

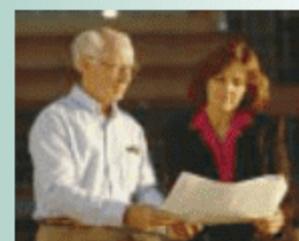
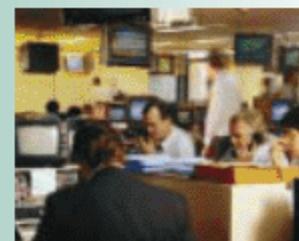


South Africa's Travel & Tourism



Economic Driver for
the 21st Century

TRAVEL & TOURISM
Creating Jobs



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September 1998

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President Nelson Mandela
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In support of your South Africa Jobs Summit, the Members of the World Travel & Tourism Council, the global business leaders forum, urge you to reflect the significant job creation potential of Travel & Tourism in the Jobs Summit action plan.

This report, based on new concepts of Satellite Accounting being developed through international public/private sector collaboration shows the direct economic impact of the South African Travel & Tourism industry. It also calculates Travel & Tourism's very strong *flow through effect* across the economy, stimulating employment in upstream suppliers and downstream servicers of travellers and travel companies – construction, telecommunications, retail and manufacturing.

It suggests that by 2010 more than 174,000 new jobs can be created directly by the Travel & Tourism industry, and 516,000 jobs can be created, directly and indirectly, across the broader South African economy.

These will be good jobs ranging across the employment spectrum from white to blue collar. They will pay higher than average wages and be particularly accessible to women, the unskilled and new entrants into the job market. They will incorporate high levels of training. The majority will be in small and medium-sized enterprises – often in city centres or rural areas where structural unemployment is most severe.

We also set out general policy directions based on our *Millennium Vision* – which we believe could help to realise that potential. These are closely aligned to the broad policy goals of your government, reflected in the "Tourism in Gear" approach.

The Members of the World Travel & Tourism Council stand ready to work with you to create hundreds of thousands of jobs into the new Millennium.

Respectfully,

Harvey Golub
Chairman

Geoffrey H. Lipman
President

TRAVEL & TOURISM: *Creating Jobs*

SOUTH AFRICA TRAVEL & TOURISM CREATING JOBS*

	1998	2010
T&T Industry		
Jobs	250,000	420,000
% of Total	2.4	3.1
Jobs Created	-	175,000
T&T Economy		
Jobs	735,000	1,250,000
% of Total	7.0	9.3
Jobs Created	-	516,000

*Baseline Scenario - "figures rounded"

South Africa's Travel & Tourism – Economic Driver for the 21st Century

This Report:

Assesses the impact of Travel & Tourism – day and stay, business and leisure, domestic and international – in the South African economy. It covers:

- **T&T INDUSTRY** showing the size of the sector – transport, accommodation, catering, recreation and related activities.
- **T&T ECONOMY** showing the impact of Travel & Tourism as it ripples through the wider economy.

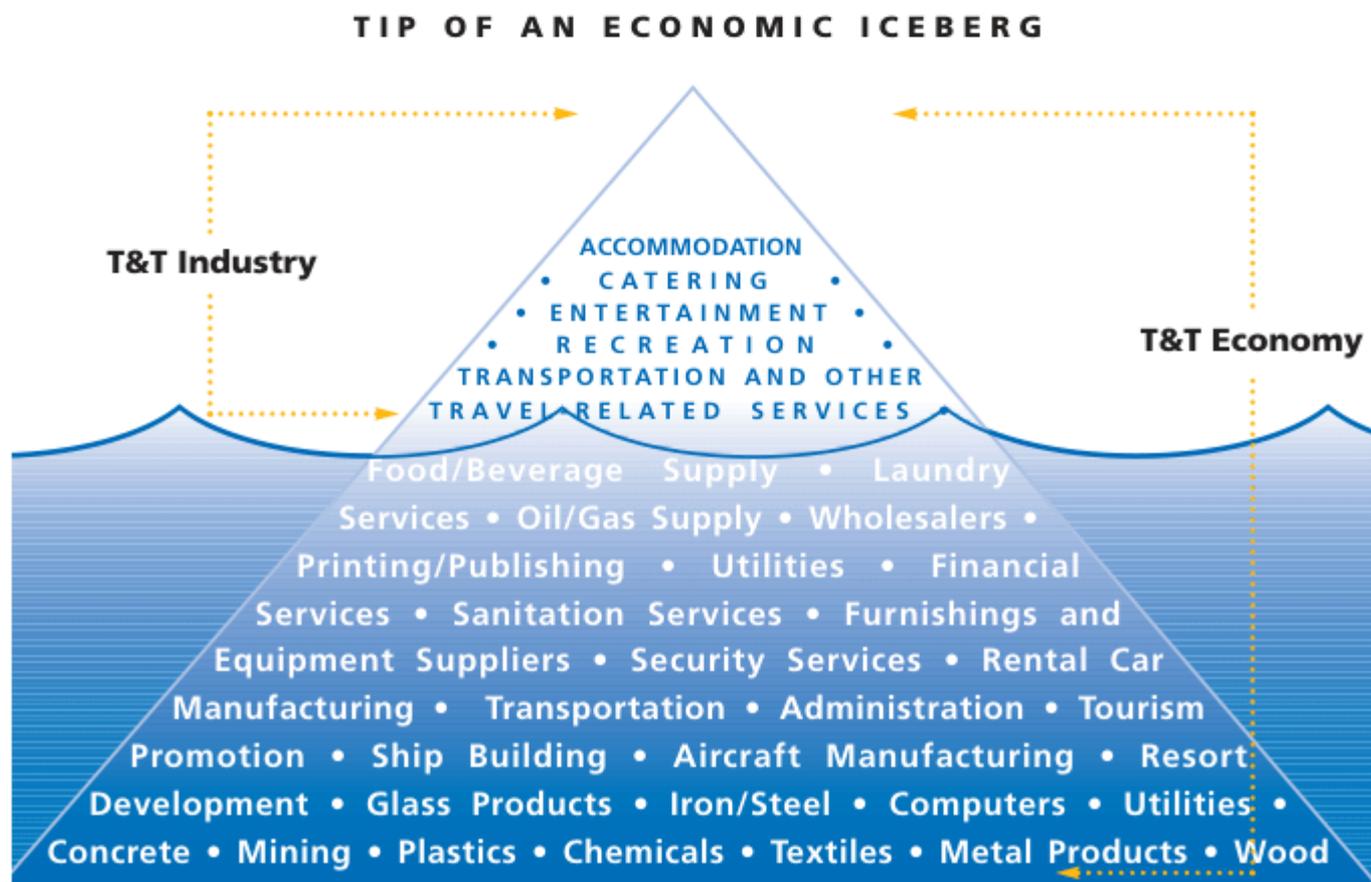
It uses the modern statistical measurement technique of 'National Satellite Accounting' to identify direct economic effects of travellers and travel companies, as well as the indirect economic effects of suppliers and support services. WTTC/WEFA are at the forefront of international public/private sector research in this area.

Develops a range of forecasts about the future of Travel & Tourism:

- **Baseline** – the most likely.
- **Optimistic** – with most favourable circumstances.
- **Pessimistic** – with most unfavourable circumstances.

These have been devised with help of a panel of local experts. Unless otherwise specified, the baseline forecast is used throughout.

Makes a series of policy recommendations which are designed to help government tap the huge potential benefits that Travel & Tourism offers South Africa. It should be read with regard to wider trends towards globalisation, privatisation, regionalisation and public/private sector driven market economies. In order to become fully competitive South Africa, together with the wider Southern African region, must continue to move towards liberalised markets.



The Reality of South Africa's Travel & Tourism

Travel & Tourism is emerging as a leading global economic driver for the 21st century. In South Africa, it is already an important contributor to employment and wealth creation, with a huge *flow through effect* which touches all sectors of the economy. In the past three years, Travel & Tourism has created 187,170 new jobs across the South African economy alone. It has enormous potential as a catalyst for future economic and social development throughout the entire Southern African region.

Travel & Tourism is different from most other industries because travellers are by definition mobile and they generate economic activity at different times and places – often indistinguishably from that generated by local residents. These activities, however, have a huge *flow through effect* across other economic sectors. Satellite Accounting maps that impact.

Today's T&T INDUSTRY represents:
 248,141 jobs: 2.4% of total employment
 Rand (R)16.982m GDP: 2.6% of the total

Today's T&T ECONOMY represents:
 737,600 jobs: 7.0% of total employment
 R53.2bn GDP: 8.2% of total GDP
 R24.2bn exports: 13.2% of total exports
 R12.8bn capital investment: 11.4% of total investment

(WTTC/WEFA estimates)

Strengths and Weaknesses

South Africa has tremendous advantages in the global tourism market and some critical challenges. The future prosperity of the sector will be assured only if these advantages are consolidated and the weaknesses minimised.

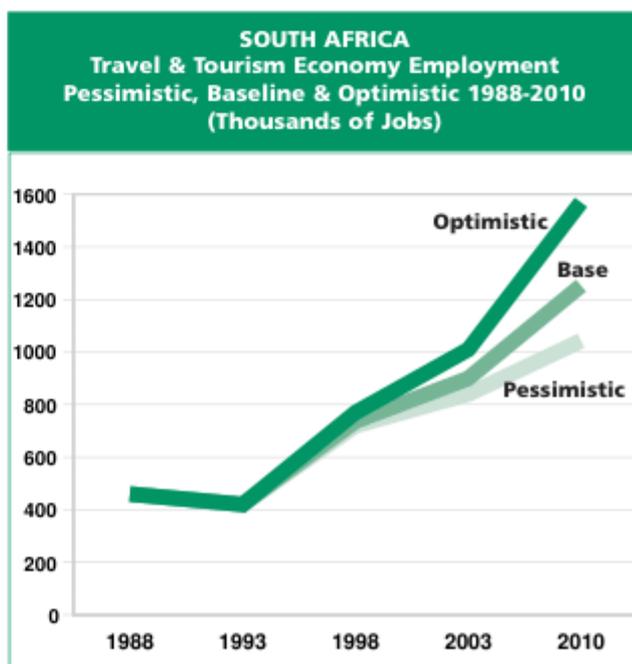
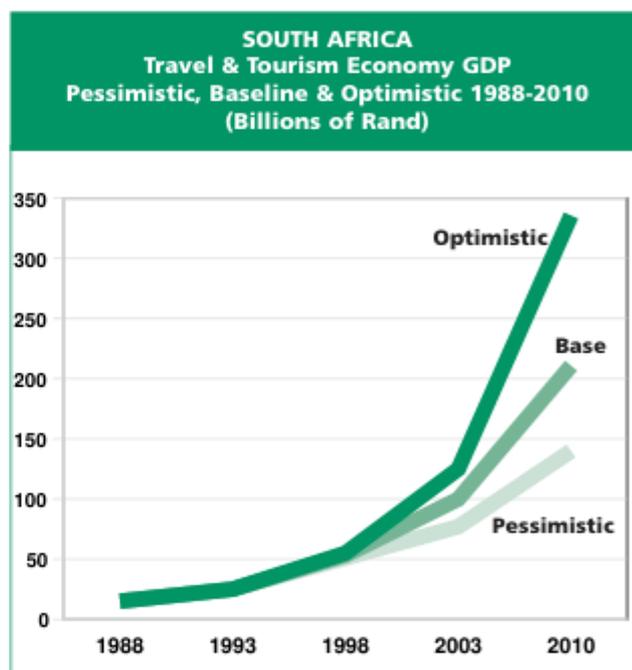
- The characteristics of South African tourism products are in line with global market trends for adventure tourism, ecotourism, cultural tourism etc.
- Since 1994 there has been significant increased capacity for tourism in accommodation, transport, airlinks etc.
- There has been increased co-ordination of tourism initiatives in Southern Africa for expansion and increased diversity of products.
- South Africa represents exceptional value for money for visitors from key origin markets.
- South Africa has a positive international image for its democratic political transformation.

But

- Some parts of South Africa are increasingly seen as unsafe for tourists.
- There are gaps in infrastructure and lack of capacity in some areas.
- Product quality and service levels do not always meet international standards.

Prospects

The future for Travel & Tourism in South Africa could take very different forms, depending on several key factors including government monetary policy, the rise or fall in crime and the effectiveness of the industry's product development and marketing.



South Africa Travel & Tourism Forecast: Baseline Case

	----- 1998 -----		----- 2010 -----		Growth % Real**
	Rand	% of Tot	Rand	% of Tot	
Consumer Expenditures	23.2	5.8%	79.3	6.4%	3.5%
Business Travel	8.8	---	29.1	---	3.4%
Government Expenditures	0.8	0.5%	4.9	1.1%	9.2%
Capital Investment	12.8	11.4%	47.8	13.5%	5.1%
Exports	24.2	13.2%	109.2	17.5%	6.8%
T&T Demand	69.8	---	270.2	---	5.2%
GDP*	53.2	8.2%	210.9	10.3%	5.5%
Imports*	16.6	9.2%	59.3	9.5%	4.6%
Taxes*	15.0	8.4%	55.1	10.6%	4.8%
Employment* (Thous)	737.6	7.0%	1,253.7	9.3%	4.5%

*T&T Economy Totals **Annualized Growth All Rand figures are in Billions.

In the most likely "baseline scenario," forecast :

- South African consumers will spend more of their disposable income on Travel & Tourism which will grow to 6.4% of total personal consumption by 2010.
- Government Travel & Tourism expenditure will also increase by almost 10% per year.
- The share of private capital expenditure attributed to Travel & Tourism will rise at about 5% per year, and will be focused, not only, on major hotel and resort development, but also on game parks and guesthouses.
- Foreign visitor spending will continue to grow at double digit rates for the next two years and at more than 6% per year for the first decade of the 21st century.

To make this baseline a reality, and indeed to reach towards the optimistic scenario, a climate needs to be created to encourage a relatively safe and hospitable environment for travellers; targeted marketing and clear branding; incentives for investment – particularly for improvement of infrastructure: maintenance of quality; and progressive expansion of cooperative ventures in the Southern African region.

In these circumstances, Travel & Tourism could add more than half a million new jobs across South Africa's economy over the next 12 years. Most of these jobs, will be for young people, first time job seekers and women. They will be strongly concentrated in small businesses and local communities throughout the country.

In many cases they fit model employment patterns:

- They can be created at low cost, and faster than most industries
- They are service and export related
- They stimulate regeneration and cohesion by counterbalancing the flow from disadvantaged rural areas
- They are often created in small, family run businesses
- They provide significant opportunities for women
- They are ideal for young, or first time employees
- They can provide education, training and skill development
- Wages are at or above the economic average

South Africa Travel & Tourism Forecast 2010 – Pessimistic and Optimistic Cases

	---- Pessimistic ----		---- Optimistic ----	
	Rand	% of Tot	Rand	% of Tot
Consumer Expenditures	55.3	4.5%	119.1	9.6%
Business Travel	20.6	---	42.9	---
Government Expenditures	2.9	0.6%	8.7	2.0%
Capital Investment	32.3	9.1%	74.3	21.0%
Exports	69.2	11.1%	181.7	29.1%
T&T Demand	180.3	---	426.7	---
GDP*	139.6	6.8%	336.0	16.4%
Employment* (Thous)	1,043.7	7.7%	1,570.5	11.6%

*T&T Economy Totals. All Rand figures are in Billions.

Realising the Potential

Travel & Tourism is already a strong and growing force in South Africa – generating wealth, jobs and investment across the economy and enhancing social development. Its impact will be substantially increased if:

- The people of South Africa reap the benefits at the community level.
 - The underlying policy framework is conducive to dynamic growth.
 - The private sector develops competitive products and leading edge international standards of service
 - Government creates a climate which attracts investment, streamlines regulation and builds infrastructure.
 - Consumer interest and confidence is maintained.
- Modern travellers are discerning and have an increasing choice of destinations. Reputations have to be carefully and creatively built on a base of quality, but they can be lost overnight. It is vitally important that safety and security is assured. Maintaining consumer confidence should be a top priority for government, if the potential benefits of tourism to the economy are to be realised.

