these risks can be of both a domestic and international nature and will fall into the overlap. Internal or external risks to the business are included in the domestic risks. The individual risks are now assessed, categorised and classified by determining the probability of occurrence and the consequence of the risk (Table 6.2) and using the risk severity matrix Figure 6.3) to categorise and classify the risk severity as high, medium or low. The next stage of the process illustrated in the model is to identify the causes of the risk after which a response (action) is formulated for implementation to reduce the loss incurred by the business should the risk occur. Once the response is implemented it must be determined if the action taken was successful by repeating the risk assessment process and, if necessary, formulating and implementing further action. New risks may arise as a result of this process or are otherwise identified and the process starts again. This is part of managing the risk.

The risk management model in Figure 6.4 is translated into the tabular format shown in Table 6.3, which serves as an example only and has not been fully populated.

The risk items identified as a result of this research are grouped according to the categories (factors) compiled by means of the factor analysis carried out in Chapter 5. The categories are in order of significance as per Table 5.3. The person performing the risk analysis follows the process as proposed by the researcher and outlined in Figure 6.2.

The response types used in the tabular model (Table 6.2) are:

- Mitigate (M)
- Transfer (T)
- Avoid (A)
- Share (S)
- Accept/Retain (R)

The risk management model is flexible allowing the operator of the business in the tourism industry to tailor the model to suit his/her own specific needs. Risk items

and categories can be added or deleted at any time and risk items can be moved from one category to another. The tabular model (Table 6.3) is an example of what the final working model for a specific business may look like. The ratings in Table 6.2 are arbitrarily chosen to serve as an example only and have no scientific basis. These ratings may not be applicable to all businesses and therefore every operator/owner of a business associated with the tourism industry must decide on the probability of occurrence and the consequence of the risk as applicable to the business and then use these values to categorise and classify the risk using the risk severity matrix in Figure 6.3.

Table 6.3: The Risk Management Model in Tabular Format

Category/Risk Item	Internal (I) External (E)	Probability Rating	Consequence	Category	Classification	Cause	Response Type	Response/Action
Infrastructure								
▪ National marketing	Internal	3	2	4	High	Insufficient marketing by Department of Tourism	M	Raise issue with SATSA or ASATA Increase own marketing effort
▪ Insufficient marketing by local authorities	Internal	2	4	5	medium	Local authorities do not have a marketing plan or funding	M	Raise issue with SATSA or ASATA Increase own marketing effort
▪ Image of country	Internal	3	3	5	Medium	Government not responding to bad reports	M	Arrange meetings with government and explain negative effects on tourism
▪ Legislation	Internal	3	3	3	High	Government dragging feet	A	No control
▪ Road safety	Internal	3	3	5	Medium	Non performance by Roads Authority	M	Raise issue with Roads Authority
▪ Electricity cuts	Internal	2	2	3	High	Poor planning by ESKOM	M	Highlight issue with Government and ESKOM
▪ Decrease in disposable income	Internal	4	4	7	Medium			
	External	3	2	4	High			
▪ Lack of municipal services	Internal	3	3	5	Medium	Bad management by Municipality	M	Raise issue with Municipality
▪ Too high prices	Internal	3	3	5	Medium	Overestimated expenses	M	Review budget
						Profit margin to high	M	Reduce profit margin
Competitiveness							A	No control
▪ Exchange rate							A	No control
▪ Currency fluctuation								
▪ Airline safety								
▪ Increased competition								

internationally								
▪ Airport safety								
▪ Crime								
▪ Increased competition nationally								
▪ Change in tourist needs								
Economic Risk								
▪ Inflation							A	No Control
▪ Interest rates							A	No Control
▪ Decreasing leisure time by tourists								
Transport Risk								
▪ Cost of transport								
▪ Increase of transport								
▪ Carrying cost of fuel								
▪ BEE								
Business Insufficiencies								
▪ Insufficient funding for training								
▪ Lack of qualified staff								
▪ Lack of experience								
▪ Lack of funding for product development								
▪ Ageing markets								
▪ Lack of proper financial systems								
Crime and Political Factors								
▪ Wars/conflict								
▪ Terrorist activities								
▪ Natural disasters								
▪ Political instability								
▪ Fire								
▪ Climate change								

▪ Theft/Fraud								
Environmental								
▪ Water pollution								
▪ Air pollution								
▪ Availability of drinking water								
▪ Urbanisation								
▪ Seasonality								
Operational Risk								
▪ Range of products								
▪ Customer complaints								
▪ Non-performance with compliance policy								
▪ Amount of overtime worked by employees								
▪ Number of temporary personnel								
▪ Vacation								
▪ Employee turnover								
▪ Lack of quality service								
▪ Repeat business								
▪ Unable to fulfil needs								
▪ Theft in business by tourists								
▪ Technological changes								
Health								
▪ Diseases								
▪ HIV/AIDS								

The tabular risk management model in Table 6.3 is a direct representation of the model in Figure 6.3 and facilitates the recording to all the information with respect to each risk identified. This tabular model now formalises the process and can also be seen as a risk management plan to be used by the operators/owners of the business. The process used is therefore the same as explained for the model.

It has been shown by the literature study in Chapters 2, 3 and 4 and reinforced by the survey results in Chapter 5, that there is a real need for a risk management model that is specifically designed for the tourism industry in South Africa. Therefore it is strongly recommended that the risk management process and model as developed and discussed in this section be implemented by every business and organisation associated with the tourism industry. This will contribute the long-term survival and profitability of the businesses and growth the industry as a whole which, in turn, will lead to job creation.

