tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA

University of Venda

An analysis of the public sector expenditure in the tourism value chain

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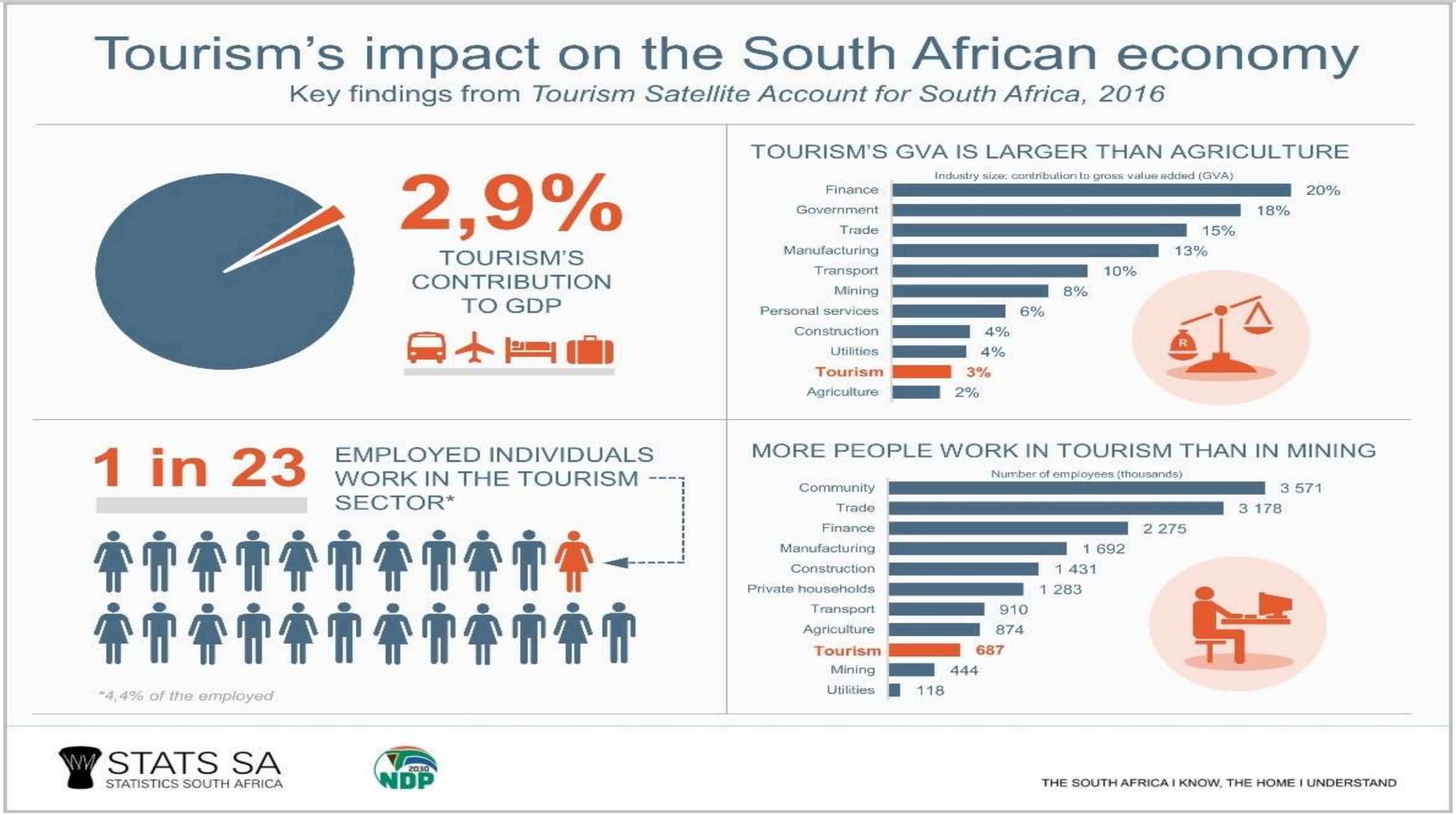
Tourism Research Webinar:

30 October 2020

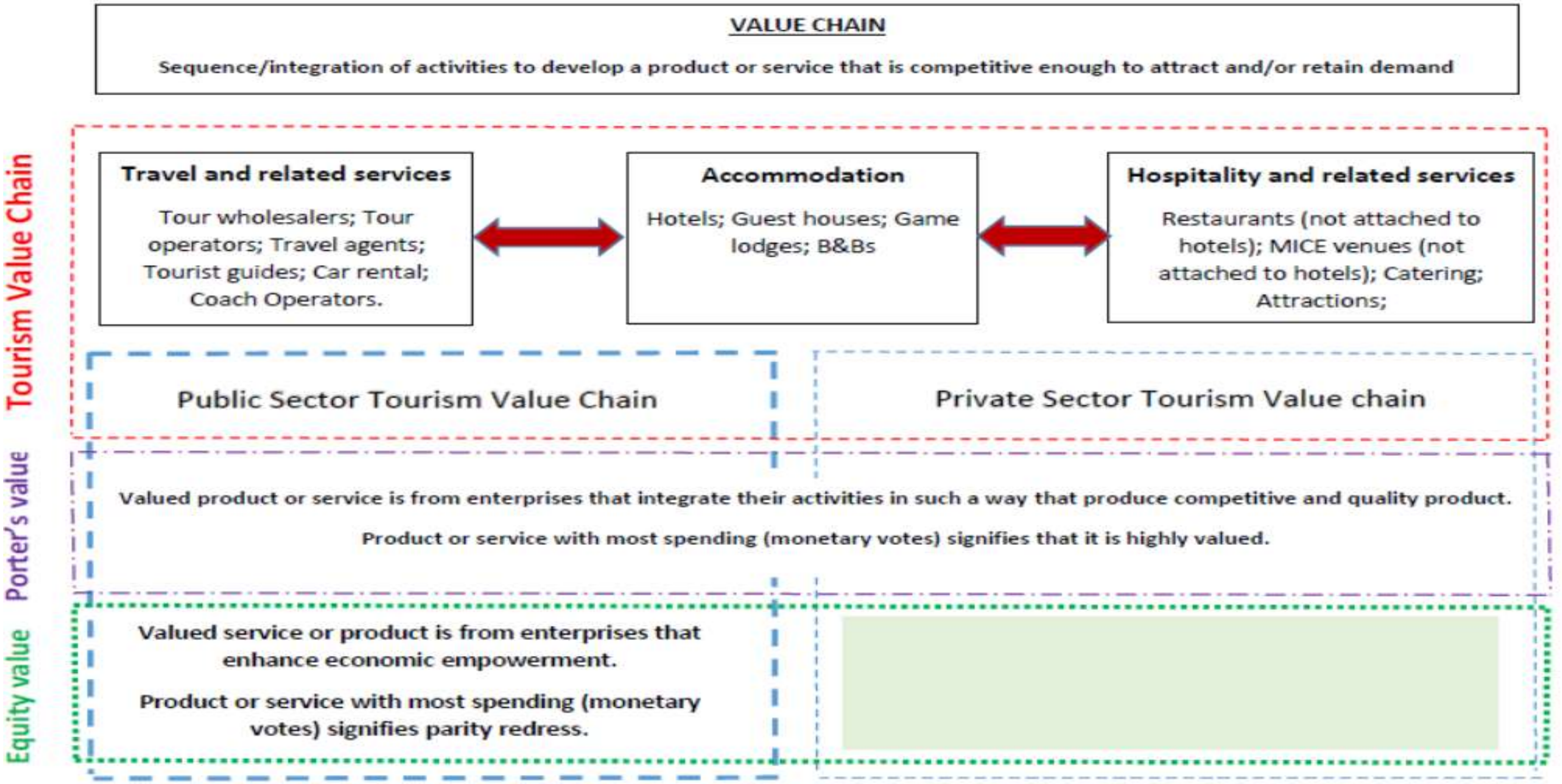
The Economic Significance of Tourism in South Africa



Study objectives

1. Examine the value chain of the tourism sector generated from public expenditures.
2. Determine the enterprises that benefit from public expenditures within the tourism value chain.
3. Assess the socio-economic opportunities within the value chain for black entrepreneurs.