There is a growing consensus as to the pivotal role of Travel & Tourism in sustainable economic and social development in the Southern African region.

There is, for example, a strong correlation between the concepts contained in WTTC's *Millenium Vision* for Africa, the World Economic Forum's recent Namibia summit

Tomorrow's T&T INDUSTRY can represent:
 422,182 jobs: 3.1% of total employment
 Rand (R) 68.1bn of GDP: 3.3% of the total

Tomorrow's T&T ECONOMY can represent:
 1,253,700 jobs: 9.3% of total employment
 R210.9bn of GDP: 10.3% of the total
 R109.2bn of exports: 17.5% of the total
 R47.8bn of capital investment: 13.5% of the total

(WTTC/WEFA '98 estimates)

conclusions and the government's Tourism in Gear Strategy.



TOURISM IN GEAR	WTTC AFRICA MILLENNIUM VISION	WEF NAMIBIA
Develop Tourism as a National priority	Highlight Travel & Tourism as a strategic economic/ employment priority, based on its full economic impact	Recognize the full value of Tourism across the economy and measure it through Satellite Accounts
Implement a new International marketing strategy, freshen branding and particularly develop eco and cultural tourism	Advance Sustainable growth, regional public & private sector marketing, majoring on Afrikatourism to promote cultural and natural heritage	Establish an internationally recognizable brand, leverage natural wildlife and culture of Southern Africa into national strategies
Improve quality and quantity of skilled manpower in tourism, and upgrade hospitality front line service	Invest in education and training to raise operational quality, standards and competitiveness	Put education and training at the forefront of national and regional tourism development.
Investigate Infrastructure needs and resources, leverage government programs towards tourism and obtain special funding allocations.	Attract support from international financing institutions for Travel & Tourism infrastructure	Engage international/regional financial institutions in tourism growth, advance public/private sector initiatives, develop infrastructure for sustainable growth.

Recommendations

Against this background WTTC recommends that the South African Government:

1. Make Travel & Tourism a strategic economic and employment priority

- Recognise Travel & Tourism's *flow through effect* across the economy and establish a National Satellite Account to measure it.
- Reflect Travel & Tourism in mainstream policies for employment, trade, investment and education.



2. Move Towards Open and Competitive Markets

- Progressively liberalise trade, transport and telecommunications through the World Trade Organization and regional trading regimes.
- Pay particular attention to opening up air transport markets to attract more long haul services and improve regional networks by expanding liberal aviation accords, bilaterally and regionally.
- Upgrade promotion to match prevailing competitive approaches: restructure SATOUR with adequate funds along public/private sector cooperative lines and coordinate provincial, national and regional marketing.
- Consider building on the branding concept of "Afrikatourism" highlighting South Africa's unique natural, cultural and wildlife traditions.

3. Pursue Sustainable Development

- Establish clear procedures and guidelines for planned and sustainable tourist expansion as proposed in Tourism in GEAR: pay particular attention to eco tourism and ensure that park facilities are expanded sustainably.
- Adopt the principles of Agenda 21 for the Travel & Tourism Industry developed by the WTTC, the World Tourism Organization and the Earth Council. Make South Africa a GREEN GLOBE destination and encourage certification.

- Ensure that sustainable Travel & Tourism strategies take into account the need for local community development, engagement and empowerment.
- Expand microloans to provide incentives for local community based sustainable tourism enterprises.



4. Eliminate Barriers to Growth

- Build safety and security provisions into national, provincial and local tourism strategies and practice putting a special emphasis on Travel & Tourism in overall policing strategies.
- Place education and training at the forefront of tourism development, expanding it in school curricula and highlighting its career prospects and role in national economic rejuvenation: introduce measures to increase skills – particularly front-line service.
- Expand Infrastructure, particularly for airports, air traffic control and streamline border clearance, eliminating visas where possible.
- Engage international financial institutions including the World Bank and the African Development Bank to support sustainable tourism infrastructure in lending priorities.
- Develop fiscal regimes which encourage tourism growth, exports, investment, infrastructure, business innovation and job creation.



We believe such policies, developed with close public/private sector collaboration would ensure the creation of between half a million and 800,000 new jobs across the South African economy by 2010.

Satellite Accounting Concepts

	Demand (Millions of Rand)
Consumption	50,623
Other Demand	19,135
Total	69,758



Supply (Millions of Rand)			
Direct GDP	Indirect GDP	Imports	Total Supply
16,982	21,589	12,052	50,623
6,419	8,160	4,556	19,135
23,401	29,749	16,608	69,758



Employment (Jobs)			
Direct Jobs	Indirect Jobs	Imports	Total Jobs
248,141	287,150	N/A	535,290
93,791	108,535	N/A	202,327
341,932	395,685	N/A	737,617

- A Travel & Tourism Consumption** – traditionally known as visitor spending, this is the primary measure of Travel & Tourism expenditures which includes personal, business and government travel provided by or for visitors. It also captures purchases of travel-related consumer durables.
- B Travel & Tourism Demand** – in order to capture the broader impact that Travel & Tourism has on the economy, this concept expands Travel & Tourism Consumption to include related capital and infrastructure investment, government spending and exports of manufactured goods used abroad by Travel & Tourism.
- C T&T Industry** – is the direct South African value-added and employment associated with Travel & Tourism Consumption (A). Direct producers include airlines, hotels, car rental, tour agents/operators and retail shops, etc.
- D. T&T Economy** – is the direct and indirect South African value-added and employment (D1 and D2) associated with Travel & Tourism Demand (B).
 - D1** Direct producers include C plus aircraft manufacturers, resort developers, highway construction, etc.
 - D2** Indirect producers include fuel suppliers, food suppliers, paper suppliers and wholesalers, plus steel producers, electrical equipment makers, wood products, etc.

When to Use Which Result/Estimate

- A. When illustrating Travel & Tourism's consumption demand
- B. When illustrating Travel & Tourism's total demand in the economy
- C. When making GDP and employment comparisons between Travel & Tourism and other industries
- D. When making GDP and employment assessments of Travel & Tourism's total economic impact

South Africa's Travel & Tourism Economic Performance and Potential

This report follows the concept of *Satellite Accounting*, developed by public/private sector experts under the auspices of the World Tourism Organization.

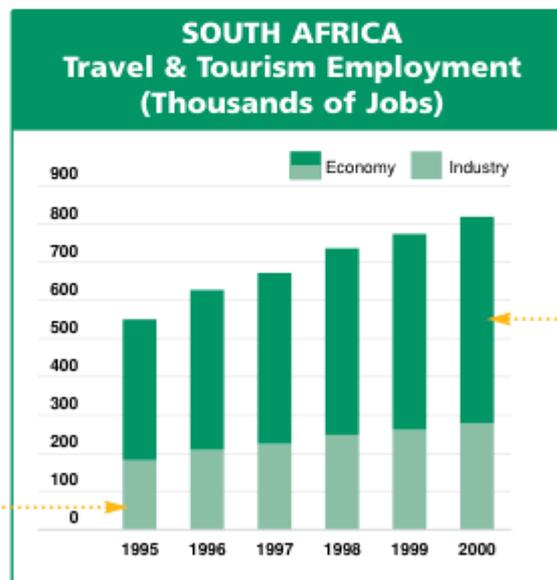
It deals with all Travel & Tourism – day and stay, business and leisure, international and domestic according to United Nations definitions.

It identifies, from South Africa's National Accounts, items such as personal consumption, intermediate inputs, government expenditures, imports/exports, and value-added related to Travel & Tourism.

The report shows three forecast scenarios – baseline, optimistic and pessimistic. Unless specified the baseline is used.

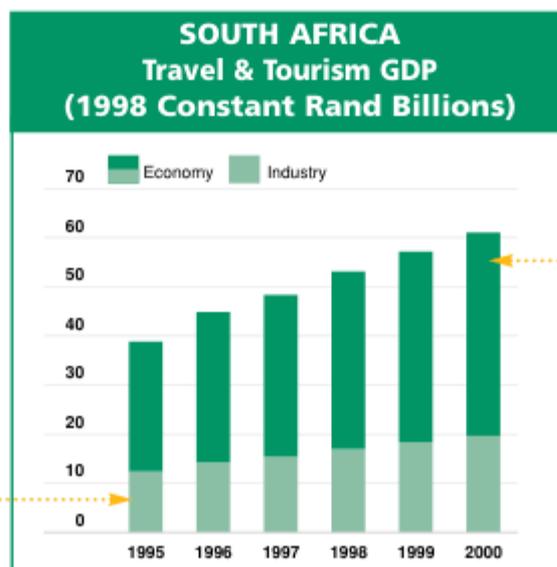
It considers two different, but related measurements of Travel & Tourism illustrated in the charts below:

- **T&T Industry:** The concept of the *direct* Travel & Tourism Industry. This shows the size of the industry and can be used to compare Travel & Tourism to other industries in the economy.
- **T&T Economy:** The concept of the *direct and indirect* Travel & Tourism Economy. This shows the more comprehensive “*flow through effect*” that Travel & Tourism has across the economy as a whole.



T&T Industry
Direct visitor activity (transportation, accommodation, catering, recreation and travel services)

T&T Economy
Direct and indirect from visitor activity, capital investment, exports and government services.



Travel & Tourism Potential – The Industry and the Economy at a Glance

Travel & Tourism – encompassing transport, accommodation, catering, recreation and services for travellers – is one of the world's largest industries and creators of quality jobs. Worldwide, in 1998 it is expected to generate US\$ 4.4 trillion of economic activity, forecast to grow to US\$ 10.0 trillion by 2010.

In South Africa, in 1998, Travel & Tourism is expected to generate Rand 69.8 billion – US\$ 13.1 billion – of economic activity, growing to Rand 270.2 billion – US\$ 30.0 billion – by 2010.

In 1998, the T&T Industry should contribute 4.2% to worldwide Gross Domestic Product (GDP), rising to 4.4% by 2010. The T&T Economy should contribute 11.6% to 1998 GDP and 12.5% to 2010 GDP.

The South African T&T Industry is expected to contribute 2.6% to GDP in 1998, rising to 3.3% by 2010. The T&T Economy contribution should grow from 8.2% to 10.3% in the same period.

Travel & Tourism is a high growth activity, which is forecast to increase its total economic activity by 4.1% per annum worldwide in real terms over the next twelve years.

In South Africa, Travel & Tourism economic activity is expected to grow by 84.3%, in real terms, between 1998 and 2010. That represents 5.5% per annum.

Travel & Tourism is human-resource intensive, creating quality jobs across the full employment spectrum. In 1998, 1 in 10.7 jobs is generated by the T&T Economy. The T&T Industry accounts for 3.2% of global employment. Today there are 79.2 million T&T Industry jobs and 231 million in the T&T Economy rising to 116.8 million T&T Industry jobs and 328 million T&T Economy jobs by 2010.

In South Africa in 1998, T&T Economy employment is estimated at 737,617 jobs or 7.0% of total employment, which is 1 in every 14.2 jobs. By 2010, this should grow to 1.254 million, 9.3% of total employment or 1 in every 10.8 jobs. The 248,141 T&T Industry jobs account for 2.4% of total employment in 1998 and are forecast to rise to 422,182 or 3.1% of the total by 2010.

Travel & Tourism is a major exporter, with inbound visitors injecting dollars and foreign exchange directly into the economy.

In South Africa, exports make up a very important share of Travel & Tourism's contribution to Gross Domestic Product. Of total exports, services and merchandise, Travel & Tourism is expected to generate 13.2% in 1998, growing to 17.5% by 2010.

Travel & Tourism is a catalyst for construction and manufacturing. In 1998, the private and public sectors combined are expected to spend US\$ 779 billion in new Travel & Tourism capital investment worldwide – 11.8% of the total – rising to US\$ 1.8 trillion by 2010 – 12.0% of the total.

Current capital investment in South Africa's T&T Economy is estimated at Rand 12.8 billion – US\$ 2.4 billion – or 11.4% of total investment. By 2010, this should reach Rand 47.8 billion – US\$ 5.3 billion – or 13.5% of the total.

Travel & Tourism is both a generator and receiver of government funds. Globally in 1998, Travel & Tourism is expected to generate US\$ 802 billion of taxes – 10.6% of total – while channeling US\$ 253 billion of government expenditures – 6.8% of total. By 2010, taxes should increase to US\$ 1.8 trillion – 11.4% of the total – and government spending to US\$ 542 billion – 7.4% of the total.

Taxes from Travel & Tourism in South Africa in 1998 are expected to total Rand 15.0 billion – US\$ 2.8 billion – or 8.4% of total taxation. In contrast, government operating expenditures are forecast at Rand 0.8 billion, or 0.6% of the total. Over the next 12 years, South Africa's Travel & Tourism taxes are expected to grow to Rand 55.1 billion or 10.6% of total taxes. During this period, government spending is forecast to grow to Rand 4.9 billion, or 1.1% of overall expenditures.

The following factors are expected to drive the future growth of South African Travel & Tourism. Dependant on their evolution three forecast scenarios have been developed:

- Baseline: the most likely.
- Optimistic: with most favourable circumstances
- Pessimistic: with most unfavourable circumstances

Unless otherwise specified baseline forecasts are used throughout.

Quantitative assumptions – largely reflecting macroeconomics – are provided by WEFA's internally consistent trade-linked forecast for South Africa and 80 other economies of the world. Qualitative assumptions – socio economic, policy, marketing, etc. – are from local public/private sector sources.

Maximising Conditions

South Africa's tourism depth and diversity of products are in line with evolving global market trends for adventure tourism, ecotourism, cultural enrichment, etc.

- ▲ Tracking market trends and focusing on priority target markets that are in line with South Africa's tourism attractions.
- ▲ Building on the concept of Afrikatourism, in particular focusing on the sustainable utilisation of natural and cultural resources.
- ▲ Strategic and innovative marketing of Southern Africa as a destination.

Significant increased tourism capacity in accommodation, transport, airlinks, attractions, etc., building on the momentum gained since 1994.

- ▲ Targeted marketing to ensure that there is synergy between supply and demand.
- ▲ Investment promotion and incentives to sustain the momentum of responsible capacity growth.

Increased co-operation and co-ordination of tourism initiatives in Southern Africa and resultant expansion of product depth and diversity (e.g. Transfrontier Parks and Spatial Development Initiatives, RETOSA, etc.).

- ▲ A shared vision for Southern Africa and practical initiatives to address issues of common interest and mutual benefit (e.g. immigration procedures, product quality assurance, co-ordinated marketing etc.).

Exceptional value for money relative to key competitors – mainly based on favourable exchange rates.

- ▲ Responsible pricing strategies.

Positive global perceptions of peaceful political transformation in South Africa.

- ▲ Building on and maintaining the positive political momentum.

Minimising Negative Conditions

Perception and reality of personal safety of tourists declining.

- ▼ Improved safety and security situation, with particular focus on tourism areas.

Tourism related infrastructure and capacity gaps.

- ▼ Focusing government infrastructure priorities on tourism related services (e.g. public transportation, road infrastructure, liberalisation of airspace, etc.).

Decline in product quality and service levels.

- ▼ Effective quality assurance programmes and appropriate human resource development.



Forecast Scenarios – Alternatives

In forecasting the Travel & Tourism Satellite Account for South Africa, WEFA has employed its full range of economic databases and resources to develop a **baseline scenario** that it believes has the highest probability of occurring at this moment in time. However, as the recent and unexpected Rand devaluation illustrates, major changes are often not predictable.

WEFA has developed two additional forecasts – **optimistic and pessimistic scenarios** – to illustrate the range of possible results for South Africa Travel & Tourism.

Unless otherwise indicated, the figures in this report represent the **baseline scenario**.



