

**AN ECONOMIC EVALUATION OF TOURISM: A CASE
STUDY OF ACCOMMODATION FACILITIES IN
SOUTHERN MAPUTALAND**

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ABSTRACT

The dissertation presents an economic analysis of tourism in the Southern Maputaland Biosphere Reserve. The aim of the study was to gather relevant information on the benefits and costs associated with the existing tourism operations in the sub-region, and to determine the broader impact of tourism on the local economy. The study sampled twenty private tourism operations ranging from upmarket game lodges to bed and breakfast facilities. The results of the study present a comparison of indicators of the economic impact and efficiency of tourism, such as revenue generation, annual rates of return on investment, employment creation and wage levels, between various types of tourism operations as well as between tourism as a land use option and other land use options. They also highlight the economic importance of the protected areas to the local tourism industry. In addition, the nature and extent of interaction between the sampled tourism operations and the local communities, as well as possible constraints on the expansion of the tourism industry in the region are examined.

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PREFACE

The work described in this dissertation was carried out in the Department of Economics, University of Natal, Pietermaritzburg, from February 1996 to October 1997, under the supervision of George W. Oldham (University of Natal, Pietermaritzburg) and co-supervision of Geert Creemers (Natal Parks Board.)

The study represents original work by the author and has not been submitted in any form to another University. Where use was made of the work of others it has been acknowledged in the text.

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CHAPTER 1: INTRODUCTION

This dissertation provides an economic evaluation of tourism in the Southern Maputaland Biosphere Reserve.¹ It is a case study of twenty private accommodation facilities, ranging from large luxury game lodges to bed and breakfast facilities. The study is a component of the Resource Economics Programme conducted by the planning division of the Natal Parks Board to ensure the adequate and economically optimal development of the tourism potential within the Southern Maputaland Biosphere Reserve. The aim of the study was to gather relevant information on the benefits and costs associated with the existing tourism operations in the sub-region, and to determine the broader impact of tourism on the economy.

The data collected for this study, together with the figures from the Natal Parks Board operations in the area, will be able to be used in the future to make projections of the total contribution of the tourism industry to the economy of Southern Maputaland.

1.1. RATIONALE BEHIND THE STUDY

As a component of Resource Economics Programme mentioned above, it was necessary to obtain information on the resources required to develop tourism, as well as the benefits generated from the tourism industry. No other data on the private tourism operations in the sub-region existed and the aim of the project was to obtain such data and to use it to evaluate tourism as an industry in the sub-region.

Land hunger in the sub-region is intense and many of the black communities that do not have access to agricultural land feel disadvantaged and argue that they have been wrongly dispossessed of their land. Land claims such as these can represent a serious threat to the conservation and tourism functions of the protected areas; and it has been acknowledged that it is essential that such claims be addressed. It is therefore important to examine the economic opportunities of

¹Throughout the dissertation I will refer to the Southern Maputaland Biosphere Reserve as the SMAT Bio.

alternative land uses and to assess how each of these land uses may benefit or disadvantage the local communities and the economy at large. This study allows for a comparison between tourism and other forms of land use in the area in terms of both revenue generation and employment creation. Various studies have been conducted to assess land use options such as agriculture, forestry and mining in the sub-region. However, few previous studies seem to have been conducted on the economic impact of tourism on the Southern Maputaland Biosphere Reserve. If it can be shown through such studies that ecotourism is the most efficient form of land-use in terms of its economic contribution to the region, it will help to persuade local communities to be involved with and accept the presence of the existing tourism operations as well as potential future operations in the region. In addition, strategies can be developed to ensure that the local communities and potential ecotourism operators work in harmony with one another so that they can both benefit socially and economically.

Ecotourism is already established as a leading economic activity within the sub-region and appears to have the potential for considerable growth. However, current planning is undertaken without adequate data on the benefits from tourism, such as employment and income creation, and the investments required to develop tourism in the region. This study allows an insight into the current economic contribution of private tourism operations to the region and allows for a comparison of this contribution to that made by the public operations run by the Natal Parks Board as well as a comparison between various private operators. Although the study focuses on the SMAT Bio particularly, the results are a useful contribution to studies on the economic contribution of tourism, and in particular, ecotourism, nation-wide.

The value of studying the sub-region in terms of development is expressed in the following: “This area, with its growing investment in ecotourism-tourism, represents an excellent opportunity in which to promote and launch a participative planning and development process in which all parties stand to benefit economically and in which concerns of sustainable environmental management can be seriously included in the development equation.” (A’Bear, et al; 1996, p.1.)

1.2. OBJECTIVES OF THE STUDY

The main objectives of the study were to:

- Compare the economic impact of the sampled private tourism operations to other land use options in the area in terms of revenue generation, employment creation and annual wage levels.
- Compare the economic impact of various types of private tourism operations in terms of revenue generation, expenditure levels, operational efficiency, employment creation and annual wage rates.
- Evaluate the contribution of the sampled private tourism operations to reducing unemployment in the study area.
- Evaluate the interaction between the private tourism operations and the local communities in the study area.
- Evaluate the importance of the protected areas to the existence of the private tourism operations in the study area.
- Examine the possible constraints on the expansion of the tourism industry in the study area.

1.3. OUTLINE OF THE DISSERTATION

This chapter introduces the study, provides a rationale for the study, outlines the objectives of the study and provides an outline of the dissertation itself.

Chapter two provides a theoretical outline of the tourism industry. It looks at the definition of tourism, the economic characteristics of the tourism industry, as well as both the positive and negative economic impacts of tourism on the economy. It then deals with tourism as a leading industry in South Africa, and in particular, KwaZulu-Natal.

The third chapter provides an outline of the research method and sample used in the study. It also includes an overview of the targeted study area from a socio-economic and demographic point of view and a discussion of the various other land use options in the area.

Chapter four examines both the historical and real values of investment by the private tourism operations. It compares investment per hectare, per bed, and per job between the various categories of operations and analyses planned future investment by the operations.

Chapter five examines the demand for tourism facilities in the study area by analysing all data relating to revenue earned by the sampled tourism operations. It outlines tariff and occupancy rates and compares three different methods of calculating revenue. Revenue per bed and per hectare is compared between the various categories of operations. In addition, revenue per hectare earned by private tourism operations is compared with revenue per hectare earned by other forms of land use, such as agriculture and forestry.

Chapter six outlines the supply of tourism facilities by analysing all data relating to annual expenditure in 1995/1996 by the sampled operations. The chapter outlines expenditure on wages, expenditure on supplies and services, as well as total annual expenditure, and uses these figures to compare expenditure per hectare, per bed, and per job between the various categories of tourism operations.

Chapter seven uses the investment, revenue and expenditure data from the previous three chapters to investigate the comparative operational efficiency of the sampled operations in terms of operating surplus and annual rates of return on investment. The importance of the protected areas to the existence of the sampled operations is also investigated in this chapter.

In chapter eight all employment related figures for both private tourism and agriculture in the area are compared to examine which land use option is more beneficial to local communities in terms of job creation and wage generation. A comparison is also made between the various categories of private tourism operations.

Chapter nine covers two final issues: The nature and extent of the interaction between the sampled private tourism operations and the local communities; and the possible constraints on the expansion of the tourism industry in the sub-region.

The final chapter attempts to provide a set of conclusions to the objectives set out in chapter one and provides a general synopsis of the results obtained in the study.

CHAPTER 2: TOURISM

2.1. DEFINITION OF TOURISM

Tourism has been defined in many different ways. The World Tourism Organisation (WTO) which is the lead agency responsible for standardised tourism definitions defines tourism as, “the set of activities of a person travelling to a place outside his or her usual environment for less than a year and whose main purpose of travel is other than the exercise of an activity remunerated from within the place visited.” (Creemers, G et al; 1997, p.3.) Similarly, tourism “may be thought of as the relationships and phenomena arising out of the journeys and temporary stays of people travelling primarily for leisure or recreational purposes.” (Pearce; 1981; pp 1.) Mathieson and Wall (1981) define tourism as, “the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs.”

The tourism industry consists of “the businesses and organisations involved in delivering the tourist product,” and “includes a broad range of sectors including; travel agents, tour operators, accommodation, food and catering, transport, manufacturers of tourism products such as sun cream, camera film and so on. These sectors interact to deliver the final tourism product and in the consequent receipt of economic benefits.” (Creemers, G et al; 1997, p.5.)

2.2. ECONOMIC CHARACTERISTICS OF THE TOURISM INDUSTRY

Tourism is often welcomed as an industry bringing needed foreign exchange, employment, and a modern way of life. Mathieson and Wall (1981) point out that there are a number of unusual and unifying particulars of tourism which make it distinguishable from other industries and international transactions.

Firstly, tourism is an invisible export industry as there is no tangible product which is shipped from one place to another and it is one of the few industries in which the consumer actually

collects the service personally from the place where it is produced. In consequence, the exporting destination incurs no direct freight costs outside its boundaries except where the transportation facility used by the tourist is owned by the destination.

Secondly, tourists visiting destination areas require ancillary goods and services, such as transportation facilities, water supplies and retail functions. These have to be created, expanded or imported, depending upon the availability of existing supplies and the nature and magnitude of the tourist demands.

Thirdly, tourism is a fragmented product, integrated with and directly affecting many other sectors of the economy. Tourists use and consume a spectrum of components, some of which are purchased from firms specialising in tourist businesses, some from firms in other industries, and some are derived at no direct cost to the tourist. Demands by tourists for specific items, such as souvenirs, stimulate local entrepreneurial activity, providing additional local employment and income.

Fourthly, tourism is an unstable export. It is subject to strong seasonal variations and the facts that the tourist product cannot be stored, and that tourist demand is seasonal lead to market fluctuations in levels of activity in the industry. This means that sufficient earnings must be made during the peak season to offset a decline in patronage for the remainder of the year. This cyclical pattern of demand for tourist goods and services has obvious implications for employment and investment. Tourism demand is also subject to change from unpredictable external influences. Long-distance pleasure travel is a luxury. Political unrest at particular destinations, changes in international currency exchange rates, energy shortages, and unusual climatic events can cause tourist traffic to divert to new destinations with more amenable conditions. Motivations of tourists are highly complex and vary among travellers and as a result, many tourists seldom travel to a particular distant destination more than once. The creation of product loyalty and the attraction of return visitors is therefore difficult.

2.3. THE ECONOMIC IMPACT OF TOURISM

Tourism effects on the economies of destination areas. The majority of studies on the economic impacts of tourism have been directed at international and national levels, with fewer investigations at regional and local levels. Most studies have emphasised the economic benefits which accrue to destination areas. The development of tourist facilities and recreational opportunities has often been viewed as a positive contribution to the national balance of payments in the destination country, and as a means of redressing regional disparities in incomes and employment.

A number of factors have contributed to the economic emphasis of a majority of tourist impact studies. Firstly, in comparison to physical and social impacts, economic impacts are relatively easy to measure as there are widely accepted methodologies for measuring economic impacts. Secondly, large quantities of relatively reliable and comparable data have been collected on the economic aspects of tourism. Thirdly, the emphasis on the economics of tourism, especially its benefits, reflects the widespread belief among agency personnel that tourism can yield rapid and considerable returns on investments and be a positive force in remedying economic problems. Governments, development agencies, financial organisations, planning departments and other groups that support and promote the tourist industry have often seen tourism as a means of counteracting the development challenges that they have been facing.

In order to assess the real economic impact of tourism, both positive and negative impacts must be taken into account:

2.3.1. Positive Economic Impacts of Tourism

a) The Multiplier Effect

The multiplier measures how tourist spending affects and stimulates other sectors. Visitor expenditures represent only the first stage of the economic impact of a destination country or

area. Just like other generators of basic income, tourism's contribution can multiply as the extra income passes throughout an economy. The figure attached as Appendix 1. provides a conceptual illustration of the multiplier effect of tourist spending in a local economy. The figure uses a hotel as a specific example, but the same concept would apply to any one of the game lodges surveyed in the sample used in this study. The hotel or lodge's earnings from visitors represent a "direct" infusion of tourist spending into the community, usually being presented as a single unit of currency. The proportion of this rand which the lodge passes on to its staff (represented by the household sector) and local wholesalers is called "indirect" earnings. These people, in turn, make local purchases with the revenues earned from the lodge and these become the "induced" earnings of the community. At each stage in the diffusion of tourist earnings some money leaks from the local economy to the national and international economies, and some is saved. The lodge, for example, can pass on only part of the initial tourist rand to the community because it needs to account for prior purchases of outside supplies, taxes and so on. Likewise, residents and wholesale and retail businesses will experience some income leakage with the arrival of their share of tourism earnings because of outside purchases and taxes. The tourist rand spent at the lodge can therefore penetrate the local economy, in this case, Maputaland, extensively, but in the process it is bound to dissipate due to leakages, and will eventually disappear.

The size of the multiplier is an important component of the economic benefit of tourism to the community, because it reflects how many times the impact of each tourist Rand goes around the local system before disappearing entirely through the various leakage channels. Its size will depend on the size and complexity of the local economy, the tourist industry's and resident's need to import, and the resident's propensity to save rather than spend these incomes.

b) Employment

The tourism industry is service-oriented and therefore labour intensive and it is therefore often argued that the development of the tourist sector should be encouraged as it will result in the employment of both skilled and unskilled workers. There are employment opportunities in hotels, and tourists spending money outside of their hotels create additional income earning opportunities

for curio shops, restaurants, and other entertainment facilities. The building of hotels and the upgrading of transportation, sanitation, and water supply facilities provides employment in construction. Increased demand for food could also increase the number of jobs in agriculture.

Three types of employment are generated by tourism:

- Direct employment results from visitor expenditures in tourist facilities, such as hotels, lodges and guest houses.
- Indirect employment is still in the tourist supply sector but does not result directly from tourist expenditures.
- Induced employment is the additional employment resulting from the effects of the tourism multiplier as local residents re-spend the additional money which they have earned.

c) The Balance of Payments

The balance of payments account for a country is a record of economic transactions during a time period of usually a year between residents of that country and the rest of the world. It takes into account the value of all goods, gifts, loans, foreign aid and gold coming into and leaving the country, and the interconnections between these items. It can be divided into two accounts: the current account and the capital account. Tourist expenditures, both within the home country and overseas, form part of the current account of the balance of payments. Many countries try to promote international tourism in order to improve their balance of payments position as the tourism industry is a major generator of foreign exchange. South Africa is one of the many countries that has experienced balance of payments problems over the last decade and any industry that is likely to generate foreign exchange is therefore liable to receive the support of the government.

d) *The Encouragement of Entrepreneurial Activity and Training Effects*

The tourist industry exhibits backward linkages and external economies often emerge. For example, improvements to local and regional transportation networks, water quality and sanitation facilities may have been prompted by the tourist industry but benefit other sectors of the economy. Tourism may also benefit property owners through positive effects on real estate prices. The extent to which the tourist sector can establish linkages with local entrepreneurs depends upon:

- The types of suppliers and producers with which the industry's demands are linked;
- The capacity of local suppliers to meet these demands;
- The historical development of tourism in the destination area;
- The type of tourist development.

The encouragement of entrepreneurial activity is generally regarded as a beneficial impact of tourist activity.

e) *The Improvement of Economic Structures*

The development of tourism regions is usually accompanied by other changes in the economic structure of destinations. The greatest changes in economic structure occur when the transformation is from an essentially primary producing economy to one dominated by tourism.

It must be noted that tourist development will give rise to different benefits in different areas due to the variations in the economic structures of destination areas and their geographical locations. The most obvious distinction is that between developed and developing areas. Developing countries usually have low levels of income, uneven distribution of income and wealth, high levels of unemployment and underemployment, low levels of industrial development which are hampered by the small size of the domestic market, a heavy dependence on agriculture for export earnings, and high levels of foreign ownership of manufacturing and service industries. The rapid injection of tourist expenditures and foreign investments into developing countries therefore often

has rather different and more significant effects than if equivalent sums were expended in developed economies.

Tourism in developing countries is, in most cases, a relatively new activity which has grown to significant levels over a very short period of time. Proponents of tourism development in developing countries argue that tourism can relieve the shortage of foreign exchange earnings constraining economic development; and can also alleviate problems of unemployment and, in the long term, provide a price and income elastic substitute for traditional exports which face less secure futures. However, as noted previously, tourism is also thought of to be an unstable export.

