



SALGA
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National Tourism Conference

Enhancing Local Government Competitiveness

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INTRODUCTION

- South Africa has long been a destination for tourists looking for wildlife and spectacular natural settings and its diverse cultural heritage. Local governments are custodian of many of the natural resources frequented by tourists and locals, e.g. Parks, Beaches and Forests and contribute services to maintenance and upkeep of infrastructure related to products run by other entities
- Local Government's role in tourism has been the supply of services and infrastructure on which the economy and the tourism industry is based.
- This includes services such as public roads, water and sanitation, waste services, tourism signage, museums, visitor information centres, land identification for future tourism site development.



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INTRODUCTION

- Visitors consume an array of service and goods, some provided by the tourism sector, and others by local governments themselves. Generally speaking, the experience, whether it is an incidental good or service (or externality), not directly related to tourism per se will be attributed to the location, which is managed by the local government.
- Besides provision of basic services, many local governments the world over have played a strategic role in repositioning themselves as a tourism mecca:
 - Dubai
 - Parys



SALGA PROBLEM STATEMENT

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- A number of municipalities struggle to deliver and maintain the basic infrastructure required for the tourism industry to thrive.
- There are often capacity constraints in terms of skills, to deliver non-specific and tourism specific requirements
- They also have populations with vast social inequities which presents a resource allocation to the municipality, it also presents a challenge to place-specific perception-based industry



A FRAMEWORK FOR COMPETITIVENESS: THE CLUSTER APPROACH

- Tourism is one of the traditional **clusters**: (Porter 1990)
 - Geographically concentrations of connected firms
 - Specialised suppliers, service providers, firms
 - Institutions like standards agencies, trade associations, universities and think tanks, governments, training service providers, linked industries
 - Large and small economies, rural and urban areas, and at different geographical scales from national to local and in a range of industries from car dealers to restaurants



SALGA THE CLUSTER

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- Clusters, more than traditional industry boundaries, include linkages, complementarities, spill overs into technology, skills, information, marketing, customer feedback and needs that exceed firm or industry level.
- They share common needs, opportunities, constraints, obstacles to productivity
- Clusters better reflect the level at which competition occurs (in contrast to firms and industries)
- Presents stronger argument for government support and intervention



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- Clusters
 - Increase the productivity of firms (access to information)
 - Increase the capacity of cluster to innovate
 - Stimulate new business formation
- Complementarities
 - Complementary products for the buyer (hotels, gifts, transport, restaurants)
 - Marketing complementarities
 - Alignment of activities, such as downstream firms are better coordinated
- Access to institutions and “public goods”
 - Training
 - Standards
 - promotion



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CONCEPTS

- Economic Development: long term sustainable development in standard of living
- Standard of living is determined by the productivity of an economy
- Which is measured by the value of goods and services produced per unit of the economic input (human, capital, resources)
- Productivity is the basis of competitiveness
- Productivity includes
 - The value of the goods/services
 - Efficiency with which they are produced



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COMPETITION

- Productivity boils down to a combination of technology and skill
- Unless companies become more productive, the economy cannot become more productive
 - Operational effectiveness (best practice in terms of processes, technology, management)
 - Strategy: competing on differentiation not just price
- Companies compete based on:
 - Micro economic business environment (roads, public goods and services, tax, legal system)
 - Cluster specific: suppliers, skills, institutions
- Local/government can contribute to both



COMPETITIVENESS: PORTERS DIAMOND

1. Context for Firm Strategy and Rivalry

- Context that supports investment and sustained upgrading (rules, incentives, norms)
- Competition among local based rivals (low competition low productivity)

2. Demand Conditions

- Sophisticated, demanding local customers affect productivity and shift to innovation

3. Related and Supporting Industries

- Presence of local suppliers
- Competitive related industries

4. Factor or Input Conditions

- Quality and specialisation (includes R&D, universities)



SALGA ROLE FOR LOCAL/GOVERNMENT

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- **Context**
 - Remove obstacles, relax constraints and eliminate inefficiencies that impede productivity (human resources, infrastructure, regulatory constraints)
 - Coordinate department interventions to deliver on tourism requirements
- **Demand**
 - Research and feedback
 - Marketing
 - Encourage early uptake of new technologies/products
 - Sponsor/encourage testing and certification
 - Buy products



