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DEPARTMENT: FINANCE  
MPUMALANGA PROVINCIAL GOVERNMENT

## ROLE OF TOURISM IN MPUMALANGA ECONOMY





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**MPUMALANGA PROVINCIAL GOVERNMENT**

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## **1. INTRODUCTION**

South Africa's, and to a large extent Mpumalanga's, tourism attractiveness lies in its diversity. Some of the features which make our beautiful country an incredibly attractive tourism proposition include: accessible wildlife, varied and impressive scenery, unspoiled wilderness areas, diverse cultures (in particular traditional and township African cultures) as well as a generally sunny and hot climate.

Tourism carries the potential to create opportunities for the entrepreneur and breed a unique informal sector. Tourism helps to save the environment and creates unique economic linkages with amongst others agriculture, light manufacturing (arts, crafts and souvenirs) and the services sector (health and beauty, entertainment and banking). Very importantly for South Africa, tourism creates decent work, is labour intensive and presents relatively low barriers to entry for entrepreneurs in terms of skills.

Notwithstanding all the advantages, the country has not been able to realise its full potential in tourism. As such, the contribution of tourism to employment, small business development, income and foreign exchange earnings remains limited. The White Paper on *Development and Promotion of Tourism in South Africa, 1996* refers to tourism development in South Africa as largely a "missed opportunity".

In recent years tourism has become a fiercely competitive business. For tourism destinations the world over, as indeed for South Africa and Mpumalanga, competitive advantage is no longer natural, but increasingly man-made - driven by technology, information and innovation (new generation competitive advantage). As such, it is not simply the stock of natural resources of South Africa - and the province in particular - that will determine her competitiveness in tourism, but rather, how these resources are managed and to what extent they are complemented with man-made innovations.

## **2. MEASUREMENT OF TOURISM'S ECONOMIC IMPACT**

Although tourism is by its nature a demand-driven phenomenon, it is necessary, from a macro-economic point of view, to observe how the match between demand and supply operates, and how the latter affects the basic macro-economic variables of the country of reference. Within a context of macro-economic analysis, the relationship between supply and demand is best studied within the general framework of national accounts.

In South Africa, as is the convention internationally, the tourism sector is not measured as a sector in its own right in national accounts, because tourism is not a clearly defined

industry in the International Standard Industrial Classification of all Economic Activities (ISIC). This is because industries are classified according to the goods and services they produce, while tourism is a consumption-based concept that depends on the status of the consumer.

A major reason for the difficulties in measuring the size of tourism is the fact that in the ISIC, industries are created on the basis of their activity or output, rather than on data on their customers, whereas tourism is defined by the characteristics of the tourists (customers). Furthermore, tourism consumption includes 'tourism-characteristic' (i.e. accommodation, travel services, cable cars, etc.) and 'non-tourism related' (i.e. retail trade) goods and services, which deliver their services largely to non-tourists. The key factor, to measure tourism, is to relate purchases by tourists to the total supply of these goods and services within a country.

Tourism is therefore the first economic activity to use worldwide Satellite Account standards to measure its impact on national economies – as approved by the United Nations in March 2000. A Satellite Account is a term developed by the United Nations to measure the size of economic sectors that are not defined as industries in national accounts. Tourism, for example, is a combination of industries such as transport, accommodation, food, beverages, recreation and entertainment as well as travel agencies.

The Tourism Satellite Account (TSA) is a new statistical instrument to measure these goods and services using the same international standards of concepts, classifications and definitions which will allow for valid comparisons with other industries and eventually from country to country and between groups of countries. With the TSA, reliable data can for the first time be gathered to measure the importance and magnitude of tourism with concepts such as contribution to gross domestic product (GDP), employment creation and tax revenue.

However, since full TSAs, as measured by Statistics South Africa, take considerable time and resources to develop, the World Travel and Tourism Council (WTTC), an independent body, produces simulated TSAs on an annual basis. For example, the first *Draft Tourism Satellite Account for South Africa, 2005* was only released in May 2009, whereas the WTTC annually releases its simulated TSAs and has done so up to 2009.

The WTTC covers 181 countries annually, in order to provide reliable and comparable information to assess tourism's current and likely future contribution to economic activity

and employment. In a world of uncertainty, restrained by time lags, information by the WTTC's simulated TSAs, can inform and help drive urgent policy-making and investment decisions.

