"NO ROOM AT THE INN"

THE ROLE OF THE EAST LONDON BED AND BREAKFAST INDUSTRY IN THE PROMOTION OF LOCAL ECONOMIC DEVELOPMENT

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DECLARTION

I hereby declare that this research report is my own original work and has not been submitted, either in the same or different form, to this or any other university for any other degree.

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Johannesburg

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DEDICATION

This research report is dedicated to

Nora Anderson Burns

"Haggi"

The best baker of scones and the teller of stories that a grandchild could ever have.

Requiem æternam dona eis, Domine, et lux perpetua luceat eis

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Chapter 1. INTRODUCTION

This research project explores the role of the Bed and Breakfast industry (B&B) in the promotion of local economic development. The relationship between these two factors under the broader umbrella industry of tourism is one that is neither extensively understood nor sufficiently researched in depth and yet, is constantly promoted by government agencies and others as being of critical importance in terms of macroeconomic development.

Since South Africa entered into democracy, tourism has expanded on a massive scale with significant numbers of new and returning visitors exploring the country. This growing industry has been touted as a significant way of achieving economic growth and alleviating high levels of poverty, particularly in the rural regions of South Africa. Although the methods and promotion techniques through which tourism development has evolved since 1994, the pursuit of economic growth and the creation of employment have been at the forefront. Marked theoretical changes from classical economic bases through to distinct neoliberal practices have been displayed in government policies and strategies aimed at achieving economic growth. Despite these changes what has come to be understood by many over time is that the pursuit of growth "über alles" is not enough to secure a better life for all.

New ideas are needed.

A relatively recent idea that has grown in popularity among developing economies to achieve economic development, among other things, is the concept of Local Economic Development (LED). Rogerson and Nel (2007:1) summarise LED as being "closely associated with decentralisation and devolution policies and localised responses to either economic crises and job loss or new wealth-generating opportunities." What must be taken from this definition is that LED remains open to interpretation and that any initiative that espouses its desire to achieve one of the abovementioned objectives could be interpreted as an attempt at LED. The application of public works programmes for job creation and poverty alleviation is a common current strategy used by South African local authorities whereby improved access to municipal services are held up as LED success stories. Rogerson (2006:41) mentions that these would typically include water supply, sanitation, refuse removal, drainage, flood protection, local roads, public transport and street lighting. Thus through these pursuits and others LED theorists argue that marked improvements in poverty levels and income distribution can occur without benefits being overly skewed in one particular direction.

Although poverty alleviation can be witnessed when public works programmes improve on the quality of life of residents, not much can be said of the sustainability of such actions. Establishing street lighting in a rural village is all good and well especially when there was nothing to begin with, however street lighting does not improve job prospects in the local area unless efforts are made to further catalyse benefits beyond the immediate introduction of the public good. Recognising the need for sustainability and riding on the wave of environmental consideration, born out of 1992 Earth Summit held in Rio de Janeiro, theorists began to shift their position to embrace tourism as the next avenue through which LED objectives could be secured (Rogerson, 2006:42). Tourism, post-1992, came to be seen as a green revenue stream where renewable income could be generated through the exploitation of "sun, sea, and sand" holidays while employing locals with low start up training costs. The idea took hold and now passionate, almost desperate arguments abound from government circles and elsewhere that LED as a concept dovetails well with the avenue of tourism to achieve the economic and social goals that have thus far been elusive.

Ironically despite these panacea-like pronouncements it is vital to note that LED itself as a concept remains debated in academic circles where some critics continue to label it as vague, undefined and often poorly understood, even by those charged with its implementation across the various spheres of government at the local, provincial and even national levels

It is also of great consequence to note that not everyone is as zealous as governmental ministries in viewing tourism as a country's silver bullet for alleviating poverty levels and achieving all the other benefits that tourism is held up to promote. Goodwin et al. (2002:6) argues that:

> Historically tourism has largely been a missed opportunity for South Africa and notes that tourism planning has been inadequately resourced and funded, with inadequate environmental protection, infrastructure development and little integration of either local communities or previously neglected groups.

Seif (2001) also argues that tourism and its benefits are also constrained by several factors such as:

- Limited integration of local communities and previously neglected groups into tourism
- Lack of market access and market knowledge
- Lack of interest on the part of existing establishments to build partnerships with local communities and suppliers
- Lack of information and awareness

- Lack of appropriate institutional structures

Seif (2001) further cautions by mentioning that although tourism projects – guest houses, camping sites, tourist routes, cultural villages and Bed & Breakfasts – have proliferated across the South African tourism landscape, scant attention is being paid to the demands of the market and the expectations of both international and domestic tourists. Seif warns:

> If tourism development processes are not planned, implemented and managed according to market demands, then far too many South Africans, especially the poor, are facing not only "missed" opportunities but the hard realities of failed or underperforming products to which expected tourists simply do not come.

Although not all critics unanimously support these positions, a small but growing number of critics are emerging that caution decision-makers to be more circumspective of tourism as an avenue for economic development within its purported role of promoting and achieving LED.

It is in incorporating these positions that this research aims to explore two topics: the concept of LED and its role in tourism and secondly, the relationship between the B&B industry and LED within the context of the latter's promotion.

The research is set in the city of East London which has seen tremendous growth in its B&B industry over the past ten years and yet it remains unexplored as to its inner workings and its potential to contribute towards LED.

This research project begins with the exploration of the academic topic of LED through a thorough literature review before beginning to unpack the pros and cons of tourism within an LED context. This research project does not intend to critique the concept of LED and to highlight its respective successes or failures. While this aspect may form part of the overall research project, the main focus is on the East London B&B industry within the present understandings and expectations of LED that will be defined through this research report's literature review.

The research methodology of the report is also put forward and expanded upon where the research setting of East London is presented and various demographic statistics are put forward to set the macroeconomic scene. The consumption and production of B&B services is further expanded on in separate chapters. In this vein questions that will be explored will centre around the functioning of the East London B&B industry and the conduct of the B&B owners and their guests. Further considerations will centre around whether potential environmental impact is shaping guests' accommodation decisions; whether B&B owners are buying goods and services from "Proudly South African" or otherwise local sources; and where B&B owners look when deciding what staff they will hire. The voices of B&B workers are also captured and explored with their experiences in the B&B industry shedding some light on its catalytic potential in relation to LED. These sections cumulatively hope to probe an industry that has grown significantly in recent years and yet remains relatively unexplored in formal academia.

A chapter is also devoted to the role of developmental agencies that operate in East London. Within this chapter the role of the Eastern Cape Development Corporation, the biggest of the agencies identified, is explored through interviews with representatives that are involved in the tourism sector where their opinions are gathered and commented on.

Finally the research report concludes with a summary of the results gathered and several suggestions are made where upon improvements across the entire B&B industry could be enacted upon.

What must be considered throughout this report is the growing contestation about the degree to which the alleged benefits of the B&B industry reach third parties. Conventional commentary would state that the growth in the B&B industry is beneficial for the local economy with its implications for tax revenue for the state as well as the impact of short stay tourists in the local area in terms of marketing of related industries and services and the consumption thereof. This position is congruent with convention LED theory where the catalysing potential of tourism is consistently promoted as being significant. While this may partially be the case, this picture is not comprehensive and will form part of this research report as the levels of actual revenue disbursement and employment generation, frequently mentioned as benefits of the B&B sector in promotional materials for the tourism industry, remain inconclusive.

Chapter 2. LITERATURE REVIEW

The history of developmental economics and its underlying theories are well documented. It is, however, important to understand where the changes in ideas around development emerged and what prompted the challenges to orthodox economic thinking and thus the beginning of the promotion of Local Economic Development (LED) as a concept towards achieveing developmental goals. The point at which LED and tourism intersect and form a symbiotic relationship is of theoretical significance, yet formal investigative analyses on the topic remain sparse. The theoretical understanding of the benefits of LED through tourism in South Africa is one that has not been significantly written about in formal academic circles in specific detail save for a select few authors. Policy statements and broad macroscopic documents from several government ministries do abound in great number but the more expressive and critical literature has yet to be recorded abundantly. This literature review highlights several stages of understanding where the concept of LED came about by demonstrating a brief overview of the history of development theory as well as how these changes came to be embraced by the South African state with the dawn of democracy in 1994. The entrance of tourism onto the development stage is also highlighted briefly, concluding with questions around tourism's alleged benefits that are also put forward to be considered in greater detail within a broader research setting.

