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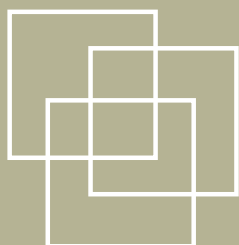
the department of economic  
development, tourism and  
environmental affairs  
FREE STATE PROVINCE



International  
Labour  
Organization

South Africa  
SME Observatory

# Position Paper - Opportunities and Constraints for development of the tourism sector in Mangaung and Matjhabeng Municipalities



UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
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FREE STATE PROVINCE



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## South Africa SME Observatory

# **Position Paper - Opportunities and Constraints for development of the tourism sector in Mangaung and Matjhabeng Municipalities**

by Mahandra Naidoo

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The promotion and development of sustainable Small and Medium Enterprises (SMEs) in the Free State remains a priority for the provincial government to ensure that SMEs increase their contribution to economic growth and the creation of more and better jobs for the people of the Free State.

Tourism is a priority for the government in the New Growth Path as well in the Provincial Growth and Development Strategy of the Free State. This study provides an analysis of tourism value chains and focus on challenges and opportunities in the target municipalities. The report argues that the international and domestic tourism opportunities in the Free State are underexploited and that business opportunities and employment can be created through better marketing of tourism products and services. The central location of the province and the well developed infrastructure makes it an ideal destination for the domestic market as well as for international tourists visiting the cities surrounding the province.

Provincial and municipal stakeholders along with the private sector and their representative organizations must partner in initiatives to bring more tourist to the Free State. Millions of tourists visits South Africa each year, but an improved dialogue and proactive collaboration between policy makers, public sector support programs for enterprise development and the tourism businesses themselves are crucial to attract these tourists to the Free State. SMEs in the tourism sector should take up the challenge of pushing the frontier for all SMEs in the province as the potential for further developing the tourism market exists.

This report was produced by the South Africa SME Development Initiative and we thank Mahandra Naidoo of Simakade Tourism who put the report together as well as Jens Dyring Christensen, Chief Technical Advisor of the Free State SME Development Initiative and the team from Detea and the ILO who guided the work and the consultative process with public and private development partners in the province and the two municipalities. Finally, we thank the Flanders International Cooperation Agency (FICA) for the generous contribution, which made this study possible.



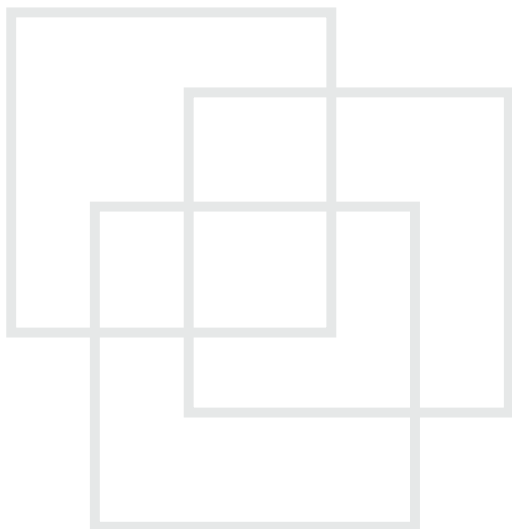
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The Free State SME Development Initiative is an intervention in the Free State that is focused on job creation through small and medium enterprise development. The project initiative is executed by the International Labour Organization (ILO) and implemented with the Department of Economic Development, Tourism and Environmental Affairs (DETEA) and Mangaung and Matjhabeng municipalities. The initiative is funded by the Flanders International Cooperation Agency (FICA).

Tourism is one of the priority sectors chosen for this initiative. This tourism intervention has a geographical focus on the Mangaung Metropolitan Municipality and the Matjhabeng Local Municipality.

Through a process of stakeholder consultation, specific tourism sub-sectors have been selected for further focus. In this regards, the focus sub-sectors for Mangaung are as follows:

- i. Business Tourism
- ii. Heritage Tourism
- iii. Crafts
- iv. Sports and Events Tourism

The focus sub-sectors for Matjhabeng are the following:

- i. Events Tourism
- ii. Mining Tourism
- iii. Agri-Tourism
- iv. Eco-Tourism

This report, which has been prepared by Simakade Tourism, under the appointment of the ILO, is a key input into the process of enhancing SME opportunities within each of these tourism sub-sectors. The report fundamentally aims to inform and provide the basis for discussions at the planned Value Chain Development (VCD) Workshops in Mangaung and Matjhabeng. These workshops will further unpack and map the selected tourism sub-sector value chains in the two municipalities, including the relevant challenges and opportunities.

This report is therefore based on an extensive literature review focused on the national, provincial and local levels. It is also informed by stakeholder interviews conducted with national, provincial and local roleplayers and stakeholders. Arising from this research, this document provides information and analysis in respect of the following:

i. The National Tourism Policy Framework:

Tourism has been identified as a priority sector by national government. This is clearly spelt out in the New Growth Path, which is a central economic development policy document of government. The New Growth path has identified tourism as one of six priority sectors for job creation. The National Tourism Sector Strategy was subsequently developed, by the National Department of Tourism, to provide detail and direction in respect of tourism fulfilling the role identified for it in the New Growth Path.

ii. National Tourism Performance:

This section assesses the return on investment from government's tourism spend. It shows that tourism has grown in respect of arrivals as well as revenue generation. Domestic tourism has also experienced growth.

iii. Scope for Growth:

Tourism in South Africa has substantial room for further growth, both from international, and equally importantly, also from domestic tourism. In this regard, for example, the World Travel and Tourism Council (WTTC) estimates that, by 2021, international tourist arrivals to South Africa will total 15,113,000, an increase of 2.4% per annum, and will make a direct contribution of R 328,2 billion to South Africa's GDP. These figures have subsequently been scaled down as a result of the impact of global economic conditions. Nonetheless, the scope for further tourism growth remains high.

iv. An Overview of the Tourism Sector:

The structure of the tourism sector is unpacked in this section, and its key roleplayers are identified. The tourism channel, which is the route to market that a tourism business would follow, is also detailed.

v. A Tourism Overview of The Free State Province:

The state of tourism in the Free State is analysed in this section. The key point emerging from this analysis is that the Free State is currently not growing its market share of international, as well as domestic tourists. This declining market share is occurring within the context of the province's rich tourism offerings. Tourists unfortunately have a low level of awareness of these tourism offerings. This decline is also occurring even though the Free State is geographically extremely well positioned for domestic tourism.

vi. Growing Tourism in Mangaung and Matjhabeng:

This section forms the crux of the report. It provides a tourism specific SWOT Analysis in respect of Mangaung and Matjhabeng. This analysis makes it clear that both of these municipalities have much to offer tourists, and domestic tourists in particular. However, a key constraint in respect of both municipalities is that tourism effectively has the status of a "Cinderella" sector in other words, it is an attractive sector but does not receive the same attention and resources as other sectors. It does not receive the capacity (both human resources and financial) that it needs to grow. In Matjhabeng, there is an absence of tourism plans that could guide the development of this important economic sector.

This section also details the key opportunities, value chain frameworks and the key challenges in respect of each of the focus tourism sub-sectors. From this analysis, it is clear that each sub-sector has the potential to offer opportunities to tourism SMEs. Tour operators, tourist guides, accommodation establishment, transport operators and restaurants all stand to benefit from growth in these sub-sectors. However, the growth of these sub-sectors is again constrained by a lack of focused interventions and resourcing. Weak partnerships between the public and private sectors have also impacted negatively on the development of these sub-sectors, despite the opportunities that clearly exist.

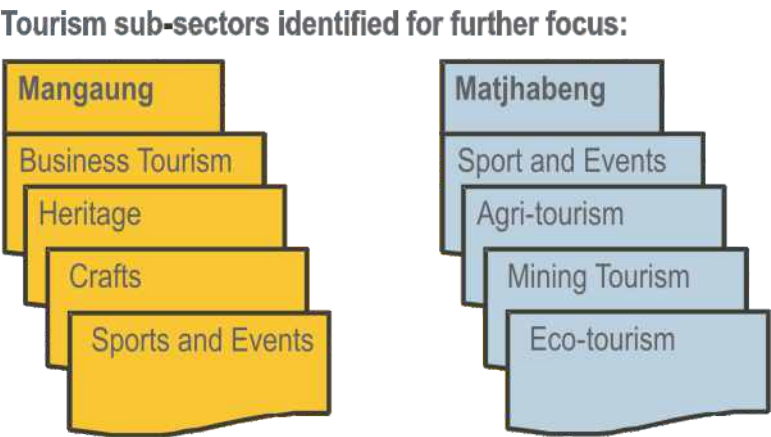
# 1. Introduction

The Free State SME Development initiative seeks to contribute to employment creation through small and medium enterprise (SME) development in the Free State province through interventions in four priority sectors, one of which is tourism. The project initiative is executed by the International Labour Organization (ILO) and implemented with the Department of Economic Development, Tourism and Environmental Affairs (DETEA) and the Mangaung and Matjhabeng municipalities. The initiative is funded by the Flanders International Cooperation Agency (FICA).

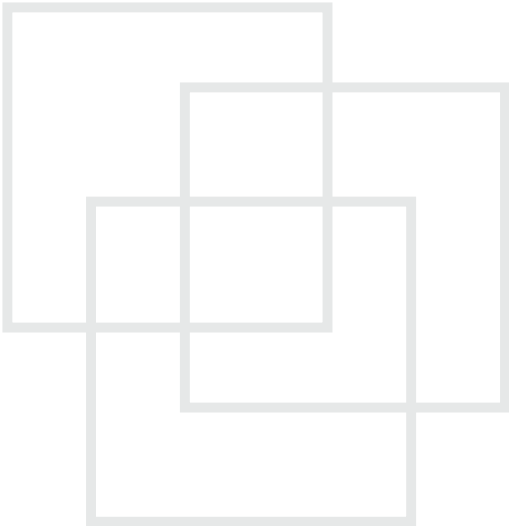
At the project launch held on 21-22 June 2011, the SME initiative consulted intensively with stakeholders in the public and private sector about the tourism sector. The result was that tourism was confirmed as a priority sector. The subsequent SME research validation and value chain consultative workshops were held (24-25/ October in Mangaung and 26-27 October in Matjhabeng). These workshops obtained further input from public and private tourism stakeholders.

Arising from these workshops, the following tourism sub-sectors, in Mangaung and Matjhabeng respectively, were confirmed as requiring further research:

**Box 1: Tourism Sub-Sectors Identified for further Focus**



Following these workshops, the ILO commissioned Simakade Tourism to undertake research into each of the above sub-sectors in both Mangaung and Matjhabeng. This document details the findings arising from this research.



## Purpose of the Report

This report fundamentally aims to inform and provide the basis for discussions at the planned Value Chain Development (VCD) Workshops in Mangaung and Matjhabeng. These workshops will further unpack and map the selected tourism sub-sector value chains in the two municipalities, including the relevant challenges and opportunities.

In preparation for these workshops, this report provides information and analysis in respect of the following:

- i. The national tourism context, including policy, performance and scope for further growth.
- ii. The structure of the tourism sector, including the key roleplayers and the tourism channel
- iii. The Free State Province's tourism framework
- iv. The challenges and opportunities that have been identified for each of the tourism sub-sectors in Mangaung and Matjhabeng

This report has been developed through an intensive research process that entailed the collection and review of relevant documentation at national, provincial and local levels. The documentation review was complemented with interviews with stakeholders at national and provincial level, as well in Mangaung and Matjhabeng.

The documents that were reviewed were as follows:

### Box 2: List of Document Assessed: National

| Document                                                             | Organisation                                                                                                    |
|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| <b>National</b>                                                      |                                                                                                                 |
| 2010 Annual Tourism Report                                           | South African Tourism                                                                                           |
| An Analysis of Agri-Tourism in the Garden Route Area of South Africa | PE Technikon                                                                                                    |
| Business Tourism Growth Strategy                                     | South African Tourism                                                                                           |
| Conferences and Incentives Assessment                                | South African Tourism                                                                                           |
| Domestic Tourism Growth Strategy                                     | South African Tourism                                                                                           |
| Domestic Tourism Report Provincial Scorecard 2007-2009               | South African Tourism                                                                                           |
| Global Competitiveness Project                                       | Department of Environmental Affairs and Tourism, South African Tourism and the Department of Trade and Industry |
| Growth Opportunities for Sports Tourism in South Africa              | South African Tourism                                                                                           |
| Industrial Policy Action Plan 2011/12-2013/14                        | Department of Trade and Industry                                                                                |
| Marketing Mzansi to South Africans                                   | South African Tourism                                                                                           |
| National Tourism Sector Strategy                                     | National Department of Tourism                                                                                  |
| New Growth Path                                                      | National Department of Economic Development                                                                     |
| Not Working Together: Tourism and Agriculture in Rural South Africa  | University of the Witwatersrand                                                                                 |
| Overview of the Cape Craft and Design Institute (CCDI)               | CCDI                                                                                                            |
| Route Tourism and Local Economic Development in South Africa         | University of the Witwatersrand                                                                                 |
| The Marketing Tourism Growth Strategy for South Africa, 2011-2013    | South African Tourism                                                                                           |
| THETA Sector Skills Plan 2011/12-2015/16                             | Tourism, Hospitality and Sport, Education and Training Authority (THETA)                                        |
| Towards a National Events Strategy for South Africa                  | Department of Environmental Affairs and Tourism                                                                 |
| Travel and Tourism Economic Impact 2011 – World                      | World Travel and Tourism Council                                                                                |
| Travel and Tourism Economic Impact 2011 – South Africa               | World Travel and Tourism Council                                                                                |
| Tourism Channel Toolkit                                              | Tourism Enterprise Partnership                                                                                  |

**Box 3: List of Document Assessed: Provincial**

| Document                                                                         | Organisation                                                          |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Provincial</b>                                                                |                                                                       |
| Free State Growth and Development Strategy                                       | Free State Province                                                   |
| Free State Tourism Master Plan 2010/11-2014/15                                   | Free State Department of Economics, Tourism and Environmental Affairs |
| Free State Province Advertorial in the Mail and Guardian – November 11 – 18 2011 | Free State Province                                                   |
| Free State Province Advertorial in the Mail and Guardian – November 18 – 25 2011 | Free State Province                                                   |
| Free State Tourism Authority 2011/2 – 2014/5 Strategy                            | Free State Tourism Authority                                          |

**Box 4: List of Document Assessed: Mangaung**

| Document                                                | Organisation                       |
|---------------------------------------------------------|------------------------------------|
| <b>Mangaung</b>                                         |                                    |
| City of Mangaung Integrated Development Plan 2011-2012  | Mangaung Metropolitan Municipality |
| Events 2011                                             | Mangaung Metropolitan Municipality |
| Final Tourism Master Plan (Draft)                       | Mangaung Metropolitan Municipality |
| Mangaung Economic Development Strategy (September 2003) | Mangaung Metropolitan Municipality |
| Places of Interest in Mangaung                          | Mangaung Metropolitan Municipality |

**Box 5: List of Document Assessed: Provincial**

| Document                                                             | Organisation                     |
|----------------------------------------------------------------------|----------------------------------|
| <b>Matjhabeng</b>                                                    |                                  |
| A Brief History of Matjhabeng                                        | Matjhabeng District Municipality |
| Background to the Showgrounds                                        | Matjhabeng District Municipality |
| Feasibility Study and Business Plan Farm 448 Venterburg “Virginia”   | Matjhabeng District Municipality |
| Integrated Development Plan 2011 - 2012                              | Matjhabeng District Municipality |
| Matjhabeng Local Municipality Vision 2030                            | Matjhabeng Local Municipality    |
| Matjhabeng Local Municipality: Integrated Development Plan 2011-2012 | Matjhabeng Local Municipality    |
| Matjhabeng Spatial Development Framework 2010-2011                   | Matjhabeng District Municipality |
| Matjhabeng Tour                                                      | Dumelang                         |
| Matjhabeng Tourism Development Project Proposal                      | M-TEC                            |

With regard to the stakeholder consultation that was undertaken, the following interviews were conducted:

**Box 6: List of Interview Conducted**

| Name               | Date of Interview | Position                                                           | Organisation                                                                              |
|--------------------|-------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Leboghang Kobue    | 07 November 2011  | Sector Strategy Officer                                            | Matjhabeng Local Municipality                                                             |
| Councillor Moeng   | 07 November 2011  | MMC: Local Economic Development and Tourism                        | Mangaung Metropolitan Municipality                                                        |
| Zinn Simpson       | 07 November 2011  | Head: Council Policies                                             | Mangaung Metropolitan Municipality                                                        |
| Angus Petersen     | 07 November 2011  | Manager: Tourism and Marketing                                     | Mangaung Metropolitan Municipality                                                        |
| Mike Tsotetsi      | 10 November 2011  | CEO                                                                | Culture, Arts, Tourism and Hospitality Sector Education and Training Authority (CATHSETA) |
| Bashni Muthaya     | 10 November 2011  | General Manager: Strategic Research                                | South African Tourism                                                                     |
| Councillor Moeng   | 14 November 2011  | MMC: Local Economic Development and Tourism                        | Mangaung Metropolitan Municipality                                                        |
| Zinn Simpson       | 14 November 2011  | Head: Council Policies                                             | Mangaung Metropolitan Municipality                                                        |
| Angus Petersen     | 14 November 2011  | Manager: Tourism and Marketing                                     | Mangaung Metropolitan Municipality                                                        |
| Florian de Winnaar | 14 November 2011  | Counsellor for Free State                                          | National Accommodation Association                                                        |
|                    |                   | Owner                                                              | Flo -Ben Guesthouse                                                                       |
| Francois Neetling  | 15 November 2011  | National Vice President                                            | Southern African Tourism Services Association (SATSA)                                     |
|                    |                   | Chairperson                                                        | Free State Tourism Business Forum                                                         |
|                    |                   | CEO                                                                | Discover Travel                                                                           |
| Chris Surtees      | 15 November 2011  | Vice Chairperson                                                   | Bloemfontein Accommodation Association                                                    |
| Reno Hattingh      | 15 November 2011  | CEO                                                                | RK Communications (Event Organiser)                                                       |
| Rodney Knipe       | 15 November 2011  | Provincial Manager                                                 | Tourism Enterprise Partnership                                                            |
| Cedric Makgeta     | 15 November 2011  | CEO                                                                | Mangaung Excellent Shuttle (Tour Operator)                                                |
| Leonore Buekes     | 16 November 2011  | Chief Director: Product and Enterprise Development                 | National Department of Tourism                                                            |
| Bernie Meyer       | 16 November 2011  | Director: Industry Development                                     | National Department of Tourism                                                            |
| Peter Sefuti       | 22 November 2011  | Acting Executive Director: Local Economic Development and Planning | Matjhabeng Local Municipality                                                             |
| Lebogang Kobue     | 22 November 2011  | Sector Strategy Officer                                            | Matjhabeng Local Municipality                                                             |

| Name                      | Date of Interview                | Position                                       | Organisation                                                  |
|---------------------------|----------------------------------|------------------------------------------------|---------------------------------------------------------------|
| Oupa Molete               | 22 November 2011                 | Owner                                          | M -TEC (Mining Tourism)                                       |
| Marie van der Zandt       | 22 November                      | Owner                                          | Dumelang (Tour Operator and Agri - Tourism)                   |
| Thabo Lichakane           | 22 November                      | Owner                                          | Dumelang (Tour Operator and Agri - Tourism)                   |
| Thabo Motsahi             | 23 November 2011<br>(telephonic) | CEO                                            | Free State Tourism (a structure of DETEA)                     |
| Ferdi Jordaan             | 05 December 2011                 | Manager Local Economic Development             | Harmony Mines (Matjhabeng)                                    |
| Oersond Gorgonzola        | 22 November 2011                 | Coach                                          | Griffons Rugby Team (North West Rugby Stadium)                |
| Freddy Vivier             | 22 November 2011                 | CEO                                            | Bundu Lodge (Eco-tourism)                                     |
| Matsepo Molete            | 22 November 2011                 | Owner                                          | Enaleni Guesthouse                                            |
| Rita du Plooy             | 22 November 2011                 | Manager                                        | Matjhabeng Publicity Association                              |
| Captain Petro Engelbrecht | 22 November 2011                 | Curator                                        | SAPS Heritage Services                                        |
| Best Mnyamane             | 05 December 2011                 | Trustee                                        | Northern Free State Lejweleputswa Community Partnership Trust |
| Molema Mochuli            | 05 December 2011                 | Marketing Manager                              | Phakisa                                                       |
| Peter Mabote              | 13 December 2011<br>(telephonic) | Business Development Consultant                | Free State Development Corporation                            |
| Benedix Claasen           | 13 December 2011<br>(telephonic) | Regional Facilitator: Co-operative Development | SEDA: Free State                                              |
| Monyane Sefantsi          | 13 December 2011<br>(telephonic) | Chief Executive Officer                        | Free State Tourism Authority                                  |
| Johann Dannhauser         | 21 January 2012<br>(telephonic)  | Editor                                         | Free State Business Bulletin                                  |
| Tello Tabese              | 23 January 2012<br>(telephonic)  | SMME Support Manager (Acting)                  | Mangaung Metropolitan Municipality                            |

The content of this report is therefore informed by the literature review and the above interviews that have been conducted.

## 3. The National Tourism Context

Provincial and local tourism initiatives are influenced by national tourism policy developments and marketing initiatives. Within this context, this section provides an overview of the national tourism policy framework. An assessment of the performance of the tourism sector at the national level is also provided. This performance is assessed in terms two criteria; firstly the numbers of tourist arrivals and secondly the contribution of the tourism sector to the economy.

Further, an assessment of the potential for increased national tourism growth is provided. This is key given that the tourism sector will only enhance its contribution to job creation, SME growth and economic growth through a sustained increase in tourist arrivals and tourist spend.

### 3.1 The National Tourism Policy Framework

At the national level, tourism policy formulation is primarily undertaken by the National Department of Tourism (NDT). However, it is important to note that government departments, such as the Department of Trade and Industry and the Department of Economic Development, who lead economic policy development at the national level, have developed inter-related economic development policies that emphasise the central role of tourism in the achievement of economic growth and job creation.

A brief description of each of the key policies that define the economic role of the tourism sector is provided below:

#### i. Tourism White Paper of 1996

The potential of tourism to contribute to economic growth and job creation was recognized and emphasised shortly after South Africa's first democratic elections. In 1996, the Tourism White Paper was developed by the former national Department of Environmental Affairs and Tourism. This document identified a clear economic growth role for tourism. The White Paper identifies the guiding principles for tourism as follows:

#### Box 7: Guiding Principles of the Tourism White Paper of 1996

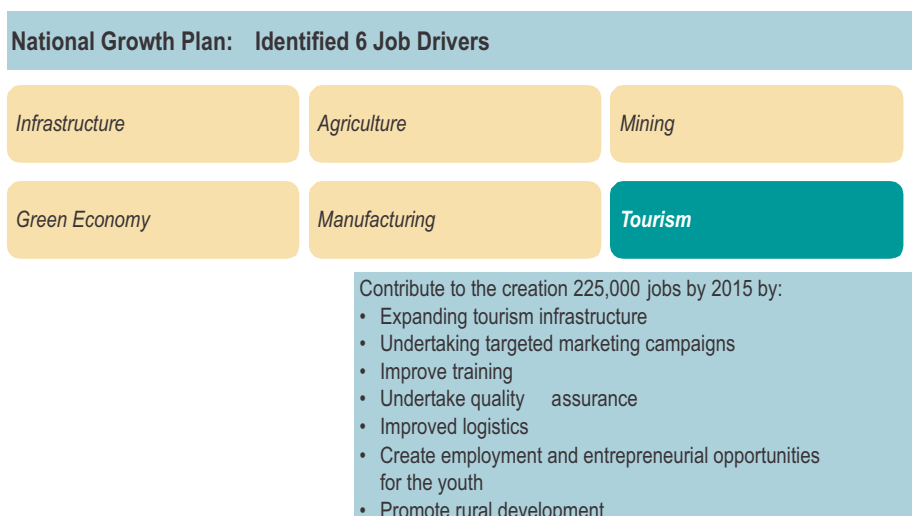
##### Guiding principles of the Tourism White Paper of 1996

- Tourism will be private sector driven
- Government will provide the enabling framework for the industry to flourish
- Effective community involvement will form the basis of tourism growth
- Tourism will be underpinned by sustainable environmental practices
- Tourism development is dependent on the establishment of cooperation and close partnerships among key stakeholders
- Tourism will be used as a development tool for the empowerment of previously neglected communities and should particularly focus on the empowerment of women in such communities
- Tourism development will support the economic, social and environmental goals and policies of the government

#### ii) New Growth Path

The New Growth Path (NGP) was released by the Department of Economic Development in December 2010. The NGP provides a more comprehensive integration of a range of government policies and programmes. The NGP identifies tourism as one of six priority economic sectors. This is illustrated below:

## Box 8: New Economic Growth Path: Identified 6 Job Drivers



### iii) National Tourism Growth Strategy

The National Tourism Growth Strategy (NTSS) was launched in February 2011. It builds on the Tourism White Paper of 1996 and sets out a plan of action to achieve the tourism objectives identified in the NGP. The NTSS aims to establish South Africa as a global Top 20 tourism destination by 2020. It has identified specific actions through which to achieve this, including the following:

## Box 9: National Tourism Sector Strategy Priority Actions



The NTSS sets specific deliverables and targets in respect of each of the above core activities.