### 3. GLOBAL TOURISM INDUSTRY

As was the case with other economic sectors, tourism activity was hit hard by the deepest economic recession experienced by many countries in 2008 and 2009, since the Great Depression. World GDP declined by some 1 per cent in real terms, with developed economies – a major source of demand for tourism – the most severely affected. Households cancelled or shortened travel plans, substituting domestic travel for more expensive international trips, with companies and governments curtailing certain business travel plans.

It is estimated by WTTC that global tourism GDP declined by 4.8 per cent in 2009 and this contraction resulted in almost 5 million jobs being lost worldwide. All regions experienced significant contractions in tourism's contribution to regional GDP in 2009. International tourist arrivals fell by 5.1 per cent to 877 million and expenditure in real terms fell even more sharply by 8.5 per cent. Business travel decreased by 8.0 per cent and tourism investment declined by over 12 per cent. Only residents' spending on domestic trips increased in 2009 and then by only 0.7 per cent in real terms.

Despite such a depressed year for activity as 2009, it is clear from Table 1 that the tourism industry still employed 82 million people across the world (the tourism economy 235 million) – 2.8 per cent of all employment (8.2 per cent when considered as tourism economy) – and generated 3.2 per cent of world GDP (9.4 per cent when expressed as tourism economy).

**Table 1: GDP and employment contribution of global tourism, 2009**

Indicator	Tourism industry <sup>1</sup>		Tourism economy <sup>2</sup>	
	Value/Number	Share	Value/Number	Share
<b>GDP</b>	US\$1 877.3 billion	3.2%	US\$5 433.7 billion	9.4%
<b>Employment</b>	82 million	2.8%	235 million	8.2%

*Source: WTTC - Travel and Tourism Economic Impact, 2010*

<sup>1</sup> This is the explicitly defined supply-side industry contribution of tourism that can be compared one-for-one with the GDP and employment contribution of other industries in the same economy. Establishment in this category include traditional tourism providers such as airlines, hotels and car rental companies as well as indirectly related firms such as fuel, catering companies, laundry services etc.

<sup>2</sup> This is the broadest measure of tourism's contribution to the resident economy. Establishments in this category include those described above as well as manufacturing, construction, government, etc. that are associated with Capital investment, Government services and Non- visitor exports.

The global economy has now moved into a recovery phase, although the pick-up in developed economies is expected to be gradual as households, corporations and governments all battle to rebuild their balance sheets. But world GDP in real terms – supported by continued strong growth in emerging economies – is expected to expand by 3.9 per cent in 2010.

Despite recent encouraging short-term indicators of tourism activity, the recovery in world tourism is expected to be a gradual one, with both companies and households examining travel plans carefully and continuing to limit expenditure. International tourist arrivals are forecasted by the WTTC to increase by 2.5 per cent this year – with spending in real terms increasing a mere 1 per cent – while business travel spending will again decline, by a projected 1.8 per cent.

Emerging economies, in particular, are expected to be engines of growth, boosting both international travel – with China alone set to provide almost 95 million visitors for other destinations by 2020 – and also generating an increasingly vibrant domestic travel sector. In developed countries, a growing preference for, and priority focus on, leisure is expected to provide clients for new destinations once consumers fully regain confidence, while the popularity of short breaks – both domestic and international – will continue to increase. Innovation by the tourism industry will result in the creation of new products and markets.

#### **4. NATIONAL TOURISM INDUSTRY**

##### **4.1 Official TSA data**

According to South Africa's first draft TSA the gross value added (GVA) contribution of South Africa's tourism industry amounted to 3.1 per cent of total GVA in 2005. There were 527 630 persons (or 4.3 per cent of total employment) directly engaged in producing goods and services purchased by tourists in 2005. Although there are no time series data yet to substantiate the assumption, it may tentatively be concluded that the tourism industry exhibits a higher employment share relative to its GVA share, thereby indicating a high level of labour absorptive capacity in the industry.