2.3.2. Negative Economic Impacts of Tourism

The two most important negative economic impacts of tourism as discussed by Creemers (1997) are inflation and an over-dependence on tourism.

a) Inflation

Inflation is the continuous and considerable rise in the general price level. It is negative for a country as it results in both an increased cost of living and production. As tourism continues to grow in a region, it makes increasing demands on the resources of the area, pushing the prices of these resources up and contributing to the inflation process. It must, however, be noted that if the effect of tourism was to strengthen the foreign exchange rate, it would be deflationary, rather than inflationary.

b) Over-dependence on Tourism

Many economies in developing countries become extremely dependant on the revenues earned from international tourism. If the tourism industry in these countries slumps, their economies stand to suffer dramatically. This can be avoided if countries focus on the development of other activities as well as tourism to give their economy diversity.

2.4. TOURISM AS A LEADING INDUSTRY IN SOUTH AFRICA

Tourism is claimed to be one of the largest, if not the largest industry and provider of jobs world wide. However, international interest in tourism in South Africa was severely affected by widespread sanctions against the previous government's apartheid policies, as well as the widely reported demonstrations and violence in South Africa. Despite the fact that violence is still relatively widespread, there has been a dramatic increase in interest in South Africa as a tourism destination in recent years due to the process of political transformation in the country. There appears to be considerable potential to increase current levels of tourism, and especially nature-based or ecotourism, in South Africa. Tourism is already an important industry in South Africa and it is currently estimated to contribute about 3 percent to Gross National Product (GNP) and its foreign exchange earnings of about R7 billion rank fourth highest in the national economy. If the industry's contribution grew to about 10 percent of GNP in the long term, its foreign exchange contribution could exceed 20 billion. As such, it would rival gold as the prime earner of foreign exchange in South Africa. (Liebenberg, L. et al. 1995, p.2.)

Within this general picture of the potential of tourism nature-based, or ecotourism, is particularly promising. As the world becomes more and more urbanised, more people are prepared to pay to have access to wilderness experiences and it is a fact that specialised ecotourists spend significantly more than "ordinary" tourists: whereas the average foreign tourist spends about R5800 in South Africa, a cursory survey of nature based tour packages shows that wealthy ecotourists may bring more than R15,000 per person into the country. According to SATOUR's *Summer 1995 Survey of South Africa's International Tourism Market*, the average foreign visitor spent 20 nights in South Africa and a total of R14 400 (per capita) on his/her trip of which 60 percent was prepaid in the home country and 40 percent spent in South Africa. Of this amount, R5 900 on average was paid towards the airfare. The estimated total amount spent in South Africa was R5 800 and the daily average spend approximately R300. A cursory survey of the organised travel trade specialising in nature tourism, indicated that in the case of four typical eco-itineraries aimed at a spread of market niches and involving approximately 1 170 travellers in the first six months of this year, the average daily spend per capita was R950. This is approximately 3

times higher than the SATOUR estimated average and is a strong indication that an 'ecotourist' is considerable more valuable to the South African economy than his or her 'average' counterpart. Tourism in Southern Maputaland is classified as ecotourism as it is nature-based.

Tourism's contribution to Gross Domestic Product (GDP) and Gross Geographic Product (GGP) and to employment at a national and regional level in comparison to other sectors is summarised in the following two tables.

Table 2.4.1: Sectoral Contribution to GDP (SA) and GGP (KZN)

Contribution to GDP / GGP 1994	SA	KZN
Manufacturing	23.4%	28.9%
Trade, catering	16.1%	17.2%
General Government	15.3%	13.9%
Finance, real estate	12.8%	11.8%
Transport, communication	7.6%	11.1%
<i>TOURISM</i>	<i>4.9% - 6.0%</i>	<i>9.3% - 11.7%</i>
Agriculture, forestry, fishing	4.7%	5.6%
Construction	3.2%	3.5%
Electricity, water	4.1%	2.1%
Other producers	2.1%	2.1%
Mining, quarrying	8.7%	1.9%
Community services	2.0%	1.9%

Source: CSS: The Economic Contribution of Tourism to the Province of KwaZulu-Natal, Creemers, G. et al, 1997

Table 2.4.2: Sectoral Contribution to Employment at National and Regional Levels

Contribution to Employment 1994	SA	KZN
Manufacturing	15,8 %	26,1 %
Agriculture/fishing/forestry	11,8 %	13,8 %
TOURISM	4,9% - 6,0 %	9,3 - 11.7 %
Domestic services	10,5 %	9,9 %
Wholesale and retail	11,5 %	8,6 %
Educational services	7,2 %	7,7 %
Construction	6,4 %	6,8 %
Transport	6,4 %	5,9 %
Other services	5,6 %	4,5 %
Medical services	5,2 %	4,4 %
Restaurant, hotel, entertainment	3,0 %	2,9 %
Armed forces	2,1 %	2,6 %
Finance	3,9 %	2,1 %
Electricity/water	1,9 %	1,6 %
Legal services	1,8 %	1,6 %
Mining	6,6 %	1,3 %
Other	0,3 %	0,2%

Source: Saldru: The Economic Contribution of Tourism to the Province of KwaZulu-Natal, Creemers, G. et al, 1997.

It must be noted that in the above two tables, the estimate for tourism's contribution has been arrived at by calculating the contribution of tourism to all the sectors shown in the table, such as trade and catering, transport and so on. It is evident from the above tables that tourism is the sixth highest contributor to GDP in the country and the third highest contributor to employment. This makes it an extremely important economic sector in the country. The importance of tourism in the province of KwaZulu-Natal is now discussed in more detail.

2.5. TOURISM IN KWAZULU-NATAL

The Final Report on the Economic Contribution of Tourism to the Province of KwaZulu-Natal (Creemers, G. et al, 1997), indicates the importance of tourism to the province and provides the following statistics: KwaZulu-Natal captures an estimated 28 percent of the total tourism expenditure in South Africa, making it the most important tourism province. The province dominates in the domestic market (32%) and is ranked third in terms of its foreign market share.

The report suggests that tourism is an important creator of jobs and estimates that the direct and indirect jobs created by tourism amount to between 9,3 percent and 11,7 percent of the total number of jobs in KwaZulu-Natal and the number of jobs created by tourism rivals those created by agriculture/forestry, as seen in table 2.4.2 above.

Tourism is estimated to contribute between 9,3 percent and 11,7 percent to the province's GGP. Therefore, at a regional level, the contribution of tourism to GGP exceeds that of agriculture, forestry and fishing together, and is more important than that of the construction sector. It also rivals the transport and communication sector in terms of its economic importance at a regional level.

Tourism in the province has excellent growth opportunities and under certain growth scenarios, the contribution to GGP could increase to around 11 to 13 percent. In employment terms, rough estimates suggest that this could create between 60 000 and 110 000 extra direct, indirect and induced jobs. However, tourism in the province is not classified as a separate form of economic activity and forms part of various sectors, including trade and catering, and transport and communications. The above figures are estimates of the potential of tourism as an independent sector of economic activity.

2.6. TOURISM IN THE STUDY AREA

The study area is the Southern Maputaland Biosphere Reserve², focusing on the magisterial districts of Ubombo and Hlabisa. The North-Eastern Zululand Regional Plan (ZAI, 1994) investigated tourism in and around the study area. The report points out that Zululand's share of foreign tourists has grown steadily in recent years due to the preference for the wildlife and flora of the area, and that this region includes a major share of the tourism resources of Natal, particularly conservation, as a trade mark of the study area is the true ecotourism opportunities available.

Various public sector parks and protected areas run by the Natal Parks Board, such as Mkuze Game Reserve and the Hluhluwe/Umfolozi Park are situated in and around the study area. In addition to this, many private tourism operations are available.

Spatially, the majority of tourists are accommodated in the Hlabisa district (69%) followed by Umfolozi (20%), Mtunzini (9%) and Ubombo (2%). The estimated total number of tourists that can be accommodated is 22 120 with 78 percent in the protected areas and surrounding reserves and 22 percent in urban areas. (ZAI, 1994)

The North-Eastern KwaZulu-Natal Tourism Scan of Hlabisa, Ingwavuma and Ubombo (work in progress) provides the following statistics on accommodation in and around the study area: A total of 11 243 beds are available in the area scanned in the above study. Of these, 10 percent are 'catered beds', 45 percent 'self-catered' beds and another 45 percent are 'camping beds'. The public sector controls 53 percent of the available beds, the private sector controls 46 percent and the community sector 1 percent.

²See attached map (Appendix.2.)

CHAPTER 3: SOCIO-ECONOMIC DESCRIPTION OF THE STUDY AREA, STUDY METHOD AND SAMPLE

3.1. THE STUDY AREA

The Southern Maputaland Biosphere Reserve is situated in northern KwaZulu Natal.³ It is an area encompassed by the sea, the Mkuze/Pongola river watershed, the N2 national road and the Hluhluwe river. The area includes ten tribal areas, State land and private farm land within its boundaries. The area is characterised by the stark differentials in levels of socio-economic development between the tribal areas and the neighbouring game ranches and game reserves. The sub-region contains a rich resource base which makes it well suited for various forms of ecotourism.

Two important characteristics of the study area are firstly, that it is populated by an extremely poor, third-world black rural population⁴ and secondly, that there is a relatively low potential for agriculture in the sub-region environment due to extensive areas of marginal soils and limited water supplies. A high proportion of this rural population is supported by subsistence farming and earnings from migrant labour. As mentioned in chapter one, land hunger in the sub-region is intense and many of the black communities that do not have access to agricultural land feel disadvantaged and argue that they have been wrongly dispossessed of their land. Land claims such as these can represent a serious threat to the conservation and tourism functions of the protected area; and it has been acknowledged that it is essential that such claims be addressed. It is therefore important to examine the economic opportunities of alternative land uses and to assess how each of these land uses may benefit or disadvantage the local communities and the economy at large.

³see attached map (Appendix 2.)

⁴Various tribes inhabit the rural lands, while the majority of black labour employed by the tourism operations originate from Ubombo and Hlabisa.

3.1.1. Socio-economic and demographic analysis

The socio-economic and demographic information that follows is a combination of data from the 1991 census (DBSA; 1995) as well as data and information published in an integrated development plan for the SMAT Bio (A'Bear, D.R.A, et al; 1996). All data concentrates on the socio-economic and demographic patterns in the magisterial districts of Ubombo and Hlabisa as these are the two magisterial districts from which the majority of black labour employed by the tourism operations originate.

a) *Population Size and Settlement Patterns*

In 1991, the population size of Ubombo and Hlabisa combined was 304,258. The majority of the population reside in the underdeveloped and economically unviable areas. Towns in the area serve no more than service centre functions, usually associated with such rural towns. The following table shows the population figures for the magisterial districts of Ubombo and Hlabisa, broken down into urban and non-urban settlement.

Table 3.1.1.1: Population Size and Settlement Patterns, 1991

Mag. District	Population	Urban	% Urban	Non-urban	% Non-urban
Ubombo	116,340	244	0,02 %	116,096	99,98 %
Hlabisa	187,918	7,067	3,76 %	180,851	96,24 %
Total	304,258	7,311	2,4 %	296,947	97,6 %

Source: 1991 Census (DBSA, 1995)

b) *Age/Sex Composition*

The population of the study area is generally young with approximately 62 % of the population below 20 years of age. Approximately 34 % of the population is in the cohort between the ages of 20 and 64 whilst there is a low percentage of aged (above 65 years.) This group (20 - 64 years

old) is generally considered to be available for employment, should adequate employment opportunities be created. Male/female ratio in the sub-region is 45:55.

c) Sectoral Composition of The Labour Force

The following table shows the sectoral composition of the labour force in Ubombo and Hlabisa. The total labour force is divided into three categories: Formally employed, unemployed, and active in the informal sector.

Table 3.1.1.2: Sectoral Composition of the Labour Force, 1991

Mag. District	Total Labour Force	Formally Employed	%	Unemployed	%	Active in Informal Sector	%
Ubombo	15,758	7,848	49,8 %	6,776	43 %	1,134	7,2 %
Hlabisa	29,994	15,092	50,3 %	9,296	31 %	5,606	18,7 %
Total	45,752	22,940	50 %	16,072	35 %	6,740	15 %

Source: 1991 Census (DBSA, 1995)

As can be seen from the table above, the total labour force in Ubombo and Hlabisa amounts to 45,752 people, 50 percent of whom are formally employed, 35 percent unemployed, and 15 percent active in the informal sector. It will be shown in further chapters that the sampled private tourism operations employ a total of 771 people. This constitutes 3,36 percent of the total number of people formally employed in Ubombo and Hlabisa.

d) Economically Active

As shown in tables 3.1.1.1 above, the total population of Ubombo and Hlabisa in 1991 was 304,258. 142,836 of this population are between the ages of 15 and 64 (DBSA, 1995). Table 3.1.1.2 shows that the total labour force was 45,752. Therefore, only 32 percent of the

population between the ages of 15 and 64 are economically active, or participating in the labour force.

e) Formal Employment by Kind of Economic Activity

Tourism is a component of various sectors of economic activity, but falls predominantly into the trade and catering and services sectors. The following table shows the amount of people in Ubombo and Hlabisa who are formally employed in the trade and catering and services sectors.

Table 3.1.1.3: Formal Employment by Kind of Economic Activity, 1991

Mag. District	Trade and catering	% of Formal Employment	Services	% of Formal Employment
Ubombo	948	12 %	3,299	42 %
Hlabisa	1,867	12 %	6,191	41 %
Total	2,815	12 %	9,490	41 %

Source: 1991 Census (DBSA, 1995)

As shown above, 12 percent of formally employed people in Ubombo and Hlabisa are employed in the trade and catering sector, with 41 percent employed in the services sector. Tourism primarily falls under trade and catering, which implies that tourism is generating below 12 percent of formal employment in Ubombo and Hlabisa. As already mentioned, the sampled private tourism operations employed 771 people, which constitutes 27 percent of those formally employed in trade and catering in Ubombo and Hlabisa.

f) Occupational Distribution of the Labour Force

Table 3.1.1.4 shows the occupational distribution of the labour force in Ubombo and Hlabisa.

Table 3.1.1.4: Occupational Distribution of the Labour Force, 1991

Mag. District	Total Labour Force	Proff, semi-proff, tech	Man, exec, admin	Cleric & sales	Trans, com	Serv	Farm	Artisa ns & app	Prodn & lab	Unspe cified
Ubombo	15,758	8 %	1 %	8 %	3 %	11 %	20 %	2 %	12 %	35 %
Hlabisa	29,994	7 %	2 %	8 %	4 %	14 %	18 %	3 %	12 %	32 %
Total	45,752	7 %	2 %	8 %	3 %	13 %	19 %	3 %	12 %	33 %

In total, the majority of the labour force in Ubombo and Hlabisa work in services, farming, production, as a labourer, or their occupation is unspecified.

g) Unemployment

As shown in table 3.1.1.2. above, Ubombo and Hlabisa have a high unemployment rate, with 35 percent of the population being unemployed and 15 percent of the population active in the informal sector. The unemployment rate of 35 percent in Ubombo and Hlabisa is higher than the unemployment rate in Zululand in total, which is 30 percent. Unemployment is therefore a serious problem in the study area. This indicates the failure of economic growth strategies to generate job opportunities and the increasing inability of the agricultural sector to absorb large pools of unskilled labour. It is therefore important to examine the extent that tourism can contribute to alleviating the problem of unemployment in the area.

h) Income

The buying power of the population is limited, with only 5 % earning between R1000 and R2900 per annum and another 2 % earning between R100 and R 999 per annum. With an annual per capita income of only R693, it is possible that there is a high dependence on remittances, pensions and subsistence agriculture.

i) *Dependency Ratio*

As the percentage of economically active is rather low, it follows that the dependency ratio will be relatively high. In 1991, the study area had a dependency ratio of 5,1. In other words, every employed person in the study area, is supporting, on average, 5,1 other people.

j) *Education Profile*

The level of education provides an indicator of the employability of labour and their ability to compete in the labour market. The figures from the 1991 census (DBSA, 1995) show that 34 percent of the total labour force in Ubombo and 27 percent of the total labour force in Hlabisa have no education at all. Only 30 percent of the labour force in Ubombo and 34 percent of the labour force in Hlabisa have education to secondary school levels.

This trend of low education levels in Southern Maputaland is likely to continue as a very high percentage of school aged children are not attending school. The DBSA study shows that 23 % of ages 10 to 14 years are not attending school. If these low education levels are taken into account, it is important to examine whether or not the sampled tourism operations require high levels of education for employment.

3.1.2. Land-Use Options

This section outlines various other land-use options. Each option is examined in the context of KwaZulu-Natal and if possible, the sub-region itself. As mentioned above, the two most relevant magisterial districts in the study are Ubombo and Hlabisa as all targeted operations fell under one of these two districts. Where possible, agricultural data for each of these two districts has been included. More detailed figures on the viability of various land-uses are included in later chapters.