## 3.2 National Tourism Performance

South Africa's tourism marketing and branding is driven by South African Tourism (SAT), which is funded by the National Department of Tourism. SAT has been pursuing a focused international and domestic tourism marketing strategy. The impact/return on investment of these marketing efforts is assessed below.

### 3.2.1 International Tourism Performance

With regard to international tourism marketing, SAT's initiatives are informed by the Marketing Tourism Growth Strategy for South Africa 2011-2013. This Strategy has identified four categories of markets.

These are:

#### Box 10: Market Segmentation Approach

|                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Less attractive but easier</i><br/><b>TACTICAL MARKETS</b></p> <ul style="list-style-type: none"> <li>Markets where are particular opportunities, i.e. “low hanging fruit”</li> <li>15% of SAT’s efforts deployed against these markets</li> </ul> | <p><i>Attractive and easier</i><br/><b>CORE MARKETS</b></p> <ul style="list-style-type: none"> <li>Markets that deliver the “bread and butter”</li> <li>60% of SAT’s efforts deployed against these markets</li> </ul>                                  |
| <p><i>Less attractive and difficult</i><br/><b>WATCHLIST MARKETS</b></p> <ul style="list-style-type: none"> <li>Markets that are on the radar</li> <li>5% of SAT’s efforts deployed against these markets</li> </ul>                                     | <p><i>Attractive but difficult</i><br/><b>INVESTMENT MARKETS</b></p> <ul style="list-style-type: none"> <li>Invest in these markets ahead of return, i.e. invest for the future</li> <li>20% of SAT’s efforts deployed against these markets</li> </ul> |

Source: SA Tourism

This categorisation assists SAT to focus its limited budget strategically. Rather than the old “spray and pray” approach that SAT followed, where it undertook general marketing and hoped that this would generate tourist increases, their new approach is focused on very specific markets. Tourism marketing investment is therefore allocated in terms of the above four categories of market. The amount of marketing spend is based on the level of priority of each of these four markets. Therefore, core markets receive 60% of SAT’s tourism spend, while watchlist market (i.e. markets that have potential but are difficult to penetrate) receive only 5% of SAT’s marketing spend. This approach is critical if SAT is to effectively leverage a budget that is much smaller than Australia’s (which is a key tourism competitor with a tourism marketing budget of approximately US 1 billion) to grow South Africa’s global tourism market share.

Based on the above categorisation, SAT has segmented its target markets as follows:

#### Box 11: Market Segmentation Priority Markets

|                     | Africa                                  | UK & Americas    | Asia & Australia   | Europe                                                 |
|---------------------|-----------------------------------------|------------------|--------------------|--------------------------------------------------------|
| Core Markets        | Angola<br>Botswana<br>Kenya<br>Nigeria  | USA              | Australia<br>India | France<br>Germany<br>Netherlands<br>UK                 |
| Investment Markets  | DRC<br>Mozambique                       | Brazil<br>Canada | China<br>Japan     | Belgium<br>Italy<br>Sweden                             |
| Tactical Markets    | Lesotho<br>Swaziland                    |                  | New Zealand        | Ireland                                                |
| Watch -List Markets | Malawi<br>Namibia<br>Zambia<br>Zimbabwe | Argentina        | Republic of Korea  | Austria<br>Denmark<br>Portugal<br>Spain<br>Switzerland |

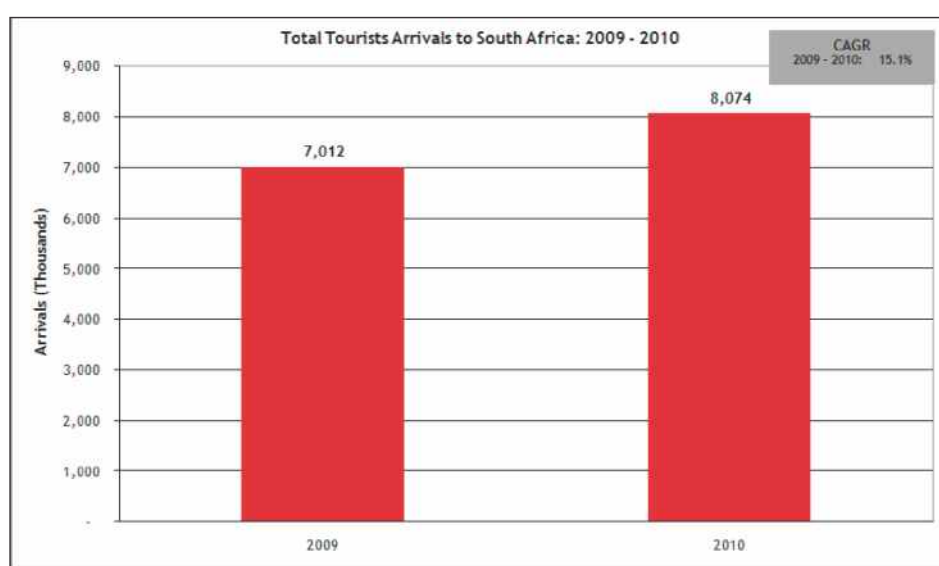
Source: SA Tourism

It is clear from the above market segmentation that, in addition to the traditional target markets of France Germany, Netherlands and the UK; there are a number of African markets that are core markets. India, as a key emerging market, has also been prioritised as a core market. This focus on Africa, India, China and Brazil in particular is significant as it points to SAT's strategy to balance its focus on traditional European markets with a focus on growing tourism market awareness of South Africa in emerging tourism markets. In addition, the USA has been included in the list of core tourism markets essentially as a result of South Africa gaining a market share in that country largely due to the 2010 FIFA World Cup. American tourist arrivals in South Africa grew by 22.6% in 2010 with a total of 282,377 arrivals compared with 230,324 arrivals in 2009.

Provincial and local tourism marketing efforts should take note of SAT's marketing strategy in their own marketing efforts. Alignment with SAT's marketing strategy, to the extent that this is possible, would assist these provincial and local tourism marketing efforts to benefit from the spend that SAT is making in these markets.

It should be noted that this marketing strategy has resulted in a positive return on investment. In 2010, there were 8,073,552 tourist arrivals to South Africa. This was an additional 1,061,687 arrivals from the 7,011,865 in 2009. The 15.1% growth was well above the global average growth of 6.7%.

#### Box 12: Total Tourist Arrivals to South Africa: 2009 - 2010

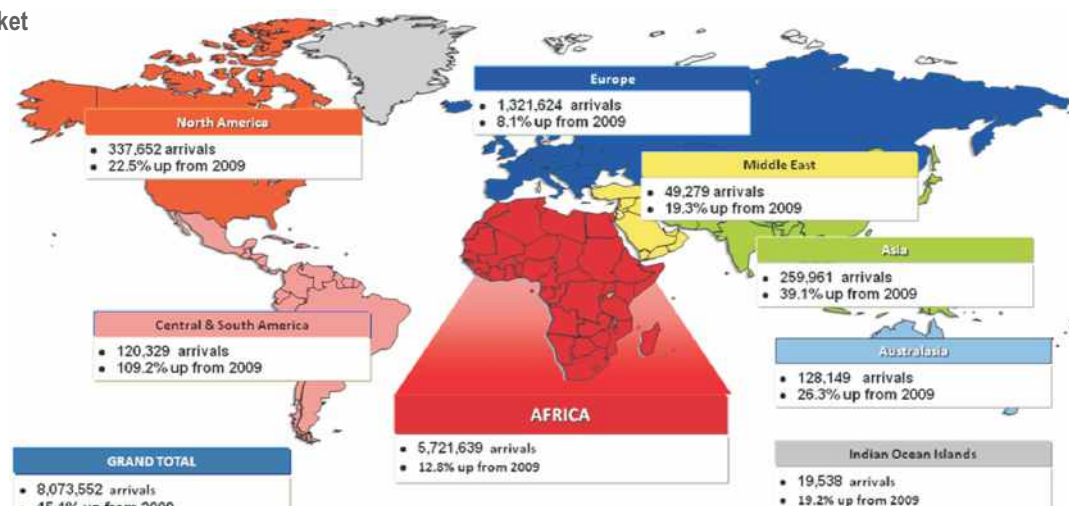


Source: SA Tourism

Based on research undertaken by SAT, tourism to South Africa was boosted by the 2010 FIFA World Cup which saw 309,554 tourists arriving specifically for the event. June, traditionally the month with the lowest arrivals, saw an increase of 42.7% or 215,880 additional tourist arrivals. The top source regions that contributed 305,554 tourists were Africa land 32%, Europe 24%, Central and South America 13%, North America 11%, Asia 8%, Africa air 6%, Australasia 4% and Middle East 1%.

The increase in tourist arrivals was driven by increases from all regions, as is illustrated below.

#### Box 13: Increase in Arrivals by Market



Source: SA Tourism

SAT states that the increase in Africa was driven largely by Zimbabwe which increased by 23.3% (286,083) over 2009. The Americas saw an increase of 37.4% over 2009 driven by both North and Central & South America. The FIFA World Cup was the main reason for the growth from the region which saw 38,785 tourists from Central & South America and 33,829 from North America who came specifically for the event.

Europe grew by 8.1% (98,604) over 2009 with growth coming from all major markets in the region. UK was the biggest contributor with a 1.5% growth. Tourist arrivals from Germany increased by 9.7% (19,157) to reach 215,800 arrivals in 2010 compared with 196,643 arrivals in 2009. Arrivals from France increased by 11% (11,416) to reach 115,401 arrivals in 2010 compared with 2009, while arrivals from the Netherlands increased by 8.4% (9,657) to reach 124,088 arrivals in 2010, compared with 2009 arrivals. Tourist arrivals from Italy increased by 8.7% (4,358) to reach 54,641 arrivals in 2010 compared with 2009.

Asia saw a 39.1% (73,030) increase from 2009, driven by increases from China (including Hong Kong) and India which grew by 62.3% (26,226) and 29.7% (16,384) respectively. Tourist arrivals from Australasia also increased by 26.3%, driven by increases from Australia and New Zealand of 30.4% (25,152) and 9.7% (1,759) respectively. As pointed out under Section 3.3 below, there is still room for substantial growth from SAT's core markets in particular. In 2010, there were approximately a total of 1,9 million tourist arrivals from SAT's 11 core markets. The total size of the target market in the 11 core markets 76,540,000.

With regard to the purpose of travel, SAT's research indicates that leisure, comprising of Visiting Friend and Relatives (VFR), holiday and shopping for personal use, remains the primary purpose of visit of tourists to South Africa, but this has declined from 59.6% in 2009 to 57.1% in 2010. The share of holiday tourist arrivals is down from 22.9% in 2009 to 22.1% in 2010 while VFR arrivals declined from 23.6% in 2009 to 22.7% in 2010. Tourists visiting for personal shopping increased from 13.2% in 2009 to 13.5% in 2010. The share of business travellers increased from 13.5% in 2009 to 14.2% in 2010. Most holiday tourists come from overseas markets (the Americas Asia & Australasia and Europe) while the shoppers and VFR tourists come from Africa and Middle East. Business travel was the main purpose of visit for tourists from Kenya and Nigeria, and featured as the second most important reason for tourist arrivals from the Americas.

Gauteng remained the most visited province with a 49.4% share of total arrivals. This is largely due to the fact that most tourists would arrive at OR Tambo International Airport and would generally spend a night in Johannesburg before embarking on the next leg of their trip. The Western Cape remained in second place. Cape Town has very effectively marketed itself as a global tourist brand, with the iconic and internationally recognizable Table Mountain also featuring strongly in this city's marketing and branding initiatives. Mpumalanga was in third place with a share of 18.6% and 14.1% respectively. Limpopo and North West both gained 0.3% market share. The Kruger National Park is a global tourist magnet that assists each of these provinces to benefit from tourist arrivals.

As indicated further in the reports (please refer to Section 5.2), international tourist arrivals to the Free State decreased in 2010 (8.2% in 2009 to 7.3% in 2010) with the provinces share of bednights also experiencing a decline (4.8% in 2009 to 4.3% in 2010).

It should be noted that this decline occurred even though the Free State, and specifically Mangaung, had hosted at least 4 matches during the 2010 FIFA World Cup. Therefore, very few tourists who came to watch matches spent a night in the Free State. They would, in most likelihood, have stayed in Gauteng and flown or driven in for a match, and would then have departed immediately after the match. It is therefore unlikely, and there is no statistical evidence to support this assumption, that tourism SMEs in the Free State, particularly accommodation establishments, did not greatly benefit from the event. It is however probable that restaurants and transport operators did experience an increase in business. The latter is supported by anecdotal evidence obtained through stakeholder interviews particularly in Mangaung.

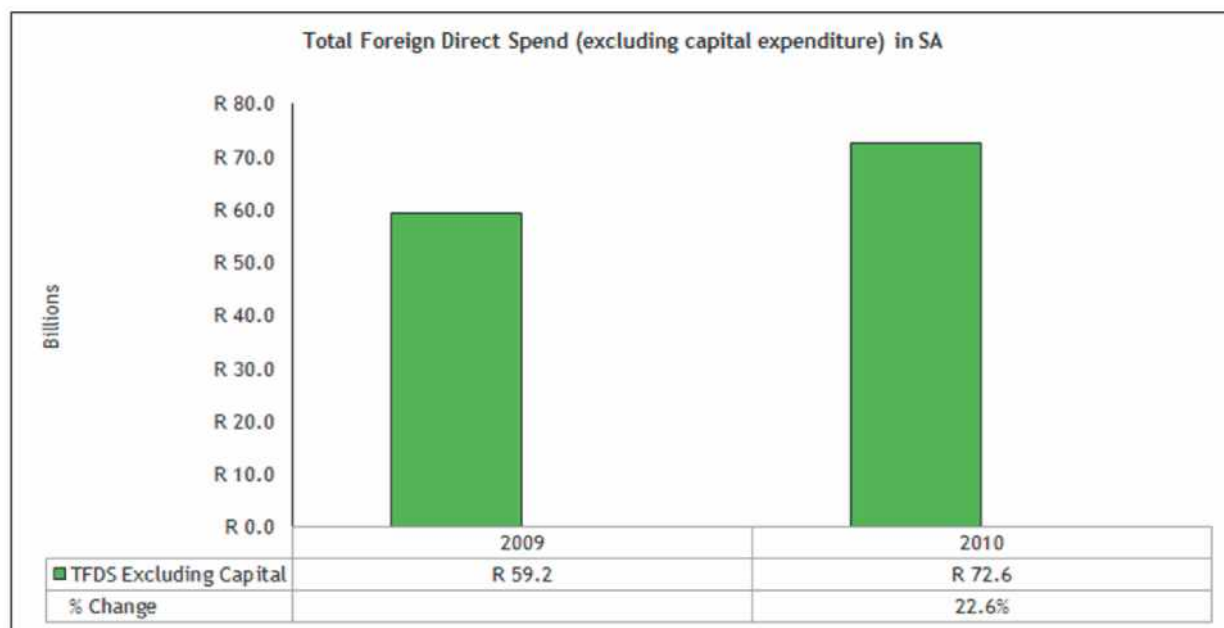
It is also useful to note that the 2010 FIFA World Cup also assisted in addressing the season decline in tourist arrivals to South Africa, given that the event was held in winter (June - July 2010). Addressing seasonality is an important objective of SAT's Marketing Strategy 2011 2013. This Strategy points out that, like many other destinations, South Africa faces the challenge of seasonality in domestic and foreign arrivals. Domestic travel patterns follow the patterns around school, religious and traditional holidays, with strong peaks at year-end and Easter.

The seasonality of foreign arrivals varies by region (driven by market-specific and traditional holiday patterns). Overseas arrivals, dominated by significant numbers of VFR arrivals and the tradition of the "big trip" being in the European winter, result in a strong peak starting in October and ending in February. June is traditionally South Africa's lowest month and for some key overseas markets represents almost half of the arrivals for the year-end peak. These seasonal patterns present a significant challenge for product owners and transport operators as business profitability and job sustainability is a function of activity throughout the year. Both costs and investment must therefore be made in line with expected total annual revenues.

SAT's research data shows that Europe improved in seasonality in 2010, making it the best performer by improving from 6.34% to 5.67%. Netherlands was the best performing market in the region from 17.51% in 2009 to 10.89% in 2010 while Italy recorded the second best in this region and third best in all markets. Seasonality of tourist arrivals from Africa improved from 2.73% in 2009 to 2.17% in 2010, making the region the second best performer in 2010. India was the best performing market improving from 29.69% to 6.69%.

SAT data indicates that, based on the increase in the volumes of international tourist arrivals during 2010, total foreign direct spend (excluding capital expenditure) increased to R72,6 billion in 2010 from R59,2 billion in 2009. This is a 22.6% (R13, 4 billion) increase compared to 2009. Revenue generated by land markets increased by 34.1% (R12 billion) to reach R47, 1 billion and from air markets by 5.8% (R1, 4 billion) to reach R25, 5 billion. The average TFDS (excluding capital expenditure) of all tourists increased by 4.5% (R400) in 2010 to reach R9, 300. Average TFDS (excluding capital expenditure) from air markets decreased by R1, 200 while from land markets it increased by R1, 000.

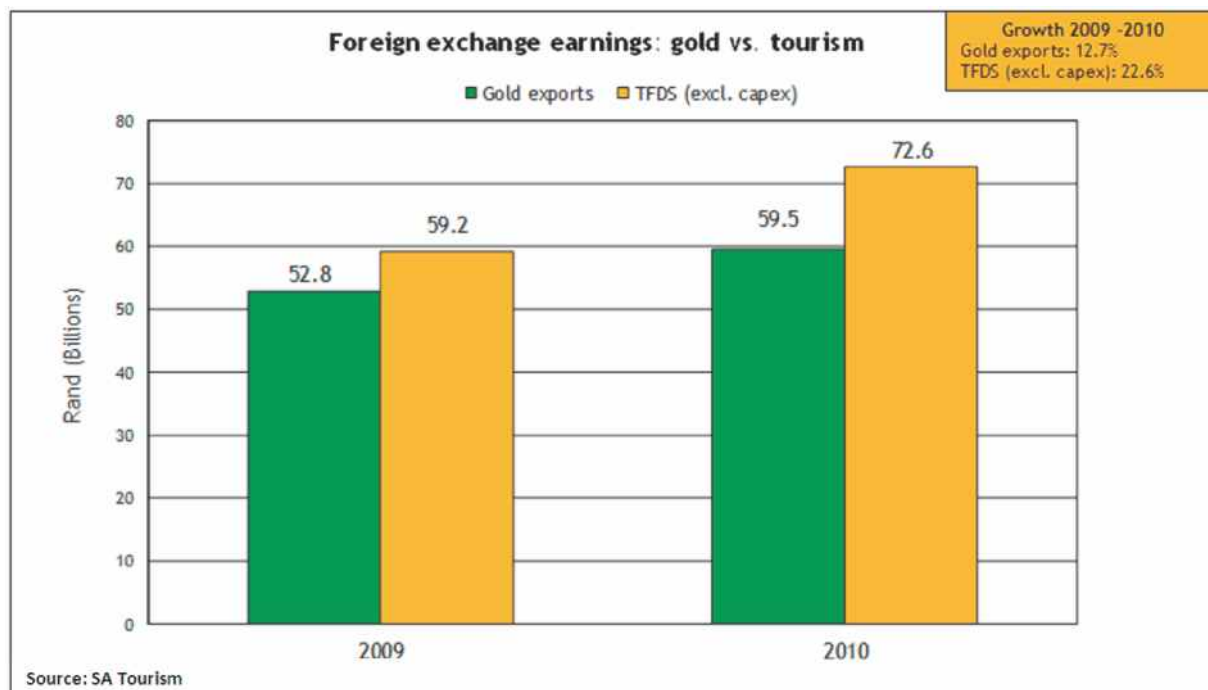
#### Box 14: Total Foreign Direct Spend (excluding CAPEX) in SA



Source: SA Tourism

It is important to note that tourism generated higher foreign exchange earnings than gold exports in this period. Gold exports grew by 12.7% over 2009 while tourism exports grew by 22.6% in the same period.

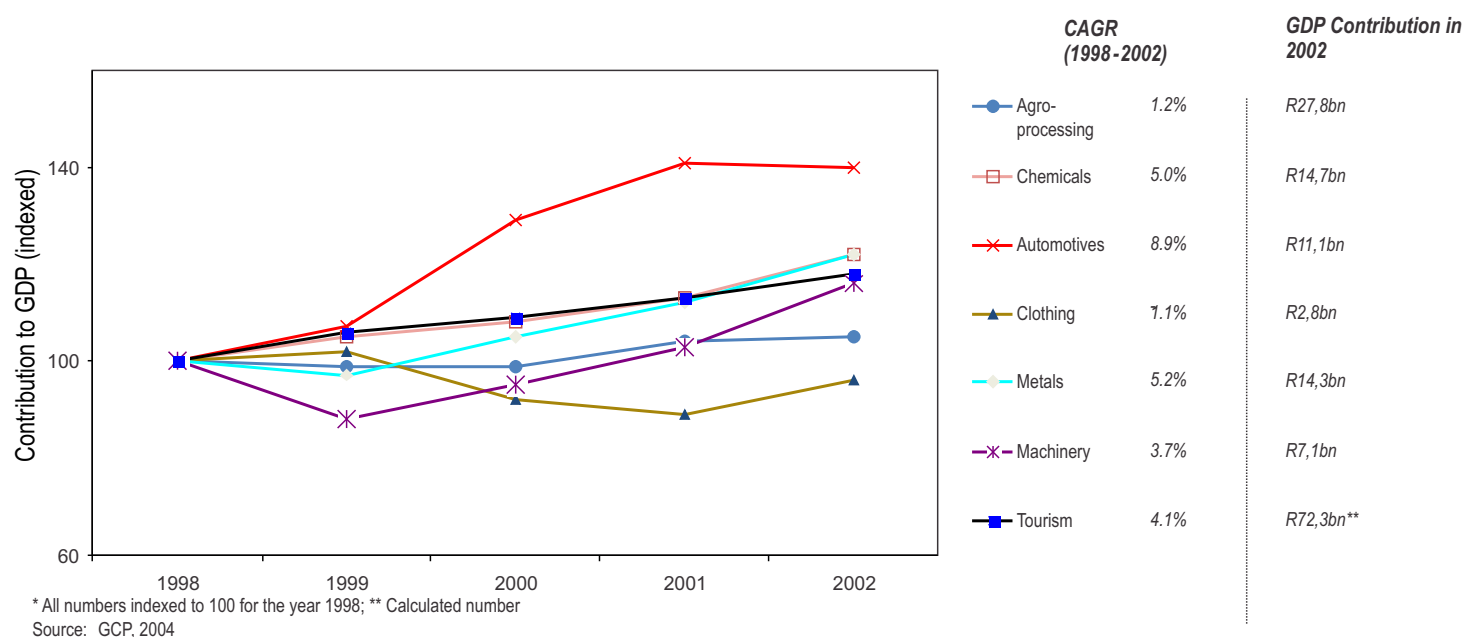
#### Box 15: Foreign Exchange Earnings: gold vs. tourism



Source: SA Tourism

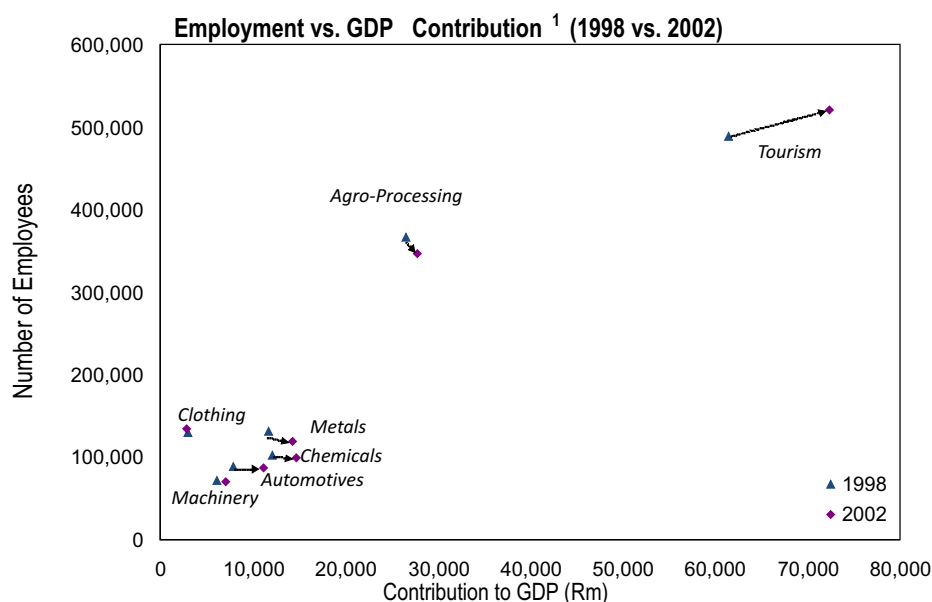
The Global Competitiveness Project jointly undertaken by South African Tourism, the former Department of Environmental Affairs and Tourism and the Department of Trade and Industry in 2002 and updated in 2010, ranks tourism in the top four contributors to GDP.

