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

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Introduction

• Focus of this UJ project for past 2 years has been to examine the use of a range of state-assets which have been identified by the Department of Tourism in order to open up SMME opportunities for Black entrepreneurs.

• The project has been examining two overlapping core issues.
  - The maximisation of the state assets for the **direct engagement** of black entrepreneurs in tourism.
  - The maximisation of the state assets for the **indirect engagement** of black entrepreneurs through tourism supply chains, including through leveraging of public procurement.
Policy Context

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

• The UJ project has involved conducting a number of different investigations about the challenges surrounding maximizing state assets in relation to different forms of state assets and by different levels of government.

• These studies included work on ‘big assets’ such as a national park and of the range of ‘small assets’ (such as museums, nature reserves, beaches) that occur across local municipalities.

• In year 1 of this project research studies were undertaken of the leveraging of state assets in terms of the Pilanesberg National Park in North West province and at the municipal level the leveraging of the range of assets for potential tourism development in the Overstrand Local Municipality, Western Cape.

• This report discusses work undertaken in year 2 of the project.
Scope

• The year 2 research undertaken and completed by UJ team involved three investigations.
  
• A ‘big asset’ study to parallel that of Pilanesberg – namely Addo Elephant Park
  
• A locality study of a range of assets in one municipality to parallel that of Overstrand – namely King Sabata Dalindyebo (KSD)
  
• A thematic study of one asset and how it is being utilised across different municipalities – namely caravan parks
Structure

• Four sections in presentation

• First: Key findings from the locality study of KSDM

• Second: Key findings from the ‘large asset’ study namely Addo Elephant Park.

• Third: Key findings from the thematic study of caravan parks.

• Four: Finally, we present a set of overall conclusions and recommendations from the 2 year project as a whole.
The KSD Study

• The locality study - the Eastern Cape local municipality of King Sabata Dalindyebo (KSD).

• The municipality comprises a major section of what was the former Transkei Bantustan and thus presents a markedly different locality case study to that of the Overstrand Local Municipality, which was the research focus during the first phase of this project.

• The KSD municipality was formed in 2000 (as a result of the merger of the Mqanduli and Mthatha Transitional and Rural Councils).

• The majority of the population resides in rural settlements; the largest centre is Mthatha, which was formerly named Umtata until March 2004.

• The KSD Municipality incorporates a small section of the Wild Coast as the mandate of the municipality stretches to include the coastal tourist hub of Coffee Bay and the iconic visitor attraction of the Hole in the Wall.
The KSD Study: Context

- In respect of development indicators KSDM would be classed as one of South Africa’s most economically distressed and marginalized areas.
- Widespread poverty exists across the KSDM as well as the O.R. Tambo DM which is one of South Africa’s municipalities recording a declining district economy.
- In light of the fragile state of economic development the making of place-based initiatives is urgent for sustainable development of KSDM as a whole.
- The capacity for developing such initiatives for LED is, however, limited.
- De Witt and Ndzamela (2018: 7) assessed the municipality’s institutional capacity and concluded “it to be seriously lacking”.
- This said, in many spheres of its mandate the municipality has good plans in theory albeit “the municipality lacks the people with the competencies to implement” (de Witt and Ndzamela, 2018: 7).
- Tourism is a local policy focus
The KSD Study: Contemporary Tourism

• Prior to 2000 there is no data available on tourist numbers to the area
• From 2001 however a profile of the tourism economy can be gleaned from the unpublished data base of the private sector organization IHS Global Insight.
• The data reveals a local tourism economy in DECLINE especially since 2006
• Total tourist trips in decline: in particular KSD hit hard by downturn in domestic tourism.
• Minor upturn of international tourism recent years – Coffee Bay
KSD Tourism Trips by Origin

Total Trips by Origin

- Domestic
- International
- Total

Years: 2006 to 2018

Trip Numbers: 350,000 to 0
KSD Tourism Trips by Purpose
Tourism as % GDP
KSD Accommodation Audit Findings

• The audit reveals that during a period of the demise of the municipality’s tourism economy (2010-2018) there occurred an EXPANSION in the actual number of accommodation establishments.