The TSA only measures the tourism industry and not yet the tourism economy as is the case with the WTTC simulations. However, only the tourism industry measurement is necessary to compare tourism with other industries (e.g. agriculture). When one compares

the tourism industry results from the TSA with the national accounts of 2005, it is apparent that the tourism industry's 3.1 per cent GVA contribution was equal to that of the construction industry (3.1 per cent) and slightly higher than that of agriculture (2.9 per cent) and electricity (2.4 per cent). Based on the results obtained from the TSA, the tourism industry would have been South Africa's third smallest economic industry in 2005. In 2005, the tourism industry also employed more people than mining (3.9 per cent) and utilities (0.7 per cent).

The GDP (GVA plus subsidies minus taxes) contribution by the tourism industry in South Africa was calculated to be 3.0 per cent of total GDP for 2005 (Table 2). The TSA simulation by the WTTC in 2005 estimated the GDP contribution by tourism to the national economy only slightly higher at 3.2 per cent. However, its estimation of employment of 402 500 (3.2 per cent) undershot the official Stats SA mark (527 630) by some 125 000. It appears therefore that the simulated WTTC data, which will be used from this point forward, overstates the GDP contribution marginally and understates the employment figures by more or less 25 per cent.

**Table 2: GDP and employment contribution of South African tourism industry, 2005**

Indicator	Official TSA data		WTTC TSA data	
	Value/Number	Share	Value/Number	Share
GDP	R45.6 billion	3.0%	R50.7 billion	3.2%
Employment	527 630	4.3%	402 500	3.2%

*Sources: Statistics South Africa - Draft Tourism Satellite Account for South Africa, 2005 & WTTC - Economic Data Search Tool, 2010*

**4.2 Simulated TSA data**

According to the WTTC, South Africa's tourism industry was simulated to have contributed some 2.9 per cent to GDP in 2009. Not only was this lower than the 3.2 per cent share simulated in 2005, but it is also forecasted that this contribution should decline to 2.8 per cent by 2020. When compared with other industries nationally, the tourism industry was the second smallest behind utilities. The tourism economy's contribution was simulated to have contributed 7.8 per cent to national GDP and is also expected to decline to 7.6 per cent over the same period.

South Africa's 389 000 tourism industry jobs accounted for 2.9 per cent of total employment in 2009 and are forecasted to total 462 000 jobs or 2.9 per cent of the total by 2020. In other words the tourism industry generates one in every 34 jobs across the entire employment spectrum. The broader tourism economy accounted for 919 800 jobs or some

7.0 per cent of total jobs. This translates into one in every 14 jobs across the employment spectrum.

Visitor exports play an important development role for the tourism industry. South Africa's tourism industry was simulated to have generated 13.1 per cent of total exports in 2009, dipping slightly to 12.7 per cent of total exports by 2020. Similarly, capital investment was estimated at 13.9 per cent of total investment in 2009, and seen to decrease to 12.7 per cent in 2020. Government's operating expenditure on tourism was simulated to be 0.5 per cent of total public spending in 2009.

### 4.3 World comparison

Table 3 presents the simulated TSA data of South Africa in comparison with similar economic impact indicators of Sub-Saharan Africa and the World. It is apparent from the data that tourism in South Africa is not yet making as big an economic impact as one finds in the rest of the world. The difference between the impacts of the tourism industry and the tourism economy is also larger in the world than in South Africa. An intuitive conclusion is that other countries' tourism industries create more, and more effective, economic linkages with other industries through technology, information and innovation. South Africa appears not to have made the mind shift to complement natural resources with man-made innovations as successfully as other countries.

**Table 3: South African tourism's economic impact compared with Sub-Sahara Africa and the World, 2009-2020**

Indicator	South Africa		Sub-Saharan Africa		World	
	2009	2020	2009	2020	2009	2020
GDP share - industry	2.9%	2.8%	2.2%	1.9%	3.2%	3.1%
GDP share - economy	7.8%	7.6%	7.0%	5.9%	9.4%	9.6%
Jobs share - industry	2.9%	2.9%	1.8%	1.7%	2.8%	3.1%
Jobs share - economy	7.0%	6.9%	5.1%	4.6%	8.2%	9.2%
Exports share	13.1%	12.7%	12.6%	-	-	-
Capital investment share	12.9%	13.5%	10.6%	8.3%	9.4%	9.3%
Public spending share	0.5%	-	1.7%	-	3.9%	-

*Source: WTTC - Travel and Tourism Economic Impact, 2010*

Apart from experiencing relatively strong growth in tourism employment over the last 10 years, South Africa is not a world leader in the management and utilisation of tourism for the benefit of its economy. It is evident from Table 4 that South Africa did not measure up robustly enough when compared with 180 other countries by the WTTC. Namibia (with

rankings as high as 2<sup>nd</sup> and 4<sup>th</sup> in some of the indicators), Botswana, Madagascar and even Zimbabwe fared better in developing its tourism industry as an engine of growth.