### Box 16: GDP Contribution per Sector (Indexed), 1998 - 2002



Automotives sector, together with Metal, Chemical and Tourism sectors featured as the largest contributors to GDP over the period 1998 - 2002. It is however clear that tourism is the largest absolute contributor, having contributed a total of R 72,3 billion to GDP over this period, compared to the R27,8 billion contribution made by the Agro-Processing sector, which was the second largest GDP contributor.

### Box 17: GDP Contribution per Sector (Indexed), 1998 - 2002



Note: 1 For tourism this figure includes direct spend by foreign tourists plus the domestic spend on tourism minus the spend by South Africans on overseas trips (exports + consumption – imports)  
Source: GCP, 2004

Tourism has made a substantial contribution both as an employer and as a contributor to GDP over the period 1998 to 2002. The tourism employment figures refer specifically to direct tourism employment, i.e. employment in the tourism sector, including accommodation establishments, restaurants, tourism attractions,

etc. The general trend in other sectors has been that employment has been decreasing while the contribution to GDP has been growing. Both tourism employment and GDP contribution have increased over 1998 - 2002.

### 3.2.2 Domestic Tourism Performance

The domestic tourism market is very important. In addition to the importance of South African's travelling in their own country, a growing domestic tourism market provides a buffer against global volatilities that may impact on international tourist arrivals. In order to promote the growth of domestic tourism, SA Tourism has developed a Domestic Tourism Marketing Strategy. SA Tourism domestic tourism marketing is therefore guided by a segmentation of the domestic market.

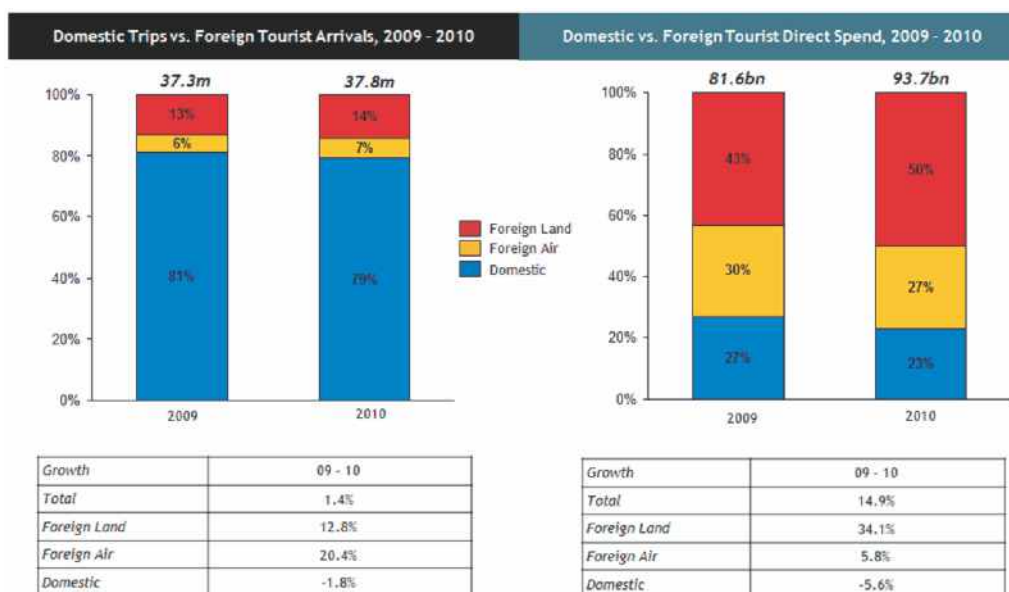
#### Box 18: Domestic Tourism Segmentation

| Segment                                | Average Age | Category    | # of People | Average spend per Holiday | Average Length of Stay |
|----------------------------------------|-------------|-------------|-------------|---------------------------|------------------------|
| Young and Upcoming                     | 18 - 35     | Emerging    | 5,100,000   | R1,367                    | 6 nights               |
| Independent Young Couples and Families | <50         | Established | 700,000     | R4,585                    | 10 nights              |
| Striving Families                      | 31 - 50     | Emerging    | 400,000     | R2,258                    | 5.5 nights             |
| Well Off Homely Couples                | >30         | Emerging    | 800,000     | R2,258                    | 7.5 nights             |
| Home Based Low Income Couples          | 31 - 50     | Untapped    | 400,000     | R1,392                    | 5 nights               |
| Basic Needs Older Families             | >30         | Untapped    | 5,500,000   | R1,449                    | 5 nights               |
| Golden Active Couples                  | >50         | Established | 200,000     | R3,985                    | 13 nights              |

Source: SA Tourism

The implementation of this strategy, largely through the S'hot Left Campaign, has had positive results. In this regard, domestic tourism contributed significantly to the tourism sector accounting for 79% of total tourism volume in South Africa in 2010. The growing importance of the domestic tourism market is illustrated in the chart below.

#### Box 19: Domestic vs. International Arrivals and Spend



Source: SAT Domestic Surveys for 2009 - 2010

The tourism sector's performance in 2011 will however undoubtedly be affected by the negative global economic conditions that prevail. SAT has therefore focused strongly on marketing to other African countries as well as on growing domestic tourism. A growth in domestic tourism will be important in offsetting the impact of declining overseas tourist arrivals.

### 3.3 Scope for Growth

The World Travel and Tourism Council (WTTC) estimates that South Africa will attract 11,877,000 international tourist (overnight visitor) arrivals in 2011, and make a direct contribution to GDP of R 143, 5 billion. By 2021, international tourist arrivals are forecast to total 15,113,000, an increase of 2.4% per annum, and will make a direct contribution of R 328, 2 billion to South Africa's GDP.

#### Box 20: WTTC Projections South Africa

| Criteria                        | 2011           | 2021           |
|---------------------------------|----------------|----------------|
| GDP: Direct Contribution        | R143,5 billion | R328,2 billion |
| GDP: Total Contribution         | R234,2 billion | R522,4 billion |
| Employment: Direct Contribution | 594,000        | 791,000        |
| Employment: Total Contribution  | 1,334,000      | 1,709,000      |

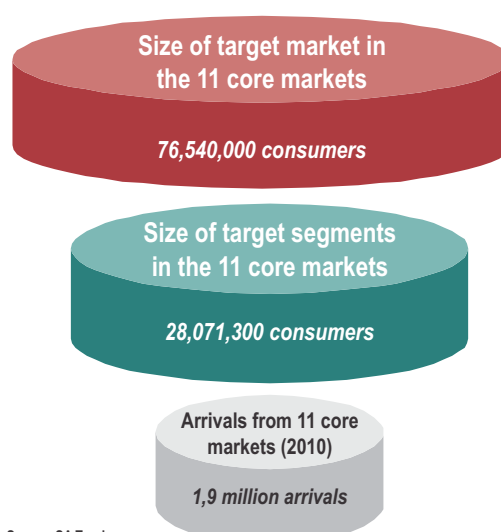
Source: WTTC

The above projections however appear to be optimistic given the deteriorating economic conditions globally. This is a factor that has subsequently been taken into account by the WTTC.

Following the deterioration in global financial conditions in the second half of 2011, the continuing euro zone debt crisis, and the threat of a return to recession in the United States, the growth forecasts for 2011 and 2012 have been downgraded to 3.2% and 3.3% respectively. This is in line with the projections of the UN World Tourism Organisation (UNWTO) which projects global tourism to grow at between 3-4%.

These projections however clearly reflect the scope for further growth of South Africa's tourism sector. This is more starkly illustrated below.

#### Box 21: Scope for Tourism Growth in South Africa



Source: SA Tourism

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The above illustration shows that the total number of consumers in the SAT's eleven core markets (or target countries set-out in Box 11) is 76, 540,000. This refers to the approximate number of adults in the core markets, who could potentially travel to South Africa. SAT has further segmented this population in the eleven core markets into four specific target segments.

These include:

- Wanderlusters people who are regular travellers
- Next Stop South Africa Explorers people who seek adventure and who have the financial means to do this
- Pampered Next Stop South Africa's these would be tourists who seek relaxation and luxury, with some adventure
- Family travellers these would comprise family who are not looking for much adventure, but seek a family travel experience. This segment would also include another group of families that would be much more adventurous and adventure-seeking.

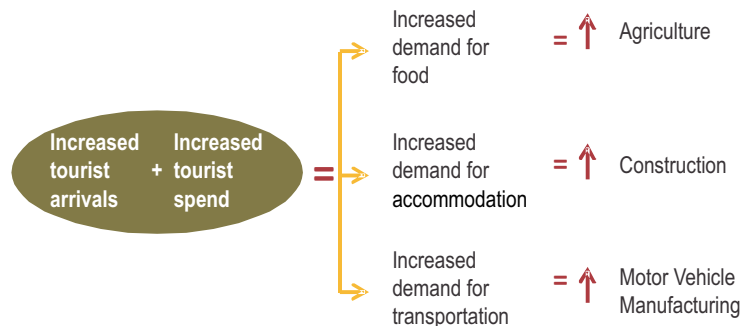
The estimated total number of potential travellers across the above four market segments and across the eleven target markets is 28,071,300. Of this number South Africa only received approximately 1,9 million tourists in 2010. In order to grow South Africa's tourism market share, a key challenge is to continue to develop innovative and attractive tourism products, and to market these in a targeted way to consumers.

## 4. An Overview of the Tourism Sector

Government has emphasised the role of the tourism sector as a driver of economic growth and job creation. One of the reasons for this is the vast scale of the sector and its inter-linkages with other economic sectors, including agriculture, construction, motor vehicle manufacturing and financial services.

As illustrated below, each of these sectors are positively impacted by increasing tourist arrivals and spend.

### Box 22: Conceptual Illustration of the Economic Impact of Tourism



In order to provide a better understanding of the tourism sector, this section unpacks its structure and provides a description of the tourism channel.

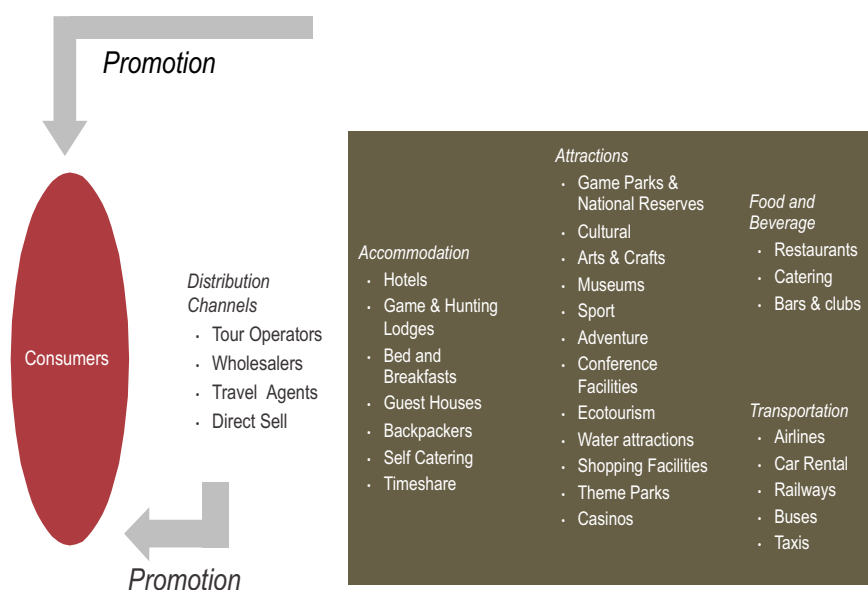
### 4.1 Structure of the Tourism Sector

The tourism sector comprises a range of stakeholders, products and services. These include:

- Tourists who purchase tourism products and services. These products and services could include hotels, B&B's, guesthouses, museums, transport, etc.
- Enterprises that are responsible for the packaging and sale of these products and services, including tour operators and wholesalers. Wholesalers, for example Cullinan Holdings in South Africa, usually provide a link between tour operators, travel agents and suppliers. The wholesaler's most important market is the travel agent. Wholesalers develop their own packages and itineraries to make travel planning easier for travel agents and tourists.
- The range of tourism products and services being offered, including accommodation, restaurants, museums, etc.

The structure of the tourism sector is illustrated below.

### Box 23: Structure of the Tourism Sector



It is clearly a vast sector, incorporating a large number of roleplayers and stakeholders. In addition, the tourism sector has inter-linkages with a number of other sectors and services, including:

## Box 24: Sectors Impacted by Tourism Growth

|                                                                                                                                                                    |                                                                                                                                                        |                                                                                                                                                          |                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>Hard Infrastructure</b> <ul style="list-style-type: none"> <li>• Roads</li> <li>• Airports</li> <li>• Telecom</li> <li>• Rail</li> <li>• IT Services</li> </ul> | <b>Supporting Industries</b> <ul style="list-style-type: none"> <li>– Banking</li> <li>– Laundry</li> <li>– Outfitting</li> <li>– Insurance</li> </ul> | <b>Supporting Industries</b> <ul style="list-style-type: none"> <li>– Legal</li> <li>– Medical</li> <li>– Real estate</li> <li>– Construction</li> </ul> | <b>Supporting Industries</b> <ul style="list-style-type: none"> <li>– Supplies</li> <li>– Security services</li> </ul> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|

Source: Global Competitiveness Study

Given the vastness of the sector, it is useful to identify the key organisations that play a role in shaping tourism in South Africa. These public and private sector organisational roleplayers are listed below.

### 4.1.1 Public Sector Organisational Roleplayers

The key tourism public sector roleplayers comprise the following organisations:

## Box 25: Public Sector Organisational Roleplayers

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p>The National Department of Tourism (NDT) is the national government department that is responsible for national tourism policy development. The NDT's core role is to facilitate tourism growth</p>                                                                                                                                                                                                       |
|  | <p>South African Tourism's (SAT) role is to market South Africa internationally. It is a parastatal that is predominantly funded by the NDT. The private sector also provides a smaller funding allocation</p>                                                                                                                                                                                               |
|  | <p>The Tourism Grading Council of South Africa (TGCSA) is a structure of SAT. It is responsible for the quality assurance of tourism products in South Africa, with a current focus on tourist accommodation</p>                                                                                                                                                                                             |
|  | <p>The Culture Arts, Tourism Hospitality and Sports Sector Education and Training Authority (CATHSSETA) is funded through the Department of Labour, through levy's paid by tourism sector employees. It is responsible for facilitating education and training within the tourism sector.</p>                                                                                                                |
|  | <p>DETEA is responsible for tourism development in the province. It's responsibilities include tourism product development, SMME development, infrastructure development and facilitating general tourism growth</p>                                                                                                                                                                                         |
|  | <p>The Free State Tourism Authority (FSTA) is fundamentally responsible for the marketing of the provinces tourism offerings regionally, nationally and internationally. The FSTA has a website – <a href="http://www.freestatetourism.org">www.freestatetourism.org</a> which provides a important tourism marketing vehicle for the province</p>                                                           |
|  | <p>Local government tourism structures have the closest relationship with the tourism sector. This is because tourism businesses are based within local authorities. These businesses depend on local authorities to support tourism growth and development locally, including through the supply of tourism signage, maintenance of tourism attractions, involving communities in tourism projects, etc</p> |

In the Free State Province, DETEA is the government department responsible for economic development, tourism and environmental affairs. DETEA is therefore the lead provincial government department in respect of tourism, and has developed the Free State Tourism Master Plan 2010/11 2014-15 which is intended to guide tourism development initiatives in the province. This Master Plan is unpacked under Section 5.0 of this report. DETEA funds the Free State Tourism Authority. The Free State Tourism Authority markets the Free State's tourism offerings nationally, regionally and internationally. It is a structure of DETEA. The Free State Tourism Authority has developed Strategy 2011/2 2014/5 which will form the basis of a marketing plan that will soon be developed.

The Free State Tourism Authority also houses the Phakisa Major Sports Events and Development Corporation. This Corporation aims to attract a larger number of sports events, including motorsports to the Free State.

The Mangaung Metropolitan Municipality and the Matjhabeng Local Municipality are each responsible for tourism growth and development within their respective areas of jurisdiction. These responsibilities include the following:

- Processing of rezoning applications for tourism establishments such as restaurants and accommodation establishments.
- Addressing the tourism signage needs within the municipality.
- Maintenance of tourism infrastructure and attractions.
- Provision of tourism information services.
- Undertaking tourism marketing.
- Facilitating the growth and development of local tourism SMEs.

#### 4.1.2 Private Sector Roleplayers

The major public sector tourism organisations are as follows:

#### Box 26: Private Sector Organisational Roleplayers



The Tourism Business Council of South Africa (TBCSA) engages with government primarily as a voice of tourism businesses in South Africa. It is a membership based organisation



The Southern Africa Tourism Services Association (SATSA) is a membership based organisation predominantly comprising tour operators. It is represented in a many of South Africa's urban areas, including Mangaung



The Association of South African travel Agents (ASATA) represents travel agents in South Africa



The South African Vehicle Rental and Leasing Association (SAVRALA) represents the vehicle rental, leasing and fleet management businesses in the country



The Airline Association of Southern Africa (AASA) represents local and regional airlines



The National Accommodation Association of South Africa (NAA-SA) is a national membership based organisation that has a national network. It provides a quality assurance system for members



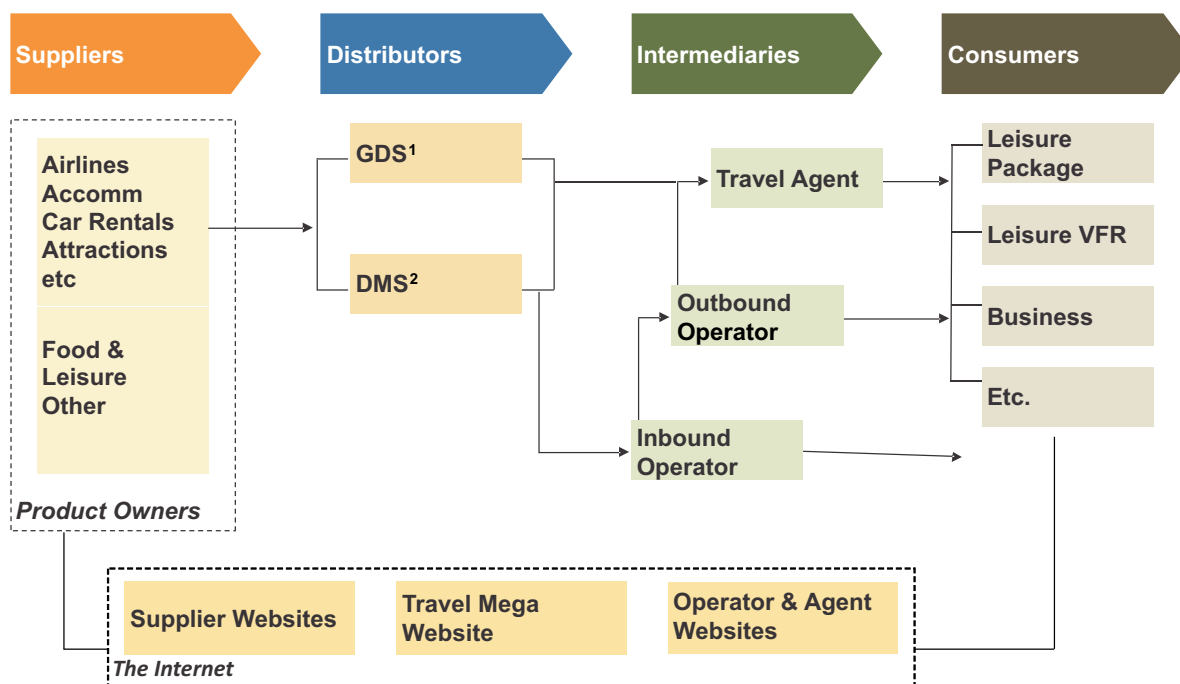
Federated Hospitality Association of South Africa (FEDHASA) represents the hospitality industry in South Africa. It is membership based and is comprised predominantly of accommodation establishments

There are a number of smaller membership based tourism associations that are active within South Africa, particularly representing tourist accommodation establishments. These include the Guesthouse Association of South Africa (GHASA) and the Bed and Breakfast Association of South Africa (BABASA). There are also tourism associations that represent tourism enterprises within specific geographical areas, for example the Bloemfontein Accommodation Association (BAA) operates within Mangaung. The BAA comprises a membership of approximately 65 establishments.

#### 4.2 The General Tourism Value Chain

The tourism channel refers to the route through which a tourism product, service or experience is sold to a tourist. The channel is made up of various economic actors that work together to bring tourists from wherever they are in the world to a destination. These economic actors are highlighted in the illustration below.

## Box 27: The General Tourism Value Chain



### Note:

<sup>1</sup> Global Distribution Systems - a worldwide computerized reservation network used as a single point of access for reserving airline seats, hotel rooms, rental cars, and other travel related items by travel agents, online reservation sites, and large corporations. The premier global distribution systems are Amadeus, Galileo, Sabre, and Worldspan.

<sup>2</sup> Destination Management System - Destination Management Systems are systems that consolidate and distribute a comprehensive range of tourism products

The economic actors in the tourism channel therefore include the following:

- i. Travel agents who put together a tour package using a range of tours offered by a tour operator.
- ii. Outbound tour operators based in the tourist's country of origin.
- iii. Inbound tour operators based in the tourist's country of destination, and who work with outbound tour operators to develop and sell tour packages.
- iv. Consumer travel shows
- v. Tourism exhibitions, including Indaba, ITB and WTM
- vi. Tourist information centres
- vii. Direct mail campaigns, including e-mail
- viii. Internet

An increasing number of tourism businesses are making use of the internet and travel shows to market their products and services directly to consumers. Ultimately, the success of a tourism business depends largely on the extent to which it is able to engage effectively in the channel, and in this regard, word of mouth has also proven to be a very powerful form of marketing. This is illustrated below.

## Box 28: Sources Used to Find Out About New And Interesting Destinations

Sources Used To Find Out About New And Interesting Destinations

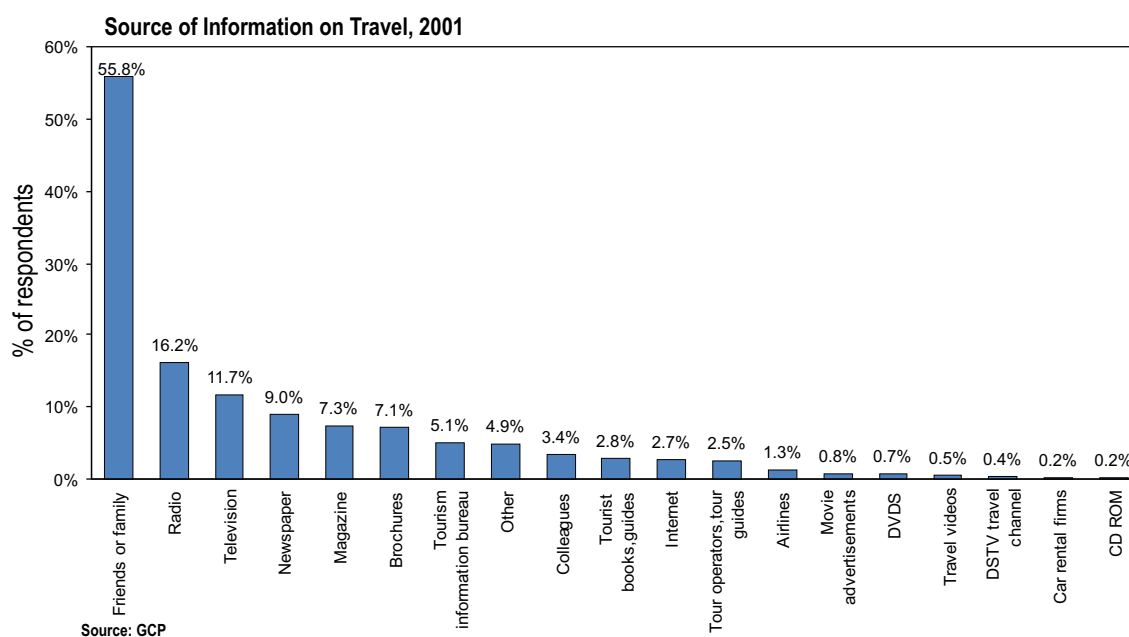
| Marketing Channels            | Asia                                                                               | US                                                                                  | Europe                                                                              |
|-------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Word of mouth                 |  |  |  |
| Internet                      |  |  |  |
| Travel agents                 |  |  |  |
| Guide books                   |  |  |  |
| Travel magazines              |  |  |  |
| Brochures from travel agents  |  |  |  |
| Internet travel agents        |  |  |  |
| Travel sections of newspapers |  |  |  |

Source: GCP

 highest importance  lowest importance

Amongst international tourists, particularly those from Asia, word of mouth marketing is extremely important. Therefore, in order to maximize the vast potential of word of mouth marketing, it is very important that customer service is prioritised. This is unfortunately where a number of tourism businesses do themselves and the tourism industry a disservice. Customer service is often not prioritised leading to unhappy and dissatisfied tourists, who will not recommend South Africa as a travel destination to their family and friends. This is also mirrored in domestic tourism trends.