6.5.3 Improving the Model and Process

The tabular model presented in Table 6.3 can be stored in electronic format on a laptop or desktop computer in MS Word® format for easy reviewing and updating as conditions change or new risk are identified.

It is recommended that the risk management model be enhanced and made more user-friendly by transporting the data into a suitable and expert system shell, with or without learning capabilities. “An expert system is a computer program that simulates the judgement and behaviour of a human or an organization that has expert knowledge and experience in a particular field. Typically, such a system contains a knowledge base containing accumulated experience and a set of rules for applying the knowledge base to each particular situation that is described to the program. Sophisticated expert systems can be enhanced with additions to the knowledge base or to the set of rules” (SearchCIO-Midmarket.com, 2010).

The expert system basically works as follows: The probability of occurrence, the consequence ratings and the severity (risk assessment matrix) are programmed into the expert system together with a list of possible causes of each of the known

risks as well as a set of possible solutions for each cause of risk. The user will then enter the risk, probability of occurrence and the consequence rating. The system will determine the severity rating, classify the risk as high, medium or low and return a set of possible causes from which the user can select the most likely cause of the risk or add a new cause if necessary. Depending on the cause, the expert system will then determine the type of action to be taken and suggest a number of possible solutions from which the user can then select the most feasible one for implementation to minimise the adverse impact on the business (Richrath, 1991; Page & Lagomasimo, 1988, Chorafas, 1987; Waterman, 1986).

In Section 6.5, the primary research objective, which was to 'develop a risk management model for the tourism industry in South Africa, when viewed from a business perspective', has been addressed and it was shown that this was achieved.

6.6 POSSIBLE FUTURE RESEARCH

This research has concentrated on risks that are likely to occur and impact on the supply side of the South African tourism industry. This implies that it only focussed on the provision of services for use by the tourists, who represent the demand side of the tourism industry, and it has not considered the risks faced by tourists in the model.

It is therefore recommended that the risks likely to occur on the demand side of the tourist industry be researched for inclusion in the risk management model.

As the different sectors of the tourism industry may be affected differently by the various risks that may occur and will therefore rate the significance differently, it is recommended that an analysis of the risks in the various sectors of the industry be conducted

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APPENDIX 1 - LETTER AND STRUCTURED QUESTIONNAIRE

A RISK MANAGEMENT MODEL FOR THE TOURISM INDUSTRY IN SOUTH AFRICA

Dear Director/Manager

The following questionnaire is part of an extensive research study undertaken to investigate the risks associated with the tourism industry. Your valuable input is vital to the outcome of this research. Kindly complete this questionnaire as thoroughly as possible. All information will be treated as confidential and will only be used for academic purposes.

Thank you

Gordon K Shaw

PhD Student

Department of Economics and Business Management

North-West University

Tel: 082 570 3831

Instructions for completion:

- 1 Please answer all questions regarding your assessment of tourism risk as honestly and objectively as possible.
- 2 Place a tick or a cross in the space of the questions that reflects your answer most accurately.
- 3 Where asked for comments or to specify, please keep these as briefly, yet thoroughly, as possible.

SECTION A: INSTITUTION INFORMATION

1. What type of business do you manage/ own

Tour operator	1
Travel agent	2
Lodge	3
Hotel	4
Bed & Breakfast establishment	5
Guesthouse	6
Other (Specify)	7

2. Please indicate your highest level of education

No school	1
Matric	2
Diploma, degree	3
Post-graduate	4
Professional	5
Other (Specify)	6

3. In which province is your business situated?

Western Cape	1
Gauteng	2
Eastern Cape	3
Free State	4
North West	5
Mpumalanga	6
Northern Cape	7
KwaZulu-Natal	8
Limpopo	9

4. Please indicate which of the following you use to determine and evaluate risks in your business

Physical inspection	Yes	No
Complaints	Yes	No
Economic forecasts	Yes	No
Market statistics	Yes	No
Drop in turnover	Yes	No
Group discussion (brainstorming)	Yes	No
Interviewing tourists/visitors	Yes	No
Seminars, workshop, media reports	Yes	No
Working closely with government institutions	Yes	No
Other (Specify)	Yes	No
Global trends		
Political decisions		
Crime stats		

5. What are the key factors that you consider important when determining risk?

Physical inspection
Economic forecasts
Market statistics
Global trends
Political decisions

SECTION B

6. Please rate the following risks in your business on the intensity scale.

Extremely high risks					
High risk					
Moderately					
Low risk					
Extremely low risk					
1. HIV/AIDS	1	2	3	4	5
2. Diseases such as Cholera, Tuberculosis, Malaria, etc.	1	2	3	4	5
3. Crime in general	1	2	3	4	5
4. Cost of transportation	1	2	3	4	5
5. Road safety, such as conditions of roads, potholes, insufficient streets	1	2	3	4	5
6. Airline safety	1	2	3	4	5
7. Airport safety and security	1	2	3	4	5
8. Exchange rates	1	2	3	4	5
9. Currency fluctuations	1	2	3	4	5
10. Decrease in disposable income	1	2	3	4	5
11. Inflation	1	2	3	4	5
12. Interest rates	1	2	3	4	5
13. Lack of qualified staff	1	2	3	4	5