• The largest number of establishments cluster spatially in Mthatha and surrounds with Coffee Bay (and Hole in the Wall) the second most significant node for the supply of tourism accommodation.

• Geographical variations exist - the Mthatha lodging economy (in terms of establishment numbers) dominated by B & Bs and guest houses whereas backpacker accommodation or hotels are the primary forms of available accommodation in the Coffee Bay/Hole in the Wall area.

• New forms of lodging have made their appearance in the KSD municipality; recent additions include the growth of informal homestays (mainly in Coffee Bay and Qunu) and of temporary ‘pop-up’ luxury ‘safari tent’ camping in the Coffee Bay environs.

• Mthatha businesses focused on business tourism; Coffee Bay on leisure market.
The King Sabata Dalindyebo (KSD) Study

• The 2018 audit was the first of its kind which attempted to identify the racial ownership of accommodation establishments.

• The results disclose that a significant share of ownership is by Black South Africans, a finding which makes the KSD municipality highly distinctive in terms of other research findings reported for other South African small towns where only minimal ownership of accommodation establishments occurs in the hands of black South African entrepreneurs.

• At Mthatha the mass of commercial (many operating at survival level) B & Bs are black-owned, all the homestays are black-owned family establishments, several guest houses are black-owned as is the local backpacker hostel, and black ownership extends even to at least two of the leading hotels in Mthatha.

• By contrast, at Coffee Bay the major hotels and backpacker hostels remain mainly white-owned albeit the survey did disclose the appearance of several black-owned accommodation establishments (including homestays) in the coastal area.

• Overall, it is concluded that in terms of actual establishments (including the burst of new informal homestays) the majority of formal as well as informal accommodation establishments in the KSD are black-owned.
KSD Study: Using State Assets

• Despite its minor role in the local economy, tourism is identified in local IDP as a key sector.

• Interviews revealed that whilst there is a policy commitment to tourism development is in evidence this is not always backed up by implementation in respect of maximizing local assets for tourism expansion and employment creation.

• Overall, the research revealed that the KSDM is responsible for managing a set of critical assets in terms of a range of natural attractions, built attractions as well as tourism information centres.

• With limited funding, maintenance of these assets is not always assured.

• In terms of assets for the Mthatha area the core assets of strategic importance for tourism are its several built attractions, many of which are highly significant from a cultural heritage perspective and others for the development of sports tourism.
KSD Study: Using State Assets

- At the Coffee Bay cluster the issues surrounding leveraging of municipal assets are in relation to the natural rather than human-made attractions.

- An application is being prepared for the Hole in the Wall to be recognised by UNESCO as a World Heritage Site.

- In view of the positive impact that inscription on the UNESCO World Heritage list might have on tourism the importance of this application for the future maximisation of the impact of this particular tourism asset cannot be underestimated.

- Acceptance on the UNESCO list, however, would impose certain obligations in terms of appropriate environmental management of the site and its surrounds for its long-term preservation as has occurred at other South African World Heritage sites.

- Such obligations and management regimes urgently are needed as it has been observed that “the environmental and tourism carrying capacity at Coffee Bay and Hole in the Wall is being regularly exceeded” (Kyle Business Partners, 2010: 54).

- For the maximisation of this most important municipal asset of KSDM there is a critical need for a long-term sustainable development plan which addresses the over-exploitation of coastal marine resources and tightens existing lax development controls which threaten a deterioration of the tourism experience.
KSD Study: Using State Assets

- Beyond the direct maximisation of the benefits of rich municipal assets for tourism development and enterprise establishment or expansion, another research focus was on the potential stimulation of enterprise development through public procurement and leveraging of the supply chains associated with the municipal assets.

- The results were almost entirely that all work linked to municipal assets in KSD is done in-house through local employment or community work programmes.
Constraints on Tourism Development and Asset Maximisation

• The research revealed several constraints on tourism development in the KSDM in general including the maximization of municipal assets for tourism development and as well as several municipality-wide issues certain specific matters are identified for Mthatha and Coffee Bay.