## Box 29: Source of Information on Travel: 2001

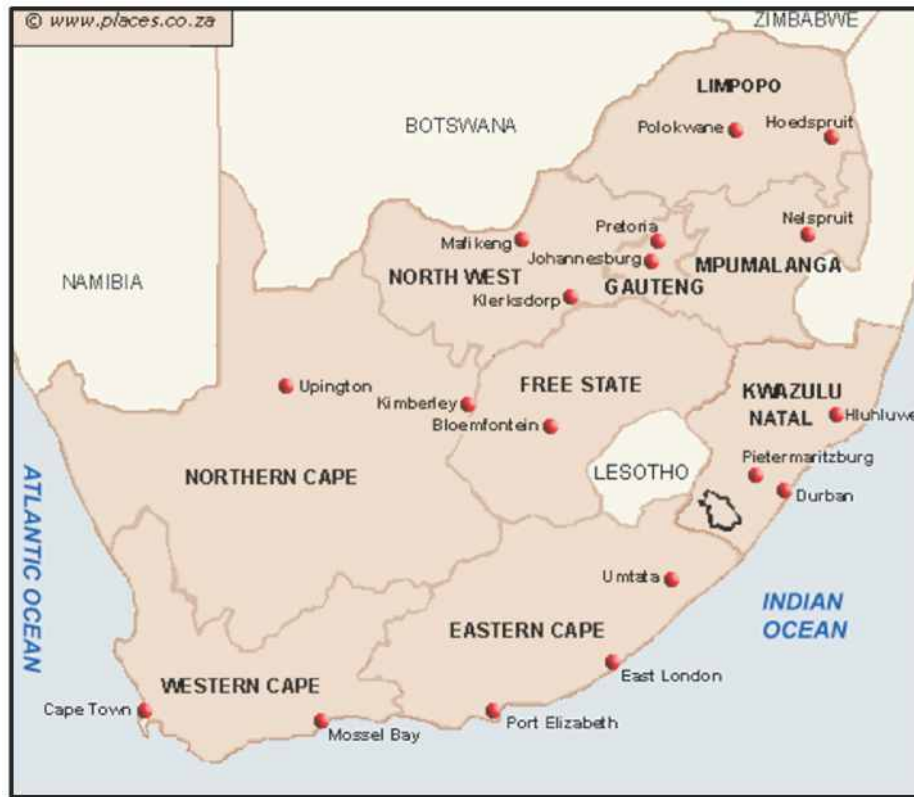


The domestic travel decisions of the majority of South African's are informed by the advice of family and friends. Here again, it will be essential to create brand ambassadors through providing the highest quality of service to guests.

## 5. A Tourism Overview of the Free State Province

The Free State Province is located at the geographical centre of South Africa.

**Box 30: Map of South Africa**



The provinces of Gauteng, Mpumalanga, North West, Northern Cape, KwaZulu Natal and the Eastern Cape each share a border with the Free State. This is a very strategic position from a tourism perspective, given the ease of access that parts of each of these provinces have to the Free State.

This strategic advantage has been recognized by the Free State Province in policy initiatives that have direct implications for tourism. In this regard, two particular policy interventions are described in the section below.

### 5.1 The Free State Province's Tourism Policy Framework

This section describes two policy interventions that have direct implications for the Free State's tourism sector.

These are as follows:

#### i. The Free State Growth and Development Strategy 2005 - 2014

The Free State Free State Growth and Development Strategy 2005 - 2014 (GDS 2005 - 2014) provides a development policy framework for the Free State Province.

The GDS 2005 - 2014 is underpinned by the central goals of:

- Stimulating economic development in the province
- Facilitating job creation
- Guiding development at the local level

In respect of tourism, the GDS 2005 - 2014 emphasises the following:

### Growth and Development Strategy 2005 - 2014

- Identifies tourism as a key development potential sector
- Tourism's economic role includes job creation and SMME development

It identifies the Free State's competitive advantages as including:

### Tourism Competitive Advantages

- Natural scenery
- Historical and cultural heritage
- Good road networks that integrate the province with the rest of the country

The GDS 2005 - 2014 also identifies tourism development priorities for the Free State Province. These are:

### GDS 2005 – 2014 Tourism Development Priorities

- Develop eco -tourism products and routes in rural areas
- Market Bloemfontein's heritage and cultural attractions
- Develop a business tourism focus in Mangaung
- Enhance the marketing of Macufe and the Vryfees (previously the Volksblad Kunstefees)
- Market to domestic tourists, especially Gauteng

## ii. The Free State Tourism Master Plan 2010/11 - 2014/15

The Free State Free State Tourism Master Plan 2010/11 - 2014/15 (FSTMP) supports and builds on the GDS 2005 - 2014. It identifies the major risks to tourism development in the Free State and sets out the provinces tourism development priorities.

The tourism constraints that the FSTMP identifies include:

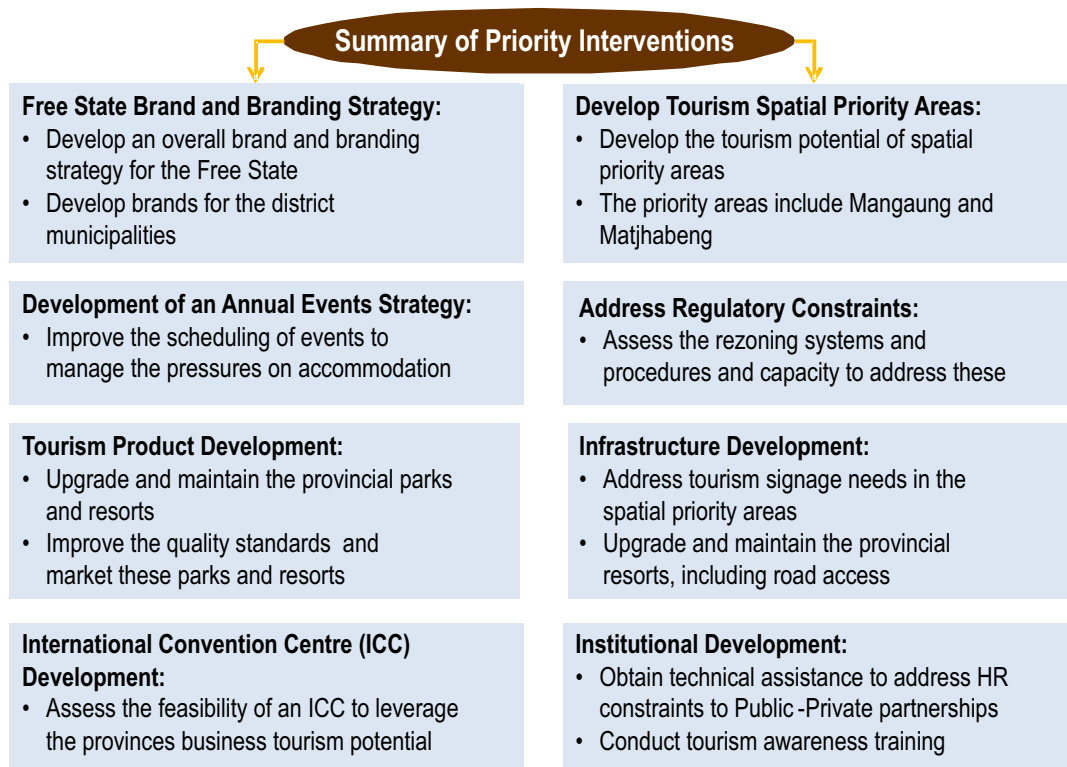
### Box 31: Constraints Identified in the Free State Tourism Plan



In order to constructively address these risks, the FSTMP identifies a range of priority interventions.

These include the following:

**Box 32: Summary of Priority Interventions Free State Tourism Master Plan aster Plan**



### iii. The Free State Tourism Authority

The Free State Tourism Authority (FSTA) is a structure of DETEA. It complements the activities of DETEA's tourism department, and is funded by DETEA. The FSTA's Strategic Plan 2011/2 - 2014/5 identifies the FSTA's mandate to include the following:

- To co-ordinate the development of tourism products across the province.
- To promote and market the Free State's tourism offerings locally regionally nationally and internationally. In this regard, the FSTA has a website ([www.freestatetourism.org](http://www.freestatetourism.org)) which provides an important tourism marketing tool for the province.
- To oversee the management and administration of presorts and nature resorts owned by the Free State Provincial Administration.
- To attract, promote and host major national and international cultural and sporting events in the province.

In order to achieve its mandate, the FSTA has identified a set of strategic objectives, as set-out in its Strategic Plan 2011/2 - 2014/5 that it intends to pursue.

These strategic objectives include the following:

- The upgrading and maintenance of the Phakisa racetrack to world-class standards.
- The development and maintenance of resorts and nature reserves owned by the provincial government.
- The establishment of tourism marketing partnerships between the FSTA and the Free State's district municipalities.
- The establishment of partnerships between the FSTA, district municipalities and the private sector to develop tourism infrastructure in the Free State.
- The growth of the number of major conferences hosted in the province to at least two a year.
- The growth of major motorsport events held at Phakisa and the growth in the number of sporting events hosted by the province.
- The gathering of information on the performance of the provincial tourism sector and to regularly share this information with stakeholders.
- The improvement in stakeholder co-ordination in the province.

The FSTA's Strategic Plan 2011/2 - 2014/5 was approved on October 2011. The FSTA will soon embark on the development of a marketing plan for the province, which will build on the strategic objectives of the Strategic Plan.

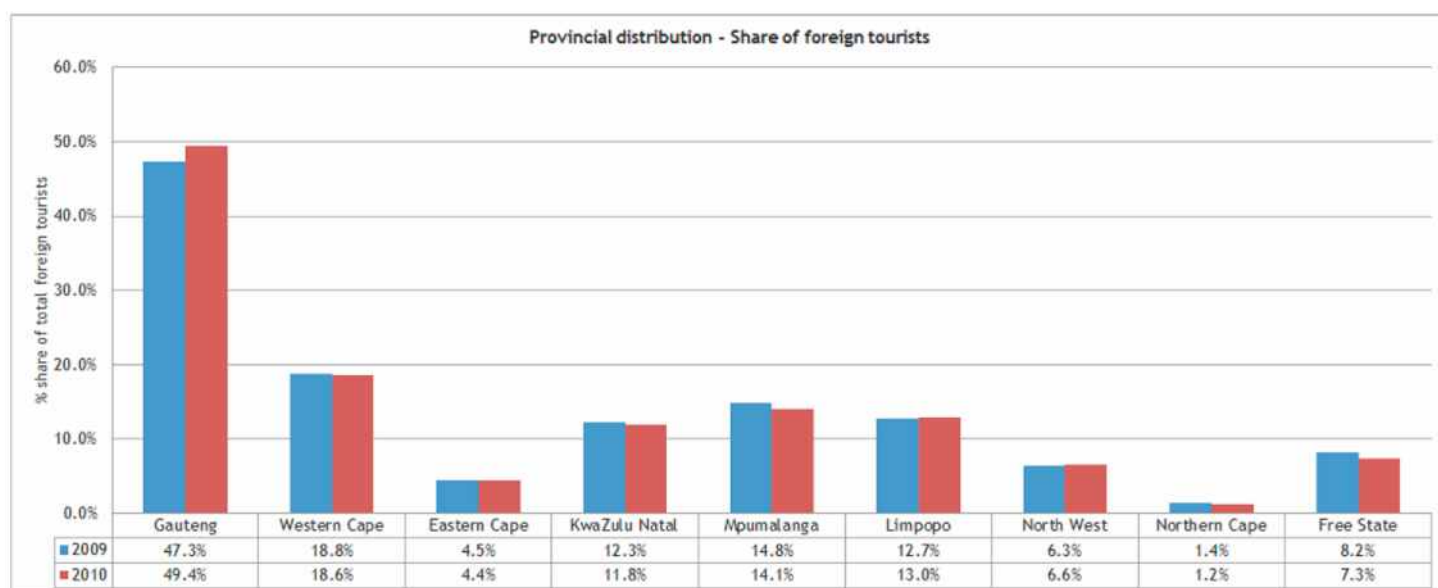
## 5.2 The Free State Province's Tourism Performance

The Free State Province is currently not achieving the tourism growth that it should be achieving given its attractive tourism resource base and offerings. This applies to both international and domestic tourism.

### i. The Free State Provinces International Tourism Performance

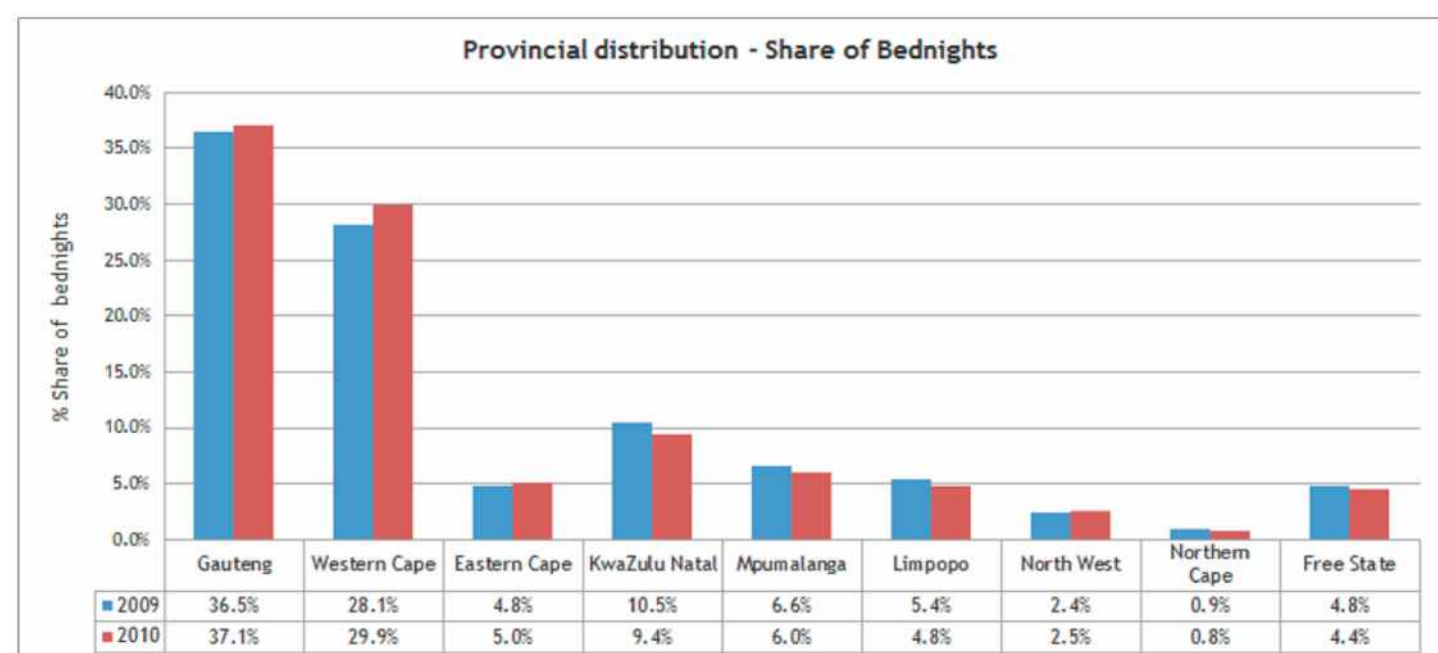
The Free State's captured 7.3% of foreign tourists in 2010. This was a drop from the 8.2% market share of 2009.

#### Box 33: Provincial Distribution Share of Foreign Tourists



This drop in market share is also reflected in the Free State's share of bednights. In 2010, the Free State captured only 4.4% of the total number of bednights. This is a drop in the number of bednights received in 2009 (4.8%).

#### Box 34: Provincial Distribution Share of Bednights



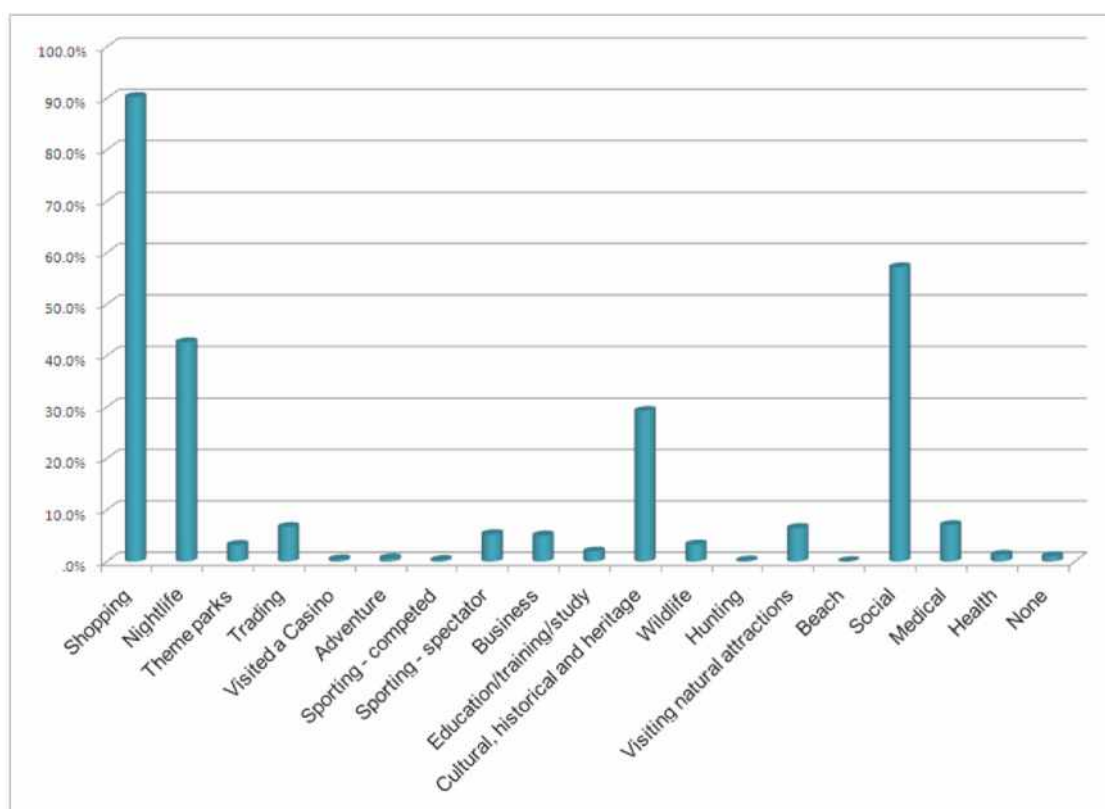
International tourists are clearly coming to the Free State in smaller numbers and are spending fewer nights in the province. There is no data available that identifies the reasons for the Free State's declining market share in respect of international tourist arrivals and bednights. However, the following assumptions can be made regarding the reasons for this, namely:

- There is a low level of awareness of the tourism offerings of the Free State. This is attributable to insufficient and targeted marketing. In this regard, the province does not currently have a tourism marketing strategy in place. The Free State Tourism Authority has indicated that it plans to develop one shortly.
- Attractive and appealing tourism products are currently not available.
- Tourism infrastructure, such as signage is insufficient. This would contribute to a lack of awareness of the provinces tourism offerings.
- Suitable tour packages have not been developed and/or marketed adequately.

The result is that the Free State's tourism sector is not competing effectively with other provinces in respect of growing its share of international tourism arrivals. In this regard for example, provinces such as Mpumalanga and the Western Cape have been able to effectively leverage their natural resources to grow tourism, with Table Mountain and the Winelands in the Western Cape, and the Kruger National Park in Mpumalanga. The Free State unfortunately does not have a globally recognizable and iconic tourist attraction to develop an international tourism brand identity with. It does however have much to offer domestic tourists in particular, and this is a market well worth exploring. This however points to a need for much more focused marketing and tourism product development.

It is also worth bearing in mind that the Free State is still attracting international tourists, albeit a diminishing number. In this regard, the lack of awareness of the Free State's tourism offerings is indicated by the activities that international tourists undertake when they are in the Free State, as is illustrated in the chart below.

**Box 35: Activities Undertaken by International Tourists in the Free State**



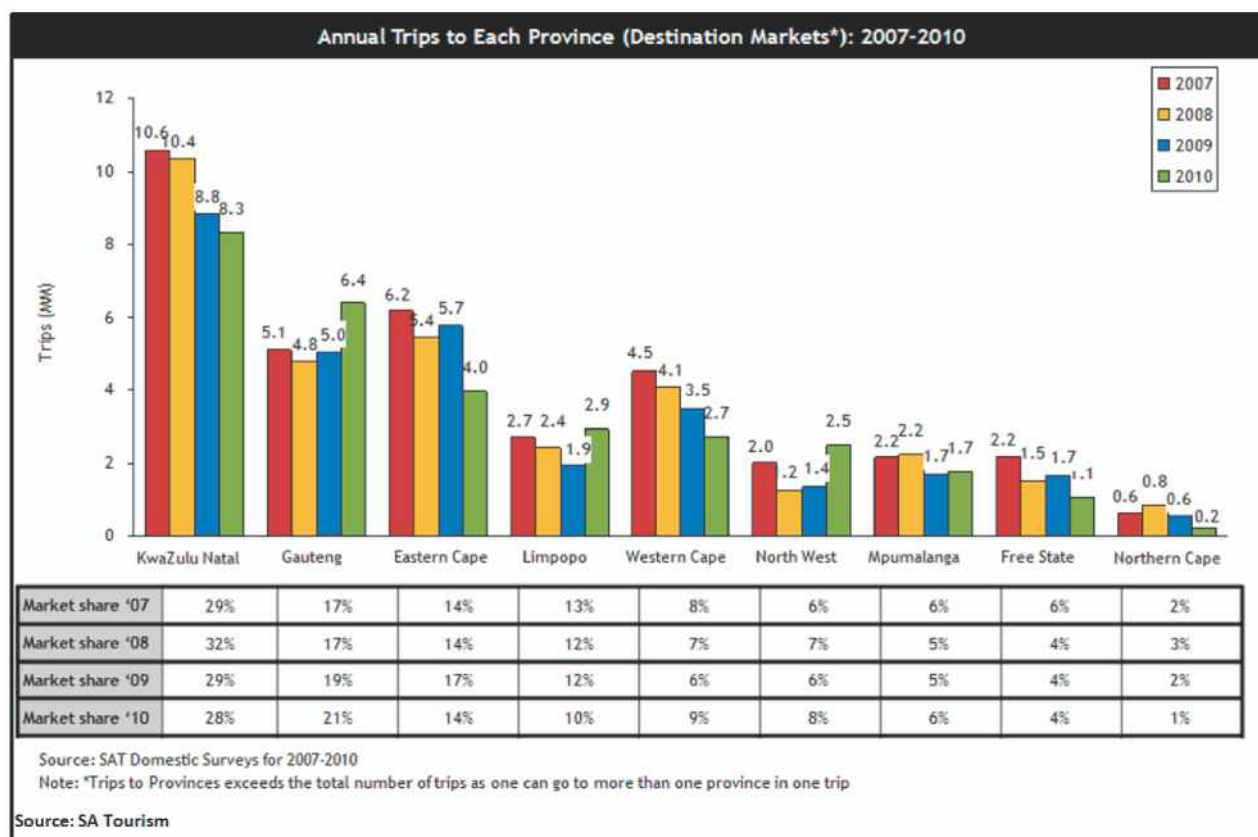
Source: SA Tourism

Most international tourists are engaged in shopping, with only about 30% exploring the Free State's rich cultural and heritage attractions. It is therefore very possible that the majority of these tourists are not aware of these offerings. The result is that most international tourists are not experiencing the full variety of the Free State's tourism offerings, including eco-tourism and heritage tourism. The latter, in particular, can be leveraged much more effectively in the Free State's tourism marketing efforts.