2.1 The Beginning

Casanova (2004:25) states that essentially the beginning of development theory started in the aftermath of World War II where two dominant political ideologies emerged: the Western or capitalist model and the Eastern or socialist model. These models were punted as the ways in which to repair the "world order" and to ensure the destructive horrors of the past were not repeated. Casanova wittily goes on to quote Arocena (1995:2) who states that:

> …however these two systems did not cover all the countries in the world and many nations remained outside classification and made a marginal sector called the Third World and, unlike the other two systems, in the Third World there was never a will to reconstruct or repair a particular 'order'. Instead, the word 'development' was used, as in *one part of the world should be reconstructed and the other should be developed* and at that time it meant taking a route that would lead to an industrialised society.

The strengths and weaknesses of capitalism and socialism and their campaigns to gain popularity around the world are beyond the scope of this review. However, Helmsing (2001) argues that in the case of the Third World, most attempts at development were based primarily on agricultural policies and that any economic development that occurred outside of agriculture or the small microenterprise sector was "largely a matter of central government parastatal enterprises and mostly foreign investors or transnational corporations"(2001:59). Theses development attempts did not achieve the levels of industrialization that Arocena (1995) prescribed but rather governmental control of foreign exchange and the manipulation of prices often forced people into economically unstable positions due to insufficient funding or availability of skilled human capital, while enriching a minority elite. Consequently in many cases any development in one region or sector was dependent on central government intervention, which was often slow in implementation and underperforming in terms of efficiency.

Recognising the often inherent incapacities of the state, economic theory from the 1970s onwards shifted to embrace the concept of what is now termed neoliberalism, where, for all intents and purposes, the market decided on the direction in which a nation's economy would move. Neoliberalism promoted the role of private institutions and public downsizing while reducing the role of the state to a minimum (Lee & Williams, 2011:4). Furthermore "development came to be defined by economic growth measured in per capita Gross Domestic Product (GDP) with little reference to the political and social order" (2011:4). In effect the pendulum of the economy came to oscillate away from a strong state role with its history of deciding of the direction of investment and the setting of prices and interest rates, towards a strong market determined approach based in the pursuit of profit and growth with very little joining these two approaches, save for the concept of achieving the goal of "development" in the macroeconomy.

At the core of neoliberalism the pursuit of capital, through policies geared at economic growth, has been historically argued as its central objective. Manji puts it plainly that economic growth has now come to be merely a euphemism for profit and that most neoliberals would argue that development as a whole can only occur if "growth can occur", meaning if profits are made (1999:1). Many commentators would argue that such a position is historically correct in that it was believed that through the pursuit of profit excess capital would come to be reinvested in other sectors, causing economic multipliers to arise and thereby spur on development in other sectors as well. In short capital would catalyse the creation of more capital which would eventually spread throughout the entire economy. This idea came to be known as the "trickledown" effect which dominated economic thinking across North America and Europe for much of the 1970s and saw mixed results in relation to broader development issues and projects (Goodwin, Robson, Higton, 2004:3).

What history has shown, however, is that industrialisation did not take off in many countries and even in those countries where industrialisation did occur development did not manifest on large levels and several countries remained in economically stagnant positions vulnerable to ever changing terms of trade based on limited economic bases, often set in the agricultural sector. It is important to note from this observation that it is not implied that engaging in industrialisation automatically results in economic improvements to a nation state. Suffice to say that it is apparent that the "trickledown" effect, argued as one of the core principles of neoliberal economics, has not been as redistributive as many hoped it would be, irrespective of the levels of industrialisation that have occurred within such states. Consequently the need for a fresh look at the promotion of development within a state remained, and still remains, relevant in many macroeconomies worldwide.

2.2 Developing New Development Approaches

With the growing acceptance that the "trickledown effect" did not realise the benefits that it was supposed to have, economists and others came to acknowledge that the state indeed had a role to play in the macroeconomy and that it could not be relegated to a mere facilitatory position between the various agents in the economy. The degree of role for the state has been debated in political circles for decades and the concept itself within the ambit of development economics remains contentious in many developing nations.

These varied opinions often have created conflicts where programmes, strategies and policies centering around development clash over the foci of where development priorities should lie, be it economic upliftment, social development or in some sort of a combination of the two. Tungodden (2001:1) summarises this situation and points out that the conflict, essentially, centers around how one interprets "development" in such a way as it is universally understood:

> We all think of development as the movement towards a better and more just society. But what does this really mean? In order to elaborate on such a question, we need to approach fundamental issues within moral and political philosophy. What is good for a person? What is a good society?"

Tungodden asks a very pertinent but at the same time a very difficult question, one that straddles many philosophical spheres of human history and thinking. Asking for what factors constitutes a "good" society invites debates around how one defines "good". Adding to that Tungodden questions what a "good society" would even look like. Popular thinking of the 1970s through to the late 1980s would have stated that a "good society" would have been one that was developed, advanced, dare we say, even rich, in the most simplistic of terms.

Casanova (2004:26) agrees with such a position where he states that traditional economists even before the 1970s pro-market positioning, would consider a country to be "developed" to the extent that it achieved consistent economic growth over time. Increasing levels of GDP per capita traditionally has been used as one of a myriad of illustrators for the levels of disposable income available to consumers who in turn can use such funds to ripple through the economy through spending and spur on consumption in other sectors; the traditional "trickledown" model that has already been mentioned.

Opponents of this position however, argue that economic growth is insufficient as an indicator of the development status of a country. Echoing Tungodden's question around the constitution of a good society, Sen (1990:42) argues that the traditional economic growth standpoint is not well informed as reliance on economic data and statistics, gross national product levels, inflation predictions, currency valuations and so forth, while valuable as well as useful, does not fully encompass a country's economic climate and hence misses a lot of important information that would be necessary in order to comment as to whether a country could be considered "developed" or not. Drawing on the political philosopher Immanuel Kant and his writings around the perception of viewing human beings as an end in themselves rather than as means to other ends, Sen (1990:42) comments that:

> Economic prosperity is no more than one of the means to enriching lives of people. It is a foundational conclusion to give it the status of an end…even as a means, merely enhancing average economic opulence can be quite inefficient in the pursuit of really valuable ends.

Subsequent debates around development have evolved to recognise that the position quoted by Sen is not without merit and that the traditional pursuit of growth "über alles" is not tenable. Gago's (1993:1) understanding of what development encompasses is useful where he states that:

> Development is a process of global structural change (economic, political, social, cultural and environmental) which tends to improve the quality of life of all members of society and in that they attain more complete satisfaction of their collective basic necessities.

Manji (1999:1) summarises and agrees with both Sen and Gago's points where he argues against the "conventional wisdom" of economic policy to primarily pursue profit and the expansion of real income and reiterates the need for rethinking around the concept of development and the need to take in broader considerations of the essential elements of Tungodden's "good society".

In short opponents of exclusively based understandings of the concept of development argue that the process of development should rather be focused towards increasing the well-being of humanity and not the pursuit of profit above all other things. This approach has come to recognize that while the pursuit of capital is an important component of development, a more holistic approach to macroeconomic objectives is necessary for both short term profit as well as long term gain.

2.3 South Africa and Development

Literature shows that South Africa's approaches to the subject of development have varied over the years with governmental initiatives such as the Reconstruction and Development Programme (RDP) of 1994 and its more neoliberal successor, the Growth, Employment and Redistribution (GEAR) programme of 1996 being two such approaches. Despite their good intentions the RDP and GEAR programmes delivered mixed results and did not deliver the levels of poverty reduction and job creation that they said they would. It has been because of these mixed results that political thinking recognised the need to re-evaluate traditional approaches to development within the South African context.