• First is peripherality- the KSDM is an economically distressed area, remote geographically from the country’s major centres of power as well as influence, access to the region is difficult and costly.

• Arguably the central problem for economic development as a whole and tourism is that surrounding institutional incapacity and governance processes of the local municipality.

• The performance of this municipality ranks it among those bottom-third of authorities that COGTA rates as “dysfunctional” with a record of corruption, poor financial management resulting in negative audit outcomes, and limited structures for community engagement.

• An inevitable outcome is the municipality’s poor record of service delivery and infrastructure maintenance.

• The consequence is that the municipal government is failing in its responsibilities because of the absence of sound financial governance processes to manage resources, to sustainably deliver services and render development to communities.

• Qualitative responses available from respondents both in Mthatha and Coffee Bay shed additional insight into the core business challenges from the perspective of tourism entrepreneurs as well as of their expectations of the role of local government.
Constraints on Tourism Development and Asset Maximisation

• The responses from Mthatha shown below highlight corruption, inadequate infrastructure and the shortcomings of local government as matters of pressing concern.

• “Corruption in Department of Public Works”

• “Electricity and water supply from the municipality is sometimes not available which affects the running of our business”

• “Corruption”

• “Things that are challenging us at the moment is our local municipality”

• “Guests from overseas are complaining about bad roads and no street names. We have been asking about these things with the local municipality”

• “Infrastructure, service delivery – water and electricity”

• “Corruption - Nyoba”.
The responses from Coffee Bay indicate different local issues as well as the municipality-wide problem relating to the poor state of roads and lack of maintenance of the access route to Coffee Bay.

Two striking issues can be observed. First, is the racial tension in terms of competition from established white businesses in the area which dominate the local economy and thus limit new opportunities for black entrepreneurs. Second, is the issue surrounding potential lack of support for local individuals for start-up of tourism enterprises. The responses from Coffee Bay are given below:

- “Road infrastructure”
- “Electricity is expensive”
- “Road infrastructure”
- “Advertising is expensive – Coast to Coast Guide”
- “Competing with whites that have knowledge of businesses”
- “Local people are interested in starting a business but don’t have skills or knowledge”
- “Whites want business for themselves”
- “War against whites in terms of business”
- “Racial divide within local businesses”
THE ADDO STUDY

Final Report
Addo Elephant National Park: Introduction

- The large nature-based state-owned tourism asset selected for study in Phase 2 was the Addo Elephant National Park.
- Located in the Sunday’s River Valley Local Municipality, in the Eastern Cape Province in close proximity to Nelson Mandela Bay Metropolitan Area.
- It is run by South African National Parks (SANParks).
- Addo Elephant National Park is currently 1,640km$^2$, making it the third largest national park in South Africa.
- There are 8 Sections of the Park which extend along the coast and included a MPA:
  - Addo Main Section, Colchester, Nyathi, Zuurberg, Kabouga, Darlington, Woody Cape and Bird Island (MPA).
  - The area surrounding the park, which is known as the Greater Addo area, includes four primary towns, Addo, Kirkwood, Colchester and Paterson.
Findings: Procurement within Addo Elephant National Park

• The procedure for procurement within the AENP is relatively rigid and must adhere to national SANParks policies.

• Procurement is governed by SANParks Policy.
  • SANParks has implemented policies, more recently, in response to concerns over the awarding of tenders, corruption and nepotism. The policies and procedures for procurement have grown increasingly strict, namely in terms of paperwork.

• There is one single procurement manager who oversees four different parks, including AENP, Camdeboo National Park, Mountain Zebra National Park and Karoo National Park - The system has become decentralized, where previously procurement was sent to the SANParks head office for approval. This has resulted in entire weight of the procurement process now falls on one individual for all four national parks in the region.
  • Due to the numerous procurement needs of the park (and the other three parks) and only one manager, it means that the responsibility for sourcing quotations and completing paperwork related to procurement increasingly falls on the end-user. This creates the issue of many staff members spending the majority of their time completing paperwork related to procurement rather than fulfilling the primary duties of their position.