**Table 4: South African tourism’s relative position in terms of economic impact, 2009**

Indicator	SA ranking among 181
GDP share - economy	91
GDP growth - 10 year annualised	102
Jobs share - economy	96
Jobs growth - 10-year annualised	39

*Source: WTTC – Travel and Tourism Economic Impact, 2010*

#### **4.4 Soccer World Cup’s tourism impact**

Visitors to South Africa during the Soccer World Cup (SWC) are expected to stay longer and spend more, according to global audit and advisory firm Grant Thornton - this despite the projected number of World Cup visitors that are down to 373 000 from 487 000 initially.

Average overseas tourist spend per trip was also forecast to be R30 200. The average spend forecast was based on an analysis of current tourist spends in South Africa as well as surveys of potential visitors and expenditure by visitors to South Africa for other sporting events such as the Lions' Tour of 2009. Foreign World Cup visitors were expected to attend an average of five soccer matches per person, up from the 3.4 matches previously expected.

The gross economic impact is expected to be R93 billion, with foreign tourism anticipated to account for 16 per cent (R15 billion) of the gross impact. The majority of economic spend comes from national government's spend on infrastructure and some operational expenditure.

#### **4.5 National constraints**

A number of factors limit the effectiveness of the tourism industry to play a more meaningful role in the national economy. Some of the key constraints as identified in the *White Paper* are listed below:

- tourism has been inadequately resourced and funded
- myopic (narrow-minded) private sector
- limited integration of local communities and previously neglected groups into tourism
- inadequate tourism education, training and awareness

- inadequate protection of the environment
- poor service
- lack of infrastructure, particularly in rural areas
- a ground transportation sector not geared to service tourists
- lack of inclusive, effective national, provincial and local structures for the development, management and promotion of the tourism sector

## 5. PROVINCIAL TOURISM INDUSTRY

### 5.1 Official tourism data

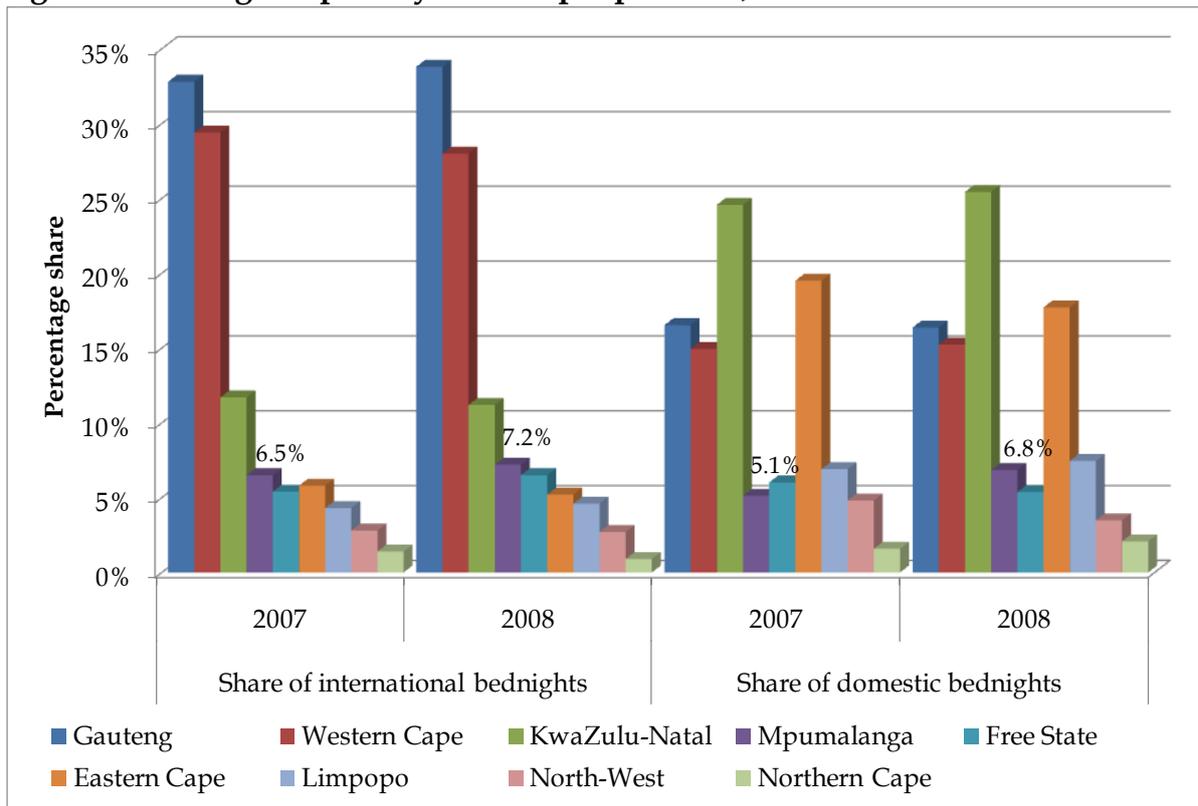
The current lack of sufficient baseline data of tourism supply on a provincial level makes an assessment of the supply side, and therefore a similar exercise such as the TSA for South Africa on a provincial basis, impossible. Therefore the only official tourism data, on a provincial level, are of tourist arrivals/visits, bed-nights spent and tourism expenditure.