BASELINE: THE MOST LIKELY

- ◆ Increasing per capita income will bring Travel & Tourism's share of personal consumption up gradually over the forecast period (from 5.7% in 1997 to 6.4% in 2010) as non-luxury items such as food and apparel decline in share. As a result of the Rand's depreciation, a near-term shift occurs within personal consumption from international expenditures to more domestic travelling. This has no net effect on PCE but does increase Travel & Tourism GDP as the import portion of PCE declines.
- ◆ Government expenditures in Travel & Tourism related categories will experience strong growth, approaching 10% annually, but will remain relatively low, as major structural shifts in spending are unlikely. These increases include expected growth in marketing expenditures for basic international campaigns.
- ◆ Private capital investment in tourism depicts strength in terms of Travel & Tourism's share, registering 11.8% in 1997. This is expected to continue and even increase as major investment items in the hotel, resort, casino and tourism retail market are initiated and completed over the next ten years, bringing Travel & Tourism's share of private investment up to 13.5% by 2010. This growth is supported by capital investment in the smaller sectors of guesthouses and game parks.
- ◆ Foreign visitor spending (service exports), while not maintaining the remarkable real double-digit growth of the past decade, is expected to continue its strong real growth over the forecast period, registering 12% and 11% in 1999 and 2000, respectively. Steady growth will continue into the next decade, averaging over 6% annually. In the near-term, growth will be enhanced by the increased purchasing power provided by a weaker Rand. In the longer term, visitor expenditure growth will be accommodated by the strong investment taking place in the latter part of the 1990s.

South Africa Travel & Tourism Forecast: Baseline Case

	----- 1998 -----		----- 2010 -----		Growth % Real**
	Rand	% of Tot	Rand	% of Tot	
Consumer Expenditures	23.2	5.8%	79.3	6.4%	3.5%
Business Travel	8.8	---	29.1	---	3.4%
Government Expenditures	0.8	0.5%	4.9	1.1%	9.2%
Capital Investment	12.8	11.4%	47.8	13.5%	5.1%
Exports	24.2	13.2%	109.2	17.5%	6.8%
T&T Demand	69.8	---	270.2	---	5.2%
GDP*	53.2	8.2%	210.9	10.3%	5.5%
Imports*	16.6	9.2%	59.3	9.5%	4.6%
Taxes*	15.0	8.4%	55.1	10.6%	4.8%
Employment* (Thous)	737.6	7.0%	1,253.7	9.3%	4.5%

*T&T Economy Totals **Annualized Growth All Rand figures are in Billions.

In developing the pessimistic case scenario, the forecast assumes that the positive conditions are not met and the negative conditions prevail.

The optimistic case scenario assumes that positive conditions are met and the negative conditions are minimised.

PESSIMISTIC: WITH MOST UNFAVOURABLE CIRCUMSTANCES

- ▼ Government Travel & Tourism expenditure growth remains modest, averaging growth of less than 5% per annum.
- ▼ Foreign visitor spending real growth slows in 1998 (8.4%) and in 1999 (5.3%), which ripples through the outlook for private capital investment, dampening growth over the next ten years.
- ▼ Tight monetary policy in the form of high interest rates constrains tourism spending by South African residents. This contains Travel & Tourism personal consumption to less than 1% growth annually, as well as domestic investment. Total capital investment is dampened from 5% growth in the baseline down to less than 2% annually.

OPTIMISTIC: WITH MOST FAVOURABLE CIRCUMSTANCES

- ▲ Crime directed towards tourists falls dramatically.
- ▲ Government investment and consumption of Travel & Tourism shares are increased in the short term which provides impetus for increased Travel & Tourism expenditures in other sectors. Although the base of government Travel & Tourism consumption is small, real growth of close to 15% annually and an assumed multiplier of approximately 2 helps to boost Travel & Tourism personal consumption up to 7.2% growth in 1998 and 5.9% in 1999.
- ▲ In addition to the impact of a weaker Rand on domestic tourism, SA residents' long-term demand increases as a product of focused marketing and improved infrastructure. This trend, in conjunction with rising per capita income, brings the T&T share of personal consumption up from 5.7% in 1997 to 9.6% in 2010.
- ▲ Currency depreciation has strong positive impact on foreign visitor arrivals, and service exports continue strong growth over forecast period. Return on international marketing expenditures exceeds expectations. This increases real growth of Travel & Tourism exports to an average of approximately 10% over the forecast period compared to 6.5% in the baseline forecast.
- ▲ As foreign visitor and domestic tourism spending increases, capital investment rises to meet increased demand. Above average returns on investment spur on further investment growth in later years, bringing the average real growth to 8% per annum compared with just below 5% in the baseline forecast.

South Africa Travel & Tourism Forecast 2010 – Pessimistic and Optimistic Cases

	--- Pessimistic ---		---- Optimistic ----	
	Rand	% of Tot	Rand	% of Tot
Consumer Expenditures	55.3	4.5%	119.1	9.6%
Business Travel	20.6	--	42.9	--
Government Expenditures	2.9	0.6%	8.7	2.0%
Capital Investment	32.3	9.1%	74.3	21.0%
Exports	69.2	11.1%	181.7	29.1%
T&T Demand	180.3	--	426.7	--
GDP*	139.6	6.8%	336.0	16.4%
Employment* (Thous)	1,043.7	7.7%	1,570.5	11.6%

*T&T Economy Totals. All Rand figures are in Billions.

Total Demand

Travel & Tourism in South Africa is expected to produce Rand 69.8 billion of total demand in 1998, including:

- Rand 23.2 billion of Travel & Tourism personal consumption by residents – 5.8% of total consumer spending;
- Rand 8.9 billion of business and government travel by companies and government employees;
- Rand 0.8 billion of government expenditures, to provide individual and collective services to the South African Travel & Tourism industry and its visitors – 0.6% of total government spending;
- Rand 12.8 billion of capital investment in personal, commercial and public Travel & Tourism facilities, equipment and infrastructure by residents, Travel & Tourism companies, local and national governments – 11.5% of total capital investment; and
- Rand 24.2 billion of visitor and merchandise exports generated from international markets – 13.2% of total exports.

The pie chart below shows the importance that visitor exports – 26.5% of total Travel & Tourism demand – has on

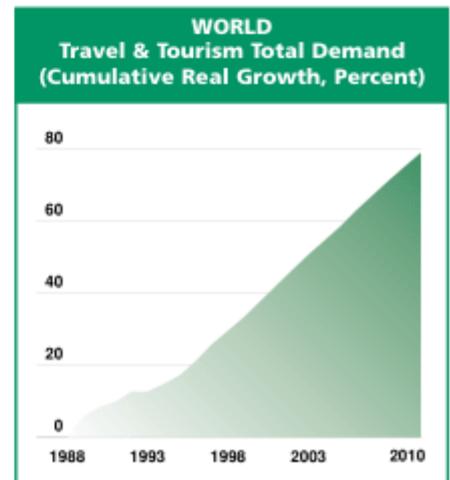
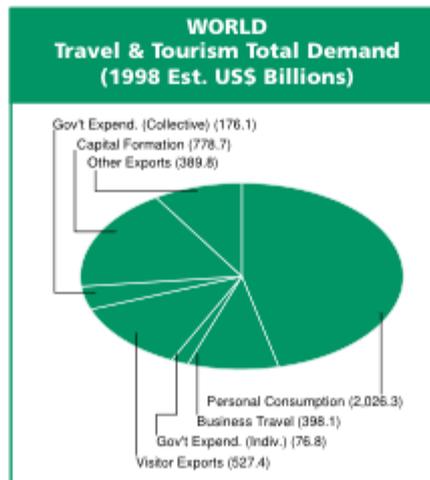
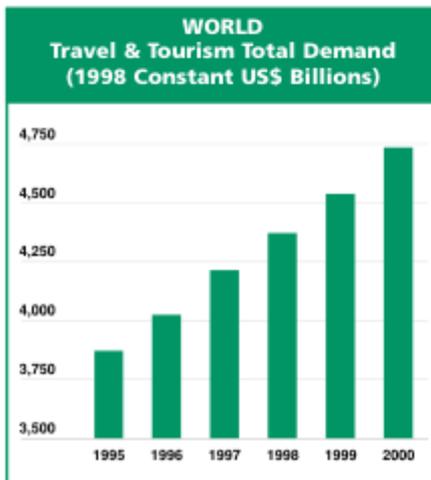
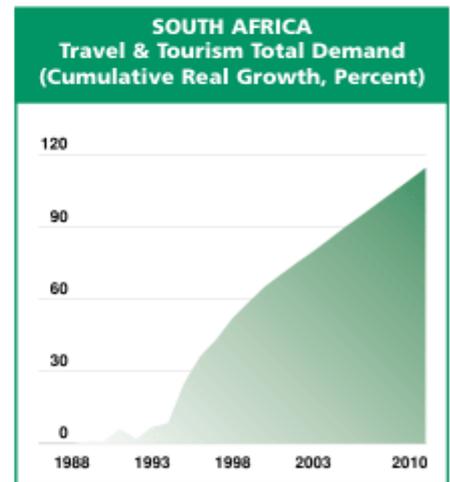
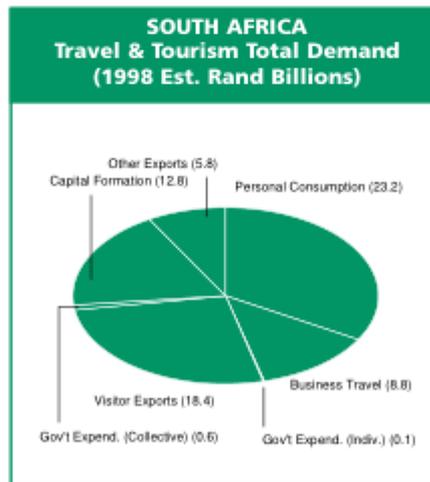
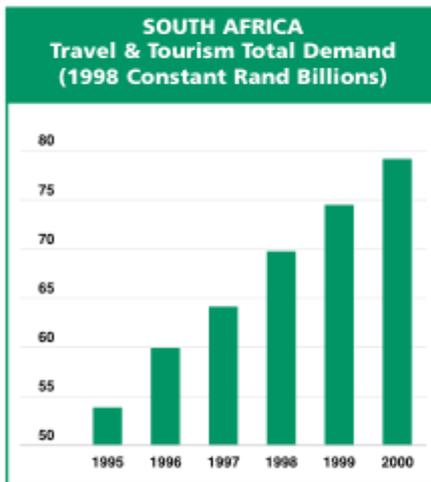
the T&T Economy, particularly in relation to the limited government support for the sector.

The bar charts below for the period 1996-2000 show that South African Travel & Tourism is consistently posting strong real growth year-upon-year at 5.5% per annum – 50% above the world average.

The longer term perspective shown in the surface chart reveals the leap in total Travel & Tourism demand from 1995 with the liberalising socio political environment.

South Africa Travel & Tourism base case growth is expected to total 114.9% from 1998 to 2010 compared to the world composite of 79.1% real growth. This baseline forecast estimates total Travel & Tourism demand at Rand 270.2 billion by 2010. Under the pessimistic scenario this figure would total Rand 180.3 billion. The optimistic scenario would total Rand 426.7 billion.

SOUTH AFRICA Travel & Tourism Total Demand – 2010 (Rand Billions)		
Pessimistic Case	Base Case	Optimistic Case
180.3	270.2	426.7



Employment

The T&T Industry in South Africa will directly generate an estimated 248,141 jobs in 1998, and a total 737,617 jobs, directly and indirectly, across the broader spectrum of South Africa's economic activities. These will include:

- Travel company employment, providing private sector services to visitors and business travellers;
- Government agency employment, providing public sector Travel & Tourism services to visitors, business travellers, travel companies and the community-at-large; and
- Supplier company employment, providing goods and services (manufacturing, construction, wholesale, financial services, agricultural, etc) to travel companies and government agencies which serve visitors.

The direct T&T Industry jobs are forecast to grow to 422,182 by 2010 increasing the industry share of total employment from 2.4% to 3.1% of total employment.

The 737,617 jobs in the T&T Economy will account for 7.0% of the total workforce, or 1 in every 14.2 jobs in South Africa in 1998. This is forecast to grow to 1,253,700 jobs – 9.3% of total employment by 2010 – injecting more than half a million new jobs into South Africa's economy.

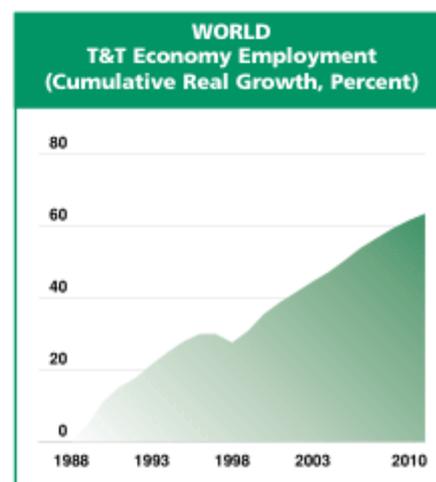
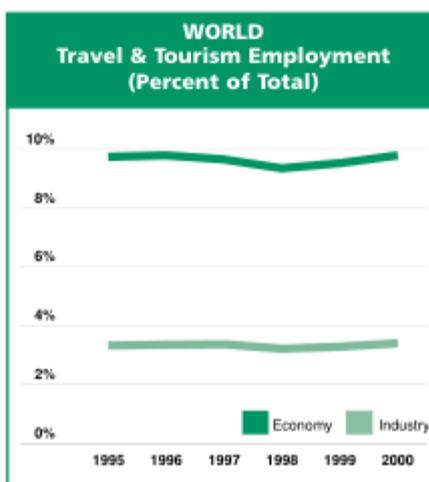
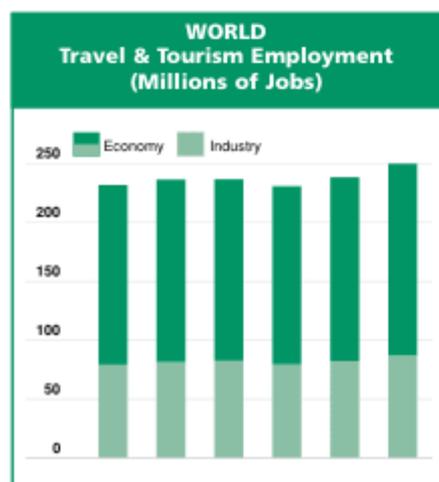
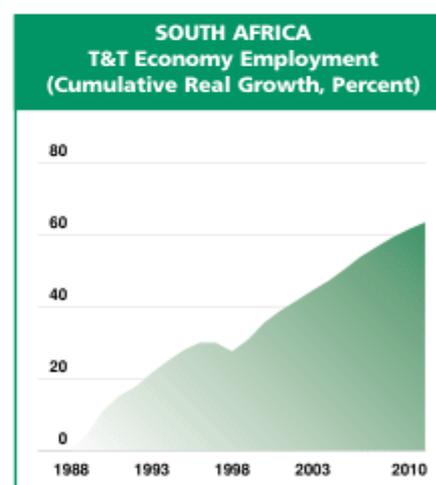
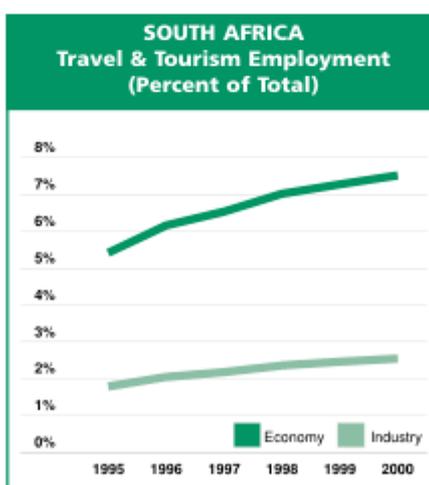
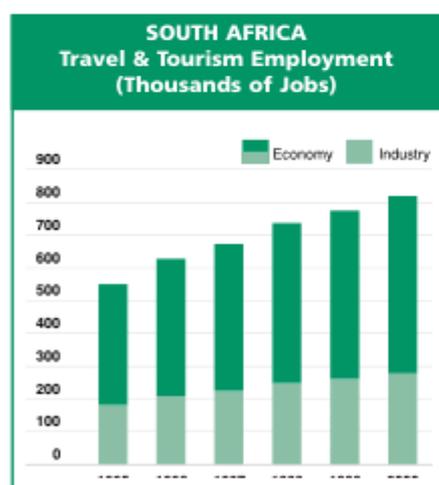
This long-term growth, averaging 4.5% per year, although strong by world standards, is actually slower than recent history where T&T Economy employment grew by 18.9% in 1995 alone. Indeed there was a gain of more than one full percentage point for Travel & Tourism jobs within the South African economy between 1995 and 1997. During this two-year period, more than 120,000 jobs were created, increasing the percent of total jobs from 5.4% to 6.5%.