The following table shows agricultural land use by magisterial district for Ubombo and Hlabisa.

Table 3.1.2.1: Agricultural Land Use By Magisterial District

Land Use	Ubombo Area (Ha)	Hlabisa Area (Ha)	Total	% of Total
veld	60,043	52,264	112,307	62,13 %
dryland crops	8,495	24,412	32,907	18,24 %
irrigated crops	1,553	7,761	9,314	5,15 %
dry pasture	0	801	801	0,44 %
irrigated pasture	0	121	121	0,06 %
dry orchard	0	394	394	0,21 %
irrigated orchard	0	54	54	0,03 %
plantations	0	14,191	14,191	7,85 %
unclassified	409	10,253	10,662	5,89 %
Total area	70,500	110,251	180,751	100 %

Source: Agriquest, 1981: North-Eastern Zululand Regional Plan, ZAI, 1994

From the above table it is clear that field crops (veld and dryland crops) are by far the dominant agricultural product in the study region. It is also clear that all agricultural activities that require irrigation constitute a negligible sum of the total agricultural land use, due to the limited water supplies in the region Table 3.1.2.2 breaks down the details of the main agricultural activities by magisterial district.

Table 3.1.2.2: Details Of Main Agricultural Activities By Magisterial District

Major Enterprises	Ubombo Area (Ha)	Hlabisa Area (Ha)	Total	% of Total
Maize	6	19	25	0,03 %
Sugarcane	926	14,565	15,491	18,78 %
Gums and Pine	0	13,986	13,986	16,96 %
All pastures	9	841	850	1,03 %
Miscellaneous foodcrop	3	54	57	0,06 %
Vegetables	146	134	280	0,33 %
Irrigated	1,704	7,223	8,927	10,82 %
Beef Cattle	15,434	21,126	36,560	44,33 %
Dairy Cattle	10	819	829	1,05 %
All sheep	3,189	2,262	5,451	6,61 %
Total	21,427	61,029	82,456	100 %

Source: Agriquest, 1981: North-Eastern Zululand Regional Plan, ZAI, 1994.

It can be seen from the above table that sugarcane, timber and cattle are the main agricultural activities in the Ubombo and Hlabisa districts. A brief outline on the significance of agriculture, sugar, and forestry in the province is now provided.

a) Agriculture

South Africa is regarded as a marginal crop raising region but KwaZulu-Natal is relatively well-endowed with natural resources and has a medium to high agricultural potential. Seventeen percent of the 7 million hectares of agricultural land is potentially arable. 6,5 percent is best suited for forestry and the rest is classified as natural pasture. There are however severe constraints placed on agricultural production in the northern parts of KwaZulu-Natal, particularly in the Mkuze and Hluhluwe catchment areas. A combination of low rainfall and high evapotranspiration together with the limited availability of high potential soils and irrigation potential suggests that prospects for substantial agricultural development are poor. (May, 1995)

b) Sugar

In KwaZulu-Natal, sugar cane production is the largest of the province's agricultural activities. In employment terms, sugar is a strategic product for South Africa and it is estimated that approximately 143 000 people are directly employed by the sugar industry and in excess of 1 million people indirectly rely on the sugar industry for their survival (SASA, 1993/4a, 16). The bulk of sugar cane growing and milling currently takes place in KwaZulu-Natal. However, the availability of potential sugar cane farming land is a growing problem. There is considerable potential for small scale sugar growing in the sub-region and May (1995) notes that sugar production is certainly a possible economic activity within the Greater St. Lucia Region, although limited by the nature of soils and access to mills.

c) Forestry

South Africa has a highly developed forestry sector that makes a large contribution to agricultural output. 42 percent of the country's timber resources is grown in KwaZulu-Natal, creating 85 000 direct jobs (Breen,C, 1997). However, as seen in both tables above, none of the Ubombo district, which comprises the majority of the sub-region, is under plantation.

d) Summary

There is a high production of sugar-cane, timber, beef, game and pineapples in the study area. However, the agricultural potential for the region is associated with dryland farming practices, which are dependant upon the availability of natural resources, such as the amount and frequency of rainfall, and the availability of water for irrigation (ZAI, 1994). For these reasons, it is often argued that tourism may be a better land use option for vast areas of land in the region as agriculture seems to have limited potential.

3.2. STUDY METHOD AND SAMPLE

3.2.1. Study Method

A survey⁵ was compiled and posted to various private game reserves, lodges and guest houses listed in the study area. A covering letter from the resource economist at the Natal Parks Board accompanied each survey. This letter outlined the project and emphasised that all information gathered would be treated confidentially. It requested that the surveys be returned by the end of July 1996 and pointed out that I would be visiting the region during August 1996 to follow up on the questionnaires and to answer any questions or address concerns that any of the operators might have. At the end of July, I phoned each operator, either to confirm that they had received the survey if it had not yet been returned or to make appointments to see them while I was in the area. 81 percent of the sample were co-operative and the final sample included 20 operations ranging from large luxury game lodges to small guest houses, with a total number of beds amounting to six hundred and sixty-four.

I spent a week in the Southern Maputaland Biosphere Reserve during the month of August 1996 in order to follow up on the surveys and to experience for myself the impact that the tourism industry has on the economy of the sub-region. I visited four operations each day and conducted private interviews with each of them at their game lodge or guest house. Most operators made a strong attempt to complete the questionnaires to the best of their ability, but a few were concerned about the confidentiality of certain figures such as wage bills. Where data was omitted, I have made reasonable estimates using the data from other operations as many of the operations were similar in structure to one another. The private interviews were of extreme significance to the success of the project as it was much easier to persuade operators to release information when I was there to explain the purpose of the project to them in person, and the bulk of the surveys were either completed for the first time or collected on my trip.

3.2.2. Sample

The map attached as Appendix.4. shows clearly all the existing accommodation as well as planned accommodation and development opportunities in the region. The target study area concentrated on those operations clustered around the towns of Hluhluwe and Mkuze. The table that follows provides a summary of all the operations to which surveys were sent. In order to capture my target sample, I contacted the Hluhluwe Tourism Association, who provided me with a list of all available private accommodation in the SMAT Bio. As can be seen from the map attached as Appendix.4, there are more available operations in nearby regions, for example, in and around the towns of Mtubatuba and St. Lucia, than the amount contacted for the survey. Those that were not contacted, either fell slightly outside the SMAT Bio region, or were not listed by the Hluhluwe Tourism Association at the time of sampling. The operations listed in bold print are the ones that responded to the survey and who therefore form the sample of the study. There are 21 operations listed in bold print, however, the sample only consisted of 20 operations. This is because sights H1 and H2 are actually one single operation. Sight H14 was contacted and responded to the survey but was not included in the results as this operation provided accommodation for school trips to the region and is therefore not, in effect a tourism operation. As can be seen from the table, 6 operations that were sent the surveys, refused to respond, primarily for reasons of confidentiality.

Surveys were sent to 821 beds (28 operations)⁵. The final sample consisted of 664 beds (20 operations). The sample therefore represents approximately 64 percent of the available beds (1038 private beds fall under the districts of Ubombo and Hlabisa) and shows a 81 percent response rate (on a per bed basis).

⁵A copy of the survey is attached as Appendix.3.

⁶In 1996 it was estimated that approximately 882 private beds were available in the region (A'Bear et al, 1996), however, the North-Eastern KwaZulu-Natal Tourism Scan of Hlabisa, Ingwavuma and Ubombo (work in progress) lists 1038 available private beds under the magisterial districts of Ubombo and Hlabisa. It can be argued that some

As mentioned above, the final sample included twenty private tourism operations located in the Southern Maputaland Biosphere Reserve, ranging from large, luxury game lodges to small guest houses. I have classified the operations into three categories: upmarket operations, middle market operations, and bed and breakfast facilities.

- *Category.1: Upmarket operations:* 3 operations. These operations were large, luxury game lodges that charged a bednight rate of over R500,00 per night and are therefore aimed at upmarket South Africans and foreign tourists.
- *Category.2: Middle market operations:* 9 operations. These ranged from fairly luxury game lodges to smaller hunting lodges or bush camps, aimed more at an average market.
- *Category.3: Bed and Breakfast facilities:* 8 operations. This category included very small lodges, guest houses and bed and breakfast facilities.

Table 3.2. Available Private Operations In The Study Area (refer to map - Appendix.3.)

MD	Sight No.	Location	Name	Classification	Bed No. Catered	Bed No. Self-Catered
H	1	Bushlands area	Emdoneni Lodge	Middle market	8	
H	2	Bushlands area	Sunseekers Safari's	Middle market		12
H	3	Bushlands area	Dumazulu Lodge	Middle market		40
H	4	Bushlands area	Malala Lodge	Middle market		24
H	5	Bushlands area	Isinkwe Lodge	B & B		8
H	6	Bushlands area	Bushlands Game Lodge	Middle market	45	
H	7	Bushlands area	Bonamanzi Game Park	Middle market		84
H	12	Hluhluwe Town	Hluhluwe Inn	Middle market	103	
H	13	Hluhluwe west	Zululand Tree Lodge	Upmarket	60	
H	14	Hluhluwe west	Ubizane Beehives			40
H	19	False Bay area	Waterpan Haven	B & B	26	
H	20	False Bay area	Falaza Game Park		16	
H	22	False Bay area	Pondsvie Lodge	B & B	8	
H	23	False Bay area	Ezulweni Lodge			24
H	26	False Bay area	Lakeview Lodge	B & B	8	
H	27	False Bay area	Kleinbegin		8	
H	28	False Bay area	Uncle Jim's Cottage	B & B	4	
H	32	Ngweni	Zulu Nyala Lodge	Upmarket	70	
H	35	Mkuze South	Fanie Roberts Reserve			20
H	39	Mkuze South	Phinda Resource Reserve	Upmarket	72	

H	45	Mkuze South	Sungulwane Game Lodge		14	
U	46	Mkuze South	Sungulwane Game Ranch	Middle market		22
H	47	Mkuze South	Itendele Cottage	B & B		9
U	49	Mkuze South	Tiekiedraai Cottage	B & B		4
U	51	Mkuze South	Mkuze Nyala Lodge		35	
U	52	Mkuze South	Hinterland Guest House	B & B	15	
U	53	Mkuze South	Abu Madi Game Ranch	Middle market		26
H	54	Hluhluwe	Glen Gweni		10	
U	55	Mkuze South	Shukuza		24	
H	Not on map	Mkuze South	Pumulanga Game Reserve	Middle market	16	

Source: My own data combined with data from “North-Eastern KwaZulu-Natal Tourism Scan - Hlabisa, Ingwavuma and Ubombo,” LAPC/CROP, Work in progress.

The total number of beds surveyed therefore amounted to 664; with category 1 consisting of 202 beds, category 2 consisting of 380 beds, and category 3 consisting of 82 beds. The average tariff per category as well as more detailed information on each category is dealt with in the following chapters.

CHAPTER 4: INVESTMENT ⁷

This chapter examines both the historical and real values of investment by the private tourism operations. It compares investment per hectare, per bed, and per job between the three categories of operations and analyses planned future investment by the operations.

4.1. ACCUMULATED INVESTMENT IN LAND AND INFRASTRUCTURE

Each operation was required to indicate the historical value of their investment (how much they spent on their land and their infrastructure). The following table indicates the breakdown of total past investment by category as well as investment per hectare, per bed and per job.

Table 4.1: Past Investment (Given figures)

Cat	Past Investment in Land	Past Investment in Infrastructure	Total Past Investment	Investment per Hectare	Investment per bed	Investment per job
Cat.1.	R 35,466,000	R 36,600,000	R 72,066,000	R 3,603 / hectare	R 356,762 / bed	R 163,045 / job
Cat.2.	R 20,120,000	R 7,790,000	R 27,910,000	R 3,138 / hectare	R 73,447 / bed	R 93,344 / job
Cat.3.	R 3,119,500	R 2,520,000	R 5,639,500	R 1,122 / hectare	R 68,774 / bed	R 84,000 / job
Total	R 58,705,500	R 46,910,000	R 105,615,500	R 3,113 / hectare	R 159,059 / bed	R 136,985 / job

The historical value of investment per hectare, per bed and per job is higher in category one than in the other two categories. This is due to the fact that category one consists of upmarket

⁷All results are figures as they stood at the time of the survey (July 1996). All annual data is for the financial year 1995/1996.

operations where the quality of infrastructure is better and the size of land is greater than the operations in the lower two categories.

4.2. LAND SIZE (HECTARAGE) PER CATEGORY

Table 4.2. shows the total amount of hectares owned by the operations by category and in total.

Table 4.2: Hectarage

Category	Hectares	Average Hectares / Operation
Category.1.	20,000 hectares	6,667 hectares / operation
Category.2.	8,895 hectares	988 hectares / operation
Category.3.	5,027 hectares	628 hectares / operation
Total	33,922 hectares	1,696 hectares / operation

The most salient feature of the above table is the vast difference between the amount of hectares per operation between category one and the other categories. Each operation in category one has invested in almost seven times the size of land as those in category two. The significance of this will be examined in following chapters.

4.3. REAL VALUE OF HISTORICAL INVESTMENT

The real 1995 value of past investment can be calculated by updating the historical value of investment for inflation. When comparing investment per hectare, bed and job between categories, it is more accurate to use these figures. Each operator indicated the year in which they purchased their land as well as the years in which the infrastructural developments were made. The figures given by each operator were therefore updated for inflation.⁸ The real values of past investments are therefore obviously far higher than the given past investment figures in table 4.1. above.

⁸This was done using the CPI for each year (South African Reserve Bank, 1996). For example, an infrastructural investment made in 1991 was updated to 1995 figures using inflation rates of 13,9 % for 1992, 9,7 % for 1993, 9 % for 1994, and 9 % for 1995.

It must be noted that it is uncertain whether or not land values can be accurately updated for inflation using the Consumer Price Index, as has been done below. An alternative is to use the Producer Price Index for farming, forestry and fishing for the relevant period. This method, however, results in a negligible difference from the method used to obtain the figures in the table below. The CPI has therefore been used throughout.

Table 4.3: Constant 1995 Value of Past Investment

Cat	Past Investment in Land	Past Investment in Infrastructure	Total Past Investment	Investment per Hectare	Investment per Bed	Investment per Job
Cat. 1.	R71,672,082	R 42,710,163	R114,382,245	R 5,719 / hectare	R 566,249 / bed	R 258,783 / job
Cat. 2.	R44,267,135	R 9,515,357	R 53,782,492	R 6,046 / hectare	R 141,533 / bed	R 179,875 / job
Cat. 3.	R12,104,226	R 3,686,034	R 15,790,260	R 3,141 / hectare	R 192,564 / bed	R 526,342 / job
Total	R128,043,443	R 55,911,554	R183,954,997	R 5,423 / hectare	R 277,041 / bed	R 238,593 / job

It is interesting to note that, using the given historical investment figures, category one invested a higher value per hectare than category two. However, once the figures are updated for inflation, category two has invested higher amounts per hectare than category one. This is because most of the category two operations were established prior to those in category one. Category one operations have still invested more per bed and per job than category two and three operations.

4.4. PLANNED FUTURE INVESTMENT

The operators were also asked to indicate whether they had any future investment plans as well as the nature and value of such plans. 12 of the 20 operators had future development plans. The following table provides a summary of this information.

Table 4.4: Planned Future Investment

Operation	Classification	Present number of beds	Value of proposed investment	Nature of proposed investment
Operation. 1.	Upmarket	72	R 10,3 million	Increased number of beds (+/- 40) & new lodge
Operation. 2.	Upmarket	70	R 1 million	Upgrading & expanding
Operation. 3.	Upmarket	60	R 3 million	Upgrading & expanding
Operation. 4.	Middle market	84	R 550,000	Upgrading existing facilities
Operation. 7.	Middle market	16	R 500,000	Expanding (new lodge)
Operation. 8.	Middle market	20	R 750,000	Additional 8 beds
Operation. 9.	Middle market	26	R 60,000	Upgrading
Operation. 10.	Middle market	24	R 140,000	Additional 8 beds
Operation. 11.	Middle market	22	R 150,000	Upgrading & expanding
Operation. 14.	B & B	8	R 30,000	Upgrading
Operation. 16.	B & B	9	R 15,000	Upgrading
Operation. 17.	B & B	26	R 90,000	Additional 6 beds
Total	-	-	R 16,585,000	-

There are marked differences in the figures indicated by some of the operators. For example, both operation 8 and operation 10 are middle market operations and both have indicated that they intend expanding there operations by adding an additional eight beds; however, operation 8 has

indicated that the value of such an expansion is R 750 000, while operation 10 has indicated that the same level of expansion is valued at R 140 000. A difference in value of R 610 000, however, seems excessive, and I therefore queried both of the operations on the given figures which they confirmed. Even though both operations are classified as middle market operations due to their tariff rates, operation 8 charged a higher rate than operation 10 and the quality of its accommodation was superior to that of operation 10. After visiting the operations, it also became clear that operation 8 was not only adding 8 beds, but was also upgrading the existing facilities.