## ii. The Free State Provinces Domestic Tourism Performance

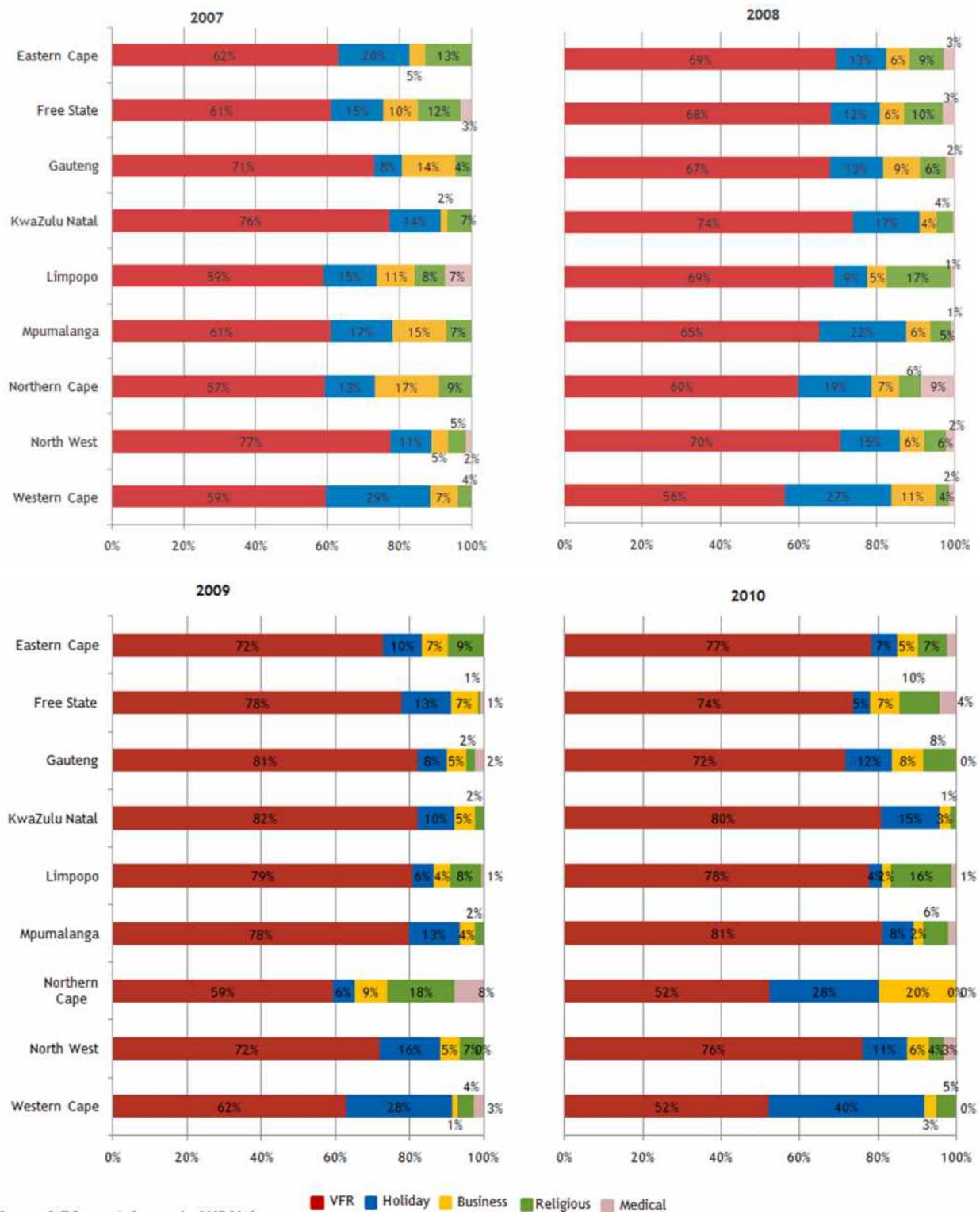
As indicated above, the Free State has an enormous strategic advantage for domestic tourism, given its central geographical location. This advantage has however also not been leveraged to its full extent. This is evident from the data below.

**Box 36: Annual trips to Each Province: 2007 - 2010**



Based on the above data, it is clear that the Free State Provinces market share of domestic tourism trip has not grown since 2008. The province received only about 1 million domestic tourist trips in 2010. This is a drop from the 1, 7 million domestic trips that it received in 2009. The province is however located in close proximity to Gauteng, and shares borders with a number of adjoining provinces.

Box 37: Breakdown of Trips to Each Province by Purpose: 2007 - 2010



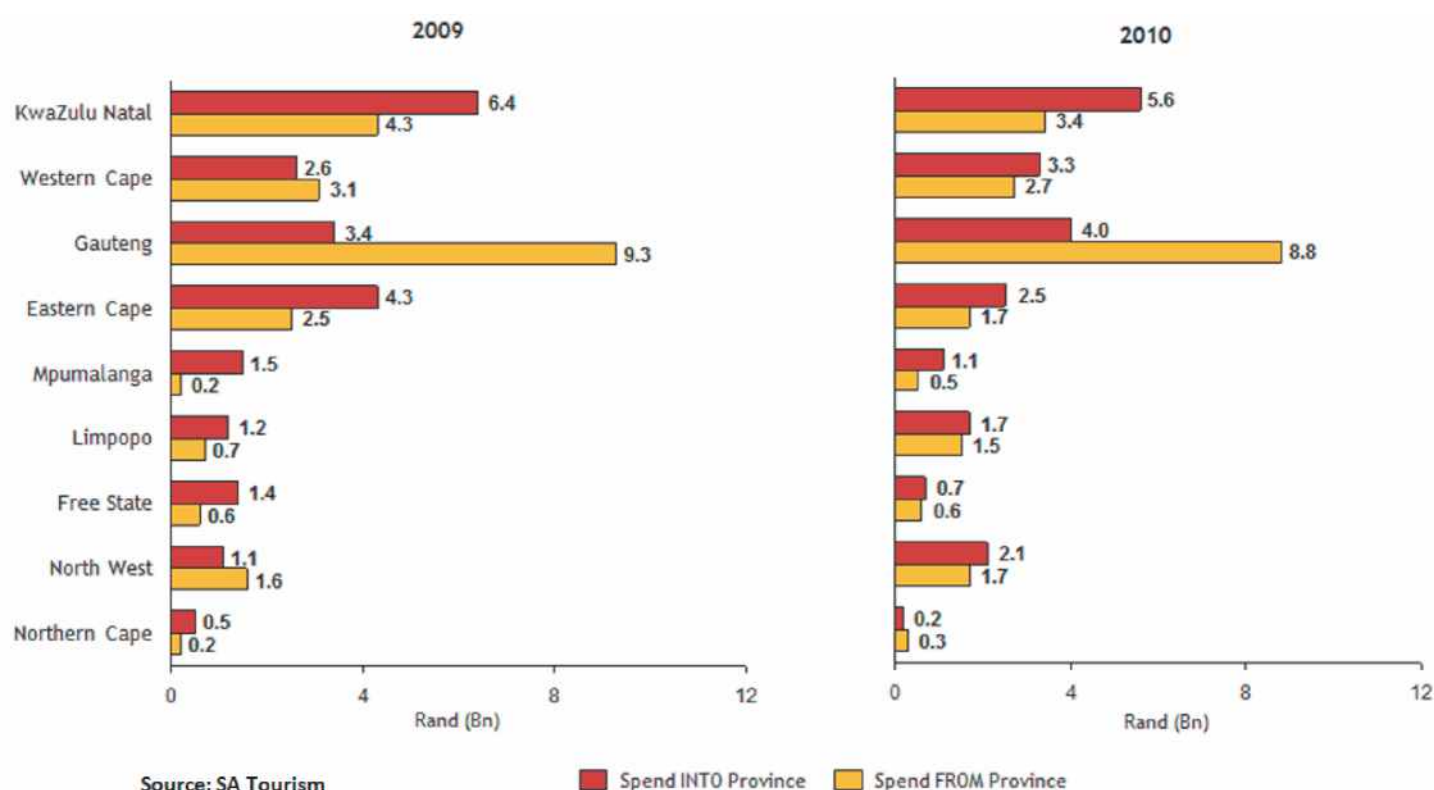
The above chart reflects the Free State's market share of the following categories of tourists:

- Visiting Friends and Relatives
- Holiday
- Business
- Religious
- Medical

As depicted in the chart above, the Free State's share of holiday trips has declined from 15% in 2007 to 5% in 2010, again reflecting the lack of awareness of the Free State's tourism offerings, and potentially the lack of attractive tour packaging and marketing. However, on the positive side, its Visiting Friends and Relatives (VFR) trips have increased from 61% in 2007 to 74% in 2010. There are therefore a large number of visitors to the province who are there to spend time with friends and relatives. This offers an opportunity to attract these visitors to local tourism offerings.

This will however only be successful if there is a concerted tourism marketing campaign aimed at enhancing awareness of provincial tourism offerings. Fundamentally, these VFR visitors would need to be made aware of the Free State's tourism offerings, in order for them to visit and experience these offerings while they are in the Free State. This has successfully been achieved in the Western Cape where an increasing number of domestic tourist (28% in 2009 to 40% in 2010) have gone on holiday, while Visiting Friends and Family travellers have declined from 62% to 52% over this period. This points to the possible conversion of a larger number of Visiting Friends and Family visitors into fully-fledged holiday tourists.

#### Box 38: Total Spend to and from each Province



In respect of domestic tourism spend, the Free State received R1, 4 billion in 2009. This dropped massively to an amount of R0.7 billion in 2010. Domestic tourist spend leaving the province remained at R0.6 billion for 2009 and 2010. It is clear that Gauteng represents the biggest domestic tourism marketing opportunity given the fact that its spend from the province (R8, 8 billion in 2010) is still very large. This indicates that residents of Gauteng seek experiences outside their home province and seem to have larger amounts of disposable income. This is a fact that the Free State could leverage to grow the number of domestic tourists from Gauteng to the Free State.

## 6. Growing Tourism in Mangaung and Matjhabeng

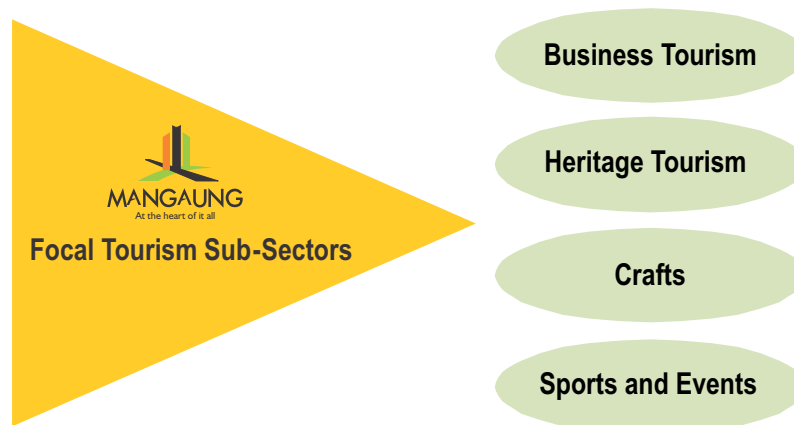
The project has identified the Mangaung Metropolitan Municipality and the Matjhabeng Local Municipality as the priority geographical focal areas for tourism growth and development.

Based on consultations with stakeholders, specific tourism subsectors were identified for further focus. This section of the document unpacks each of these focal sub-sectors and identifies the key opportunities and constraints to their development.

### 6.1 Unpacking the Priority Tourism Sub-Sector Mangaung

The tourism sub-sectors identified for further investigation in respect of the Mangaung Metropolitan Municipality are as follows:

#### Box 39: Mangaung Focal Tourism Sub-Sectors

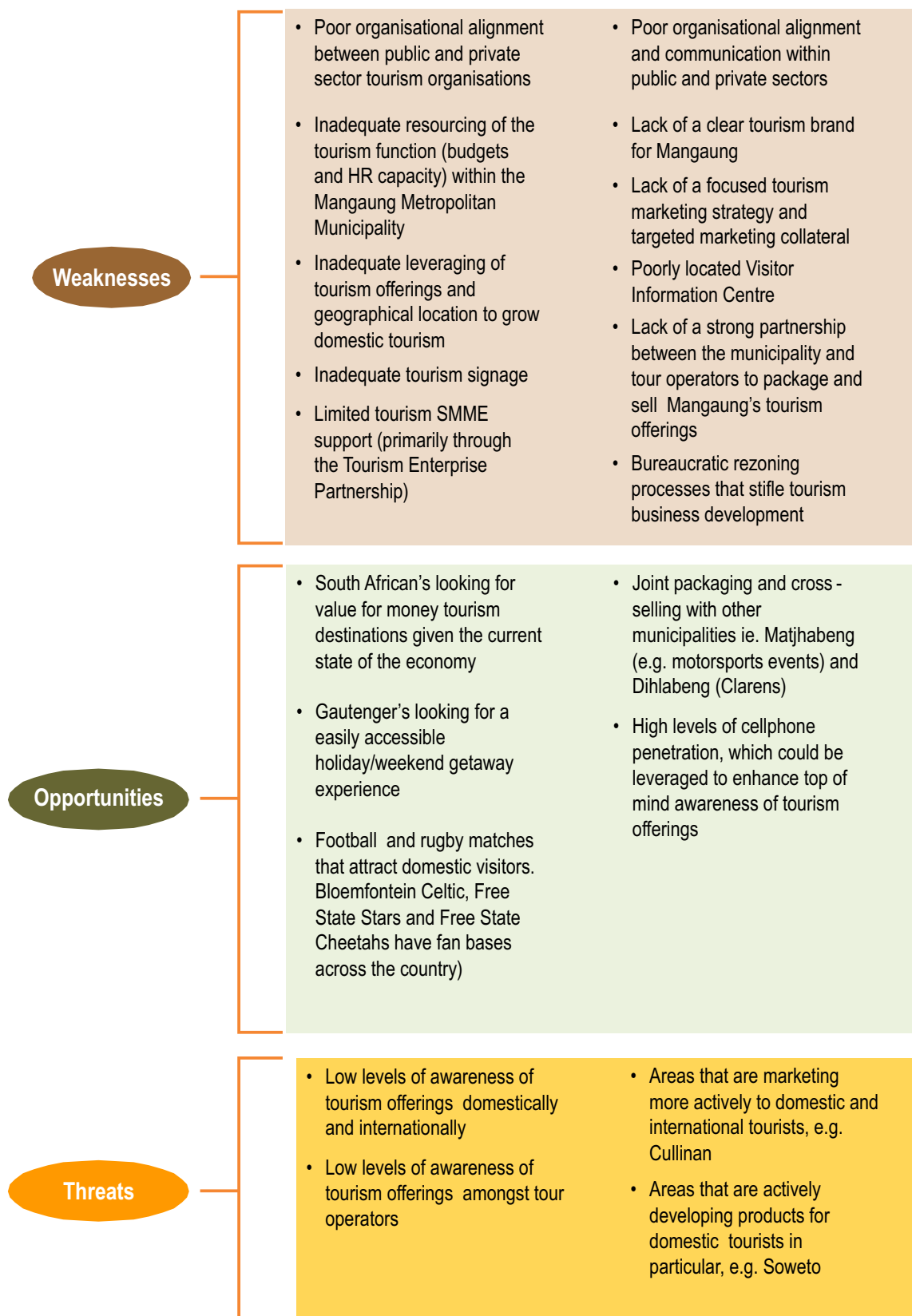


The choice of these sub-sectors by stakeholders has been informed by factors that include Mangaung's tourism asset base, its strategic location and the potential for growth of each of these sub-sectors.

#### 6.1.1 A SWOT Analysis of Tourism in Mangaung

The following assessment is an outcome of a Strengths, Weaknesses, Opportunities and Threat (SWOT) Analysis of the state of tourism in Mangaung. The SWOT Analysis is based on the document review and on the interviews that were conducted.



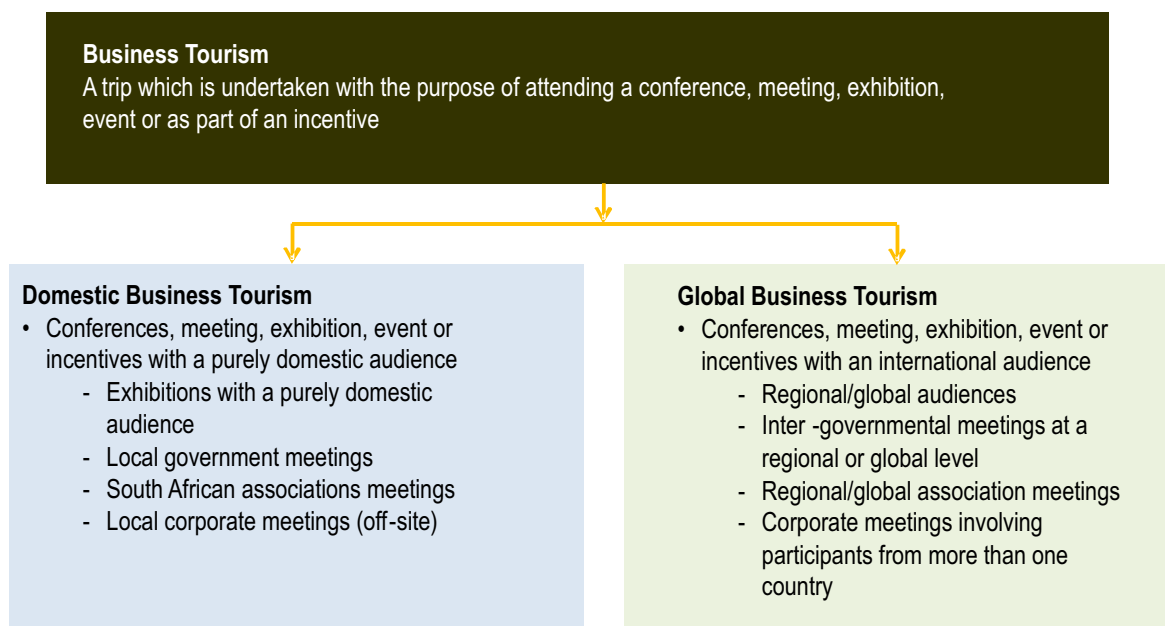


Each of the prioritised sub-sectors is unpacked in the section below.

### 6.1.2 Business Tourism Opportunities and Challenges

As detailed in the illustration below, business tourism is a collective term used to describe business events, such as meetings, conferences and exhibitions in particular. These events bring visitors into the host city/town. This results in an inflow of revenue into the local economy given that these visitors make use of local accommodation, restaurants, transport services, etc.

#### Box 40: Business Tourism Overview



Source: SA Tourism

SA Tourism, in its Business Tourism Strategy points out that there is a very large and lucrative domestic market that provincial and local tourism authorities should target.

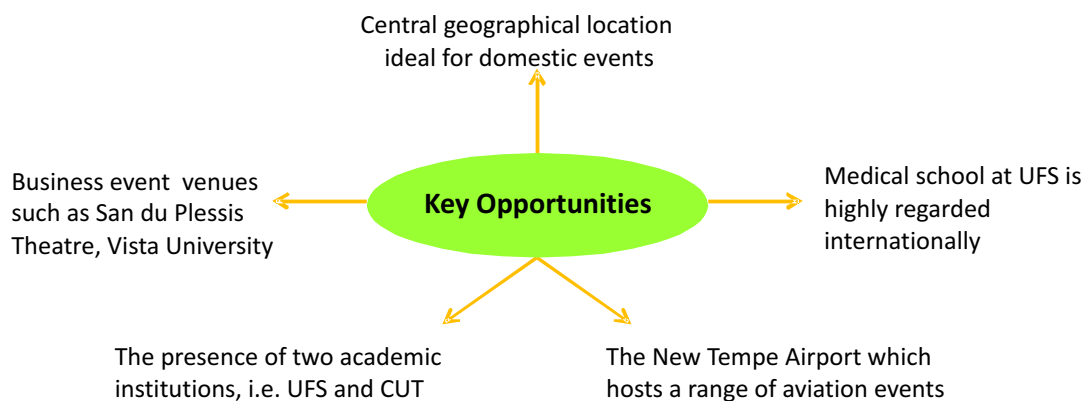
Both the Free State Growth and Development Strategy 2005 - 2014 and the Free State Tourism Master Plan 2010/11 - 2014/14 identify business tourism as an important opportunity. In this regard, the Free State Growth and Development Strategy states that "Bloemfontein could exploit its central location for regional and national conferences. Given the already significant number of well-established conference venues in Cape Town, Durban and Johannesburg keenly pursuing the international market, it might be prudent for Bloemfontein to rather focus on national conferences."

The Free State Tourism Master Plan 2010/11 - 2012/14 includes a similar statement, namely that "The province already enjoys comparative advantage as a result of its central geographical location and historically Bloemfontein was the leading conference destination in South Africa. Similarly, business tourism was highlighted in stakeholder consultations. It should further be noted that the Free State Tourism Authority's 2011/2 2014/5 Strategy defines the following as a key activity "lobby, promote and host major national and international cultural and sporting events within the borders of the Free State province." This is given further emphasis in Mangaung's Tourism Master Plan which identifies business tourism as one of three unique selling points for the municipality.

#### i. Key Business Tourism Opportunities

Mangaung's key business tourism opportunities include the following:

#### Box 41: Key Business Tourism Opportunities



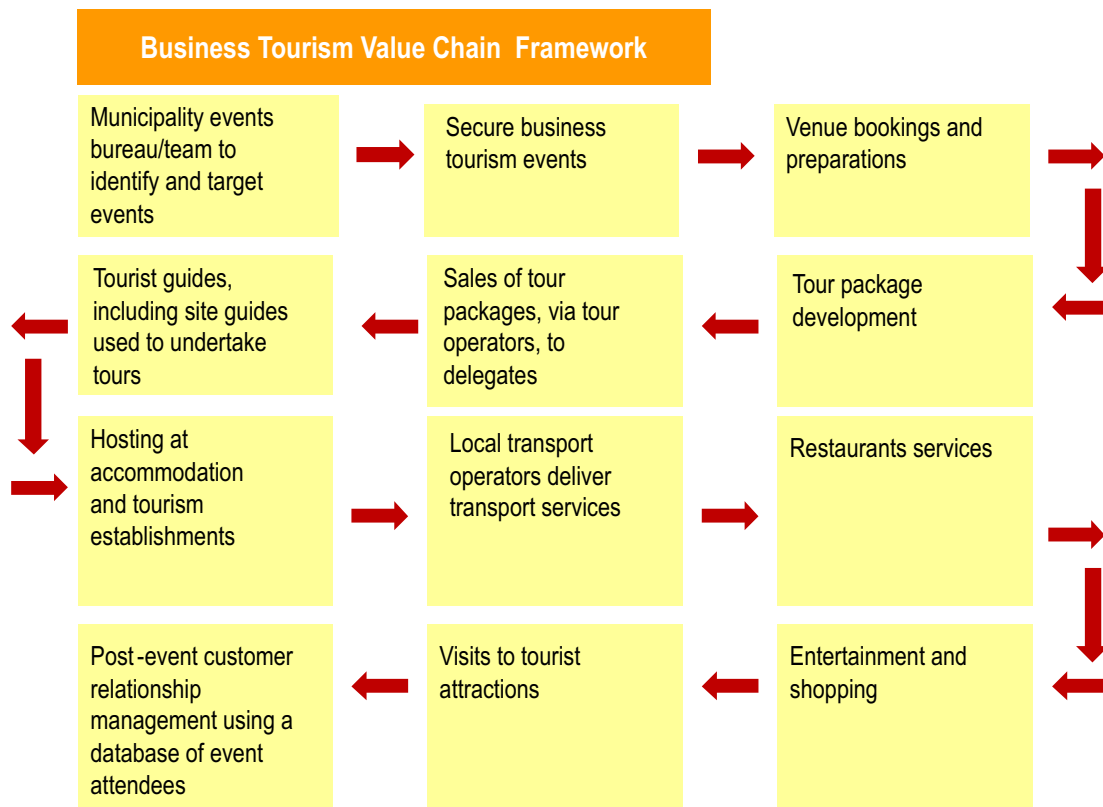
Simply on the basis of its geographical location, Mangaung is well positioned to attract domestic business tourism events in particular. However, Mangaung currently appears to be experiencing a decline in the number of business tourism events that it is able to attract. In fact, an event organiser based in the city has pointed out that he is moving his events to other areas, including to the Drakensberg.

The illustration below unpacks a value chain framework specifically focused on domestic business tourism in Mangaung.

#### ii. Business Tourism Value Chain Framework

The Business Tourism Value Chain is described below.

#### Box 42: Business Tourism Value Chain Framework



The value chain framework above identifies the need for a municipal events bureau or a dedicated business tourism team that would be responsible for:

- Developing a database of corporate, associations, etc and the events convened by these structures.
- Approaching these structures to indicate an interest in bidding for these events.
- Managing the bid process.
- Undertaking the necessary preparations for hosting the event should the bid be successful.

