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Declaration

I, Gabriel Mthokozisi Sifiso Masuku, do hereby declare that this mini thesis entitled “ Harmonization of SACU Trade Policies in the Tourism & Hospitality Service Sectors” is my own original work and that it has not been submitted for examination for the award of any degree at any other university.

Gabriel Mthokozisi Sifiso Masuku



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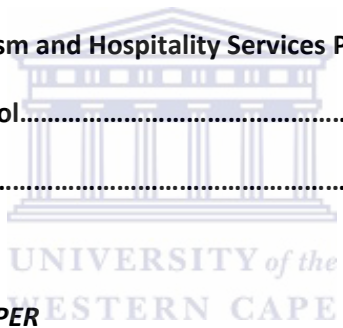
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ANNEX TO RESEARCH PAPER

A Draft SACU Tourism and Hospitality Services Protocol

CHAPTER 1

INTRODUCTION

1. A BRIEF BACKGROUND ON SACU

The Southern African Customs Union, commonly referred to as SACU, was formed in 1910 and is the oldest customs union in existence to date.¹The institutional framework of SACU establishes it to deal with trade in goods and does not address the need for a regulatory framework for trade in services, which are also key in trade.

The members of the customs union apply a common external tariff for trade in goods and enjoy participation in revenue sharing. However, members at the beginning of 2008 agreed to revise and review SACU's institutional framework, the formula used in revenue sharing and policy formulation, and to address other members' needs more effectively.

Members have unanimously identified a need to reform the SACU agreement, to make it more aligned with members' needs. Moreover, the importance of Trade in Services has become realized as key in the practical conduct of the trade in goods, for instance, a financial service being needed to conclude and facilitate a purchase of farm produce.

Within SACU there is increased trade in services which is even indicated by each member state's Current Account in the Balance of Payments. The World Trade Organization's Doha Development Round (WTO DDR) of negotiations has seen the developing countries insist on

¹ www.tralac.org 1969 Southern African Customs Union Agreement. (Accessed 05/09/08)

being granted, *inter alia*, more flexibility in the free movement of natural persons, generally classified as modes 2 and 4 of services, respectively.

This research, therefore, seeks to highlight challenges faced at present by natural persons within SACU in accessing tourism, hotel and restaurant industries. It will then show how the economy grows when challenges, such as, the upgrading of existing tourism supporting infrastructure, star rating of accommodation, extended border hours and improved immigration procedures, well maintained and functional infrastructure, and a facilitation of the application, processing and issuing of visas, have been overcome. It will further prescribe solutions to these challenges and a way of ensuring uniformity of standards and costs for natural persons' full enjoyment of such services within SACU.

2. RESEARCH OBJECTIVE

The general objective of the proposed research is to do a needs analysis for the tourism and hospitality industries of South Africa, Botswana, Namibia, Lesotho and Swaziland. This will be followed by an alignment of these industries with the provisions of the General Agreement of Trade in Services, commonly known as GATS, so that a Tourism and Hospitality Services Charter may be moulded that may be used uniformly throughout SACU.

The specific objectives of the research are:

- a) To analyze impact assessment reports and studies conducted on the Tourism and Hospitality Industries for all five SACU member states with the aim of harmonizing standards, costs and border procedures
- b) To recognize SACU member states' schedule of GATS Commitments, especially in the service sectors being investigated, by improving market access, and to recommend minimal infrastructural development levels to be attained for such sectors' support

- c) To make recommendations to harness the challenges faced by the said industries into a working document
- d) To calibrate a uniformity of trade standards in these sectors that shall be used by the SACU membership
- e) To ensure that the template is flexible enough for SACU to easily adopt and use in ongoing bilateral negotiations, for example.

3. PROBLEM STATEMENT

SACU members have been focusing almost exclusively on trade in goods and have neglected what has become almost just as important as trading in goods – services.² These two co-exist as there can never be trade in goods without involving at least a number of services, like, financing, transportation, communication, etc, in furtherance of transporting a consignment of goods bought. SACU, therefore, needs to put together a policy that will be of equal application in all its member states, will be in tune with their GATS Commitments and ensure a freer movement of natural persons. This will facilitate access to, and enjoyment of, member states' tourism and hospitality sectors and bring in much needed revenue from tourism in general.

4. RESEARCH HYPOTHESIS

The research will examine the potential revenue not yet realized by SACU in the tourism and hospitality service sectors. It will show that, through a failure to standardize border working hours, immigration procedures and visa requirements, accommodation ratings and upgrading of poor infrastructure in general, member states' economies are deprived of good revenue prospects. Factors ,such as, the geographical proximity to South Africa, natural environment, and rich cultural heritage, will be shown in this paper to be giving SACU member states a

² *Ibid.* www.tralac.org 1969 Southern African Customs Union Agreement.

comparative advantage in this sector of unequalled proportion which unfortunately is not being exploited at present.

Currently, within SACU, there is no agreement or protocol that addresses standards or that attempts to attain uniformity in the Trade in Services. The levels of development of the member states are not the same and have dissimilar domestic economy areas of priority. This, therefore, makes it necessary to formulate unified standards that may ensure an even growth of the hospitality and tourism sectors within the respective member states.

5. SCOPE OF RESEARCH

What will be considered in this paper under tourism are both mode 2 (consumption abroad by a natural person in a foreign country) and 4 (a temporal movement of natural person for work or to perform a job in a foreign country) of GATS and the challenges faced by such natural persons. In this category will be *interalia*, holiday visitors, people visiting friends, people who travel on religious pilgrimages, and those who travel on business.

On the other hand, as far as the hospitality industry is concerned, regard will be had to visitors to formally registered establishments, like, hotels, restaurants, game reserves, nature reserves and holiday resorts. These will be visitors falling under mode 2. Again a critical analysis of challenges faced by these visitors will be investigated and a SACU proposal devised to ease these and to enable member states to realize improved revenue from this sector.

6. SIGNIFICANCE OF THIS RESEARCH

The register of membership of the World Trade Organization reflects that SACU member states comprise of: a “Developed” Country, being South Africa; Developing Countries, Namibia,

Botswana and Swaziland; and a Least Developed Country, Lesotho.³ The WTO does not have a different classification for developed, developing and least developed countries but instead has developing and least developed countries as groups. Instead, it is a member upon joining the organization that decides how it wants to be regarded, whether it desires being perceived as a developing country and be expected to forego certain privileges enjoyed by least developed countries. On the other hand, the World Bank has its own system of classifying country economies and its April 2009 classification ranks South Africa and Botswana as being upper middle income economies while Lesotho, Namibia and Swaziland are rated as lower middle income economies.⁴

Swaziland and Lesotho are small economies without much industrial production capacity, except for textiles, and rely a lot on the SACU revenues collected and shared by the member states. Globally these small and vulnerable economies and other developing countries are less able to compete effectively with other developed countries in industrial manufacturing. Generally, this stems from supply side constraints. These may range from lack of an ideal infrastructure, unsophisticated production methods employed, lack of financial and human resource capital, wars, poor levels of education, lack of markets, natural disasters, and diseases.

The only sector that Africa, more specifically South Africa and Botswana, Lesotho, Namibia and Swaziland (BLNS countries) have been renowned for over the years is agriculture. However, SACU members in this sector face a lot of challenges. These include supply side constraints, Non- Tariff Barriers and subsidies granted to farmers in developed countries resulting in their dumping of produce sourced from their countries in markets of the developing and least developed SACU members through selling such imports at below the cost of production.

On the other hand, in services SACU has untapped potential, which gives it a comparative advantage over other developed and developing countries. Its natural landscape, rich cultural heritages, and geographical positioning around metropole South Africa make the rest of SACU members well placed to maximize their benefit in the Tourism and Hospitality Service Sectors.

³ www.wto.org *Who are developing countries in the WTO?* Viewed on 13/05/09

⁴ www.worldbank.org *List of World Economies (April 2009)*. Viewed on 13/05/09

This untapped potential needs to be fully realized through the formulation of a template that may be applied uniformly throughout SACU, setting minimum acceptable standards for member states to give them that competitive edge and improved revenue.

7. RESEARCH METHODOLOGY

A review of existing literature on the SACU Institutional Framework and Organizational Structure, proposed amendments, Impact Assessment Studies on the Tourism and Hospitality Industries of South Africa, Botswana, Namibia, Lesotho and Swaziland, SADC Protocol on Services, EU – SADC EPA Template, SACU Schedule of GATS Commitments, SADC Protocol on Tourism, internet related websites, and Published Trade Commentaries, will then be made.



8. KEYWORDS

EPA – Economic Partnership Agreement

EU – European Union

GATS – General Agreement on Trade in Services

HOSPITALITY INDUSTRY – Includes hotels, restaurants, registered lodges, caravan parks,
game reserves and nature reserves

LDC – Least Developed Country

SACU – Southern African Customs Union

SADC – Southern African Development Community

TRADE – Exchange of goods and services for money

TOURISM – Temporal movement of natural persons outside their normal country of residence
to a foreign country

WTO – World Trade Organization



9. OVERVIEW OF THE CHAPTERS

Chapter 1 is introductory and sets out the context of the research, highlighting the problems, and outlines the methodology.

Chapter 2 discusses the historical background of SACU, identifying the aims and objectives of the customs union. The chapter emphasizes that, from inception, SACU was focused exclusively on trade in goods. The Unions' growth over the years until 2008 will then be examined.

Chapter 3 will focus on the GATS, and the country specific schedule of commitments of Botswana, Lesotho, Swaziland, Namibia and South Africa. Within the member states, a sector specific analysis of the tourism and hospitality industries will be outlined. It also discusses Impact Assessment Studies

conducted for each member state's tourism and hospitality sectors. An in depth analysis of each respective sector under discussion shall be made.

Chapter 4 looks into issues of comparative advantage for each one of the five member states in the service sectors under discussion. An evaluation of the different levels of economic, social and infrastructural development shall be this chapter's focus. The chapter also focuses on the creation of Public – Private Sector Partnerships for a Sustainable Development of the tourism and hospitality services industry.

Chapter 5 proposes a template for the tourism and hospitality industries in SACU highlighting benefits attaching to having one. It ends with a conclusion and recommendations.

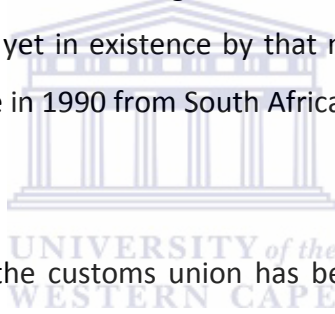


CHAPTER 2

THE SOUTHERN AFRICAN CUSTOMS UNION

2.1 An Overview of SACU and Its Historical Background

It was founded in 1910 through the Customs Union Agreement.⁵The initial contracting parties and signatories to such agreement were the then High Commission Territories of Bechuanaland (Botswana), Basutoland (Lesotho) and the Kingdom of Swaziland. At that time, the country today known as Namibia was not yet in existence by that name .It only joined as a sovereign state upon attaining independence in 1990 from South Africa.



Since inception, the mandate of the customs union has been seeing to a free movement of goods between the member states and sharing good relations while maintaining the same external tariff for goods imported from outside territories of member states. In its founding agreement, absolutely no mention was made of a trade in services as the latter were not regarded as a commodity. It was unimaginable that services would someday be a major earner of revenue and be seen as an important and integral part in the conduct of trading in goods.

Ever since the 1910 Customs Union Agreement, there have been a number of agreements that have come into being that have ratified the founding one and introduced some amendments. In 1969, the members formulated the Southern African Customs Union Agreement which however, only became operational on the 1st March, 1970.

⁵ [www.tralac.org/1969 Southern African Customs Union Agreement..](http://www.tralac.org/1969%20Southern%20African%20Customs%20Union%20Agreement..) Accessed on 05/09/08

This 1969 agreement ratified the Customs Union Agreement of 1910 (which was the founding one) and introduced some amendments relating to the union's objectives. Its preamble advocated for a diversification of members' economies and stated as its intended objective the development of members' small and vulnerable economies.

In 2002, SACU came up with a Final Draft Agreement concluded by governments of Botswana, Lesotho, Namibia, Swaziland (BLNS) and South Africa. The preamble of this agreement highlighted the need for a modern agreement aligned with international trade relations and development. In this regard, there had to be conformity with laid down World Trade Organization (WTO) aspirations. It sought to correct a lack of common policies and institutions which made a full implementation of the 1969 agreement a serious challenge. It acknowledged the different levels of members' development and the need for facilitating their integration into the global economy. The 2002 SACU Agreement has an annex A attached at the end of the agreement which details a formula to be followed by members in sharing and distributing customs revenue collected and kept jointly during the course of a financial year.⁶ Aside from selling goods, what about trade in services? Services were not viewed as a tradable area as yet due to their intangible nature and form.

2.2 Aims and Objectives of SACU

The rationale behind SACU's formation was trade facilitation between members in goods, the stimulation of small and vulnerable economies within its membership and a means of facilitating regional integration. The customs revenue collected and shared between members a quite sizeable and accounts for a large portion of BNLS countries' revenue pool.

⁶ www.tralac.org. Annex A to 2002 SACU Agreement. Viewed on 05/09/08.

South Africa is a key member of SACU. It determines members' trade policies and tariffs unilaterally. This has been decried by the other members as being undemocratic and have been advocating for an amendment of this procedure. Regrettably, even the 2002 amendment failed to address the neglected issue of a trade in services despite the WTO's having taken due cognizance of its importance as evidenced by the creation of the GATS. Within GATS, there are a lot of different categories of services enlisted there under *inter alia*, tour operators, tour guides, banking and financial services, telecommunications, postal services, hotel and catering services which make a significant contribution towards SACU member's fiscus.

2.3 SACU's Growth over the Years

From inception, the members had allowed South Africa to play a key role in the implementation of the collection and distribution of customs revenue. However, over the years, they have seen a need to amend the 1969 agreement to allow for an increased participation of all BLNS members in the decision making process through having in place a democratic institutional framework. The proposed new SACU Agreement has reforms proposed to ensure the establishment of such institutional framework; a new revenue sharing formula favouring BLNS countries and advocates for development; emphasis is also made for a need to address members' needs more effectively and harnessing policies towards industrial development.⁷

With so much emphasis being made in all the SACU Agreements over trade in goods and revenue collections, what about trade in services? Services were not yet perceived as playing any key role in trade because right up to the 2002 SACU Agreement that sought to amend the founding one, no mention was being made of establishing an institutional framework for

⁷ www.tralac.org 2002 SACU Agreement. Viewed on 05/09/08.

trading in services. This was unfortunate as the services industry was in full operation at this stage as it was that very industry that facilitated trading in goods.

This chapter has outlined the origins of SACU detailing where it came from and went on to identify specifically what purpose it was established for. It has also been shown that there is a serious lack of a services institutional and regulatory framework in the customs union that could be set up to operate parallel to that regulating trade in goods. The next chapter will focus on what the multi lateral framework did to regulate and govern trading in services. It will further be investigated and ascertained whether or not what was done in the multilateral trading system had any impact on regulating trade in services by South Africa and the BLNS countries in the customs union.

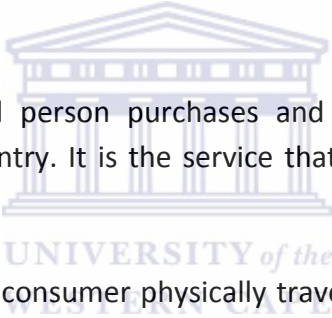


CHAPTER 3

THE GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

3.1 The GATS, Tourism and Hospitality Service Sectors

The reason behind the formation of the General Agreement on Trade in Services (GATS) was to eliminate government barriers to competition in services, provision of services and enhancement of access to markets of other countries.⁸ Under GATS, services may be supplied and or accessed through the following modes,

- 
1. **Cross Border:** The natural person purchases and consumes a service provided or supplied from another country. It is the service that moves to where the consumer is situated.
 2. **Consumption Abroad:** The consumer physically travels to another country to purchase and consume a service in a foreign country.
 3. **Commercial Presence:** A foreign investor moves and sets up a commercial business entity on foreign soil which provides a service to the locals.
 4. **Temporal Movement of Natural Persons:** The natural person temporarily leaves his country and goes to supply a service or work in another foreign country.

Tourism is currently the world's fastest growing industry enjoying at least one third of total value of traded services.⁹ It has also become a central instrument for the generation of employment especially in the rural areas. The key consumers or beneficiaries of tourism services are visitors who access the service through mode two. Visitors leave their countries of

⁸ www.freedom to trade.org Trade in Services Briefing Paper – August 2003. 2. (Accesses on 11/12/08)

⁹ World Trade Organization. Council for Trade in Services. Tourism Services. A Background Note By The Secretariat. 23/09/98

origin and travel to a foreign country as tourists and by so doing get to consume the tourism service abroad. Put differently, it is the natural person who travels to the supplier of the service.¹⁰

For the visitor or tourist to access tourism as a service supplied, a number of other types of services need to be involved. The visitor must purchase a visa and an air ticket, board an airplane or vessel or train or vehicle, change travelers cheques into local currency, pay as he checks himself into a hotel, telephone friends and family members informing them that he travelled and arrived safely, wine and dine, shop for art and craft and be able to access modern medical healthcare in the country being visited. Now, to describe these above incidents in the GATS language of services, they comprise of:

- a) Travel Agency Service
- b) Flight Service
- c) Shipping Voyage Service
- d) Train Service
- e) Road Transportation Service
- f) Banking Service
- g) Hotel Service
- h) Telecommunications Service
- i) Restaurant Service
- j) Hospital and Medical Healthcare Service



These services are co - related and are almost always incidental to the consumption of the tourism service. They are inter linked and operate to complement each other in the sense that one service sector is almost completely incapable of operating alone. Tourism cannot be a vibrant sector that manages to woe many visitors from far away countries if all the above listed complimentary sectors are mal functioning. This therefore goes to show the importance and need for the main infrastructural services to be in a competitive state within SACU for the trading block to become a tourist destination in the region.

It has been stated time and again that the tourism industry is infrastructure dependent and this factor cannot be overemphasized.¹¹A tourist will not want to visit a country where the road

¹⁰ www.freedom to trade.org *Trade in Services Briefing Paper*. August 2003. 2. Viewed on 11/12/08

network is poor with untarred roads or where the main roads are fraught with unbearable potholes, and the banking service does not have the technical training and capacity to change foreign currency, there is no access to the internet and the health care service has been complained of in the media repeatedly without anything positive being done to change it. Once the infrastructure for the key services is intact and of global standard, there is no reason why tourists should shun visiting such a country.

The World Tourism Organization defines international tourism as a situation where a traveler or visitor has travelled and crossed an international border.¹² This definition differentiates between domestic tourism and international tourism. A domestic tourist on the other - hand is a traveler who has travelled from one point of the country to another without having to cross an international border gate. Border controls and procedures do have a direct effect on the volume of visitors into any given country.¹³ Where visa applications are made, how long it takes procuring a visa, border working hours, whether or not immigration procedures are computerized, friendliness and cooperativeness in handling of visitors, whether there are long queues visitors have to contend with – all of these factors play a pivotal part in convincing visitors to go to a particular country or not.

Other factors that influence the volume of visitors include political stability, economic stability and whether or not the country is liked.

Tourism service suppliers include transport companies, travel agents, tour operators and hotels.¹⁴ The parts they play start from the time a visitor makes a booking and declares his intention of visiting a foreign country right up to the time such visitor physically presents himself to the hotel of the host or visited country.

Services are intangible in their nature unlike goods. By definition, a service is an economic activity that adds value either directly to another economic unit or to a good belonging to another economic unit.¹⁵ Actually, 60 percent of global trade occurs in services. However, capturing data in relation to the traded services is full of challenges.

¹¹ McGuire Greg. *Trade in Services. Market Access Opportunities and the Benefits of Liberalization for Developing Economies*. 2002. 6. United Nations. New York and Geneva. United Nations Conference on Trade and Development.

¹² *International Trade in Tourism Related Services: Issues and Options for Developing Countries. Background note by the UNCTAD Secretariat*. 08/04/1998. 3. United Nations Conference on Trade and Development.

¹³ *International Trade in Tourism Related Services: Issues and Options for Developing Countries. Ibid* 3.

¹⁴ *United Nations Conference on Trade and Development. International Trade in Tourism Related Services: Issues and Options for Developing Countries. Background note by the UNCTAD Secretariat*. 08/04/98. 4.

¹⁵ www.freedom to trade.org *Trade in Services Briefing Paper. August 2003*. 1.

In the multilateral trading system, the promulgation of GATS showed global recognition and importance for trading in services for the first time in the history of trade in general. This was so through GATS' setting the regulatory framework for trading in services. In its preamble¹⁶, recognition is given to the importance of trading in services by the entire membership of the World Trade Organization (WTO) as a means of further developing the global economy.