14. Lack of experienced staff	1	2	3	4	5
15. Aging tourist markets	1	2	3	4	5
16. Decreasing leisure time of tourists	1	2	3	4	5
17. Urbanisation	1	2	3	4	5
18. Seasonality	1	2	3	4	5
19. Water pollution	1	2	3	4	5
20. Air pollution	1	2	3	4	5
21. Availability of clean drinking water	1	2	3	4	5
22. Natural disasters such as floods, tornados, droughts and tsunamis	1	2	3	4	5
23. Fire	1	2	3	4	5
24. Image of the country/destination	1	2	3	4	5
25. Increased competition, nationally	1	2	3	4	5
26. Increased competition, internationally	1	2	3	4	5
27. Change of tourists needs	1	2	3	4	5
28. Insufficient funding for training	1	2	3	4	5
29. Lack of funding for product development	1	2	3	4	5
30. Carrying capacity – too many tourists/visitors	1	2	3	4	5
31. Insufficient marketing by local authorities	1	2	3	4	5
32. Lack of municipal services such as water, electricity, sewerage	1	2	3	4	5
33. Wars/conflicts	1	2	3	4	5
34. Political instability in neighbouring countries e.g. Zimbabwe	1	2	3	4	5
35. Terrorist activities	1	2	3	4	5
36. Climate change	1	2	3	4	5
37. Lack of proper financial systems	1	2	3	4	5
38. Theft/fraud in business by staff	1	2	3	4	5
39. Theft in business by tourists	1	2	3	4	5
40. Black Economic Empowerment (BEE)	1	2	3	4	5
41. Unable to fulfil needs of tourists	1	2	3	4	5
42. Too high prices in industry in general	1	2	3	4	5
43. National marketing organisation not effective	1	2	3	4	5
44. Technological changes e.g reservation systems, new programmes	1	2	3	4	5
45. Legislation	1	2	3	4	5
46. Political instability in South Africa	1	2	3	4	5
47. Increase in fuel cost	1	2	3	4	5
48. Lack of quality services by your staff	1	2	3	4	5
49. Employee turnover	1	2	3	4	5
50. Amount of overtime worked by employees	1	2	3	4	5
51. Vacation and absenteeism rate	1	2	3	4	5
52. Number of temporary personnel vs the total number of personnel	1	2	3	4	5
53. Customer complaints	1	2	3	4	5
54. Repeat business vs new business	1	2	3	4	5
55. Range of products too limited	1	2	3	4	5
56. Non-performance with compliance policy	1	2	3	4	5
57. Electricity cuts	1	2	3	4	5

7. What specific actions and recommendations can you suggest to ensure a proper and successful Risk Management Plan?

Thank you for your co-operation

APPENDIX 2: Descriptive Statistics

(Arranged in high to low sequence of intensity)

#	Statement	N	Intensity of Risk			Std Dev
			Min	Max	Mean	
24	Image of Country/Destination	209	1	5	3.83	1.112
10	Decrease in Disposable Income of Tourists	208	1	5	3.80	1.038
3	Crime in General	207	1	5	3.53	1.226
9	Currency Fluctuations	207	1	5	3.46	1.148
8	Exchange Rates	210	1	5	3.42	1.180
46	Political Instability in South Africa	210	1	5	3.40	1.230
47	Increase in Cost of Fuel	209	1	5	3.39	1.188
11	Inflation	208	1	5	3.39	0.996
31	Insufficient Marketing by Local Authority	208	1	5	3.33	1.235
25	Increased Competition - Nationally	210	1	5	3.27	1.019
4	Cost of Transportation	207	1	5	3.24	1.144
14	Lack of Experienced Staff	208	1	5	3.22	1.199
57	Electricity Cuts	209	1	5	3.20	1.261
12	Interest Rates	203	1	5	3.20	1.025
13	Lack of Qualified Staff	211	1	5	3.19	1.197
26	Increased Competition - Internationally	209	1	5	3.15	1.250
43	National Marketing Organisation not Effective	209	1	5	3.14	1.168
5	Road Safety and Conditions of Roads	210	1	5	3.09	1.199
32	Lack of Municipal Services	205	1	5	3.05	1.357
45	Legislation	210	1	5	3.02	1.128
33	Wars/Conflicts	209	1	5	3.02	1.443
7	Airport Safety and Security	207	1	5	3.00	1.344
42	Too High Prices in Industry in General	209	1	5	2.96	1.149
34	Political Instability in Neighbouring Countries	209	1	5	2.93	1.191
27	Change in Tourist's Needs	207	1	5	2.87	1.004
35	Terrorist Activities	211	1	5	2.86	1.390
18	Seasonality	208	1	5	2.84	1.069
29	Lack of Funding for Product Development	205	1	5	2.83	1.140
6	Airline Safety	207	1	5	2.77	1.398
16	Decreasing Leisure Time of Tourists	208	1	5	2.75	1.101
48	Lack of Quality Services by Staff	210	1	5	2.74	1.284
28	Insufficient Funds for Training	206	1	5	2.72	1.103
54	Repeat Business vs New Business	206	1	5	2.69	1.185
23	Fire	208	1	5	2.66	1.309
40	Black Economic Empowerment (BEE)	208	1	5	2.61	1.307
38	Theft/Fraud in Business by Staff	207	1	5	2.61	1.361
21	Availability of Clean Drinking Water	204	1	5	2.53	1.292
37	Lack of Proper Financial Systems	206	1	5	2.52	1.213
44	Technological Changes	208	1	5	2.48	1.077
19	Water Pollution	209	1	5	2.48	1.260
36	Climate Change	210	1	5	2.46	1.137
22	Natural Disasters	210	1	5	2.44	1.316
15	Aging Markets	205	1	5	2.43	1.048
49	Employee Turnover	208	1	5	2.43	1.257
41	Unable to Fulfil of Tourists	238	1	5	2.38	1.240
20	Air Pollution	205	1	5	2.37	1.171
30	Carrying Capacity – Too Many Tourists/Visitors	203	1	5	2.26	1.092
39	Theft in Business by Tourists	208	1	5	2.21	1.229
53	Customer Complaints	209	1	5	2.19	1.298
56	Non-performance with Compliance Policy	206	1	5	2.19	1.138
51	Vacation and Absenteeism Rate	207	1	5	2.17	1.056
1	HIV/AIDS	206	1	5	2.12	1.137
55	Range of Products too Limited	210	1	5	2.12	1.076
17	Urbanisation	207	1	5	2.12	0.978
50	Amount of Overtime Worked by Employee	209	1	5	2.10	1.067
2	Diseases	207	1	5	2.09	1.091
52	Number of Temporary Personnel	207	1	5	1.76	0.897

