



ECONOMY

How to boost tourism in SA

If tourism is vital to our economy, what are the issues we need to address in order to draw maximum benefits from this industry? And, no, hosting mega-events is not the answer.

The optimism after the 2010 World Cup has given way to pessimism following the visa regulations saga that did nothing but hurt the local tourism industry. A rough calculation on recently released tourism numbers suggests that the additional rise in tourism numbers from the World Cup was completely nullified by the new visa regulations. (That blow has now been softened by changes to the regulations.)

Tourism is vital to our economy for at least two reasons: It's labour-intensive, and this labour is often female and unskilled. For roughly every nine tourists that visit South Africa, one job is created. More importantly, its impact is spatially dispersed. Labour-intensive manufacturing is almost always concentrated in large metropolitan areas. Tourists travel to Cape Town, but also to Clarence, Clanwilliam and Coffee Bay.

In a research paper published in *Local Economy*, Gareth Butler and Christian Rogerson report the results of interviews with black employees of tourism establishments in Dullstroom, known for its fly-fishing and agribusiness. The authors find that when most employees are recruited, they have little more than a high school certificate, but gain valuable skills through on-the-job training (mostly improving their computer literacy) or, for some, through more formal tertiary qualifications, including university degrees paid for by the employers. In short, the sector provides opportunities in areas where there are few alternative income sources.

What can be done to increase the numbers of tourists visiting SA? The most obvious answer is: make it as easy as possible for foreigners to temporarily enter our country. Enough has been written about the absurd visa regulations. But let me add: in an attempt to prevent child trafficking, the regulations have hurt far more South African children by reducing the income (possibilities) of their mothers, who would have found work in the tourism industry had more tourists entered. **Making it easy for tourists also includes better and affordable transport to the country. More flights might require competitive airport landing slots. So would efficient and safe border posts.** And once here, allow them to use services they trust, like Uber taxis and Airbnb accommodation (with the upshot of even more dispersed beneficiaries).

Advertising can help. Many countries try to boost their international image, for example, by hosting events. We did this with the 2010 World Cup and will again in 2022 with the Commonwealth Games. The tourism increases from the World Cup, as María Santana-Gallego and I show in a *Journal of Sports Economics* paper, were large and continued for a few years after the event. But a new paper

in the *Journal of Economic Perspectives* by two gurus of sports economics, Robert Baade and Victor Matheson, warns against hosting mega-events. They find that "in most cases the Olympics are a money-losing proposition for host cities; they result in positive net benefits only under very specific and unusual circumstances". The cost-benefit proposition is also worse for cities in developing countries, they say. Ouch. Those who dream of a Durban, Johannesburg or Cape Town Olympics take note.

Industry support, as with other sectors, seems to be of little help; often, the best governments can do for exports (tourism is formally known as travel service exports) is to ensure a safe and open business environment. One of the first reactions to the Paris attacks in November last year, for example, was the fear that terrorism will harm France's massive tourism industry. Paris was the world's third-most-visited city in 2015. France remains, by a large margin, the world's most-visited country. Travel and tourism services contribute 9.1% to its GDP (SA is slightly higher at 9.4%, but significantly below New Zealand, for example, at 17.4%).

The fear seems justified: of course tourists would prefer to travel to places where they are less likely to be killed, mugged, or even required to pay a bribe. And in a recent working paper, I (with two Spanish co-authors) find exactly that: a 1% increase in the ratio of terrorist attacks per 10 000 inhabitants reduces tourist arrivals by 2.3%. We find that the effects of terrorism and crime are greater for leisure tourism than for business tourism but that corruption affects only business tourism.

Safety and security remains a central concern when travelling to SA. Even though the statistics show that tourists are safe, the perception of safety is what matters most. (Consider the actual versus perceived threat of Ebola.)

The good news is that we also find that tourists from more unstable countries are more tolerant of terrorism, crime and corruption in the destination country. The rapidly expanding middle classes of China and especially India (cricket!) offer excellent opportunities for our tourism industry; on aggregate, the perception of crime and corruption, the statistics show, will have less of an effect on their decision to travel.

SA has many wonders to delight leisure and business tourists. Let's welcome them with open borders and convenient regulations. And if you're in the tourism industry, perhaps it's good to shift focus to new markets where perceptions of safety and security are less likely to play a deciding role. ■

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