This re-evaluation recommended that localised responses to development challenges could be more effective than state led responses. Theorists argued that through empowerment, local communities who are better placed to understand local needs, could affect programmes specially designed to achieve these goals. This idea took hold and politically the process of decentralization of economic decision making has grown to become a significant element of contemporary South African politics. Owing to this practice South African local authorities now enjoy autonomy levels similar to those granted to French, Spanish and Portuguese city governments in the 1980s (Binns & Nel, 2002:9). In terms of legislature Taylor (2003:294) writes that since the release of the 1998 White Paper on Local Government, municipalities have been formally entrusted to ensure their own development, both in terms of economic and social dimensions. Drawing directly from the White Paper it states that it aims to "foster a culture of developmental local government" (Nel, Rogerson, 2007:4). Despite this noble intention the publishing of the paper did not create concrete results and the concept of LED remained merely a theoretical idea. Binns and Nel (2002:10) concur with Taylor in that the decentralisation process did not result in benefits for all communities due in part that since 1994 the "new" South Africa has become increasingly neoliberal, relying more on market forces to determine the drive for development, employment and capital creation, resulting in serious socio-economic disparities to persist and even worsen in some cases.

Looking at this scenario Abrahams (2003:185) questions whether the follow up on the White Paper of 1998, the Municipal Systems Act (2000), which made it a legal requirement for municipalities to produce integrated development plans, can be interpreted as a response mechanism to force local municipalities to develop and drive particular growth strategies and priorities. Taking this position as valid, again one questions the use of the law to drive governmental strategies when historically such strategies have neither been clearly defined nor actively ascribed to. In the opinions of Barker (1999), Helsing (2001) and Arocena (1995) the lack of will to pursue such strategies does not bode well for their intended results. Reviewing the history of LED's implementation supported within South Africa's legislative framework Nel and Rogerson (2007:2) comment that two distinct "themes" have been revealed over time:

- Successful implementation of LED has been relatively limited and sporadic and seldom generated the wide-range of anticipated benefits
- Supportive national policy and strategy, as opposed to legal requirements for LED have been excessively drawn out which has led to uncertainty and confusion at the local level

Be that as it may, the increasing levels of fashionability of LED have been noted both in developmental as well as governmental literature. Ironically taking a survey of these sources reveals a common striking feature in that no universal definition of LED exists that is accepted across both the academic and governmental sectors of South African society (Nel, 2000:149).

2.4 Local Economic Development Defined

As it currently stands common defining elements of LED across the literature devoted to it lists "sub-national action, local labour market and an applied economic development strategy"(Pretorius et al. 2005:2) as well as increased levels of local development with strong partnerships with the private sector with an even stronger focus on economic development and job creation. (Binns and Nel, 2002:13).

Zaaijer and Sara (1993:129) define LED comprehensively when they say that:

> LED is essentially a process in which local governments and/or community-based groups manage their existing resources and enter into partnerships arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area.

The South African government ministry charged with the pursuit of LED is the Department of Provincial and Local Government. The ministry, according to Abrahams (2003:188) has defined LED as being a concept which:

> …involves the use of local resources, ideas and skills to stimulate economic growth and development. Also central to some LED approaches is the theme of endogenous development, which stresses the use and potential of *local* human, physical and institutional resources. The activity of LED is usually seen as a partnership between key actors in a locality, where the local authority is either the driver or the facilitator of the process.

Furthermore according to Stoddart (2008:1):

> Local economic development offers local government, the private sector, the not-for-profit sectors and the local community the opportunity to work together to grow the economy in a locality by looking at enhancing competitiveness and sustainably inclusive growth. A key factor for the growth of LED planning has been that regional planning initiatives often did not work and so local action became the basis of development plans.

These definitions do not add anything substantially new to the previous definition by Zaaijer and Sara (1993). However, what is important is that the concept of partnerships with the private sector is constantly displayed in all definitions of LED in both the academic as well as governmental interpretations.

Based on these definitions the question emerges as to how best to create these partnerships to achieve the policy's objectives.

Two distinct approaches that have emerged according to Abrahams (2003:186) are 'pro-growth' LED and 'pro-poor' LED. In some literature they are labelled as 'non-developmental' and 'developmental' LED. A brief description of pro-poor LED encompasses strongly focusing on ensuring that "local poor people…secure economic benefits in a fair and sustainable manner" (Goodwin, Robson, Higton, 2004:3). These authors list three ways in which pro-poor LED can benefit communities:

- Economic gain through employment and micro-enterprise development.
- Infrastructure gains: roads, water, electricity, telecommunications, waste treatment.
- Empowerment through engagement in decision making.

The pro-growth literature points to a more market driven base where the central objectives aim at capital accumulation and the stimulation of the local economy through consumption spending and multiplier effects. This position obviously has a very traditional economic rationale to it and has been embraced by the Bretton Woods institutions among others. Bartik (2003:2) further comments that in pro-growth definitions of LED an economic growth factor is always mentioned and that this factor can be differentiated by its two different approaches:

- Providing customised assistance targeted at individual businesses with 'development benefits'

- Changing of tax, fiscal spending patterns and regulatory policies to 'promote local economic development'

Taylor (2003:295) adds to the aims of any LED programme in that it should also focus on being globally competitive, creating jobs and alleviating poverty. Whether one ascribes to the pro-growth or pro-poor position is beyond the scope of this literature review, however, given their distinct differences it is thus not surprising that the results of any LED initiative may appear to vary depending on what stance a particular locality chooses to embrace, which is always heavily influenced by the broader macroeconomic and political thinking that may ripple out from the central governmental structures.

TABLE 1: TRADITIONAL VS LOCAL DEVELOPMENT APPROACHES

Traditional Development Policies	Local Economic Development (LED)
• Decisions are centrally determined	• Decisions made by local authorities
• Management of decisions by central administration	• Decentralised, vertical cooperation between different tiers of government and horizontal cooperation between public and private bodies
• Sectoral approach to development	• Territorial approach to development
• Development of large industrial projects to stimulate other economic activity	• Progressive adjustment of local economic system to changing economic environment
• Financial support, incentives and subsidies as the main factor for attracting economic activity	• Provision of key conditions for the development of economic activity

(Rodriguez-Pose in Casanova, 2004:32)

The table above illustrates a number of important observations and distinctions between the traditional, government-led approaches and smaller, locally determined approaches. The empowerment of local authorities to be self-determined in terms of developmental strategies through LED is evident. Allowing local authorities room to manoeuvre allows for greater sensitivity to local needs which can result in policies tailor-made to address immediate concerns, possibly utilising local assets. The management of these policies and the reporting of their results can also possibly be done in greater detail if following an LED approach, as those responsible for their implementation are more likely to be closer to the locations, and are not managing the process remotely. Flexibility, sensitivity and a more "hands on approach" can culminate in a greater will to succeed rather than relying on state-determined policies which are remotely managed by distanced bureaucrats.

2.5 Local Economic Development through Tourism in South Africa

As has been mentioned previously South Africa has embraced the concept of LED and considerable attention has been given to its planning and implementation, although Rogerson (2002a:143) states that most of this attention has been geared towards "production or manufacturing activities and on questions relating to the retention of business and the attraction of new investment." Rogerson (2006:40) mentions that officially South Africa's conception of LED accommodates elements of market-led and market-critical approaches toward LED, while a strong focus on poverty reduction is markedly dominant. These efforts mirror what Bartik (2003:2) outlined when discussing approaches to achieving economic growth within the context of pro-growth LED. However, Rogerson, Kaplan (2004), Goodwin (2008) and others argue that one of the more useful ways of achieving LED is through tourism, a relatively new and as it currently stands, unexplored, avenue for economic development.