APPENDIX 3: FREQUENCY DISTRIBUTION OF RISK STATEMENT RESPONSES

HIV/AIDS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	76	35.8	36.9	36.9	67
	2	65	30.7	31.6	68.4	
	3	41	19.3	19.9	88.3	
	4	13	6.1	6.3	94.7	11
	5	11	5.2	5.3	100.0	
	Total	206	97.2	100.0		
Missing	System	6	2.8			
Total		212	100.0			

DISEASES

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	77	36.3	37.2	37.2	67
	2	64	30.2	30.9	68.1	
	3	43	20.3	20.8	88.9	
	4	16	7.5	7.7	96.6	11
	5	7	3.3	3.4	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

CRIME IN GENERAL

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	16	7.5	7.7	7.7	19
	2	24	11.3	11.6	19.3	
	3	59	27.8	28.5	47.8	
	4	51	24.1	24.6	72.5	51
	5	57	26.9	27.5	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

COST OF TRANSPORTATION

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	15	7.1	7.2	7.2	26
	2	41	19.3	19.8	27.1	
	3	61	28.8	29.5	56.5	
	4	60	28.3	29.0	85.5	42
	5	30	14.2	14.5	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

ROAD SAFETY AND CONDITIONS OF ROADS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	25	11.8	11.9	11.9	31
	2	41	19.3	19.5	31.4	
	3	61	28.8	29.0	60.5	
	4	57	26.9	27.1	87.6	39
	5	26	12.3	12.4	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

AIRLINE SAFETY

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	49	23.1	23.7	23.7	47
	2	50	23.6	24.2	47.8	
	3	40	18.9	19.3	67.1	
	4	35	16.5	16.9	84.1	32
	5	33	15.6	15.9	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

AIRPORT SAFETY AND SECURITY

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	35	16.5	16.9	16.9	38
	2	45	21.2	21.7	38.6	
	3	48	22.6	23.2	61.8	
	4	43	20.3	20.8	82.6	37
	5	36	17.0	17.4	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

EXCHANGE RATE

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	19	9.0	9.0	9.0	19
	2	21	9.9	10.0	19.0	
	3	65	30.7	31.0	50.0	
	4	63	29.7	30.0	80.0	50
	5	42	19.8	20.0	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

CURRENCY FLUCTUATIONS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	15	7.1	7.2	7.2	17
	2	22	10.4	10.6	17.9	
	3	65	30.7	31.4	49.3	
	4	62	29.2	30.0	79.2	50
	5	43	20.3	20.8	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

DECREASE IN DISPOSABLE INCOME OF TOURISTS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	7	3.3	3.4	3.4	10
	2	14	6.6	6.7	10.1	
	3	52	24.5	25.0	35.1	
	4	75	35.4	36.1	71.2	64
	5	60	28.3	28.8	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

INFLATION

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	7	3.3	3.4	3.4	17
	2	28	13.2	13.5	16.8	
	3	79	37.3	38.0	54.8	
	4	65	30.7	31.3	86.1	44
	5	29	13.7	13.9	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

INTEREST RATES

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	9	4.2	4.4	4.4	23
	2	40	18.9	19.7	24.1	
	3	79	37.3	38.9	63.1	
	4	52	24.5	25.6	88.7	35
	5	23	10.8	11.3	100.0	
	Total	203	95.8	100.0		
Missing	System	9	4.2			
Total		212	100.0			

LACK OF QUALIFIED STAFF						% of Total
		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1	21	9.9	10.0	10.0	27
	2	37	17.5	17.5	27.5	
	3	67	31.6	31.8	59.2	
	4	52	24.5	24.6	83.9	41
	5	34	16.0	16.1	100.0	
	Total	211	99.5	100.0		
Missing	System	1	.5			
Total		212	100.0			

LACK OF EXPERIENCED STAFF						% of Total
		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1	20	9.4	9.6	9.6	26
	2	35	16.5	16.8	26.4	
	3	68	32.1	32.7	59.1	
	4	49	23.1	23.6	82.7	40
	5	36	17.0	17.3	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