The Conceptual Framework

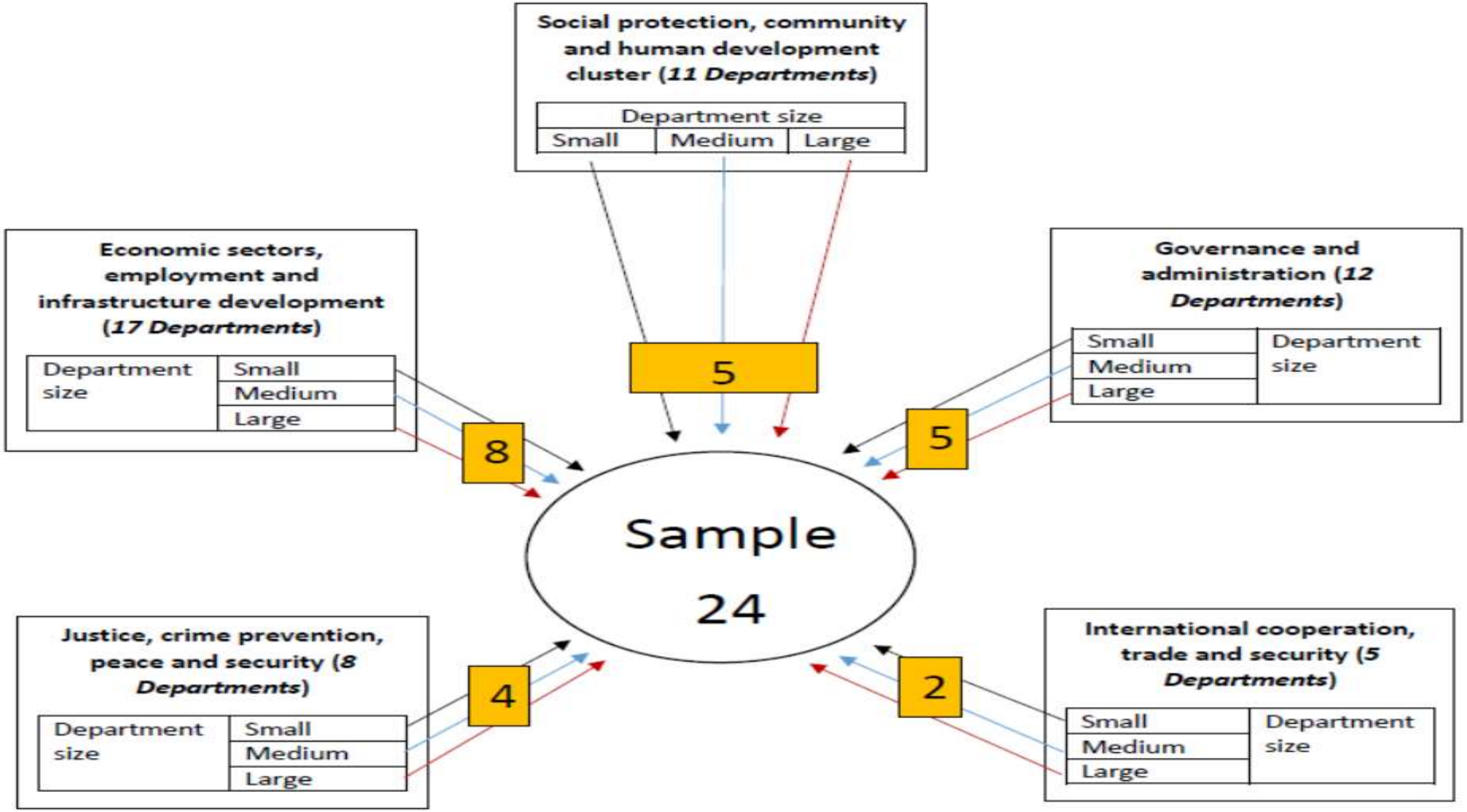


The Conceptual Framework

B-BBEE Level	Scorecard Points	Procurement Recognition percentages
1	100 or above	135
2	85 to 99.99	125
3	75 to 84.99	110
4	65 to 74.99	100
5	55 to 64.99	80
6	45 to 54.99	60
7	40 to 44.99	50
8	30 to 39.99	10
Non-Compliant	< 30	0

B-BBEE Element	Explanation
Ownership	Ownership, voting rights and economic interests
Management Control	Effective control and management
Skills Development	Employee training and skilling
Enterprise Development	Assist enterprise development
Socio Economic Development	Access to economy and income

Methods


Social protection, community and human development cluster (*11 Departments*)
Department size
Small
Medium
Large
Economic sectors, employment and infrastructure development (*17 Departments*)
Department size
Small
Medium
Large
Governance and administration (*12 Departments*)
Small
Medium
Large
Department size
5
8
5
Sample
24
Justice, crime prevention, peace and security (*8 Departments*)
Department size
Small
Medium
Large
4
2
International cooperation, trade and security (*5 Departments*)
Small
Medium
Large
Department size

Limitations and proxies

Available: Data on LEs, QSEs, EMEs

Unavailable: Data on spending according to B-BBEE

Less transformational

1. Domineering/grouped enterprises
2. Enterprises with forward & backward linkages

More transformational

1. Non-grouped (Emerging enterprises)
2. No linkages (Small enterprises)

Estimations based on proxies

1. $PET_{ij} = \beta + \omega SDG_j + l_{km} + \epsilon_{ijkm}$
2. $Logit(D) = \beta + \gamma(PET_i) + \omega SDG_j + e_i.$

Response Rate and Reconfiguration

Department Size	Location	Cluster	Extras
Small	National	Does not belong to any cluster. However, it is a proxy to the JCPS	
Small	National	ESE&ID	
Small	National	G&A	
Medium	National	ESE&ID	Has reporting agencies and/or entities
Medium	National	ESE&ID	
Large	National, Provincial & District	ICTS	