Mangaung will create jobs and grow its revenues if it is able to successfully capture a larger share of business tourism events. An increase in the number of business tourism events hosted by the city will result in a corresponding economic benefit not just for the city itself, but also for the various stakeholders in the local tourism economy including tourist attractions, accommodation providers, tour operators, tourist guides, restaurants, transport operators, catering services, etc. As indicated above, SA Tourism has pointed out that there are substantial growth opportunities in the domestic business tourism market. However, in order to achieve this, the following challenges will require focused attention.

### iii. Key Business Tourism Challenges

The key Business Tourism challenges are as follows:

#### Box 43: Key Business Tourism Challenges

| Key Challenges                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Municipality events bureau/team to identify and target events | <ul style="list-style-type: none"> <li>• Although identified as a growth opportunity in Tourism Master Plan, business tourism growth initiatives are not included in the IDP 2011-2012</li> <li>• There is no dedicated capacity within the municipality to target, bid for and manage business tourism events</li> <li>• There is no business tourism strategy</li> </ul>                                                                                                |
| Secure business tourism events                                | <ul style="list-style-type: none"> <li>• Unable to obtain bookings at San du Plessis Theatre, which is not operated as a business tourism venue by management and staff</li> <li>• Poor maintenance of San du Plessis Theatre</li> <li>• Events take place at the same time – no co-ordination</li> <li>• Lack of a suitable venue for conferences and exhibitions of 1,000 and more participants – A Feasibility Study of developing such a venue is required</li> </ul> |
| Tour package development                                      | <ul style="list-style-type: none"> <li>• Availability of packaged Mangaung tours is currently very limited</li> <li>• Tour operators are not actively packaging and selling Mangaung's tourism attractions</li> <li>• Tour operators may have limited experience and expertise in packaging</li> </ul>                                                                                                                                                                    |
| Sales of tour packages, via tour operators, to delegates      | <ul style="list-style-type: none"> <li>• Tour operators may not fully understand the tourist sales channel</li> <li>• Blockages in obtaining tour operator permits</li> <li>• Partnership with tour operators are currently weak</li> </ul>                                                                                                                                                                                                                               |
| Tourist guides, including site guides used to undertake tours | <ul style="list-style-type: none"> <li>• Mangaung has been training tourist guides, but more site guides may be required</li> </ul>                                                                                                                                                                                                                                                                                                                                       |

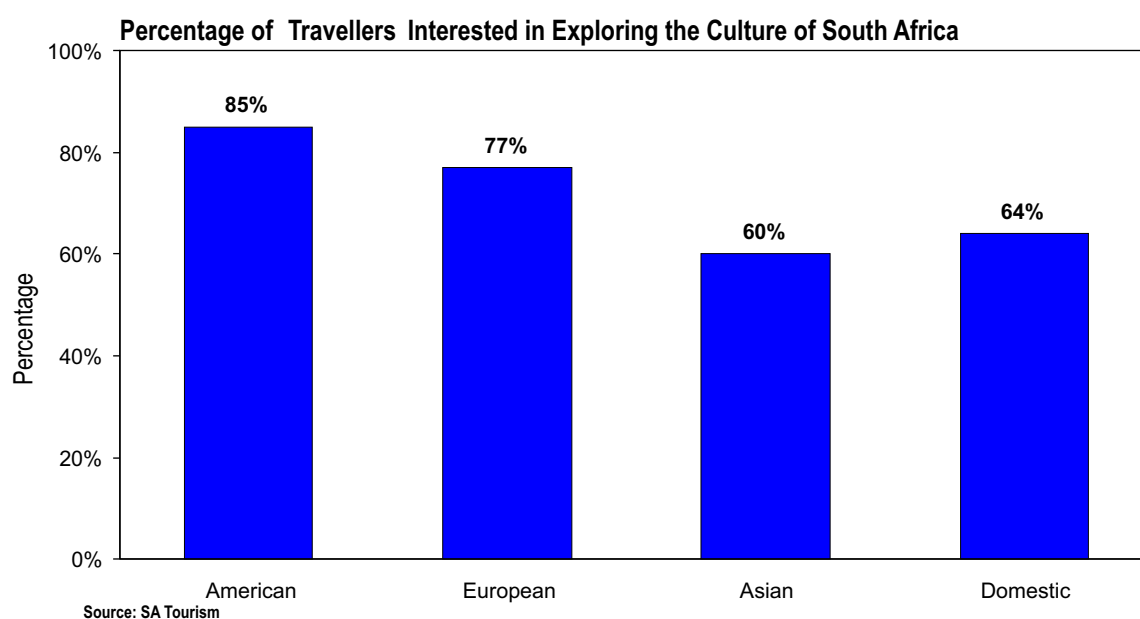
|                                                                                 |                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hosting at accommodation and tourism establishments                             | <ul style="list-style-type: none"> <li>• Tourism Grading Council of South Africa's grading criteria has changed</li> <li>• The new criteria has been identified a potential challenge</li> </ul>                     |
| Local transport operators deliver transport services                            | <ul style="list-style-type: none"> <li>• Obtaining of Professional Driver's Permit (PrDP) is a lengthy and time consuming process</li> </ul>                                                                         |
| Restaurant services                                                             | <ul style="list-style-type: none"> <li>• Poor customer service at some restaurants</li> </ul>                                                                                                                        |
| Post-event customer relationship management using a database of event attendees | <ul style="list-style-type: none"> <li>• There is no tourism Customer Relationship Management system currently in place</li> <li>• This limits the extent to which the repeat visitor market can be grown</li> </ul> |

### 6.1.3 Culture and Heritage Tourism Opportunities and Challenges

Culture and heritage tourism means travelling to experience the places and activities that authentically represent the stories and people of the past and present. It includes irreplaceable historic, cultural and natural resources. There is a strong interest, on the part of international tourists to visit such sites. Culture and heritage tourism also plays an important awareness creation role amongst local citizens in respect of the history, culture and heritage of their own country.

As is illustrated in the chart below, South Africa's heritage and cultural product is one of the country's key attractions from the tourist perspective.

#### Box 44: Percentage of Travellers Interested in Exploring the Culture of South Africa

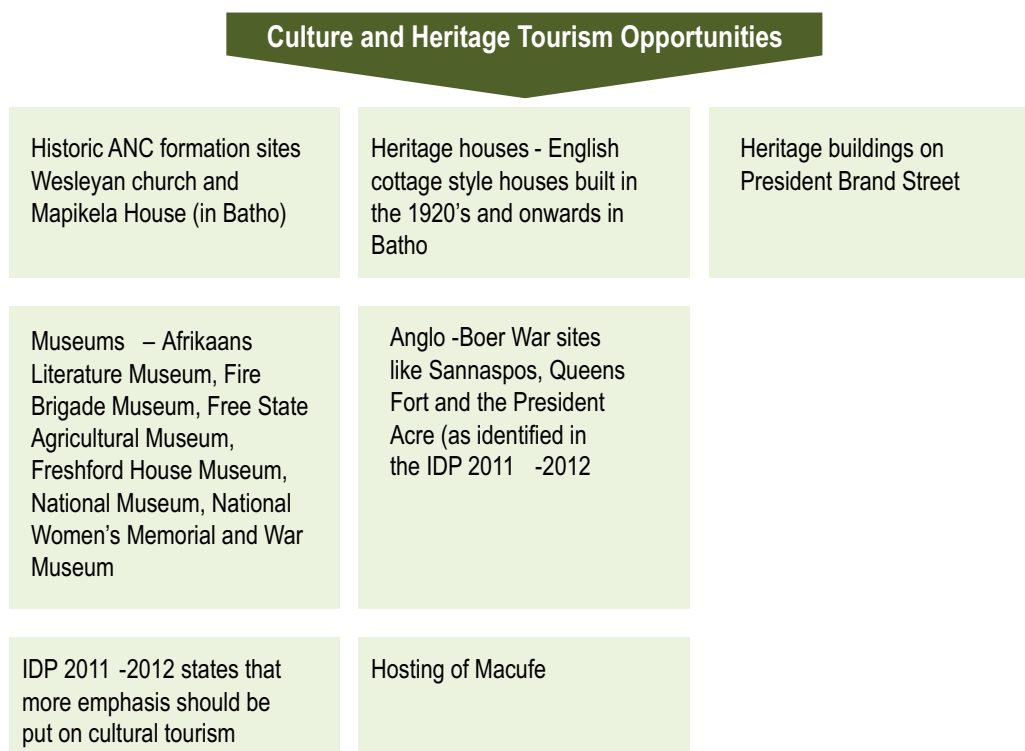


Americans have the highest interest in exploring South Africa's cultural tourism products. There is also a high level of interest amongst South Africans to visit local cultural sites.

#### i. Key Culture and Heritage Tourism Opportunities

Mangaung has a strong cultural and heritage tourism asset base. The list below is not an exhaustive one, but it serves to emphasise the rich historical heritage in Mangaung.

#### Box 45: Key Culture and Heritage Tourism Opportunities

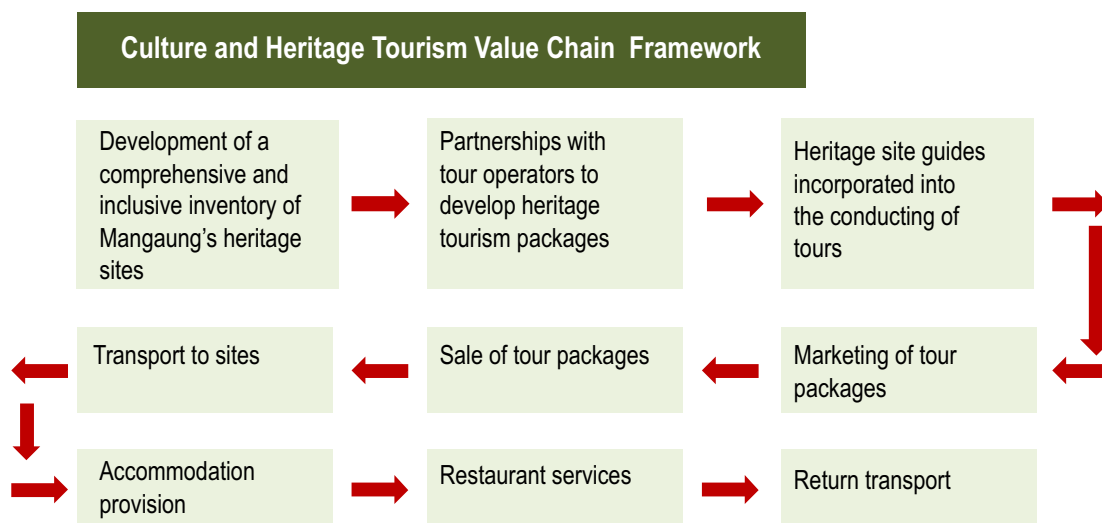


The ANC Centenary Celebrations in early 2012 is a unique opportunity through which to showcase Mangaung's heritage tourism offerings.

#### ii. Culture and Heritage Tourism Value Chain Framework

The following are the key steps identified to leverage the Mangaung's rich heritage tourism asset base:

#### Box 46: Heritage Tourism Value Chain Framework



#### iii. Key Culture and Heritage Tourism Challenges

The following set of challenges was identified in respect of culture and heritage tourism:

#### Box 47: Key Heritage Tourism Challenges

| Key Challenges                                                                      |                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Development of a comprehensive and inclusive inventory of Mangaung's heritage sites | <ul style="list-style-type: none"> <li>• The municipality has a database of heritage sites</li> <li>• This would have to be extended to incorporate restored heritage assets, including the Wesleyan church where the ANC was formed, restored houses in Batho, etc</li> <li>• The development of an inclusive list will entail consultation with stakeholders in the city</li> </ul> |
| Heritage site guides incorporated into the conducting of tours                      | <ul style="list-style-type: none"> <li>• Limited number of heritage site guides are currently available</li> </ul>                                                                                                                                                                                                                                                                    |

#### 6.1.4 Craft Sub-Sector Opportunities and Challenges

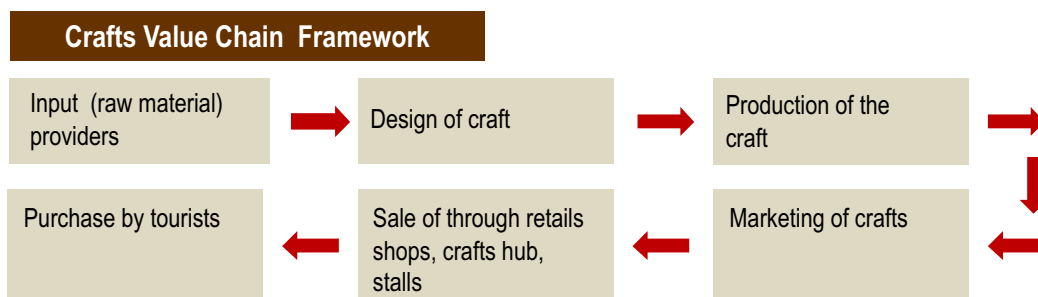
The focus on crafts resulted from a direct request from the Mangaung Metropolitan Municipality. The municipality has identified craft development as an opportunity through which to create jobs and business opportunities within local communities.

The Mangaung's Tourism Master Plan also identifies crafts as a tourist attraction. The Master Plan proposes the establishment of arts and crafts stalls along the N8 and an arts and crafts centre on Naval Hill.

#### i. Crafts Sub-Sector Value Chain Framework

The diagram below illustrates the Crafts Sub-Sector Value Chain.

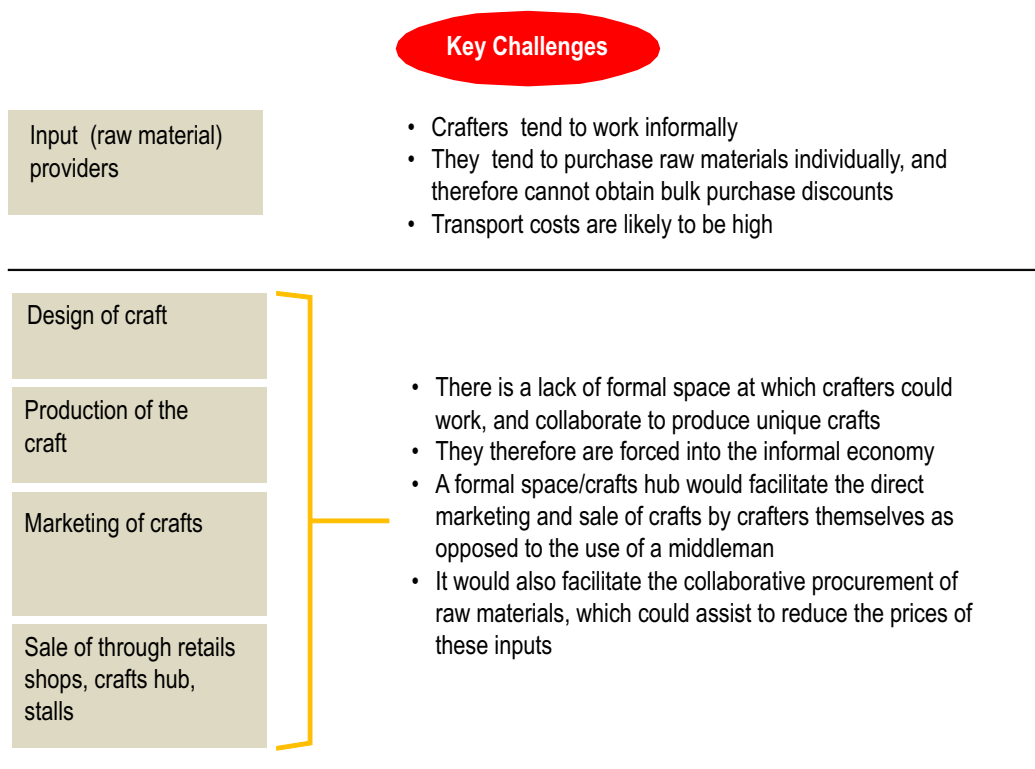
#### Box 48: Craft Sub-Sector Value Chain Framework



#### ii. Key Crafts Sub-Sector Challenges

There is very little information available on Mangaung's Crafts Sub-Sector. A Feasibility Study has also not been conducted into the feasibility and viability of establishing a focus on crafts in Mangaung. The challenges that have been identified below are therefore based on a desktop assessment of the Cape Craft and Design Institute.

#### Box 49: Key Craft Sub-Sector Challenges



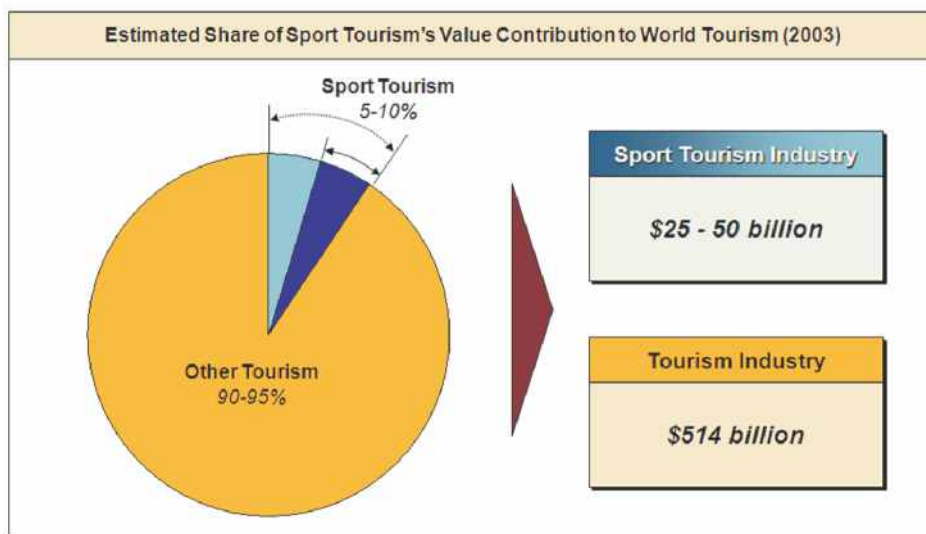
The most crucial requirement to assist in the growth and development of crafters appears to be the provision of a crafts hub, that would facilitate collaboration amongst crafters not only in the purchase of materials, but critically in the marketing and sales of crafts. This hub needs to be capacitated with skilled support staff if it is to function effectively and serve its purpose of assisting small crafters with market access. The Cape Craft and Design Institute model should be carefully examined in order to inform the establishment of a crafts hub in Mangaung.

#### 6.1.5 Sports and Events Tourism Opportunities and Challenges

Entertainment events provide a powerful magnet to draw visitors into an area. These events could include sports events, music festivals, etc. In respect of sports tourism for example, in 2003 sports tourism made up 5-10% of estimated tourism value.

# Box 50: Estimated Share of Sport Tourism's Value Contribution to World Tourism (2003)

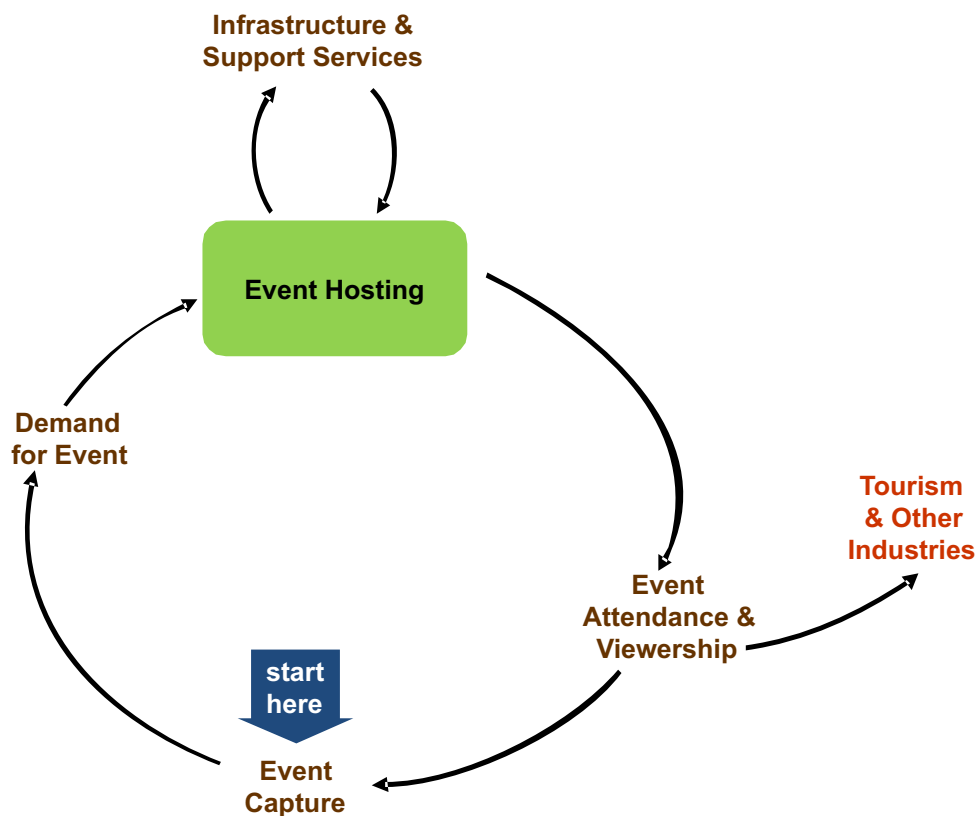
*Sport tourism is estimated to make up 5-10% of total worldwide tourism value*



Source: SA Tourism

As is illustrated below, the hosting of an event also stimulates economic growth through infrastructure investment, as well as the need for support services. Critically, an event, if it is well marketed, results in an increase in the numbers of visitors to the area that is hosting the event.

# Box 51: Conceptual Outline of the Impact of Events Tourism



These visitors do not only spend money at the event, they also make use of the tourism services in the host area. This would include transport services, accommodation, restaurants and visits to tourist attractions.

The hosting of sports and entertainment events therefore provides an enormous tourism opportunity to the host area.

#### i. Key Sports and Events Tourism Opportunities

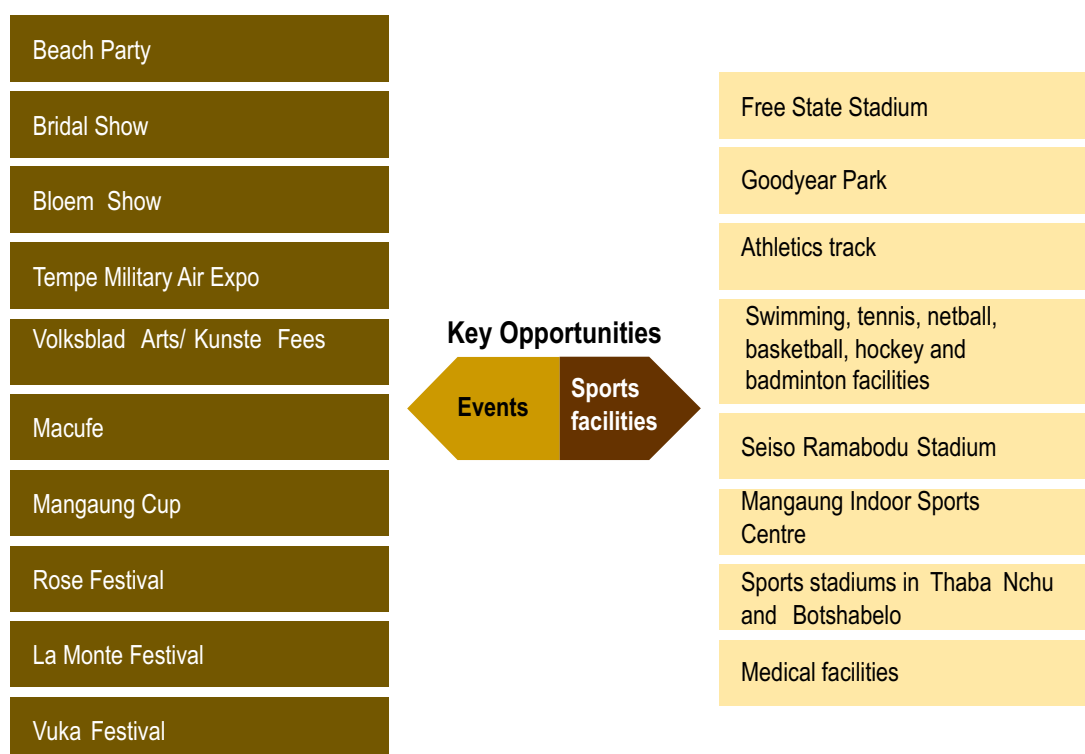
Mangaung hosts a variety of provincial, national and international sporting and other entertainment events annually. This is made possible by a wide variety of sports facilities in the area. Facilities and supporting infrastructure for most sporting codes are available in the city.

A written input received from Mr Tello Tebesi, the Manager: Strategic Development and Acting Manager: SMME Support of Mangaung states that, there are more than 100 organisations representing sport, heritage and culture in Mangaung. This input further states that the events and sporting sector currently generates a combined annual revenue of close to R500 million. In this regard, Macufe alone generates more than R60 million through bed nights, petrol sales, food and entertainment.