The WTO was formed on the 1st of January 1995 and within SACU's membership, the WTO's founding members who also joined it on its inception date were Namibia, South Africa and Swaziland.¹⁷ Botswana and Lesotho later joined the WTO on the 31st May 1995. Despite SACU members' almost all being founding WTO members and being exposed to the rigors of trade in the international level wherein trade in services was certainly abundant, they did nothing to import this realization into the region's customs union and devise a services' framework.

The complementary nature of trading in services is more fully realized upon perusing the different categories of services as they are listed in GATS and how one service sector is supported by another's strong institutional and regulatory framework. The same complimentary notion of the nature of the different service sectors applies to the tourism and hospitality industries' service sectors. Under GATS there is a Services Sectoral Classification enlisting the following sectors and their services;



(i) Business Services

- Professional services
- Computer and related services
- Research and development services
- Real estate services
- Rental/leasing services without operators
- Other business services

(ii) Communication Services

¹⁶ World Trade Organization. "The Legal Texts". The Results of the Uruguay Round of Multilateral Trade Negotiations.2002. WTO Secretariat.

¹⁷ www.wto.org The Membership of the WTO. (Accessed on 09/12/08)

Postal services
Courier services
Telecommunication services
Audio visual services

(iii) Construction and Related Engineering Services

General construction work for buildings
General construction work for civil engineering
Installation and assembly work
Building completion and finishing work

(iv) Distribution Services

Commission agents' services
Wholesale trade services
Retailing services
Franchising



(v) Educational Service

Primary education services
Secondary education services
Higher education services
Adult education

(vi) Environmental Services

Sewerage services
Refuse disposal services
Sanitation and similar services

(vii) Financial Services

All insurance and insurance related services
Banking and other financial services

(viii) Health Related and Social Services

Hospital services
Other human health services
Social services

(ix) Tourism and Travel Related Services

Hotels and restaurants (including catering)
Travel agencies and tour operator services
Tourist guide services



(x) Recreational, Cultural and Sporting Services

Entertainment services
News agency services
Libraries, archives, museums and other cultural services
Sporting and other recreational services

(xi) Transport Services

Maritime transport services
Internal waterways transport
Air transport services
Space transport
Rail transport services
Road transport services

Pipeline transport
Services auxiliary to all modes of transport

(xii) Other services Not Included Elsewhere

However, the research paper shall focus mainly on the tourism and hospitality service sectors and sector specific commitments made in such service sectors' mode 2 and mode 4 respectively as prevailing in South Africa and the BLNS countries.¹⁸

What is noteworthy is that each one of the SACU members has a country schedule of commitments. Where on the schedule of a country's commitments, if it reads that there is no commitment or simply none – that means that such sector is fully open/ liberalized for natural persons to take full advantage of. This means that visitors and people seeking professional employment can enter the market without worrying about market related restrictions being imposed by a country's government. On the other - hand, if the endorsement on the schedule reads unbound, it means that it is relatively open but subject to certain limitations. Put differently, it means that the market is open to visitors and people seeking professional employment but subject to their meeting certain requirements.

3.2 An Analysis of the Tourism and Hospitality Trade in SACU

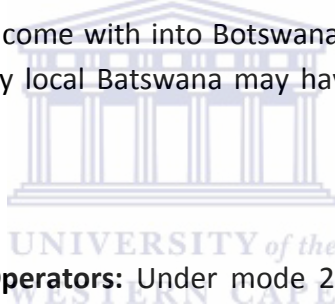
South Africa and the rest of the BLNS countries have all made sector specific commitments in the schedules of the different countries. These schedules reflect the extent of their commitments in trade. Under GATS, the SACU members have also made commitments for the different service sectors. This section of the paper will look at commitments that have been made by South Africa and the BLNS countries in that order under the Tourism and Hospitality Services Sectors.

¹⁸ www.wto.org *WTO Country Schedules of Commitments*. (Viewed on 09/12/08).

(i) Botswana: Limitations on Market Access

For a visitor, or an investor who desires setting up businesses or an individual who seeks employment in the sectors including: a hotel, restaurant, travel agency or even tour operator, the country's schedule of commitments will be analyzed to see whether its market is permitting or not.

a) Hotels & Restaurants: The Bank of Botswana only limits the amount of foreign and local currency that permanent residents are entitled to travel with annually under mode 2. However, under mode 4, it stands as unbound except as indicated in the horizontal schedule of commitments. This means that individual visitors are free to visit Botswana hotels and restaurants to consume those services offered there without limit on the foreign currency they may come with into Botswana. However, there is a limitation on how much foreign currency local Botswana may have access to if they want to travel outside Botswana.



b) Travel Agencies & Tour Operators: Under mode 2, there are no commitments. This means that visitors are allowed to enter Botswana and hire travel agencies and tour operators alike but there are restrictions relating to foreigners entering the country and setting up such businesses or seeking employment from them. However, under mode 4, it is unbound except as indicated in the country's horizontal commitments.

(ii) Lesotho: Limitations on Market Access

In Lesotho, the country's schedule of GATS commitments will be looked into as they affect a visitor, or an investor or someone looking for employment in the sectors under discussion.

a) Hotels & Restaurants: There are no commitments under mode 2 but under mode 4, it is unbound except as indicated in the horizontal section. Visitors are allowed unlimited

entry into the country's hotels and restaurants but for those people intending to seek employment in the hotels and restaurants, there are restrictions.

- b) Travel Agencies & Tour Operators:** It is unbound under mode 2 but under mode 4, it stands as unbound except as indicated in the horizontal section. Likewise, visitors are unhindered in their desire to hire travel agencies and tour operators but are restricted from seeking to set up or even seeking employment from travel agents and tour operators.

(iii) Namibia: Limitations on Market Access

The situation of a visitor, or person seeking employment or seeking to set up a hotel or restaurant or a travel agency or set up the business of being a tour operator will be looked into. The Namibian market will be closely looked into to decipher how permissive or how open it is for the above mentioned persons.

- a) Hotels & Restaurants:** There are no listed commitments under modes 2 and 4 which therefore means that the Namibian hotel and restaurant industry is very open to visitors and people seeking employment.
- b) Travel Agencies & Tour Operator Services:** Similarly, there are no listed commitments under both modes 2 and 4 respectively. Likewise, in Namibia, visitors and people seeking employment are more than welcome to doing so as the country's market is fully liberalized in these sectors.

(iv) Swaziland: Limitations on Market Access

The market of the Kingdom of Swaziland will be closely looked into so as to ascertain how open it is to visitors, or people looking to set up businesses or seeking employment in the hotels and restaurants as indicated by Swaziland's schedule of GATS commitments.

a) Hotels & Restaurants: There are no listed commitments under mode 2. This means that visitors are free to come into the country to consume hotel and restaurant services. But under mode 4 it remains unbound except for Chief Executive Officers, Senior Managers and Chef Cooks (in the case of Hotels & Restaurants). The job of Chief Executive Officers, Senior Managers and Chef Cooks in hotels and restaurants is restricted in Swaziland.

(v) South Africa: Limitations on Market Access

The South African market for investors, visitors or even people seeking employment in the hotel, restaurant, travel agency or tour operator business services will be closely looked at to decipher how receptive it is to people seeking to access these services.

a) Hotels & Restaurants: Under mode 2, there is no listed commitment which means that the South African market is open to visitors who desire consuming hotel and restaurant services. However, under mode 4, it remains unbound except as indicated under the horizontal section. For people seeking employment in the hotel and restaurant industry, there are limitations which people intending to access this sector have to deal with.

b) Travel Agencies & Tour Operator Services: There are no listed commitments under mode 2 but under mode 4, it remains unbound except as indicated under the horizontal section. What this means is that visitors are free to enter and consume travel agency and tour operator services in the Republic of South Africa. However, there are certain limitations which may preclude a person from entering the market and seeking employment or setting up travel agency or tour operator businesses.

Now, having looked into what commitments each one of the members of SACU have made under GATS in their tourism and hospitality services sectors, focus will now shift to what studies

have been done in South Africa and the BLNS countries in analyzing the sector further. Out of the studies done, each country's advantages and disadvantages in the conduct of tourism and the hospitality industry will then be discussed.

3.3 Sector Specific Impact Assessment Studies and Reports on SACU States

Those SACU members who have been subjects of feasibility and impact assessment studies as relating to tourism will be looked into in the following paragraphs. The analysis will further raise obvious advantages that a member may have in the trading block pertaining to trade in services within the customs union.

- (i) Short distances inter - linking South Africa to BLNS countries and having competitive airlines servicing SACU:** Within SACU, the main aspect that places its members at an advantage is the fact that the countries are almost all clustered around South Africa in that they are in close proximity to the region's business capital, South Africa. A lot of international travelers use the South African airports as points of entry/exit into and out of Africa regardless of the reason behind the travelling or the type of travelling. One of the reasons for such is the fact that South Africa has a good airline infrastructure and network to global destinations in all the continents.

This is good for SACU's tourism in that if South Africa and the rest of the BLNS countries were to be packaged and promoted as a tourist destination, the costs associated with travelling by air would become manageable. This would be so in that SACU would jointly demonopolize the air transportation sector and open it up to other service providers hence bringing in that much needed competition between airlines thus bringing down the costs of flying.

Therefore, with cheaper airfares, it would become more affordable for visitors to fly into South Africa and the BLNS countries hence boosting the customs union's tourism. Long distances of travelling coupled with expensive fares for covering such distances has caused many prospective visitors to shun travelling to distant places in

favour of confining their travelling to regional destinations.¹⁹The BLNS countries are each on average an hour's flight from Johannesburg's OR Tambo International Airport hence will even be worthwhile alternative destinations for the 2010 Soccer World Cup should South Africa run out of bed space.

(ii) Natural beauty of South Africa and BLNS countries: SACU member countries have a host of natural wonders like natural and unspoilt rolling hills and mountains, natural attractions, wildlife, flora and culture.²⁰These features do not need to be capitalized financially, instead they need to be preserved, protected and made accessible by road and otherwise. This therefore makes the custom union attractive to visitors who have preferences for hiking up mountains, staying in campsites and caravan parks and who generally enjoy living outdoors.

Visitors from the developed countries are drawn by these natural attributes as where they originate from, these are no more due to rapid industrialization that has totally destroyed them hence issues of global warming, carbon credits, green house gas emissions and environmental concerns have been made priority. The developed countries are battling issues of environmental degradation and industrial pollution which has been brought about by rapid industrialization and globalization such that it has now even become a danger not only to the environment but also to animal and human life as well.

Aside from the closeness to South Africa and SACU members' naturally beautiful landscape, stronger foreign currencies against SACU currencies market the region as an affordable holiday destination as will be fully addressed below.

(iii) Weaker SACU currencies in comparison to currencies of developed countries: Another factor that operates in favour of SACU is the fact that the exchange rate acts as an incentive and facilitates the movement of visitors from the developed countries to

¹⁹ *United Nations Conference on Trade and Development. International Trade in Tourism Related Services: Issues and Options For Developing Countries.* Background Note by the UNCTAD Secretariat. 08/04/98. 2.

²⁰ *Comprehensive EPA Impact Assessment and Sustainability Study for the Kingdom of Swaziland. Final Report on Trade in Services.* September 2007. Imani Development. Umhlanga Rocks. South Africa. 23.

the developing countries situated within SACU. Southern Africa therefore becomes the practical and affordable destination for tourists from overseas countries because of their stronger economies and currencies.

The main traded currencies which Southern African banks find themselves having to regularly deal with in their foreign exchange departments are the English Pound Sterling, Euro and American Dollar which currencies are very strong in comparison to SACU currencies. This trend has fortunately made it very attractive for developed country tourists to consider SACU countries as a holiday destination because they find it not expensive visiting and believe that they get a value for money kind of holiday in Southern Africa.²¹ International tourists will for that reason be able to freely spend their money buying from village market stalls craft, paintings, carved ornaments and art effects and even leave behind generous tips for tour guides.

Now that it has been shown that SACU members' close proximity to South Africa, natural beauty of member countries and a weaker exchange rate may attract international tourists, what has the trading block done to facilitate the accessing of tourism in the region? That is the question which the next sub paragraph will be addressing.

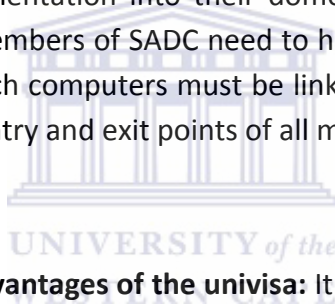
(iv) Regional Tourism Organization of Southern Africa (RETOSA) Studies conducted on how tourism in SACU may become boosted: SADC has commissioned studies through RETOSA which have been focusing on ways of facilitating a freer movement of visitors and those in search for employment in other countries in accordance with mode 2 and mode 4 respectively within SADC in tourism.²² This study was aimed at looking at ways aimed at making it easier for tourists to visit other SADC member states and also for people seeking employment in the tourism and hospitality industries to move around freely within the fourteen SADC member states.

²¹ United Nations Conference on Trade and Development. *International Trade in Tourism Related Services: Issues and Options for Developing Countries*. 08/04/1998. 8.

²² RETOSA. March 2006. *Regional Tourism Organization of Southern Africa. Study on the Implementation of a UNIVISA System in the SADC Region*.

Fortunately, all SACU members are also members of SADC and for that reason the SADC report's analysis and recommendations are of equal relevance, importance and application to the SACU membership. This is so in that the studies covered even an analysis of all the members of SADC and for that reason the advantages and disadvantages of the individual member states were covered as relating to the movement of natural persons and people seeking employment.

The study commissioned by RETOSA came up with a recommendation of adopting and implementing a univisa for people who wish to visit SADC member countries. How it would work is that the visitor would only be required to procure one visa which would allow him access into all fourteen SADC member countries. This would be excellent for tourism as more visitors would have access to different African countries. However, the univisa proposal still awaits member countries' adoption, ratification and implementation into their domestic laws. For the visa to become fully operational, all members of SADC need to have computers capable of scanning tourists' passports which computers must be linked to other countries' immigration departments at each entry and exit points of all member states.



(v) The advantages and disadvantages of the univisa: It was in this June 2006 meeting that the notion of a *univisa* was developed. This impliedly would mean that all SADC members would use one unified visa for their members to travel throughout SADC. Working groups were therefore set up and tasked with developing a body of common rules and regulations that would govern the implementation and operation of this common visa.

They were required to look into area of computerization, statistics, police cooperation, judicial cooperation, immigration, etc. Now the immediate challenges that the implementation of the *univisa* would face were the different levels of socio economic development, infrastructural development and differing domestic challenges each member faced. These are supply side constraints that threaten the successful implementation of the univisa programme in most of SADC's member states.

On the other – hand, SACU only has five countries as its members who fortunately have a yearly pool of revenue that keeps accumulating and being shared amongst its members. Some funds from this revenue pool may be used in upgrading SACU member states' border immigration procedures like acquiring computers that are capable of scanning passports and linking them to all the other members' immigration departments at all entry and exit points. The logistics of implementing a univisa would therefore be much easier due to the small size of SACU's membership and the readily available funding from the revenue pool.

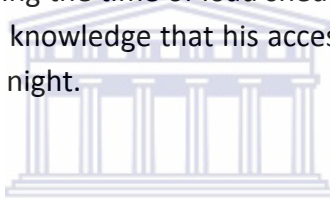
However, relaxing visa requirements and allowing for a freer movement of people does have its challenges. The currently strict immigration controls may be disliked but they are for the welfare of both local residents and visitors alike. It allows immigration officials and international police (Interpol) time to screen visa applicants to ensure that they are not international fugitives of the law from their home countries. There has been a wave of international terrorist activities that have even caused destruction of untold proportion in the developed countries in recent times like the World Trade Centre destruction in the United States and the English underground railway system's bombing wherein a lot of lives were lost. For that reason, it is still imperative that the host SACU countries have their national security as a priority before the univisa is adopted and implemented by them.

Controls on the movement of currency has to do with fighting the practice of money laundering as a lot of drug money or funds that emanate from illicit activities tries to find its way back into circulation to the detriment of SACU government controls. While these controls may be good and well intended, some flexibility on the strict controls will do tourism a lot of good. With the 2010 World Cup being hosted by South Africa very soon, there will be visitors from all over the world carrying different foreign currencies. It would be a great idea for instance, allowing some prominent hotels to operate *exchange bureaus* to assist the soccer fans in having ready access to local currency with which to entertain themselves.

For the *univisa* to be fully operational, all SADC members need to have in place funding for staff training and purchasing the computer technology along with its sophisticated software linking it to other SADC border gates. The training will ensure

that the borders are staffed with competent personnel who will execute their duties efficiently. Unfortunately, SADC members at present have different priority area of national spending as some are facing domestic challenges of the HIV Aids pandemic, droughts, corruption, crime, poverty and unemployment and do not have the extra funds available for implementing the univisa.

Further, such member state should also ensure that it has a steady flow of electricity that will ensure that the computers are powered both day and night to adequately service the human traffic at the borders. South Africa just recently in 2008 had to endure electricity load shedding countrywide. The main power producing company Eskom realized belatedly that its electricity infrastructure was long overdue for an upgrade and has therefore commenced it hence the unfortunate load shedding or restricted use of electricity by consumers. This unfortunately made tourists shun visiting South Africa during the time of load shedding as a visitor's stay would not be a pleasant one with the knowledge that his access to electricity was not guaranteed throughout the day and night.



The ideal kind of tourism is one that reduces unemployment, eradicates poverty and leads to a sustainable development of a community and country. This will be further expounded on in the next point stated below.

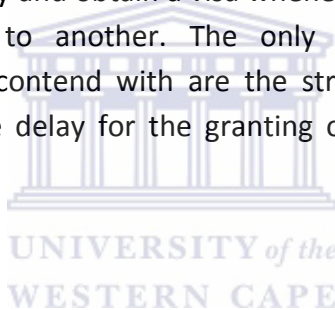
(vi) Tourism, poverty alleviation & sustainable development: Tourism is regarded as the vehicle for achieving sustainable socio economic development and poverty alleviation.²³ If community tourism is implemented, the unemployed people residing in the villages would get employment and be tour guides and even operate village lodges and simple accommodation establishments. Income derived from these activities would assist the village in fighting hunger, poverty, crime emanating from unemployment and allow its residents decent nutritional meals and help them afford healthcare. This is the multiplier effect that tourism has.

²³ SADC Trade, Industry and Investment Review. 2007. *Tourism*.1.

For the village tourism project to become sustainable, the villagers, community leaders, private sector and government need to work together as a unit. They need to help the villagers with training on how to operate the village lodges, customer care, train the village tour guides and support them through grading rural roads leading to the village and having the proper infrastructure in place that will facilitate an improved service delivery of tourism in the village.

It also promotes the protection and usage of natural resources. It was in June 2006 when SADC members agreed to facilitate the eradication of hindrances to the free movement of natural persons within SADC. In this regard, it was agreed that the visa requirements would be scrapped as against each SADC member state.

Put differently, it was agreed that for citizens of SADC, they would no longer be required by law to apply and obtain a visa whenever they wanted to travel from one SADC member state to another. The only drawbacks they sometimes find themselves having to contend with are the strict immigration controls, currency movements, inordinate delay for the granting of visas and the allowed length of stay.²⁴



Village or community based tourism under the support of public – private sector partnerships would assist in taking up most of the unemployed people residing in the villages through giving them gainful employment thus rescuing them from poverty. They could set up village informal lodges or even become self employed tour guides for visitors and derive an income with which to feed their families and ensure a sustainable livelihood from tourism.

One of the Millennium Development Goals (MDGs) is the eradication of extreme poverty. Now, through community based tourism that will involve the entire extended family, this goal may become achieved. Government has to improve access roads from the cities into the villages, build village markets for villagers to simply walk to and sell their vegetables, art and craft to visitors who would have been brought to the villages by tour guides.

²⁴ *Ibid.* SADC Trade, Industry and Investment Review. 2007.

Community tourism enables the village mothers to spend more time at home attending to other domestic chores whilst the unemployed family members attend to the family's village stall. Further, the mother is spared from having her meager income from the city markets spent on return bus fares to the city, meals while in the city, overnight accommodation in the city, etc as all her marketing activity would be occurring within walking distance.

Swaziland has done an impact assessment and sustainability study on its services industry. The study's report had some interesting findings of Swaziland's tourism and hospitality industry which will be discussed next below.

- (vii) **Swaziland's Impact Assessment and Sustainability Study for tourism:** Another specific study that was done that also has a bearing on SACU's tourism and hospitality industries is Imani Development's Comprehensive EPA Impact Assessment and Sustainability Study for the Kingdom of Swaziland.²⁵ This study, which also touched upon tourism and the hospitality industry, was more of an impact assessment study for the Kingdom of Swaziland and was meant to assess the country's different services sectors in preparation for negotiations for the European Unions' (EU) and SADC Economic Partnership Agreement (EPA).