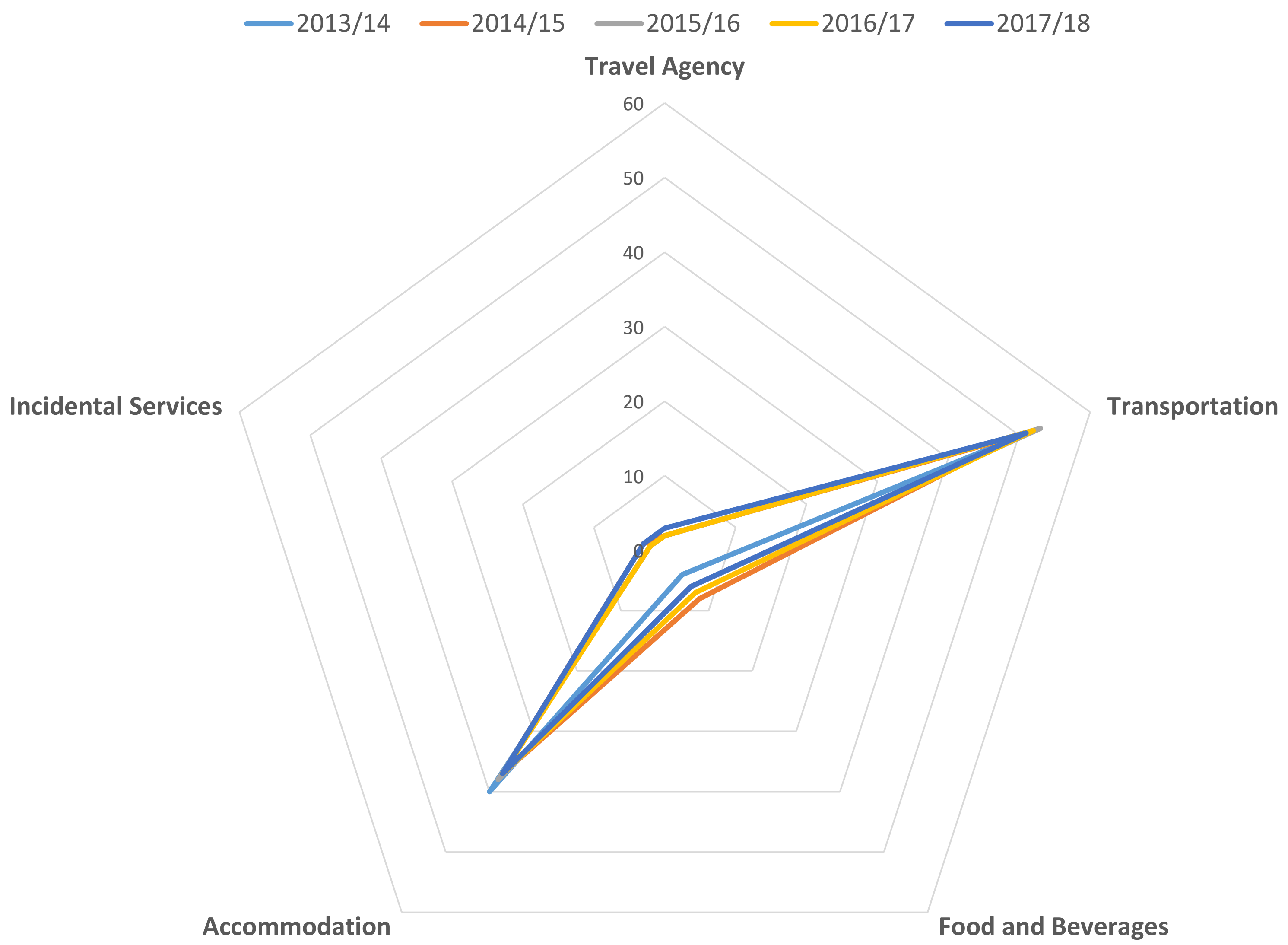
Tax & BBBEE status of Enterprises registered with National Treasury