The difference in the standards of the two expansion projects was also noticeable, with operation 8 appealing to a more up-market or foreign clientele. All the above reasons provide explanation for the difference in expansion values.

The table above indicates that in total over R 16 million will be spent on future investments. Using the average investment per job ratio as shown in table 4.3. above, this implies that the planned future investment should give rise to an additional 70 direct jobs in the private tourism sector in the region. The significance of this is examined in further detail in chapter eight.

4.5. SUMMARY

In summary, the following three conclusions can be drawn with regard to investment by the private tourism operations:

- Category one operations invested in larger areas of land per operation than those in category two and three. This investment provides category one operations with the opportunity of expanding in the future.
- In real terms, category one operations made larger investments per bed and per job than the other categories, whereas category two operations made the largest investments per hectare.
- An additional 70 direct jobs may be created as a result of the planned future investment by the private tourism operations.

CHAPTER 5: THE DEMAND FOR TOURISM FACILITIES

This chapter examines the demand for tourism facilities in the study area by analysing all data relating to revenue earned by the sampled private tourism operations. As most operators were only able to provide their revenue statistics for the most recent financial year and due to the fact that certain operations had only been in existence for just over a year, this chapter only analyses the demand for tourism facilities in a particular year (1995/1996). It outlines tariff and occupancy rates and compares three different methods of calculating revenue. Revenue per bed and per hectare is compared between the three categories of operations. In addition, the revenue per hectare earned by private tourism operations is compared with the revenue per hectare earned by other forms of land use, such as agriculture and forestry.

5.1. BED NUMBERS AND TARIFFS

As mentioned above, the total number of beds surveyed was 664. The following table shows the breakdown of bed numbers as well as the average tariff rate per bednight by category.

Table 5.1: Bed Numbers and Average Tariff Rates per Bednight

Category	Number of Beds	Weighting	Average Rate per Bednight
Category.1.	202	0,31	R 695,00
Category.2.	380	0,57	R 274,88
Category.3.	82	0,12	R 99,37
Weighted Ave.	664	1,00	R 384,06

It may be worth noting that in the months immediately after the survey was conducted, two of the operations in category one increased their tariff rates significantly. These increases brought the average rate in category one up to R 895,00 and the total weighted average rate up to R 446,06.

5.2. OCCUPANCY -

Each operation was asked to indicate their occupancy figures for 1995/1996. The table below shows occupancy by category and on average.

Table 5.2: Occupancy

Category	Weighting	Occupancy
Category.1.	0,15	64 %
Category.2.	0,45	59 %
Category.3.	0,4	26 %
Total	1,00	46,55 %

Category one and two operations are achieving higher occupancy rates than the operations in category three. There is therefore obviously a closer matching of supply and demand for the different types of accommodation in categories one and two than in category three. The operations in category three are predominantly bed and breakfast operations situated on small areas of land with few activities, such as game viewing, to offer guests. Tourists to the region may be more attracted to larger operations that have a greater range of activities to offer them, while the type of operation in category three may appeal more to passing businessmen or tourists that are in the region for short periods of time. This may account for the lower occupancy rate in category three.

5.3. TOTAL REVENUE AND COMPONENT PARTS (1995/96)

Revenue figures for 1995/1996 are shown below. In the first set of figures, the operators were asked to indicate their revenue figures for 1995/1996; and were also asked to divide the total figures into various categories, indicating the source of the revenue. The six categories are: accommodation, food, curios, game and viewing drives, bar, and other. The following table shows the revenue figures that were given by the various operators for 1995/1996 by category and in total.

Table 5.3.1: Total Revenue (1995/1996) and Sources of Revenue (Method.1 - given figures)

Cat	Revenue	% Accom	% Food	% Curios	% Drives	% Bar	% Other
Cat.1.	R 18,576,000	60 %	10 %	6 %	14%	6 %	4 %
Cat.2.	R 12,894,663	63 %	16 %	2 %	2 %	0 %	17 %
Cat.3.	R 410,000	71 %	22 %	0 %	0 %	0 %	7 %
Total	R 31,880,663	66 %	17 %	2 %	3 %	1 %	11 %

Accommodation clearly provided the greatest source of revenue for the operators, while food also provided a substantial source of revenue. It is clear that category three as a whole does not offer curios, game drives or bar facilities. This is primarily due to the fact that this category consists of bed and breakfast facilities with the main aim of providing short-term accommodation and not an entire “tourism experience” as such. Food provides a larger source of revenue as you move from category one to category three due to the fact that most of the operations in category one provided meals as part of the accommodation fee, whereas in category three most meals were optional.

The following table shows the revenue figures as given by the operators, as well as average revenue per operation and average revenue per bed.

Table 5.3.2: Average Revenue per Bed and per Hectare (Method.1. figures)

Category	Total Revenue	Ave. Rev. per Operation	Ave. Rev. per bed	Rev. per hectare
Category.1.	R 18,576,000	R 6,192,000 / operation	R 91,960 / bed	R 929 / hectare
Category.2.	R 12,894,663	R 1,432,740 / operation	R 33,933 / bed	R 1,450 / hectare
Category.3.	R 410,000	R 51,250 / operation	R 5,000 / bed	R 82 / hectare
Total	R 31,880,663	R 1,594,033 / operation	R 48,013 / bed	R 940 / hectare

It is interesting to note that on a per hectare basis, category two are attaining far higher revenue figures than category one. This is due to the fact that each of the operations in category one invested in far larger areas of land than the operations in category two, as shown above in table 4.2. This was due to the fact that the operations in category one do not use the protected areas in the region because of the exclusivity that they want to offer their guests. Category two operations make extensive use of the neighbouring protected areas for game viewing.

5.4. RE-ESTIMATIONS OF REVENUE

It was suspected that operators might have underestimated the given revenue figures for reasons of financial confidentiality. However, all operators had given their occupancy, bed number and tariff figures for 1995/1996 as shown in sections 5.1. and 5.2. above. Re-estimations of revenue for 1995/1996 were therefore made using these figures. Most of the tariff rates given by the operators included accommodation, food, drives and so on, and it was therefore possible to get a reasonable estimate by using these figures. The revenue figures obtained by using this method are shown in the table below.

Method: I calculated revenue by multiplying the number of available beds by 365 nights to calculate the number of available bednights. I then used the given occupancy figures to calculate how many bednights were occupied during 1995/1996. I then multiplied this figure by the tariff rate to calculate an estimated revenue figure.

Table 5.4.1: Re-estimation of Revenue (Method.2.)

Category	Total Revenue	Ave. Rev. per Operation	Ave. Rev. per bed	Rev. per hectare
Category.1.	R 32,597,055	R 10,865,685 / operation	R 161,372 / bed	R 1,630 / hectare
Category.2.	R 20,430,364	R 2,270,040 / operation	R 53,764 / bed	R 2,297 / hectare
Category.3.	R 849,264	R 106,158 / operation	R 9,991 / bed	R 169 / hectare
Total	R 53,876,683	R 2,693,834 / operation	R 81,140 / bed	R 1,588 / hectare

I then used another, more conservative, method to re-estimate the revenue figures as the results obtained using the above method seemed too high as in most cases they were nearly double the actual figures given by the operators. Two assumptions had to be made when considering tariff and occupancy figures: Firstly, with regard to the given tariffs, in most cases a fee of approximately 15 % is paid to the booking agents, and secondly, with regard to occupancy rates, five percent was taken off the given occupancy rates to account for complimentary bednights, reduced rates for block bookings and so on. Using the reduced tariff and occupancy figures and using the same method followed above, the following revenue results were obtained.

Table 5.4.2: Re-estimation of Revenue (Method.3.)

Category	Total Revenue	Ave.Rev. per Operation	Ave. Rev. per bed	Rev. per hectare
Category.1.	R 25,505,808	R 8,501,936 / operation	R 126,266 / bed	R 1,275 / hectare
Category.2.	R 16,457,615	R 1,828,624 / operation	R 43,310 / bed	R 1,850 / hectare
Category.3.	R 583,115	R 72,889 / operation	R 6,860 / bed	R 116 / hectare
Total	R 42,546,538	R 2,127,327 / operation	R 64,076 / bed	R 1,254 / hectare

The third set of results seem the most plausible, falling between a set of results that appears to be too low and a set of results that could possibly be too high. However, when queried, the operators reiterated their given sets of revenue figures.

The following table shows a comparison of the total revenue figures as well as revenue per bed and revenue per hectare using the three various methods of calculation.

Table 5.4.3: Comparison of Various Revenue Figures Using Different Methods of Calculation

Method	Total Revenue	Ave. Rev. per bed (All operations)	Rev. per hectare (All operations)
1	R 31,880,663	R 48,013 / bed	R 940 / hectare
2	R 53,876,683	R 81,140 / bed	R 1,588 / hectare
3	R 42,546,538	R 64,076 / bed	R 1,254 / hectare

In chapter seven, I will primarily use the set of revenue figures as given by the operators (method.1.) to calculate operating surplus and annual rate of return.

5.5. REVENUE PER HECTARE

5.5.1. Revenue Per Hectare - Private Tourism

The table below shows the figures for revenue per hectare as given by the operators. I will use these figures to compare revenue per hectare with figures for alternative land-use options from various sources.

Table 5.5.1: Revenue per Hectare

Category	Weighting	Revenue / Hectare
Category.1.	0,59	R 929 / hectare
Category.2.	0,26	R 1450 / hectare
Category.3.	0,15	R 82 / hectare
Weighted Average	1	R 937,41 / hectare

The above table shows that category three operations are generating particularly low revenue per hectare. It must be noted that not all land owned by these operations is devoted to tourism. The majority of category three operations are bed and breakfast facilities situated on a agricultural

farm, with the purpose of generating a supplementary form of income. It is also clear from the above table that category two is generating a higher revenue per hectare than both category one and three. As indicated in chapter four, on average, category two operations invested in smaller areas of land than those in category one. This accounts for the difference in revenue per hectare between category one and two. The average revenue per hectare is R 937,41.

5.5.2. Revenue Per Hectare - Agriculture

Figures obtained from the Central Statistical Services for the most recent agricultural survey conducted in 1992 can be used to compare the revenue that private tourism operations are making per hectare with similar figures for agricultural products. The 1992 Agricultural Survey indicates figures by statistical region. As the survey was conducted in 1992, it concentrated on areas in the former province of Natal and excluded areas in the old Zululand region. Certain areas are therefore omitted from the statistics. The statistical region that is closest to the area targeted in my sample is statistical region 63. This region includes Hlabisa, Lower Umfolozi, Mtonjaneni, Eshowe and Mtunzini. The area covered by agricultural farming units comprised 332 690 hectares (total farm land). This is a far larger area of land than that shown in tables 3.1.2.1 and 3.1.2.2. These tables showed the main agricultural activities for the magisterial districts of Ubombo and Hlabisa. However, no further information on revenue generation or employment creation was available. The figures from the 1992 agricultural survey have therefore been used. It must be noted that an area such as Lower Umfolozi is included in these statistics. This area is predominantly a sugar farming area and the results may therefore be biased towards a land use option that is not available in the targeted study area. However, the results provide a general picture of the contribution made by agriculture to the region. The gross income earned in 1992 in the statistical region from agricultural products was R 432 million. The results for statistical region 63 are shown in the table below.

Table 5.5.2: Gross Income Earned from Agricultural Products (1992)

	Gross Income Earned (R1 000)	Percentage of Total	Income/Revenue per Hectare
Total Agricultural Products	R 432 496	100 %	R 1300 / hectare
Field Crop Products	R 316 643	73 %	-
Horticultural Products	R 63 663	15 %	-
Animal & Animal Products	R 47 643	11 %	-
Forestry Products	R 3 543	0.8 %	-
All Other Products	R 1 003	0.2 %	-

Source: 1992 Agricultural Survey (CSS)

As can be seen above, in 1992 figures, total agricultural products earned a gross R1300 / hectare. This figure compares favourably with private tourism on average, which is making just under R940 / hectare. If the 1996 total value of agricultural products is calculated so as to be compared with the 1995/1996 tourism figures, the value for total agricultural production rises to R 563 million.⁹ This results in a figure of R 1694 / hectare as compared to the figure of R 937 / hectare for tourism. It is therefore clear that on average, agricultural products in a similar region to that of the study area are generating a larger income per hectare and the differential is even greater when updating for inflation. Unfortunately, there is no available data indicating the hectareage breakdown between the various types of agriculture and so it cannot be determined whether any specific type of agriculture, such as sugar farming, is generating an extremely high income per hectare and possibly skewing the overall data upwards.

It must, however, once again be noted that it cannot be certain that the value of agricultural products has risen in line with the CPI. Nevertheless, the result remains the same: agriculture is,

⁹This figure was calculated by updating the original figure for inflation - using inflation rates of 9.7 % for 1993, 9 % for 1994, and 9 % for 1995 (CPI, South African Reserve Bank, 1996).

on average, achieving higher revenue per hectare figures than tourism, regardless of the rate at which the value of such products may have increased since 1992.

In contrast, the following figures are available for forestry in KwaZulu-Natal: “The annual gross revenue generated by Forestry is between R500 and R600 per hectare which compares very favourably with other land uses (eg: Beef R 113/ha).” (Forestry in KwaZulu-Natal: A Situation Analysis, Breen, C, 1997) These per hectare revenue figures do not, however, compare favourably with private tourism which is earning R 937 per hectare.

In summary, private tourism in the study area appears to be earning less per hectare than agriculture in general, but more than forestry in the province. The potential for agriculture to succeed in the study area does however need to be taken into account. Not all available land is well suited for most forms of agriculture due to the marginal soils and lack of available water. If agriculture is therefore not an option as a form of land use, it must be evaluated which of the three categories of tourism are more efficient. As indicated in table 5.5.1, category two operations are generating a higher per hectare revenue than those in the other two categories. It must be noted, however, that category one operations invested in far more hectares per operation than those in category two, and one of the reasons for category two’s high revenue per hectare is therefore the fact that operations in this category make use of the proximity of the protected areas for their game viewing rather than investing in large parks themselves. These operations do not need to use this revenue to maintain or stock large areas of land as this is provided to them at a negligible cost by the presence of the protected areas.

5.6. SUMMARY

The following conclusions regarding revenue can thus be drawn:

- Category one operations have both the highest tariff rates as well as the highest occupancy levels. There is therefore the greatest demand for the product offered in this category.
- Using any of the three methods of calculating revenue, category two operations are earning a higher revenue per hectare than category one operations.

- Category one operations are, however, earning a higher revenue per bed.
- On average, agriculture in the region earns higher revenue per hectare than private tourism.

CHAPTER 6: THE SUPPLY OF TOURISM FACILITIES

This chapter outlines the supply of tourism facilities by analysing all data relating to annual expenditure in 1995/1996 by the sampled operations. The expenditure costs of all operations were divided into 2 categories: The first category covered expenditure relating to employment (wage costs) and the second covered all other recurrent expenditure; in other words, expenditure on supplies and services. These allow for an analysis of the total cost of supplying the tourism facilities demanded by tourists in 1995/1996.

6.1. WAGES (EMPLOYMENT EXPENDITURE)

A total of 771 people were employed by the sampled operations. Data relating to employment levels and the benefits of such employment is examined in detail in chapter eight. In this chapter, only wage related data is examined. Total annual remuneration, wages per hectare, per operation, per bed and per employee, and the geographical distribution of these wages is examined below.

6.1.1. Total Annual Remuneration

Total annual remuneration for the twenty private tourism operations surveyed was R 9,843,320. Category one paid R 6,724,980 in annual wages, category two paid R 2,674,980, and category three paid R 443,360.

Table 6.1.1: Total Annual Remuneration

Category	Total Annual Wage Bill	Ave. Annual Wage Bill Per Operation	Ave. Annual Wage Bill Per Bed
Category.1.	R 6,724,980	R 2,241,660 / op	R 33,292 / bed
Category.2.	R 2,674,980	R 297,220 / op	R 7,039 / bed
Category.3.	R 443,360	R 55,420	R 5,407 / bed
Total	R 9,843,320	R 492,166 / op	R 14,824 / bed

On average, category one operations pay higher annual wage bills on both a per operation and per bed basis. The breakdown of remuneration by employment category, as well as annual wages per hectare and per employee are examined in the following sections.