Tourism, argued by Berno and Bricker (2001:2), allows for the exploitation of "free" resources, namely "sun, sea, sand and friendly people" and through such exploitation tourism is widely perceived to be a clean, cheap and renewable industry and hence available to most developing economies. Such a combination of assets is argued as being readily accessible to developing communities and hence are vital components of any LED initiative at a micro level. As such Mihalič (2002:81) states that it is widely assumed that tourism can…

> …help to eliminate the widening economic gap between developed and less developed countries and regions and to ensure the steady acceleration of economic and social development, in particular in developing countries.

2.6 Tourism – A multifaceted industry

Despite the constant proclamations that tourism can almost be viewed as a magic wand wherein the significant problems of a developing nation can be solved by the promotion and development of tourism, one needs to be cognisant of the fact that as much as proponents state that tourism provides answers to development problems, tourism also raises several important questions according to Mihalič (2002:81):

- Who actually profits in the development of tourism?
- Does tourism development contribute to the establishment of a new form of colonialism?
- Is it economically healthy to be dependent on the business of tourism?
- Are less developed countries and regions, possessing few capital resources but rich in cultural and environmental attractions, able to exploit the latter as a factor of comparative advantage?

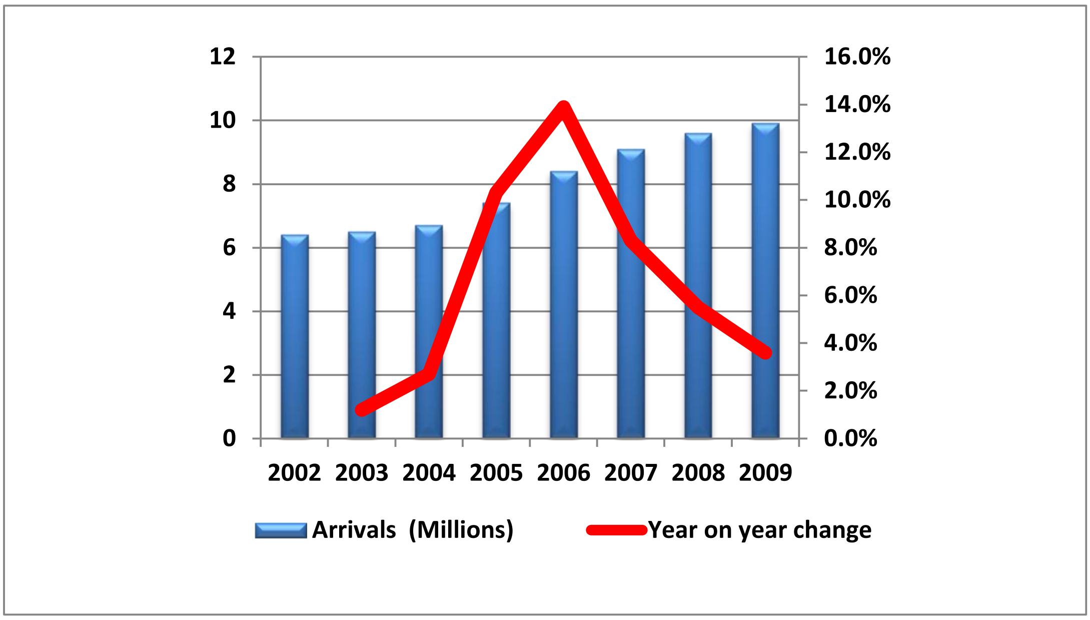
These are important questions that need to be borne in mind when considering tourism in a broader LED framework. From the outset it is currently evident that in the South African context the real economic profits from tourism are held by the private sector with negligible levels of income spilling over into other sectors. Van der Merwe and Wöcke (2007:3) argue that the common position of many tourism establishments is that "the business of business is to make profits" and not necessarily share them. In this way the potential for economic imperialism to take hold of individuals or groups is possible and difficult to break free from without risking unemployment or capital flight. In a less developed country context the need to attract and placate industries, including the tourism industry, often at the expense of local communities, is a historical fact with examples being able to drawn from countries ranging from Brazil to Botswana. Tourism does not always benefit everyone as McKercher (1993) states. This position will be explored in subsequent chapters.

It is also important at this juncture to unpack the conceptual meanings of tourism, beginning with South Africa's tourism history and to understand its significant contributions to the wider macroeconomic environment. In this section the economic benefits of tourism will be illustrated by exploring its potential to contribute to employment levels and to catalyse the macroeconomy by creating forward and backward linkages to other sectors through the use of macro multipliers.

2.6.1 South Africa's Tourism History

Tourism, as defined by the World Travel and Tourism Council (2010:15), can best be described as the activities of persons travelling to and staying in places outside their usual environment for more than one day and for not more than one consecutive year for leisure, business or other purposes. Tourism is thus not only a holiday making activity and can account for several different travel reasons. The statistics for the number of people engaging in tourism has been dramatic where the number of international arrivals has grown from 25 million in 1950 to 898 million in 2007 (People's Daily, 2008:1). The associated benefits of these figures have been recognised in South Africa's case as being equally significant; from slightly more than 3 million visitors in 1993 to over 9.9 million visitors in 2009 (RSA, 2011:1). As can be seen by the graph below the number of foreign tourists has steadily grown with a compound annual growth rate of 6.4% over the period of 2002-2009.

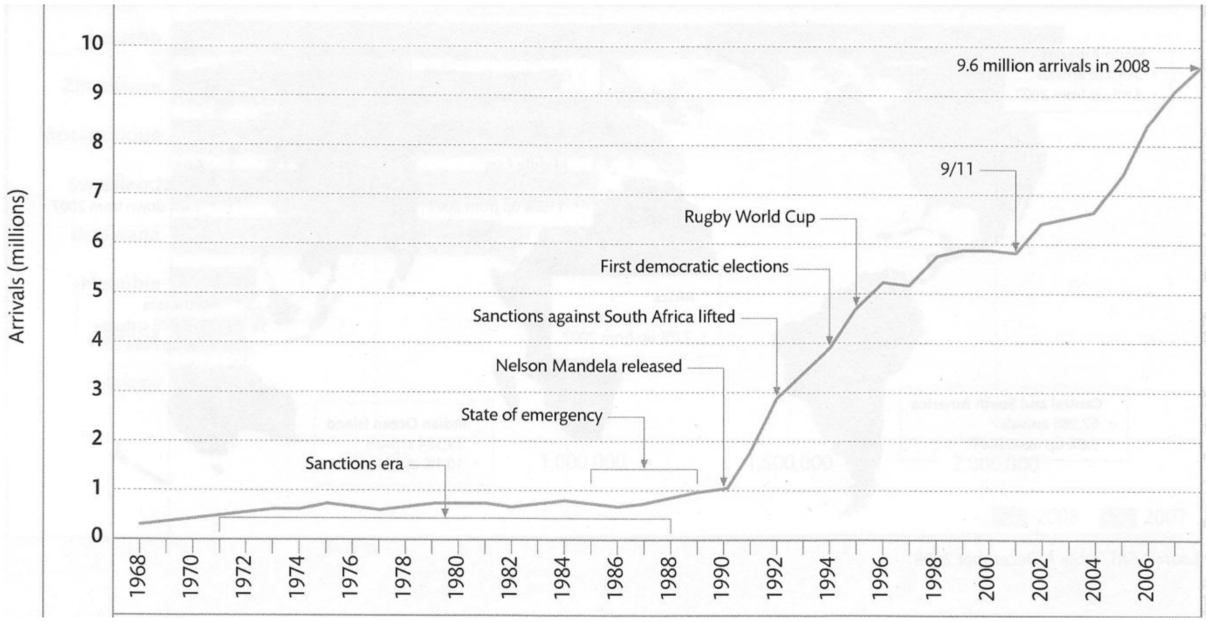
FIGURE 1: FOREIGN ARRIVALS TO SOUTH AFRICA, 2002-2009



(South Africa Tourism, 2010)