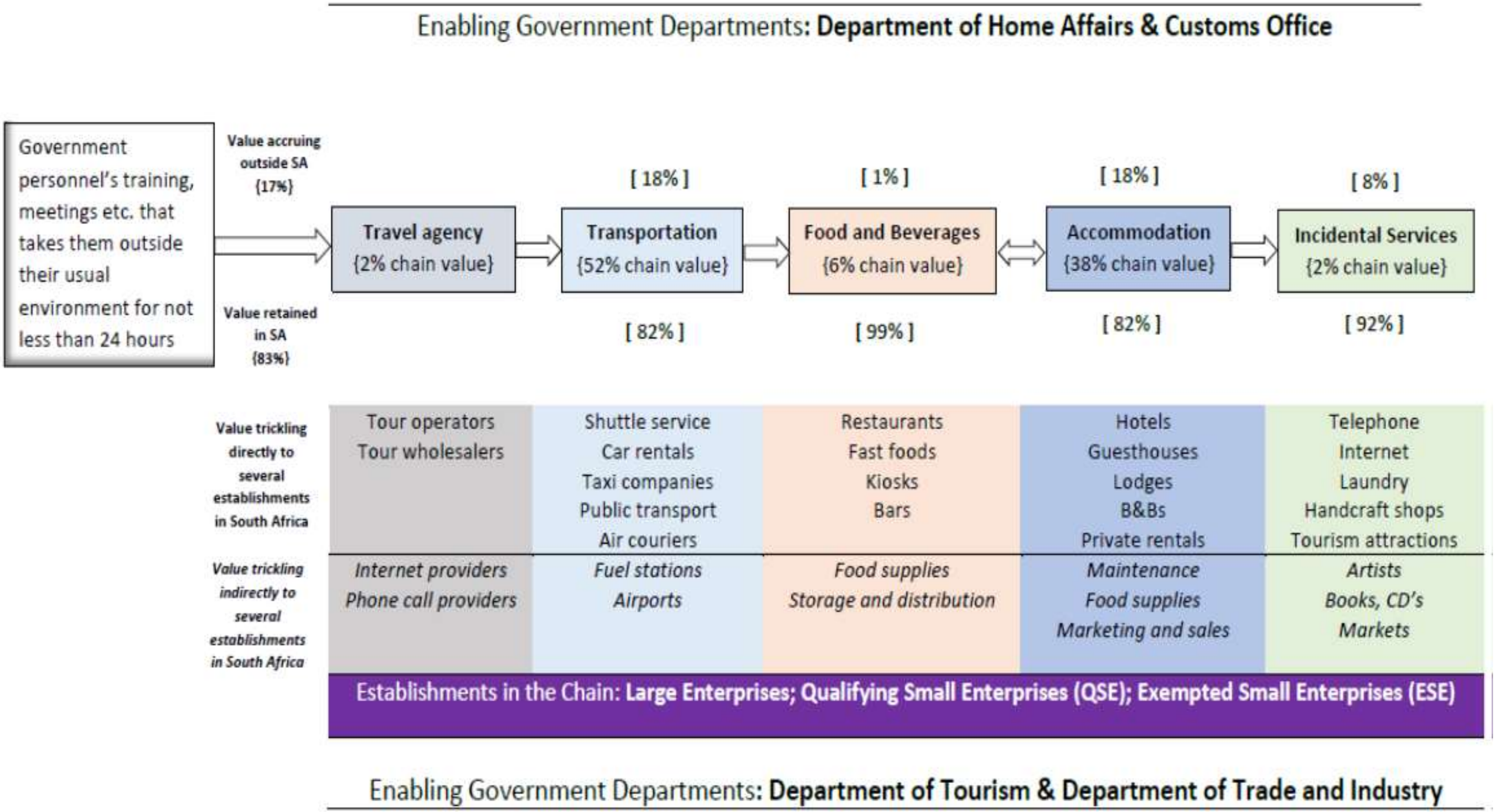
B-BBEE Contributor	Tax Non-Compliant	Tax Compliant	Not registered for Tax	Unable to Determine Tax Compliance	Other
Level 1	254482	258308	4007	8435	2
Level 2	6467	9455	228	534	0
Level 3	8738	4262	125	711	0
Level 4	14244	22613	591	1996	0
Level 5	212	658	10	56	0
Level 6	185	588	3	59	0
Level 7	101	416	1	38	1
Level 8	259	1132	10	73	0
R10m or less Enterprise	0	0	0	0	63
R10m< Enterprise <R45m	0	0	0	0	2
Non-compliant	443	1072	29	102	0

Demarcating the boundaries of the chain

- Demarcation 1: MICE, the trigger
- Demarcation 2: Travel agent
- Demarcation 3: Transportation
- Demarcation 4: Food and Beverages
- Demarcation 5: Accommodation
- Demarcation 6: Incidental services