6.1.2. Breakdown of Annual Remuneration by Employment Category

The following table shows the numerical breakdown of total annual wages by employment category.

Table 6.1.2: Total Annual Wage Bill by Category

Category	Managerial	Skilled / Semi-skilled	Unskilled	Total
Category.1.	R 1,870,700	R 1,710,280	R 3,144,000	R 6,724,980
Category.2.	R 1,648,520	R 483,360	R 543,100	R 2,674,980
Category.3.	R 346,800	R 15,600	R 80,960	R 443,360
Total	R 3,866,020	R 2,209,240	R 3,768,060	R 9,843,320

It must be noted that certain of the operations in category three indicated a zero wage bill under the managerial category as the owner of the house from which the bed and breakfast was run managed the operation himself. They therefore did not consider themselves to be employed by the operation. In such cases, I imputed an annual salary of R36,000 to account for their function as the manager of the operation. The figures shown in the table above are broken down in percentage terms in a later table.

6.1.3. Breakdown of Annual Remuneration Per Person By Employment Category

The table below shows a breakdown of annual remuneration per person by employment category.

Table 6.1.3: Average Annual Wage per Person by Category

Category	Managerial	Skilled / Semi-skilled	Unskilled	Total
Category.1.	R 55,020 / person	R 13,156 / person	R 11,309 / person	R 15,215 / person
Category.2.	R 42,269 / person	R 6,445 / person	R 2,936 / person	R 8,946 / person
Category.3.	R 31,527 / person	R 7,800 / person	R 4,762 / person	R 14,779 / person
Total	R 46,024 / person	R 10,673 / person	R 7,850 / person	R 12,767 / person

It is clear that category one operations pay higher annual wages per person in each category than the lower two categories of operations. Category three pays particularly low managerial wage rates, whereas category two operators pay particularly low wage rates to their unskilled labour. It is therefore clear that all three categories of operations are not paying an equilibrium wage rate and that there are large discrepancies in the labour market. These discrepancies may be due to the fact that category one operators may employ labour of a higher quality in terms of education and training. This category attracts predominantly foreign tourists and therefore tends to exercise “social responsibility” as a component of its marketing strategy. This may also account for the fact that these operators are paying higher wage rates than those in the lower two categories. In addition, due to the type of luxury operations in this category and the wide range of attractions they offer, the types of occupation required to fulfil this may be more demanding than those in categories two and three.

6.1.4. Annual Wages per Hectare - Private Tourism

Table 6.1.4. shows the average annual wages per hectare by category and in total.

Table 6.1.4: Average Annual Wages per Hectare

Category	Weighting	Average Annual Wages per Hectare
Category.1.	0,59	R 336 / hectare
Category.2.	0,26	R 301 / hectare
Category.3.	0,15	R 88 / hectare
Weighted Average	1	R 289,70 / hectare

The table shows that category one pays slightly higher wages per hectare than category two. Therefore, in terms of contribution to the local community on a per hectare basis, both these categories contribute over R 300 per hectare in wages, with category three paying far lower wages per hectare. The same set of reasoning used to explain the discrepancies in wages per employee above, can be used to explain the differences in per hectare wage rates. As annual wage rates indicate the cost of supplying tourist facilities, the results obtained in both tables suggest that the expansion costs in each category would therefore differ extensively.

6.1.5. Annual Wages Per Hectare - Agriculture

The data from the 1992 agricultural survey indicates that in statistical region 63, R 119,862 thousand was paid in 1992 in annual wages. If this figure is updated for inflation, using the same method as in the previous chapter, the figure increases to R 156,222 thousand. The total hectareage of this region is 332,690 hectares. In 1992, agriculture therefore paid an average of R 360 in wages per hectare. In 1996 figures, this adjusts to R 470 per hectare. Annual wages per hectare are therefore far higher in agriculture than in the private tourism industry. Unfortunately, the data in the 1992 survey does not break total remuneration down into various categories and so it is difficult to examine whether it is one particular form of agriculture that pays far higher wages than the others and therefore may be skewing the per hectare wage rates upwards. It is also not clear whether or not the agricultural wage rate includes other benefits such as accommodation and rations which are not included in the wage rates indicated by the tourism operators. If these benefits are included in the agricultural wage rates, this would provide a partial explanation for the difference in per hectare wage rates between the tourism and agriculture sectors. Once again it

must be noted that these results provide a general comparison of agriculture with tourism as they are for a region that only broadly corresponds with the study area.

6.1.6. Annual Wages per Employee - Private Tourism

The following table shows the average annual wages per employee by category and on average.

Table 6.1.6: Average Annual Wages per Employee

Category	Weighting	Average Annual Wages per Employee
Category.1.	0,57	R 15,215 / person
Category.2.	0,39	R 8,946 / person
Category.3.	0,04	R. 14,779 / person
Weighted Average	1	R 12,753 / person

The most salient feature in the table is the huge differential between the wages per employee in category one and category two. The above results were split into employment categories in table 6.1.3. above and it was concluded that on average, category two operations paid relatively low wage rates per employee. Category one therefore pays higher wage rates both on a per hectare and on a per employee basis. As mentioned before, category one consists of upmarket operations that appeal mainly to foreign tourists. Some of the operations in this category use “social responsibility” as one of their major marketing ploys. The wage rate per employee seems to reflect such a policy. The operators in this category therefore seem to be ignoring the market wage for strategic reasons.

6.1.7. Annual Wages Per Employee - Agriculture

Using the same annual wage rate and employment data as above from the 1992 Agricultural survey for statistical region 63, results in an average annual wage of R 4,885 per employee in 1992, which can be updated for inflation to R 6,367 per employee in 1996. It is therefore clear

that although agriculture pays higher wage rates per hectare, tourism clearly pays far higher wage rates per employee.

Therefore, the above data indicates that agriculture pays higher wages per hectare whereas tourism pays higher wages per employee. The decision as to which is the preferred land-use option therefore depends on how many people each option will employ. This will be examined in detail in chapter eight.

6.1.8. Distribution of Employment and Wages

Each operation was also asked to indicate the distribution of employment; in other words, where each employee's home is based. From these figures a rough distribution of wages can be obtained. It must be noted however that this does not necessarily mean that all wages are spent in the region of origin, but a portion of wages are more than likely sent home to these regions. The following table shows the distribution of wages by region and gives some indication of the leakages from the surveyed region.

Table 6.1.8: Distribution of Employment and Wages

Category	% in Ubombo district	% in rest of Zululand	% in rest of KwaZulu Natal	% in rest of South Africa
Category.1.	55 %	7 %	10 %	28 %
Category.2.	53 %	44 %	3 %	0 %
Category.3.	60 %	35 %	0 %	5 %
Average	56 %	34 %	3 %	7 %

On average, over half of the wages were distributed and therefore more than likely spent in the Ubombo district. the magisterial district of Hlabisa is included under Zululand. Of those that were not distributed in Ubombo, another 34 percent was distributed in the rest of Zululand; thus contributing to the local economy. Only a small percentage of the total wage bill was distributed outside Zululand and of this amount, most of it would probably be spent in the Zululand area as

this is where the employees are based through work. There is therefore not a major leakage of wages out of the target region. As these wages are spent in the region, they will have a multiplier effect and contribute greatly to the local economy.

6.2. SUPPLIES & SERVICES

6.2.1. Breakdown of Other Expenditure

The operators were asked to divide their estimated other recurrent annual expenditure into eight categories: transport related expenditure (such as vehicle maintenance, petrol and so on), selling expenses (such as advertising and marketing costs), electricity and water costs, repairs and maintenance, food, bar, curios, and other (which usually included the telephone bill and other expenses which were not related to any of the pre-listed categories). The following table breaks the given expenditures for 1995/1996 down by category.

Table 6.2.1: Other Recurrent Annual Expenditure

	Category.1.	Category.2.	Category.3.	Total	Percentage of Total
Transport related ...	R 1,111,500	R 1,047,200	R 50,000	R 2,208,700	15 %
Selling expenses	R 1,530,000	R 1,028,000	R 18,700	R 2,576,700	18 %
Electricity, water ...	R 512,000	R 1,020,600	R 23,600	R 1,556,200	11 %
Repairs ...	R 1,023,890	R 1,000,440	R 22,000	R 2,046,330	14 %
Food	R 1,514,000	R 754,800	R 68,400	R 2,337,200	16 %
Bar	R 881,500	R 618,600	R 18,000	R 1,518,100	11 %
Curios	R 680,000	R 606,600	R 0	R 1,286,600	9 %
Other	R 125,000	R 621,120	R 8,000	R 754,120	6 %
Total	R 7,377,886	R 6,697,368	R 208,700	R 14,283,954	100 %
Percentage of Total	52 %	47 %	1 %	100 %	-
Average exp / bed	R 36,524 / bed	R 17,625 / bed	R 2,545 / bed	R 21,512 / bed	-
Exp / hectare	R 369 / hectare	R 753 / hectare	R 42 / hectare	R 421 / hectare	-

It is clear from the above table that most of the categories of expenditure constituted approximately the same share of total expenditure, with selling expenses constituting the greatest percentage. It is also clear that the three operations in category one accounted for over half of the total expenditure on supplies and services, whereas the eight operations in category three accounted for only one percent of this expenditure. Category one operators therefore spend larger amounts of money on promoting and running their operations, than the operators in the lower two categories do. Once again, this can be attributed to the fact that category one operations are larger, more luxurious, internationally geared operations that provide their guests with a larger range of services and activities.

It must also be noted that although food, bar and curios have been included as three separate categories under the general heading of supplies and services, they are trading and not running

expenses. However, it is not possible to separate these trading costs from those related to the provision of a bednight.

6.2.2. Distribution of Expenditure

The operators were also asked to indicate where this expenditure was distributed. The following table shows the distribution of expenditure by region and province.

Table 6.2.2: Distribution of Expenditure

Category	% in Ubombo district	% in rest of Zululand	% in rest of KwaZulu Natal	% in rest of South Africa	% overseas
Category.1.	44 %	23 %	17 %	10 %	6 %
Category.2.	50 %	35 %	14 %	19 %	0 %
Category.3.	70 %	13 %	6 %	11 %	0 %
Average	57 %	24 %	11 %	7 %	1 %

This data showed quite clearly that over half of the total expenditure of all the operations accrued in the Ubombo district with a further 24 percent remaining in the rest of Zululand. Only 19 percent of expenditure leaked out of Zululand, with only 1 percent leaking overseas. This 1 percent was spent by the upmarket operations primarily on marketing in foreign countries. It is extremely positive for the local economy as well as for the province that there is such a small percentage of expenditure leaking from the target area. It is also clear from the table that moving from category one to category three, results in a greater percentage of expenditure remaining within the local district. This was generally due to the fact that the larger operations tended to buy many of their inputs in bulk from suppliers elsewhere in Zululand or in the rest of the country as they required more supplies than the smaller operations. On the other hand, the bed and breakfast operations bought the majority of their supplies from local supply stores. The majority of expenditure which accrued in provinces other than KwaZulu Natal was on marketing and advertising. As with wage bills, this expenditure will have a multiplier effect and generate a

increased amount of income for the local economy. The expansion of ecotourism may therefore generate substantial local benefits.

In addition, as most inputs are purchased locally, more indirect jobs are created locally by the private tourism operations. However, it must be noted that many of these local suppliers are intermediaries and may buy their inputs from urban centres or from abroad.

6.3. TOTAL EXPENDITURE

The following table shows the total expenditure figures for 1995/1996.

Table 6.3: Total Expenditure

Category	Wages	Supplies and Services	Total Expenditure 1995/96	Expenditure per hectare	Expenditure per bed
Category.1.	R 6,724,980	R 7,377,886	R 14,102,866	R 705 / hectare	R 69,816 / bed
Category.2.	R 2,674,980	R 6,697,368	R 9,372,348	R 1054 / hectare	R 24,664 / bed
Category.3.	R 443,360	R 208,700	R 652,060	R 130 / hectare	R 7,952 / bed
Total	R 9,843,320	R 14,283,954	R 24,127,274	R 711 / hectare	R 36,336 / bed

In total, category one operations have spent more per bed, whereas category two operations have spent more per hectare. The latter result is once again due to the fact that category two operations invested in fewer hectares per operation than those in category one. Category one operations spend more per bed due to the fact that they are upmarket operations that are providing a more luxurious service to their clients. Category two's wage expenditure seems low and this is obviously one of the crucial elements to the profitability of category two operations, as is shown in the next chapter.

6.4. SUMMARY

The most important issues relating to expenditure can therefore be summarised as follows:

- Category one operations pay higher wage rates both per employee and per hectare than the operations in the categories two and three.
- Agriculture pays a higher wage rate per hectare than tourism.
- Tourism pays a higher wage rate per employee than agriculture.
- Category one operations account for the majority of expenditure on supplies and services due to the upmarket nature of these operations.
- Category two operations spend far less on wages than the operations in category one.
- In total, category one operations spend more per bed whereas category two operations spend more per hectare.
- The majority of expenditure on both wages and supplies and services remains within the study area, resulting in a stronger multiplier effect in the region.

CHAPTER 7: COMPARATIVE OPERATIONAL EFFICIENCY

This chapter uses the investment, revenue and expenditure data from the previous three chapters to investigate the comparative operational efficiency of the sampled operations in terms of operating surplus and annual rates of return on investment. The results are used to compare the efficiency of the operations in categories one, two and three. The importance of the protected areas to the existence of the sampled operations is also investigated in this chapter as it effects the efficiency levels of the various operations.

It has already been determined in chapter five that category two operations are achieving higher revenue per hectare than category one operations and that agriculture in the region is achieving higher revenue per hectare than tourism.

7.1. OPERATING SURPLUS

Operating surplus for 1995/1996 can be calculated using the given expenditure figures and each of the three methods of calculating revenue for 1995/1996. Three different results are therefore obtained. Although it is important to note that the given revenue figures may be an underestimation and that those calculated in using the other two methods, particularly the third, may be more realistic, I will concentrate on the given revenue figures in the sections that follow. The table below shows operating surplus for 1995/1996 by category and in total, using each of the three methods of revenue calculation.

Table 7.1: Operating Surplus

Category	Method.1.	Method.2.	Method.3.
Category.1.	R 4,473,134	R 18,494,189	R 11,402,942
Category.2.	R 3,522,315	R 11,058,016	R 7,085,267
Category.3.	R - 404,060	R 35,204	R - 230,945
Total	R 7,591,389	R 29,587,409	R 18,257,264

Using the revenue figures given by the operators, results in negative operating surplus in category three and relatively low operating surplus in both category one and category two. Negative operating surplus may be possible in category three as this is the bed and breakfast category and occupancy and tariff rates were fairly low. Most operators in this category existed simply to supplement their income or for pure enjoyment. The results in category three will therefore not be focused on as strongly as those for the higher two categories. On the other hand, the results obtained using the second method of calculation could possibly be too high as reduced tariffs and actual “full-tariff” occupancy have not been taken into account. A more conservative operating surplus is therefore calculated using the third set of revenue figures.

The difference in the efficiency of each of the three categories can be better evaluated by examining operating surplus per bed, per hectare and annual rates of return, as is done below.

7.2. OPERATING SURPLUS PER BED

Table 7.2. shows operating surplus per bed by category and in total using each of the three methods for calculating revenue.

Table 7.2: Operating Surplus per Bed

Category	Method.1.	Method.2.	Method.3.
Category.1.	R 22,144 / bed	R 91,555 / bed	R 56,450 / bed
Category.2.	R 9,269 / bed	R 29,100 / bed	R 18,645 / bed
Category.3.	R - 4,928 / bed	R 429 / bed	R - 2,816 / bed
Total	R 11,433 / bed	R 44,559 / bed	R 27,496 / bed

It can be seen that on a per bed basis, category one operations are generating a higher operating surplus, regardless of which method of revenue calculation is used. This shows that category one operations are making more per bed than it is costing them to provide each bed than the operations in category two. The main reason for this may be that there appears to be a greater demand for the type of facility provided by the category one operations.

7.3. OPERATING SURPLUS PER HECTARE

Table 7.3. shows operating surplus per hectare by category and in total using each of the three methods for calculating revenue.