Although this picture is selective in terms of the dates that it represents one should rather consider a much longer term perspective of the growth in the numbers of foreign tourists visiting South Africa as shown in Figure 2. What is useful to note from the graph is that South African tourism has engaged in three distinct phases since the 1960s through to the present time period. The first period that can be identified is the 1970s through to the 1980s which could be classified as a stagnation phase which was marked by low levels of investment in the country, political instability and ill-informed economic decisions. Indeed since World War II South Africa became a "chronic net debtor country" partly due to its haphazard import-substitution industrialisation policies (Lowenberg, 1997:7). As the debt situation worsened over the years with foreign banks, such as Chase Manhattan in New York refusing to renew short-term loans, South Africa was forced into declaring a partial debt repayment moratorium in September 1985 (Lowenberg, 1997:8). In order to service its debt South Africa was forced to run current account surpluses ranging between US$2.66 billion in 1985 to US$1.29 billion in 1988. It is obvious according to Lowenberg (1997:9) that "any country with an inefficient tariff-protected manufacturing sector cannot easily generate significant increases in exports" a fact which was further made evident by the state imposing capital controls to conserve any foreign currency which it managed to earn. These restrictions further aggravated foreign investors causing an increase in capital flight as the risk association with South Africa and that of Africa in general became too unstable thus accelerating South Africa's economic decline. Along with the economic instability of the country sanctions against the Apartheid state took hold and many tourists chose to not visit South Africa as a form of protest against its racial laws and practices.

FIGURE 2: FOREIGN TOURIST ARRIVALS TO SOUTH AFRICA, 1966-2008

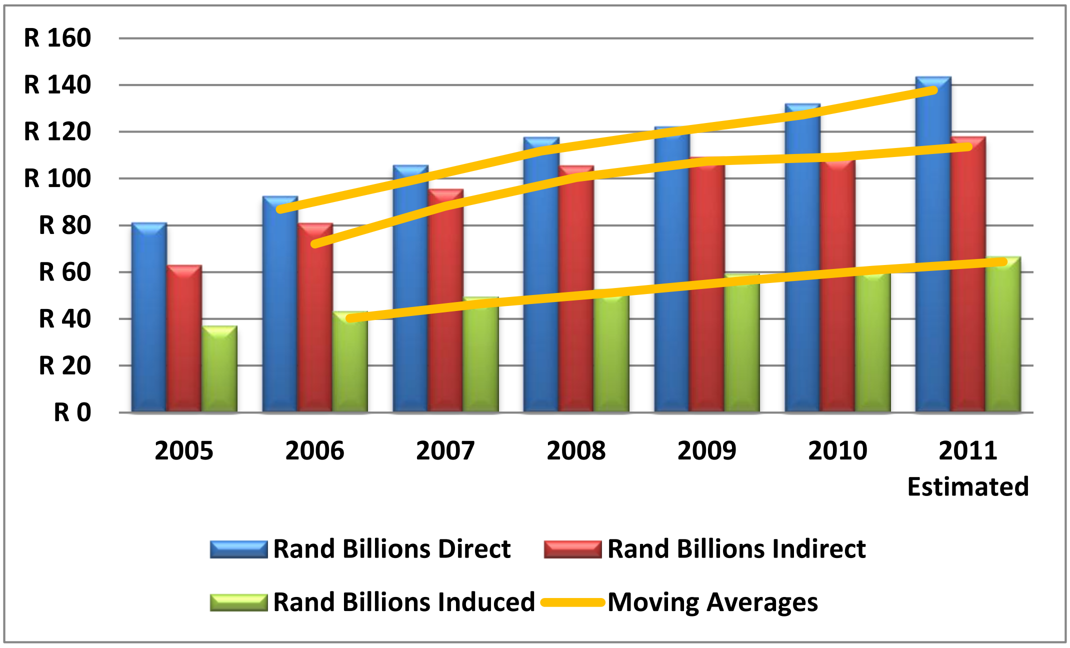


(South African Tourism, 2009)

A second phase that can be seen from Figure 2 is during the period of 1990-1998; a distinctive growth phase for South African tourism. This period was historically significant due to the watershed political events that unfolded and the successful hosting of the 1995 Rugby World Cup. These events, among others, showcased South Africa to the world and contributed to rising numbers of tourists, both new and returning, to South Africa as well as increasing the number of foreign firms entering the country after the dropping of sanctions post 1994. The third period that can identified from Figure 2 is the period from 1998 through to the present which is marked by its cyclicality. During this period the influences of international events such as September 11th, the SARS outbreak in Asia and volatile oil prices came to have an impact on South Africa's tourist market in terms of tourist arrivals as well as witnessing speculative fluctuations in the value of the domestic currency. During this period and continuing through to the present day it is now increasingly difficult to forecast tourist numbers due to the possibility of an international event impacting on those forecasts. A case in point is the exploding of Iceland's volcano, Eyjafjallajökull, in April 2010 which caused 107 000 flights to be either cancelled or delayed worldwide and cost approximately €1.3 billion to the airline industry while affecting more than 10 million passengers (Bye, 2011:1).

What must be taken from the history illustrated through Figure 2 is that from the period of 1993 to 2009 the number of tourists visiting South Africa has increased dramatically following the country's transition to democracy and with it the opportunities to create forward and backward linkages to other sectors of the economy have been significant. The economic contribution of tourism to GDP across these various linkages is demonstrated in Figure 3 below and one can observe that from 2005 to 2010 the contributions have been significant. What is also significant to note is the positive moving average trend across all three economic sectors, direct, indirect and induced. Although the levels of the averages are not as significant as one would like the fact that they have remained positive and in tandem with one another, despite global events and macroeconomic uncertainties, is an achievement.

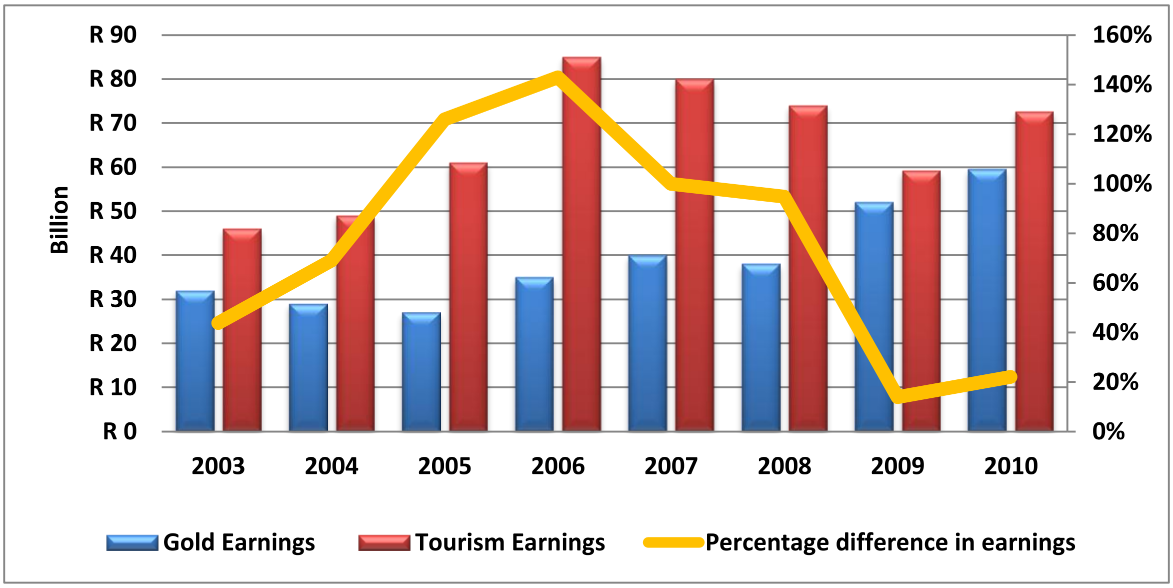
FIGURE 3: TOURISM'S CONTRIBUTION TO SOUTH AFRICAN GDP, 2005-2010



(WTTC, 2010)

Historically the total economic contribution of travel and tourism to South Africa's GDP over the period of 2005 to 2010 has grown on average 10% per annum (WTTC, 2010:13) as can been seen by Figure 3. The graph shows a strong growing trend in both the direct as well as indirect sectors of tourism's contribution to GDP. The close results for the direct and indirect rand amounts indicate a very strong direct relationship between the two sectors which bodes well for any tourism activities contributing to South Africa's GDP. Also of interest to note at this juncture is the fact that the South African economy, traditionally based in the mining sector, has since the early 2000s begun to generate more foreign earnings from tourism than it generates from gold exports. This incredible statement can be witnessed in Figure 4 where the percentage difference in earnings between tourism and gold exports has averaged 76.5 % with the extreme being 143 % in 2006. These figures are appealing in their basic forms however; they are not reflective of the fact that the international gold price is dynamic and thus vulnerable to both positive and negative speculation and the subsequent unpredictable revenue earnings associated therewith.