The employment results for South Africa are measurably effected by the large government and domestic employment sector results. Excluding these two sectors from the equation raises the T&T Economy employment result in 1998 from 7.0% to 8.9% of total jobs.

The difference between the pessimistic and optimistic case scenario for employment in 2010 is more than half a million jobs.

**SOUTH AFRICA
T&T Economy Employment – 2010
(Thousands of Jobs and Percent of Total)**

Pessimistic Case	Base Case	Optimistic Case
1,043.7	1,253.7	1,570.5
7.7%	9.3%	11.6%



Gross Domestic Product

The T&T Industry in South Africa is expected to produce Rand 17.0 billion of direct Gross Domestic Product (GDP) in 1998 – 2.6% of total GDP. This is expected to almost double in real terms to Rand 68.1 billion by 2010 – 3.2% of overall GDP.

The T&T Economy is expected to produce 1998 GDP of Rand 53.2 billion – 8.2% of overall GDP. By 2010, this is forecast to gain more than 2.0% percentage points to total 10.3%, or Rand 210.9 billion. This figure illustrates the massive *flow through effect* of Travel & Tourism.

The recent results and near-term forecasts – 1995-2000 are particularly significant. From 1992 to 1994, South Africa Travel & Tourism GDP posted real negative growth, while in 1995 it recovered with 26.5% real positive growth.

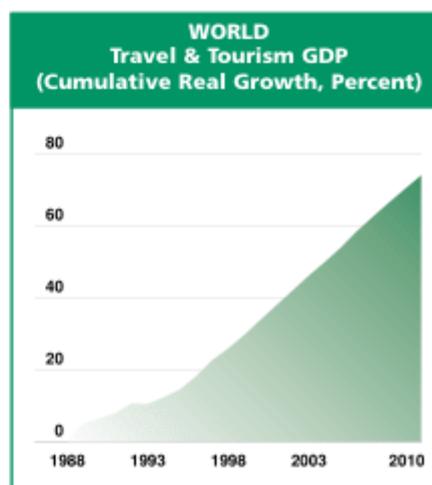
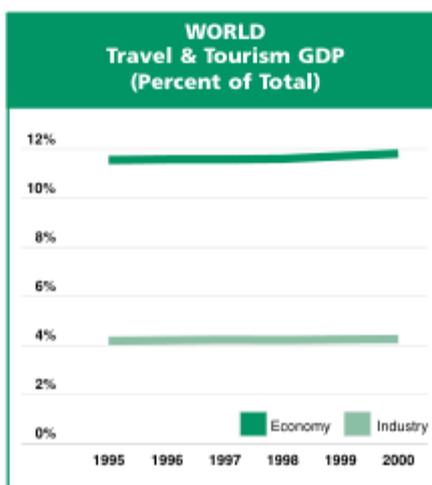
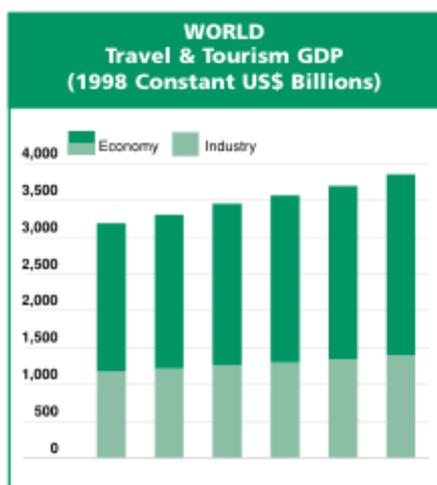
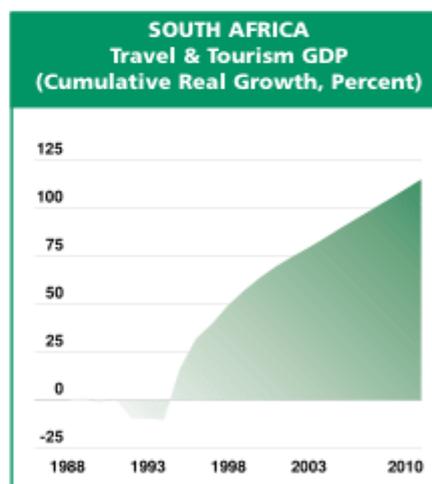
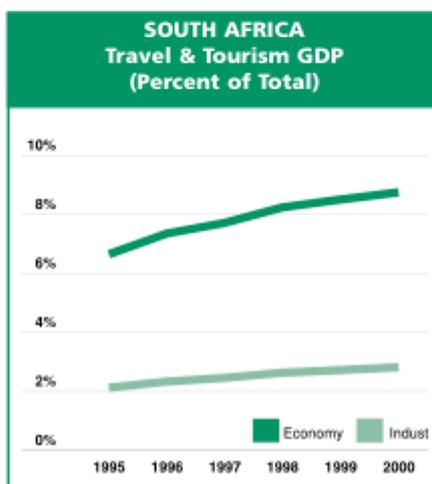
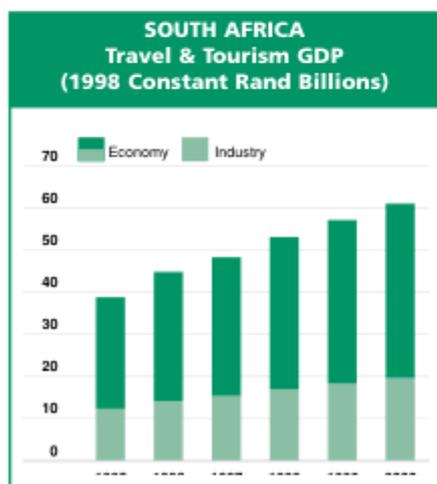
Looking forward to 2010, annualised gains of 5.3% are forecast for T&T Economy GDP. Few other countries can match this growth.

This growth outlook is exceptionally positive for all elements of the Satellite Account, but it is clear that South Africa Travel & Tourism exports, growing at 6.3% per year, is particularly significant.

Comparing internationally, South African T&T Economy GDP is well below the global norms of 11.7% of overall GDP where the Asia / Pacific crisis is having a major effect. World Travel & Tourism related GDP is expected to show little growth between 1995 and 2000, with pick-up only in the new millennium.

This situation offers real opportunity for South Africa. The pessimistic case scenario for South Africa holds T&T Economy GDP to 6.8% of total GDP in 2010. The baseline forecast shows an increase to 10.3%. The optimistic scenario totals 16.4% of GDP.

SOUTH AFRICA T&T Economy GDP – 2010 (Rand Billions and Percent of Total)		
Pessimistic Case	Base Case	Optimistic Case
139.6	210.9	336.0
6.8%	10.3%	16.4%



Capital Investment

Examination of Travel & Tourism capital investment results and forecasts lends greater insight into the market forces at work in the economy and the expectations by the public and private sector to meet the challenges and opportunities in the years ahead.

In 1998, Travel & Tourism capital investment in South Africa is expected to total Rand 12.8 billion, or 11.5% of total national investment. For South Africa, this expectation includes Rand 12.6 billion of investment from the private sector and Rand 0.2 billion of investment from the public sector. Worldwide, Travel & Tourism capital investment is expected to total \$779 billion, or 11.8% of the total in 1998.

Over the next twelve years (1998-2010), the average contribution of Travel & Tourism to the national capital investment accounts is expected to grow from 11.5% to 13.5%.

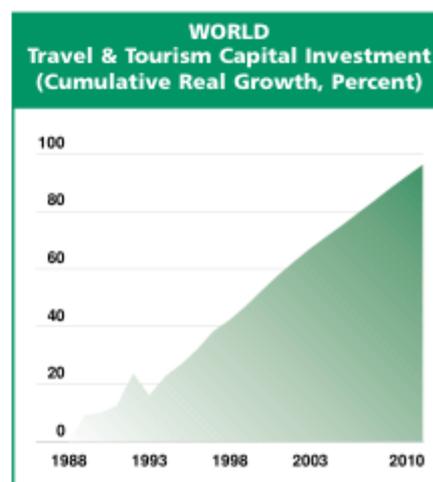
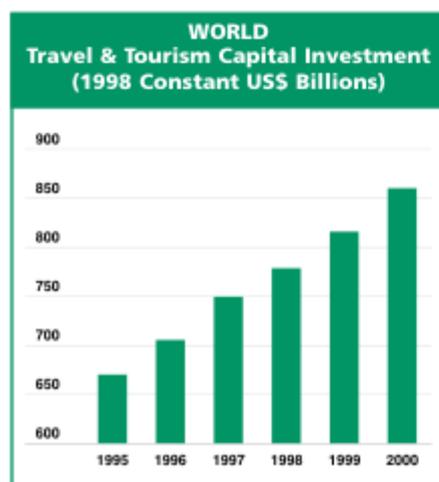
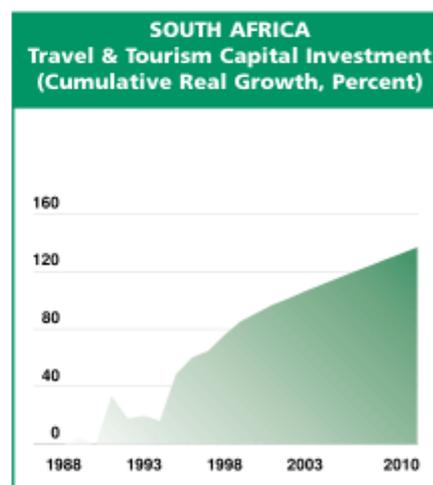
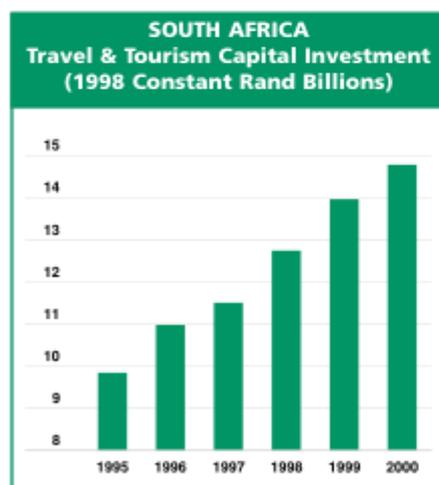
For the most part, Travel & Tourism capital investment has strong links to the business cycle, major events such as natural disasters, and significant sociopolitical changes. In South Africa, major investment was made in 1991, followed by several years of uncertainty and then a major vote of confidence in 1995/1996 totalling 44% real growth.

Looking forward to 2010, Travel & Tourism capital investment in South Africa is forecast to grow 5.5% per year in constant Rand. The comparable global growth expectation is 4.5% per year.

Noticeable from the graphs below is South Africa Travel & Tourism's increasing share of total capital investment – 10.3% in 1995 growing to 12.3% in 2000. This compares to a world share that is relatively stable at 11.4%.

The base case scenario suggests significant opportunity for growth to 13.5% of total capital investment by 2010. The pessimistic scenario expects 9.1% of investment. The optimistic scenario results in a massive 21.0% of total capital investment in 2010.

SOUTH AFRICA Travel & Tourism Capital Investment – 2010 (Rand Billions and Percent of Total)		
Pessimistic Case	Base Case	Optimistic Case
32.3	47.8	74.3
9.1%	13.5%	21.0%



Personal & Business Travel

In 1998, South Africa is expected to generate Rand 23.2 billion of personal Travel & Tourism consumption by residents – 5.8% of total personal consumption. Corporate travel of Rand 7.1 billion and government employee travel of Rand 1.8 billion add a further Rand 8.9 billion of visitor activity.

Unlike South African visitor exports that depend on the international market for consumers, the business generated in these two categories depends on the South Africa economy itself. As the South Africa economy grows, South Africa consumer and business travel follow suit. Over the next twelve years to 2010, personal Travel & Tourism in South Africa is expected to grow at an annual rate of 3.5%, while business/government travel is expected to grow at an annual rate of 3.3%.

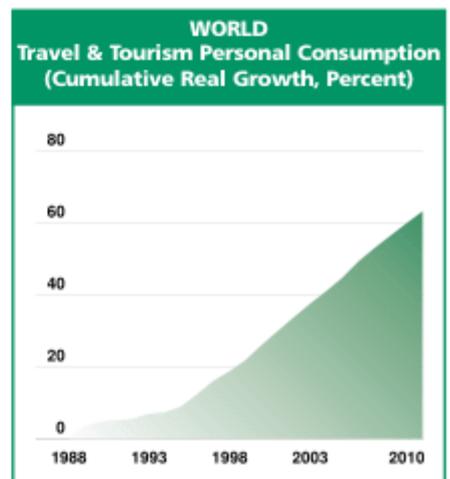
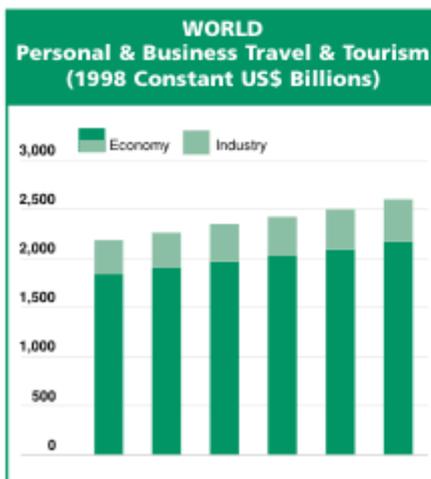
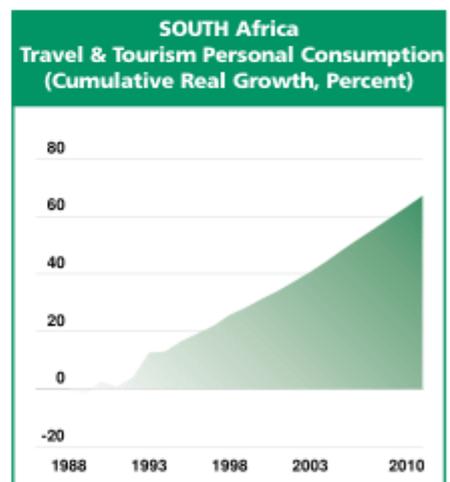
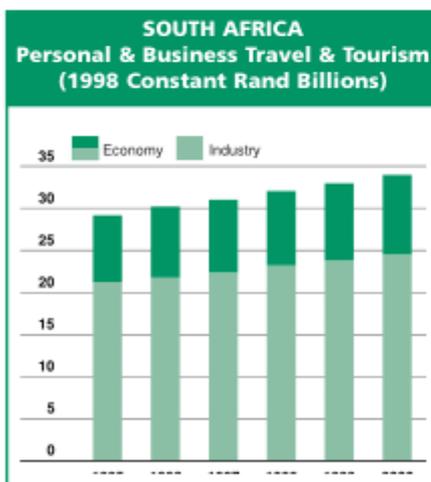
Although most of this Travel & Tourism takes place within South Africa, part takes place abroad. The Satellite Account is required to capture all Travel & Tourism demand attributable to South Africa residents, visitors and travel companies. When the spending does take place abroad, the Account generates a corresponding “import credit” in the supply side

accounts, ensuring an accurate assessment of Travel & Tourism “produced” in South Africa and Travel & Tourism “produced” abroad.

In 1998, South Africa residents will spend just under 6% of their personal expenditures on Travel & Tourism. This is lower than the world average of 10.5%. This is however consistent with other developing countries. And, in those emerging economies, personal consumption tends to increase in direct relation to the standard of living and per capita income.

By 2010, South Africa expects to see Travel & Tourism personal consumption increase to 6.4% of total consumption. The optimistic scenario calls for an increase to 9.6% of total consumption, while the pessimistic case would result in 4.5% of the total.

SOUTH AFRICA Travel & Tourism Personal Consumption – 2010 (Rand Billions and Percent of Total)		
Pessimistic Case	Base Case	Optimistic Case
55.3	79.3	119.1
4.5%	6.4%	9.6%



Travel & Tourism exports are an important and growing item of South Africa's Economy. In 1998, Travel & Tourism services exports – visitor spending – are expected to amount to Rand 18.5 billion; merchandise exports should account for a further Rand 5.8 billion. Together they represent more than one-third (34.7%) of total Travel & Tourism demand for the nation.