Table 7.3: Operating Surplus per Hectare

Category	Method.1.	Method.2.	Method.3.
Category.1.	R 224 / hectare	R 925 / hectare	R 570 / hectare
Category.2.	R 396 / hectare	R 1243 / hectare	R 797 / hectare
Category.3.	R - 80 / hectare	R 7 / hectare	R - 46 / hectare
Total	R 224 / hectare	R 872 / hectare	R 538 / hectare

Concentrating on the given figures (method.1.), it can be seen that category two operations are making a far larger operating surplus per hectare than category one operations. Once again, it can be argued that the most important reason for this is that category one operations invested in far more land than the operations in category two, as seen in table 4.2. Most category one operations invested in large areas of land as they wanted to be independent from the protected reserves run by the Natal Parks Board. These operations provide tourists with a full game viewing experience in the boundaries of their own land. They therefore needed to invest in large areas of land so as to be able to stock it with the necessary game. On the other hand, the majority of the operations in category two invested in smaller areas of land with which they stock only a small amount of game, and make great use of the neighbouring protected areas for their game viewing. This concept of being more efficient as an operation by making use of the available nearby protected areas can also be seen by examining the difference in the annual rates of return on investment between the various categories (particularly between category one and two).

7.4. ANNUAL RATE OF RETURN

By using the total past investment figures (including both land and infrastructure), and the operating surplus figures for 1995/1996, the annual rate of return for 1995/1996 can be

calculated. I have calculated the rate of return using all three sets of operating surplus results obtained above, but will concentrate on method one. The following table shows the annual rate of return on the given values of total past investment. The investment figures have not been updated for inflation. The table therefore shows the annual rate of return on the historic value of investment.

Table 7.4.1: Annual Rate of Return (Given Investment Figures)

Category	Method.1.	Method.2.	Method.3.
Category.1.	6,2 %	25,7 %	15,8 %
Category.2.	13,5 %	42,4 %	27,2 %
Category.3.	- 7,2 %	0,6 %	- 4,1 %
Total	7,3 %	28,5 %	17,6 %

It is clear from the above table that category two operations are achieving a higher annual rate of return than category one operations. Similar results are obtained when calculating the annual rate of return on the real value of investment.¹⁰

Table 7.4.2: Real Rate of Return

Category	Method.1.	Method.2.	Method.3.
Category.1.	3,9 %	16,2 %	10 %
Category.2.	6,5 %	20,6 %	13,2 %
Category.3.	- 1,5 %	1,3 %	- 0,4 %
Total	4,2 %	16,2 %	10 %

In the table above, the results obtained using method three seem plausible. The real rates of return are lower than those shown in table 7.4.1 above. This is because the total value of investments is higher. Nevertheless, it can still be seen that category two operations are generating a higher annual rate of return than those in category one. As discussed above, the most important reason

¹⁰Given Investment figures are updated for inflation as shown in chapter 4. above.

for this is that category one operations invested in much larger areas of land than the operations in category two. The operations in category two benefit from the proximity of the protected areas and without these areas, category two operations would probably not exist. On the other hand, the operations in category one are independent from the protected areas for their survival.

However, it must be noted that even though category one operations are achieving lower annual rates of return, they did not necessarily make a mistake by investing in large areas of land. If these operations had invested in smaller areas of land they would be a very different type of operation than they are and would be more dependant on the protected areas. This would detract from the exclusive and luxurious service they aim at offering. In addition, in the long term, they may have secured their profitability by having “big five” land close at hand and having the potential to increase their bed numbers per hectare without overcrowding their parks.

7.5. IMPORTANCE OF THE PROTECTED AREAS

All the sampled operations were asked to indicate whether or not the presence of the protected areas run by the Natal Parks Board and the KwaZulu Department of Nature Conservation was important to the existence of their operation and had an effect on their ability to attract visitors.

- 16 operations (80%) indicated that these areas had a very positive effect on their operations.
- 1 operation (5%) indicated that they had a moderately positive effect - Category 1 operation.
- 1 operation (5%) indicated that they had no effect - Category 3 operation.
- 1 operation (5%) indicated that they had a moderately negative effect - Category 2 operation.
- 1 operation (5%) indicated that they had a very negative effect - Category 2 operation.

The two category two operations that indicated that the presence of the protected areas affected their operations negatively were both hunting operations that did not make use of the protected areas for game viewing but rather of their own land or other private areas in the region on which they could hunt game. When each operator was interviewed, they were asked how they made use of the protected areas. Although most of the operators in category one indicated in the survey that the presence of these areas had a very positive impact on their operations, when interviewed it

became obvious that they used the presence of these areas for mainly marketing purposes. One operation used Mkuze Game Reserve for Black Rhino tracking and another took visitors diving and fishing in Sodwana, but the protected areas were primarily used to market the area in which their upmarket operation is based. On the other hand, almost every operation in category two made use of the protected areas for marketing purposes as well as for actual game drives. As discussed above, this seems to be the main reason for the differential between the rates of return in the two categories. Category two operations are more efficient as they are “free-riding” on the available protected areas; the provision of wildlife for visiting tourists is therefore being paid for by the protected areas and not by the operations themselves. If category one operations made the same use of the protected areas, rather than investing in enough land to provide the “big five” experience themselves, their efficiency levels would rise. However, as discussed previously, by investing in larger areas of land, category one operations have secured the future opportunity to increase beds per hectare without overcrowding, and perhaps to increase their prices in line with increasing demand for the “big five” experience.

Two important points must be noted from the discussion above:

Firstly, it may be argued that if category one operations followed this policy, they would no longer be as elite as they are at present. Their exclusivity in providing tourists with a complete “wilderness experience” within the boundaries of their own land is what may appeal to many foreign tourists.

Secondly, the fact that category two operations rely so heavily on the presence of the protected areas for their existence, highlights the fact that the capacity of these protected areas is a major constraint on the expansion of category two operations. This point will be discussed further in chapter nine.

7.6. SUMMARY

Three main conclusions can be drawn from this chapter:

- Category one operations are achieving a higher operating surplus per bed, but a lower operating surplus per hectare than the operations in category two.

- Category one operations are achieving a lower annual rate of return than those in category two.
- Category one operations are less dependant on the existence of the protected areas for their survival and success that the operations in category two are.

CHAPTER 8: EMPLOYMENT

In this chapter all employment related figures for both private tourism and agriculture are compared to examine which land use option is more beneficial to local communities. A comparison is also made between the various categories of private tourism operations to establish which category is most beneficial to local communities in terms of employment creation. The wage expenditure data that was examined in chapter six is used in conjunction with some of the employment results to establish whether the distribution of wages in terms of employment levels is equitable.

8.1. DIRECT EMPLOYMENT

A total of 771 direct jobs were created by the 20 private tourism operations: 442 by category one, 299 by category two, and 30 by category three. As mentioned in chapter three, this constitutes 3,36 percent of formal employment in Ubombo and Hlabisa and 27 percent of formal employment in the trade and catering sector in Ubombo and Hlabisa. Employment per hectare and per bed are investigated in detail further in the chapter.

8.1.1. Breakdown of Employment by Occupation

Each operation was asked to divide their employment figures into 3 categories: managerial, skilled / semi-skilled, and unskilled. The next 2 tables show a numerical and a percentage breakdown of employment numbers by occupation per category and in total.

Table 8.1.1: Employment Numbers by Category

Category	Managerial	Skilled / Semi-skilled	Unskilled	Total
Category.1.	34	130	278	442
Category.2.	39	75	185	299
Category.3.	11	2	17	30
Total	84	207	480	771

Table 8.1.2 shows the percentage breakdown of employment into managerial staff, skilled / semi-skilled labour and unskilled labour, for each of the three categories and in total. It is clear that the majority of employment is comprised of unskilled labour.

Table 8.1.2: Breakdown of Employment by Occupation (percentages)

Category	Managerial	Skilled / Semi-skilled	Unskilled	Total
Category.1.	8 %	29 %	63 %	100 %
Category.2.	13 %	25 %	62 %	100 %
Category.3.	37 %	7 %	56 %	100 %
Total	11 %	27 %	62 %	100 %

Creemers (1997) points out the popular conception of the tourism industry is that it employs a higher proportion of part-time and seasonal workers than other industries, and offers mainly unskilled or low skilled jobs. The industry is perceived as an easy entry point for those with low skills levels. Holtman (1993) outlines the following broad-based categorisation of the skill levels demanded:

- managerial 3 %
- skilled 40 %
- technical 9 %
- unskilled 48 %

These figures do not correspond with those shown in table 8.1.2 above, however, unskilled labour dominates the employment figures in both cases, particularly in table 8.1.2. This demonstrates the importance of tourism to reduce unemployment without demanding excessive training and skills. This is of great significance in the study area in particular as it was shown in chapter three that 34 percent of the labour force in Ubombo and 27 percent of the labour force in Hlabisa have no education at all.

8.2. INDIRECT AND INDUCED EMPLOYMENT

The existence of the private tourism operations does not only generate direct employment opportunities, but also creates indirect employment. Indirect employment levels are difficult to measure. Creemers (1997) estimated indirect employment in the tourism sector in KwaZulu-Natal as follows, “The number of indirect jobs estimated per direct job is relatively low, below 0,5 for most operations. Unsurprisingly, operations charging a higher price per bednight create the largest indirect effects.” “In absence of better data, and given the relatively high labour intensity of most front-line tourism sectors¹¹, we will assume that on average 0,5 indirect jobs are created per direct job.” (Creemers, G. et al, 1997)

In earlier studies, higher direct:indirect job ratios were assumed and 1 direct: 0,5 indirect jobs is therefore a conservative, but safe, estimate. I will therefore use the estimates made in the above tourism study to assume that for every job created by the private tourism operations, 0.5 indirect jobs are created. Therefore, the 771 jobs created by the sampled private tourism operators will lead to an additional 385 indirect jobs, and the future 70 jobs to be created by the planned future investment by the sampled operations will lead to an additional 35 indirect jobs.

¹¹The more jobs in front-line tourism sectors and few of intermediate inputs mean a lower ratio of indirect to direct jobs.

8.3. DEPENDENCY RATIO

The socio-economic description of the study area in chapter three indicated that there was a dependency ratio of 5,1 in the study area. Therefore, every person that is employed by the tourism sector will support just over five others. As employment opportunities in the region increase, the dependency ration will decrease.

8.4. EMPLOYMENT PER HECTARE

8.4.1. *Employment Per Hectare - Private Tourism*

The following table shows the figures for employment per hectare for private tourism operations by category and on average.

Table 8.4.1: Employment per Hectare - Private Tourism Operations

Category	Weighting	Employment / Hectare
Category.1.	0,59	0.02 persons / hectare
Category.2.	0,26	0.03 persons / hectare
Category.3.	0,15	0.006 persons / hectare
Weighted Average	1	0.02 persons / hectare

Before comparing these results with those for other land-use options, it is interesting to note the difference in employment per hectare between the different categories. Category two is the most labour intensive in terms of employment per hectare. The main reason why category three has so few persons employed per hectare is because many of the bed and breakfast operations are situated on large areas of land but as they are small operations, they are not labour intensive and employment levels in this category are therefore not high. In addition, many of the category 3 operations are by-products of other activities such as farming and the bed and breakfast facility is therefore used as a supplementary form of income and does not require high employment levels.

8.4.2. Employment Per Hectare - Agriculture

Data from the 1992 Agricultural Survey indicates that on average, the production of agricultural products employs 0.07 persons per hectare (24 538 people employed in an area of 332 690 hectares). This compares favourably to the 0.02 persons per hectare employed on average by the private tourism operations in the same region. This data therefore indicates that, on average, agriculture is more labour intensive and a more successful creator of employment than tourism in a region similar to that of the study area.

In addition, May (1995) estimated that in the Greater St.Lucia region, which is in close proximity to the study area, sugar created 0.02 jobs per hectare, the same result as tourism; whereas forestry created 0.08 jobs per hectare, a more positive result than tourism in terms of employment generation.

8.5. EMPLOYMENT PER BED

The 664 sampled beds created 771 direct jobs in the private tourism sector. The breakdown for employment figures per bed by category are shown below.

Table 8.5: Employment per Bed

Category	Weighting	Employment / Bed
Category.1.	0,31	2.2 persons / bed
Category.2.	0,57	0.6. persons / bed
Category.3.	0,12	0.3 persons / bed
Weighted Average	1	1.06 persons / bed

As can be seen above, category one employs more people per bed than category two or three. The upmarket operations therefore generate more jobs on a per bed basis, whereas the middle market operations generate more jobs on a per hectare basis. On average, the operations are employing 1,06 persons per bed. This is a far more positive figure than those from previous

estimates. For example, Liebenberg et al (1995) estimated that one direct job is provided for each 2,7 to 3 beds provided in the area. In other words, between 0,3 and 0,4 persons are employed per bed.

It must also be noted that the more activities that a tourism operation offers, the higher the employment per bed ratio. For example, the upmarket operations, most of which offer a package of activities including accommodation, three daily meals, and day and night drives, employ more people per bed to fulfil these activities, than the bed and breakfast facilities, who only offer a limited range of activities.

8.6. DISTRIBUTION OF WAGES BY EMPLOYMENT CATEGORY

The distribution of wages by employment category can be examined by using the percentage breakdown of employment figures by category shown above in table 8.1.2 and the percentage breakdown of total annual wages by employment category.

The following table shows the percentage breakdown of total annual wages by employment category.

Table 8.6: Percentage Breakdown of Total Annual Remuneration by Employment Category

Category	Managerial	Skilled / Semi-skilled	Unskilled	Total
Category.1.	28 %	25 %	47 %	100 %
Category.2.	62 %	18 %	20 %	100 %
Category.3.	78 %	4 %	18 %	100 %
Average	39 %	23 %	38 %	100 %

In 8.1.2 above it was shown that 63 per cent of category one's employment was unskilled labour and in category two the figure was almost identical at 62 percent. However, it can be seen from table 8.6 above that this unskilled labour earns 47 percent of category one's total annual

remuneration whereas in category two, the same proportion of unskilled labour only earns 20 percent of the total annual wage bill. The wage gap for unskilled labour between category one and category two is therefore vast. The wage rates in category one are therefore far more evenly distributed than in category two, with wages in category two being skewed towards managerial staff whereas the majority of category two's employment is unskilled labour. In category three, the wage distribution matches the employment distribution more evenly, although it is still slightly skewed towards managerial staff. As most of the unskilled labour is employed from the surrounding districts of Ubombo and Hlabisa, category one is contributing more extensively to these local communities, whereas category two is paying their unskilled labour force far lower wage rates.

On average, it can be seen from the above table that a similar percentage of total wages is being earned by the managerial staff and the unskilled labour, with a smaller percentage being earned by the skilled / semi-skilled labour. However, table 8.1.2 showed that unskilled labour formed by far the largest percentage of employment, with managerial employment comprising the smallest percentage. On average, there is therefore an extremely unequal distribution of income between the three employment categories, caused primarily by the unequal distribution of income in category two. It must however be noted that the unequal distribution of income between the various categories may be a reflection of the differences in skills, training and responsibility between these categories.

8.7. SUMMARY

Table 8.7. provides a summary of some of the above employment results from chapter eight combined with the wage expenditure results from chapter six.

Table 8.7: Summary of Employment and Wage Expenditure Results

	Cat.1.	Cat.2.	Cat.3.	Private Tourism (Average)	Agricultural ¹²
Employment / Hectare	0.02	0.03	0.006	0.02	0.07
Employment / Bed	2.2	0.6	0.3	1.06	-
Wages / Hectare	<i>R 336</i>	R 301	R 88	R 289,70	R 470¹³
Wages / Employee (Ave)	<i>R 15,215</i>	R 8,946	R 14,779	R 12,753	R 6,367 ¹⁴
Wages / Managerial	<i>R 55,020</i>	R 42,269	R 31,527		
Wages / Skilled...	<i>R 13,156</i>	R 6,445	R 7,800		
Wages / Unskilled	<i>R 11,309</i>	R 2,936	R 4,762		

Notes: Figures in bold font show the preferred option between land use options: private tourism and agriculture
 Figures in italics show the better option between the three categories of private tourism.

The figures indicate that agriculture employs more people per hectare and pays higher wages per hectare, however, private tourism pays higher wages per employee.

In terms of selecting the land use option that is the most “employment friendly”, there therefore seems to be a trade-off between:

- A land use option that employs more people per hectare but pays them each relatively low wage rates - Agriculture; or
- A land use option that employs fewer people per hectare but pays those that it does employ, relatively high wage rates per employee - Private tourism.

It should also be noted that as mentioned above, there is a dependency ratio of 5.1 in the sub-region. Every person that is employed therefore supports just over five others. It is debatable which option (agriculture or private tourism) is therefore better once this dependency ratio is taken into account.