Mangaung is also home to teams representing a range of sporting codes. The more prominent of these, with strong local and national support bases, are Bloemfontein Celtics (football), Cheetahs (rugby) and the Gestetner cricket team.

Key opportunities in respect of sports and events include:

#### Box 52: Key Sports and Events Tourism Opportunities

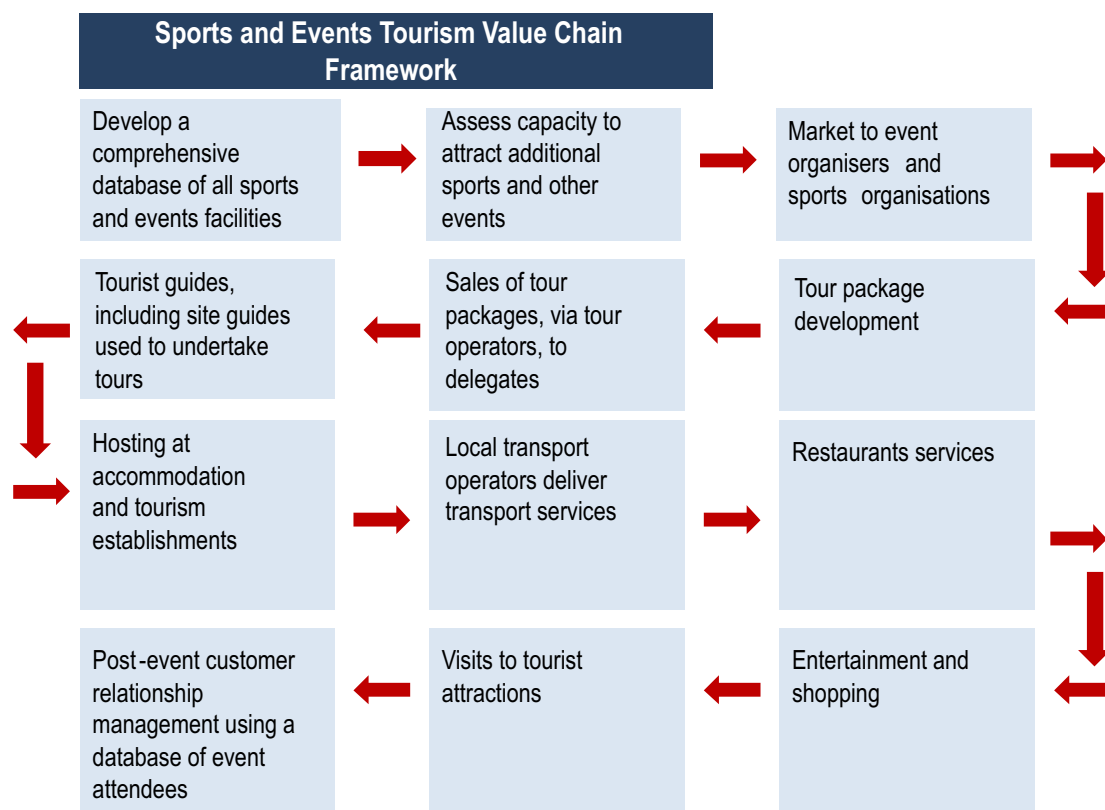


It is clear from the above diagram that, in addition to a wide range of sports facilities, Mangaung also hosts a number of entertainment and sporting events. There is clearly scope to leverage these advantages to grow the numbers of tourist arrivals to Mangaung.

#### ii. Sports and Events Tourism Sub-Sector Value Chain Framework

The diagram below illustrates the Sports and Events Sub-Sector Value Chain.

### Box 53: Craft Sub-Sector Value Chain Framework



In order to leverage additional sports and other events to Mangaung, it is important to establish a single point of information in respect of event facilities and their availability. Under Section 6.1.2 above, an events bureau/team has been proposed as a mechanisms through which to attract business events to Mangaung,

The functions of this Mangaung events bureau/team could be expanded to include the following:

- Maintenance of a comprehensive database of sports and events facilities.
- Tracking availability of venues throughout the year.
- Identifying sporting and other events that could be hosted in Mangaung.
- Marketing and capturing of such events.
- Co-ordinating annual events.
- Supporting the marketing of these events.

The events bureau/team could provide an important resource through which to address the challenges identified under point iii below.

#### iii. Key Sports and Events Tourism Challenges

The key challenge in respect of capturing additional sports and other events is that of capacity. A skilled, resourced and focused team, comprising both municipality and private sector resources is critical if this sub-sector is to be developed further. There is a strong synergy and overlap between this sub-sector and the business tourism sub-sector. An events bureau/team would therefore focus on attracting business events to Mangaung, as well as sports and other entertainment events.

## Box 54: Key Sports and Events Sub-Sector Challenges

| Key Challenges                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Develop a comprehensive database of all sports and events facilities | <ul style="list-style-type: none"> <li>The Draft Mangaung Tourism Master Plan points to a need for a “full study” to determine the range of sports facilities that are available in Mangaung</li> <li>Such a database must however also include other event venues, as well as events that Mangaung currently hosts</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Assess capacity to attract additional sports and other events        | <ul style="list-style-type: none"> <li>There is currently no single point of information on the current sports and other event venues, and their availability throughout the year</li> <li>This information is critical if Mangaung is to capture additional sports and other events</li> <li>Mangaung currently also does not have regulatory instruments to control the events being hosted in Mangaung</li> <li>This leads to events taking place without approval by the municipality, resulting in contraventions of by-laws such as informal trading by -laws, the Events Safety and Recreation Act of 2010 and environmental health regulations</li> <li>Public -private partnerships are weak</li> <li>Corporate sponsorships are limited</li> <li>Marketing of events is extremely limited</li> <li>Venues for the Vuka Festival and Macufe are too small</li> </ul> |
| Market to event organisers and sports organisations                  | <ul style="list-style-type: none"> <li>Capacity is required to develop and maintain the database of sports and events venues</li> <li>Such capacity would also be essential to capture additional sports and other events that could be hosted by Mangaung, and to assist in co-ordinating annual events being hosted in Mangaung</li> <li>This capacity is currently not in place</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## 6.2 Unpacking the Priority Tourism Sub-Sector Matjhabeng

The following tourism sub-sectors have been identified for further investigation in respect of the Matjhabeng Local Municipality:

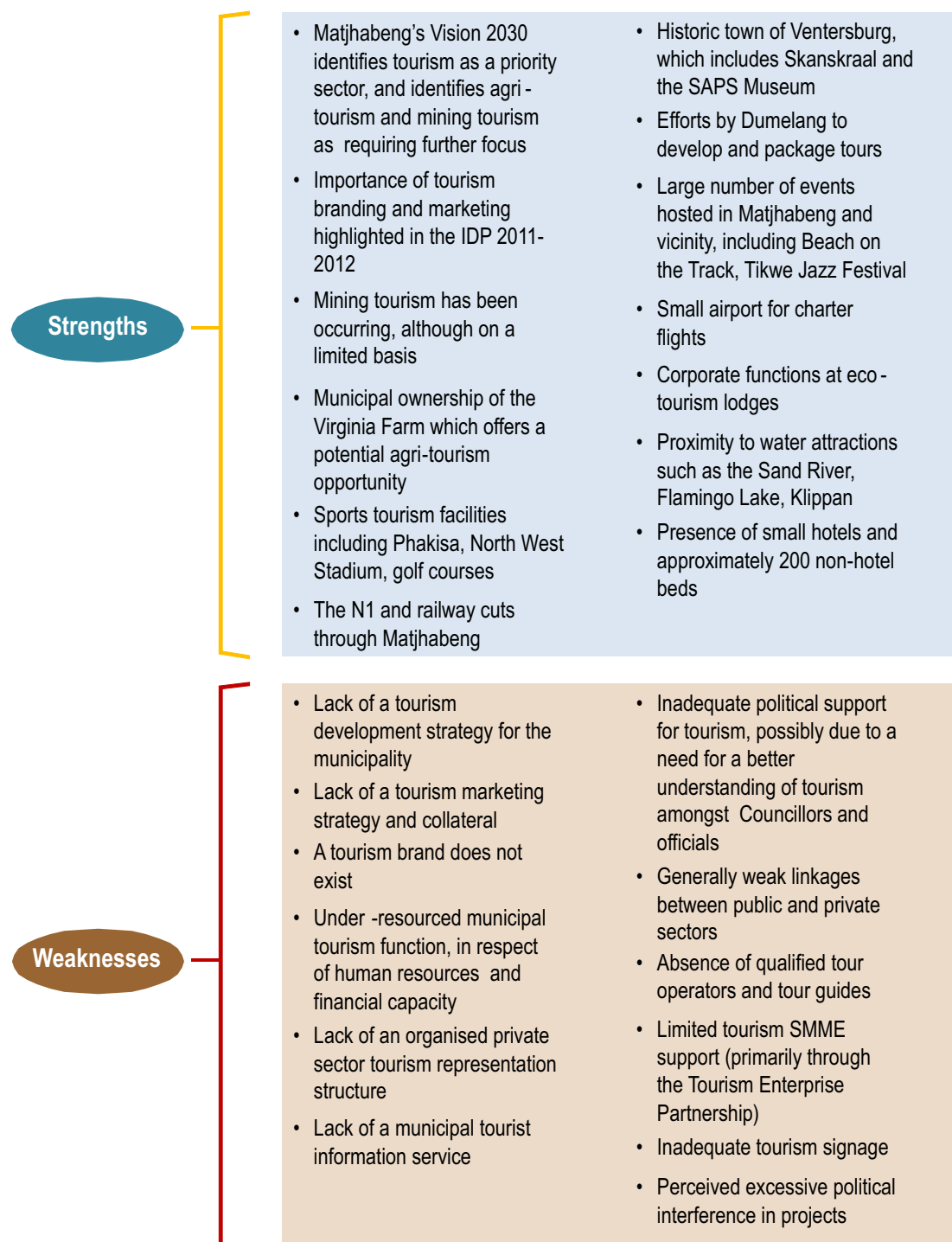
### Box 55: Focal Tourism Sub-Sectors - Matjhabeng

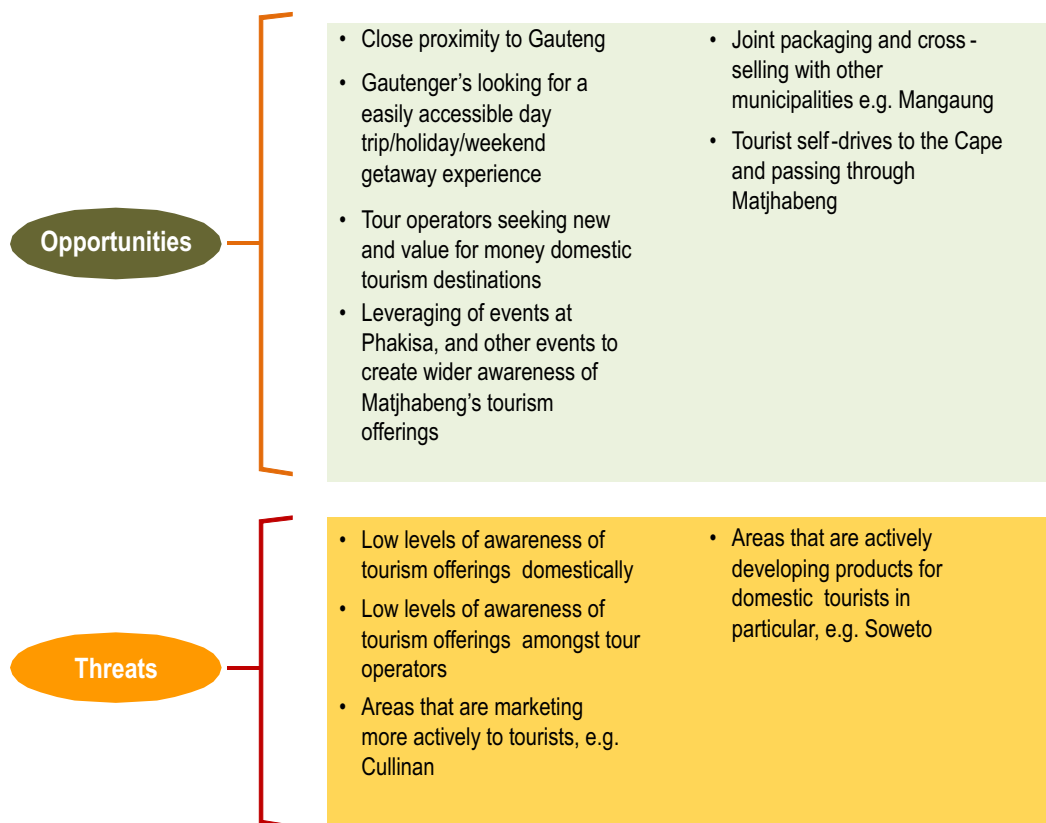


Each of these is unpacked in further detail in the sections below.

### 6.2.1 A SWOT Analysis of Tourism in Matjhabeng

The results of a Strengths, Weaknesses, Opportunities and Threat (SWOT) Analysis of the state of tourism in Matjhabeng are set out below. The SWOT Analysis is based on a document review and on the interviews that were conducted.





## 6.2.2 Events Tourism Opportunities and Challenges

The enormous tourism value that could be derived from events has been described under Section 6.1.5 above. This is particularly important for Matjhabeng given its existing competitive advantages in this regard.

### i. Key Events Tourism Opportunities

Matjhabeng has a number of assets and opportunities that it could leverage to grow the number of sports and entertainment events that it hosts. These opportunities include the following:

#### Box 56: Key Events Tourism Opportunities

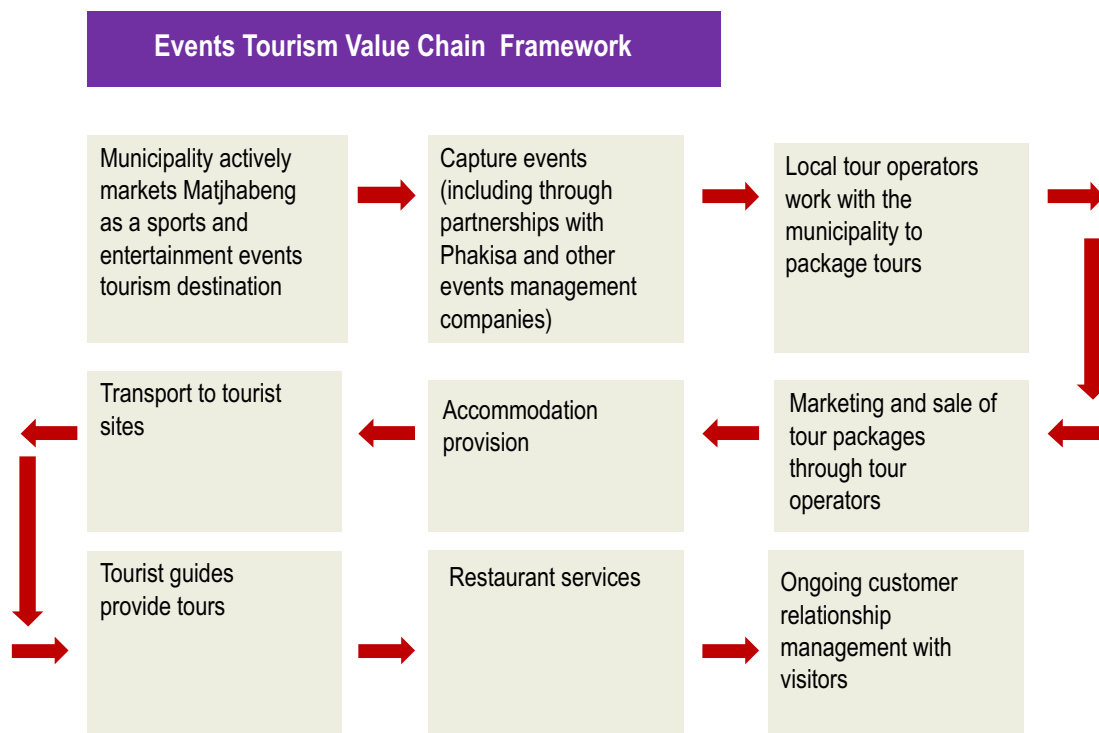
| Events Tourism Opportunities                                                                        |                                                                                                                         |                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Phakisa racetrack hosts weekly motorsport events attracting large numbers of visitors to Matjhabeng | Matjhabeng is home to the Griffons Rugby Team                                                                           | Annual NAMPO Harvest Farm and Festival attracts more than 20 000 visitors and is the second largest private agricultural show centre in the world |
| Willingness of Phakisa to jointly host sports events with Matjhabeng Municipality                   | Plans to develop a multi-purpose sports facility – land has been allocated by the municipality to the developer, NFSLCP | Proximity to Gauteng – Welkom is a 2 ½ hour drive from Johannesburg                                                                               |
| 10,000 seater North West Rugby Stadium is located in Matjhabeng                                     | Klippan and Flamingo Lake that were used to host boating competitions                                                   |                                                                                                                                                   |
| Presence of a number of golf courses                                                                | Annual Beach on the Track at Phakisa that attracts approximately 15,000 visitors                                        |                                                                                                                                                   |

It is clear from the above that Events Tourism is a low hanging fruit for Matjhabeng.

## ii. Events Tourism Value Chain Framework

A value chain for Events Tourism is described below.

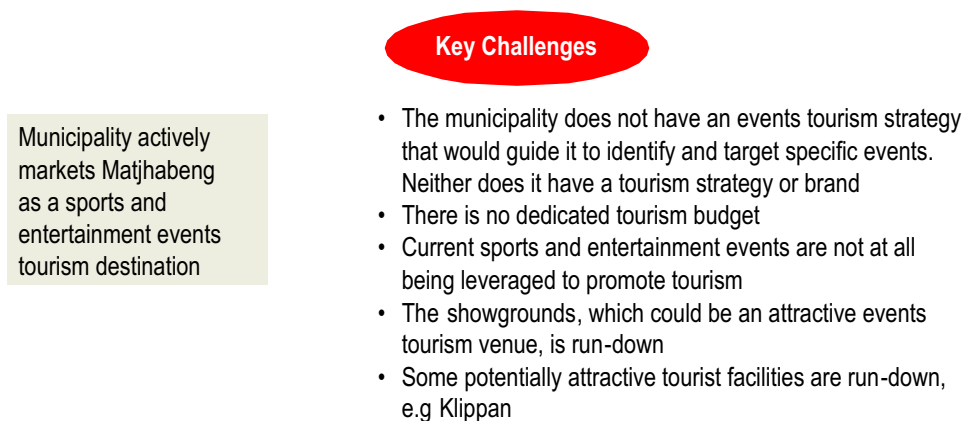
Box 57: Events Tourism Value Chain Framework



## iii. Key Events Tourism Challenges

In order to grow the Events Tourism sub-sector in Matjhabeng, it would be important to address the challenges that are set-out below.

Box 58: Key Events Tourism Challenges



Capture events  
(including through  
partnerships with  
Phakisa and other  
events management  
companies)

- Current partnerships between the municipality and Phakisa (which is a structure of the Free State Tourism Authority) are extremely weak
- However, an MoU between the Municipality and Phakisa is now being finalised
- Other partnerships, including with other events management companies, have not been established

Local tour operators  
work with the  
municipality to  
package tours

- There are no locally-based tour operators
- There are currently therefore no formally packaged tours (a local enterprise called Dumelang has been working on the packaging of tours)

Marketing and sale of  
tour packages  
through tour  
operators

- There is currently no tourism marketing collateral that is available from the municipality
- The municipality does not provide a tourism information service. This is provided through a private sector structure called the Matjhabeng Publicity Association.
- The relationship between the municipality and the Matjhabeng Publicity Association does not appear to be strong

Accommodation  
provision

- Matjhabeng has a number of guesthouses and B&B's. There are also two small hotels
- The database of accommodation has not been updated. An exact and reliable number of rooms is therefore not available
- There are very few black tourist accommodation owners
- There is an insufficient supply of accommodation for teams, given their specific requirement that the team stays in one establishment
- Customer service training may be required

Transport to tourist  
sites

- Bureaucratic and time consuming process to obtain Professional Driver's Permits (PrDP)

Restaurant services

- There may be a need for quality assurance and customer service training

Tourist guides  
provide tours

- There is currently a lack of trained tourist guides in Matjhabeng

Ongoing customer  
relationship  
management with  
visitors

- Matjhabeng does not currently have a database of visitors to local events
- It is therefore unable to undertake customer relationship management initiatives such as providing information to past visitors on tourism activities and future events
- This limits the extent to which the repeat visitor market can be grown

### 6.2.3 Mining Tourism Opportunities and Challenges

Harmony Mines and Goldfields are the two major mining houses operating in Matjhabeng. However, Harmony's mines are more centrally located within the boundaries of Welkom. Some of these Harmony mines, located within Welkom, have ceased operating. This created an opportunity to use these redundant facilities for tourism purposes. However, past efforts to achieve this have not been successful. This is addressed in further detail under point iii (Key Mining Tourism Challenges) below.

#### i. Mining Tourism Opportunities

Mining tourism nonetheless still remains a tourism opportunity for Matjhabeng. In this regard, the Mining Tourism opportunities are set-out below.

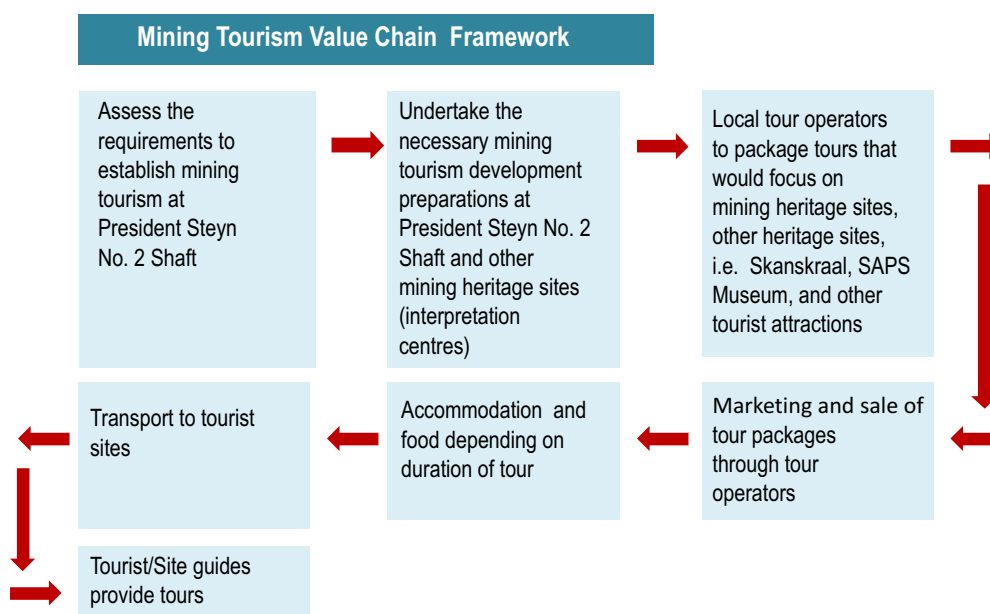
##### Box 59: Key Mining Tourism Opportunities



#### ii. Mining Tourism Value Chain Framework

The core elements of the Mining Tourism Value Chain are described below.

##### Box 60: Mining Tourism Value Chain Framework



### iii. Key Mining Tourism Challenges

The key Mining Tourism challenges are described below.

#### Box 61: Key Mining Tourism Challenges

| Key Challenges                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assess the requirements to establish mining tourism at President Steyn No. 2 Shaft                                                                      | <ul style="list-style-type: none"><li>• A previous attempt to establish a mining tourism attraction failed due to what has been described as political interference</li><li>• It is important that the potential development of the President Steyn Shaft No. 2 is not delayed as there would not be another suitable mining tourism site available for a number of years to come</li></ul>                                     |
| Undertake the necessary mining tourism development preparations at President Steyn No. 2 Shaft and other mining heritage sites (interpretation centres) | <ul style="list-style-type: none"><li>• The President Steyn Shaft No. 2 is part of an operating mine, but has facilities that could be restored to serve tourists. This includes the possibility of converting existing workers hostels into tourist accommodation</li><li>• Further engagement is required with Harmony Mines to determine the possibility of them funding the required tourist facility development</li></ul> |

It is important that the President Steyn Shaft No. 2 opportunity is explored as a matter of priority given that some redundant buildings are already being stripped/demolished.

#### 6.2.4 Agri- Tourism Opportunities and Challenges

Agri-tourism is a broad term used to define any agriculturally-based operation or activity that brings visitors to a farm. Agri-tourism has different definitions in different parts of the world, and sometimes refers specifically to farm stays, as in Italy. Elsewhere, agri-tourism includes a wide variety of activities, including buying agricultural produce directly from a farm stand, picking fruit, feeding animals, working on a farm during a holiday or staying at a B&B on a farm.