FIGURE 4: FOREIGN EXCHANGE EARNINGS: GOLD VS TOURISM, 2003-2010

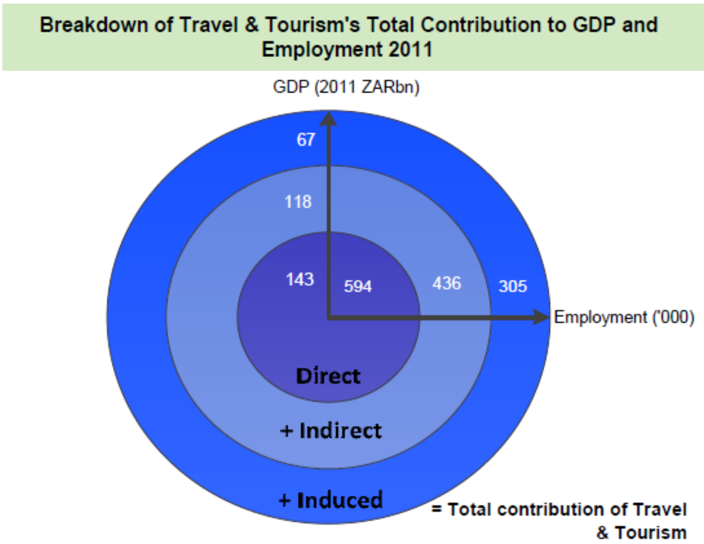


(South African Tourism, 2010)

2.6.2 Tourism and Employment Creation

When employment is also brought into consideration it is evident that the contribution that tourism makes towards the South African economy is large. The World Travel and Tourism Council estimates that in 2011 tourism will impact on employment levels in South Africa to the degree of 1 350 000 jobs. What is important to note in Figure 5 is the degree to which direct, indirect and induced job levels vary. An induced job can be understood to be a job that is created by virtue of workers from direct and indirect jobs spending their salaries and thus creating a market for those salaries to be capitalised on. An example would be if a worker and his friends started taking their families out to restaurants to eat regularly because they can afford it with their new jobs and the restaurant had to hire additional staff. Those newly hired staff members would be induced jobs (Finke, 2008). The percentage difference between the estimated 2011 direct and indirect job levels stands at only 26 % (594 000 vs. 436 000) while the difference between indirect and induced job levels stands at 30 % (436 000 vs. 305 000) (WTTC, 2010:3) If the percentage levels were significantly smaller one could posit that the promotion of tourism development displayed very limited associated benefits in terms of job creation, however in South Africa's case the data declares otherwise. Consequently, it is evident that in the South African economy the promotion of tourism has significant direct benefits in the employment sector.

FIGURE 5: COMBINED EMPLOYMENT & CONTRIBUTION LEVELS TO SOUTH AFRICAN GDP (EST 2011)



(WTTC, 2010: 3)

The results above are significant in that they display a very strong positive relationship between the levels of jobs created and their associated subsidiary levels. Abedian et al. (2010:30) illustrates the historical comparison between the levels of direct and indirect jobs due to tourism expenditure which has grown significantly since 2000. This comparison is useful in that it concurs with the opinion of the World Travel and Tourism Council wherein it shows a strengthening relationship between indirect and direct job creation due to tourism spend. One can view from Figure 6 that since 2002 the ratio of indirect jobs to direct jobs has increased from 1:1.9 to 1:3.8 in 2008 effectively doubling over a period of six years. This means that now for every 1 direct job that is created through the tourism industry 3.8 other jobs are created not only in the tourism sector but potentially in other sectors as well. The creation of these jobs is as a result of responding to the consumption patterns of the visiting tourists which Abedian et al. (2010) argues varies in terms of the type of tourists that visit. This is a valuable insight when arguing the catalytic potential of tourism to make a marked impact on employment levels in the South African economy. Abedian et al. (2010:31) notes however, that a significant difference exists in the relationship between the number of tourists visiting the country and the number of jobs created directly. Drawing from statistics from 2008 Abedian et al. (2010:31-32) illustrates that South African tourists fall into four primary categories: Foreign Tourist; Africa Air Tourist; Africa Land Tourist (tourists from nearby African countries travelling across land borders); and Domestic Tourist. The domestic and Africa land tourists have significantly less impact on job creation due to their respectively lower capital spend while touring. Repeatedly these types of tourists "often stay with relatives or friends rather than in commercial accommodation, use self-catering instead of restaurants and often spend less on tourist curios and recreational facilities." As a result of these different spending patterns the amount of capital that is generated and rippled out into the macro economy varies significantly with equally significant consequences on the job creation to visiting tourist ratio. Abedian et al. (2010:32) estimate the number of tourists visiting in South Africa required to create one permanent job as follows:

TABLE 2: NUMBER OF VISTING TOURISTS TO SOUTH AFRICA REQUIRED TO CREATE ONE JOB, 2008

Foreign Tourist	Africa Air Tourist	Africa Land Tourist	Domestic Tourist
0.7 (0.4)	**0.5 (0.5)**	**5.8 (1.65)**	**17.3 (27)**

(2007 recordings in parenthesis)

The extreme difference between the number of foreign tourists (0.7) needed to create one job in the South African economy and the number of domestic tourists (17.3) is striking. However, this is not surprising given the historical spending patterns of foreign tourists who are quick to capitalise on their foreign currency buying power due to exchange rate differentials and are more prone to stay in commercial accommodation establishments. This associated level of spending is what ripples out into to the economy and inevitably creates job positions, hence the low level of foreign tourism required to make an impact. What is of interest to note is the substantial decline in the number of domestic tourists required to create one job from 2007's recordings to 2008's. The significant drop in the number of domestic tourists required to create one job from 27 in 2007 to 17.3 in 2008 indicates that domestic tourists are beginning to spend more on their travels, which has made a marked impact on theoretical job creation levels.