¹²Figures from the 1992 Agricultural Survey (CSS), updated for inflation

¹³R 360 in 1992 figures, updated for inflation.

¹⁴R 4 885 in 1992 figures, updated for inflation.

- Employ more people, each of whom will earn low wages and will find it difficult to support five others on what they earn, or;
- Employ fewer people but pay them higher wage rates that are sufficient to support those that depend on them.

However, using the results shown in table 8.7. above, the following wage bill per hectare can be calculated for each of the two land use options:

- Agriculture: $0,07 (R 6,637) = R 445,69$ per hectare
- Tourism: $0,02 (R 12,967) = R 255,34$

Therefore, for a given area of land, agriculture will employ more people and generate the most income. It must however once again be noted that the agricultural data used as a comparison covers a far greater area than that sampled in the study.

However, private tourism generates other benefits for both the local and surrounding regions that are not generated by agriculture. For example, external benefits such as the improvement of road structures, additional income for local entrepreneurs in the region, and tourist income spent in surrounding towns are generated by tourism. These external benefits are dealt with in more detail at a later stage.

It must also be taken into account that even if agriculture appears to be the more beneficial land use option, agriculture is not always a viable option in certain areas. This was discussed in chapter three where it was stated that most of the sub-region has marginal soils and a limited water supply and is therefore not suited towards agriculture. The available land may therefore best be used for tourism, as private game reserves.

If this is the case, it is necessary to evaluate which form of private tourism operation will most benefit the region. The figures above indicate that although category two employs slightly more people per hectare, category one pays higher wage rates both on a per hectare as well as on a per employee basis. It was also seen that the distribution of income in category one was far more equitable than in category two. Category one operations therefore seem to be a far better option

in terms of contributing to the local communities on an employment and remuneration basis. However, chapters five and seven indicated that these operations were less efficient than those in category two and generated less income on a per hectare basis. This trade-off will be discussed in detail in the conclusion.

Some of the preliminary results of the study were used in the report on the economic contribution of tourism to the province of KwaZulu-Natal (Creemers, 1997). The direct and indirect employment impacts of the sampled operations were compared with other operations in the tourism sector. These are presented in tabular form as Appendix 5 and Appendix 6.

CHAPTER 9: INTERACTION WITH LOCAL COMMUNITIES AND CONSTRAINTS ON EXPANSION.

This chapter covers two final issues that the operators were questioned on in the survey: Whether or not they had any form of interaction with local communities, and if so, what the nature of this interaction was; and what they felt the major constraints on the tourism industry in the area were.

9.1. INTERACTION WITH LOCAL COMMUNITIES

9.1.1. Interaction with Local Communities

All operations were asked to indicate whether or not they had any form of interaction with local communities and if so, what the nature of this interaction was. The results are shown in table 9.1.

Table 9.1: Interaction with Local Communities

Category	Number with interaction	% of total
Category.1.	3	100 %
Category.2.	5	56 %
Category.3.	1	13 %
Average	9	45 %

It is clear that category one has the most interaction with local communities. As mentioned above, this category appeals mainly to foreign tourists and uses “social responsibility” as one of their marketing ploys. For example, Conservation Corporation Africa uses its “Rural Investment Fund: Forging Partnerships with Neighbours” in its marketing strategy. This re-emphasises the significance of the contribution of category one operations to the local communities. In terms of generating benefits for local communities, this category is by far the greatest contributor.

The following extract from a recent newspaper article sums up the importance of category one's interaction with the local communities quite clearly: "The most famous employee of the Conservation Corporation of Africa is Zibane Mazibuko, a poacher caught with a dead antelope on the company's Phinda Game Reserve." "Instead of turning in Mr Mazibuko to the police, Conscorp handed him over to the village's chief for trial. Normally he would have been fined a cow or two. But Mr Mazibuko was too poor to own a cow, so a deal was arranged: he would work free at Phinda for three months, making bricks by hand. After his sentence, Mr Mazibuko asked to stay on for pay. With a Conscorp loan, he bought brick-making machinery and now has ten employees making bricks for customers in nearby towns. Conscorp gave him a contract to make bricks for Phinda's newest lodge." "Conscorp builds schools and clinics near its lodges, and it employs as many local people as possible, not just as cooks and chambermaids, but as builders, iron-workers and trackers. It buys seed for local farmers and teaches them to plant vegetables, which it then buys for its tables. It buys materials for local artists and sells their work in its curio shops. It hires people to clear trees, then buys the charcoal they produce from the wood they carry home." (The Mercury; Thursday, June 26 1997; p.15.)

9.1.2. Nature of Interaction with Local Communities

Those operations that indicated that they did have some form of interaction with the local communities were asked to indicate the exact nature of this interaction.

- *Education or Training* - 4 operations indicated that they had this form of interaction with local communities. These operations provided local schools, funding for education, bush training and training in various skills, such as beadwork.
- *Access to natural resources* - 6 operations indicated that they had this form of interaction with the local communities. These operations provided local people with access to firewood, reeds, medicinal plants and other resources available on their land.
- *Purchase of inputs* - 6 operations purchased inputs from local communities, therefore boosting the incomes of the local people. These operations purchased mainly curios from the local people to sell in their curio shops.

- *Other* - 8 operations marked the “other” category. These operations mentioned such things as providing entrepreneurial opportunities, for example, allowing locals to open a small shop on their premises; supplying building material to locals so that they could build themselves homes; and forming small business partnerships with the local communities.

9.2. EXPANSION OF THE TOURISM INDUSTRY IN THE SUB-REGION

There may be considerable scope for the expansion of the tourism industry in the sub-region. However, there are certain constraints on expansion that need to be taken into account.

9.2.1. Constraints on Expansion as Indicated by the Operators

The operators were asked to indicate what constraints they felt they faced in running their operations. They were asked to indicate whether any of the following applied to them:

- *Bad Roads* - 13 Operations (65 %) indicated that bad roads in the region were a problem.
- *Security* - 6 Operations (30 %) indicated that a lack of security in the region posed as a constraint on expansion. They felt that many tourists, especially foreign tourists, felt intimidated and afraid to travel in the region due to the ongoing violence and media publicity of violence in KwaZulu-Natal.
- *Lack of Services* - 7 Operations (35 %) indicated that a lack of various government provided services in the region was a serious constraint on their expansion. Most operations stressed the need for improved telecommunications services and felt that sometimes tourists were unable to access the operation to make bookings due to the poor telecommunications services in the region.
- *Other* - 11 Operations (55 %) marked the “other” category. Most of the larger operations indicated that they felt that the area as a whole was badly marketed. Many of the small operations stressed the fact that they were not able to have signs on the main road indicating where they were located. They felt that it was not fair that the presence of the larger operations was clearly marked on all the main road signs and that the smaller operations were losing “drive-by” business because many potential customers were not aware of their

presence. Many operators had attempted to get permission from local authorities to erect such signs or to establish information boards listing all available accommodation in the area, but with no success

These constraints therefore need to be addressed in order for the tourism industry in the region to expand successfully.

9.2.2. The Capacity of the Protected Areas

It is clear that the capacity of the protected areas is a major constraint on the expansion of the tourism industry in the region, particularly of category two operations. These operations rely heavily on the existence of the protected areas as they use the parks to conduct their game viewing. Once the parks are full, these operations will have no game viewing area and as this is the main attraction in the area, their business will be severely harmed. By estimating the visitor capacity of the protected areas, it should be possible to make a rough estimate of the possible expansion of tourism operations that rely on these areas in the region. However, this is not investigated in any further detail in this study.

CHAPTER 10: CONCLUSION

In conclusion, the following synopsis of the results obtained in the study provides a summary of the outcomes of each of the objectives outlined in the introduction.

Private Tourism versus Agriculture

It appears that tourism generates less revenue per hectare than agriculture in general, but more than certain other land use options, such as forestry. It is also evident that agriculture employs more people per hectare than tourism and pays higher wages on a per hectare basis. Tourism, however, does pay far higher wages on a per employee basis, and therefore is better at raising the living standards of its employees. However, it may still be argued that, at face value, agriculture is the better land use option in terms of efficiency and employment. Despite this, tourism may still be chosen over agriculture as the preferred land use option for a variety of reasons, including the following:

- There is a wide and complex network of supporting attractions, services and infrastructure associated with tourism. As mentioned in chapter two, the tourist industry emerges backward linkages and external economies often emerge. Tourism encourages entrepreneurial activity and the development of tourism regions is usually accompanied by other changes in the economic structure of destinations. These benefits are not exhibited by other land use options and often outweigh the economic benefits shown in the figures earlier.
- Tourism is at times the only available land use option in areas which have marginal soils and limited water supplies, such as parts of the study area. “The high potential of tourism to generate economic growth and development is even more attractive when it is compared to the fact that it is often the only viable economic activity in many areas, where other productive resources are absent. It is therefore often regarded as the panacea of all ills in developing countries.” (ZAI, 1994, p.5-1)

Private Tourism (Category One) versus Private Tourism (Category Two)

Category one operations appear to be more efficient than category two operations on a per bed basis. However, category two operations appear to be far more efficient than those in category one both in terms of operating surplus per hectare as well as annual rates of return on investments. The main reason for this seems to be the fact that category one operations have invested in large areas of land in order to be independent of the neighbouring protected areas, whereas category two operations have invested in smaller areas of land and make use of the protected areas. Category one operations also pay far higher wage rates both on a per hectare and a per employee basis, which increases their expenditure costs. However, in terms of their contribution to the local economy and communities, category one operations definitely seem to generate greater benefits. They pay higher wages both per hectare and per employee than category two, with employment per hectare being similar in both categories. Category one operations also have greater interaction with local communities and provide these communities with various social benefits.

The Contribution of the Sampled Private Tourism Operations to Reducing Unemployment in the Study Area

The sampled tourism operations provided 771 direct jobs and approximately 385 indirect jobs, and planned future investment by these operations will provide an additional 70 direct jobs (35 indirect jobs). The present employment levels constitute 3,36 percent of formal employment in Ubombo and Hlabisa and 27 percent of formal employment in the trade and catering sector in these magisterial districts. The sampled operations also employ primarily unskilled labour which is important as approximately a third of the labour force in Ubombo and Hlabisa is uneducated.

Interaction Between the Sampled Operations and the Local Communities

45 percent of the sampled operations had some form of interaction with the local communities, with category one operations having the greatest amount of and most valuable types of interaction.

The Importance of the Protected Areas to the Existence of the Private Tourism Operations

In general, category one operations make use of the protected areas primarily for marketing purposes, whereas the category two operations use these areas for game-viewing purposes. Category two operations therefore seem to be more efficient as they make active use of the available protected areas for the provision of wildlife. However, by investing in larger areas of land to stock with “big five” game and not being dependent on the protected areas, category one operations have secured a particular segment of the market.

Constraints on the Expansion of the Tourism Industry in the Study Area

Various possible constraints on expansion such as bad roads, poor security in the region, a lack of services and bad marketing were identified by the tourism operators. One of the most important constraints on expansion is the capacity of the protected areas as many of the operations rely on these areas for their existence.

In conclusion, the results of this dissertation provide some insight into the benefits generated by the private tourism operations in the study area and can be of use in determining where investments should be made in order to derive the maximum benefits, both financially and in terms of social development needs. However, there seems to be a conflict between these needs as generating social benefits reduces financial profitability. In terms of financial gain, investments in category two type operations appear to be the most profitable. However, from a social perspective, category one operations provide the most development opportunities. Successful investment decisions therefore depend on whether they are being made from a private or a social point of view. The results also provide a useful data base for future comparisons of the tourism industry with other sectors, as well as a comparison between the private and public tourism operations. Tourism is already established as a leading industry in the study area and has the potential for enormous development. The results of my study assist in establishing the microeconomics of the tourism industry and will provide assistance for future planning initiatives to create a balance between the vested interests of all parties concerned.

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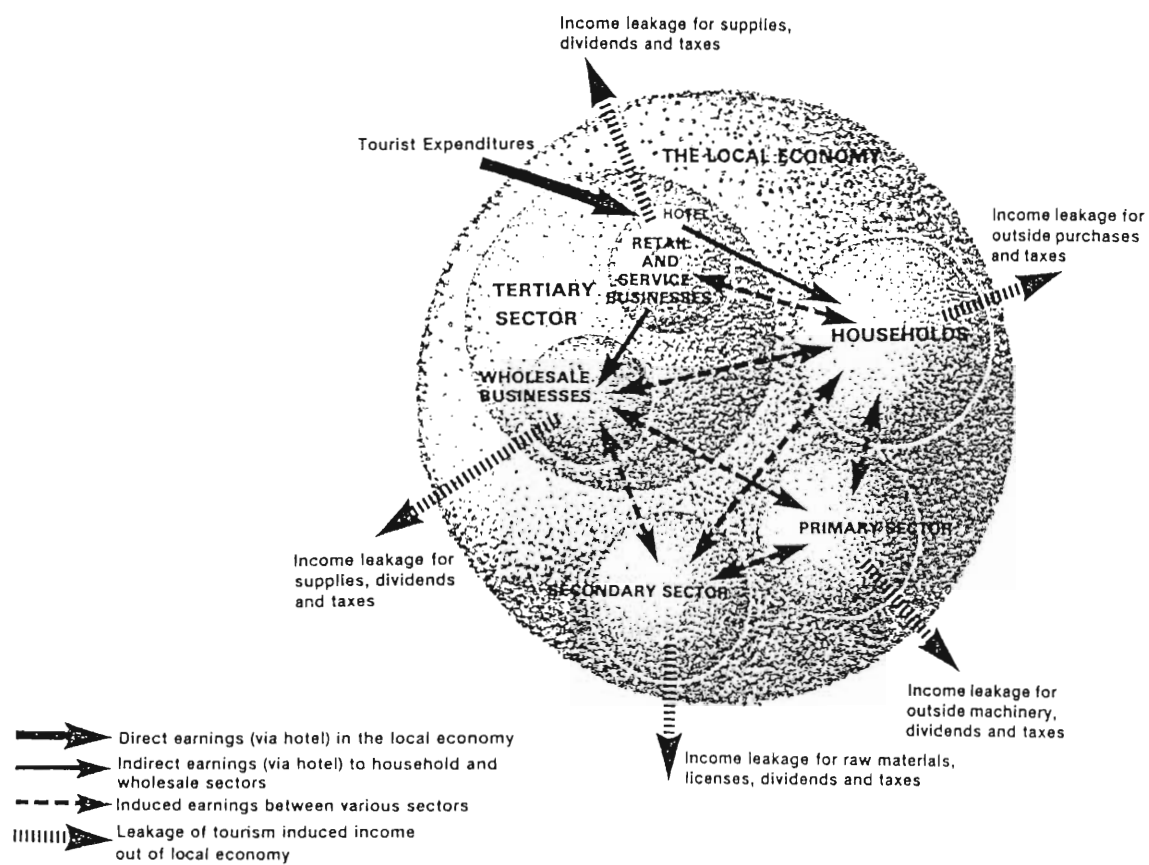
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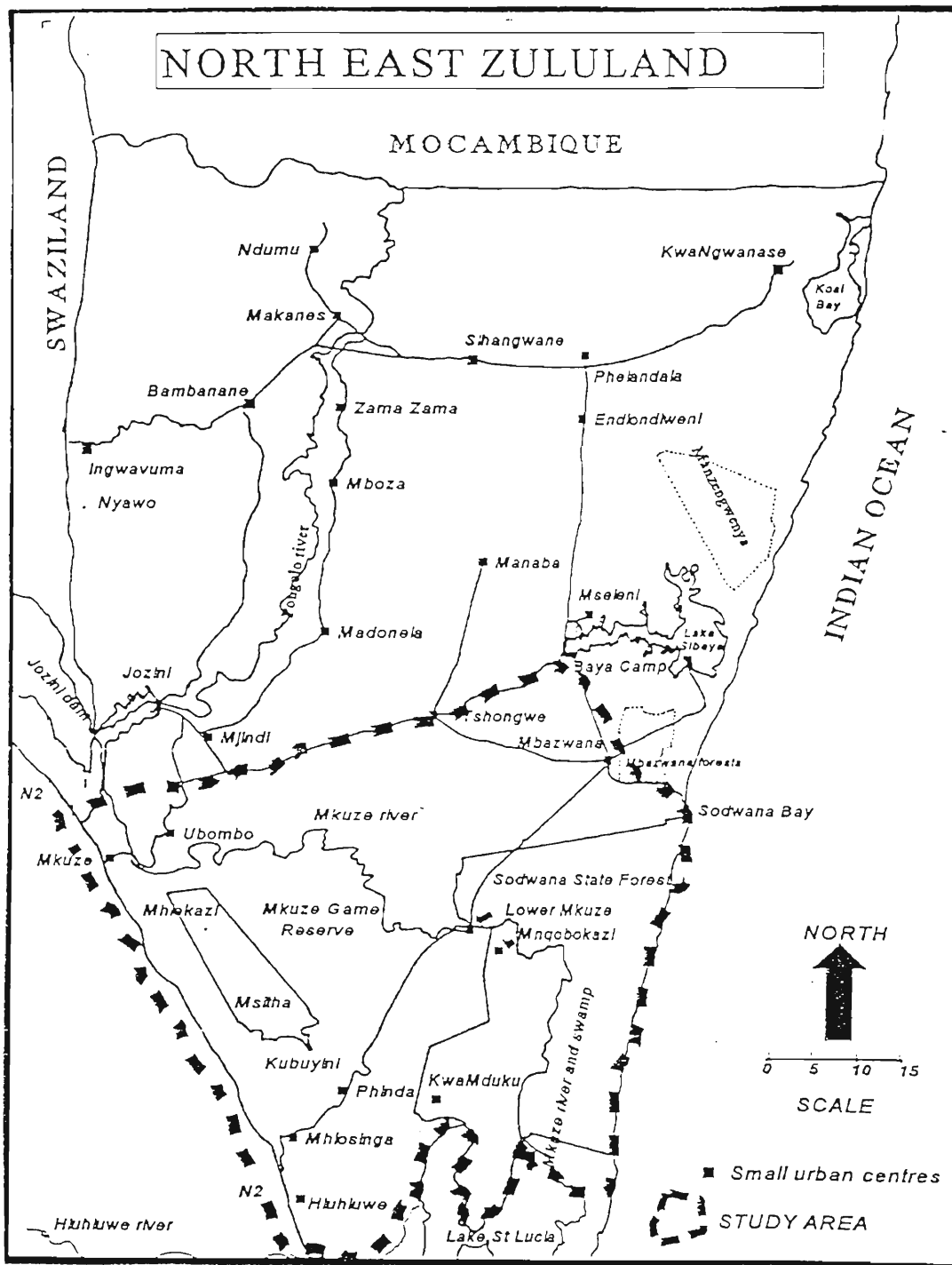
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APPENDIX.1. THE MULTIPLIER EFFECT