According to Tourism South Africa's *Annual Report 2008*, Mpumalanga was the third most visited province by foreign visitors in 2008 with a share of 13.4 per cent of total foreign arrivals. This was up from 12.8 per cent of total arrivals in 2007. Of this 1 285 305 foreign tourists in the province, 60.7 per cent were from land markets (Botswana, Lesotho, Mozambique, Malawi, Namibia, Swaziland, Zambia and Zimbabwe) and 39.3 per cent from air markets.

However, Mpumalanga captured only 7.2 per cent of the total bed-nights spent by all foreign tourists in South Africa. This was higher than the 6.5 per cent in 2007, although the province remained in fourth position overall. Of this 5.4 million bed-nights spent in the province in 2008, 52.1 per cent were by tourists from land markets and 47.9 per cent from air markets. Figure 1 displays the bed-nights spent by international and domestic tourists per province in 2007 and 2008.

Over 149.2 million bed-nights were spent nationally by domestic tourists in 2008, of which Mpumalanga contributed 6.8 per cent or some 10.2 million bed-nights. Despite improving from a 5.1 per cent share of domestic bed-nights in 2007, the province remained in sixth position nationally.

**Figure 1: Bed-nights spent by tourists per province, 2007 & 2008**



Source: South African Tourism - Annual South African Tourism Report, 2008

## 5.2 Simulated data

As mentioned earlier it is not possible to calculate the economic impact (GDP, GVA and employment) of the tourism industry in Mpumalanga as was done on a national level by Stats SA. The WTTC also do not disaggregate their TSA simulations up to a provincial level. To address the shortage of official TSA provincial data, three scenarios using available provincial tourism data and ratios were developed and are presented below.

### Scenario 1

If conventional logic holds, it can be expected that the tourism industry's economic impact in Mpumalanga will closely mirror that of South Africa and, based on foreign visitors visiting the province, may even exceed the national figures somewhat. The tourism industry will therefore, estimated conservatively, contribute 2.9 per cent to provincial GDP. Such a figure will rank it as the smallest industry in the province behind the construction industry.

Similarly the tourism industry should then account for 2.9 per cent of all jobs (one in every 34) in the province, placing it ahead of only the utilities industry and behind the transport industry. Intuitively these two results do not sit well with the commonly held perception

that Mpumalanga’s tourism industry is an economic driving force, however, without a provincial TSA exercise, the estimates may prove to be the best available.