FIGURE 6: DIRECT AND INDIRECT EMPLOYMENT DUE TO TOURISM EXPENDITURE, 2000-2008

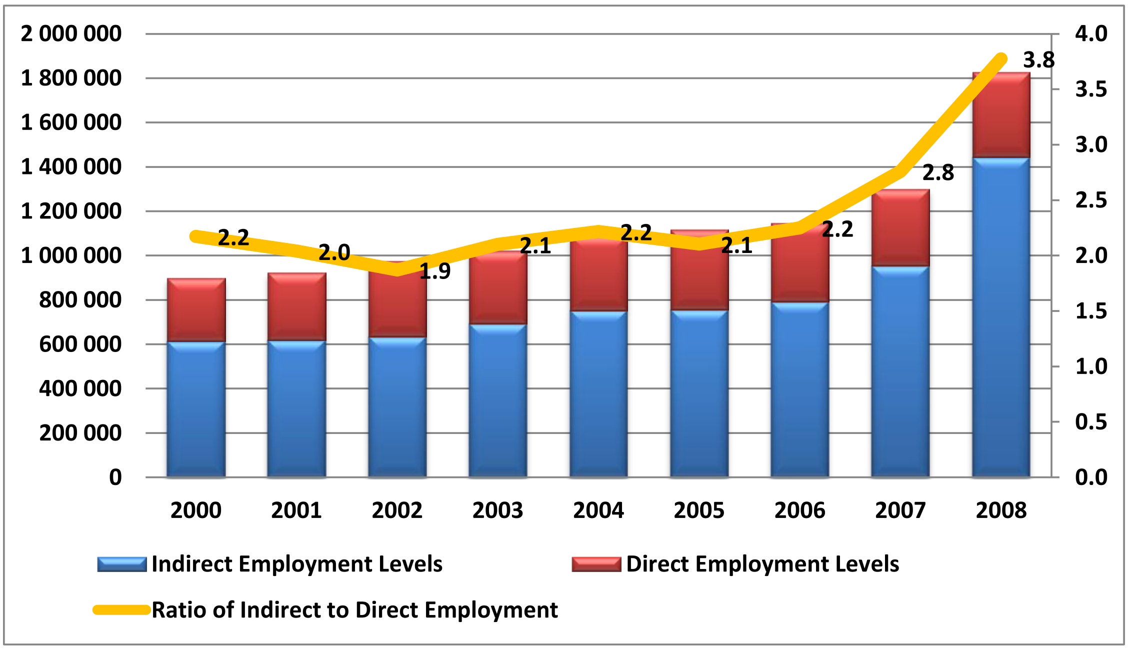
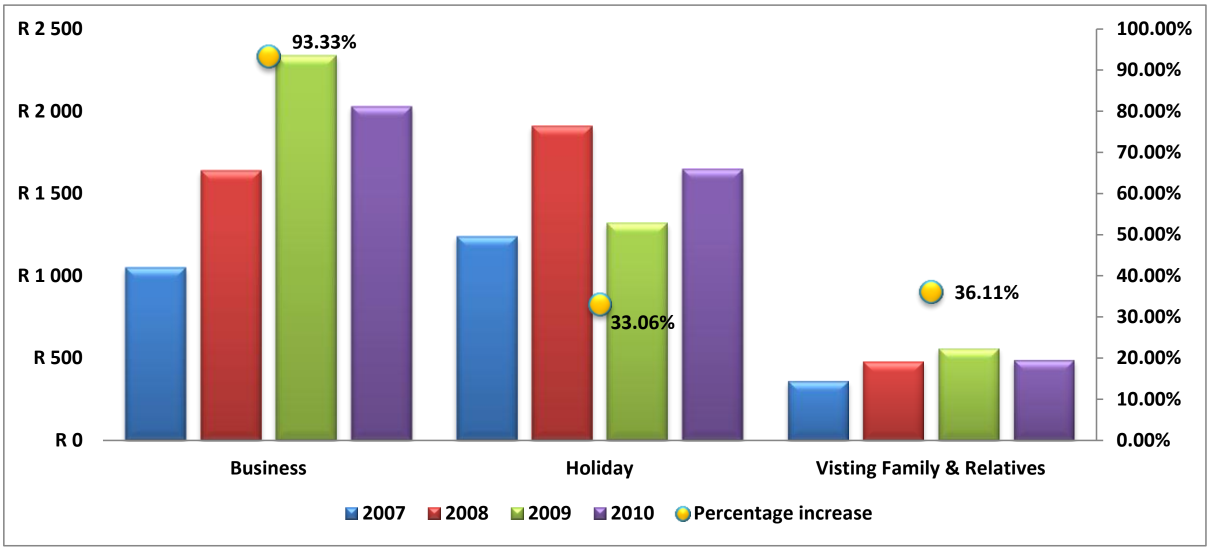


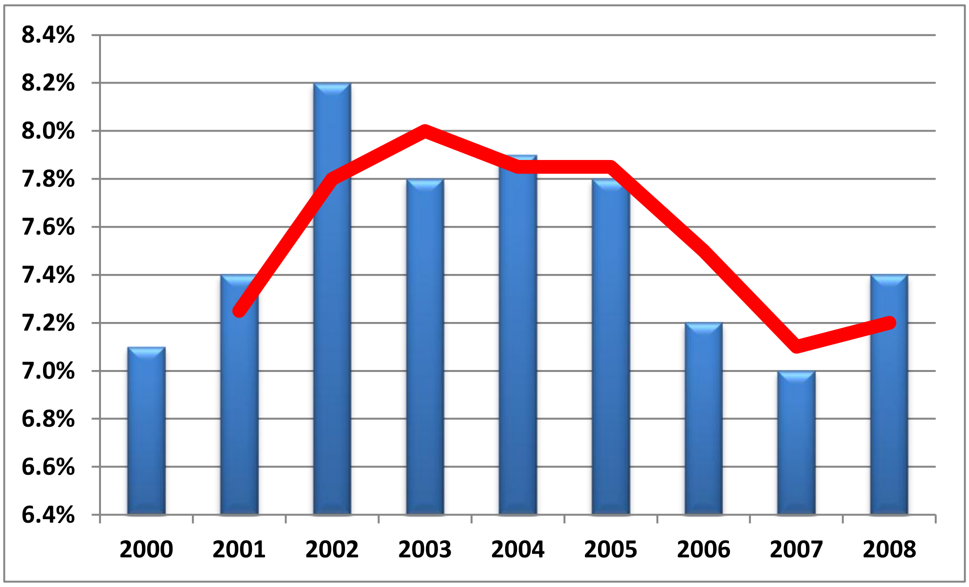
Figure 6 illustrates a positive trend line in the estimated number of jobs due to tourism expenditure over the period of 2000 - 2008. Taking the adult population of South Africa in 2008 being 29.9 million people the total number of people employed due to tourism expenditure equates to 6.12 % of the active adult population (South African Tourism, 2009:54).

FIGURE 7: AVERAGE SPEND PER TRIP PER PURPOSE, 2007-2010



Taking the three most common reasons for travelling being business, holiday making and visiting family and relatives, what is important to note from Figure 7 is that an average domestic business trip's spend has increased from approximately R1 050 in 2007 to R2 030 in 2010 equating to an increase of 93 % while domestic holiday spend has increased from R1 240 to R1 650 equating to an increase of 33 %. These increases add emphasis to Abedian et al.'s comments around the significant drop in the number of domestic tourists required to create one job as illustrated in Table 2.

FIGURE 8: CONTRIBUTION OF TOTAL TOURISM EXPENDITURE IN SOUTH AFRICA TO TOTAL EMPLOYMENT, 2000-2008



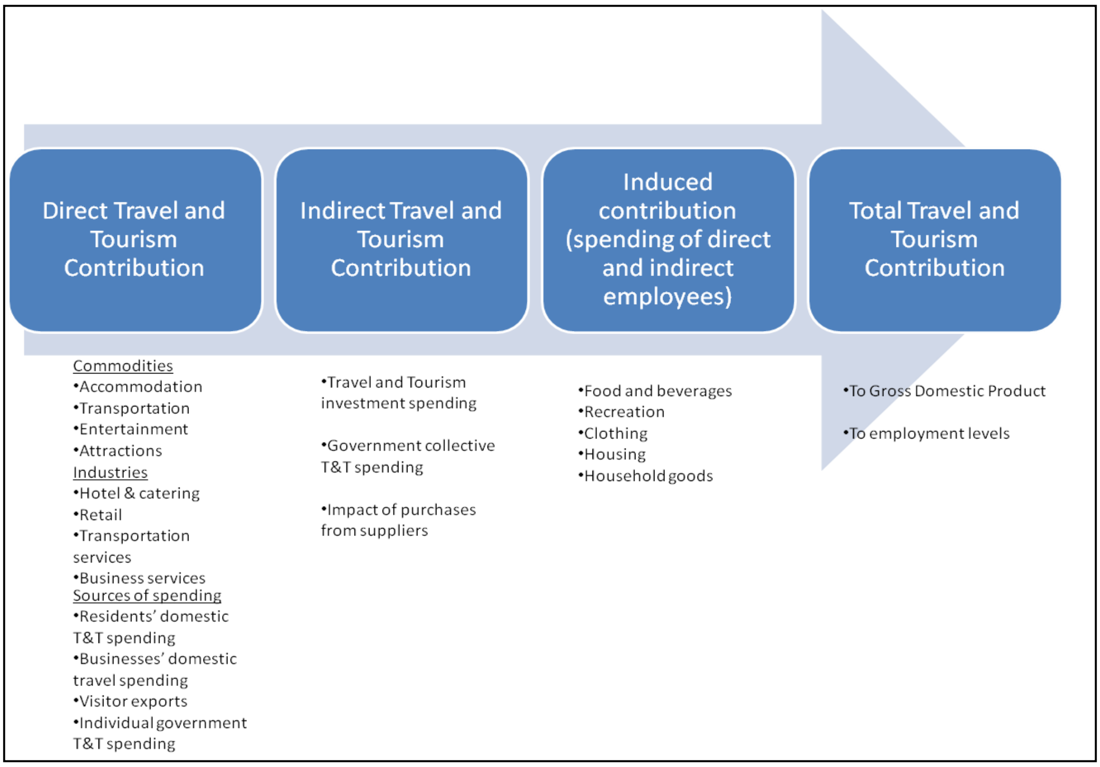
(Abedian et al, 2010:26)

