

ECONOMICS

GRADE 12

CONTEMPORARY ECONOMIC ISSUES : BENEFITS OF TOURISM

PRESENTER : NOEL

SOUND EDITOR : L.KHUMALO

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ECONOMICS

GRADE 12

TOURISM : 11 NOVEMBER

INFLATION : 12 NOVEMBER

ENVIRONMENTAL SUSTAINABILITY : 13 NOVEMBER

FREE

FREE

FREE

CONTEMPORARY ECONOMIC ISSUES: TOURISM

- Discuss/(Examine) in detail the benefits of tourism (26 marks)
- Evaluate the South African government's policies to promote tourism. (10 marks)

40

HOUSEHOLD

BUSINESSES

GOVERNMENT/STATE

INFRASTRUCTURE DEVELOPMENT

INTRODUCTION

Tourism is the **activities** of people travelling to and staying in places outside their usual environment for no more than one consecutive year for leisure, business or other purposes ✓✓

MAIN PART

Households✓

- Members of households earn income from the tourism sector as tour operators, travel agents etc. ✓✓
- Many households are indirectly involved in tourism as employees **e.g. in hotels, transport sector**
- Entrepreneurs from households that operate as curio producers or musicians can earn income from tourism✓✓
- A large number of households acquire skills in the tourism industry ✓✓
- School curriculum and learnership offer opportunities to acquire these skills
- Encourages rural development because many tourist attractions are located in rural areas✓✓

Business sector ✓

- Tourism stimulates business in areas such as accommodation and entertainment ✓✓
- The construction industry, in private-public partnership with the government to provide the infrastructure, manufacturing sector and recreation sector all benefits from increased demand due to tourism ✓✓
- The previously disadvantaged communities get entrepreneurial opportunities through the black economic empowerment schemes ✓✓
- A large number of people get business opportunities in the informal sector ✓✓ e.g. selling of artefacts ✓
- Local retailers may have an increase in sales (and profits) because of increased demand from tourists ✓✓
- Private businesses and government work in partnership to provide the infrastructure needed for tourism ✓✓
- This increases the market share of and income of these businesses ✓✓
- Allow existing businesses to improve the quality and variety of their products ✓✓
- Allow natural monopolies e.g. Table Mountain Cableway to achieve abnormal profits ✓✓
- The public sector also provides a range of financial incentives for private sector tourism investment (grants, subsidies, loans, tax rebates) ✓

GOVERNMENT/STATE ✓

- The main avenue for the government to benefit from tourism is through the levying of taxes. ✓✓
- It is customary for governments to levy specific taxes on the tourism sector. Such taxes have **two purposes**:
 - To recover external costs. ✓✓
 - To raise revenue. ✓✓
- The most common forms of raising public income from tourism are **airport departure taxes, air ticket taxes and taxes** on hotel room occupancy as well as casinos. ✓✓
- Foreign tourists who visit South Africa also pay all the normal expenditure taxes, ✓✓ such as **VAT, excise duties and custom duties.** ✓
- However, on their departure from the country tourists can reclaim the VAT that they have paid. ✓✓

Infrastructure development✓

- Adequate and well-maintained infrastructure is essential for tourist destinations✓✓
- Locals share this infrastructure with tourists✓✓
- Government often prioritises economic infrastructure such as **ports and beaches**✓✓
- In addition to physical and basic infrastructure, social infrastructure is also important for the growth of tourism✓✓
- Most of the SDIs and development corridors also have tourism as an important focus✓✓

Additional part

Evaluate the South African government's policies to promote tourism.

Successes of government policies

- implementing tax policies to stimulate growth in tourism✓✓
- targeting specific objectives for special favourable tax treatment in the form of tax holidays or rebates and tax credit schemes✓✓
- encouraging ecotourism, encouraging tourism to selected regions, SMME involvement with an emphasis on the informal sector, and Black Empowerment initiatives ✓✓
- promoting tourism through ASGISA-Accelerated Shared Growth Initiative of South Africa. ✓✓ This initiative ensured that government, in partnership with the private sector, provided necessary infrastructure for tourism, that helped to keep the tourism industry growing and attracted more tourists✓✓
- applying the domestic tourism growth strategy that aimed to increase expenditure on domestic tourism and reduce seasonality ✓✓

Failures of Government's policies

- special tax policies are applied to education and training programmes designed to overcome the lack of skills at various levels of the industry ✓✓
- there is a greater geographic spread of tourism which will increase the volume of domestic tourists ✓✓

CONCLUSION

A weaker exchange rate has been a major contributing factor to South Africa's tourism industry growth over many years ✓✓ (Max.2)

ECONOMICS

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CONTEMPORARY ECONOMIC ISSUES: EFFECTS OF TOURISM

PRESENTER : NOEL



- **Examine in detail the effects of tourism. (26 marks)**
- **Evaluate how successful is marketing in the tourism industry. (10 marks)**