However, if one considers the tourism economy (direct tourism industry plus all indirect economic linkages with other industries i.e. manufacturing of curios) and its economic impact rather than only the tourism industry, one might perceive tourism more as an engine of (potential) economic growth. Conservative estimates of the tourism economy in Mpumalanga will then be a 7.8 per cent share of the provincial economy and a 7.0 per cent share of provincial employment.

On the other hand, one should compare apples with apples. This can be achieved by performing the same exercise for the conventional industries (i.e. manufacturing) by calculating their economies through economic linkages. The question remains how large the share of each of their economies, especially the big contributors e.g. manufacturing, mining and community services, will be and whether they will then not still dwarf the tourism economy.

*Scenario 2*

It can be safely assumed that Mpumalanga’s contribution to the national tourism impact will not be lower than its share of bed-nights (7.2 per cent) and not higher than its share of visitors (13.4 per cent). Therefore, another way in which Mpumalanga’s tourism industry can be estimated is by multiplying WTTC data for South Africa with Mpumalanga’s bed-night share and Mpumalanga’s visitors share. Table 5 presents the lower and upper band for Mpumalanga’s tourism industry.

**Table 5: Estimated size of Mpumalanga’s tourism industry, 2009**

Indicator	Tourism industry size			
	R billion	Share %	Employment	Share %
South Africa	71.4	2.9	389 000	2.9
Mpumalanga lower band (bed-night share 7.2%)	5.1	3.4	28 008	3.2
Mpumalanga upper band (visitor share 13.4%)	9.6	6.4	52 126	5.9

*Source: WTTC - Economic Data Search Tool, 2010 & own calculations*

When one considers that the provincial economy in 2009 was estimated to have been equal to R149.0 billion, the lower and upper band can be calculated easily. The R5.1 billion lower band will then translate to a 3.4 per cent share of the economy, whilst the upper band will be equal to a 6.4 per cent share of the provincial economy. The lower band will be slightly larger than the 2.9 per cent assumed earlier and place it ahead of the

construction industry. Assuming the upper band as the relevant size will place the tourism industry ahead of the construction, utilities and agriculture industries.

According to Stats SA's *Quarterly Labour Force Survey Quarter 4, 2009*, employment in Mpumalanga numbered 880 000 at the end of 2009. The lower band number of 28 008 will translate to a share of 3.2 per cent, slightly higher than the 2.9 per cent share simulated for South Africa's tourism industry by the WTTC, albeit still only ahead of the utilities industry. The upper band will be equal to a 5.9 per cent share that will place it ahead of the utilities, transport and mining industries as an employer in the province.

Given the results of this scenario, it may tentatively be concluded that the tourism industry in Mpumalanga exhibits a lower employment share relative to its GVA share. This is dissimilar to the national situation as it indicates a low level of labour absorptive capacity in the industry.

### *Scenario 3*

In the *Tourism Sector Development Strategy and Programme, 2008* published by the Department of Economic Development and Planning, it was reported that 1 direct tourism job is engaged for every 9 tourists visiting Mpumalanga. This ratio was adopted directly from the long held national assumption of tourism employment generation. Although academics have long disputed the figure and its reliability may be in question, there is nothing more recent or substantive. Therefore, it will also be used in this report to set a scenario for tourism's employment impact.

Without official data on 2009 visitors to the province, the 2008 figure of 1 285 305 foreign tourists would have engaged 142 800 direct tourism jobs in the province, or roughly 15 to 16 per cent of the provincial employment figure. This would imply that the tourism industry was the third largest provider of employment in the province behind wholesale and retail trade as well as community services. However, caution should be exercised when using this ratio, as only foreign visitors were used to calculate the figure. Should domestic visitor numbers be available to add to foreign visitors, employment by the tourism industry will most probably be elevated ahead of even the wholesale and retail trade industry – a thought that can be regarded as highly unlikely.

#### *Scenario 4*

After the recent Tourism Indaba (8-11 May 2010) in Durban, it was reported that tourism experts now proposes that for every 15 arrivals in a country, one job is potentially created. Using the same foreign tourism figures from *Scenario 3*, it is calculated that 85 700 jobs (roughly 9 to 10 per cent of the provincial employment figure) in Mpumalanga was sustained by foreign tourists arriving in the province in 2008. Although this number is nearly one third less than that calculated in *Scenario 3*, it would also rank the tourism industry as the third largest employment provider in the province. However, the qualification of *Scenario 3* also holds in this scenario as domestic tourist numbers were not included.