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Role for Local/Government

- **Supporting Industries**
 - Sponsor forums to bring together participants
 - Establish for foster co-location of suppliers, service providers from other locations (land, rebates, infrastructure, concierge service)
 - (See context)
- **Input Factors**
 - Improve quality through specialised education and training
 - Involve local research facilities
 - Database of tourism specific information
 - Plan and provide for transport, communications and ICTs where applicable



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Role of Government

- Macroeconomic and political stability
- Microeconomic support measures
 - Education
 - Infrastructure
- Rules and incentives governing competition that will encourage productivity growth
- Predictable future plans/policy
- These make all boats rise/sink
- However, government must arguably also facilitate cluster stability, development and improvement



Key Elements of Tourism Competitiveness

Elements	Comments	Role for Government
Governance	Regulation, whole of government approach, safety and security, stats and data, institutions, budget	Regulation, research
Product development	Differentiation, innovation, high value segments,	Promote Competition, remove constraints
Quality of tourism services	Improve Quality, Social cohesion	Campaign, basics
Price competitiveness	Value for money	Information
Accessibility/connectivity	Infrastructure, proximity	Investment and branding/.marketing
Branding the destination	Promotion and marketing, identity, image	Identity and marketing
Natural and cultural resources	Sustainability	Manage and maintain, regulate
Human resource development	Skills, education, training centres	facilitate



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Case 1

- Anonymous Municipality
 - Regulation and Referral System:
 - B&B attracting the lions share, due to location at entry of town and large sign (information asymmetry)
 - B&B did not refer clients when overtraded
 - and location and no referral system/practice
 - Response:
 - Regulation: Signage by-law to standardise signage (level the playing field for competition)
 - Indirectly promoting complementarity and competition on product



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Case 2

- **Robertson**
 - Constraints
 - Inactive frontage along major route through town constrained development
 - Provided appropriate land use rights and actively encouraged hospitality development along major route through town



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Case 3

- **Jeffrey's Bay**
 - Competition
 - Back packers
 - Product differentiation
 - Surf school
 - English language service
 - Township tours
 - Added high-value accommodation



SALGA Case 2

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- Spier Leisure, part of the Spier Group, is one of the oldest vineyard and farm estates in South Africa, with agricultural activities on the estate dating back to 1692. It operates the mid-priced 155-bed Spier Hotel and conference centre in the winelands of South Africa's Western Cape. The operation includes accommodations, restaurants, conference facilities, a picnic area and a delicatessen. Spier continuously assesses its supply chains with the aim of sourcing as many of its products locally as possible. This case study demonstrates how a medium-sized company can re-structure its procurement activities to be more inclusive and locally sourced, in the process helping to ensure long-term financial sustainability.
- Case 2-4 Sourced at <https://annaspenceley.wordpress.com/2015/02/06/new-case-studies-on-inclusive-and-sustainable-tourism-from-south-africa-and-namibia-spier-phinda-and-damaraland/>



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Case 3

- Wilderness Safaris has a joint-venture partnership with the Torra Conservancy, a community in Namibia, to operate Damaraland Camp, a luxury ecotourism enterprise. Wilderness Safaris pays lease fees to the Torra Conservancy, provides jobs for community members, uses local skills and materials in construction, and purchases local products and services.
- As implemented, the model demonstrates that a joint-venture partnership can be profitable for both the private-sector operator and the community. Moreover, it illustrates that encouraging communities in remote locations to diversify their income streams can be important in order to reduce dependence on a single tourism operator for employment and business opportunities.



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THANK YOU



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Questions for Discussion

- What are the most important **basic activities/functions** Municipalities can undertake to improve the operating environment for Tourism
- What are the **key interventions do Municipalities** need to focus on to improve competitiveness in the their local Tourism Industry?
- What role should Municipalities play in marketing, research and improving technology for tourism?
- Which **partners** do local governments need to make better use of in the National/Provincial Tourism System to improve their local industry competitiveness?