AGING MARKETS						% of Total
		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1	48	22.6	23.4	23.4	49
	2	55	25.9	26.8	50.2	
	3	73	34.4	35.6	85.9	
	4	24	11.3	11.7	97.6	14
	5	5	2.4	2.4	100.0	
	Total	205	96.7	100.0		
Missing	System	7	3.3			
Total		212	100.0			

DECREASING LEISURE TIME OF TOURISTS						% of Total
		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1	29	13.7	13.9	13.9	42
	2	59	27.8	28.4	42.3	
	3	67	31.6	32.2	74.5	
	4	41	19.3	19.7	94.2	25
	5	12	5.7	5.8	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

URBANISATION

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	64	30.2	30.9	30.9	65
	2	73	34.4	35.3	66.2	
	3	58	27.4	28.0	94.2	
	4	6	2.8	2.9	97.1	6
	5	6	2.8	2.9	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

SEASONALITY

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	25	11.8	12.0	12.0	35
	2	50	23.6	24.0	36.1	
	3	80	37.7	38.5	74.5	
	4	40	18.9	19.2	93.8	25
	5	13	6.1	6.3	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

WATER POLLUTION

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	56	26.4	26.8	26.8	56
	2	62	29.2	29.7	56.5	
	3	44	20.8	21.1	77.5	
	4	29	13.7	13.9	91.4	22
	5	18	8.5	8.6	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

AIR POLLUTION

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	53	25.0	25.9	25.9	58
	2	71	33.5	34.6	60.5	
	3	48	22.6	23.4	83.9	
	4	18	8.5	8.8	92.7	16
	5	15	7.1	7.3	100.0	
	Total	205	96.7	100.0		
Missing	System	7	3.3			
Total		212	100.0			

AVAILABILITY OF CLEAN DRINKING WATER

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	53	25.0	26.0	26.0	54
	2	61	28.8	29.9	55.9	
	3	37	17.5	18.1	74.0	
	4	34	16.0	16.7	90.7	25
	5	19	9.0	9.3	100.0	
	Total	204	96.2	100.0		
Missing	System	8	3.8			
Total		212	100.0			

NATURAL DISASTERS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	68	32.1	32.4	32.4	56
	2	50	23.6	23.8	56.2	
	3	43	20.3	20.5	76.7	
	4	30	14.2	14.3	91.0	23
	5	19	9.0	9.0	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

FIRE

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	46	21.7	22.1	22.1	50
	2	60	28.3	28.8	51.0	
	3	48	22.6	23.1	74.0	
	4	27	12.7	13.0	87.0	25
	5	27	12.7	13.0	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

IMAGE OF COUNTRY/DESTINATION

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	9	4.2	4.3	4.3	12
	2	17	8.0	8.1	12.4	
	3	44	20.8	21.1	33.5	
	4	69	32.5	33.0	66.5	66
	5	70	33.0	33.5	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

INCREASED COMPETITION, NATIONALLY

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	9	4.2	4.3	4.3	20
	2	34	16.0	16.2	20.5	
	3	86	40.6	41.0	61.4	
	4	54	25.5	25.7	87.1	38
	5	27	12.7	12.9	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

INCREASED COMPETITION, INTERNATIONALLY

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	27	12.7	12.9	12.9	28
	2	32	15.1	15.3	28.2	
	3	68	32.1	32.5	60.8	
	4	46	21.7	22.0	82.8	39
	5	36	17.0	17.2	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

CHANGE IN TOURIST'S NEEDS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	16	7.5	7.7	7.7	35
	2	58	27.4	28.0	35.7	
	3	83	39.2	40.1	75.8	
	4	37	17.5	17.9	93.7	24
	5	13	6.1	6.3	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

INSUFFICIENT FUNDING FOR TRAINING

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	32	15.1	15.5	15.5	40
	2	52	24.5	25.2	40.8	
	3	76	35.8	36.9	77.7	
	4	33	15.6	16.0	93.7	22
	5	13	6.1	6.3	100.0	
	Total	206	97.2	100.0		
Missing	System	6	2.8			
Total		212	100.0			

LACK OF FUNDING FOR PRODUCT DEVELOPMENT

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	30	14.2	14.6	14.6	37
	2	48	22.6	23.4	38.0	
	3	69	32.5	33.7	71.7	
	4	43	20.3	21.0	92.7	27
	5	15	7.1	7.3	100.0	
	Total	205	96.7	100.0		
Missing	System	7	3.3			
Total		212	100.0			

CARRYING CAPACITY - TOO MANY TOURISTS/VISITORS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	58	27.4	28.4	28.4	60
	2	69	32.5	33.8	62.3	
	3	51	24.1	25.0	87.3	
	4	16	7.5	7.8	95.1	12
	5	9	4.2	4.4	99.5	
	15	1	.5	.5	100.0	
	Total	204	96.2	100.0		
Missing	System	8	3.8			
Total		212	100.0			

INSUFFICIENT MARKETING BY LOCAL AUTH

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	19	9.0	9.1	9.1	26
	2	36	17.0	17.3	26.4	
	3	53	25.0	25.5	51.9	
	4	57	26.9	27.4	79.3	47
	5	42	19.8	20.2	99.5	
	44	1	.5	.5	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

LACK OF MUNICIPAL SERVICES

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	31	14.6	15.1	15.1	38
	2	50	23.6	24.4	39.5	
	3	42	19.8	20.5	60.0	
	4	42	19.8	20.5	80.5	39
	5	40	18.9	19.5	100.0	
	Total	205	96.7	100.0		
Missing	System	7	3.3			
Total		212	100.0			