These negotiations are still on going, after SADC had initialed the interim EPA in December 2007 as it pertained to trade in goods but now are on services. Swaziland therefore, found it necessary to do an impact assessment study before committing to the EU SADC EPA negotiations.

The study found that in tourism, SACU has the best to offer in Africa in the form of attractions but suffers from poor infrastructures, inadequate marketing, financial constraints and unskilled labour.²⁶ These factors cumulatively have inadvertently stultified the progression of tourism in SACU. The study did find that Swaziland being

²⁵ *Comprehensive EPA Impact Assessment and Sustainability Study for the Kingdom of Swaziland*. Final Report on Trade in Services. September 2007. Imani Development. Umhlanga Rocks. South Africa. 43.

²⁶ *Ibid Comprehensive EPA Impact Assessment and Sustainability Study for the Kingdom of Swaziland*. 23.

a stable, peaceful and having a pleasant climate with a rich cultural and traditional heritage makes it an attractive tourist destination.

Tourism accounts for over one quarter of the country's service exports. Its being sandwiched between South Africa and Mozambique geographically positions it well to benefit from spillover effects from a sustainable tourism growth of both its neighbors.²⁷ With the forthcoming 2010 Soccer World Cup, there will be millions of tourists flocking into South Africa which has a very limited bed space. Hence, Swaziland, for instance, only being forty minutes away by air may just provide those extra beds which will be needed by visitors who would have come for the soccer bonanza.

However, the country's tourism sector was found to be suffering from some setbacks. It was discovered that there was a very slow handling of traffic on the South African side of the border gate of visiting tourists as they come into Swaziland. This showed a glaring need for cooperation and training of South African immigration officers manning the border gate to at least get to speed with the efficiency of the Swazis. The study however, did not venture further to explore what the root cause of the slow handling of human traffic really was on the South African side of the border gate.

Supply side constraints were also identified as a hindrance, lack of permanently extended border hours, lack of rating of accommodation offered in Swaziland and the need for a domestic regulatory body to oversee and rate the accommodation establishments.²⁸

What was also cited as an anomaly is the lack of properly accredited training institutions that may offer tourism training at tertiary level. The country's rural gravel or dirt roads are not being well maintained especially during the rainy season hence end up isolating some tourist destinations. The country fortunately now has

²⁷ *Op cit. Comprehensive EPA Impact Assessment and Sustainability Study for the Kingdom of Swaziland.44.*

²⁸ *Ibid. Comprehensive EPA Impact Assessment and Sustainability Study for the Kingdom of Swaziland 47.*

the Swaziland Tourism Authority that is tasked with managing and marketing the country as a tourist destination globally. It has sought to advocate for Public Private Sector Partnerships and introduce community based tourism. It is actually in the process of identifying some heritage sites that will become protected and posted on the global tourism networks.

In the next chapter, a detailed analysis will be made on the comparative advantages and disadvantages that South Africa, Botswana, Lesotho, Namibia and Swaziland have in the tourism and hospitality industry. Main attractions, infrastructure and ways through which each member state is trying to promote tourism will be focal areas from which to consider a harmonization of policies.



CHAPTER 4

COMPARATIVE ADVANTAGES AND DISADVANTAGES OF SACU MEMBER STATES IN TRADE IN SERVICES

In this chapter, the individual members of SACU will be the area of focus, more specifically their positive and negative attributes in their conduct of tourism and hospitality services trade. The countries' infrastructure for the conduct of the tourism trade and what each country is doing to promote tourism will also be addressed.

South Africa and the BLNS countries have tourism attractions that rank amongst the best in the world.²⁹ Some of them have even been adopted as natural heritage sites while others are just natural wonders of the world. The United Nations' first MDG is the eradication of extreme hunger and poverty amongst males and females both young and old.³⁰ Put differently, it means empowering both males and females so that they may be able on their own to earn a living through gainful employment or being entrepreneurs and be able to continue supporting themselves and staying out of extreme poverty. Now, tourism may play a pivotal role in the achievement of this MDG through having public – private sector partnerships and promoting community or village based tourism as discussed at length in the previous chapter.

SADC members (inclusive of the entire SACU membership) have agreed to harness their efforts towards liberalizing airways, introducing a common visa for visitors and synchronizing transport rules to bolster trade and tourism.³¹ The trading block has come to realizing the fact that it is only if they synergize their efforts that they will realize an enhancement of tourism in the region that will be marketing it as a regional destination to the entire globe.

South Africa and Botswana, Lesotho, Namibia and Swaziland (BLNS countries) though being SACU members, they have very different area of potential, advantage and disadvantage in the pursuit of an improved trade in services.

²⁹ www.dti.gov.za. *SACU Trade Policies: Macroeconomic Policies and Trends*. Viewed on 06/05/09

³⁰ www.undp.org. *United Nations Millenium Development Goals*. Viewed on 09/02/09

³¹ www.tralac.org Viewed on 10/12/08

The disparity of SACU members' areas of strength and weakness stems from a number of factors *inter alia*, the differing levels of socio – economic development, strong institutional and regulatory frameworks, good infrastructure, good governance and sound economic policies being followed. But what is noteworthy also is that SACU comprises of a developed, developing and least developed countries which are facing different economic challenges linked to their levels of development. The individual SACU member's specific advantages in the tourism and hospitality industries will be discussed below in more detail.

4.1 Country Specific Case Studies of SACU in Tourism and Hospitality Industries

Individual member states of SACU will be looked into in as far as tourism and the hospitality industries are concerned. Discussions will also focus on what the country has to offer tourists as areas of interest, government strategies of promoting tourism, the level of the member's economic development and infrastructure.

4.1.1 Botswana: It has its tourism sector anchored on its wildlife resources and has even established the Botswana Tourism Board to facilitate and promote its tourism.³² The board was formed as a result of passing of an Act of Parliament and hence makes it a parastatal. Its specific objective is packaging and marketing the country as a desirable and preferred tourist destination.³³ This objective was devised after the government of Botswana had realized that its tourism sector was not realizing its fullest potential and was not being properly marketed and advertised domestically, regionally and internationally. Government also appreciated the fact that for an aggressive and effective type of marketing to become realized, it had to be done by a body outside government.

The Botswana Tourism Board is also tasked with attending to the rating and grading of its accommodation establishments countrywide.³⁴ This was identified by government as crucial especially for visitors coming from the developed countries who become alive to what to expect from a hotel that has a certain star rating. The

³² www.sadcreview.com. Botswana's Tourism Industry. Viewed on 10/12/08

³³ www.botswana tourism.co.bw. Botswana Tourism Board. Viewed on 09/05/09

³⁴ *Ibid.* www.botswana tourism.co.bw Botswana Tourism Board.

rating informs an intending visitor of the type of facilities, restaurant menu, charges and treatment to anticipate even before departing from its country of origin.

The Botswana Tourism Board is headed by a Chief Executive Officer who works with a committed team of staff members. The rest of the board members comprise of a Marketing Manager, Business Development Manager, Quality Assurance Manager, Finance Manager, Business Human Resources Manager, Administration Manager and Corporate Legal Counsel.³⁵ This is a team of skilled professionals which has to ensure that the country is well packaged and marketed as an ideal tourist destination within Botswana, in the region and internationally. Further, such team is tasked with attending to the grading of all existing establishments that feature in the tourism and hospitality services sector.

The country boasts of famous wildlife habitats and attractions like the Okavango Delta, reed fringed waterways, Kalahari Game Reserve, Tuli Block, Chobe National Park, Makgadikgadi Pans and Tsodilo Hills. Some of these sites have even become declare to be World Heritage Sites as they have pre historic artistic paintings.

The country is a developing country with great mineral reserves, a strong currency supported by its rich diamond industry and has sound socio – economic policies it is following. Its affluence has thus made it possible for the country to develop a good infrastructure especially for its roads, telecommunications network, banking industry and healthcare which are imperative as a draw card for a booming tourism industry.

Botswana's government has made it a priority upgrading existing facilities in its national parks and game reserves so as to remain competitive not just in SACU but in the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the region in general.³⁶

The country has five neighboring countries with which it shares border gates which are: Zimbabwe, Zambia, Angola, Namibia and South Africa.³⁷ What is however concerning about the immigration procedures of the Botswana border gate is that visitors' visas are not issued at the territorial borders but at embassies and High

³⁵ *Ibid.* www.botswana.tourism.co.bw Botswana Tourism Board.

³⁶ www.sadc.review.com. Botswana's Tourism Industry. Viewed on 10/12/08

³⁷ RETOSA. Regional Tourism Organization of Southern Africa. Study on the Implementation of a UNIVISA System in the SADC Region. March 2006. 34

Commission offices. Further, their processing and that of immigration in general is not done by computer but is done manually despite the presence of computers at the border gates. Another setback with Botswana's immigration procedures is that the computer software being used is incapable of scanning visitors' passports when reading them.³⁸

4.1.2 Lesotho: It is a mountainous country and the only least developed country within SACU and relies greatly on SACU revenues collected and shared within the union's membership to finance its annual government budget and projects.

However, despite its apparent economic constraint, the country offers tourists a host of exciting activities like skiing, swimming, hiking, trout fishing, horse riding and pony trekking.³⁹The country's hospitality industry offers an array of different packages of accommodation for its visitors in the form of internationally rated hotels, lodges and hostels for the back packers. Its general infrastructure is not as advanced as that of its other members due to scarce resources and the generally mountainous terrain it is situated on.

Some of the country's sites like the Drakensberg Mountains have even become recognized as world heritage sites as they house stoneage art rock paintings.⁴⁰In June 2002, the Lesotho government in a joint venture with Afri Ski designed, built and opened a ski resort in the country's highlands.⁴¹ This has thus now made it possible for South Africans to enjoy the luxuries of skiing in Southern Africa instead of having to travel at great expense overseas to enjoy the sport. Such an innovation has made Lesotho one of the preferred tourist destinations as a result.

Despite being a geographically small sized country, Lesotho does have some popular tourist attracting sites of international repute. Places like Sehlabie, Thebe National Park and the "Plateau of the Shield" have gained themselves international recognition. There is also Mount Qilone which is believed to have inspired the shape of the traditional Basotho's grass woven hats.⁴²Another celebrated and revered mountain is Thaba Bosio wherein Basotho Kings are buried in accordance with

³⁸ www.sadcreview.com Botswana's Tourism Industry. Viewed on 10/12/08

³⁹ www.sadcreview.com. Lesotho's Tourism Industry. Viewed on 12/12/08

⁴⁰ *Ibid.* www.sadcreview.com Lesotho's Tourism Industry.

⁴¹ *Op cit.* www.sadcreview.com. Lesotho's Tourism Industry.

⁴² *Ibid.* www.sadcreview.com Lesotho's Tourism Industry.

tradition. Mount Thabana Ntlenyana has also claimed its place in the country's heritage books for being arguably the highest mountain in Southern Africa.⁴³

The country's government has even set up the Lesotho Tourism Development Corporation (LTDC) which has been tasked with marketing the country domestically, regionally and globally. The LTDC has been assigned to turning the tourism industry into one that leads to the protection of the country's natural resources, protection and promotion of Basotho people's cultural heritage, helping in reducing (and eradicating) poverty and ensuring that tourism leads to a sustainable economic growth and development.⁴⁴

Put differently, the Basotho appreciated the fact that they have a culture and natural environment that they were proud of and needed to package and use that as a visitors' draw card to entice domestic, regional and international tourists to visit the mountainous country. Further, Lesotho's government is well aware of the United Nations Development Programme's (UNDP) millennium development goals (MDGs). The one goal that is well covered by the LTDC's tourism development plan of action is that pertaining to the eradication of extreme poverty. This is so in that it is actually in LTDC's mandate that it has to assist in reducing, with a view to eradicating, poverty.

Now what is interesting is that in its marketing strategy, the LTDC has opted to mould and develop village based tourism amenities. This is seen as ideal as it involves the setting up of Public Private Sector Partnerships (PPPs) which even get the business community and villagers involved in developing tourism even at community level. In actual fact, the mission statement of the LTDC actually states that it is tasked with the promotion of Lesotho as a preferred adventure tourist destination through a strategic marketing of the country. Further, it states that LTDC has to develop the tourism industry while working in partnership with the private sector and the community and transform it into a sustainable venture.⁴⁵

So how exactly is the LTDC supposed to operate and what is expected of it? It is supposed to use tourism as a means of absorbing the many people not in gainful employment, and by so doing, crafting a way that may enable the Basotho people to escape poverty. The LTDC is expected to also engage government, the public,

⁴³ *Ibid.* www.sadcreview.com Lesotho's Tourism Industry.

⁴⁴ www.ltdc.org.ls. Lesotho's Tourism Development Corporation. Viewed on 09/05/09

⁴⁵ *Ibid.* www.ltdc.org.ls Lesotho's Tourism Development Corporation.

business community and international organizations in a drive aimed at gathering financial resources that will help Lesotho develop and upgrade its infrastructure that is needed for the attainment of a sustainable kind of tourism.⁴⁶ Before tourists visit a country, they first enquire about its political, social and economic standing and also quite importantly, its service delivery infrastructure and process becomes another key concern. If its key services are delivered by a satisfactory infrastructure, then such country becomes considered for a visitation by an intending visitor.

There is a gaping need for investment aimed at improving the country's infrastructure in roads, telecommunications as presently government has been complaining about the high costs of telecoms and internet services⁴⁷, healthcare and modern electronic immigration border procedures to facilitate entry and temporal stay in the country. The country even though it does have computers at its borders, it still has not implemented immigration procedures involving the usage of the technology of scanning visitors' passports.⁴⁸

The country is completely surrounded by the Republic of South Africa and has fourteen border posts and like Botswana, it does not grant visas at its territorial points of entry.⁴⁹ The application and issuing of visas is instead done manually at Embassies and High Commissions as these processing centres do not have computers with which to expedite the issuing of visas.

4.1.3 Namibia: It shares its border gates with South Africa, Botswana, Zambia and Angola.⁵⁰ It is a developing country within SACU and has tourism ranking highly within it as it is the country's third biggest foreign exchange earner.⁵¹ The country's popular international attractions include its spectacular deserts & sand dunes, canyons (including its Fish River Canyon which is the world's second largest) mountains, game parks, nature reserves and resorts.

⁴⁶ *Ibid.* www.ltdc.org.ls Lesotho's Tourism Development Corporation.

⁴⁷ Maduna, Calvin. *The Challenges Facing Least Developed Countries in the GATS Negotiations: A Case Study of Lesotho*. Tralac Working Paper No.8. November, 2005

⁴⁸ www.sadcreview.com Trade, Industry and Development Review 2007. *Lesotho's Tourism Industry*. 34. Viewed on 16/12/08

⁴⁹ RETOSA. *Regional Tourism Organization of Southern Africa. Study on the Implementation of a UNIVISA System in the SADC Region*. March 2006.34.

⁵⁰ www.sadcreview.com Trade, Industry and Development Review 2007. *Namibia's Tourism Industry*. Viewed on 16/12/08

⁵¹ *Ibid.* www.sadcreview.com. *Namibia's Tourism Industry*. Viewed on 16/12/08

The country has established the Namibia Tourism Board which has been tasked with promoting the country as a tourist destination to domestic, regional and international travelers. Namibia offers its visitors accommodation in its 118 hotels, 85 rest camps, 168 guest farms and 205 safari resorts. In April 1999, the Namibia Wildlife Resorts Limited, a parastatal institution, became operational and was assigned the responsibility of looking after 22 government owned rest camps.⁵²

There is still an enormous opportunity of further investment and development of the Namibian tourism sector as the country's hunting, touring, recreation and accommodation service sectors have not yet realized their fullest potential.

Its infrastructure is also in need of upgrading through investment in its roads network, telecommunications, healthcare, a complete electronic banking service package and electronic border immigration controls. If these could be addressed, a visitor would have an extended delightful stay and definitely return soon.

The country has subscribed to the notion of having in place a public – private sector partnership coexisting with a community based tourism to give the sector that much needed impetus. In this regard, a non profit making and non government organization known as Nacobta was formed.⁵³ It is tasked with targeting and working with the rural areas and assisting them establish tourism ventures in the communities. This includes setting up accommodation establishments in the villages, helping the villagers identify natural heritage sites, ear marking such sites for conservation, highlighting these as potential areas of interest to visiting tourists and educating the community on a sustainable way of using and protecting the environment.

Nacobta's operations have been quite successful as it has even established an online booking facility in the long run.⁵⁴ This has been a rewarding move in that it has been able to capture images of the different villages that practice community tourism, areas of tourist interest in Namibia, the type of accommodation facilities offered in these areas and even the kind of people who stay in these tourist villages – all these have been achieved through having pictures of these posted on the non governmental organization's website. Intending visitors may learn all they may need to possibly learn about a specific tourist village including its residents' lifestyle and

⁵² *Ibid.* www.sadcreview.com Namibia's Tourism Industry.

⁵³ www.namibia tourism.com.na. Namibia Tourism Board. Viewed on 09/05/09

⁵⁴ *Ibid.* www.namibia tourism.com.na Namibia Tourism Board.

habits, size of the village, population, language, staple food, etc well before even travelling from their countries of origin to Namibia.

Cultural community tours have become very common in Namibia as tourists desire venturing from their city hotels and going right into the villages to have a Namibian experience. This has given tour operators good business as there is a considerable number of them now offering a shuttling service from the city to the villages. The most common cultural tour in Namibia is the Katutura Face – To – Face Tours.⁵⁵ What has made this particular tour operator so popular is that it has been able to package specific unique community visitations for each group of visitors. Katutura tours takes visitors to the villages to see a typical Namibian village lifestyle, the village homesteads and houses, village markets, community shebeens to taste traditional brew, village *cuca* shops and shows visitors different community projects, like women's recycling of tins, glass and paper.⁵⁶

The experience offered by Katutura is really exceptional and individually packaged for its guests. This factor alone puts it in a different league as not even the big renowned operators are able to package tours for their visitors like this. This is where the small and medium sized tour operator carves out a niche for itself that allows it to give a truly memorable experience to a visitor.

Another unique experience that tourists may enjoy in Namibia is hunting. This may be during the official hunting season which starts from the beginning of February and continues until the end of November yearly.⁵⁷ How a tourist accessed hunting in Namibia is through first making a formal written application for a permit for hunting from a farmer who may in his discretion either decline or approve its granting. But what is noteworthy, is that protected animals are not to be hunted. These protected animals could those that are in danger of extinction or that are still young. Exceptions to this protective measure could be where the farmer declares it to be an open season. This could be so especially where the farmer is culling the herd where its increased numbers is threatening the limited space occupied by a herd, food and water supplies of the wild animals.

What makes hunting in Namibia to be such a unique experience is that on offer is both the traditional and modern hunting methods. Traditional being the method

⁵⁵ *Ibid.* www.namibia-tourism.com.na Namibia Tourism Board.

⁵⁶ *Ibid.* www.namibia-tourism.com.na Namibia Tourism Board.

⁵⁷ *Ibid.* www.namibia-tourism.com.na Namibia Tourism Board.

which involves the ancient art of bow hunting which is hardly ever practiced in most parts of the modern world. This used to be practiced by the Bushmen and Hottentots in Africa in the olden days but in areas such as the United States of America, it was the Red Indians who practiced it predominantly also in the olden days. So, for that reason, this generation gets to relive the experience of bow hunting in the twenty first century in Namibia. On the other hand, modern methods of hunting have involved the usage of rifles more so when doing safari and trophy hunting. What happens is that a hunting party goes into a farm with its dogs that seek out the wild animals, chase them into the direction of the hunting party which then shoots the charging game. This kind of hunting is very popular during the culling season.

Namibia in its hospitality industry has set up an organization known as the Hospitality Association of Namibia (H.A.N). This association was established to ensure the attainment and maintenance of internationally acceptable quality standards in the tourism and hospitality industries.⁵⁸The standards that are expected to be attained and maintained relate to *interalia* accommodation, customer care and service, catering, meals and beverages offered to guests in these establishments. With H.A.N operating efficiently in Namibia, tourists are assured of great treatment, safe accommodation, healthy food and getting value for money in tourist establishments and resorts in Namibia.

Namibia is well aware of the fact that it is only a visitor who is satisfied with the service he received and believes that he got his money's worth who can boost Namibian tourism.⁵⁹This stems from the fact that if he would have been treated very well and did not suffer from any food poisoning, he is most likely to speak very well to his friends, colleagues and acquaintances back home of his experiences while he was in Namibia. This may even prompt these same acquaintances to want to also travel to Namibia to have their own first hand experiences of Namibia's tourism industry as a result of the positive feedback they received.

However, the converse is also equally true as well. Like the old English saying goes, **"One bad potato spoils the pack"**. If there is one dissatisfied visitor who had a bad experience during his visit to Namibia, he will most likely discourage all of his friends, relatives and acquaintances from even considering travelling to Namibia as a result. Unfortunately, it takes a lot of effort, time and encouragement to get a

⁵⁸ *Ibid.* www.namibia tourism.com.na Namibia Tourism Board.