• Furthermore, many businesses do not want to work with the government because the government gives no upfront deposit and has a waiting period of 30-90 days (minimum) to render payment once the service has been rendered.
  • This has major implications for the ability of SMMEs to opt for contracts with AENP, as it would mean significant upfront capital would be required to complete the project, both for materials and also for labour.
Findings: Links between the Park and Local SMMEs

• In terms of SANParks policy, according to the procurement manager, there is no mention of the need to prioritize business to local business or SMMEs.
• They have hardly any established providers because of SANParks bureaucracy and late payment issues
• Majority of goods and services come from Port Elizabeth.
  • Theoretically, the procurement procedure is to seek out local suppliers in the immediate area and then move to Port Elizabeth. However, she mentioned a major issue of non-availability of local suppliers.
• Only concrete links in terms of suppliers were with a local contracting organization, but they have only been sparely utilized for small projects
• Biggest issue of is lack of suppliers for the goods and services needed in the immediate area.
Findings - SMME Development Initiatives in Addo Elephant National Park

• Not many direct links, in terms of suppliers, but there are a couple of initiatives which the park has set up for SMME Development

• There has been successful development of SMMEs linked to conservation
  • Most notably the water quality management team which has been established and services the park

• Two tourism-related initiatives have just emerged
  • Laundry at camps
  • Cleaning and maintenance of ablutions.

• According to the hospitality manager, theses programs operate by granting a local business owner a one-year contract.
  • This business owner subcontracts individual workers, also from the local community.
  • The park supplies all good and equipment needed

• Hop on Hop Off Game Guide
  • Although successful at first, 5 of the 6 guides who were trained no longer provide their services
Conclusions – Demand Side

- There are major concerns with the way that SANParks procurement policies are implemented on the ground.
  - Procurement is highly understaffed for the four large national parks within the region.
  - Many end-users spend the majority of their time on procurement issues impeding their ability to fulfill their primary duties.
  - Government non-payment, late payment, etc. is impeding small and emerging local businesses from obtaining contracts with the park.
- There is a large non-availability of local SMMEs which could feed into the tourism supply chain – even fewer black-owned.
  - There are a number of tourism SMMEs but they are nearly all white-owned.
  - The majority are linked to the large-scale farming industry found in the area.
  - These operations provide little opportunity for local communities other than as employees.
- A major metropolitan hub is located in very close proximity to the park, allowing the park and surrounding operators to source materials at more competitive rates.
- The primary way in which the park engages with local SMMEs is through SMME development within the park. (E.g.) Laundry, Ablution, Hop-on-Hop-off - However, the structure of these programs is relatively short-term
Recommendations – Demand side

- Overall many of the challenges outlined above are quite substantial and some of them would require significant structural changes at higher levels of government. However, since the majority of facilities are both owned and managed by government institutions, namely SANParks, the scope for implementing real change in order to encourage local black-owned SMME development is more significant than was the case in the Pilanesberg.

- One of the biggest issues, discussed above, is the issue of the structure of payments for short-term government contracts.
  
  - One recommendation would be for the government to encourage the use of local SMMEs by offering special contracts which would allow businesses who do not have access to large sums of capital to fund contracts prior to payment under certain conditions.

- Another major issue, which we believe SANParks should highly take into consideration, is the workload of the single procurement officer which oversees AENP and three other national parks in the region.
  
  - Thus a second recommendation is that SANParks should relook at this position and consider hiring additional staff which are specifically responsible for employment.
Recommendations – Demand side

• A third concern discovered is that price is the only factor considered in awarding smaller contracts.

• Therefore, a fourth recommendation is that SANParks could consider re-evaluating its policies to consider BEE accreditation, SMME status and the location of the businesses for smaller contracts to encourage engagement with small local black-owned businesses.