### **5.3 Soccer World Cup's tourism impact**

A total of four SWC first round matches will be hosted in the province and loyal fans, mostly from Australia, Serbia, Chile, Honduras, New Zealand, Italy, North Korea and the Ivory Coast, can be expected to visit the province for matches. It is also highly anticipated that fans from other teams will visit the province during their visit to South Africa to experience the wild and enjoy the scenic beauty on offer.

It is calculated that the foreign tourism impact of the SWC on the economy of South Africa will be close to R15 billion. By again using the lower (7.2 per cent) and upper (13.4 per cent) bands identified earlier, it is feasible that SWC tourism could add anything between R1.1 billion and R2 billion to the tourism industry of the province. In other words, SWC tourism could add between 0.7 per cent and 1.2 per cent of the provincial GDP in 2010.

### **5.4 Tourism marketing**

The TBCSA (Tourism Business Council of South Africa) manages the voluntary 1 per cent TOMSA (Tourism Marketing for South Africa) levy that contributes to the funding of South Africa's tourism marketing efforts. TOMSA is a private sector initiative that started in 1999 with all proceeds channelled back to tourism marketing, both domestically and internationally.

The monthly TOMSA collections in 2008 added up to R79.9 million, an improvement of close to R3.9 million from 2007. Despite Mpumalanga's leading position as a tourist destination, only 3 per cent or some R2.4 million of TOMSA levies were voluntarily contributed by tourism enterprises in the province. Although individual enterprises

contribute the levy, one might rightly pose the question whether it is wise for a province, which claims to benefit from tourism and views tourism as an important economic industry, to make such a small contribution to tourism marketing.

### **5.5 Provincial constraints**

A number of factors limit the effectiveness of the tourism industry to play a more meaningful role in the provincial economy. Some of the key constraints are presented in the annexure as a SWOT analysis.

## **CONCLUSION**

From the analysis it is clear that, although tourism does hold the potential to be an engine of growth, it has not yet developed fully and cannot be regarded as a provincial economic driver. It is true that the province does benefit from tourism both through value added and employment creation, however, but especially in a well endowed province such as Mpumalanga much more should be expected.

Data limitations may contribute to the underestimation of tourism in the province, although it is more than likely that the relatively poor performance of South Africa compared to the global tourism industry, disadvantages the province as technology, information and innovation as sources of competitive advantage is neglected both nationally and provincially.

The following can be concluded to substantiate the above conclusion:

- Tourism carries the potential to create opportunities for the entrepreneur, develop the economy, breed a unique informal sector and create decent work.
- Competitive advantage in the tourism is no longer only natural splendour, but increasingly man-made - driven by technology, information and innovation. Based on the tourism economy of South Africa's lagging contribution in world terms, it appears as if the country has not yet made the mind shift to complement natural resources with man-made innovations as successfully as other countries.
- Tourism creates unique economic linkages with amongst others agriculture, light manufacturing (arts, crafts and souvenirs) and the services sector (health and beauty, entertainment and banking). However, an intuitive conclusion, based on WTTC data, is that other countries' tourism industries create more, and more

effective, economic linkages with other industries through technology, information and innovation than the South African tourism industry.

- According to the first draft TSA it may tentatively be concluded that the tourism industry in South Africa exhibits a higher employment share relative to its GVA share. Thereby indicating a high level of labour absorptive capacity in the industry.
- It is impossible to calculate the TSA for Mpumalanga and therefore the only useful official tourism data for this report, on a provincial level, are of tourist arrivals/visits, bed-nights spend and tourism expenditure.
- Mpumalanga was the third most visited province by foreign visitors in 2008 with a share of 13.4 per cent of total foreign arrivals. However, Mpumalanga captured only 7.2 per cent of the total bed-nights spent by all foreign tourists in South Africa.
- *Scenario 1:* It can be expected that tourism's economic impact in Mpumalanga will closely mirror that of South Africa. The tourism industry will therefore, estimated conservatively, contribute 2.9 per cent to provincial GDP - the smallest industry in the province behind the construction industry.
- Similarly the tourism industry should then account for 2.9 per cent of all jobs in the province, placing it ahead of only the utilities industry and behind the transport industry.
- *Scenario 2:* Another scenario that calculates a lower and upper band, suggests that the tourism industry can add anything between 3.4 per cent and 6.4 per cent to the provincial economy. Thus larger than the construction industry on the low side and larger than the construction, utilities and agriculture industries on the high side.
- The same lower-upper band scenario proposes that the tourism industry employs between 3.2 per cent and 5.9 per cent of the provincial labour force. Thus larger than the utilities industry on the low side and larger than the provincial utilities, transport and mining industries on the high side.
- Given the results of this scenario, it may tentatively be concluded that the tourism industry in Mpumalanga exhibits a lower employment share relative to its GVA share. This is unlike the national situation as it indicates a low level of labour absorptive capacity in the industry.