⁵⁹ *Ibid.* www.namibia tourism.com.na Namibia Tourism Board.

person to forget about that one unfortunate experience and be willing to revisit the country that had given him such unpleasant experience.

4.1.4 Swaziland: Within SACU, it is a developing country which is slightly bigger in geographical size than Lesotho and is almost completely surrounded by South Africa. The country shares its borders with South Africa and Mozambique and does have the technology for scanning and reading visitors' passports.⁶⁰ In at least three of its borders, immigration formalities are processed electronically, however, visa applications and processing are done manually also at Embassies and High Commissions. The country's main popular international attractions' draw cards include its rich cultural heritage, bio diversity and tradition.⁶¹

The country is led by the last absolute monarch who has gained international notoriety as being the polygamous leader with at least 10 wives in the 21st century. Strange as it may sound, this feat has assisted the country by placing it on the tourism road map as visitors from all over the world out of sheer curiosity end up visiting the country just to see and learn more about this polygamous young leader.⁶² Annual events such as the Reed Dance wherein almost a hundred thousand nubile semi naked girls dance in front of the King as part of showing how proud Swazis are of their culture.⁶³

The Reed Dance has proven to be peak season for tourism as hotels record full occupation every year as visitors from all over the world gather in Swaziland to witness this historic event. This is more so because the King normally picks a bride in such event and so tourists always desire to be party to this festival.

Aside from the Reed Dance, other popular tourist sites include game and nature reserves, mountain scenery, horse back riding, four wheel driving, golfing and fishing.⁶⁴ The country has the game reserve's big five wild animals comprising of the buffalo, elephant, lion, rhino and cheetah in its reserves along with an array of other

⁶⁰ RETOSA. *Regional Tourism Organization of Southern Africa. Study on the Implementation of a UNIVISA System in the SADC Region.* March 2006. 36

⁶¹ www.sadcreview.com. Trade, Industry and Development Review. 2007. *Swaziland's Tourism Industry.* Viewed on 18/12/08

⁶² www.aegis.com *The Saga of the Swazi King's Many Wives.* Viewed on 11/05/09.

⁶³ www.osisa.org *Swaziland's Annual Reed Dance.* Viewed on 11/05/09

⁶⁴ *Ibid.* www.sadcreview.com. *Swaziland's Tourism Industry.*

wild animals. This has seen a lot of tourists visit the country in summer to view the big five in its natural wild background.

In Spring, the country's game reserves normally cull wild animals so as to try and ensure that the game reserve's eco system is not adversely affected by over grazing, soil erosion, a scarcity of food and water for the wild animals. The animals procreate a lot whereas the size of the pastures and water supplies are limited and exhaustible natural resources hence the need to reduce the numbers and sizes of the herds. The King has a strong preference for going to the Hlane Game Reserve for hunting during the culling season. Visitors, hunting dogs, good Swazi hunters and marksmen accompany the King as he goes hunting at Hlane armed with hunting rifles. The hunting party then strategizes how the hunt is to proceed, release the hunting dogs to move forward into the thicket and flush out the game and from strategic positions the hunters open fire and shoot the charging game.

The country's Mantenga Swazi Cultural Village, National Museum & Archives, King Sobhuza II Memorial Park at Lobamba give a visitor a brief insight on the Swazi's culture and history. Mantenga's Swazi Cultural village is an actual village that has been constructed in one of the country's nature reserves known as Mantenga situated at Ezulwini valley. The village has permanent residents who "stay" there, cook and have their meals there as a traditional Swazi family. They "stay" there in the sense that they are resident there from 0800 hours until 1700 hours during which time they anticipate, receive and entertain tourists who visit them.

Everything in the Swazi Cultural Village is traditional, the structures which house the residents of the village are made from the traditional beehive huts. For a person to enter it, he or she must go inside it crawling as their entry point is just about knee high. Their contents are equally like the typical traditional Swazi beehive's in that their residents sleep on a grass mat, they rest their heads on a traditional wooden pillow and use wooded carved vessels for dishes for serving and eating food. There is no electricity that complements the set up of the traditional Swazi home. So by extension, modern electric appliances and amenities like irons, electric kettle, electric stove, electric blankets, refrigerator and television are nowhere to be found. The meals are prepared from a ground lit fire and once it gets dark, the huts inside are lit up with the help of kerosene lamps. There is a traditional wardrobe inside the huts situated along the interior's wall behind the door and such wardrobe is unlike the modern one, but appears to be three sticks joined together like the normal

clothes' laundry line from which washed clothes are hung to dry. It is completely open in that it has absolutely nothing covering it.

The residents of the village always wear their traditional attire which thing adds that traditional finish to the village. Its visitors are always offered traditional cooked food like roasted mealies, roasted groundnuts and fermented porridge which is our traditional non alcoholic drink. But for those visitors who are very adventurous, they are allowed a chance to sample traditional sorghum brew which is always available in clay pots in the village. A tour of the village always finishes off with a traditional dance troupe performing in the arena for the tourists exactly the same way the Swazis do. This gives visitors a real taste and feel of traditional Swazi culture and a complete Swazi experience to take home.

Swaziland also has the Summerfield Botanical Gardens, lodge and Restaurant which has become a marvel for tourists from all over the world. This tourist landmark is situated in the Manzini district and is a multi million Rand investment by a local Swazi businessman. It comprises of an exquisite five star lodge and restaurant situated in the middle of a botanical garden with a river flowing through it. The plant species that are grown on this garden are all imported and hand picked. It truly is a tourist marvel that must be seen and experienced to be believed.

Swaziland has established the Swaziland Tourism Authority (STA) to vigorously market the country both regionally and globally as a tourist destination domestically, regionally and internationally. The European Union has financed the establishment of a grant scheme for people living in the rural areas to assist them in creating employment.⁶⁵

The country's tourism sector has grouped together other service sectors it regards as key in supporting the tourism and hospitality service industry. These are airlines, banking, car hire, communications, dining, embassy, foreign exchange, hospitals and clinics, information centre, shipping, tour operators and tour guides.⁶⁶ It is Swaziland's belief and conviction that for its tourism sector to receive a bumper harvest of tourists, the infrastructures of the above listed service providers should be strong and follow sound policies. These sectors are complimentary or feed into those others that facilitate the effective and efficient conduct of tourism in Swaziland.

⁶⁵ *Op cit.* www.sadcreview.com. *Swaziland's Tourism Industry*.

⁶⁶ www.welcome to swaziland. com Viewed on 09/05/09

The country has a good telecommunications, electronic banking, computerized immigration border handling facility, healthcare and road infrastructure with a majority of the country's roads being tarred. However, the roads from the main hotels to the villages are not well maintained and make village markets inaccessible. These roads do not even have a proper storm drainage system such that during the rainy season, they are normally left in an appalling state of total neglect and are generally impassable to visitors.

Swaziland also has a Poverty Reduction Strategy and Action Programme ⁶⁷(PRSP) it has formulated and is following which works to complement the UNDP's first MGD of eradicating extreme poverty. The PRSP's prime objective is infusing and mainstreaming poverty reduction in all development programmes in a bid to fight poverty.

It focuses on empowering villagers or residents of the country's rural areas to start income generating ventures develop businesses and create jobs for those who are unemployed and attain a sustainable kind of development. It seeks to create an enabling environment for private investment and economic growth which will cause opportunities for greater participation by the poor and enable them to generate their own income. ⁶⁸

This could involve capacitating unemployed villagers to be small medium enterprises (SMEs) and helping them set up village accommodation establishments like a traditional village series of thatched huts operating as a Bed and Breakfast establishment. Such a business venture would lure a tourist right into the village and give them a first hand experience of living in a traditional Swazi village and get a feel of spending a night in a hut sleeping on a grass mat. The one visitor who would have had a delightful experience of such would in turn tell others about it who in turn would travel to the same village to experience it as well. By so doing, the formerly unemployed villager finds himself empowered to escape extreme poverty.

The country advocates for a community based tourism and the establishing of Public Private Sector Partnerships (PPPs). These are initiatives involving government, the business community and the villagers or general populace. Thus the EU funding is

⁶⁷ *Poverty Reduction Strategy and Action Programme. Volume1.* Ministry of Economic Planning and Development. Swaziland. 2006

⁶⁸ *Ibid. Poverty Reduction Strategy and Action Programme.*

meant to assist the unemployed villager access funding for purchasing the tools needed for chiseling a sculpture, painting craft, under going vocational training to hone that skill possessed, setting up a village market, training on entrepreneurship and the administrative & marketing skills for a small medium enterprise marketer. The funding is essentially meant to address the village's supply side constraints in an all inclusive initiative aimed at facilitating and enhancing community based tourism.

By being geographically positioned in close proximity to metro pole South Africa and neighboring Mozambique, Swaziland finds itself standing at an advantage in as far as getting spillover visitors from South Africa and Mozambique is concerned. This would even be more so if its two neighbors would standardize their immigration procedures and extend their border hours of operating.

With the 2010 Soccer World Cup having been assigned to South Africa, Swaziland's closeness to South Africa will benefit it through supplying additional bed space, training stadiums for visiting competing international teams and a chance for international visitors to visit a country led by the last living absolute polygamous monarch. By air, the country's main international airport is only 45 minutes away whereas by road, it is a 3 hour drive from Johannesburg, 5 hours from Durban and 2 hours from Nelspruit and has an excellent road infrastructure that was upgraded to highways with multiple lanes a few years ago.

On the South Western part of the country, in a small town known as Lavumisa which is on the boundary to the Swaziland - South African border gate, a multi billion tourism development project is underway. It is known as the Royal Jozini Project and involves Swaziland, South Africa and Mozambique who are going to be making a golf course of international standard. A five star hotel and casino is also to be constructed, a small airport, a huge dam for boating, fishing and water sports, chalets around the dam and a huge shopping mall with business offices. Small holdings situated around the key establishments still to be constructed have been sold already for the construction of chalets at an average of R 1 million for a vacant piece of land. This has already generated enough revenue for the first phase of construction to be undertaken which involves having caterpillars and bulldozers doing earthworks, clearing and leveling the ground for the project's foundation to be marked and dug.

International investors from all over the world have committed millions of Rands to the Jozini project. This will see the small and relatively unknown town of Lavumisa

become a tourist destination. The developers of the Jozini project have opted to implement the community based kind of tourism and involved community leaders as key stakeholders in the project. This was so in that labour was sought from the Lavumisa community and the developers undertook to upgrade the roads network, telephone network and electricity supply to Lavumisa. Put differently, the community of Lavumisa stands to benefit in a number of ways which include securing employment during construction and after its completion, better tarred roads, an improved telecommunications and electricity network. The small communal town is to be developed to an unimaginable extent and will have a lot of revenue circulating within it as a result of the multitudes of visitors projected to be flowing there upon its completion. The project has received a positive political support from the governments of the three countries involved and is following the public private sector partnership approach. Government invited the Swazi business community to take an active part in this project in all of its different phases and it is comforting to note locals with reliable tipper trucks forming joint ventures with other business persons for the earthworks phase.

Aside from the Royal Jozini Project, in the Northern part of the country in the Hhohho district, there is a small town known as Piggs Peak which is also gradually being transformed into a tourist destination. There is there the now famous Maguga Dam which was a multi million Rand project which involved financing from South Africa, Swaziland and Mozambique. It is a huge dam around which there is now Maguga Lodge which draws tourists from all over the world to come and bask in the tranquility and be wowed by the splendor of the dam. Some water sports have started developing on the dam and it has not yet realized its fullest potential as an instrument for accelerating agricultural development and creating recreational entertainment.

Quite recently, Swaziland has had the Hotel Express International Group setting up in Mbabane, the country's Capital city. Hotel Express International is an international group of hotels which offers 50 percent accommodation discounts to their members once they become guests in member listed hotels all over the world. How it works is that an individual applies for membership, pays the requisite fee (which is currently R 1 700.00) and after which if the application was successful – is issued with a membership card and a directory of all star rated hotels that Hotel Express International has on its roster. Whenever this member desires travelling whether domestically, regionally or even internationally, they are entitled to enjoying a 50 percent discount on accommodation charges of listed hotels.

How this is a boost to Swazi tourism is two fold. Firstly, the main Swazi hotels are also listed on the Hotel Express International directory. What that therefore means is that both international and domestic visitors can now access high quality but affordable hotel accommodation at 50 percent of its usual charge. More visitors will thus be inclined to visiting previously expensive or pricey establishments. Secondly, more Swazis will now be able to visit other accommodation establishments all over the world at much reduced rates (thanks to the 50 percent discount) and experience and learn from such other international establishments issues of customer handling and care, proper switchboard and porter services, etc. Importing what they would have experienced from their international travelling would help Swazi travelers return home and with their new experiences boost the conduct of the domestic industry's tourism and hospitality services industry.

4.1.5 South Africa: It is the only developed country (according to the World Trade Organization's country listing and classification) within SACU's five member states. It also shares its borders with all BLNS (Botswana, Lesotho, Namibia and Swaziland) countries which are incidentally all SACU members and also shares its borders with Zimbabwe and Mozambique.⁶⁹ However, it is presently trying to renounce such developed country status because of obligations expected from a developed country and a loss in concessions by virtue of being a developed country. South Africa is trying to re - launch itself instead as a developing country.

It is a super power in the region with a good road, health, banking, telecommunications, rail and air infrastructure coupled with sound socio – economic policies its government is following. For South Africa, tourism is the fourth largest sector as it has over 10 000 restaurants, 2 800 guest houses and about 700 hotels of international standard.⁷⁰

Internationally, the country is renowned for popular attractions such as Table Mountain & the Cable Way, Sun City & Lost City, Pilgrims Rest, Warm baths, Karoo National Park, Sea World, St Lucia Game Reserve, Gold Reef City, Pretoria National Botanical Gardens, Pilanesberg National Park, Alfred Waterfront, Cape of Good hope

⁶⁹ RETOSA. *Regional Tourism Organization of Southern Africa. Study on the Implementation of a UNIVISA System in the SADC Region. March 2006.*36

⁷⁰ www.sadcreview.com. Trade, Industry and Development Review 2007. *South Africa's Tourism Industry*. Viewed on 20/12/08

Nature Reserve, Robben Island, Oudtshoorn, Kirstenbosch, Stellenbosch Wine Valley and Kruger National Park in the Mpumalanga Province.⁷¹

The country's government also subscribes to the now common practice of encouraging public private partnerships in developing and promoting a community based tourism. It therefore comes as no surprise that local communities are being involved in the conservation and sustainable utilization of natural resources in provincial and national parks countrywide.⁷² South Africa has an official total of 17 national parks.

In 2005, South Africa ranked 32nd in terms of Global Rankings of Top Tourism destinations on account of its size.⁷³ Revenue that has been generated by it has been allocated to upgrading infrastructure that is needed for an improvement of this sector. In this regard, an example of such investment is the current construction of the new airport terminal of Johannesburg O.R Tambo International that is being directly financed by revenue procured from tourism.⁷⁴

Another example is the Gautrain project which has received considerable funding from proceeds obtained from South Africa's tourism sector. Aside from the 2010 Soccer World Cup, the Confederations Cup has been scheduled to take place in South Africa as a build up to the soccer world cup. Special trains have been set aside to service football fanatics who will be international guests and domestic visitors to facilitate their access to all match venues at all hours of the day and night during the tenure of the Confederations Cup.⁷⁵ The value, entertainment, security and welfare of South Africa's visitors for these soccer games is a priority.

Train commuters will not have to worry about transportation during the Confederations Cup as trains will be operating even at night and dropping them at strategic points throughout the Gauteng Province, Rustenburg and Bloemfontein depending on where the games would have been played on that given day. However, in the Gauteng Province, points that have been earmarked for drop off points include Ellis Park, Doornfontein, Luftus Versveld and Rissik Stations.⁷⁶ At these drop off stations, there will be police officers and armed security personnel

⁷¹ *Ibid.* www.sadcreview.com *South Africa's Tourism Industry*.

⁷² *Op cit.* www.sadcreview.com *South Africa's Tourism Industry*.

⁷³ www.dti.gov.za. *SACU Trade Policies: Macroeconomic Policies and Trends*. Viewed on 07/05/09

⁷⁴ *Ibid.* www.dti.gov.za *SACU Trade Policies: Macroeconomic Policies and Trends*.

⁷⁵ www.gauteng.net. *Special Trains in Gauteng for Confederations Cup*. Viewed on 09/05/09

⁷⁶ *Ibid.* www.gauteng.net *Special Trains in Gauteng for Confederations Cup*.

deployed and these stations will even have members of staff working abnormally long hours until 0200 hours.

This will all be aimed at ensuring that soccer fans and visitors alike have a safe passage home from whichever soccer venue that the Confederations Cup matches would have been played at until the last game of the day has finished playing. Visitors and fans who are not familiar with directions to designated match venues have been assured that there would be customer service teams at the scheduled pick up and drop off train stations with directions and information for them.⁷⁷All of these arrangements are again aimed at showing the value and importance South Africa places on the visitors' support by deciding on travelling to South Africa to spend their hard earned money consuming entertainment services there.

The organizers of the 2010 Soccer World Cup and the Confederations Cup are happy with the overall transport infrastructure.⁷⁸They advise that everything is proceeding as planned and assure all and sundry that they would have everything running smoothly as planned well in time for both international soccer bonanzas even kick off.

These above upgrades of the transportation infrastructure are aimed at meeting up with modern transportation demands and are facilitating transportation before the start of the 2010 Soccer World Cup to be hosted by South Africa. The world cup is also projected to yielding some good revenue for the tourism and hospitality industries.

Just in 2005, the country received at least seven million foreign visitors and this showed a remarkable increase of 10 percent from 2004's recorded figures. This on its own shows that more and more people are showing a keen interest in visiting South Africa. Moreover, of all the visitors received by South Africa, 72 percent of them are from Africa whilst the remaining 28 percent are from overseas countries.⁷⁹While it is true that South Africa has a well developed transportation infrastructure, the country is well placed regionally to enable it to act as an export hub to markets throughout the region.⁸⁰It is for that reason that it may be said matter of factly that South Africa is the region's gateway for international travelers.

⁷⁷ Ibid www.gauteng.net Special Trains in Gauteng for Confederations Cup.

⁷⁸ Op Cit. www.gauteng.net Special Trains in Gauteng for Confederations Cup.

⁷⁹ www.dti.gov.za. SACU Trade Policies: Macroeconomic Policies and Trends. Viewed on 07/05/09

⁸⁰ Ntloedibe, Margaret. *South Africa, Republic of HRI Food Service Sector: HRI Food Service Sector Report 2004.*

Surveys have been conducted to ascertain what it is exactly that preoccupies foreign visitors during their stay in South Africa. The studies showed that those on holiday have strong preferences for shopping.⁸¹ This involves buying clothes and sports wear, art effects, craft, electronic gadgets and appliances. Next on most preferred visitors' activities is socializing, dining out and going to night clubs. A good example that can be all embracing could be when a visitor goes to the Western Cape and is taken to Stellenbosch's wine valleys. Activities that involve socializing could be visiting the wine lands and ostrich farms and for dining out, still in the Western Cape, a visitor could decide to have supper still at Stellenbosch and have traditional Cape Town dishes and sea foods. After dining, a visitor could decide to go to night clubs situated along Cape Town's Long Street each offering a taste of different musical preferences from reggae to pop that can definitely give a tourist a truly South African experience.

4.1.5.1 Some key players in the South African Tourism and Hospitality Services Industry.

The industry has accommodation establishments, car hire establishments, airlines, and restaurants. South Africa has small, medium and large enterprises who also offer these above listed services. Further, there is a national campaign going on involving empowering black people economically known as the Black Economic Empowerment (BEE) which seeks to capacitate the previously disadvantaged black race due to the ills of apartheid.

It is relatively easy for an entrepreneur to set up a business establishment such as one offering accommodation operated as a Bed and Breakfast outlet especially under the Black Economic Empowerment Programme. This is so in that the average black South African is being encouraged to venturing into business to such an extent that hurdles that previously manifested themselves in procedures to be followed in setting up, licensing, rating and actually operating such business establishments have been removed. This move has even facilitated the setting up of different types of business establishments that offer bed space and accommodation (whether it is at caravan sites or camp sites) or even time share resorts throughout South Africa even right into the villages. There will be a serious accommodation challenge during the 2010 Soccer World Cup as the country's currently available bed space will not be enough for the million visitors expected for the soccer bonanza.

⁸¹ www.dti.gov.za/SACU Trade Policies: Macroeconomic Policies and Trends. Viewed on 07/05/09.