• Finally, another recommendation which could be more effectively implemented would be to develop more programs, similar to those developed for conservation, to facilitate the development of local SMMEs in the tourism sector, particularly in terms of existing structures such as the restaurant and the shop.
CAMPING AND CARAVAN PARKS: Final Report
Camping and Caravanning in South Africa – The Current Situation

- South Africa caravan parks are used increasingly by people who are tenting out of choice as well as (upmarket) caravanners in a re-invented form of camping tourism that aligns with drive tourism.
- Caravanning is becoming a leisure activity that incorporates “a series of experiences”
- By 2010 number of caravans: 107 000 a further decline in caravan numbers 1987 – 160 00.
- However, the caravan sector now manifests an upgrading in terms of quality and that whilst actual numbers have fallen the market value of the caravan industry as a whole potentially has risen.
- Participants do not want a “rough experience” the decision to ‘camp’ is a lifestyle choice. These caravanners “contribute substantially to the local economy of towns and regions”
## Number and Percentage of Caravan and Camping Parks by Province

<table>
<thead>
<tr>
<th>Province</th>
<th>Total Number of Caravan and Camp Sites</th>
<th>Percentage</th>
<th>Municipal Listings</th>
<th>Nature Provincial or SANParks</th>
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</thead>
<tbody>
<tr>
<td>Western Cape</td>
<td>193</td>
<td>30.7</td>
<td>15</td>
<td>3</td>
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<tr>
<td>Eastern Cape</td>
<td>80</td>
<td>12.7</td>
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<td>6</td>
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<td>KwaZulu-Natal</td>
<td>73</td>
<td>11.6</td>
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<td>North West</td>
<td>59</td>
<td>9.4</td>
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<td>2</td>
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<tr>
<td>Limpopo</td>
<td>57</td>
<td>9.1</td>
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<td>Northern Cape</td>
<td>54</td>
<td>8.6</td>
<td>0</td>
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<td>Free State</td>
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<td>Gauteng</td>
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<td><strong>TOTAL</strong></td>
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<td><strong>100</strong></td>
<td><strong>21</strong></td>
<td><strong>25</strong></td>
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</table>
## Number of Municipal and Private Parks in the Western Cape

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Municipal Parks</th>
<th>Total Parks (including Private)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Cape Town</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Matzikma</td>
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<td>6</td>
</tr>
<tr>
<td>Cederberg</td>
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<td>22</td>
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<tr>
<td>Berg River</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Saldanha Bay</td>
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<td>12</td>
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<tr>
<td>Swartland</td>
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<tr>
<td>Witzenberg</td>
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<tr>
<td>Drakenstein</td>
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<td>5</td>
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<tr>
<td>Stellenbosch</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Breede Valley</td>
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</tr>
<tr>
<td>Langeberg</td>
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<td>Overstrand</td>
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<td>Kannaland</td>
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<td>Hessequa</td>
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<td>Bitou</td>
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<td>Knysna</td>
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<tr>
<td>Laingsberg</td>
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<td>1</td>
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<tr>
<td>Prince Albert</td>
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<td>1</td>
</tr>
<tr>
<td>Beaufort West</td>
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<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>57</strong></td>
<td><strong>209</strong></td>
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</table>
The Geography of Municipal Caravan and Camping Parks in the Western Cape
The Location of Municipal Caravan and Camping Parks within the Local Municipalities of Western Cape Province
Organization and Current Challenges of Municipal Caravan parks

- In the majority of cases the parks fell under their direct management.
- Saldanha Bay and Hessequa at least one park leased out to a private enterprise.
- 2018 Mossel Bay Point Caravan Park put out to tender - 15 year lease not viewed as a core municipal function.
- The successful bidder is required to upgrade facilities to 3 star grading and to introduce environmentally sustainable practices. This will curtail losses and contribute to LED of municipal area
- Overall - by leasing to a private investor “the local authority will gain by achieving the Municipality’s strategic objectives, including the upgrading, and improved management of the Park and generate additional revenue”
- Of critical importance is the careful selection of an appropriate private sector partner through the tender process.
- Unfortunately a number of examples where this model has been applied and the municipal asset has fallen into complete disrepair – lack of due diligence and monitoring.
Key Findings From the Municipal Interviews – Overview