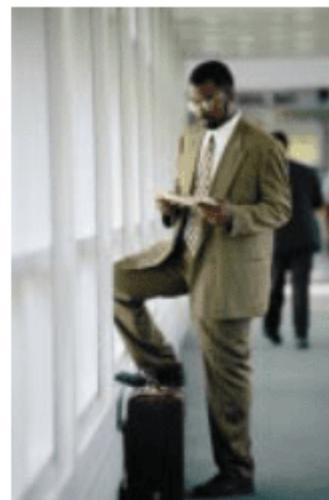
Between 1995 and 2000, Travel & Tourism is expected to increase its share of total South African exports from 10.0% to 14.9% – a gain of almost five percentage points.

Through to 2010, South Africa visitor exports are forecast to increase annually in constant Rand – at an average annual rate of 7.2%. During the same period, merchandise exports are expected to grow at an annual average of 5.4%.

For the period 1998 – 2010, the overall Travel & Tourism export growth for South Africa of 6.8% per annum is substantially ahead of the expected worldwide figure of 5.4%. And the reduced level of the Rand against major currencies could increase the South African export growth rates.

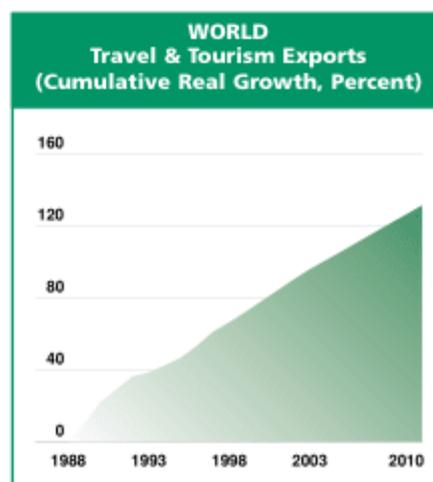
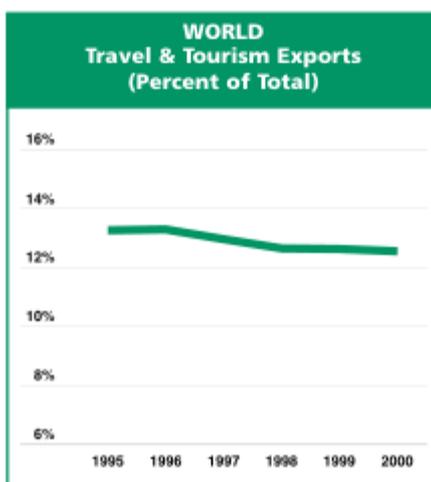
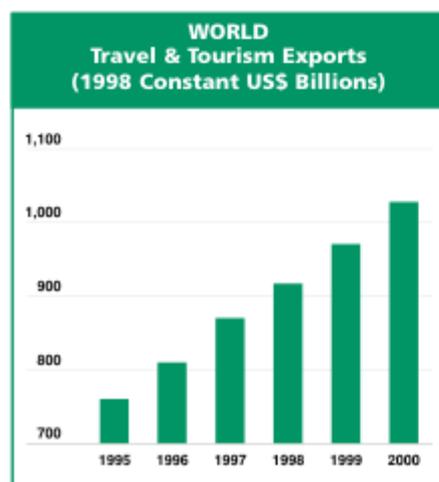
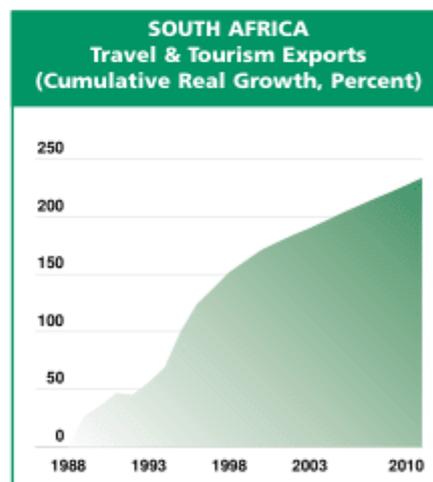
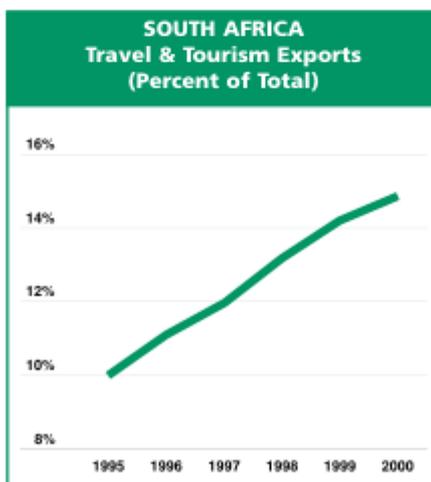
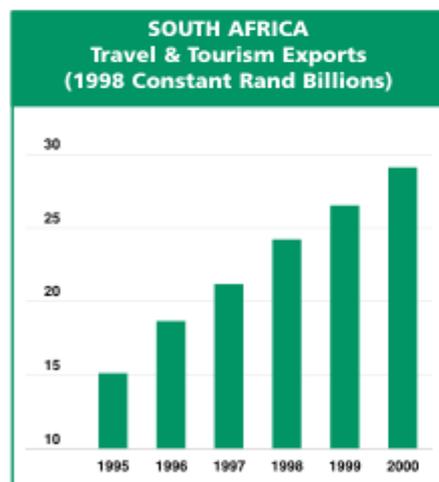
The pessimistic case scenario suggests that 2010 Travel &

Tourism exports will reach 11.1% of total exports. The baseline figure is 17.5% of all exports. The optimistic case scenario forecasts Travel & Tourism at 29.1% of total exports.



SOUTH AFRICA
Travel & Tourism Exports – 2010
(Rand Billions and Percent of Total)

Pessimistic Case	Base Case	Optimistic Case
69.2	109.2	181.7
11.1	17.5%	29.1%



Government Spending

Government expenditures include: *individual expenditures* – Rand 147 million in 1998 – which can be linked to individual visitors like museum subsidies or immigration services; and *collective expenditures* – Rand 619 million in 1998 – which are undertaken for the community-at-large like airport administration, tourism promotion, security or sanitation.

National and local government agencies in South Africa are expected to spend Rand 766 million to provide individual and collective government Travel & Tourism services to visitors, travel companies and the community-at-large. This figure represents only 0.6% of total government expenditure.

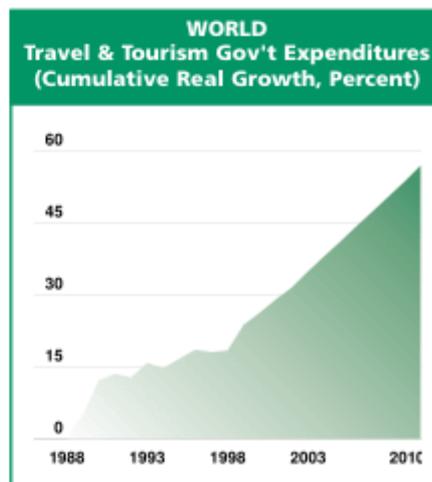
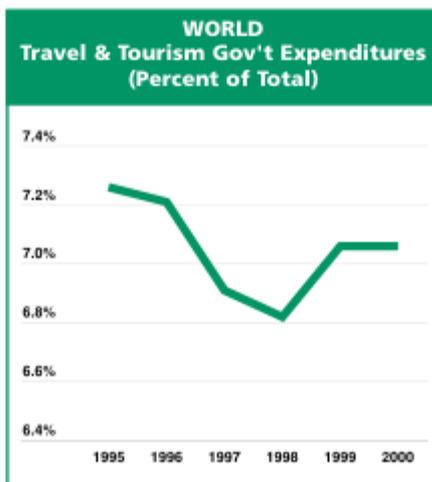
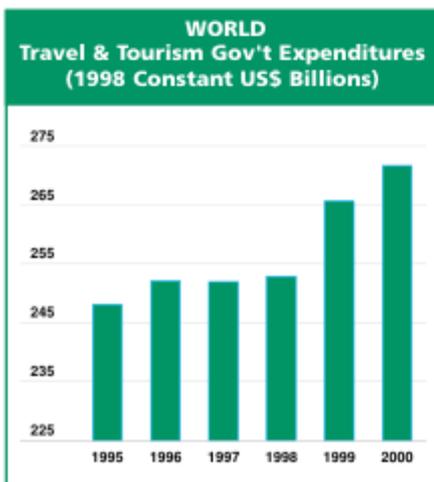
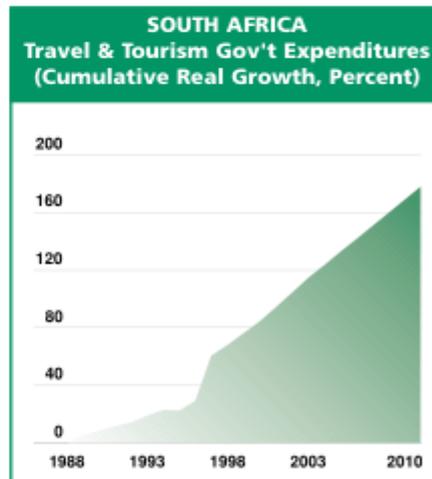
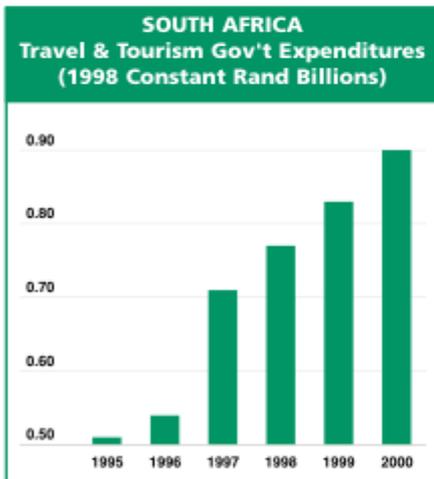
By 2010 this figure is expected to increase to 1.1% of total government expenditures. This represents an annual constant Rand gain of 9.0% per year.

Although this component is the fastest growing element of South Africa Travel & Tourism demand, it is a very low percentage contribution by world standards. In 1998, the average country is expected to contribute 6.8% of its overall government expenditures to Travel & Tourism related functions, more than 10 times the South African level.

There should, in principle, be a direct link between the size and impact of an industry like Travel & Tourism on the economy (in terms of GDP) and the amount of funding allocated by government toward that sector. In South Africa, the ratio of Travel & Tourism GDP to government expenditure is 15 to 1, compared to a worldwide ratio of 1.7 to 1 – meaning that South Africa's contribution is dramatically lower than the global norm. This could mean underfunding of tourism infrastructure and services and requires further detailed analysis of South Africa's government expenditures beyond the framework of this report.

The pessimistic scenario sees scarcely any growth in this area. The optimistic scenario more than triples the contribution to 2.0% of total government expenditure, an annual constant Rand gain of 15% per year.

SOUTH AFRICA Travel & Tourism Gov't Expenditures – 2010 (Rand Billions and Percent of Total)		
Pessimistic Case	Base Case	Optimistic Case
2.9	4.9	8.7
0.6%	1.1%	2.0%



South Africa's Travel & Tourism economy is expected in 1998 to generate Rand 15.0 billion in tax revenue.

The largest portion of this total is Rand 6.6 billion personal income taxes paid by the 737,617 direct and indirect employees in South Africa.

Next are the indirect transaction taxes such as sales, VAT and accommodation taxes which total Rand 5.9 billion generated from sales of Travel & Tourism goods and services.

Third is Rand 2.6 billion generated from income taxes on Travel & Tourism companies.

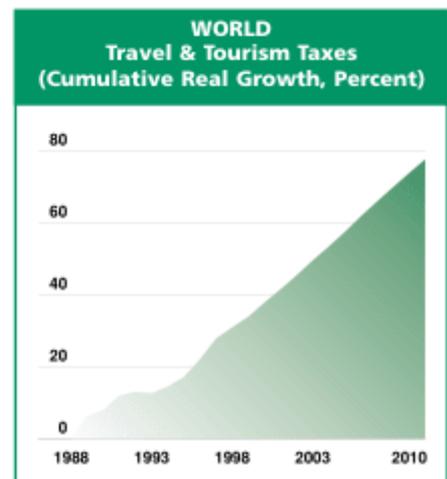
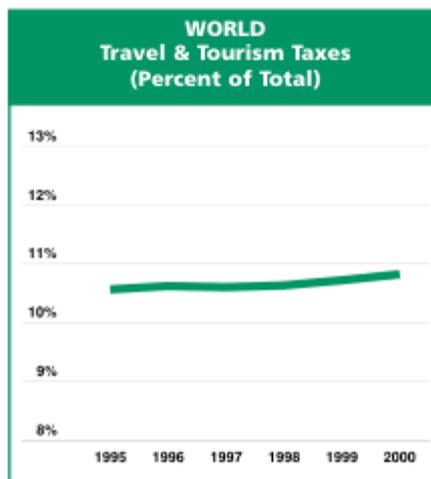
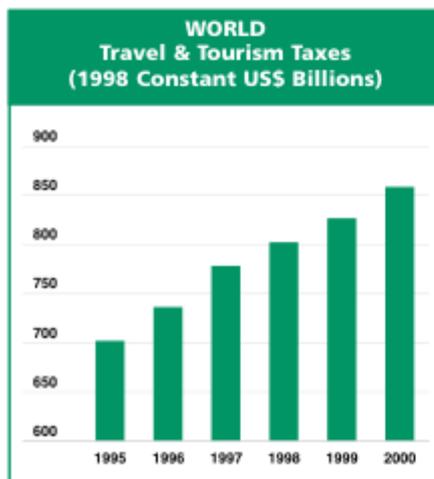
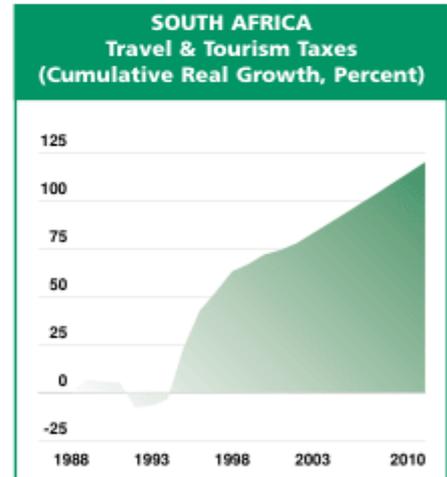
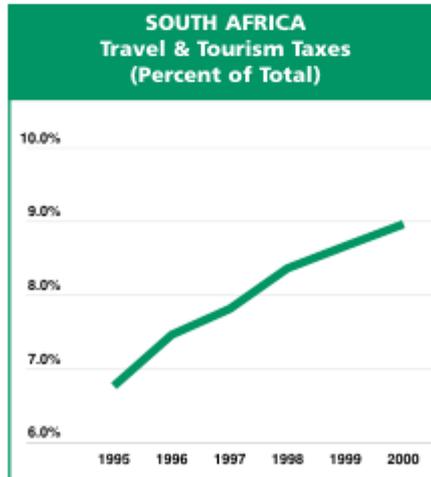
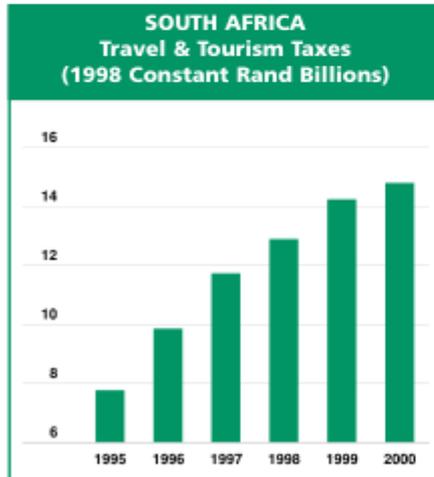
All totalled, South Africa's Travel & Tourism economy is responsible for 8.4% of total national and local taxes paid in South Africa.