Now, the great thing with having small, medium and micro players in the market is that they are able to package their accommodation differently in line with diverse visitors' preferences. They are able to deliver a set of highly diverse and customized experiences that larger conglomerates find difficult to deliver.⁸²In this regard, reference is made to the practice of Public Private Sector Partnerships which South Africa has even adopted. This involves both the government and the business community in tourism which has even been extended to village based tourism. Community leaders have also been identified as key stakeholders in the drive to bring tourism to the villages and communities. Lodges now need to be built right in the villages to enable visitors to come right into the communities to have a truly South African experience.

Other formal accommodation establishments are also available for the corporate kind of visitors. There is the Southern Sun, Sun International, Protea Hotels, City Lodge Group and SAN Parks Groups of Hotels who operate hotels of international standing and repute worldwide.⁸³These hotels are star rated and offer international dishes on their restaurant menus for all international visitors.

The transportation industry which facilitates tourism has a segment of car hire establishments which are very competitive. There is Avis, Imperial, Budget Rent a Car and Hertz as the leading car hire companies.⁸⁴They have strategically positioned their operations countrywide at the main international airports, travel agency offices, main passenger vehicle dealerships, banking institutions and internet sites.

Also complementary to car hire outlets, South Africa has a number of airlines servicing both international and domestic routes. In the region, South African Airways is the main carrier which services international routes.⁸⁵It has flights to almost all key destinations in the region and also flies to Asia, London and Europe as well.

Aside from international travelers, South Africa has a host of airlines servicing the domestic routes. There is Comair, 1 Time, Kulula. Com and Mango Airlines.⁸⁶Aside from these, British Airways also has some flights that service the domestic routes. What is positive about having so many airlines servicing domestic routes is that it

⁸³ *Ibid.* www.dti.gov.za SACU Trade Policies: Macroeconomic Policies and Trends.

⁸⁴ *Op Cit.* www.dti.gov.za SACU Trade Policies: Macroeconomic Policies and Trends.

⁸⁵ *Ibid.* www.dti.gov.za SACU Trade Policies: Macroeconomic Policies and Trends.

⁸⁶ www.dti.gov.za Trade and Industry. Republic of South Africa. Tourism Sector. Viewed on 06/05.09

has made flight tickets very affordable as the airline industry has thus become very competitive. Further, South Africans are now more into travelling and becoming domestic tourists and thus end up supporting the tourism industry even internally. In actual fact, in most instances, it has proven to be cheaper and quicker to fly within South Africa than it is driving from Johannesburg to Cape Town, for an example.

The industry has received a lot of financial investment in recent times both in its superstructure and infrastructure development. In 2006, a foreign consortium bought the Victoria and Alfred Waterfront for a sum of 1 \$ billion.⁸⁷ What is interesting about the consortium that bought this tourist establishment is that it involved South Africans under the BEE programme, Dubai and London business people.

Another financial boost came to the sector through having the IFA Hotels and Resorts along with the Hospitality Property Fund listed on the Johannesburg Securities Market.⁸⁸ This shows the economic might such establishments have to even become listed entities and it also shows the level of consumer/ tourist confidence there is in them.

The South African Tourism and Hospitality Industries are set to continue growing in leaps and bounds according to business studies and projections done.⁸⁹ In South Africa, tourism earns revenue that ranks it third in order of importance, after gold and diamonds and in the year 2005, South Africa hosted about 7.4 million visitors who cumulatively spent 53.4 billion Rands in the country.⁹⁰ Now, that certainly is a lot of revenue that is being brought in by a sector that SACU had never imagined in the history of the customs union making so much money.

South Africa has recently launched time share holiday and leisure resorts. These have seen institutions such as the Holiday Club, Leisure Resorts International and Gooderson's Leisure Resorts. This therefore begs the question, what exactly are these time share resorts? These are entities which own property rights in their groups of hotels and lodges. A person buys membership into them, which is pricey (Holiday Club was selling entry level memberships at R 50 000.00 about three years ago) and for such bought membership, you are rewarded with points. All the hotels

⁸⁷ *Ibid.* www.dti.gov.za Tourism Sector.

⁸⁸ *Ibid.* www.dti.gov.za Tourism Sector.

⁸⁹ www.the-timeshare-authority.com South Africa Timeshares and Tourism are Growth Industries. Viewed on 09/05/09

⁹⁰ *Ibid.* www.the-timeshare-authority.com South Africa Timeshare and Tourism are Growth Industries.

and lodges which have subscribed to these time share resorts are star rated and staying in them will not cost registered members money but a certain number of points. These points are reissued every new year, for instance a member may be entitled to 20 new points annually. Membership in time share resorts is perpetual and normally involves the initial pricey membership fee and thereafter, annual nominal sundry fees.

This is a serious boost for tourism in that hotels and lodges which are members of time share resorts get these accumulated membership fees to expand their operations and acquire new resorts and lodges under their portfolios. In South Africa, Gooderson Resorts has resorts in the Drakensberg and Northern Kwazulu Natal regions.⁹¹ Gooderson owns Goodfin, which specializes in providing finance to timeshare buyers, and to date Goodfin has loaned out a sum total of about 11 million Rand to such buyers.⁹² Gooderson Resorts now have their eyes on buying vacant land in Cape Town and developing it into time share properties. Cape Town is ideal as a tourist area because of the lovely beaches, Table Mountain, Robben Island, the wine route, etc.

The transportation service sector has seen some good investment done by Avis International. In 2005, Avis International bought about 8000 new passenger vehicles at a cost of R 1 billion to boost its car hire company.⁹³ This was aimed at ensuring that tourists have peace of mind in finding a vehicle to hire whenever they need to instead of having to queue and wait for a car. Further, it enabled the company to replace vehicles that were overdue for replacing with new ones. Hiring a new car gives the person hiring it peace of mind as such vehicle is less likely to develop mechanical faults while being used by visitors such that even the trip undertaken is compromised. In the month of April 2009, the South African electronic media announced that the South African Government announced that it would be spending at least R 300 billion in acquiring a fleet of new luxury tourist buses for the 2010 Soccer World Cup. This is also a huge investment being made into the transportation industry which is going to be a boost to tourism. The tourists will be assured of being transported in new, reliable and comfortable buses during their stay in the Republic of South Africa for the soccer extravaganza.

⁹¹ *Op cit.* www.the.time.share.authority.com

⁹² *Ibid.* www.the.timeshare.authority.com

⁹³ www.dti.gov.za Trade and Industry. Tourism Sector. Viewed on 07/05/09

Aside from accommodation establishments, airline transportation and car hire agencies, there are other sectors that play a pivotal role in the conduct of tourism. These are restaurants, fast food outlets and other different types of service providers in the food industry which provide nourishment for the visitors' bodies for the duration of their stay in South Africa.

An important factor to note is that the leading South African corporate brands in the restaurant and fast foods industry have permeated the whole of SACU and some strategic members of SADC. Common brands like KFC, Nandos, Wimpy, Chicken Licken *interalia*, are now found also in Botswana, Lesotho, Namibia and Swaziland. Consequently, the analysis of the South African restaurant and food industry has a similar cause and effect in the rest of SACU.

In South Africa, its food service market is very diverse, sophisticated and is the largest employer as a sector in the whole country.⁹⁴ It has institutions, service providers and commercial establishments clustered as different groupings but all operating under it. These will be fully discussed below sequentially.

In the food service industry, institutions and service providers comprise of transport service providers, hospitals, educational institutions and prisons.⁹⁵ In the transportation category, all the different types of transportation of visitors is envisaged including airlines, road shuttles and tour guides, rail and waterways. In all these modes of transporting visitors, snacks, meals and beverage refreshments are offered to travelers and these are sourced from catering firms. In tourist ships on voyage, there are even exclusive restaurants that are situated on board and the same can also be said of tourist luxury trains like the Blue Train. In both these luxury liners meals are prepared by internationally renowned chefs to cater for different preferences of travelers from all over the world.

Hospitals do form a special category in the food service market. This of course includes both government and private hospitals whereat there are hospital guests who need at least three meals daily. Catering firms are normally contracted to attend to providing meals for admitted patients and even for operating the hospital canteen outlets under the care and supervision of the relevant institution's nutritionist and dietician. There are presently numerous state and private hospitals throughout South Africa which have a lot of bed space for admitted patients. This

⁹⁴ Ntloedibe, Margaret. *South Africa, Republic of HRI Food Service Sector: HRI Food Service Sector Report 2004*.

⁹⁵ *Ibid* Ntloedibe, M. 4.

therefore means that a lot of work is still enjoyed by the food service market by extension in this regard.

South Africa has primary, secondary and high schools but also has an array of different tertiary education on offer by technicons, colleges and universities. A common factor with all of these establishments is their offer of bed space for borders which then comes with a need for foodstuff and meals. These students who reside in hostels within these educational institutions then have need for student canteens that can provide them with nourishing food. This service in most institutions has been contracted out to professional caterers so as to avoid creating perpetual complaints received that most often result in students engaging in class boycotts emanating from bad food being served by the learning institutions.

Prisons are another special category that hosts a lot of guests for the state as they serve their different custodial sentences. They are guests in the sense that they are hosted at the state's expense which has to ensure that they do receive nourishing meals under the care and guidance of nutritionists and dieticians for the correctional facilities situated throughout South Africa. Just like in Hospitals, this service is normally contracted out to professional catering companies who have vast experience in rendering it. But should such caterer fail to maintain the expected level of rendering such service, it is discontinued or even when the time for having the contract renewed comes – it does not get to have its catering contract renewed for the correctional institutions.

On the other hand, still under the food service establishment is the commercial sector which comprises of hotels, restaurants, fast food independents, fast food chains, clubs and national parks and resorts.⁹⁶Hotels most often have their own diners and restaurants that provide a food service that is equivalent to that hotel's star rating. Their restaurant outlets normally have foreign chefs of international repute who provide quality nourishing meals for the hotel's guests and walk in visitors alike. Hotel restaurants pride themselves in normally offering continental breakfasts, an *a la carte* lunch and a buffet dinner at competitive prices.

Restaurants if they are not operated as in house hotel diners trade independently as providers of meals and sometimes even provide meals for corporate functions. In this category are The Grill House, News Café, the M & A Group, Mikes Kitchen, Mugg

⁹⁶ *Op Cit.* Ntloedibe, M.4.

& Bean, Global Wrapps and Dulce Continental Cafes.⁹⁷ They service the walk in customers, attend to preparing and delivering group meals on order for company lunches, board meetings and end of year parties. There are also issues of quality and food safety standards that have to be met that are closely monitored by government for the safety and welfare of patrons of South African restaurants.

Fast food independent outlets are those small enterprise retailers of fast foods that are operated as sole traders or even family businesses. These normally fall into the category of small medium enterprises and are normally situated next to busy tourist resorts and shopping malls. They are hardly linked to other fast food outlets in the rest of the country.

In sharp contrast to independent fast food outlets, there are fast food chains of food outlets. These are normally owned by a chain group of companies in the fast food industry. Examples of such fast food chains could include KFC, Nandos, Wimpy, Debonairs Pizza, Steers, Chicken Licken and Scooters Pizza. These are fast food outlets that are found in more than one business locality and may even be countrywide. Their influence even permeates neighboring countries like Botswana, Lesotho, Namibia and Swaziland wherein they are now also found. They may even be subject to a franchise agreement with their owners as the same standards, menu and price is maintained wherever they are situated (with the exception of trans boundary operations in foreign countries that do not have their currency linked to the South African Rand wherein the foreign exchange rate may be an issue, like Mozambique).

There are a lot of different clubs in South Africa which include *interalia* social, sport and nightclubs. Examples of social clubs could include those formed by companies for members of staff whereat they may go and relax with colleagues after work over some drinks. Such are meant to encourage members of staff to get to know each other especially in the big companies especially where they reside in company houses situated within the company's residential compound or corporate village. On the other hand, there are different types of sport clubs which could include golf clubs, boating and yachting clubs, fishing, rifle, shooting, hunting, athletics, weightlifting and body building clubs.

Nightclubs are entertainment establishments herein there is normally music played for patrons who may even decide to dance to it. In other occasions, live bands are invited to play there for patrons, comedians are hired to entertain and with some

⁹⁷ *Ibid.* Ntloedibe, M.

nightclubs, adult entertainment is offered. Alcohol is always on same in such clubs and they do have facilities for providing meals and snacks for sale to patrons.

A common feature with the above mentioned social, sports and nightclubs is that they have patrons who need refreshments, drinks, beverages and sometimes even snacks and meals. Now, it is such services that are required by guests of these clubs that normally become contracted out to the professionals who supply the needed foodstuff and drinks.

National parks are normally situated outside the cities and are distant from the city's fast foods outlets and restaurants. As a result, they have their own restaurants to supply foodstuff to their visitors. Situated in close proximity to national parks are normally caravan sites and campsites for backpackers. Due to the nature and crop of international tourists who mostly visit national parks, the catering facilities that they have provide meals to meet the tastes of most of its international guests. In this regard, their chefs prepare different continental and traditional dishes to meet the visitors' fancies.

Still in the food and service category is the staff feeding sector which comprises of canteens (in house cafeterias), mine industry, South African Police and South African Defence Force.⁹⁸ Most big companies do have staff canteens operating within them who offer three hot meals to the workers on a daily basis. These canteens are operated on a performance contract renewable after a period of time depending on how well that particular operator had fared during the tenure of its contract. The way they operate is that they have a menu that is devised with the company's finance department, caterer and with the involvement of a nutritionist and dietician which is supposed to be followed for the duration of the operators of the canteen's contract. The operators of the canteen facility then have to recruit a chef to manage the kitchen and meals produced from it to meet the standard that would have been set by the company's management in the contract. For that reason, canteen operations are almost always contracted out because they require a high level of professional expertise and may have serious and far reaching adverse legal and professional consequences should the set standards not be met by the caterer.

Mines have millions of people who work in them throughout South Africa on a daily basis both day and night. These millions of workers need foodstuff and nourishment for their bodies as they labour 24 hours daily in the mining industry. Again canteens

⁹⁸ *Ibid.* Ntloedibe, M. 2.

are needed to provide hot and healthy meals for the many workers who operate the sector on shifts as the company relies heavily on them for a healthy productive workforce. The diet and meals offered in the mining canteens is also set by the mining company's finance management, caterer sitting with the mine's nutritionist and dietician and such services are rendered for an agreed period of time. They are also performance dependent in that if the consumers of the meals offered in the mining canteen are happy with the meals served and manner in which the caterer was operating, a renewal of the said caterer's contract is almost guaranteed.

The South African Police Service (SAPS) and the South African Defence Force (SADF) also do have the benefit of caterers providing meals for them especially in their training camps. The method of recruitment of a caterer is similar, the only difference possibly being the thorough screening of such intended service provider, to those discussed above. Again, the contract for rendering the catering service becomes awarded to a caterer with a proven professional track record showing competence and capacity to supply the expected meals. Another distinguishing feature of the contract for the defence forces is that it may have a component of operating the officer's pub or "officer's mess" as it is normally referred to. This is a component of the food and beverage industry and again needs to be operated professionally by competent people or a company with a proven track record of offering an unequalled service of repute.

In the year 2003, the total expenditure on tourism and related industries totalled R 49 billion.⁹⁹ This is a lot of revenue as visitors were spending on average R 1 466.00 per day during their stay in the Republic of South Africa and stayed an average of 12 days in the country.¹⁰⁰ The break down of the daily expenditure included the daily cost of accommodation in it. One can only pause and wonder what the total visitor expenditure will be for the 2010 Soccer World Cup as over a million foreign international guests are expected (this figure excludes visitors from the African continent).

A conducted survey has revealed that most overseas tourists visiting South Africa enjoy spending on foodstuff in restaurants and alcoholic drinks such that their daily expenditure just on these accounts for R 290.00.¹⁰¹ In this regards, an ideal example would be the city of Cape Town that has always managed to attract a large number

⁹⁹ *Ibid.* Ntloedibe, M.4.

¹⁰⁰ *Op Cit.* Ntloedibe, m

¹⁰¹ *Ibid.* Ntloedibe, M. 4.

of tourists yearly. They enjoy going into the wine valley and sampling Cape wines whereat famous brands like the *Fat Bastard* which have made their name internationally as such wine was crowned an international wine of the year a few years ago. Visitors if they have enjoyed the sampled wines then buy sizable stock of it and take it back overseas with them.

South African wines have been put in the limelight even by a highly contested case on the World Trade Organization that was before the Dispute Settlement Understanding involving South Africa. The burning issue there pertained to the usage of the name champagne for a sparkling South African wine which was being heavily contested by another country that was claiming the name champagne as its geographical indicator. South Africa eventually conceded and opted to henceforth call its fizzy wine simply sparkling (instead of champagne). Visitors have thus always been curious whenever they have visited the wine lands to know how different the South African sparkling wines were to their renowned champagnes in terms of taste, splendor and price. Such curiosity has thus manifested itself in them attending wine tours and auctions in their numbers.

The structure of the tourism industry in South Africa, Botswana, Lesotho, Namibia and Swaziland has been discussed. Areas of interests to visiting tourists have been identified for each SACU member, the different governments' ways of promoting tourism, the countries' levels of development and infrastructure supporting tourism has also been outlined. The industry still has not realized its fullest potential due to some problems. The next section of the research paper identifies some of these drawbacks and suggests how they may be overcome.

4.2 Challenges Faced By The Tourism and Hospitality Service Sectors in SACU

There are different types of visitors or tourists who respond to different flows of tourism globally.¹⁰² Put differently, people travel internationally for a host of different reasons and may for that reason become clustered into differing categories namely: business, leisure, expatriates, friends and family, religious pilgrims, ecologists and nature enthusiasts. These different types of travelers will first be discussed in greater detail in the following sub paragraphs.

¹⁰² United Nations Conference on Trade and Development. 1998. *Report of the Expert Meeting on Strengthening the Capacity for Expanding the Tourism Sector in Developing Countries, with Particular Focus on Tour Operators, Travel Agencies and Other Suppliers*. 5.

- a) **Business Travelers:** These are people who travel away from their common places of abode strictly on business. Their interest is purely furthering and concluding a business venture in that foreign country and quickly returning to their domestic country hence their stay is normally overnight. They do not have either the time or the interest to explore the country they have gone to do business in and get to see what natural wonders it has for the simple reason that they are time constrained.
- b) **Leisurely Travelers:** This group involves those who travel leisurely across borders into a foreign land. These ones are holiday visitors who travel to another state with the fixed intention of site seeing, engaging in different sports, following mountain trails, visiting game parks and nature reserves, doing shopping and having a good time. This group of visitors normally spends more than one night in the country visited and has very liberal spending habits. It even takes a keen interest in the geography of a visited country, its people, culture and habits in general.
- c) **Expatriates:** Expatriates form another group of international visitors whose interests are different from those of the leisurely tourists. Expatriates are people who normally find themselves resident in foreign countries as a result of employment commitments for a fixed period of time. These could be people posted to a country on contract for a two year period and they do take time off their work schedule to see the country they have been posted to. They most often even take an interest in learning the local habits, practices, culture and language's basics like greetings, saying thank you, etc. This group of people does spend some money in the local country where in it has been posted on account of the extended stay it has to contend itself in. Normally, expatriates end up taking residence in rented apartments and houses in the cities nearest to their workstation.
- d) **Visiting Friends and Family Members:** This group of tourists enters a foreign country to visit friends and family members. This crop of visitors rarely uses hotel or lodge accommodation as it travels during the holiday season, when schools or college has closed or when it is a long weekend. Its stay in the foreign country is very short but very exciting as its members want to see as much of the country as they possibly can, do a bit of shopping and almost always returns to visit the relative resident in that foreign country.
- e) **Religious Pilgrims:** There are religious pilgrims or travelers who cross their countries' borders to congregate with other worshippers in another state. A good example of these could be worshippers of the ZCC church who travel annually over the Easter Holidays to Morea in the Northern part of South Africa. Over one million such pilgrims were registered in the 2009 ZCC Easter Pilgrimage according to the media houses of South Africa. They spend a fixed number of

days in the foreign country being visited and reside in prior arranged simple accommodation which could be school or college hostels, campsites and convention centres. The constraints of time and following a tight church programme hardly ever affords them an opportunity of touring the country visited fully. However, they do get to spend some money on food, daily necessities, art, craft, some tourist shirts and t – shirts.

- f) **Ecologists and Nature Enthusiasts:** In this cluster are people of scientific training who visit a country to study nature and how it has survived over the ages. They normally set up camp in campsites or reside in nature reserves and stay in that foreign country for as long as it is necessary to finish their studies and gather data. Their interest is not in industry and entertainment but in the natural wonders of that visited country. They do not spend a lot of money as they are not on holiday but purchase only what is necessary for their day to day sustenance.

These different groups listed above are not exhaustive but just goes to show how divergent interests of international tourists may be. For that reason, policy makers when designing policy for SACU should be mindful of the different interests that visitors may have in the different SACU member states because all are of equal importance to the tourism industry.

Having seen the different types of international visitors in the above classification, focus shall be given to challenges that are faced by providers of the service, consumers of the service and institutions supervising the provision of such services in the following paragraphs.