INTRODUCTION

Tourism is the activities of people travelling to and staying in places outside their usual environment for no more than one consecutive year for leisure, business and other purposes not related to an activity remunerated from within the place visited. ✓✓

MAIN PART

Gross domestic product

- Tourism is a service based industry. ✓✓
- It is responsible for 60% of the GDP in developed countries and 45% in developing countries. ✓✓
- Tourism can influence the GDP both directly and indirectly. ✓✓
- A direct impact on the GDP comes from services tendered which may be 7–9 of the GDP in South Africa. ✓✓
- An indirect contribution would be products sold to businesses involved in tourist industry. ✓✓
- E.g. wholesalers supply ingredients to hotels which sell the final meal to tourist. ✓

Employment

- Tourism sector directly and indirectly employ people ✓✓
- The sector is the largest creator of jobs (employs 7% of the workforce in SA) ✓✓ for the following reasons:
- Tourism is labour intensive ✓ It has the lowest ratio of investment to employment creation ✓✓
- This means that more jobs can be created with every unit of capital invested in tourism ✓✓
- Many tourist activities are therefore within the reach of small tour operators ✓✓
- Tourism employ many skills ✓✓ Various skills are employed in the tourism sector ✓✓ for example, tour guides, hairdressers, accountant ✓✓
- It also offers a huge potential for on-the-job training ✓✓
- Tourism provides immediate employment ✓ If it is properly organised and focused, the tourism sector can create many jobs within a short period of time ✓✓
- Tourism provides entrepreneurial opportunities ✓
- The tourism industry accommodates informal sector enterprises ✓✓ from craft and fruit vendors to pavement vendors, chair rentals and others ✓

Poverty

- Tourism is one of the fastest and most efficient redistribution mechanisms in development ✓✓
- Tourism stimulates economic growth and brings development to the poor in rural areas ✓✓
- Tourism offers opportunities to diversify sources of income for poor people ✓✓
- Allowing them a stake ✓for example, to start and operate small-scale tourism businesses around community assets and to establish SMMEs to provide services ✓✓
- Empowerment ✓for example, to exploit opportunities of on-the-job and other training ✓✓
- Creating partnerships ✓linking up with mainstream tourism businesses supplying goods and services ✓✓

Externalities

The rapidly expanding tourism industry could have both positive and negative impacts that extend well into the future:

- Generate large amounts of revenue, but can cause undue environmental damage (uses resources and produces waste) ✓✓
- Rapid growth aimed at short-term benefits has more negative than positive effects: degeneration of traditions and cultural values, environmental damage to sites and natural settings – pollution and waste ✓✓
- Global tourism will grow due to increased population, improved living standards, increased free time and expansion of transportation systems, but put unnecessary pressure on tourist sites ✓✓
- **Economic effect on individuals:** new transport systems, recreation, shops and increase in property value compared to an increased inflation rate ✓✓
- **Economic effect on government:** more direct and indirect tax compared to conservation of infrastructure and tourist attractions ✓✓
- **Social effect on individuals:** improved health care and education compared to traffic congestion, crime ✓✓
- **Social effect on government:** an increased value put on culture, less migration compared to policing, sanitation, and health services

Environment

- Tourism can result in environment stress. ✓✓
- Permanent restructuring of landscape. ✓✓ e.g. construction work on highway. ✓
- Additional waste products, ✓ e.g. biological (sewerage) and non-biological (litter) waste. ✓
- Direct environmental stress ✓ e.g. the loss of wildlife species due to safari hunting. ✓
- Effects on population dynamics, e.g. migration and changes in population density in response to the needs of tourists sites. ✓✓

Investment

- Tourist destinations require adequate physical (hotel rooms), economic (ATM's) and basic (water and electricity) services infrastructure. ✓✓
- Transport infrastructure, ✓✓ e.g. improved roads are needed to access tourist sites. ✓
- Communication infrastructure, ✓✓ e.g. hotels need telephone lines to take bookings at tourists sites. ✓
- Energy infrastructure, e.g. tourists need electricity at tourist sites ✓✓

ADDITIONAL PART

How can government sustain the positive impacts of tourism?

Government can sustain the positive impacts of tourism by:

- Maintaining infrastructure and keeping it in good condition so that the needs of the tourist are well catered for. ✓✓
- Implementing policies around safeguarding and maintaining tourist sites and keeping them attractive. ✓✓
- Expanding and creating new tourist attraction sites to cater for the potentially increasing volume of tourists. ✓✓
- Promoting domestic tourism because it has the potential of increasing tourism.
- Decreasing the crime rate so that tourists can move freely; tourists will the have a feeling of being home away from home, so that they can keep coming. ✓✓
- Maintaining our indigenous knowledge and culture because tourists want to see what new and authentic. ✓✓

CONCLUSION

South Africa is a very beautiful country. It has the potential to being the number one tourist destination, so government should do more to enhance it. ✓✓