Concentration of Tourism-related Public Expenditure 2013-18





Enabling Government Departments: Department of Home Affairs & Customs Office
Government personnel's training, meetings etc. that takes them outside their usual environment for not less than 24 hours
Value accruing outside SA {17%}
Value retained in SA {83%}
Travel agency {2% chain value}
[18%]
Transportation {52% chain value}
[82%]
[1%]
Food and Beverages {6% chain value}
[99%]
[18%]
Accommodation {38% chain value}
[82%]
[8%]
Incidental Services {2% chain value}
[92%]
Value trickling directly to several establishments in South Africa
Tour operators
Tour wholesalers
Shuttle service
Car rentals
Taxi companies
Public transport
Air couriers
Restaurants
Fast foods
Kiosks
Bars
Hotels
Guesthouses
Lodges
B&Bs
Private rentals
Telephone
Internet
Laundry
Handcraft shops
Tourism attractions
Value trickling indirectly to several establishments in South Africa
Internet providers
Phone call providers
Fuel stations
Airports
Food supplies
Storage and distribution
Maintenance
Food supplies
Marketing and sales
Artists
Books, CD's
Markets
Establishments in the Chain: Large Enterprises; Qualifying Small Enterprises (QSE); Exempted Small Enterprises (ESE)
Enabling Government Departments: Department of Tourism & Department of Trade and Industry

Results on Dominance in the Accommodation Sub-Sector

VARIABLES	(1) Hotel Expenditure	(2) Hotel Group (Yes = 1; No =0)	(3) Hotel Group (Yes = 1; No =0)	(4) Hotel Group (Yes = 1; No =0)
National, with agencies	97,128***			
	(1,705)			
Geographic Spread: National, provincial & district	13,231***			
	(466.3)			
Geographic Spread: National, with agencies		-0.148	0.614	
		(0.373)	(0.431)	
Geographic Spread: National, provincial, & district		-0.209**	-0.0950	
		(0.101)	(0.104)	
Expenditure			-8.69e-06***	
			(1.32e-06)	
Below mean expenditure				-0.148
				(0.373)
Above mean expenditure				-0.209**
				(0.101)
Constant	2,228***	0.553***	0.572***	0.553***
	(47.64)	(0.0106)	(0.0110)	(0.0106)
Observations	38,828	38,898	38,828	38,898
R-squared	0.094			
Pseudo R-squared		0,0001	0,0011	0,0001

Results on Linkages in the Transport Sector

VARIABLES	(1) Transport Expenditure	(2) Transport Expenditure	(3) Transport Expenditure
Car rental linked to airline (=1)	-1,642		-1,769*
	(1,084)		(1,035)
Geographic Spread: National, provincial, & district		285,993***	286,004***
		(3,941)	(3,941)
Constant	3,977***	2,219***	3,977***
	(1,080)	(82.61)	(1,032)
Observations	54,629	54,629	54,629
R-squared	0.000	0.088	0.088

What economic opportunities exist for black-owned enterprises?

1. **<u>Low initial outlay sectors</u>**
   - ground transportation - e.g. car hire
   - food and beverages - e.g. restaurants,
   - travel agencies, and
   - incidental services - e.g. laundry
2. **<u>High initial outlay sectors?</u>**
   - barrier to entry – need huge capital and is dominated by groups in the accommodation sector and linkages in the transport

Conclusions

Value chain

- Value is concentrated in high initial outlay sectors (LEs)
- Dominance aided by Dept.s with National Presence only.

  Linkages have no effect on high expenditure
- Indirect value effect have to be managed to realize real transformation

Benefitting

- Large enterprises (Domineering enterprises & enterprises with forward and backward linkages)
- Functionality and pricing may favour LEs, aside from B-BBEE when procuring.
- Smaller share of a larger pie can be better than a huge share of a smaller pie

Policy Recommendations

Assist transition from low to high initial outlay sectors

Upgrade capabilities of EMEs through information sharing or reviews platform

Promote government personnel as drivers of change

Thank you