4.2.1 Service Providers' Challenges

- (i) **Restaurant industry.** The restaurant industry, particularly the fast foods sector, is facing stiff competition from the supermarkets that now offer cooked and ready meals daily.¹⁰³ Outlets such as OK Shoprite, Spar and Super Spar and Woolworths have entered even the industry of providing cooked and ready to eat meals and snacks. A shopper and visitor can now purchase cooked rice, chicken stew and salads or, a dagwood burger or, a hamburger or, fish and chips or even a baked pie. Be that as it may, this is good competition which will give visitors and shoppers alike real value for their money as commodity prices will certainly become competitive and affordable to all.

- (ii) **Lack of a Tourism and Hospitality Services Protocol:** SACU members do not have a Tourism and Hospitality industries Protocol for their customs union. SADC on the

¹⁰³ Ntloedibe, Margaret. *South Africa, Republic of HRI Food Service Sector: HRI Food Service Sector Report 2004.*

other hand has a lot of agreements that not all of the members have signed to date due to a number of reasons. It could be the very diverse economic entities involved in SADC and their diverse socio - economic problems and challenges they face domestically, political instabilities, natural disasters, bad governance, bad economic policies being followed, etc. On the other hand, SACU only has a membership of five countries and getting them together to assemble a Tourism and Hospitality Protocol should be less of a hassle. This Protocol would tackle issues relating to the following;

- Rating of Accommodation
- Immigration visas, applications, issuing and harmonization
- Setting up training institutions for Tour Guides, Operators and Immigration Officers
- Marketing wing of SACU
- Standards Authority
- Air, road, rail and road transportation Protocol
- Scrapping of visas progressively
- Relaxation of foreign currency controls
- Launching village or community tourism

These above mentioned issues would at least set in place the foundation for setting up and implementing meaningful policies to be followed by South Africa and the other BLNS countries.

SACU has a revenue sharing formula that puts it at an advantage when compared to SADC and COMESA. At the end of a financial year, the members share billions of Rands collected and accumulated during the course of the previously traded year. The members simply have to agree to each set aside ten percent of their entitlement for purposes of giving tourism the much needed capital infusion to achieve the following:

- Upgrading the border immigration control systems by computerizing them
- Computerizing the scanning of passports at all border gates
- Computerizing the processing of visa applications
- Training immigration officers on using computers and customer care
- Rating of accommodation
- Setting up a permanent Tourism and Hospitality Industry Committee in each member state
- Financing the setting up of a SACU Tourism Marketing Wing
- Upgrading main roads from the cities to the villages

- Conducting feasibility studies on setting up exchange bureaus at strategic places, like hotels
- Setting agreed fares for travelling within SACU
- Setting up a standards authority to ensure that SACU transportation, telecommunications, hotel and restaurants remain competitive.

A time frame of three years would have to be agreed upon for establishing these above listed points. Provision would have to be made for a mid term review to see to it that members are implementing these fully.

(iii) Tourism Service Providers competing with international and financially stable

companies: Most suppliers of tourism services including travel agents, transport companies, tour operators and hotels in developing countries are small medium enterprises (SMEs) who inadvertently find themselves competing for business with larger corporations and conglomerates from the developed countries hence giving them unfair competition.¹⁰⁴ They are unable to penetrate the markets of the developed countries due to supply side constraints. They are not into electronic commerce, their operations are not being advertised on the internet, they do not take credit card payments, they do not have facilities for receiving bookings being made by an intending visitor on line, they are on the verge of bankruptcy, they are not formally trained on how to operate the business but receive a hands on kind of training. These factors put them at a disadvantage in that by the time the visitor eventually arrives in the SACU member state, all the payments have already been made in advance to the tour operator situated overseas. Hence all that the visitor finds himself spending is a few Rands on incidentals.

4.2.2 Institutional Challenges

- (i) **Lack of a common SACU goal and vision for tourism:** The SACU governments do not yet share a common goal in as far as making tourism a priority. Most of the members are focused on enticing foreign direct investment in manufacturing as such is seen by many as key in driving the economy. Until South Africa and the BLNS all unanimously accept tourism to be a priority and harness their efforts towards marketing SACU as a tourist destination, individual efforts will not have the much

¹⁰⁴ *United Nations Conference on Trade and Development. International Trade in Tourism Related Services: Issues and Options for Developing Countries. 08/04/98*

needed impetus. Once this is agreed, further consensus would have to be reached over the presently exorbitant fares and costs attaching to travelling within SACU that a visitor has to contend with. SACU as far back as 1910 managed to agree on a common external tariff, it should not be an impossibility agreeing to tie down fares for travelling, at least within SACU. The level of the members' commitments should also become reflected in the member's economic policy and investment roadmap and be backed up by the ten percent investment fee it foregoes from its portion of revenue.

Tourism services if well invested in by SACU, can bring returns such investment through their multiplier and spin over effects.¹⁰⁵ This is so in that there would be more people getting employed in the industry, government would get more taxes from the increased workforce and tourism levies, there would be increased foreign exchange in circulation and more house holds would be pulled out of extreme poverty.¹⁰⁶ This would be more so if the public private sector partnerships could be implemented and the notion of a village based tourism be promoted and supported by members' governments. This would in turn place a member in good standing in as far as attaining the first of the UNDP Goals of eradicating extreme poverty.

- (ii) **Substandard Immigration procedures:** Another set back which has been dealt with above, though briefly, pertains to delays in processing visas, strict controls on the movement of natural persons and foreign currency.¹⁰⁷ With the processing of visas, if the departments responsible for attending to visa applications could be capacitated through being issued with computers and linked to the internet, the processing of visas would become hastened and the waiting period reduced to almost a day.

Efficiency in this regard would act as a major draw card as it would eliminate the uncertainty centering around whether it will be issued or not, whether to made travelling arrangements and hotel bookings and not knowing when exactly one will be able to eventually travel. If the visitor will be travelling within SACU, a relaxation of the immigration procedures would certainly benefit SACU as a whole because such visitor would become able to visit more countries and spend money in more

¹⁰⁵ *Ibid.* United Nations Conference on Trade and Development.

¹⁰⁶ *Ibid.* United Nations Conference on Trade and Development.

¹⁰⁷ *Ibid.* United Nations Conference on Trade and Development.

than one country in that one visit from overseas. Hotels would have to become allowed within SACU to handle limited forex so as to enable guests to access local currency and spend at will throughout the duration of their visit without being restricted by stringent government controls and limiting bank trading hours.

- (iii) **Domestic civil and political strife:** Disasters, both *vis major* (an act of God or an unnatural event) and man made pose a serious threat to a flourishing trade in tourism.¹⁰⁸ Acts of God could include floods, hurricanes, tornados, droughts and volcanic eruptions. Global examples that were covered by the media (both print and electronic) of acts of God and their adverse effects that impact negatively on the tourism and hospitality service sectors are the nationwide floods that were experienced by Swaziland in 1984 that led to the government declaring it a national disaster.

International help even had to be solicited to try and deal with the situation, the country's international airport had to be temporarily closed to visitors and only handled disaster managing air traffic and supplies. Again still focusing on Swaziland, the country has been hard hit by drought in the last ten years and this was declared to be a national disaster. This led to the establishment of a Disaster Management and Relief Task Force.

The country had its food security under threat such that the hotel and restaurant industries had to largely import their food supplies from South Africa. Border gate visitors' statistics have indicated a downward spiral ever since the declaration of the drought as a national disaster because of fears of food insecurity and threats of opportunistic ailments like cholera that normally exacerbate such a plight.

On the other hand, man made disasters that were also covered extensively by the media (both print and electronic) could include terrorism, civil wars, election violence, civil unrest and *coup de tats*. Acts of terrorism as mentioned earlier on could be exemplified though what the world witnessed when the twin towers were destroyed by hijacked commercial airplanes fully loaded with fare paying visitors a

¹⁰⁸ *Op cit.* United Nations Conference on Trade and Development.

few years ago in the United States of America. Many lives were lost as a result of this terrorist act. Another example of an act of terrorism was when the United Kingdom's underground railway system was hit by a series of bombs a few years ago leading to the loss of human lives.

As a direct result of these acts of aggression, global tourism was dealt a blow as people shunned flying and using the railroad system for years in fear of continued act of terrorism. The United States and the United Kingdom appeared to have been singled out by terrorists as prime targets hence visitors avoided going to these two countries for fear of being caught in the middle of terrorist assaults. This avoidance of travelling to these countries has adversely affected the volume of international visitors these countries used to receive and enjoy before the terrorist activities took place.

In Kenya, a few years ago, there was serious tribal in fighting which led to a massive loss of human lives. Visitors again stayed clear of visiting Kenya in fear of being caught in the fighting. In the Democratic Republic of Congo (DRC), there was also tribal fighting between the Tutsis and the Hutus which left at least a million people dead. Again tourism was dealt a heavy blow as there were no visitors showing an interest to holiday there for a very long time after such deaths.

In Zimbabwe, just last year, the government of President Robert Mugabe waged war of people who were against his policies and leadership style including the forced evictions of white farmers from their farms, the forced evictions of Ndebele residents from their land in Harare, the rigging of elections, beating up and arresting political dissidents etc. All of these actions by the government made the country unattractive to visitors such that the banks even ran out of foreign currency at some point – this was a clear indication that visitors with their foreign currency were no longer showing interest in holidaying in Zimbabwe.

In South Africa in the months of May and June 2008, there was a spate of xenophobic attacks on foreigners which started in Johannesburg and spread to the rest of the country that left behind a trail of deaths. Foreigners were being accused

of stealing jobs that should have been occupied by South Africans. These attacks drove many foreigners out of their compounds and were “temporarily housed” in tents at strategic points around the country. The attacks inadvertently scared every foreigner from visiting South Africa in fear of being attacked as well. The timing of these attacks was bad as South Africa had just been awarded the privilege of hosting the prestigious 2010 Soccer World Cup which would see the country host over a million soccer fans.

Foreign visitors are still very skeptical about visiting those areas in South Africa that bore the brunt of the xenophobic attacks. It is only a year later, in May 2009 through the electronic media that South African Human Rights Groups are calling for commissions of enquiry into what really sparked these atrocious attacks. The calls for an enquiry are also aimed at studying ways of ensuring that a recurrence of these attacks does not happen. Further, the families that were adversely affected by these unwarranted attacks need to bring closure on what befell them through a reconciliatory commission as well.

In the first quarter of 2009, there was a *coup de tat* in Madagascar effected by the military. This hostile take over saw the deposed leader fleeing to take refuge in Swaziland and seek SADC’s help to have him reinstated back into power. Again, visitors will be slow to visiting Madagascar in fear of an outbreak of a civil war between supporters of the current ruling regime and sympathizers of the deposed leader. This has also inadvertently negatively affected the tourism revenue.

Looming threats of a nationwide bus operators’ strike, doctors’ strike, police officers’ in South Africa and border blockades at the main entry/exit points from Swaziland by the Congress of the South African Trade Unions (COSATU) certainly discourage tourism. Likewise, an outbreak of bird flu, and lately swine flu’s in Mexico, which has spread almost globally to date, mad cow disease in England and just about anything that pauses a threat to a peaceful, healthy, undisturbed movement of travelling and vacationing visitors is a threat to the tourism and hospitality service industry.

Tourists want to be assured of their safety, health and well being at all times, before travelling, as they travel to and from their holiday and during the tenure of their stay in the foreign country. This is why countries that are relatively peaceful, have good governance and a good health system are more likely to receive a tourist boom.

(iv)Infighting within SACU: What must also be noted as a serious threat to the existence of the world's oldest customs union is the latest infighting within it which has led to widespread rumours suggesting that SACU could break up as a result.¹⁰⁹There have been changes to the operations of the customs union brought about by its 2002 Agreement that sought to democratize its operations.

It has sought to involve all of the members in key decision making, established committees to administer the union and revised that revenue sharing formula. South Africa is not pleased with the changes being made and has even threatened to withdraw and pull out completely from it. However, the BLNS countries are busy working at resolving the thorny issues with a view to retaining SACU as a unit and furthering its being the oldest customs union in history.

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While it is true that SACU has some internal problems, the unions is due for a complete transformation as it had been initially focused on trading in goods – services were never seen as an area of trade in 1910 when it was formed. Today, services are key in trade and do need a strong institutional, regulatory and harmonized trading system' framework to be put in place. Policies that protect the environment need to be factored into the union's regulatory framework.

(v)Supply Side Constraints: SACU members also suffer from supply side constraints which unfortunately preclude them from positioning them favorably to take full advantage of the inherent benefits of being in the global market of the tourism and hospitality industry.¹¹⁰For the industries in question, the constraints suffered include the following:

¹⁰⁹ TRALAC. *SACU Is At Crossroads*. Mc Carthy, C. 12/11/08.

¹¹⁰ United Nations Conference on Trade and Development. *Assessment of Trade in Services of Developing Countries: Summary of Findings. A Background Note by the UNCTAD Secretariat*. 5. 26/08/99

- Training institutions for the industries' employees
- Infrastructure development
- Regulatory framework
- Government subsidies
- Government marketing unit
- Electronic marketing and trading
- Establishing a niche in the SACU and regional markets

Training institutions for immigration officers, tour operators, tour guides, hotel porters, hotel receptionists, switchboard operators, waiters, bar personnel, etc are imperative so as to produce a crop of professionals that can match even the international standards of treatment tourists are accustomed to. Having these training centres would help SACU produce a quality service of international standard throughout the member states. These institutions ideally should be within SACU and even have an exchange programme through which workers from one member country may be taken for practical training in another member. This will ensure that standardization takes effect in the tourism and hospitality industry throughout SACU.

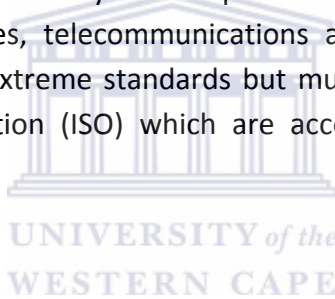
The development of infrastructure is a prerequisite to having an investment boom in SACU. Before a member may realize foreign direct investment, the basic infrastructure for most services industries must be in place. There must be a good transportation network (road, rail, air and ocean where possible). This is the avenue for conveying visitors into a country and shuttling them around places of interest. Another fundamental service that needs to be in place is the telecommunications service.

This is necessary for visitors to access the internet, do their internet banking transactions, remain in contact with their home country relatives and offices through being able to make international calls with ease, book flights for going back home, etc. This will also enable the service providers within SACU to upgrade their service packages and go into electronic commerce, market their establishments online, accept bookings and payments online, reach far away places to market themselves in with ease and compete with established tour operators situated in the developed countries while being resident in SACU. For example, in tourism

eighty percent of the market is being monopolized by Thomson, Air tours, First Choice and Thomas Cook.¹¹¹This trend should become reversed with haste and SACU needs to regain its global market share from these foreign large operators who enjoy massive financial strength, modern information technology infrastructure and unbelievable networks globally.¹¹²

Financial services also need to be upgraded if tourism is to find its niche market internationally. SACU banking and financial institutions need to be capacitated to the extent of receiving and handling international credit cards, travelers cheques, foreign currency and exchange bureaus need to be established at strategic points on a gradual rollout phase (of course after feasibility and impact assessment studies have been done).

SACU needs to also set up a standards authority within itself. Its responsibility would be setting acceptable services standards for the key service providers in tourism being: transportation, food, beverages, financial services, telecommunications and hotel industries within SACU. These need not be exaggerated extreme standards but must almost tally with the renowned International Standards Organization (ISO) which are acceptable globally, especially in the developed countries.



The standards authority would have to involve Ministries of Foreign Affairs & Trade, Enterprise and Employment and the Ministry of Justice's Attorney General's Chambers of all the five member countries. These would then be tasked with forming a committee that will be the SACU Services Standards Authority. The standards would also help protect visitors from consuming unsafe services when hosted by a SACU member.

Financial help and support from SACU governments should be encouraged to boost the tourism sector. This could be in the form of firm commitments to grade and maintain rural roads from the city centre. Further, government could provide facilities, hire consultants, training material and engage villagers in training on the technical knowhow of the rigors of public private sector partnerships. In these workshops all stakeholders would become involved and the plan of village tourism would become explained to the village leaders, chiefs and communities with the

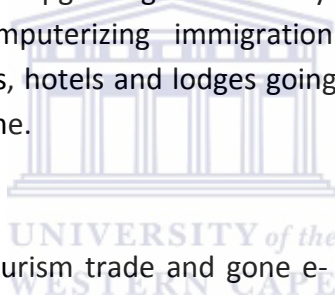
¹¹¹ *Ibid.* United Nations Conference on Trade and Development. 9.

¹¹² *Ibid.* United Nations Conference on Trade and Development. 9.

hope that they may then become encouraged to protect the environment and actively support this tourism venture.

Just like SADC's having established RETOSA, SACU needs to set up its own marketing unit that will actively promote South Africa and the BLNS countries as a tourist destination. SACU's members' Ministers of Tourism and Finance would have to sit in and be the committee that sets up and monitors the operations of this unit. Funding for its operations will have to come from a portion of the SACU pool of funds. An earlier proposed ten percent of SACU entitlements of each member's annual revenue set aside for addressing supply side constraints would have to be partially utilized to finance the marketing of SACU internationally.

Further, still from that proposed ten percent levy of a member's SACU receipts entitlement, finance would become sourced for upgrading the industry to conducting e – commerce. This would have to start from computerizing immigration border processing points, visa applications, scanning of passports, hotels and lodges going online, etc. This would have to be done in phases over a period of time.



Once SACU has harmonized its tourism trade and gone e- commerce, it may then conduct a feasibility study on whether or not it could be viable totally eliminating the requirement of visitor's multiple visa to visit each one of the SACU members. If the study's results are positive, then there could be seen a introduction of one unified multiple entry visa that entitles a visitor to only produce it once to a SACU member's entry point.


This would become captured on the harmonized computerized network system that would be existing in all member states' entry/exit points such that a tourist would freely travel to all five member states without requiring five different visas. The visitor's passports would also become scanned at all SACU borders instead of them being manually filled out. This innovation would completely eliminate the queues at the borders and reduce transaction time and make operations efficient and shorten travelling time between member states.

SACU has also been facilitating trade in goods amongst its members and neglected services. Members should be harnessing their efforts towards marketing the whole customs union as a

tourist destination. South Africa should be marketing Lesotho as an alternative destination for visitors who enjoy skiing instead of such visitors to have to travel all the way from Southern Africa to Europe just to go skiing. Namibia should be referring visitors to Swaziland to see, learn and appreciate culture and understand how the world's last absolute polygamous monarch governs the country with a dual legal system. Swaziland must be referring visitors to Namibia to see the region's cleanest city Namibia and take leaf from Namibians how they manage to achieve and maintain that. Lesotho should be able to refer its visitors to Botswana to see how diamonds are mined and polished.

In a nutshell, what one member does not have in the form of what a visitor desires, it should rather refer the visitor to its neighbor rather than for SACU to lose out completely on revenue should the visitor decide to return to his home country as a result. The customs union has a lot to offer its visitors but its members need to cooperate more as a regional unit, not as independent political boundaries.

Other challenges that act as drawbacks to the advancement of the sector in SACU include the following;¹¹³

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- Restrictions on hiring professionals
 - Real estate property rights restrictions
 - Limitation on tourism companies' management rights
 - Tour operators' anti competitive behavior
 - Insufficient air transport system

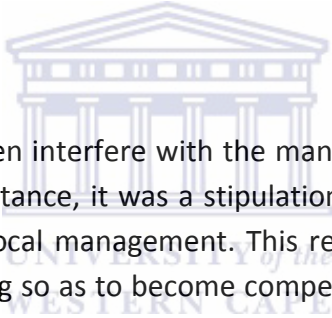
The restrictions on hiring professionals is a market access restriction which all SACU members list on their schedule of GATS commitments either in the vertical or horizontal portion of the schedule. In some countries it may as well be that in the restaurant industry for example, the key positions of Chefs and Cooks are reserved exclusively for locals. This is sometimes aimed at giving the locals a chance to study towards becoming competent to taking up these key

¹¹³ United Nations Conference on Trade and Development. *Report of the Expert Meeting on Strengthening the Capacity for Expanding the Tourism Sector in Developing Countries, with Particular Focus on Tour Operators, Travel Agencies and Other Suppliers*. 6. 07/07/98

positions and being empowered so that in future they may decide to open up their own establishments after accumulating that much needed experience.

On the otherhand, the restriction or limitation on property rights of real estate agents is a government policy or regulatory measure that seeks to anchor ownership rights over immovable property in locals. It could also be seen as a market access restriction as in some instances the policy could provide that access to immovable property for foreigners can only be through them engaging in a joint business venture with locals.

Now the serious challenge posed by this restriction is that the foreign investor will be reluctant to investing fully in the foreign country that does not allow him to own immovable property which may even be used as collateral in financial institutions to give such industry equity.