Through to 2010, South Africa's Travel & Tourism tax contribution is expected to increase 74% in constant Rand. By then, the T&T Economy will account for 10.6% of South Africa's tax revenue.

As Travel & Tourism employment increases, personal and real property tax revenues will also grow. As visitor counts

and spending increases, so do the indirect transaction taxes collected by Travel & Tourism companies. As Travel & Tourism businesses expand, so do the income taxes associated with those businesses.

These are truisms but it is worth noting that in 1998 total travel related taxes amounted to some Rand 15.0 billion in sharp contrast to the Rand 0.8 billion travel related government expenditure during the same period.



Satellite Account Tables I

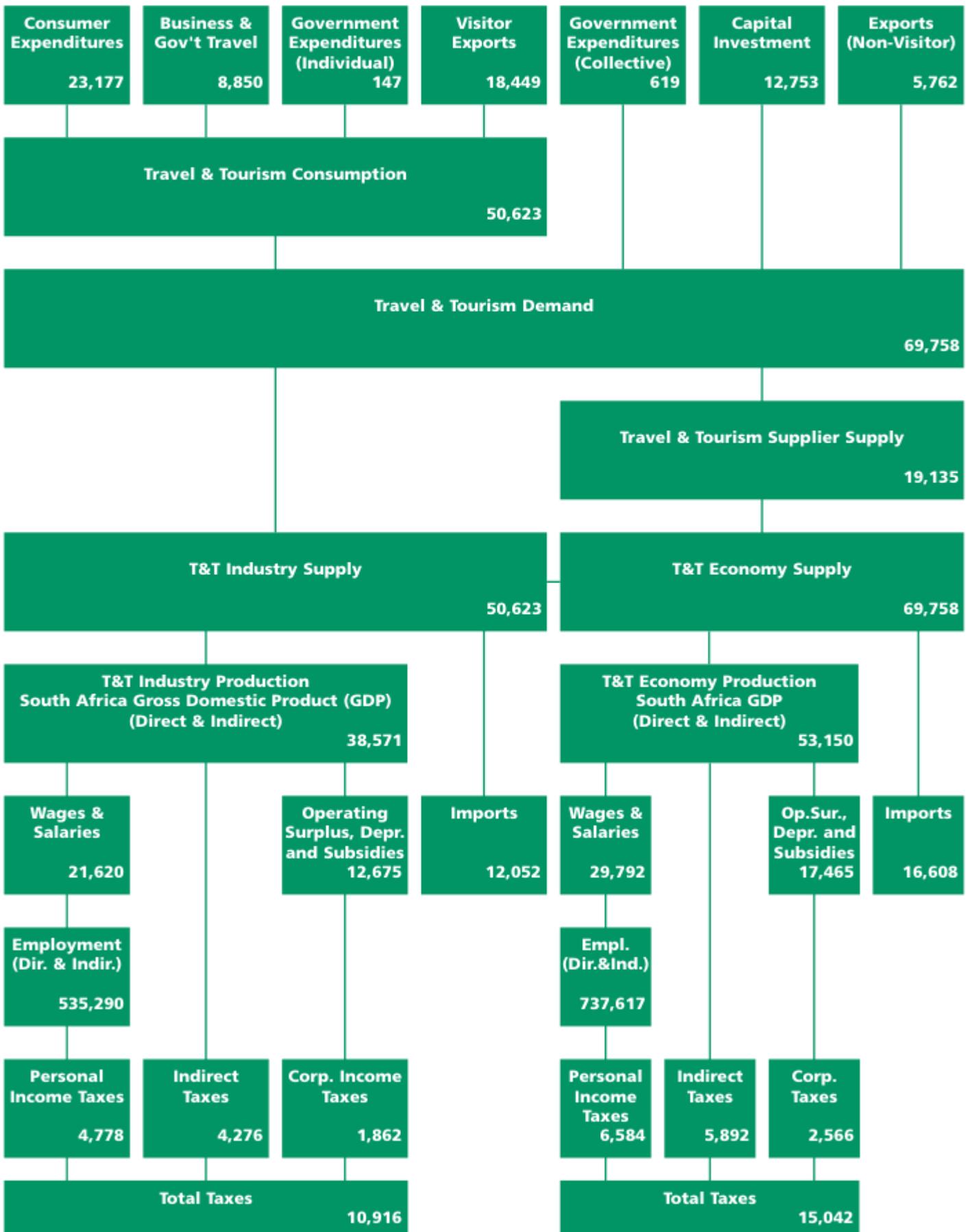
	1995	1996	1997	1998E	1999E	2000E	2010P
South Africa Travel & Tourism – Rand (Millions) – Nominal Rand							
Travel & Tourism Demand Side Aggregates							
Consumer Expenditures	16,853	18,674	20,836	23,177	25,695	28,779	79,319
Durables	9,038	9,984	11,168	12,498	13,868	15,573	44,278
Non-Durables	6,044	6,706	7,436	8,201	9,047	10,069	25,990
Services	1,771	1,985	2,232	2,477	2,781	3,137	9,051
Business & Government Travel	6,374	7,309	8,108	8,850	9,864	10,958	29,065
Corporate	5,181	5,939	6,524	7,096	7,929	8,835	23,117
Government	1,193	1,370	1,585	1,753	1,935	2,123	5,947
Government Expenditures – Individual	79	91	129	147	171	198	937
Visitor Exports	8,977	12,085	14,685	18,449	21,893	25,891	87,104
Travel & Tourism Consumption	32,283	38,159	43,758	50,623	57,625	65,827	196,425
Government Expenditures – Collective	333	383	540	619	720	833	3,936
Capital Investment	8,427	9,927	11,080	12,753	14,833	16,708	47,782
Public	153	168	160	173	183	202	596
Private	8,274	9,760	10,919	12,580	14,650	16,506	47,186
Exports (Non-Visitor)	3,195	4,501	5,075	5,762	6,264	7,085	22,091
Travel & Tourism Demand	44,237	52,970	60,454	69,758	79,442	90,453	270,235
T&T Industry Supply Side Aggregates							
Direct and Indirect Effects							
Employment	401,702	452,343	487,039	535,290	562,030	596,990	911,290
Gross Domestic Product	23,525	28,731	33,196	38,571	44,377	50,941	153,327
Compensation	13,144	15,912	18,405	21,620	24,905	28,632	91,407
Depreciation	2,918	3,462	3,970	4,595	5,153	5,778	12,272
Operating Surplus	4,934	6,370	7,328	8,642	10,313	12,100	36,779
Subsidies	385	481	500	562	650	746	1,943
Indirect Taxes	2,915	3,469	3,994	4,276	4,656	5,178	14,813
Personal Taxes	2,658	3,300	3,975	4,778	5,187	5,999	17,944
Corporate Taxes	729	1,167	1,368	1,862	2,279	2,510	7,278
Total Taxes	6,302	7,935	9,337	10,916	12,122	13,686	40,034
Imports	8,757	9,428	10,562	12,052	13,248	14,886	43,098
Direct Effects							
Employment	181,309	208,744	224,026	248,141	261,345	278,165	422,182
Gross Domestic Product	10,251	12,645	14,595	16,982	19,585	22,524	68,131
Compensation	6,286	7,625	8,811	10,345	11,950	13,760	43,926
Indirect Taxes	1,170	1,416	1,618	1,729	1,889	2,104	6,001
Indirect Effects							
Employment	220,392	243,600	263,013	287,150	300,685	318,825	489,108
Gross Domestic Product	13,274	16,086	18,602	21,589	24,791	28,417	85,196
Compensation	6,858	8,287	9,594	11,275	12,954	14,871	47,480
Indirect Taxes	1,744	2,053	2,376	2,547	2,767	3,073	8,812
T&T Economy Supply Side Aggregates							
Direct and Indirect Effects							
Employment	550,451	627,912	672,860	737,617	774,824	820,325	1,253,722
Gross Domestic Product	32,237	39,883	45,862	53,150	61,178	69,998	210,942
Compensation	18,011	22,088	25,427	29,792	34,334	39,343	125,754
Depreciation	3,999	4,806	5,485	6,331	7,103	7,940	16,883
Operating Surplus	6,760	8,842	10,123	11,909	14,218	16,626	50,600
Subsidies	527	668	691	775	896	1,025	2,673
Indirect Taxes	3,994	4,815	5,518	5,892	6,419	7,115	20,379
Personal Taxes	3,643	4,581	5,491	6,584	7,150	8,243	24,686
Corporate Taxes	1,000	1,620	1,890	2,566	3,142	3,448	10,013
Total Taxes	8,636	11,015	12,899	15,042	16,712	18,806	55,078
Imports	12,000	13,087	14,592	16,608	18,264	20,455	59,293
Direct Effects							
Employment	248,448	289,763	309,499	341,932	360,294	382,227	580,824
Gross Domestic Product	14,047	17,553	20,163	23,401	27,001	30,951	93,732
Compensation	8,614	10,585	12,173	14,255	16,475	18,908	60,432
Indirect Taxes	1,604	1,965	2,236	2,383	2,605	2,892	8,256
Indirect Effects							
Employment	302,004	338,149	363,360	395,685	414,530	438,098	672,899
Gross Domestic Product	18,189	22,330	25,699	29,749	34,177	39,048	117,210
Compensation	9,397	11,504	13,254	15,537	17,859	20,435	65,322
Indirect Taxes	2,390	2,850	3,282	3,510	3,814	4,223	12,123

Satellite Account Tables II

	1995	1996	1997	1998E	1999E	2000E	2010P
T&T Accounts as % of State Accounts based on Nominal Dollar results							
Consumer Expenditures	5.71	5.64	5.68	5.78	5.79	5.83	6.40
Durables	11.38	11.13	11.15	11.32	11.27	11.29	11.85
Non-Durables	3.21	3.19	3.20	3.25	3.25	3.27	3.53
Services	6.49	6.44	6.49	6.53	6.58	6.63	7.07
Government Expenditures	0.43	0.43	0.53	0.55	0.58	0.61	1.09
Individual	0.16	0.16	0.20	0.21	0.22	0.24	0.44
Collective	0.70	0.71	0.86	0.90	0.94	1.00	1.68
Capital Investment	10.29	10.61	10.72	11.45	12.14	12.30	13.49
Public	1.86	1.77	1.48	1.50	1.52	1.54	1.83
Private	11.23	11.60	11.80	12.60	13.31	13.44	14.73
Exports	9.99	11.10	11.96	13.18	14.20	14.87	17.50
Merchandise	3.03	3.45	3.52	3.59	3.62	3.66	4.06
Services	54.16	63.75	70.05	79.12	87.03	92.01	110.00
T&T Industry Supply Side Aggregates (Direct and Indirect)							
Employment	3.96	4.44	4.73	5.10	5.28	5.48	6.75
Gross Domestic Product	4.85	5.29	5.58	5.98	6.16	6.36	7.48
Compensation	5.11	5.61	5.92	6.39	6.64	6.89	8.14
Depreciation	4.42	4.80	5.03	5.38	5.57	5.77	6.71
Operating Surplus	4.63	5.02	5.29	5.68	5.88	6.10	7.22
Subsidies	6.33	7.06	7.44	7.98	8.22	8.49	9.84
Indirect Taxes	4.87	5.30	5.55	5.93	6.14	6.36	7.42
T&T Economy Supply Side Aggregates (Direct and Indirect)							
Employment	5.42	6.16	6.54	7.02	7.28	7.52	9.28
Gross Domestic Product	6.65	7.35	7.71	8.24	8.50	8.75	10.29
Compensation	7.01	7.79	8.18	8.80	9.16	9.47	11.20
Depreciation	6.06	6.66	6.95	7.42	7.68	7.93	9.23
Operating Surplus	6.34	6.97	7.31	7.82	8.10	8.38	9.93
Subsidies	8.67	9.79	10.28	11.00	11.34	11.66	13.53
Indirect Taxes	6.68	7.35	7.66	8.18	8.46	8.73	10.21
Personal Taxes	7.01	7.79	8.18	8.80	9.16	9.47	11.20
Corporate Taxes	6.34	6.97	7.31	7.82	8.10	8.38	9.93
Total Taxes	6.77	7.47	7.82	8.37	8.67	8.97	10.57
Travel & Tourism Real Growth (Per Annum) based on 1990 Constant Rand							
Consumer Expenditures	3.6	2.7	2.6	3.7	2.6	3.0	3.9
Business & Government Travel	5.8	5.9	3.0	2.1	3.5	3.2	3.4
Government Expenditures	(0.5)	7.0	31.4	7.2	8.3	8.2	9.1
Exports	31.6	23.4	13.4	14.3	9.5	9.7	6.3
Capital Investment	32.5	11.4	4.8	10.8	9.5	5.9	4.4
Travel & Tourism Consumption	9.4	9.4	7.4	8.6	6.5	6.4	5.2
Travel & Tourism Demand	16.7	11.3	7.0	8.8	6.8	6.3	5.1
T&T Industry Supply Side Aggregates (Direct and Indirect)							
Gross Domestic Product	19.4	14.1	8.4	10.1	7.6	7.1	5.3
Employment	12.2	12.6	7.7	9.9	5.0	6.2	4.5
T&T Economy Supply Side Aggregates (Direct and Indirect)							
Gross Domestic Product	26.5	15.6	7.9	9.8	7.7	6.8	5.3
Employment	18.9	14.1	7.2	9.6	5.0	5.9	4.5
Travel & Tourism – US\$ (Billions) – 1990 Constant Rand							
Consumer Expenditures	9,668	9,929	10,189	10,570	10,845	11,173	15,884
Business & Government Travel	3,787	4,009	4,129	4,215	4,363	4,502	6,288
Government Expenditures – Individual	47	51	67	71	77	84	204
Visitor Exports	6,245	7,616	8,808	10,325	11,541	12,788	23,851
Travel & Tourism Consumption	19,748	21,604	23,193	25,182	26,826	28,547	46,226
Government Expenditures – Collective	199	213	279	300	324	351	857
Capital Investment	5,720	6,375	6,682	7,402	8,107	8,585	13,422
Exports (Non-Visitor)	2,223	2,836	3,044	3,225	3,302	3,499	6,049
Travel & Tourism Demand	27,889	31,028	33,198	36,108	38,560	40,983	66,555
T&T Industry Supply Side Aggregates (Direct and Indirect)							
Gross Domestic Product	14,226	16,228	17,585	19,357	20,828	22,315	36,668
Total Taxes	3,811	4,482	4,946	5,478	5,689	5,995	9,574
T&T Economy Supply Side Aggregates (Direct and Indirect)							
Gross Domestic Product	19,494	22,526	24,294	26,674	28,713	30,663	50,447
Total Taxes	5,222	6,221	6,833	7,549	7,843	8,238	13,172

The South African Satellite Account for Travel & Tourism 1998

1998 Estimates (Rand Millions, Except Employment)



The WTTC/WEFA Travel & Tourism Satellite Accounting research for 1998 reflects: significant realignment of concepts with the latest work of the public/private sector Experts Committee under the auspices of the World Tourism Organization, analytical and data enhancements and application of WEFA's latest world and national macroeconomic forecasts.

This new research provides greater detail on the inter-linkages of the **T&T Industry** and the broader **T&T Economy**. The former captures the production-side “industry” equivalent for comparison with other industries; the latter reflects *the flow through effect* of Travel & Tourism across the economy-at-large.

The Satellite Account is based on a “demand-side” concept of economic activity – the activities of visitors and travel companies, because Travel & Tourism does not produce a homogeneous product or service like traditional industries (agriculture, electronics, steel, etc.). Instead, Travel & Tourism is a collection of services such as transportation, accommodations, restaurant meals, immigration and park services, and entertainment; and products (durables and nondurables, consumer and capital) such as souvenirs, recreational vehicles, automobiles, aircraft manufacturing and resort development.

The Satellite Account uses two major demand concepts; Travel & Tourism Consumption and Travel & Tourism Demand, which help differentiate between the T&T Industry and the T&T Economy.