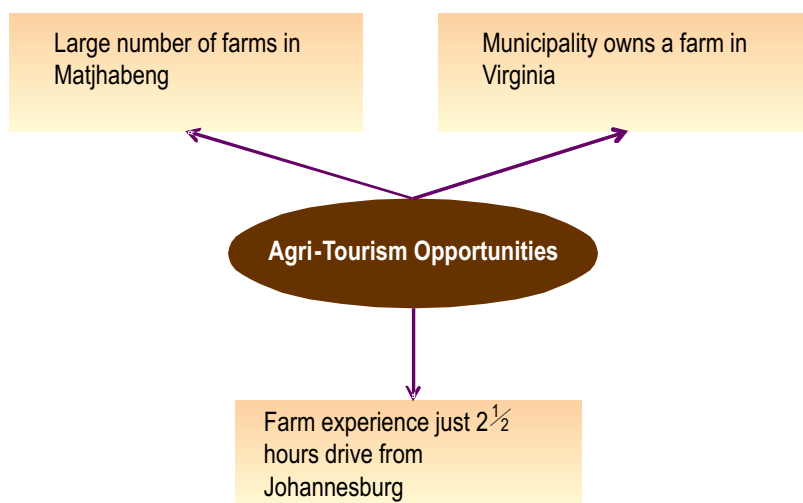
Agri-tourism is considered a growth industry in many parts of the world, including Australia, Canada, the United States, and the Philippines and many countries in Europe. Italy is notable in Europe where a very developed agri-tourism sub-sector exists. This sub-sector is supported by municipalities through LED processes and initiatives. These agri-tourism offerings combine the rural experience with a so-called “Slowfood” experience of the local cuisine and wine.

Given its predominant agricultural base, Matjhabeng has a strong competitive advantage in the development of agri-tourism products and offerings.

#### i. Key Agri-Tourism Opportunities

Mangaung's agri-tourism development opportunities include the following:

## Box 62: Key Agri-Tourism Opportunities



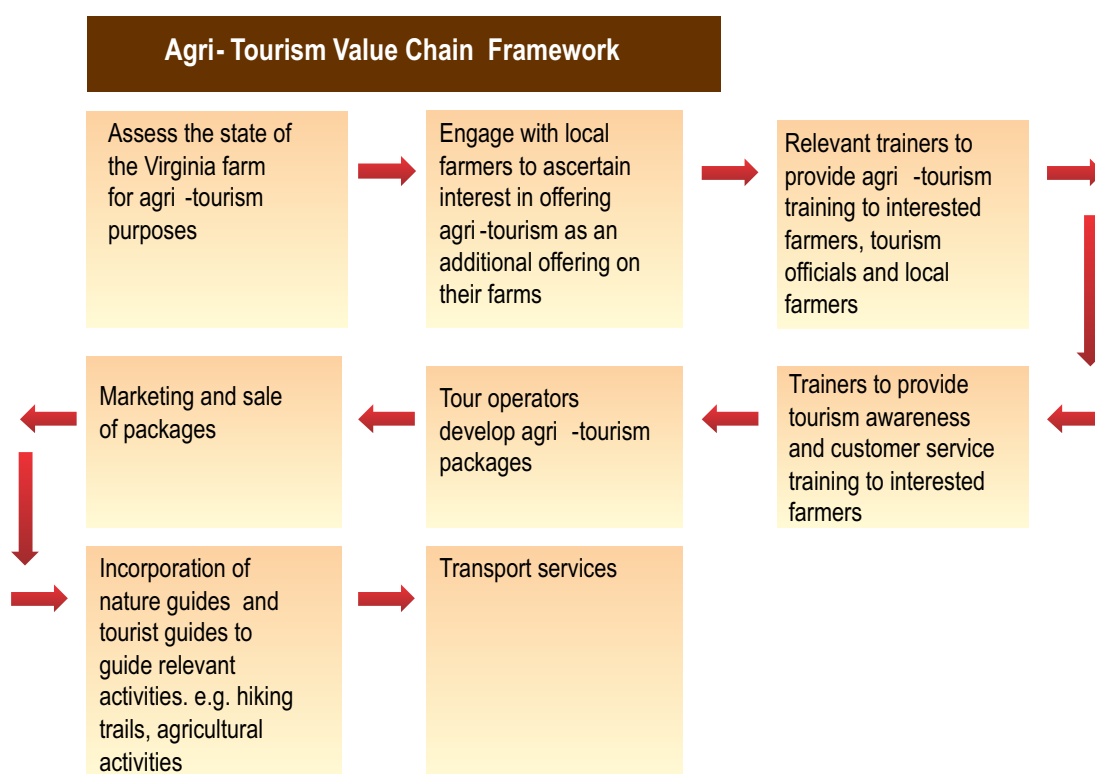
The municipality-owned farm in Virginia provides a possible agri-tourism opportunity. This farm is over 650 hectares in size. It contains two houses, two river houses, two chalets and ablution facilities.

The farm also houses an archaeological site. A Feasibility Study and Business Plan for the development of the farm have been prepared. The farm is however currently not operational and its conditions, together with the condition of its facilities is unclear.

## ii. Agri-Tourism Tourism Value Chain Framework

A description of the Agri-Tourism Value Chain is provided below.

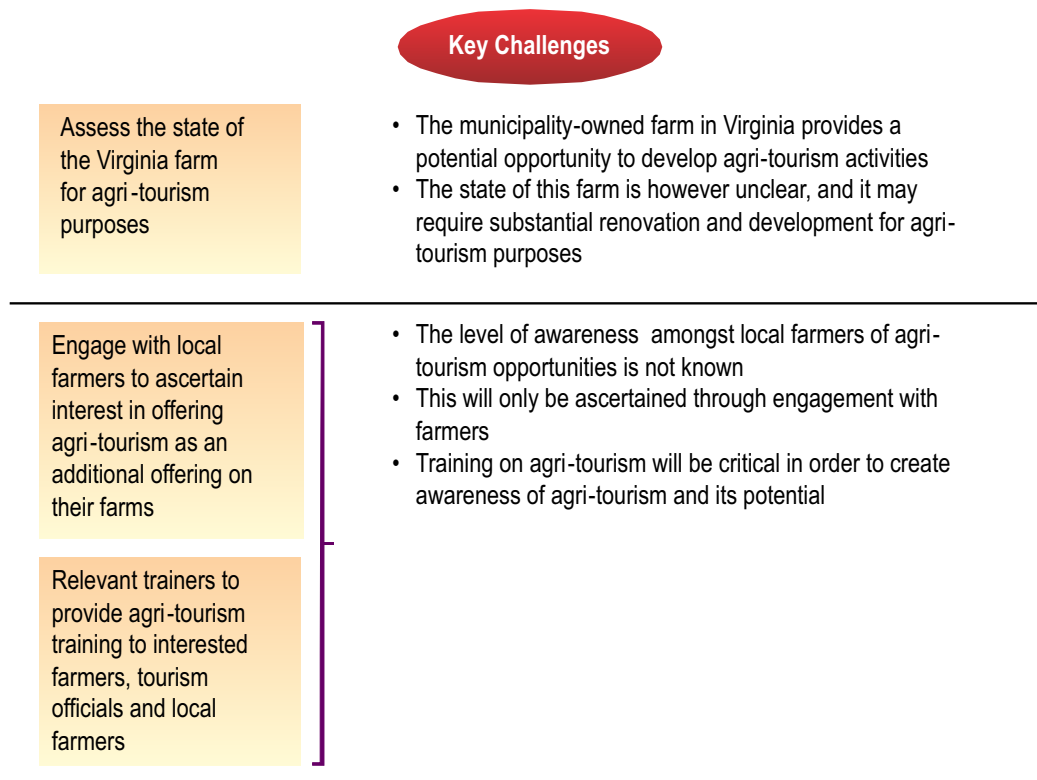
## Box 63: Agri-Tourism Value Chain Framework



### iii. Key Agri-Tourism Challenges

These are as follows:

#### Box 64: Key Agri-Tourism Challenges



### 6.2.5 Eco- Tourism Opportunities and Challenges

Eco-tourism essentially refers to nature-based tourism experiences sought by tourists. It is intended to be a low-impact and environmentally conscious tourism activity. Eco-tourism activities include:

- Bird-watching
- Hiking
- Canoeing
- Safaris
- Wildlife experiences
- Etc.

Eco-tourism is an increasingly popular form of tourism, particularly given the growth in environmental awareness globally.

#### i. Eco-Tourism Opportunities

Matjhabeng has a number of eco-tourism attractions that it could develop and leverage:

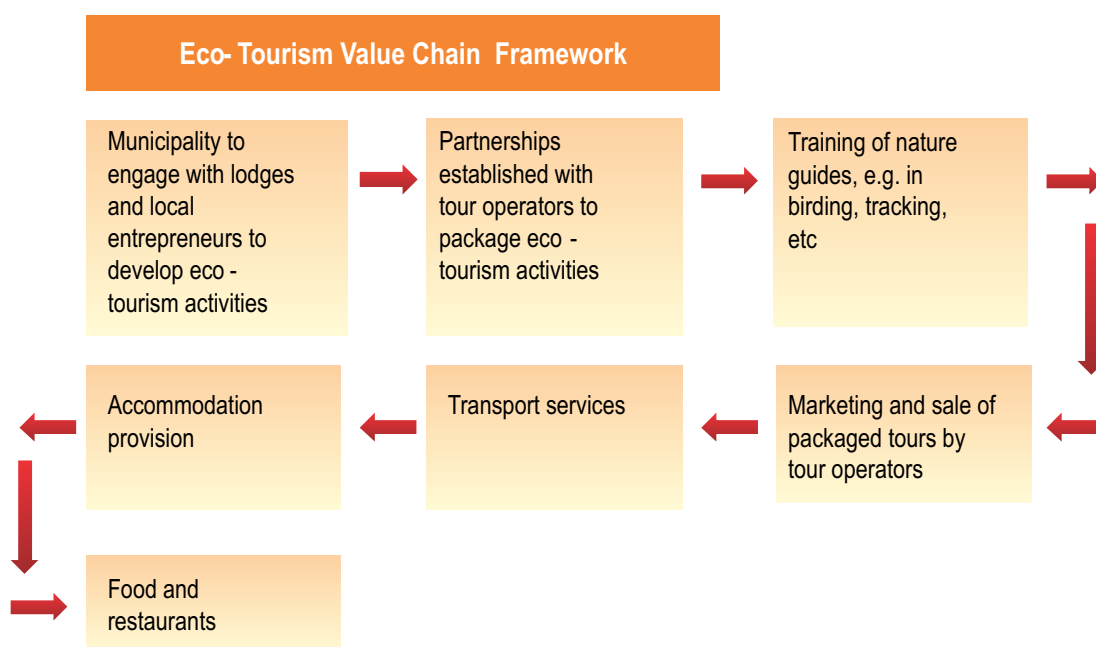
## Box 65: Key Eco-Tourism Opportunities



### i. Eco-Tourism Value Chain Framework

Matjhabeng's eco-tourism value chain framework is described below:

#### Box 66: Eco-Tourism Value Chain Framework



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### iii. Key Eco-Tourism Challenges

The following key challenges apply to the development of the eco-tourism sub-sector in Matjhabeng:

#### Box 67: Key Eco-Tourism Challenges

Municipality to engage with lodges and local entrepreneurs to develop eco - tourism activities

#### Key Challenges

- The eco -tourism attractions in Matjhabeng are currently not being leveraged
  - There are very limited eco-tourism related activities taking place, e.g. birding, boating, etc
-

## 7. Strengthening Stakeholder Partnerships

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The growth of the tourism sector in both Mangaung and Matjhabeng is essential if jobs are to be created through tourism.

In order for this growth to occur, it is essential that there are strong partnerships between the public and private sectors. Tourism investment by both these sectors should be co-ordinated and targeted so that returns on investment are maximised.

However, arising from the interviews that were conducted, it is very clear that the current relationships between the public and private sectors in the Free State are very weak. The following points emerged in this regard:

- i. There is an absence of co-ordination between the public and private tourism sectors.
- ii. Joint public-private partnerships to promote the province and to undertake tourism development initiatives are not in place.
- iii. Tourism development priorities have not been jointly identified and agreed.
- iv. A formalised communication structure representing both the public and private tourism sectors has not been established. Communications are therefore sporadic, often informal and unco-ordinated.

## 8. Summary And Way Forward

It is very clear that both Mangaung and Matjhabeng have substantial tourism development and growth potential, particularly in the focus sub-sectors. In this regard in Mangaung, and in respect of each of the focal sub-sectors:

- i. **Business Tourism:** there is a definite opportunity for attracting domestic conferences, exhibitions, etc. This opportunity is created by Mangaung's central strategic location, and its good infrastructure including the domestic airport. It also has a good supply of hotel and non-hotel accommodation. The municipality is also home to the Free State University and the Central University of Technology. The former has a very well-known and respected medical faculty, which would offer an opportunity to host medical conferences as well. Mangaung was once the location of choice for domestic conferences. This is a status that can certainly be regained.
- ii. **Cultural and Heritage Tourism:** Mangaung offers a rich combination of both ANC liberation history as well as Afrikaner history. It has Anglo-Boer war sites, a large number of very interesting museums and heritage architecture. It is also the city that will host next year's ANC Centenary Celebrations.  
This provides the city with a unique opportunity to showcase its diverse heritage offerings to the country and indeed to all international guests as well.
- iii. **Crafts:** There is unfortunately very limited information on the opportunity that exists to develop this sector. A Feasibility Study has not yet been done. However, the Free State has a reputation for the interesting and unique crafts that it produces.
- iv. **Sports and Events:** Mangaung currently has a number of sports facilities, and is home to popular football, rugby and cricket teams. Given these competitive advantages, Mangaung hosts a number of sports and entertainment events on an annual basis. The potential tourism impact of these events are however not being fully leveraged. This is due to factors such as:
  - Inadequate marketing campaigns aimed at attracting more visitors.
  - Inadequate sponsorship
  - Inadequate co-ordination of annual events
  - Weak public and private sector partnerships
  - Unsuitable venues

In respect of Matjhabeng, and the opportunities that exist in respect of each of the focal sub-sectors:

- i. **Events Tourism:** Matjhabeng is home to the popular Phakisa racetrack. The municipality is finalising a Memorandum of Understanding with Phakisa. Matjhabeng is also home to a number of events that attract a large number of domestic visitors, including motorsports events, Beach on the Track and the NAMPO agricultural show. It is only 2½ hours drive from Johannesburg. It is also home to the Griffins rugby team and has a 10,000 seater stadium, the North West Rugby Stadium.
- ii. **Mining Tourism:** Mining is in decline in Matjhabeng. The result is that mine shafts have become disused and therefore available for use as potential tourism attractions. Harmony Mines has a shaft that could possibly be used for tourism purposes, namely the President Steyn No. 2 Shaft. The shaft also has buildings that could be used for tourism purposes, such as accommodation. Harmony has however indicated that discussions would have to take place as a matter of priority in order to preserve these buildings.
- iii. **Agri-tourism:** In addition to mining, agricultural is also a large component of Matjhabeng's economy. Given the global trend towards rurally-focused and more responsible tourism, the farms around Matjhabeng provide an agri-tourism opportunity; In addition, the municipality has purchased a farm of over 600 hectares in Virginia, specifically for agri-tourism purposes.
- iv. **Eco-tourism:** Matjhabeng has a surprising large number of eco-tourism offerings. This includes a number of large water bodies, as well as local lodges and game farms. There has been an enormous growth in eco-tourism pursuits globally. These assets therefore provide a very important tourism opportunity to Matjhabeng.

However, in order to develop the tourism potential of each of the sub-sectors, the following key actions are recommended in Mangaung, to be led by the municipality and undertaken in partnership with the private sector:

- i. **Business Tourism:**
  - a. The development of a focused business tourism strategy that would guide the municipality in identifying the business tourism events that it could bid to host and that would also serve to co-ordinate business events in Mangaung.
  - b. The establishment of a joint public-private sector task team to develop this strategy.
  - c. Roll-out of training to tour operators on packaging and pricing of tours
  - d. Roll-out of training to tour operators, and tourism SMEs, on the tourist sales channel
  - e. The undertaking of a feasibility study for the establishment of a domestic conferencing centre.
  - f. Availability of the San du Plessis Theatre to local event organizers and upgrading of the facility.
  - g. The establishment of partnerships with tour operators to package and market tours to delegates attending business events.

- 
- ii. **Culture and Heritage Tourism:**
- a. The development of a comprehensive database of heritage sites.
  - b. Establishment of partnerships with local tour operators to develop, package and market heritage tours, particularly in the run-up to the ANC Centenary Celebrations.
  - c. Upgrading and maintenance of heritage sites by the municipality.
  - d. Training of tourist guides and site guides in particular.
- iii. **Craft:**
- a. A Feasibility Study that would assess the viability of establishing a crafts hub in Mangaung.
- iv. **Sports and Events:**
- a. The development of a comprehensive database of sports and entertainment event facilities in Mangaung.
  - b. The establishment of capacity, both human resources and financial, to:
    - Market Mangaung as a sports and events destination
    - Co-ordinate annual events
    - Support the marketing of events being hosted in Mangaung
  - c. Support tour operators to develop and market tour packages to event spectators and visitors

With regard to Matjhabeng, the following key actions, to be led by the municipality and undertaken in partnership with the private sector, are recommended for each of the focal sub-sectors:

- i. **Events Tourism:**
- a. The development of a tourism strategy that would include a strong focus on Events Tourism.
  - b. The creation of a tourism brand identity for Matjhabeng.
  - c. The development of tourism marketing collateral.
  - d. The development of tourist packages that could then be marketed in conjunction with the marketing of events, including Beach on the Track, but also sports events taking place at Phakisa.
  - e. The provision of Tour Operator training to SMEs wishing to operate as Tour Operators.
  - f. The establishment of a partnership between Phakisa, the municipality and the private sector to attract sports events to Matjhabeng, including water sports given the large number of large water bodies in the municipality.
  - g. The training of Tourists guides
  - h. The updating of the tourism product database of the municipality.
- ii. **Agri-Tourism:**
- a. An assessment of the state of the Virginia farm and the investment required to renovate it and to develop the agri-tourism potential of the farm.
  - b. A workshop with local farmers to explain agri-tourism and to gauge the level of interest.
- iii. **Mining Tourism:**
- a. An urgent assessment of the feasibility of developing mining tourism at President Steyn No. 2 Shaft.
  - b. The packaging of mining tours that would also include other sites of interesting, including Ventersburg.
  - c. The training of site guides.
- iv. **Eco- Tourism:**
- a. Engagement with local eco-tourism operators and tour operators to develop and market eco-tourism tours, including birding and boating.
  - b. Training of nature guides.
- v. **Organised Private Sector Representation:**
- a. In respect of Matjhabeng, it is also important to note that there are no tourism associations that have been established to co-ordinate private sector activities. It is very important that such a representative structure is established as a platform for a partnership with the municipality

## 9. Conclusion

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The important role of the tourism sector in stimulating economic growth and creating job has been recognized by both developed and developing countries. The fundamental reason for this is that increased tourist arrivals and spend positively impacts a range of complementary economic sectors, including construction, agriculture and motor manufacturing.

It is largely for this reason that tourism has become a highly competitive sector. At an international level, countries aggressively compete between themselves to increase their individual market share of tourist arrivals. This competitiveness has increased in response to prevailing economic conditions, with an increasing number of countries emphasizing the role of tourism in creating jobs and generating much needed foreign exchange inflows.

Such competitiveness does not only exist at the national level. In South Africa, where tourism has also been prioritized as a lead economic sector, there has been heightened competition between provinces and local authorities to increase their respective market share of international and domestic tourist arrivals. Within this context, it is unfortunate to note that the Free State has however experienced a decline in its tourism competitiveness, and consequently in its tourism market share. It is therefore one of the poorer performing provinces when it comes to tourism.

The Free State SME Development Initiative therefore provides the province with a unique opportunity through which to reverse this decline. This initiative focuses on actively leveraging the tourism assets of Mangaung and Matjhabeng respectively. There is no doubt, particularly within the sub-sectors that have been prioritized for these two areas, that there are rich tourism opportunities.

Leveraging these opportunities will however require a strong and focused public-private partnership. Such a partnership is critical in order to attract the investment that will be required to restore existing attractions and to develop new and exciting tourism products and offerings. Such a partnership will also be key towards ensuring that tourism marketing is coordinated and focused.

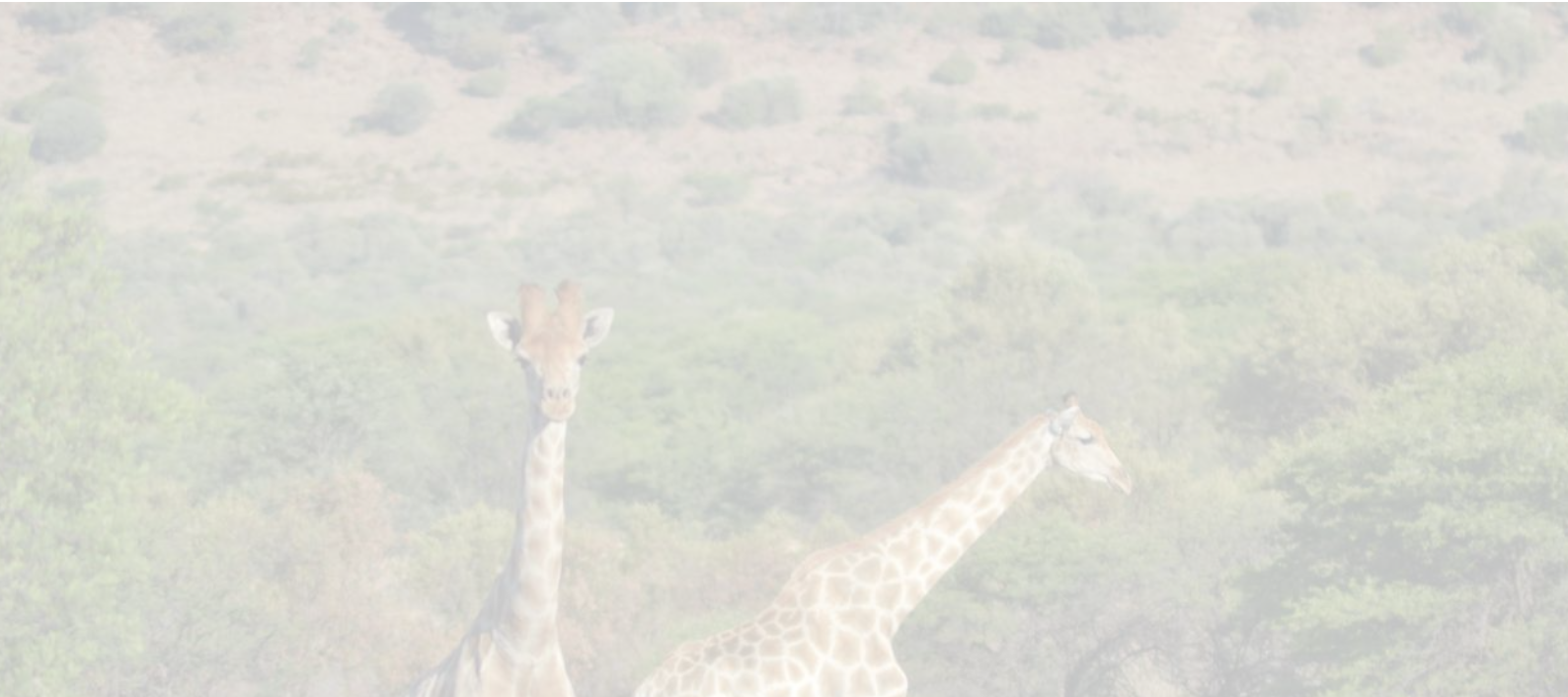
The current public-private partnership between tourism stakeholders in both Mangaung and Matjhabeng is weak. An immediate priority is therefore to build a much stronger working relationship between these two critical partners. The Free State SME Development Initiative offers a platform for such a partnership to be established.

In this regard, it is important to note that, through the extensive interviews that were conducted with both public and private sector organisations at national, provincial and local levels, it was evident that there was strong support for such a partnership. Each of the organizations that were consulted indicated a willingness to provide assistance and support where possible.

This willingness to work together must be sustained and strengthened. The Free State SME Development Initiative, through this report, has proposed concrete measures through which to achieve this. It provides a basis for establishing a competitive tourism sector in the Free State, and more importantly, a tourism sector that will stimulate economic growth and create jobs at the local level.



**The South Africa SME Observatory is a public-private-partnership established to inform evidence based advocacy and policy making for SME development. The Observatory is located at the Centre for Development Support at the University of the Free State**



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**The Free State SME Development Initiative is a partnership between the Department for Economic Development, Tourism and Environmental Affairs (Detea) and the International Labour Organization (ILO) and is funded by the Flanders International Cooperation Agency (FICA).**