Market access restrictions may even interfere with the management rights of a tour operating company. This may be so if for instance, it was a stipulation that the company's management should comprise of fifty percent local management. This regrettably stultifies progress as the locals first need to undergo training so as to become competent to take up those key positions in such company for it to also remain competitive in the global tourism industry while the company competes with other huge international tour operators.

If the SACU member like Swaziland still does not have Anti Trust legislation, international tour operators may at times engage in anti competitive behavior and get away with it. This could be through abusing their dominance in the market and pushing the small vulnerable domestic tour operators out of market. For instance, they may decide to lobby the Swazi government into setting incredibly high standards that are capital intensive which are expected to be attained by tour operators for them to be allowed to trade in the Swazi market.

This could include for example, operating with vehicles that are at most a year old, taking up comprehensive insurance cover for all visitors transported and vehicles used, buying uniforms of international standard for all employees of the tour company, welcoming the guests with a

bottle of vintage wine, etc. All of these innovations may be more than welcome to the tourists but require a lot of money which the locals cannot afford.

Another serious setback, especially for the smaller SACU members is insufficient air transportation. Within SACU, Swaziland and Lesotho are the ones bearing the brunt of this unfortunate situation. Swaziland used to have a government owned airliner known as the Royal Swaziland National Airways Corporation (RSNAC) which was operating a Boeing 737 aircraft which unfortunately was not being professionally operated.

It used to incur losses yearly despite receiving yearly subventions as government ministers used to fly without paying, it was servicing routes that were not economically viable and there was no strong system of collecting outstanding fees from corporations, government ministries and departments. As a result, RSNAC had to sell the airliner and instead now operates a joint venture with South Africa's Airlink. The latter is operating a thirty seater aircraft that shuttles visitors from Durban and Johannesburg daily. It has produced some profits but passengers are always left behind as it has a very small limited seating capacity.

The Lesotho government also has a joint venture operation with the South African Airlink Company. It also operates a similar sized aircraft shuttling commuters between Johannesburg's OR Tambo International Airport and Lesotho's capital city, Maseru. Airlink is virtually dominating the airline industry both in Swaziland and Lesotho such that even the fares are quite expensive as there is no other airliner that gives the South African Airlink competition. Further, the quality of the service being offered by Airlink may be in doubt and the visitors not be given their money's worth because Airlink is dominating the industry and has made it almost a take it or leave it kind of situation.

On the other hand, there are a lot of airlines servicing the domestic routes. There is Mango, South African Airways, Kulula, One Time, British Airways, etc. What has now happened is that it has become very affordable to fly within South Africa than it is flying outside South Africa to an international destination especially when using the South African registered and owned airliners. For instance, the cost of a return trip from Johannesburg's OR Tambo International Airport to Cape Town covering cumulatively four hours costs less than a forty minute flight going one way to Swaziland from Johannesburg's OR Tambo International.

A good example of the above factor may be seen from the quoted online cost of return air tickets for flying from Johannesburg's OR Tambo International departing on the 1st May 2009 to Cape Town and departing for the return leg of the flight from Cape Town on the 7th May 2009 for Johannesburg as quoted by the different airlines servicing this route as follows:¹¹⁴

- British Airways – R 1 239.00
- South African Airways – R 1 239.00
- One Time – R 1 253.00
- Mango – R 1 514.00
- Kulula – R 1 685.00

What this has done is effectively make the ticket prices for commuters travelling the above route more competitive and gives them value for money. If a visitor is displeased with a service offered by one airliner, he may opt to travel with another. This therefore makes even the airlines try and give the best service to the tourists who hire them. This has even promoted South Africa as a whole as more people are able to travel cheaply across the entire country and spend a lot of money on domestic tourism.

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On the other hand, when the Swaziland Airlink office situated in Matsapha's International Airport were contacted telephonically on the 29th April 2009 by the author hereof for quotations for a one way and return trips from Matsapha International Airport for a departure from Matsapha on the 1st May 2009 to Johannesburg's OR Tambo International and a return to Matsapha International Airport on the 7th May 2009, the following was issued as the fares:

- Matsapha International – Johannesburg's OR Tambo International – R 1 451.00 (Single One Way Trip)
- Matsapha International – Johannesburg's OR Tambo International and back – R 2 829.00 (Return Trip)

A one way ticket from Swaziland to Johannesburg by air, though being a forty minute flight, costs more than flying a return trip from Johannesburg to Cape Town and spending cumulatively four hours in flight! This is ludicrous to say the least.

¹¹⁴ www.flightsite.co.za Viewed on 29/04/09

There is certainly an urgent and serious need for competition in Swaziland and Lesotho's air transport industry to make it more competitive and affordable. This factor was well noted even by Swaziland's then Principal Secretary of the Ministry of Trade, Ms Musa Fakudze, in a SACU meeting when she recommended liberalization and called for investment to be made in services so as make services more efficient, competitive and affordable.¹¹⁵ Service sectors that she had specifically called for their liberalization are *interalia* telecommunications, transportation (under which falls road, rail, airline and waterways) and energy.¹¹⁶

Another serious challenge that faces the tourism and hospitality industry is the global economic meltdown which will have a profound adverse effect on SACU revenues. Customs revenues that accrue from SACU member states are projected to drop by an estimated US \$ 680 million this year according to Japan's TICAD IV Conference that was held in March 2009 in Botswana.

This factor was again reverberated in the same meeting by South Africa's Deputy Minister of Foreign Affairs, Sue van der Merwe.¹¹⁷ The SACU trade in goods generates revenue that becomes pooled together by South Africa, Botswana, Lesotho, Namibia and Swaziland for later distribution. The global economic crisis currently gripping the world's economies is projected to see markets shrinking especially for industrial commodities as countries will be focusing on preserving jobs domestically and spending only on absolutely necessary commodities. This means that the demand for SACU commodities will become reduced and by extension the supply will be reduced as well. Consequently, returns from such a trade will become drastically reduced.

4.2.3 Consumers of the Tourism and Hospitality Service

- (i) Global Economic Crisis:** On the global scale, companies will be down sizing or retrenching workers as a result of a reduction in demand of industrial commodities. Once people are without jobs, there will definitely be financial issues that will plague the household. Bond repayments will falter leading to banks foreclosing on property owners. Vehicles that had been bought on lease will be repossessed as people would

¹¹⁵ www.dti.gov.za SACU Trade Policies: Macroeconomic Policies and Trends. Viewed on 06/05/09

¹¹⁶ Ibid. www.dti.gov.za SACU Trade Policies.

¹¹⁷ www.palapye.com news blog SACU to lose \$ 680 million in Revenues. Viewed on 06/05/09

be without jobs. House holds that could afford weekend entertainment outside the household have to settle for having such entertainment on alternative weekends or even once a month. The household has to revise its expenditure patterns and focus on saving and spending wisely.

(ii) Holiday Visitors: Some holiday visitors will be adversely affected by this economic downturn. This is so in that instead of going on an expensive holiday and travelling to some distant SACU country from overseas, they will rather end up settling for travelling to a neighboring country in their region. Again here the guiding principle will be saving or effecting cutbacks on unnecessary spending habits. It will even be worse for those households wherein the breadwinners have suffered job losses as an excursion to SACU from overseas will be a definite impossibility.

However, not all is lost as there still will be those who will survive this economic downturn and will visit South Africa, Botswana, Lesotho, Namibia and Swaziland as tourists and get to enjoy a thorough Southern African experience. These will be those who would not have lost their jobs during the global crisis and also those who are affluent or can easily afford financing a trip to Southern Africa from their savings.

Furthermore, analysts project that this is just a phase that the global economies are going through and it will not be a permanent one for that matter. So in a nutshell, there is hope for SACU's tourism even during these difficult times of a global economic recession.

What may assist SACU governments in surviving the prevailing global economic crisis is adopting financial policies that are very careful on spending. Such policies should answer the following questions which should linger at the back of the mind of the policy maker;¹¹⁸

a) Will the increased spending reach and benefit those whose welfare positions have become vulnerable?

¹¹⁸ www.tralac.org *An African Response to the Global Economic Crisis - Fiscal Policy*. Viewed on 06/05/09

- b) Can existing and best managed programmes be expanded rather than starting off new and untried ones?
- c) Will the spending expand the production capacity of the economy?

Whatever monetary policy that a country may adopt, it should be inward looking in the sense that it should be seeking to protect those who would have been hardest hit by the global recession. In this category are mainly those people who would have lost gainful employment as a result of companies restructuring and down sizing due to lost and cancelled production orders hence resulting in massive retrenchments from work.

This is now becoming common in the industrial sector which is responsible for producing goods. Now as for services, this would be time opportune for pushing forward with community based tourism and taking those who would have suffered job losses from retrenchments in the cities right into the villages, absorbing and using them as key players in the setting up of village based tourism. Another advantage that favours establishing and developing village based tourism is that it is not capital intensive and involves the engagement and usage of unsophisticated material for building rural accommodation units.



Village tourism would be an extension of existing village homesteads in the sense that a family may simply decide to extend its house or even introduce a visiting tourist's guest wing to the homestead. Village tourism involves getting visitors from their plush and luxury overseas homes and giving them a feel of how it feels staying in a simple unsophisticated rural home in the villages. Fortunately, South Africa, Botswana, Lesotho, Namibia and Swaziland all do have villages and informal settlements and so their visitors' experiences of visiting a tourist village in all SACU countries are bound to be similar.

The economic meltdown seems to have hit the goods production sectors. International car manufacturers like General Motors in the United States are retrenching workers. Homeowners are battling to hold on to their houses as financial institutions are foreclosing. In Swaziland, at least four textile industries have almost simultaneously closed down leaving thousands of people stranded citing a drastically reduced demand for their commodities.

On the services side of trade, the effects of the economic crisis in South Africa and the BLNS countries has been minimal. This is so in that SACU members are still getting their usual crop of visitors in the tourism and hospitality industries. It will probably be their spending patterns that may change slightly though as whatever differences are well compensated by the exchange rate which favours travelers from the developed countries which have stronger economies and are using a stronger currency than those of South Africa, Botswana, Lesotho, Namibia and Swaziland.

It may only be at the end of this financial year, after a careful analysis has been made, that the extent of the global economic meltdown may be captured in SACU's tourism flows and visitor expenditure patterns for 2009. But what puts SACU at an advantage is that there already is a common revenue pool which members should consider using in part for establishing a well founded and functioning SACU Tourism and Hospitality Services' framework to market South Africa and all the BLNS countries as a unit tourism destination.



CHAPTER 5

A TEMPLATE PROPOSAL FOR SACU's TOURISM AND HOSPITALITY SERVICE SECTORS

It is very unfortunate, but true that ever - since the formation of SACU in 1910, its vision and mandate has been primarily geared and focused on trade in goods. Rules and regulations pertaining to the conduct of trade in goods between SACU members *inter se* and as they traded with the rest of the world were put in place. The notion of having the same common external tariff for trading in goods was engineered adopted and has been practiced by the members over the years. These regulations applied uniformly throughout SACU and became a central point of reference for SACU's trade in goods.

SACU will be a hundred years old in 2010 and it is saddening that nothing has been said about services in its century of existence. In chapters 3 and 4 of this research paper, it has been shown how different institutions have all emphasized on the importance of trading in services such as the World Trade Organization, the World Tourism Organization, United Nations Development Programme, United Nations Conference on Trade and Development, the Trade Law Centre for Africa and even some governments within the SACU member states.

In the preceding chapters, SACU as a customs union has been discussed, GATS and the commitments that have been made by SACU members in the tourism and hospitality service sectors have been addressed, South Africa and the BLNS countries' individual advantages and shortcomings as they stand at present in the sectors under discussion have also been raised and authorities seem to mostly agree that the tourism and hospitality services are an important area of trade and investment because of a host of reasons. This then begs the question, where does SACU go from here?

SACU needs to do a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of itself as an institution and then engineer a body of rules and regulations that will launch, protect and promote South Africa and the BLNS Countries in the tourism and hospitality services trade. This body of rules is called a template or a SACU Tourism and Hospitality Industries Protocol. The

need and importance of such SACU Tourism and Hospitality Industries Protocol will be further discussed under the following sub heading.

5.1 The Role of a SACU Tourism and Hospitality Services Protocol

As it has been mentioned in previous chapters, that within SACU, South Africa is the only “developed” country according to the WTO rankings and that it is a super power in the Southern African region. It is responsible for about ninety four percent of the SACU Gross Domestic Produce (GDP) and its size and level of industrialization completely dominates Botswana, Lesotho, Namibia and Swaziland.¹¹⁹

Botswana, Namibia and Swaziland are developing countries while Lesotho is a least developed country. Clearly even their economic might differs as do their per capita GDP. Swaziland and Lesotho are just about the same territorial size but are at extremely different levels of development. The level of infrastructural advancement of SACU member states differs as they are following different developmental plans featuring dissimilar priority areas.



However, despite being at different levels of development, the members face similar challenges like the desire to eliminate poverty and unemployment, the need for better preparedness against natural disasters, HIV/AIDS, lately swine flu and working towards attaining a sustainable economic growth and development.¹²⁰

Now, having in place an agreement that will be directing development towards the tourism and hospitality services sector would be excellent as SACU would have such sector develop more or less at the same pace throughout the customs union. Issues of standardization and harmonization of policies in transportation, accommodation ratings, food standards, financial services, visa procedures, operations of a regulatory authority, training of the sectors’ staff members and professionalizing the industry, border procedures, telecommunications and the general infrastructure of these services would be attended to in all the BLNS countries and South Africa at the same pace.

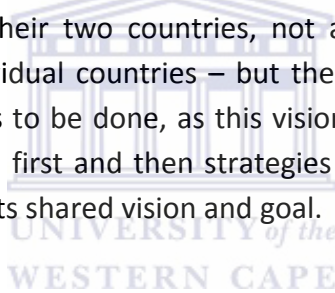
¹¹⁹ TRALAC. *SACU is at the Crossroads*. McCarthy, C. 12/11/2008

¹²⁰ www.dti.gov.za Trade and Industry. Republic of South Africa. Tourism Sector. Viewed on 06/05/09

Kenya and Rwanda are currently busy trying to package the region wherein they are situated, the East African Community (EAC) as a single tourist destination.¹²¹ They are urging the other members of the regional block to adopt the notion of a single tourism visa to allow visitors to the block to just require only one visa to enable them to visit the regional trading block's entire membership of countries.

For Rwanda, its main tourist draw card is its abundance of mountain gorillas which excites tourists as they climb mountains in search for these gorillas. Further, Rwanda's Paul Kagame and Kenya's Tourism Minister Najib Balala have agreed to help train each other's players in the tourism industry so as to boost the sector in as far as technical skill and expertise was concerned.

This is a classical example of two African governments sharing a vision and harnessing their efforts to train personnel from their two countries, not as competitors, but as an alliance towards marketing not their individual countries – but their entire block as a destination for tourists. However, still a lot needs to be done, as this vision needs to be shared by the entire trading block's political leadership first and then strategies be tabled and formulated on how the block can succeed in realizing its shared vision and goal.



In SACU, once standardization and harmonization of policies has become achieved, visitors at the end of it all would find themselves receiving professional treatment of high standard whenever they visit SACU regardless of the country being visited. The treatment given would be very similar whether a visitor has gone to Botswana, or Lesotho, or Namibia, or Swaziland or even South Africa because of the harmonization of policies, standards and having one regulatory body for the entire SACU region. Consequently, tourists would enjoy visiting SACU as a region because of the high quality of treatment they receive there.

In a nutshell, the proposed protocol will ensure a harmonization and standardization of the kind quality service to be offered to tourists visiting South Africa and the BLNS countries. However, for such to become materialized, the protocol needs to focus on certain area of importance that will be further discussed in the next sub paragraph below.

¹²¹ www.tralac.org Kenya and Rwanda push for single eac Tourist Visa. Viewed on 06/05/09

5.2 Focal Areas of the Protocol

So, SACU has unanimously agreed that the tourism and hospitality service sector is a key area that needs to be promoted and marketed because of the numerous benefits attaching to it, what then? What should the members do to get the ball rolling and working towards having a legitimate Protocol?

The members must demonstrate a political will power and desire to want to see changes in this industry for the benefit of the whole of SACU. They must show that they are ready willing and able to make firm commitments that they will see through and not renege on. This stems from the fact that a lot of countries are always quick to sign international agreements but they become dreadfully slow when it comes to implementing them.

For instance, SADC, which has fourteen member states, has signed more than twenty protocols to date but very few of these have been implemented by its members.¹²² Ofcourse reasons for this unfortunate situation vary. For some, it is a lack of an institutional structure, lack of technical expertise, domestic political and socio economic challenges, lack of a will power, financial constraints, etc. It is for that reason that for the Services Protocol to have any hope of achieving the projected goals and yielding the anticipated returns, members must collectively share a passionate belief and vision of its success.

SACU must be agreed and take cognizance of the fact that for its members to become competitive in the global economy, it needs to attain three pillars of a sustainable growth being:¹²³

- (i) Investment in infrastructure;
- (ii) Investment in human capital
- (iii) Establishing efficient institutions to determine and articulate relevant policies.

¹²² www.tralac.org TRALAC. *Technical Skills to Institutional Capacity*. Hartzenberg, T. 05/02/09

¹²³ United Nations Conference on Trade and Development. *International Trade in Tourism Related Services : Issues and Options for Developing Countries*. 08/04/98

The members need to assess their individual countries' infrastructures for transportation (roads, rail, air and waterways), telecommunications, financial, waste management, immigration and healthcare to see whether or not they need upgrading. If they appear to be in need of upgrades, engage consultants to do feasibility studies on the needed upgrades with cost analyses.

Once this has been ascertained, a report would have to be tabled before SACU on all its member's infrastructural needs. Members would then have to agree on how these needed upgrades are to be financed. One possible way of sourcing finance would be from the revenue pool of funds collected. For instance, each member could agree to forego ten percent per annum of its revenue entitlement to finance the upgrading of infrastructure, human resources development in the industry under discussion, setting up and maintaining regulatory and marketing structures within SACU.

The development of human capital involves setting up tourism colleges and schools within SACU and getting students from the BLNS countries and South Africa to enroll there and receive professional training. This would include training for all key players involved in the tourism industry from top management right down to the porters and doormen. Included here are switchboard telephone operators, waiters and waitresses, bar personnel, security guards employed in the industry, transport operators and tour guides, *commissions de change* operators, air hostesses, etc.

Members would have to agree to have graduates of these schools offered internship all over SACU member hotels and institutions and be moved around The BLNS countries and South Africa so as to practice what they would have learnt to different crops of clientele. Further, even qualified personnel would have to be periodically sent back for refresher training to learn of new innovations in the tourism market as it is dynamic. There now is e – commerce which never was there before, and so those hotel managers who graduated from tourism colleges a decade ago find themselves technologically challenged to deal with its complexities.

The members also need to agree to set up marketing and regulatory wings of SACU. This is a costly department to set up as it involves procuring office space, having a budget for their rental, recruiting officers, having a budget for their remuneration, budgeting for their training

and a budget for marketing SACU. The marketing committee would have to meet and strategize how and where they intend marketing SACU and which exactly is its target group (leisure travelers, holidaying visitors, church groups, nature lovers or even business visitors). It has to ask itself whether it wants to market SACU in the region or internationally or even both. For that reason, the importance of firm financial commitments from the members is imperative before any sustainable development of the sector is to be realized.

SACU must realize that for it to maximize its revenue collection from the tourism and hospitality industry, it needs to operate as a united front. It must realize that the whole of SACU needs to be packaged and marketed as an attractive regional tourist destination.¹²⁴The customs union must be marketed as a complete tourist destination fun filled with all interesting and entertaining cultural, natural, traditional, sporting and village based activities that will give a visitor a truly all rounded African experience.

Visitors should not be left what the rest of Africa has to offer but should have a memorable stay in South Africa and its neighboring BLNS countries with the desire to tell their friends back home about their lovely experiences. This in turn would cause those friends back overseas to want to come to have their own African SACU experience in the near future. The regions' marketing should be complimentary in the sense that what one SACU country lacks, it should be quick to refer a visitor to a neighboring SACU member that has.

The members must also be willing to relax some of their strict regulations in favour of drawing more tourists to visit SACU countries. For instance, it would be a brilliant idea extending the shop operating times throughout the customs union to enable both domestic and visiting shoppers more time to spend their money.¹²⁵This would allow visitors time and opportunity for that last minute shopping and spend that much needed foreign currency on their way out of the cities to the airports to catch their late evening flights overseas.

¹²⁴ United Nations Conference on Trade and Development. *Report of the Expert Meeting on Strengthening the Capacity for Expanding The Tourism Sector in Developing Countries, With Particular Focus on Tour Operators, Travel Agencies and Other Suppliers. 07/07/98.*

¹²⁵ *Ibid.* United Nations Conference on Trade and Development.