Travel & Tourism Consumption focuses on *visitor demand* including:

- **Consumer Expenditures** – Incorporating traditional personal spending by South African residents on services that are normally associated with Travel & Tourism – lodging, transportation, entertainment, meals, financial services etc; as well as durable and nondurable goods which are purchased by residents and used for Travel & Tourism activities.
- **Business and Government Travel** – Corporate and government travel expenditures that mirror those of personal consumption (transportation, accommodation, meals, entertainment etc.), but are undertaken in the course of business or government work.
- **Government Expenditures (Individual)** – Services by agencies and departments such as cultural institutions (art museums) or national parks, customs and immigration on behalf of individual visitors.
- **Visitor Exports** – Expenditures by international visitors on goods and services.

Travel & Tourism Demand, in addition, incorporates products and services for *industry demand* including:

- **Government Expenditures (Collective)** – Services by agencies and departments associated with Travel & Tourism, but made on behalf of the community-at-large, such as tourism promotion, aviation administration, security services and sanitation services.
- **Capital Investment** – by Travel & Tourism providers (the private sector) and government agencies (the public sector) to provide facilities, equipment and infrastructure to visitors.
- **Exports (Non-Visitor)** – which include consumer goods sent abroad for ultimate sale to visitors such as clothing, electronics or gasoline; and capital goods sent abroad for use by industry service providers (such as aircraft or cruise ships).

By applying input/output modelling to these two aggregates, the Satellite Account is able to differentiate between:

- **T&T Industry Production and T&T Economy Production;**
- Imports;
- Direct and Indirect impacts; and
- Gross Domestic Product (GDP) elements – Wages & Salaries, Indirect Taxes, Operating Surplus, Depreciation, and Subsidies.

In the same way, **Employment** can also be quantified in terms of the “T&T Industry” and the broader “T&T Economy.”

- **T&T Industry Employment (Direct)** generally includes those jobs with face-to-face contact with visitors – airlines, hotels, car rental, restaurant, retail, entertainment etc.
- **T&T Industry Employment (Indirect)** includes those faceless jobs associated with industry suppliers – caterers, laundry services, food suppliers, wholesalers, accounting firms etc.
- **T&T Supplier Employment (Direct)** generally includes those faceless jobs associated with government agencies, manufacturing and construction of capital goods and exported goods used in Travel & Tourism.
- **T&T Supplier Employment (Indirect)** generally includes those faceless jobs associated with supplied commodities – steel producers, lumber, oil production etc.

The first two categories cover **T&T Industry Employment** while all four cover **T&T Economy Employment**.

South African Travel & Tourism Realising the Potential – The Policy Framework

Travel & Tourism is already an important contributor to employment and wealth creation in South Africa, with a huge “flow through effect” across the entire economy.

It has enormous inherent potential to increase its impact if the underlying policy framework is conducive to dynamic growth.

This will require the full determination of government to create a policy framework which induces investment, stimulates demand and encourages quality. It will also require the commitment and application of the private sector to operationalise globally competitive products and service standards.

In this respect there is a very strong correlation between concepts contained in WTTC’s Millennium Vision for Africa, the World Economic Forum’s recent Namibia summit conclusions and the government’s Tourism in Gear Strategy.

TOURISM IN GEAR	WTTC AFRICA MILLENNIUM VISION	WEF NAMIBIA
Develop Tourism as a National priority	Highlight Travel & Tourism as a strategic economic/ employment priority, based on its full economic impact	Recognize the full value of Tourism across the economy and measure it through Satellite Accounts
Implement a new international marketing strategy, freshen branding and particularly develop eco and cultural tourism	Advance Sustainable growth, regional public & private sector marketing, majoring on Afrikatourism to promote cultural and natural heritage	Establish an internationally recognizable brand, leverage natural wildlife and culture of Southern Africa into national strategies
Improve quality and quantity of skilled manpower in tourism, and upgrade hospitality front line service	Invest in education and training to raise operational quality, standards and competitiveness	Put education and training at the forefront of national and regional tourism development.
Investigate Infrastructure needs and resources, leverage government programs towards tourism and obtain special funding allocations.	Attract support from international financing institutions for Travel & Tourism infrastructure	Engage international/regional financial institutions in tourism growth, advance public/private sector initiatives, develop infrastructure for sustainable growth.

WTTC congratulates the South African Government for its forward looking GEAR strategy and also strongly recommends that the key related aspects of the Africa Millennium Vision and the WEF Namibia Tourism declaration be reflected in its implementation.

A consensus is building within the public and private sectors as to the pivotal role played by Travel & Tourism in sustainable growth, job creation and social development across the entire national economy and the economy of the Southern African region.

While the private sector can and must play an increasingly important role in developing quality products and services geared to international and regional demand, government must create the underlying conditions for market confidence, dynamism and sustainability. This will mean leadership in

encouraging investment, streamlining regulation and building infrastructure.

In this context, recent substantial growth has generated significant investment in tourist accommodation – short-term efforts must be focussed on encouraging sustained demand and providing expansion in related infrastructure.

Above all consumer interest must be maintained in a climate where safety and security of travellers is secured. In today’s world of discerning customers and competing destinations reputations have to be carefully and creatively built; but with instant global communications they can be quickly lost. This is a high priority challenge if South Africa’s tourism potential is to be realised – and the broadscale economic wealth and job creation which will accompany it.

RECOMMENDATIONS

Make Travel & Tourism A Strategic Economic And Employment Priority

Recognise The Economic Contribution

Travel & Tourism has only recently emerged as a discrete economic sector as borders have opened, nations democratised, living standards risen and whole sectors of society gained the freedom to move across international borders. This has been coupled with cheaper transport and accommodation.

Time magazine says we are on the verge of “the golden age of travel”, with more and more of the world’s population able to visit more and more of the world’s nations.

Travel & Tourism is expected to contribute significantly to 21st century service sector-driven growth. Bill Gates (Microsoft) identifies it with healthcare and education as the key target market sectors, and John Naisbitt (Megatrends) forecasts it will rank with information technology and telecommunications as lead sectors of the new millennium global economy.

In South Africa, Travel & Tourism has grown dramatically since the beginning of the 1990s – well above the world average. Major factors have included:

- A stable and open democratic regime
- World renowned natural & cultural resources, which offer real comparative advantage and are in the mainstream of evolving global demand.
- Attraction of private investment
- Growth of small and medium sized enterprises (SMEs)
- Historically good basic infrastructure.

WTTC believes that it has substantial further potential to:

- Improve the balance of payments
- Stimulate entrepreneurship – particularly in small businesses
- Catalyse investment
- Create large number of sustainable jobs – particularly for women and young people
- Help social development in local communities

Tourism is a complex of products and services, provided to meet consumer, business and government demand for travel in domestic and international markets. It is decentralised and woven into the economy because tourists are mobile and consumption occurs before (eg. tickets), during (eg. food) or occasionally, after the trip (eg. photos).

The major components – transport, accommodation, catering, entertainment and travel organisers – are dominated by SMEs of under 50 employees. But in practice, Tourism impacts far beyond these immediate sectors because of the

intensity of its interaction with other areas of the economy, through the suppliers of goods and services to travellers and travel companies – such as telecommunications for messages, agriculture for meals and financial services for cash or credit.

WTTC urges all public and private sector stakeholders to recognise Travel & Tourism’s full impact across the economy, and its untapped potential and to collaborate in a strategic initiative to grow the sector sustainably.

In this context, the governments’ “Tourism Growth Fund” is a vital catalyst for achieving government-led, private sector driven and community based progress.



Recognise The Industry Employment Creation Potential

Because it is a service, tourism is a “people delivered” activity and thus an intensive creator of jobs. Figures in this report show that Travel & Tourism is one of the largest creators of direct and indirect employment worldwide.

This same impact is apparent today from the South African satellite account – with almost 250,000 jobs in the Travel & Tourism Industry and nearly 740,000 in the broader economy, whose livelihoods depend on a buoyant Travel & Tourism sector.

This impact will intensify over the next decade with the potential for adding 175,000 new jobs in the industry and more than 500,000 across the economy with the baseline forecast. The optimistic scenario gives a potential of more than 800,000 new travel related jobs in the economy at large.

These include jobs in upstream suppliers like aircraft or cruiseship constructors, hotel fitters or airport engineers, and in downstream servicers like retail, petrol stations, clothing manufacturers and food suppliers. The former depend on travel company purchases, the latter are driven by travellers expenditures. There are also jobs created in the public sector that cater to visitors – like border inspectors, air traffic controllers and museums.

Contrary to conventional wisdom, Travel & Tourism created jobs – inside and outside the industry – range across the entire employment spectrum and in many cases have characteristics which fit model employment patterns:

- They can be created at low cost, with few barriers to entry, and faster than most industries.
- They are service and export related.
- They provide an impetus to regeneration and social cohesion by counter-balancing the flow of people to the cities from disadvantaged rural areas.
- They are often created in small and medium sized enterprises, encouraging traditional arts / crafts activities and family-run businesses.
- They provide significant opportunities for women.
- They are ideal for young or for first time employees.
- They have good capacity for education, training and skill development.
- Wages are equal to or above the industrial norm.

WTTC encourages the South African Government to recognise the scale, scope and characteristics of jobs created, directly and indirectly by Travel & Tourism, and to factor this into mainstream employment, trade, investment and education policies.

We underline the importance of the catalytic “flow through effect” across many industrial sectors, and of public/private sector partnerships to support infrastructure and education – the key areas to facilitate Travel & Tourism growth.

We urge consideration of flexible working practices to increase industry responsiveness, productivity and innovation. At the same time to avoid regulatory rigidities and protectionism which will have the reverse effect.

We suggest particular consideration be given to tourism in policy mechanisms that enhance rural employment, and in areas where manufacturing is declining.

Establish Effective “Satellite Accounting”

Travel & Tourism’s economic and employment impacts cannot be separated from the need for effective measurement of the sector and its “flow through effect.”

Travel & Tourism as a new industry is not discretely identified in charts of national account – rather its component parts are scattered throughout the accounts.

Public sector analysis and related policies tend to overlook or understate the impact of the industry, or deal with its smaller components.

The technique of satellite accounting is designed to measure the new service sectors, and this report has simulated a Travel

T&T ECONOMY: THE FLOW-THROUGH EMPLOYMENT IMPACT - 1998

Wholesale and retail trade	164,735
Catering and accommodation services	66,323
Transport and storage	66,002
Government	42,985
General labour and domestics	35,127
Agriculture, forestry and fishing	34,911
Motor vehicles and parts	34,174
Business services	30,667
Building construction	26,577
Non-electrical machinery	25,482
Electrical machinery	21,342
Metal products	13,477
Finance and insurance	13,105
Other	13,043
Other community and personal services	12,821
Textiles	11,761
Communication	11,623
Diamond and other mining	10,973
Other industries	9,633
Other transport equipment	8,393
Clothing	8,380
Food	8,097
Wood and wood products	6,050
Petroleum refineries	5,362
Printing and publishing	4,387
Beverages	4,128
Electricity, gas and steam	4,037
Coal mining	4,009
Paper and paper products	3,991
Other non-metallic minerals	3,980
Other chemical products	3,874
Leather products	3,254
Basic iron and steel	2,932
Plastic products	2,906
Civil engineering and other construction	2,814
Industrial chemicals	2,706
Furniture	2,645
Rubber products	2,456
Basic non-ferrous metals	2,287
Medical & health services	1,439
Gold mining	1,270
Pottery, china and earthenware	1,116
Glass and glass products	1,114
Footwear	632
Water supply	517
Tobacco products	79
Total T&T Employment	737,617

& Tourism Satellite Account for South Africa. It uses the latest definitions, and evolving accounting concepts developed within the World Tourism Organization's public/ private sector study group. It incorporates WTTC/WEFA modelling experience from some 20 national and regional studies around the world and WEFA's global macroeconomic databases.

WTTC encourages the South African Government to develop a Travel & Tourism Satellite Account, and offers to collaborate in this endeavour. Pending completion of such an approach WTTC stands ready to update and adapt this simulated Account as a low cost option to ensure that adequate data is available to factor Travel & Tourism into economic and employment strategies

ACTION

- **Recognise Travel & Tourism's full impact across the economy and use private/public sector partnerships to exploit its untapped potential.**
- **Reflect Travel & Tourism in mainstream policies for employment, trade, investment and education with a focus on encouraging flexible working practices and enhancing rural tourism employment.**
- **Ensure that Travel & Tourism's flow through effect across the economy is appreciated by all sections of Government and establish a National Satellite Account to consolidate this recognition.**

Move Towards Open and Competitive Markets

Liberalise Markets

A liberal international and regional trading regime with free flowing markets for goods and services will help Travel & Tourism grow, and in turn enhance wealth and jobs creation. Increased trade encourages business trips, and growing disposable income expands leisure travel.

The ongoing programmes of the World Trade Organization and of SADEC provide a framework for progressive liberalisation and should be vigorously pursued. Sustained efforts should be made to incorporate Travel & Tourism as a key element in these mechanisms.

In growing Travel & Tourism, the biggest single challenge is to achieve competitive air transport opportunities. The majority of international business travellers, as well as a significant and growing number of leisure travellers, arrive by air – particularly from the major tourism origin markets.

In Africa as a whole, air traffic has increased by 120% over the past 5 years, with Southern Africa as the magnet. And while it is the case that South Africa has gone far in liberalising its domestic and international aviation regimes, more can be done to increase services, expand price/product options and encourage competing carriers.

In the latter context the privatisation of airlines and airports is a constructive step forward which should be brought to early conclusion. In this process clear, equitable, transparent procurement and investment provisions should be established.

Similarly WTTC has identified measures in its report *Air Transport and Freer World Trade* for progressively and decisively liberalising air transport agreements at a bilateral, regionalateral and multilateral levels. This includes the opening of entry and pricing regimes – essential to the growth of long-haul and regional tourism. Studies undertaken for the World Tourism Organization suggest that for every job saved through protection of airline interests, up to four can be lost in the economy as a result of lost tourism spend.

We urge that the employment impact of expanding tourism be made a primary and continuous input to the development of South African Aviation policies.

Furthermore, liberal aviation accords should be aggressively sought with South Africa's principle bilateral and regional air transport partners – particularly in major tourist generating markets.

A related issue is the need to ensure that international telecommunications markets are also liberalised. An increasing amount of Travel & Tourism operations – and virtually all distribution and sales transactions – flow through telecommunications circuits.

Where telecommunications are monopoly-controlled, there are often restrictions on access, high costs and unreasonable operating conditions. This in turn limits the potential for market-oriented expansion of Travel & Tourism, with negative national and international economic impacts in terms of cost, operational efficiency and customer service.

Opening telecommunications markets will lower costs and enhance service for travellers and travel companies.

Enhance Promotion

Spending by foreign travellers constitutes export earnings for South Africa's economy in the same way as manufacturing or agricultural exports.

Travel & Tourism should enjoy the same incentive regimes as other export sectors.

It is particularly significant for South Africa given the dramatic current growth and long range forecasts of almost 7% per annum through to 2010.

Worldwide there is increasing awareness of the importance of

Travel & Tourism and the competitive need for improved promotion. WTTC shares the view expressed in Tourism in Gear that:

- the absence of a clear product branding and fresh marketing strategy is a main weakness;
- it is important to broaden and diversify the product offer, to highlight the real African character of the destination;
- any Travel & Tourism development action plan should include a fresh promotional drive to grow tourism arrivals in South and Southern Africa.

While the focus of this drive should be the growing, high-yield international markets, the emerging domestic and regional markets should also be targeted - particularly special high growth segments like nature, educational & youth tourism.

WTTC suggests that the government of South Africa particularly take note of the existing highly successful Travel & Tourism promotional models developed by the Canadian and the Australian governments.

Their common features are:

- Top level active political support and engagement.
- Declared Strategy - with clear targets and detailed implementation gameplan.
- Involvement of major stakeholders in the development process.
- Strong public and private sector cooperation with outreach to partners across the T&T Economy.
- Substantially increased public sector funding and exceptional inducements for private sector matching.
- Private sector leadership in marketing strategies.
- An integrated approach across government departments and particularly in co-ordinating national, state and local promotional efforts.
- Formal Launch to raise the profile of the campaign and the media interest.