WARS/CONFLICTS						% of Total
		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1	43	20.3	20.6	20.6	38
	2	38	17.9	18.2	38.8	
	3	46	21.7	22.0	60.8	
	4	35	16.5	16.7	77.5	39
	5	47	22.2	22.5	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

POLITICAL INSTABILITY IN NEIGHBOURING COUNTRIES

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	28	13.2	13.4	13.4	35
	2	47	22.2	22.5	35.9	
	3	69	32.5	33.0	68.9	
	4	41	19.3	19.6	88.5	31
	5	24	11.3	11.5	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

TERRORIST ACTIVITIES

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	46	21.7	21.8	21.8	43
	2	46	21.7	21.8	43.6	
	3	47	22.2	22.3	65.9	
	4	36	17.0	17.1	82.9	34
	5	36	17.0	17.1	100.0	
	Total	211	99.5	100.0		
Missing	System	1	.5			
Total		212	100.0			

CLIMATE CHANGE

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	46	21.7	21.9	21.9	55
	2	71	33.5	33.8	55.7	
	3	56	26.4	26.7	82.4	
	4	24	11.3	11.4	93.8	17
	5	13	6.1	6.2	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

LACK OF PROPER FINANCIAL SYSTEMS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	51	24.1	24.8	24.8	50
	2	54	25.5	26.2	51.0	
	3	58	27.4	28.2	79.1	
	4	26	12.3	12.6	91.7	20
	5	16	7.5	7.8	99.5	
	21	1	.5	.5	100.0	
	Total	206	97.2	100.0		
Missing	System	6	2.8			
Total		212	100.0			

THEFT/FRAUD IN BUSINESS BY STAFF

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	56	26.4	27.1	27.1	51
	2	53	25.0	25.6	52.7	
	3	40	18.9	19.3	72.0	
	4	32	15.1	15.5	87.4	27
	5	26	12.3	12.6	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

THEFT IN BUSINESS BY TOURISTS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	76	35.8	36.5	36.5	65
	2	62	29.2	29.8	66.3	
	3	33	15.6	15.9	82.2	
	4	24	11.3	11.5	93.8	17
	5	13	6.1	6.3	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

BLACK ECONOMIC EMPOWERMENT (BEE)

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	52	24.5	25.0	25.0	50
	2	53	25.0	25.5	50.5	
	3	51	24.1	24.5	75.0	
	4	28	13.2	13.5	88.5	25
	5	24	11.3	11.5	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

UNABLE TO FULFILL TOURIST'S NEEDS						% of Total
		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1	63	29.7	30.0	30.0	59
	2	63	29.7	30.0	60.0	
	3	39	18.4	18.6	78.6	
	4	31	14.6	14.8	93.3	21
	5	14	6.6	6.7	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

TOO HIGH PRICES IN INDUSTRY IN GENERAL						
		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	25	11.8	12.0	12.0	35
	2	49	23.1	23.4	35.4	
	3	63	29.7	30.1	65.6	
	4	54	25.5	25.8	91.4	34
	5	18	8.5	8.6	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

NATIONAL MARKETING ORGANISATION NOT EFFECTIVE						
		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	25	11.8	12.0	12.0	25
	2	29	13.7	13.9	25.8	
	3	71	33.5	34.0	59.8	
	4	59	27.8	28.2	88.0	40
	5	25	11.8	12.0	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

TECHNOLOGICAL CHANGES						
		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	43	20.3	20.7	20.7	51
	2	65	30.7	31.3	51.9	
	3	65	30.7	31.3	83.2	
	4	27	12.7	13.0	96.2	17
	5	8	3.8	3.8	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

LEGISLATION

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	21	9.9	10.0	10.0	32
	2	47	22.2	22.4	32.4	
	3	70	33.0	33.3	65.7	
	4	51	24.1	24.3	90.0	34
	5	21	9.9	10.0	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

POLITICAL INSTABILITY IN SOUTH AFRICA

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	16	7.5	7.6	7.6	25
	2	36	17.0	17.1	24.8	
	3	56	26.4	26.7	51.4	
	4	53	25.0	25.2	76.7	48
	5	49	23.1	23.3	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

INCREASE IN COST OF FUEL

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	15	7.1	7.2	7.2	22
	2	32	15.1	15.3	22.5	
	3	64	30.2	30.6	53.1	
	4	53	25.0	25.4	78.5	46
	5	45	21.2	21.5	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

LACK OF QUALITY SERVICE BY YOUR STAFF

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	46	21.7	21.9	21.9	44
	2	47	22.2	22.4	44.3	
	3	55	25.9	26.2	70.5	
	4	40	18.9	19.0	89.5	29
	5	22	10.4	10.5	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

EMPLOYEE TURNOVER

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	64	30.2	30.8	30.8	54
	2	50	23.6	24.0	54.8	
	3	48	22.6	23.1	77.9	
	4	32	15.1	15.4	93.3	22
	5	14	6.6	6.7	100.0	
	Total	208	98.1	100.0		
Missing	System	4	1.9			
Total		212	100.0			

AMOUNT OF OVERTIME WORKED BY EMPLOYEES

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	76	35.8	36.4	36.4	66
	2	64	30.2	30.6	67.0	
	3	46	21.7	22.0	89.0	
	4	18	8.5	8.6	97.6	11
	5	5	2.4	2.4	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