In some parts of South Africa, like Durban, there is now even night shopping structured especially for hawkers who arrive in the city in the evening, shop the whole night before returning to their home countries, be it Swaziland or Mozambique very early the next morning. It helps the hawkers as they move more freely at night as both vehicular and human traffic is light such that they are able to cover even a multitude of shops all over the city within a short space of time which thing they are unable to do in the 8.00 am to 5.00pm normal shopping hours.

This has seen the city of Durban increase its police night patrols for the security of the night shoppers. In neighbouring Mozambique, outlets that sell fast foods like Nandos and Kentucky Fried Chicken have stretched their working hours such that even as late at 0300 hrs, travelers and people from night clubs are able to get a late night meal. With Mozambique, the reason why food outlets operate so late stems also from the fact that Maputo has a well established night life. Unlike during the day, the streets become very busy and crowded with both human and vehicular traffic from late in the evening until dawn of the following day as people go shopping, dining and clubbing.

SACU in marketing itself as a holiday destination must not lose sight of the strategic alliance it enjoys with South Africa. It must structure packages that target even the business traveler who would have just flown for a meeting from overseas to Johannesburg for a mid morning meeting. It should package his stay to involve an excursion featuring a forty minute flight to Swaziland for a night, after such meeting, and have a morning round of golf in the Royal Swazi Sun's international golf course before returning to Johannesburg the next day for an evening flight overseas.

A lot of international travelers converge in Johannesburg International Airport waiting for connecting flights that often become delayed for hours on end or simply become cancelled leaving them stranded and feeling very frustrated. This leaves such traveler with no option but to retire to a hotel in the city, find a bar and watch television for another forty eight hours or so. Whereas, if there was this drive to offer complimentary and compensatory excursions, these would not only serve to appease a frustrated traveler but would effectively market SACU and put it on the global tourism map. This would be so in that the stranded traveler would be taken to neighboring member countries while his international connecting flight is still being rescheduled instead of being left feeling dejected in his hotel room.

South Africa and the BLNS countries have to quickly organize themselves for the 2010 Soccer World Cup. They should come up with a task force to specifically deal with the 2010 Soccer World Cup's tourism challenges and benefits. It is very fortunate that it is going to be hosted by South Africa, who is an anchor member of SACU, which will be having at least a million soccer enthusiasts with foreign currency they are willing to spend on accommodation, travelling, foodstuff and shopping for *mementos* and incidentals. Here is a chance for SACU to maximize its tourism gains as South Africa would have done its part in pulling visitors from all over the world right into Southern Africa. The Soccer World Cup is about 12 months away now and what can SACU really do at this late hour?

It should be hosting a series of meetings and soliciting for firm political commitment for its different governments for marketing South Africa and the BLNS countries alongside this soccer bonanza. If there're financial challenges for achieving the suggested marketing drive, SACU must convene urgent meetings with all of its Ministers of Foreign Affairs and Trade and Ministers of Tourism, scout for domestic government funds and pool them together to start an aggressive marketing drive of what SACU destinations have to offer visitors.

Even the different countries' embassies abroad and trade missions have to become involved in this joint drive to put SACU countries on the international tourist map. A realistic geographic advantage that SACU members enjoy is their close proximity to South Africa which they must exploit fully to their advantage. From the main Johannesburg OR Tambo International Airport to the various members' airports, flight time at most takes an hour going one way and a return trip would take two hours. Surely, SACU should get some spillover tourists from this international soccer bonanza if she could quickly harness its efforts into marketing the entire customs union as a destination with a lot to offer its visitors.

South Africa and the BLNS countries' governments should consider drafting and passing legislation that allows setting up *exchange bureaus* at strategic places that will be closely monitored by their Reserve and Central Banks. Such enabling legislation may even be piloted into Parliament on a certificate of urgency so as to quickly put in place logistics for the setting up of these centres for changing money.

The international visitors should be able to change their foreign currency in favour of the local currency even at hotels they are going to be staying in. The working hours of these *exchange bureaus* should be very flexible, for instance open at 0700 hrs until 2200 hrs to enable visitors to have almost an unlimited access to money. It is noted that at present, banks have very strict controls over accessing, buying and selling the main foreign currencies for security reasons. There is a lot of “dirty money” which people are trying to put into circulation. This includes money obtained from illicit dealings of selling drugs, prostitution, human trafficking, guns and arms of war, resulting from fraudulent dealings, theft, etc.

It is a commonly known factor that people with such “dirty money” will also be looking forward to the bust 2010 Soccer World Cup as they will be hoping to flood the market unnoticed with such money. For that reason, the Reserve and Central Banks may be slow to allow the establishment of *exchange bureaus* all over the country. But these are needed and they would rather be allowed operation gradually, for instance be set up in the main hotels and casinos and one in each city’s main shopping malls. This would enable the Governors of the Reserve and Central Banks time to monitor their operations closely during this trial phase and strengthen their security mechanisms accordingly.

Botswana is the only SACU member whose currency operates independently of the South African Rand. All the other members’ currencies are aligned in accordance with the Common Monetary Area Agreement.¹²⁶ This is good in that when it comes to matters of setting up foreign currency exchange bureaus, it would be easy implementing such because the other four SACU members already do have a harmonized monetary policy.

The issue of foreign currency and the presently favourable exchange rate for visitors from Europe for the Euro, the United States of America and their Dollar and the British with their Pound Sterling almost assures intending visitors of an affordable holiday in South Africa and the BLNS countries. This is a major draw card for visitors from these countries referred to above.

¹²⁶ www.dti.gov.za Trade and Industry. Republic of South Africa. Tourism Sector. Viewed on 06/05/09

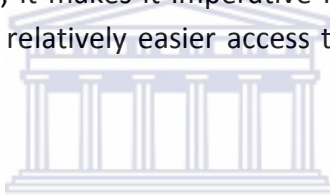
To illustrate this factor, the South African Reserve Bank's foreign exchange rates of the commonly traded currencies as they stood against the South African Rand on the 6th May 2009 were looked into comparatively.¹²⁷ The results were as follows:

US\$ / Rand - R 8.50

British Pound Sterling – R 12.83

Euro – R 11.32

Even the most expensive hotels, restaurants, fine wines, cigars, safari trips, golf clubs, outfits and exquisite designer labels appear cheap to visitors from the North. Such a phenomenon is good as it even paves ways for a very liberal kind of spending and tipping of service providers in the countries being visited. Hence, it makes it imperative for SACU governments to pass that enabling legislation allowing for a relatively easier access to local currency through *exchange bureaus*.



Also linked to setting up centres for changing money, SACU governments must urgently convene and discuss the issue of the operations of border gates and come up with a common agreement in this regard. This is imperative because the 2010 Soccer World Cup matches will be played all over South Africa at the same time, sometimes even at night, whilst the fans will not all be resident in the Republic.

There should be a common agreement reached by SACU members that sanctions twenty four hour border operations to allow visitors unlimited access in and out of South Africa. Such may even come as a relief to commuters in general, especially drivers of long haul trucks, who use the road transportation system day and night and become frustrated by the closure of territorial border gates. In fact, truck drivers prefer driving at night as the traffic on the road is lighter and their fully loaded truck's tyres do not suffer a lot of wear and tear as the temperatures are generally cooler at night than they are during the day.

¹²⁷ www.reservebank.co.za Viewed on 06/05/09

SACU members would have to make additional firm commitments to practicing good governance and portraying their countries' images positively.¹²⁸ South Africa and the BLNS countries should aspire to be seen to be upholding human, workers rights and those of the disabled. If this is so, there would be no need for calls for demonstrations, industrial action and protest marches. Tourists shun areas where in their personal security and well being may be under threat from harm. They will not consider going on vacation to Iraq with the fighting that is still going on there, Palestine because of the continued shelling and bombardment, Zimbabwe with the food demonstrations and perpetual strikes – these are examples of countries and states where there is no peace and calm.

Further, there must be strong signs of the rule of law and order being upheld in a country that desires attracting visitors into its hotels. The judicial system must be seen to be effective and meting out justice deserving for the crime committed without any undue delay. Corruption, bribery and extortion of law enforcement agents or by law enforcement agents erode visitors' confidence in the due process of law.

A tourist will not wish to visit a country where is he is mugged, even if he goes to the police for assistance he finds them being reluctant to helping him unless he first gives them a bribe. The police must be seen arresting wrong doers, the courts must be seen trying the suspects and the correctional services departments should be seen taking convicts into their custody to serve their sentences without fear or favour. If all of these attributes are witnessed in a country, visitors will definitely come as an endorsement of their belief that such host country upholds law and order.

These above mentioned features are key areas that the Protocol should focus on if SACU is to realize delightful revenue from tourism. There is a country that followed a similar plan of action and today is reaping its rewards as it now is a success story – that is Spain. Spain's tourism sector was in shambles about 30 years ago until Spain decided to revamp it in two phases as follows.¹²⁹

¹²⁸ United Nations Conference on Trade and Development. 1998. *Report of the Expert Meeting on Strengthening the Capacity for Expanding the Tourism Sector in Developing Countries, with Particular focus on Tour Operators, Travel Agencies and Other Suppliers*.8.

¹²⁹ *Ibid.* United Nations Conference on Trade and Development. 7.

- a) Phase (i) Establishing tourism schools, infrastructural upgrade and marketing the country abroad - all this was done with the government's political support;
- b) Phase (ii) Deregulation of the transport service industry, tour operators and promotion of domestic tourism.

These changes were not without incident as there were teething problems experienced with the first phase especially that the Spanish government had to contend itself with but it persevered. Today Spain has claimed its stake on the global tourism market and is enjoying delightful returns on its investment.

The Spanish experience goes to show that it is possible turning things around in the tourism and hospitality industries sector with the political willpower and correct plan of action that enjoys the support of all stakeholders.

5.3 Conclusion



The research paper has managed to highlight the gaping need for a revised institutional and regulatory framework to include trade in services, indicated the importance of the tourism and hospitality industry as a sector with its multiplicity of benefits, SACU member's tourist attraction, tourism promotion and levels of infrastructural development. Challenges faced by the customs union in advancing the tourism and hospitality services were mentioned and a possible way forward was prescribed and recommended. It has been shown by research and international organizations like UNCTAD that services are now key revenue earners for most developing countries and that their importance cannot be under estimated. Members have all agreed that there is need for reforming of the SACU agreements so as to make them more aligned to members' needs.

The paper thus went on to raise difficulties experienced by tourists when visiting SACU member states. Such challenges were then considered collectively as SACU challenges and their resolution was suggested through a draft SACU Tourism and Hospitality Services Protocol which is an annex to this research paper.

The latter prescribes the establishment of a new regulatory framework specifically meant for South Africa, Botswana, Lesotho, Namibia and Swaziland's trade in tourism and the hospitality services. It recommends setting up different task teams, a pooling of annual funds for SACU's marketing, research, operational costs and existing members' infrastructural upgrading that is complimentary to the conduct of tourism activities.

If the above recommendations and draft SACU Tourism and Hospitality Services Protocol is accepted, signed, ratified and implemented in SACU member states, it may almost be guaranteed that revenue collected from tourism will be on the upward swing for SACU. Granted, there may be teething problems experienced but with the political support, collective vision and willpower – SACU will be the preferred tourist destination for domestic, regional and international travelers.



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Annex to Research Paper: A Draft SACU Tourism and Hospitality Services Protocol

PART I Scope and Definitions

PART II Obligations and Undertakings

ARTICLE 2 Establishment of a Tourist Development Revenue Pool

ARTICLE 3 Finance Committee for Managing the Revenue Pool

ARTICLE 4 Training and Marketing Committee

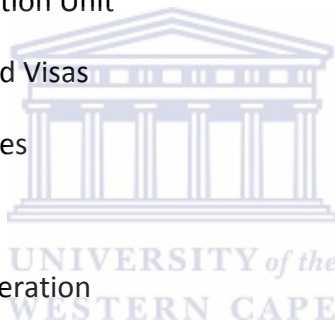
ARTICLE 5 Tourism Promotion Unit

ARTICLE 6 Immigration and Visas

ARTICLE 7 Financial Services

ARTICLE 8 Transportation

ARTICLE 9 Technical Cooperation



PART III Dispute Settlement and Enforcement Mechanism

ARTICLE 10 Arbitration

PART IV Final Provisions

ARTICLE 11 Signature

ARTICLE 12 Ratification

ARTICLE 13 Entry into Force

ARTICLE 14 Mid Term Review

MEMBERS,

Recognizing the importance of the tourism and hospitality services industries in SACU and the great potential it has to increase SACU revenue returns to previously unimaginable levels, eradicating poverty and ensuring that SACU tourism attains a sustainable socio – economic level of development in all member states;

Realizing that South Africa, Botswana, Lesotho, Namibia and Swaziland are closely knit through having similar strong historical, cultural, traditional heritages, natural wonders and relatively close proximity for all types of domestic, regional and international travelers such that it is a visitors' hub and that members will strive through joint efforts to make SACU the ideal tourist destination;

Being mindful of the custom union's multiple and diverse supply side constraints that have precluded it from realizing its full potential and being unable to meaningfully actively participate in the global tourism market;

Conscious of the fact that it is only through a collective effort of South Africa, Botswana, Lesotho, Namibia and Swaziland marketing SACU as a unit package of a tourist destination and a cooperation of all key institutions involved in tourism and the hospitality services that improved and exciting returns will be realized by the customs union's tourism sector;

Committing themselves collectively to the below listed undertakings aimed at giving tourism in the SACU market a new impetus.

PART I

SCOPE AND DEFINITIONS

Article I

1. This agreement applies to all SACU member states as described in the Customs Union Agreement of 1910, as amended. It covers South Africa, Botswana, Lesotho, Namibia and Swaziland respectively and their trade in the tourism and hospitality service sectors.

2. It strives to ensure the attainment of regional cooperation between SACU governments, the public and private sectors and supports community / village based tourism.
3. In fulfilling its obligations and commitments, it encourages regional cooperation between governments and the transportation, immigration, telecommunications and financial services sectors so as to facilitate a much more freer and enjoyable movement and stay of visitors.

PART II

OBLIGATIONS AND UNDERTAKINGS

Article II

Establishment of a Tourism Development Revenue Pool

1. SACU members agree to have established a tourism development revenue pool.
2. In furtherance of this objective, members commit a sum of 10 (ten) percent of their annual revenue entitlements to be deposited into a special interest bearing account which shall be referred to as a SACU Tourism Development Revenue Pool Account.
3. The purpose for creating such a special pool account is for purposes of financing the upgrading of existing SACU infrastructures which are essential for the conduct of an efficient kind of tourism namely, transportation, financial institutions, immigration and telecommunications.
4. The pool account will also finance the training of personnel employed or who play a pivotal role in the conduct of tourism. It will also finance the building of tourism training schools within the SACU member states so as to professionalize the industry and make it competitive internationally.
5. Marketing of SACU domestically, regionally and internationally shall be financed also by this special pool account.

6. The pooled funds shall also be responsible for the remuneration of employed SACU administrative officers as well as paying occupational rentals for offices occupied by SACU in the different member states.

Article III

Finance Committee for the Tourism Revenue Pool

1. There will be a committee put in place that will supervise and monitor the operations of the Tourism Revenue Pool.
2. It shall comprise of Ministers of Finance for South Africa, Botswana, Lesotho, Namibia and Swaziland who shall appoint a chairperson who shall assume the position of SACU Reserves' Governor. The Governor shall remain in office for a period of five (5) years.
3. This committee shall be responsible for the implementation of SACU financial policies.
4. The committee shall report directly to the appointed chairperson of SACU.

Article IV

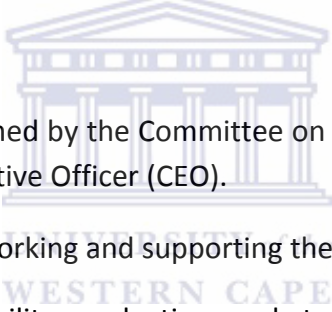
Committee on Marketing and Training

1. A committee of five (5) members will be constituted by Ministers of Tourism from the Five (5) different member countries.
2. Such committee shall be responsible for recruiting and assembling a SACU Tourism Promotion Unit (TPU), a Standards Authority and formulating strategies for marketing South Africa and the BLNS countries jointly as a tourist destination.

3. The committee shall be at liberty to co-opting their different states' foreign ambassadors, envoys and *trade attaches* to assisting it with its marketing drive.
4. Funding for the committee's operations shall be derived from SACU's Finance Committee.
5. The committee shall also be responsible for implementing SACU training programmes as and when a need has been identified for such training.
6. The Marketing and Training Committee shall have an office term of five (5) years.

Article V

SACU's Tourism Promotion Unit

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1. The SACU TPU shall be formed by the Committee on Marketing and Training which shall be headed by a Chief Executive Officer (CEO).
 2. It shall be responsible for working and supporting the Marketing Committee.
 3. It shall also be its responsibility conducting market research for SACU tourism's needs, do a SACU SWOT analysis, devise a training calendar for SACU personnel in the tourism industry and engineer ways through which SACU's tourism may become a sustainable venture.
 4. SACU's TPU shall be comprised of office personnel who shall be hired on a five (5) year renewable performance related contract.

Article VI

Immigration and Visas

1. The TPU shall be responsible for conducting a detailed and thorough feasibility study on the possibilities of facilitation of processing and issuing of immigration visas.
2. The unit shall also investigate ways of harmonizing immigration procedures for SACU tourists.
3. It shall also investigate SACU border gate operations, possibilities of extending operating hours and do a skills audit of the immigration and border personnel.

Article VII

Financial Services

1. The Finance Committee shall also investigate the issue of facilitating access to finance by tourists beyond the normal operations of banking hours.
2. It will do a feasibility study on the practicalities of setting up *exchange bureaus* at strategic places on a gradual rollout phase.
3. The Finance Committee shall also liaise with member states' Reserve and Central Bank Governors over possibilities of relaxing the currently strict controls over accessing and using foreign currency within SACU.

Article VIII

Transportation

1. The Tourism Promotion Unit and the SACU Ministers of Tourism shall jointly assess SACU's transportation system for visitors' road, rail, air and waterways transportation needs and devise ways of making it more efficient and affordable within SACU.
2. They will jointly do a needs and efficiency analysis study. If findings of this study prescribes needed minor upgrades, such report shall be referred to the SACU Finances Committee for actioning. However, if the report recommends the building of a new transportation infrastructure, which is a capital government project, such report shall be referred to the relevant SACU member's Ministries of Foreign Affairs and Trade, Economic Planning and Finance for inclusion in such member's annual budget for capital projects.
3. SACU's TPU and Tourism Committee shall then draft a Transportation Protocol as a result of their studies and present it to the incumbent SACU Chairperson for actioning.



1. The TPU and Finance Committee shall structure a training calendar for SACU's tourism sector based on a conducted needs and skills analysis.
2. The above committees may seek the necessary technical cooperation from competent institutions to help them in fulfilling the identified needs.
3. SACU's TPU and Finance Committee shall involve the different members' Ministers of Foreign Affairs and Trade for purposes of negotiating, concluding and signing binding technical cooperation agreements.

PART III

DISPUTE SETTLEMENT AND ENFORCEMENT

Article X

Arbitration

1. Any misunderstanding that may occur between members in relation to the interpretation or application of provisions of this Protocol shall be referred to arbitration for resolution.
2. The disputing parties shall engage each other in talks centered around each party drawing up a list of three (3) candidates for arbitrators. However, if the parties fail to agree on a final choice of a candidate for an arbitrator, the incumbent SACU chairman's choice of an arbitrator shall be final.
3. Decisions of the arbitrator shall be final.



FINAL PROVISIONS

Article XI

Signature

1. The Protocol shall be signed by a SACU member's Head of State, or Minister of Foreign Affairs and Trade, or such other duly authorized person and agent of the signing SACU Head of State.

Article XII

Ratification

1. Upon signing such Protocol, SACU members undertake to ratify and domesticate it within twelve (12) months of signing it.
2. The domestication of this Protocol shall be done on the strength of a Certificate of Urgency issued by the Ministry of Foreign Affairs and Trade of the SACU member concerned.
3. Once domesticated, provisions of the Protocol are binding and legally enforceable against the member even in the domestic legal system of the member that has signed it.



1. The SACU Protocol on the Tourism and Hospitality Services Industries shall enter into force sixty (60) days after its ratification.

Article XIV

Mid Term Review

1. After a period of eighteen (18) months of signing the Protocol, provision is hereby made for its mid term review.

2. SACU's Marketing Committee and TPU shall meet every eighteen (18) months of the existence of a duly signed Protocol to evaluate the extent of its being implemented in the SACU member state concerned.
3. The above mentioned committees shall report back to the incumbent chairperson of SACU on the progress made in implementing the Protocol. The Chairperson in turn shall give direction to SACU's TPU on any further steps it needs to follow, if any.





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