There is real need for a strong national leadership branding which optimises resources, focuses the myriad of interests - public and private sector, national and local - and gets the attention of travellers in an increasingly competitive global marketplace.

This will require particular attention to a coordinated approach to internet marketing and distribution to optimise South Africa's visibility.

A powerful brand, such as Afrikatourism, is also important in attracting and maintaining media interest, and in high profile positioning in the vitally important but increasingly complex electronic distribution channels.

The rationale behind Afrikatourism is that conservation can and must benefit people in a tangible way by creating jobs and local community development in this way Tourism can turn African resources into a very valuable product, while simultaneously protecting and restoring them.

There will nevertheless be a concomitant need to upgrade South Africa's nature tourism foundations to match international and regional competition. This applies particularly to National Parks where this is a huge potential to cater to a growing market segment with quality accommodation, infrastructure and service.

WTTC believes that organisations like the Open Africa Initiative, the University of Pretoria's Centre for Africa-Tourism, the Conservation Corporation and others give South Africa an excellent base for development of such branding approach, and will continue to work closely with these bodies.

ACTION

- **Progressively liberalise trade, transport and telecommunications under the auspices of the World Trade Organization and SADEC.**
- **Continue to open up air transport markets, attract more long haul services, expand the range of price and product options and encourage competition.**
- **Upgrade promotion to match prevailing competitive approaches, restructure SATOUR with adequate funds, build in public / private cooperation and examine the coordination of provincial, national and regional marketing.**
- **Build on the Afrikatourism brand which focuses on South Africa's unique natural, cultural and wildlife traditions.**

Pursue Sustainable Development

Since the Rio Earth Summit it is widely recognised that sustainability has to be at the core of all policy making and development planning.

Travel and Tourism is no exception. With twice the number of travellers predicted over the next decade or so, there are evident implications for consumption, waste and resource utilisation.

At the same time, we are neither extractive nor resource focussed, and because of the intensive involvement of people as consumers and service providers, and the pervasive spread across the economy there is a real possibility to be a catalyst for positive action.

The environment - ecological, economic and social - is South Africa's main heritage and Travel & Tourism's core asset.

It is imperative to ensure that the economic and social benefits which the industry brings, and the investment which underpins it, are sustainable in the longer term.

Within the African continent, South Africa has been gifted with such a wealth and variety of resources, that it has a leading edge position of comparative tourism advantage.

The South African Government and the private sector has long been involved in the sustainable management of resources, and TOURISM IN GEAR highlights the need to establish clear procedures and guidelines for planned and sustainable tourism expansion.

WTTC supports the effort undertaken by the Government in this area and stresses the importance of:

- a clear leadership strategy tied into mainstream Agenda 21 developments.
- Involvement, encouragement and incentivisation of the private sector.
- Close interrelationship of infrastructure, fiscal and education/training policies and programs.

In this context we urge the government to take account of the principles of Agenda 21 for the Travel & Tourism Industry - developed by WTTC, the World Tourism Organization and the Earth Council.

Its central messages are that:

- sustainability will need a balance of private initiative, economic instrument and regulation.
- global principles must be reflected in local action
- market-based delivery mechanisms should be encouraged.

It proposes specific actions for governments and the industry to achieve these goals, in areas such as waste utilisation,

energy and resource conservation, water management, community involvement, customer awareness and staff training. It also suggests locally driven processes for continuous stakeholder consultation and involvement.

WTTC is undertaking with its partners a five year implementation of this sectoral Agenda 21 program, to create awareness and local implementation - including an African Think Tank in Zimbabwe in late 1998.

At the operational level, WTTC's GREEN GLOBE programme - backed by a growing number of Travel & Tourism industry associations - is a key component of this Agenda 21 initiative. GREEN GLOBE aims to build an environmental ethic into all aspects of Travel & Tourism, on a corporate and destination basis.

The program draws on a worldwide database of best practice and offers destination management programs and industry guidance - including leading edge ISO type certification.

In the context of Sustainable Development, a relevant place must be assigned to social issues linked to local communities development and empowerment.

As an underlying principle, any sustainable Travel & Tourism strategy should involve local entrepreneurship, community shareholding, partnership and participation in tourism by the widest spectrum of citizens.

Travel & Tourism has the potential to stimulate and regenerate rural and peripheral areas, by building capacity at grass-roots level and providing the instruments for economic self-sufficiency.

Travel & Tourism is often the only viable alternative to agriculture, can thus become a source of income and benefits for emerging areas with high tourism potential, also by generating a host of tourism-related activities and services - electricity, water, local shops, banks, post office etc.- which benefit local populations and tourists alike.

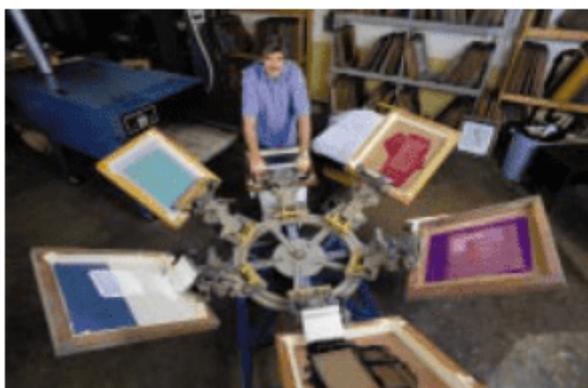


At community level many jobs can be provided which do not require great capital outlay - for example local guides, local music and dance shows, craft workshops. The local tourism industry can help promote and market these activities, which

in general maintain or even increase the quality of the tourism product.

In this context, WTTC supports the concept of pilot programmes to evaluate and demonstrate the potential of tourism which involve and sustain local communities. We also encourage financing institutions to promote microloans for local tourism entrepreneurship initiatives.

WTTC is ready to work with the government of South Africa and the private sector to advance these concepts of sustainable development within the framework of its *Millennium Vision*. Growth and the jobs it will create depend on building a sound environmental framework for tomorrow's development.



ACTION

- **Establish clear procedures and guidelines for planned and sustainable Travel & Tourism expansion as proposed in 'Tourism in GEAR'; pay particular attention to eco-tourism and ensure that park facilities are expanded sustainably.**
- **Adopt and apply the principles of Agenda 21 for the Travel & Tourism Industry developed by the WTTC, the World Tourism Organization and the Earth Council and encourage transnational and sub-regional projects.**
- **Make South Africa a GREEN GLOBE destination, targeting the corporate sector with certified standards, and new tourism areas such as the LUBOMBO SDI with tailored GREEN GLOBE environmental programmes.**
- **Ensure that sustainable Travel & Tourism strategies take into account the need for local community development, engagement and empowerment. Work with the business community to implement these strategies.**
- **Expand microloans to provide incentives for local community based sustainable tourism enterprises and use pilot projects to evaluate and demonstrate local sustainability.**

Eliminate Barriers to Growth

Ensure Safety of Tourists

The safety and security of visitors is a fundamental condition for all tourism destinations. It is however particularly important for South Africa, where the otherwise exceptional reputation is being shadowed by the actual and perceived level of crime.

"Tourism in Gear" highlights the importance of co-operative efforts to address and contain criminality. WTTC strongly supports this view, and suggests that security and safety issues must be built into the national tourism strategy as well as taken into specific consideration at local/destination level. Travel & Tourism should also be reflected as a priority in policing strategies.

WTTC agrees with the launch of a communication campaign to improve perceptions of security in the marketplace – with positive effect on potential tourists as well as investors and the establishment of a database on security trends to support it.

Yet, even more fundamental is the need for a strong effective law enforcement regime that deals with the substantive issues.

In addition, WTTC suggests that existing global models of visitor security are reviewed which could usefully be implemented in South Africa.

While conscious that there is clear recognition of this aspect of tourism development at the highest public and private sector levels, we want to underline its pivotal importance. It could over time be the major difference between the optimistic and pessimistic scenarios – and that means a difference of half a million jobs across the economy.

Invest in Human Resources

Education and training presents major opportunities and challenges for a rapidly expanding Travel & Tourism sector in South Africa. Human Resource Development (HRD) must adapt to increasing globalisation, diversifying products and changing customer expectations. Strategies must therefore be developed which enhance the employment capacity of Travel & Tourism and increase the quality of service to international levels.

WTTC shares the "Tourism in Gear" view that South Africa's HRD should mainly focus on:

- Improving the quality and quantity of skilled manpower in the sector, by establishing a Sectoral Training Organisation for tourism training and a Southern Africa Training Tourism Academy
- Upgrading front-line service and training
- Expanding Travel & Tourism in schools, by finalising curricula and introducing training programmes for teachers

For best results, mechanisms should be developed for close co-ordination between the public and private sectors to ensure that education, training and skill levels can keep pace with industry growth and competitive demands.

Travel & Tourism should have access to Government-funded training and education programs on at least an equitable basis with other industries.

The private sector should be playing an active role in ensuring the maintenance of the highest international standards of management and service, both through access to international skills and experience to ensure competitiveness, and through the implementation of training and career structures capable of supporting the development of skills.

As part of its new *Millennium Vision* initiative in emerging states, WTTC will work closely with Reach and Teach to advance these concepts in South Africa, the Southern African Region and the continent at large.

Expand Infrastructure

Infrastructure remains a critical component in Travel & Tourism development in South Africa, if the full potential of employment generation, export earnings and regional development effects are to be realised.

In most cases public infrastructure which supports Travel & Tourism expansion will also serve other urban and regional development purposes.

Infrastructure development programmes are also important to ensure sustainability by ensuring that the fruits of good environmental management are not lost through inadequacy in capacity.

Quality infrastructure is also essential in order to diversify the product base, remove bottlenecks, ensure good service and distribute benefits of tourism flows around the economy. It is not only a question of coping with increasing numbers of visitors, but to make sure that the patterns of flow don't affect the natural or built heritage, nor run counter to local interests.

WTTC believes that there is a need to conduct in-depth investigation of infrastructure needs/ resources, and attaches particular importance to air transport infrastructure.

In particular, airport expansion and air traffic control system modernisation are priorities for Travel & Tourism growth. An increased private sector role should be pursued in this development.

Current land-based ATC systems should be switched to satellite navigation as soon as possible to contain operating costs, improve safety and reduce congestion.

With pressures on budget and space resources likely to come under increasing stress, the problem of finding more efficient

and speedy procedures to manage border clearances will escalate dramatically in future years if serious congestion is to be avoided. Existing initiatives for facilitating cross border flows of business travellers need to be supplemented by examination of more far reaching measures to welcome visitors – including those arriving from outside the region and leisure travellers generally.

WTTC is working with the Multilateral Investment Guarantee group of the World Bank and other international bodies to advance the concept of investment in sustainable Travel & Tourism Infrastructure.

WTTC urges the South African government to interest and involve the international financing community in supporting the provision of travel related infrastructure as a matter of strategic priority. The World Bank family, the African Development Bank and regional institutions need to dramatically change their vision of tourism, and to recognise its vital development and job creation capacity.



Tax Intelligently

Travel & Tourism should pay its fair share of taxes – and it does.

This Report indicates that the South African T&T Economy will generate Rand 15 billion in tax revenues in 1998 – some 8.4% of overall taxes. This could rise to 10.6% of tax revenue by 2010 simply under the baseline scenario.

The growth and prosperity of the industry, including the investment necessary to generate those future revenue flows, will depend in no small part on the competitiveness of Travel & Tourism, including whether it receives equitable treatment relative to other industries and to competing destinations.

There is an increasing tendency worldwide for governments to target Travel & Tourism as a revenue generator, to meet short term budget objectives with little thought to the longer term consequences on demand and job creation. Often this involves unco-ordinated actions of national, state and municipal authorities. For example, according to WTTC's Tax Barometer, in the city of Johannesburg a total basket of Travel & Tourism related taxes has increased by some 13% in the last year alone.

Also, taxes are often levied on travellers at different points of the journey, so that what may at first appear a small amount has a much greater impact on the final product as a whole.

WTTC believes that travellers and travel companies should not be taxed in a discriminatory way.

International visitor spending is an export and should be taxed like other exports.

An increasing number of "user fees" are being applied to Travel & Tourism – for air tickets, security, airport construction, highways and the like. WTTC firmly believes that the principle of "User Pays – User Benefits" should be applied in such cases, with the funds earmarked for the related Travel & Tourism infrastructure, transparently dispersed and with collection time limited to the specified project completion.



ACTION

- **Review models of visitor safety and security and build provisions into the national tourism strategy. Ensure these are reflected in provincial and local tourism plans. Encourage law enforcement agencies to recognise and integrate specific Travel & Tourism issues into local policing strategies.**
- **Place education and training at the forefront of tourism development, expand the range of school and college curricula and highlight industry career prospects and role in the economy. Introduce measures to raise skills and standards -- particularly front-line service. Develop mechanisms for public/business-private sector buy-in and involvement.**
- **Review and expand infrastructure, particularly for airports, air traffic control and streamline border clearance, eliminating visas where possible.**
- **Encourage the international financial institutions, including the World Bank and the African Development bank, to support sustainable tourism infrastructure in lending priorities and programmes.**
- **Apply WTTC principles of fair taxation to Travel & Tourism – fair revenue generation, efficiency, equity, simplicity – and give Travel & Tourism equitable access to industry export incentives and exemptions. Apply the 'User pays – User benefits' principle.**

This report unequivocally demonstrates the enormous potential for Travel & Tourism in South Africa. WTTC will be pleased to work with the South African government and other stakeholders in further developing this recommendations into a cohesive policy framework.

Travel & Tourism can lead South Africa and the Southern African region into a new economic era creating half a million new jobs across the economy in the first decade of the new Millennium.

What is GREEN GLOBE?

GREEN GLOBE is a worldwide environmental management and awareness program for the Travel & Tourism industry based on *Agenda 21*.

Its prime objective is to provide a low-cost, practical means for all Travel & Tourism companies and destinations to undertake improvements in environmental practice leading towards ISO style certification.



Why GREEN GLOBE?

A clean healthy environment is the core of the Travel & Tourism product, and is essential to future development. Good environmental practice is not only morally right; it makes sound business sense and can lead to significant cost savings.

What are its origins?

GREEN GLOBE was developed by the World Travel & Tourism Council (WTTC), a global coalition of industry Chief Executive Officers, with the involvement of the Earth Council and its Chairman, Dr. Maurice Strong, former Secretary General of the 1992 Rio Earth Summit. The concept has the broad support of the United Nations Environment Program (UNEP).

Major regional and sectoral Travel & Tourism organizations have joined GREEN GLOBE as Industry Associates and are working to encourage their members' participation.

Who can join?

Membership is open to Travel & Tourism companies of any size, type and location which commit to improvement in environmental practice and to countries with similar goals.

How does it work?

GREEN GLOBE helps a company to develop an environmental program suited to its specific requirements, and brings numerous business benefits. GREEN GLOBE members have access to:

- **Advice** in tailoring practices to changing environmental needs
- **Tools** to help evaluation and to improve performance
- **Information** on environmental good practice and cost saving techniques
- **Recognition** of your environmental commitment

What are the benefits?

- Continuous practical help to build environmental considerations into daily business decisions
- A service which is tailored to the size, business focus and level of environmental activity of your company
- Cost-saving and commercial opportunities

What is the cost?

Membership fees are structured to ensure that the program is accessible to companies of any size; they range from US\$ 200 per annum for companies with turnover of less than US\$ 1 million, to US\$ 5,000 for companies with turnover of more than US\$ 30 million.

If your company is not already a GREEN GLOBE Member, and you would like further information about the program, please contact WTTC.



The World Travel & Tourism Council (WTTC) is the Global Business Leaders Forum for Travel & Tourism. Its Members are Chief Executives from all sectors of industry, including accommodations, catering, entertainment, recreation, transportation and other travel-related services. Its central goal is to work with governments to realise the full economic impact of the world's largest generator of wealth and jobs – Travel & Tourism.

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The WEFA Group is one of the world's leading economic consulting and forecasting firms with nearly 300 economists worldwide. It distributes data on 152 countries and forecasts 94 country economies in depth.

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WTTC would like to thank Dr. Mike Fabricius and all the technical review team for their advice and assistance during the production of this report. The financial support of American Express is also gratefully acknowledged.



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