• A key finding was of the diverse position of caravan parks within the administrative structure of local municipalities.
• The management of caravan parks falls under no common department. In the case of Cape Agulhas responsibility falls to the Department of Public Services for day to day management.
• At Hessequa management is within the domain of the department of technical services.
• At Overstrand Local Municipality the administration of the four caravan parks is within the portfolio of Community Services.
• The general pattern was that caravan parks was part of a bundle of diverse responsibilities that would fall within the portfolio of specific sections of municipal administration.
• The lack of a dedicated focus
• Most notable that none fell within Tourism
Key Findings from the Municipal Interviews - Performance

• Notwithstanding its somewhat marginal position, caravan parks were seen as significant for the local economy and most especially for tourism development.

• Typically, one interviewee stated: that the caravan and camping parks in Saldanha “are very important for the local tourism economy as they provide affordable options for accommodation and provide access to the sea, not all campsites do”

• There was wider recognition of the local multiplier effects on the local economy of the caravan sector. The municipal director for Hessequa views the “parks as important as they have a direct and indirect investment. Tourism spend within the town is more important than the direct spend with the resorts itself for accommodation”.

• Across the interviews a positive view was expressed towards the performance of the municipal caravan parks.

• “We do make money but that’s not the sole mandate for the municipality. What’s important is job creation. The only real busy times are the December holiday period and Easter. There are times of year when the camp site is empty but the chalets are booked out regularly during the year especially the summer months” (Director Cape Agulhas Municipality).
**Key Findings from the Municipal Interviews – Factors that Impact Performance**

- First, is that the activity of caravanning is observed as markedly seasonal with the December-January period the most crucial for the overall operational performance of the parks and for their contribution to the local economy.
- during the seasonal peak season the municipalities usually increase their staffing with the engagement of temporary workers.
- Second, is that for all parks no permanent residence is permitted and generally the maximum occupancy is for a period of three months.
- Third, is that of the off-season role of South Africa’s ‘grey nomads’, the pensioner and retiree market who sometimes are beneficiaries of low season cheaper rates.
- Fourth, and very important, is the role that can be played by events and festivals for boosting the occupancy levels of caravan parks.
Key findings from the Municipal Interviews – Lack of Linkages

• Across the small towns of the Western Cape - remarkably few linkages between caravan parks and tourism planning because of the responsibility for park administration outside of tourism and within a department which had other more pressing ‘core’ priorities.

• The most striking finding was the partial or complete disconnect of caravan parks from municipal tourism planning.

• Local tourism committees focus primarily on marketing in relation to the private sector and give little attention to marketing for the municipal assets.

• This said, in the town’s local tourism strategy has no focus on caravan and camping. Arguably, “it would make sense to have caravan and camping within the Tourism portfolio instead of just for marketing and bookings. There is a need to redesign portfolios as at the moment it is not sure who caravan and camping really belongs to” (Overstrand Director).

• In addition, it was acknowledged that visitor numbers could be boosted by a closer relationship concerning the marketing of local events and festivals: But the sites could do a lot better. We plan on looking at the Tourism economy and linking the parks to biker rallies, mountain biking events, festivals etc, link with schools and offer discounted rates for camps” (Overstrand Director).
Key Findings from the Municipal Interviews - **Outsourcing**

- In virtually all municipalities the construction and maintenance work is done in-house.
- Certain opportunities do arise and the process is to use the municipal procurement system with the hiring of businesses run either by Coloured or Black persons.
- In most municipalities security is outsourced and runs through a tender process from the municipality”.
- At Saldanha Bay, the seasonal peak provides temporary opportunities for SMMEs. **“Over December a tender is put out for cleaning services and gate guards. It adds up to an additional 140 temporary job opportunities in the season. 95% of the contractors used within the parks are local. It upskills a lot of local workers that are then able to complete private work. A lot of contractors don’t perform well and this is an opportunity for Local Economic Development Department to develop them”**.
Key Findings from the Municipal Interviews – Future Development