- *Scenario 3*: A third scenario (1 direct tourism job engaged for every 9 tourists visiting) calculates 142 800 direct tourism jobs in the province. This would imply that the tourism industry was the third largest provider of employment in the province. However, without including the number of domestic visitors (which is currently not captured) the figure is not complete. Should domestic visitors be available to add to foreign visitors, employment by the tourism industry will most probably be elevated ahead of even the wholesale and retail trade industry – a highly unlikely thought.
- *Scenario 4*: The fourth scenario (for every 15 arrivals in a country, one job is potentially created) calculates 85 700 tourism jobs in the province. Although this number is nearly one third less than that calculated in *Scenario 3*, it would also rank the tourism industry as the third largest employment provider in the province. However, the qualification of *Scenario 3* also holds in this scenario as domestic tourist numbers were not included.
- It is calculated that the foreign tourism impact of the SWC on the economy of South Africa will be close to R15 billion. By again using the lower-upper band scenario it is feasible that SWC tourism could add anything between R1.1 billion and R2 billion to the tourism industry of the province. In other words SWC tourism could add between 0.7 per cent and 1.2 per cent of the provincial GDP in 2010.
- On face value it appear as if Mpumalanga contributes less than might be expected to official tourism marketing by TOMSA through the TOMSA levy.

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## ANNEXURE: PROVINCIAL SWOT ANALYSIS

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• KNP recognised as global brand in the arena of Wildlife.</li> <li>• Natural/scenic beauty covering diverse range of landscape, flora and fauna</li> <li>• Globally ranked wildlife resorts found in Sabi Sand Reserve</li> <li>• Unique heritage sites including one of the oldest rock sequences on earth</li> <li>• Archaeological sites with evidence of early human life and trading routes</li> <li>• Strong East-West N4 road infrastructure as backbone</li> <li>• KMIA presence</li> <li>• Close proximity to Gauteng</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Lack of sector structure(s) that enable effective working partnerships</li> <li>• Apparent lack of common vision and shared development plan for tourism</li> <li>• Fragmented marketing messages – symptomatic of lack of representative structure</li> <li>• Lack of institutional memory partly as result of high turnover of officials</li> <li>• Limited road network to exploit potential new product areas.</li> <li>• Lack of infrastructure in rural areas to facilitate EFT</li> <li>• High cost of flights due to low volumes and lack of competition</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Leveraging potential of historical, cultural &amp; heritage product in province to grow volumes &amp; geographic spread</li> <li>• Utilise the existence of historical, cultural &amp; heritage product to grow new emerging enterprises</li> <li>• Use MTPA to (re) build sector stakeholder relationships</li> <li>• Leveraging natural/scenic features to advance the position of province as an international film shoot destination</li> <li>• Hosting 4 SWC 1<sup>st</sup> round matches</li> <li>• Spare capacity at KMIA</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Safety and security levels rated as top concern of visitors</li> <li>• Stakeholder withdrawal into ‘camps’ to pursue own agenda</li> <li>• Health concerns (malaria)</li> <li>• Lack of progress in transforming industry</li> <li>• Low (32%) number of graded establishments</li> <li>• Other provinces e.g. Eastern Cape boasting wildlife product eroding Mpumalanga’s position</li> <li>• Outstanding land claims a potential constraint to investment</li> </ul>

*Source: DEDP – Tourism Sector Development Strategy and Programme, 2008*



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