VACATION AND ABSENTEEISM RATE

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	69	32.5	33.3	33.3	61
	2	60	28.3	29.0	62.3	
	3	55	25.9	26.6	88.9	
	4	19	9.0	9.2	98.1	11
	5	4	1.9	1.9	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

NUMBER OF TEMPORARY PERSONNEL

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	101	47.6	48.8	48.8	79
	2	66	31.1	31.9	80.7	
	3	31	14.6	15.0	95.7	
	4	7	3.3	3.4	99.0	4
	5	2	.9	1.0	100.0	
	Total	207	97.6	100.0		
Missing	System	5	2.4			
Total		212	100.0			

CUSTOMER COMPLAINTS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	84	39.6	40.2	40.2	67
	2	58	27.4	27.8	67.9	
	3	28	13.2	13.4	81.3	
	4	21	9.9	10.0	91.4	18
	5	18	8.5	8.6	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

REPEAT BUSINESS vs NEW BUSINESS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	39	18.4	18.9	18.9	41
	2	47	22.2	22.8	41.7	
	3	79	37.3	38.3	80.1	
	4	20	9.4	9.7	89.8	19
	5	21	9.9	10.2	100.0	
	Total	206	97.2	100.0		
Missing	System	6	2.8			
Total		212	100.0			

RANGE OF PRODUCTS TOO LIMITED

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	72	34.0	34.3	34.3	68
	2	72	34.0	34.3	68.6	
	3	42	19.8	20.0	88.6	
	4	17	8.0	8.1	96.7	11
	5	7	3.3	3.3	100.0	
	Total	210	99.1	100.0		
Missing	System	2	.9			
Total		212	100.0			

NON-PERFORMANCE WITH POLICY COMPLIANCE

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	70	33.0	34.0	34.0	64
	2	65	30.7	31.6	65.5	
	3	42	19.8	20.4	85.9	
	4	20	9.4	9.7	95.6	14
	5	9	4.2	4.4	100.0	
	Total	206	97.2	100.0		
Missing	System	6	2.8			
Total		212	100.0			

ELECTRICITY CUTS

		Frequency	Percent	Valid Percent	Cumulative Percent	% of Total
Valid	1	24	11.3	11.5	11.5	29
	2	38	17.9	18.2	29.7	
	3	59	27.8	28.2	57.9	
	4	49	23.1	23.4	81.3	42
	5	39	18.4	18.7	100.0	
	Total	209	98.6	100.0		
Missing	System	3	1.4			
Total		212	100.0			

APPENDIX 4: PATTERN MATRIX

Pattern Matrix									
Risk Statement	Component								
	1	2	3	4	5	6	7	8	9
Range of products	.806								
Customer complaints	.792								
Non-performance	.755								
Amount of overtime	.753								
Number of temporary personnel	.738								
Vacation	.729								
Employee turnover	.700					.287			
Lack of quality service	.574			.257		.315			
Repeat business	.570							-.369	
Unable to fulfil needs	.476								
Theft in business by tourists	.422			.286					
Theft/fraud by staff	.388			.277			.329		
Technological changes	.370								.261
Change in tourists needs	.290		.277						
Lack of proper financial systems	.288					.278			
Water pollution		.814							
Air pollution		.807							
Availability of drinking water		.713							
Urbanisation		.515		-.274		.279			
Climate change		.494		.397					.356
Seasonality	.302	.372			.258		-.275		
Exchange rate			.754						
Currency fluctuations			.681					-.289	
Airline safety		.444	.547						
Increased competition, international			.538		.294				
Airport safety		.427	.537						
Crime			.530				.288		
Increased competition, nationally			.345		.273				
Cost of transportation			.338						.258
Wars/conflicts				.782					
Terrorist activities				.764					
Natural disasters		.316		.578					
Political instability in South Africa			.273	.548					
Political instability in neighbouring				.477	.402				
Fire		.284	-.361	.403					
National marketing					.686				
Insufficient marketing by local author					.679				
Image of country					.558				
Legislation					.430				
Road safety		.402			.418				
Electricity cuts					.368				
Decrease in disposable income					.364			-.335	
Lack of municipal services				.356	.363				
Too high prices				.252	.350				
Insufficient funding for training						.776			

Lack of qualified staff						.772			
Lack of experienced staff						.760			
Lack of funding for product develop						.586			.412
Aging markets		.269				.468			
Diseases							.753		
HIV/AIDS							.688		
Decreasing leisure time of tourists	.286	.265					-.352	-.291	
Inflation								-.763	
Interest rates								-.750	
Increase in cost of fuel								-.395	.455
Carrying capacity	.337	.283							.371
Bee								-.263	-.285

Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 25 iterations.