• Several options exist going forward for the management of caravan parks.
  i. First, is a no change situation with municipalities continuing to manage the parks.
  ii. Second, is the option of privatisation and the selling off of assets which usually involves a change of land use often for commercial or residential development.
  iii. Third, is to consider developing a joint venture partnership with Provincial government and/or private developers/operators to facilitate the development, management and operation of the resorts.
  iv. Four, there is the option of institutional restructuring and of establishing a unit within the local municipality which would be dedicated to caravan parks.
Finally, there is the option of leasing out parks to the private sector for a defined time period and on a tender basis. For many, this option is attractive and preferred as caravan parks are seen as “not our basic service” in municipalities. Municipalities do not want to lose ownership of the property but instead want to get optimal return on investment. The decision is often to outsource as the private sector lessee is mandated to upgrade and improve the parks in a way that municipalities do not have the funding to do so.

• The interviews revealed that different options are under consideration and under discussion for several years.
Recommendations

• In much of South Africa municipal ownership parks have lost their significant role. The coastal province of the Western Cape is the largest focus for caravan parks, both private and municipal.

• In terms of SMME development a small number of short-term opportunities currently exist with the only major long term business opportunity being in security as most maintenance work is done in-house.

• Municipalities are currently struggling to manage appropriately and optimally the operations of municipal parks and many are considering options for privatisation through sell off or leasing parks to private investors.

• In terms of boosting performance, it is recommended that at minimum there is a need for much closer institutional relationships between tourism and the department which is responsible for management of caravan parks. At present there is little connection.

• Another linked recommendation is to ensure a higher profile for caravan parks in municipal IDPs for budgetary provision. Finally, there appear obvious benefits for developing a closer relationship with tourism in terms of local event and festival planning.
Final Conclusions

• **Number 1: The opportunities for SMME development linked to procurement for state assets are limited.**
  
  o For those few entrepreneurs that have been fortunate in growing their businesses through procurement contracts the benefits of leveraging through procurement are welcome; if this number can be expanded through tweaking of procurement then that would be a positive step.
  
  o But the study revealed the numbers of these beneficiaries to be tiny, in part at least, as a result of the use of inhouse contracting of services as found in the local municipal studies of King Sabata and Overstrand as well as constraints on changing procurement processes in Pilanesberg National Park.
Final Conclusions

• **Number 1: (Contd…)**
  
  o An additional limitation from the study in Pilanesberg was of the lack of interest of local SMME entrepreneurs in working with government and the essential disconnect of the local SMME economy from the tourism industry as a whole. Arguably, this lack of interest was linked to lack of trust in government and to issues of corruption which emerged most clearly in King Sabata and hinted at strongly in the North West study.
  
  o In addition, another critical explanation for lack of interest was that government takes an unacceptable long time to pay contractors and that small businesses often simply do not have the cash flow to wait for 3 months before being paid.
Final Conclusions

- **Number 2: The limitations on procurement as a vehicle for leveraging opportunities are made worse by weaknesses relating to tourism and local economic development planning.**
  - In the locality studies of Overstrand and King Sabata, a key finding was that at times local government either did not understand what was needed to support tourism development or was not particularly committed to actively support tourism development.
  - Often, the introduction of well-meaning policies proposed for tourism development were not implemented variously for reasons of funding, lack of local support, lack of entrepreneurialism by local council or lack of ability to implement because of capacity issues in relation to human resource development or in certain instances by “irregular expenditure”.
  - The problems relating at municipal level to maximising tourism as a vehicle for local economic development thus emerged strongly throughout this investigation.
Final Conclusions

• **Number 3:** The under-performance of municipalities in relation to maximising the impacts of potentially valuable tourism assets cannot be understood only as the result of problems at municipal level or inability to implement tourism or LED planning.
  
  o In the locality studies of Overstrand and King Sabata, it was evident that the maximisation of municipal assets was often constrained by the fact that assets were *in* but not *of* the municipality
  
  o Major constraints were imposed on municipalities by the fact that valuable tourism assets were either managed/controlled by other tiers of government or parastatal agencies.
  
  o Efforts to use assets for tourism development thus were blocked by lack of inter-governmental cooperation or ambiguity as to which level of government was responsible.
Final Conclusions