Source: Smith, S.L.J. (1989)

APPENDIX.2. MAP OF GEOGRAPHIC LOCATION OF THE STUDY AREA



Source: A'Bear et al. (1996)

APPENDIX.3. SURVEY**SURVEY OF PRIVATE TOURISM OPERATIONS IN THE
SOUTHERN MAPUTALAND BIOSPHERE RESERVE**

Dear Private Tourism Operator,

July 1996

You are probably aware of the fact that a planning exercise is being conducted to ensure the adequate and economically optimal development of the tourism potential within the Southern Maputaland Biosphere Reserve. The development of the tourism potential in this subregion will benefit existing as well as new tourism operators, as it will give this region of Zululand the critical mass required to become a global tourism destination.

As a component of the plan, it is necessary to obtain information on the resources required to develop tourism, as well as the benefits generated. The Natal Parks Board is supporting this planning process by initiating a research project of which this questionnaire forms a core part. The project intends to gather relevant information on the benefits and costs associated with the existing tourism operations in the sub-region, and to determine the broader impact of tourism on the economy.

Miss Taryn Rebeck, a Masters student in the Economics Department of the University of Natal, has been selected for this study. She will arrange a visit with you during the month of August to discuss this questionnaire, and to ask some more detailed questions regarding 'economic multipliers' and 'leakages'.

Any information you provide will be treated as confidential, and you may remain completely anonymous. You may also choose not to answer certain questions should you feel they are inappropriate. We trust, however, that you will have no problem with the questions below. No individual responses will be used and results will be presented in summary form.

The information will only be used for planning purposes, and will not be made available to outsiders. Only the report on the study will be made available. You will receive a complimentary copy of this report, which we trust you will find of interest.

Could you please return the completed questionnaire to the address below before the end of July?

I thank you in advance for your co-operation.

Yours sincerely,

Geert Creemers
Resource Economist
Natal Parks Board
PO Box 662
3200 Pietermaritzburg
Tel. 0331/471961
Fax : 0331/471173

SURVEY OF TOURISM OPERATORS IN THE SOUTHERN MAPUTALAND BIOSPHERE RESERVE

1. GENERAL INFORMATION ON YOUR OPERATION

When was your operation established? _____

When did the current manager become involved? _____

What is the size of the land owned or leased by your tourism operation? _____ ha

Does the operation own or lease the land? (cross where appropriate)

Own Lease

What is the total number of beds? _____

How would you describe the type(s) of accommodation you provide: (e.g. bush lodge, tented camp, chalets). If you offer different types of accommodation, can you please list the number of beds for each type of accommodation.

Description of accommodation type	no of beds
1.	
2.	
3.	
4.	
5.	

Is your operation represented in any brochure (e.g. Portfolio of Places) or a member of accredited organisations (e.g. Small Luxury Hotels of the World) or graded by Satour? Please specify.

Prices of products on offer (rack rates):

Price incl vat (Rack rate)	Product description (package or individual service)
e.g. R425	accomm/dinner/breakfast/game drive
1.	
2.	
3.	
4.	
5.	

RECURRENT EXPENDITURE**1. Salary related costs**

How many people work for your operation, including yourself, and what was their place of residence before they joined your operation? Please fill in table below

	Total	Ubombo district	rest of Zululand	outside Zululand but in KwaZulu-Natal	In other province of SA
Managerial staff					
Skilled / Semi-skilled workers (clerical, rangers, drivers, trackers.)					
Unskilled workers (labourers, cleaning staff.)					

What are the total salary related costs for the last financial year for:

Managerial staff R _____

Skilled / Semi-skilled workers R _____

Unskilled workers R _____

2. Non-salary related recurrent costs

Please provide us with estimates of non-salary related costs. Try to give us a breakdown as best you can of where this expenditure accrues. (In evaluating where expenditure accrues, the rule of thumb you should use is the location of the main office of the partner you are dealing with)

	Total	% in Ubombo district	% in rest of Zululand	% outside Zululand but in KwaZulu-Natal	% in other province of SA	% overseas
Transport related recurrent costs (fuel, vehicle maintenance, vehicle insurance)						
Selling expenses (commission, marketing, postage, printing)						
Electricity and Water						
Repairs and Maintenance						
Food						
Bar						
Curios, other trade						
Other recurrent expenditure						

COST OF INVESTMENT OF INFRASTRUCTURE AND LAND

Land

Date of purchase (if applicable) _____

Historical value (if applicable) _____

Estimated present value _____

Tourism infrastructure

Your tourism infrastructure may have been developed in stages. Please give the historical value at each stage and the date of the investment.

	Year	Historical value	Nature of investment
stage 1			
stage 2			
stage 3			
stage 4			
stage 5			

e.g.

stage 1	1989	R1500000	Base camp (main building +25 beds)
stage 2	1990	R500 000	10 additional beds and related infrastr.

Do you have any plans of further investment in the coming two years?

Yes No

If so, what is the nature of the investment: (cross where appropriate)

Upgrading of existing facilities

Expansion of operation (increased number of beds)

Can you give an approximate value of your planned future investment? R_____

REVENUE

What was your annual gross revenue over the last 4 financial years. Please break the figures down as much as you can.

	Total revenue	Accom	Food	Curios	Drives	Bar	Other
92/93							
93/94							
94/95							
95/96							

What was the total bed occupancy in your operation over the last 4 financial years?

	Total Bed Occupancy	
	Number of beds available that year	Occupancy
92/93		
93/94		
94/95		
95/96		

GENERAL

Do you have any form of interaction with the local communities?

Yes No

What is the nature of this interaction? (please cross where appropriate and specify)

Training or Education

Access to natural resources

Purchase of inputs eg: curios

Other

Which of the following do you consider to be the main constraints on ecotourism in Southern Maputaland? (cross where applicable)

Bad roads

Security in the region

Lack of services: Electricity

Water

Communications

Other (please specify)

Can you make an estimate of what percentage of the tourists that visit your operation are:

Foreign _____%

South African _____%

How important is the presence of the protected areas run by the Natal Parks Board and the KwaZulu Department of Nature Conservation for you to be able to attract visitors to your operation? Please rate the importance on a scale of -2 to +2 below.

-2	-1	0	1	2
very negative impact (they take away a lot of potential visitors)	moderate negative	no impact	moderate positive	Very positive (they enhance your ability to attract visitors enormously)

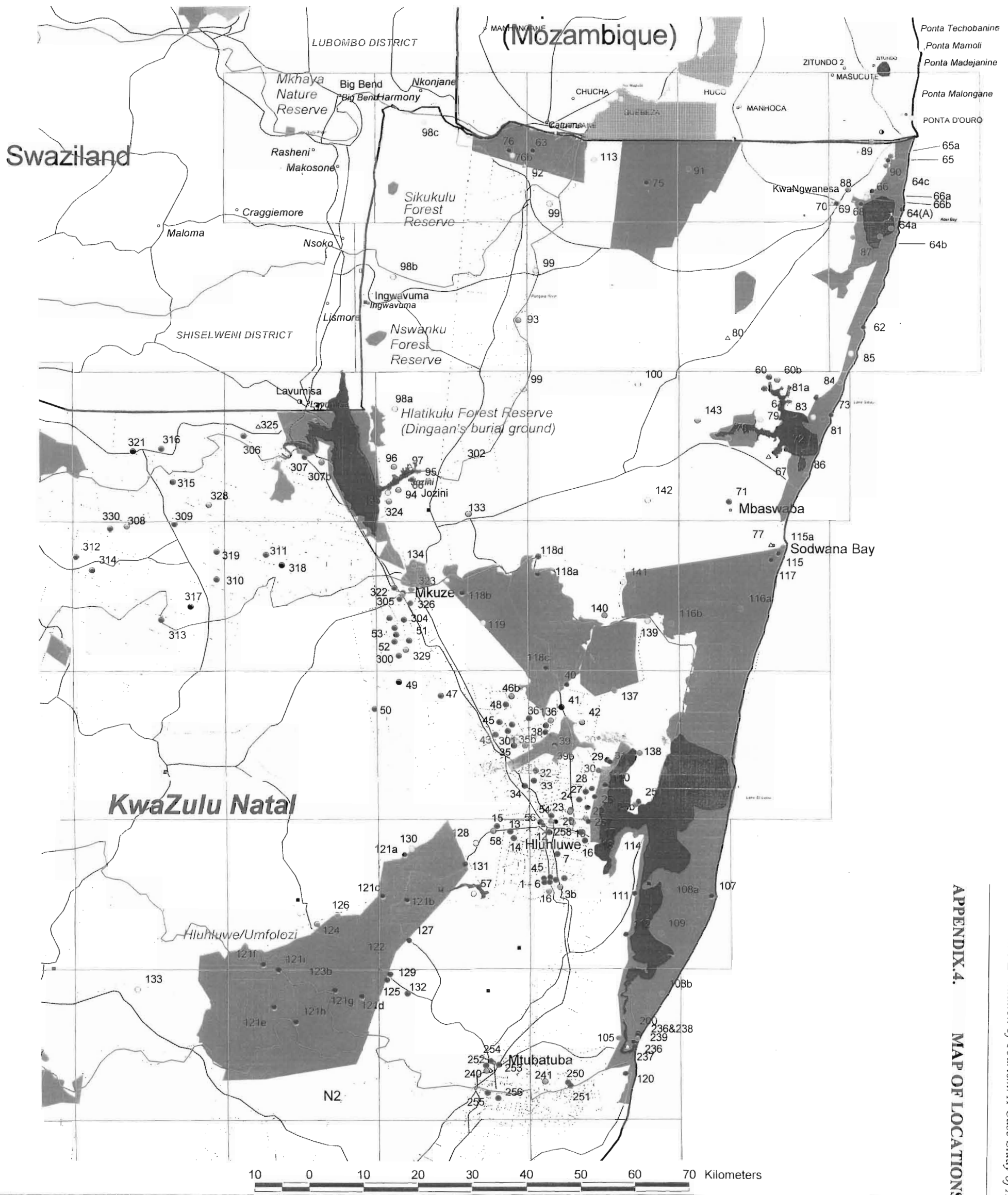
What unique selling features do you use in your marketing strategy?

Do you make use of the neighbouring protected areas for purposes other than marketing?

Yes No

If so, please specify.

Thank you very much for your co-operation, and if you have any final comments or queries, please air them below. You can also contact Mr Geert Creemers (Natal Parks Board) at 0331-471961 or Miss Rebeck at 031-840708 (July) / 0331-460391 (August onwards)



Source: Data Research Africa, 1997

Reference:

- Main Towns
- Other Towns/ Settlements
- ◐ Dams / Lakes
- ▭ Provincial and International Borders
- Existing Conservation Areas
- ▨ Planned/Potential Conservation Initiatives
- ◐ Borderpost
- River
- Roads (Main)
- Cadastral
- 1:50000 Sheets

- Tourism Infrastructure**
- A - Existing Accommodation
 - B1 - Project in Process (Accommodation)
 - B2 - Project in Process (Non Accommodation)
 - C1 - Planned Accommodation
 - C2 - Planned Non Accommodation
 - D1 - Identified Development Opportunity (Accommodation)
 - D2 - Identified Development Opportunity (Non Accommodation)
 - △ E - Stalled Projects

APPENDIX 4. MAP OF LOCATIONS OF SAMPLED OPERATIONS

APPENDIX 5.
ECONOMIC IMPACT OF A RANGE OF OPERATIONS IN
THE ACCOMMODATION SECTOR

	Total No. of Beds	Turnover (R000s pa)	Jobs	Employment Categories (% of total employment)			Average Annual Salaries (R 000's)					Annual Salaries per Bed (R 000's)	Direct Salary per Rand Spend by Tourists
				M	S	U	All Categories	M	S	U	Wage Gap ¹		
Hilltop Camp Hluhluwe Game Reserve	207	52	0,43	6%	38%	56%	29	70	31	23	3	12,5	24c
Large Upmarket Urban Hotel	380	-	1.0 ⁴	8%	5%	87% ³							
Game Lodge in Mpumalanga	48	122	1.3	7%	34%	59%	18,5	48	24	14	3,4	26,8	22c
Maputaland²													
Upmarket Operations	204	166	2,2	8%	29%	63%	15,5	55	13	11	5	33,2	20c
Middle Market Operations	380	54	0,8	13%	25%	62%	8,9	42	6,4	2,9	14,5	4,4	13c
B&B	85	10	0,3	26%	9%	75%	11,6	28	7,8	4,7	5,9	3,3	33c

Sources: Natal Parks Board: internal data, Royal Hotel and game lodge Mpumalanga: personal communication, Maputaland: Creemers and Rebeck (1997)

Notes: M = managerial, S = skilled, U = Unskilled

1. Wage gap: ratio of wages for managerial and unskilled staff
2. Annual salaries for these establishments did not include the benefits received in kind (boarding and lodging)
3. This high figure will probably be due to a different interpretation of the term 'unskilled'.
4. CSS figures suggest about 1 job per hotel room.

APPENDIX 6. INDIRECT EMPLOYMENT GENERATED BY VARIOUS ACCOMODATION ESTABLISHMENTS

	Indirect Impact				Geographical Distribution of Purchases of Intermediate Inputs (percent)					
	Rand Input per Bed (R 000 's)	Inputs per Rand spent by Tourist	Indirect Jobs/Bed	Indirect Jobs /Direct Jobs	Local	Durban	Rest of Zululand	Rest of KZN	Rest of SA	Abroad
Hilltop Hluhluwe Game Reserve	21	40c	0,3	0,7	18	23	7	7	52	0
Large, Upmarket Urban Hotel	29		0,4	0,4	-	87	-	4	9	0
Game Lodge in Mpumalanga	51	41c	0,71	0,54						
Maputaland										
Upmarket Operations	36	24c (35c)	0,5	0,23	44	14	23	3	10	6
Middle Market Operations	18	33c	0,25	0,31	50	12	35	2	19	0
B&B	4	40c	0,05	0,16	70	5	13	1	11	0

Sources: Natal Parks Board: internal data, Royal Hotel and game lodge Mpumalanga: personal communication, Maputaland: Creemers and Rebeck (1997)

Notes: 1. Principal wage rate of R36,000 pa was assumed

2. It has been assumed that 50% of total spending on inputs accrues as income. The validity of this assumption needs to be checked.

Source: Creemers et al. (1997)