APPENDIX 5: KRUSKAL-WALLIS NON-PARAMETRIC TEST

Depend.: F1	Multiple Comparisons p values (2-tailed); F1 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 190) =11.51691 p =.0420					
	2	5	6	3	4	1
	R:119.58	R:78.985	R:85.129	R:84.773	R:107.27	R:99.476
	2	0.051414	0.216471	0.361841	1.000000	1.000000
	5	0.051414	1.000000	1.000000	1.000000	1.000000
	6	0.216471	1.000000	1.000000	1.000000	1.000000
	3	0.361841	1.000000	1.000000	1.000000	1.000000
	4	1.000000	1.000000	1.000000	1.000000	1.000000
	1	1.000000	1.000000	1.000000	1.000000	1.000000
Depend.: F2	Multiple Comparisons p values (2-tailed); F2 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 190) =1.968540 p =.8535					
	2	5	6	3	4	1
	R:92.350	R:91.606	R:106.39	R:101.07	R:92.955	R:92.183
	2	1.000000	1.000000	1.000000	1.000000	1.000000
	5	1.000000	1.000000	1.000000	1.000000	1.000000
	6	1.000000	1.000000	1.000000	1.000000	1.000000
	3	1.000000	1.000000	1.000000	1.000000	1.000000
	4	1.000000	1.000000	1.000000	1.000000	1.000000
	1	1.000000	1.000000	1.000000	1.000000	1.000000
Depend.: F3	Multiple Comparisons p values (2-tailed); F3 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 190) =35.43139 p =.0000					
	2	5	6	3	4	1
	R:126.77	R:58.697	R:77.048	R:83.523	R:96.591	R:112.96
	2	0.000014	0.006231	0.076295	1.000000	1.000000
	5	0.000014	1.000000	1.000000	0.716870	0.000066
	6	0.006231	1.000000	1.000000	1.000000	0.043717
	3	0.076295	1.000000	1.000000	1.000000	0.459757
	4	1.000000	0.716870	1.000000	1.000000	1.000000
	1	1.000000	0.000066	0.043717	0.459757	1.000000
Depend.: F4	Multiple Comparisons p values (2-tailed); F4 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 190) =4.827963 p =.4372					
	2	5	6	3	4	1
	R:104.70	R:83.439	R:85.177	R:97.955	R:89.091	R:102.78
	2	1.000000	1.000000	1.000000	1.000000	1.000000
	5	1.000000	1.000000	1.000000	1.000000	1.000000
	6	1.000000	1.000000	1.000000	1.000000	1.000000
	3	1.000000	1.000000	1.000000	1.000000	1.000000
	4	1.000000	1.000000	1.000000	1.000000	1.000000
	1	1.000000	1.000000	1.000000	1.000000	1.000000

Depend.: F5	Multiple Comparisons p values (2-tailed); F5 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 190) =6.030482 p =.3033					
	2	5	6	3	4	1
	R:74.567	R:92.576	R:99.452	R:97.818	R:100.64	R:103.35
	2	1.000000	1.000000	1.000000	1.000000	0.274511
	5	1.000000	1.000000	1.000000	1.000000	1.000000
	6	1.000000	1.000000	1.000000	1.000000	1.000000
	3	1.000000	1.000000	1.000000	1.000000	1.000000
	4	1.000000	1.000000	1.000000	1.000000	1.000000
	1	0.274511	1.000000	1.000000	1.000000	1.000000
Depend.: F6	Multiple Comparisons p values (2-tailed); F6 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 190) =9.566734 p =.0885					
	2	5	6	3	4	1
	R:112.20	R:76.924	R:85.919	R:97.841	R:118.77	R:97.111
	2	0.164928	0.930638	1.000000	1.000000	1.000000
	5	0.164928	1.000000	1.000000	0.432490	1.000000
	6	0.930638	1.000000	1.000000	1.000000	1.000000
	3	1.000000	1.000000	1.000000	1.000000	1.000000
	4	1.000000	0.432490	1.000000	1.000000	1.000000
	1	1.000000	1.000000	1.000000	1.000000	1.000000
Depend.: F7	Multiple Comparisons p values (2-tailed); F7 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 189) =12.35024 p =.0303					
	2	5	6	3	4	1
	R:77.483	R:80.379	R:95.726	R:122.86	R:100.36	R:100.06
	2	1.000000	1.000000	0.046835	1.000000	0.953092
	5	1.000000	1.000000	0.071665	1.000000	1.000000
	6	1.000000	1.000000	1.000000	1.000000	1.000000
	3	0.046835	0.071665	1.000000	1.000000	1.000000
	4	1.000000	1.000000	1.000000	1.000000	1.000000
	1	0.953092	1.000000	1.000000	1.000000	1.000000
Depend.: F8	Multiple Comparisons p values (2-tailed); F8 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 189) =7.923093 p =.1605					
	2	5	6	3	4	1
	R:116.08	R:88.750	R:93.468	R:99.977	R:107.68	R:84.937
	2	0.739230	1.000000	1.000000	1.000000	0.153978
	5	0.739230	1.000000	1.000000	1.000000	1.000000
	6	1.000000	1.000000	1.000000	1.000000	1.000000
	3	1.000000	1.000000	1.000000	1.000000	1.000000
	4	1.000000	1.000000	1.000000	1.000000	1.000000
	1	0.153978	1.000000	1.000000	1.000000	1.000000
Depend.: F9	Multiple Comparisons p values (2-tailed); F9 (Shaw) Independent (grouping) variable: SPECIFY Kruskal-Wallis test: H (5, N= 190) =11.79755 p =.0377					
	2	5	6	3	4	1
	R:102.77	R:75.955	R:79.387	R:97.773	R:93.182	R:109.82
	2	0.799005	1.000000	1.000000	1.000000	1.000000
	5	0.799005	1.000000	1.000000	1.000000	0.062436
	6	1.000000	1.000000	1.000000	1.000000	0.174901
	3	1.000000	1.000000	1.000000	1.000000	1.000000
	4	1.000000	1.000000	1.000000	1.000000	1.000000
	1	1.000000	0.062436	0.174901	1.000000	1.000000