• Number 4: The disconnect between institutional planning for potential tourism assets and local economic development was most strikingly revealed in the thematic study of caravans.

  o The existence of caravan parks or camping sites is one of the most common municipal assets around the country. Many of these parks have not been well maintained and in many municipalities, consideration currently is being given to disposing of these assets entirely.

  o A critical finding from our investigation was that the management responsibility for these potential tourism assets was not always linked to tourism (or LED) but instead to Departments such as parks and recreation management or community services which have very different priorities (particularly for financial resources) with the consequence that caravan parks are often the least important.

  o This location of the responsibility for caravan parks outside of tourism certainly limits the prospects for these potentially valuable assets to be applied and linked to overall local tourism development.
Final Conclusions

• Number 5: The major conclusion that comes out of this study – and which runs through all the empirical investigations – is of the under-performance of state assets in relation to goals of inclusive tourism development.

  ◦ Leveraging the possibilities linked to public procurement for black SMMEs are reduced considerably in circumstances where as a whole valuable state assets are underutilised at best, or neglected and in a state of deterioration in a worse case scenario.
  ◦ Put simply, it is argued that valuable potential state assets which could bolster tourism development and SMME development opportunities across South Africa are not being maximised.
  ◦ This was shown to be the case in Pilanesberg, King Sabata and even at Overstrand which has a vibrant local tourism economy.
Final Conclusions

• Number 6: Overall, we argue that what this points to is the fundamental need for improved asset management for tourism and for the development of an asset management framework specifically for tourism assets in South Africa.

  o A valuable starting point for such a framework was made by the preparation some years ago by the Department of Tourism of its national register of tourism assets.
  o This asset base is partial, however, albeit it provided the starting point for our research study.
Final Conclusions

• Number 7: Knowing what are local tourism assets is only a first step towards maximising such local assets for tourism development and SMME opportunities.
  
  o In many municipalities, however, it is evident that such knowledge and appreciation of local tourism asset potential is only poorly developed as is indicated by large gaps in the Department of Tourism data base.
  
  o But there is a need to go beyond an audit or inventory of tourism assets.
  
  o Arguably, there are critical sets of issues around the strategic management of these assets which requires the development of an appropriate asset management framework specific for tourism.
Final Conclusions

- **Number 8: At the international level much interest surrounds questions of state asset management and in particular of municipal property asset management.**
  - This interest has expanded considerably particularly since the 2008 global financial crisis which reduced government budgets in many parts of the world putting a premium on efficient use of local resources and assets.
Final Conclusions

• **Number 9:** Although asset management applies across all levels of the state – national and sub-national - for the tourism sector the municipal level is especially important.
  
  o “Local governments are often best placed to support tourism development within a destination due to their local knowledge; something that is often lacking in distant capital cities and among leaders who are less familiar with regional cultures and local conditions” (Ruhanen, 2013: 82).
Final Conclusions

• **Number 10:** An asset management framework for tourism would be an important basis for improved planning for tourism development of destinations.

  o In terms of SMME development a well-functioning asset management framework would complement the range of other support interventions – finance, skills, business incubators – which have been introduced in recent years by Department of Tourism.

  o In addition, such a framework might highlight opportunities in the life cycle of assets that might be taken up by emerging entrepreneurs and potentially through leverage of public procurement.
Final Conclusions

• Number 11: An asset management framework would be a platform for supporting local economic development planning for tourism.
  ○ In particular it would be a support for much needed ‘place-based development interventions’ which are anchored on use of endogenous or local assets.
Final Conclusions

• Number 12: In final analysis, therefore, it is recommended therefore that the Department of Tourism lead an initiative for the development of guidelines for local governments in South Africa on strategic asset management linked to tourism.

  o The preparation of such guidelines would be informed by ‘good practice’ which can be drawn from the international experience as well as be aligned to the Immovable Asset Management Framework which has been put forward by the Department of Public Works.

  o In addition, it would need to be cognisant also of the challenges of lack of alignment of different tiers of government in relation to the management of tourism assets.
THANK YOU