In concluding this section when considering Figure 8 around the contribution of total tourism expenditure to total employment Abedian et al. (2010:26) argues that what is important to note is that one must not infer from the graph that the moderation in the job creation levels associated with tourism spending does not imply that the tourism sector has been shedding jobs or downsizing. Rather Abedian et al. concurs with the data from the WTTC (2010) where the strong correlations between direct, indirect and induced job levels indicate that "other economic sectors have started creating more job opportunities than before, resulting in tourism's share declining." Thus what remains is the strong argument that tourism cannot be discounted as a significant force to combat unemployment.

2.6.3 Tourism Multipliers

Often mentioned in literature as one of the most significant benefits from the promotion of tourism, tourism multipliers remain debated in terms of the efficacy to create sustainable results as well as in their fundamental calculation. The basic premise of the idea behind the tourism multiplier is to recognize that in any given economy the various sectors which contribute to a state's GDP are interconnected and hence influence each other. Building on this interconnectedness authors such as Mihalič (2002) and Vanhove (2005) argue that through the introduction of capital spending in an economy through tourism, capital can come to be generated in other areas, often far removed from the original source of the capital spend. The below flow diagram shows diagrammatically how tourism impacts on the greater economy through the creation of several linkages into other, often unrelated, sectors of the economy.

FIGURE 9: THEORETICAL TOURISM FLOW DIAGRAM



(WTTC, 2010:4)

This model can be understood to be a replication of the traditional "trickledown" model that is frequently promoted by classical economists. However, what is important to note is that the linkages shown in this diagram are not based on a traditional wage driven multiplier but are rather representative of direct as well as indirect linkages caused by the creation of needs for services and not by the enablement of consumers to satisfy their wants. The diagram also illustrates that tourism comprises of three kinds of business or 'trades':

- Primary trades which are commonly associated with tourism – transport, tour companies, travel agencies, accommodations, catering facilities and attractions.
- Secondary trades that help support tourism but are not exclusive to tourism – retail shopping, banks and insurance, entertainment and leisure activities and personal services.

- Tertiary trades, which provide the basic infrastructure and support for tourism – public sector services, food and fuel and manufacturing. (Berno & Bricker, 2001:6)

Again it is important to recognize that the tourism multiplier is not a singular entity and that several types of multipliers, all related to tourism, also exist.

TABLE 3: TYPES OF MULTIPLIERS ASSOCIATED WITH TOURISM EXPENDITURE

Tourism Income Multiplier	Illustrates the relationship between an additional unit of tourist spending and the changes that result in the level of income in the economy
Employment Multiplier	Describes either the ratio of the direct and indirect employment created by additional tourism expenditure to the direct employment alone, or the amount of employment generated by a given amount of tourist spending
Transactions Multiplier	Relates the tourism expenditure to the increase in business turnover it creates
Output Multiplier	Relates a unit of tourist spending to the resultant increase in level of output in the economy
Government Revenue Multiplier	Demonstrates how much government revenue (income taxes, VAT, skills development levies, UIF contributions) is created by each additional unit of tourist expenditure
Import Multiplier	Demonstrates the value of imported goods and services associated with each additional unit of tourist expenditure

(Vanhove, 2005:185-187)

Figure 10 illustrates the practical workings of a number of multipliers mentioned in Table 3 in the theoretical example below of the establishment of a new accommodation venue.

FIGURE 10: EXAMPLE OF A THEORETICAL TOURISM MULTIPLIER IN THE ACCOMMODATION SECTOR

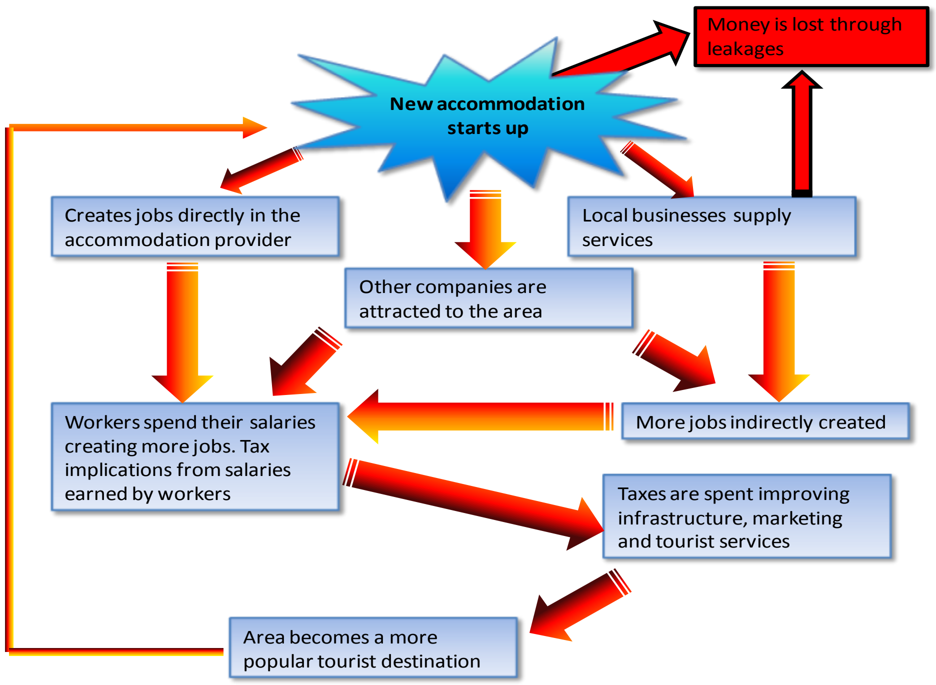


Figure 10 shows how the starting up of one accommodation venue can cause several ripples, the theoretical catalyzing effects of a potential income multiplier, throughout a micro economy. The economic appeal of such a multiplier is striking wherein one event can have a major impact. This point is illustrated in the writings of Saayman et al. (2001:449) where they state in one study in South Africa that a R1.00 increase in spending by tourists could potentially lead to a R1.96 increase in local output. Again one needs to recognise that the degree to which the secondary linkages take effect is difficult to quantify. Several models exist that attempt to determine the exact degree of catalytic effect such an event would have on a microeconomy. Vanhove (2005:189) argues that one equation that can be potentially used to illustrate the above example can be shown as follows:

EQUATION 1: ESTIMATION OF THE EFFECT OF TOURISM EXPENDITURE ON INCOME AND EMPLOYMENT LEVELS BY ARCHER & OWEN (1971)

$$\sum_{j=1}^{N} . \sum_{i=1}^{n} . Q_j K_{ji} V_i \left[\frac{1}{1 - c \sum_{i=1}^{n} . X_i Z_i V_i} \right]$$

Where:

j= each category of tourists, j=1 to n

i= each type of business establishment, i=1 to n

Q_j = the proportion of total tourist expenditure spent by the j^{th} type of tourist

K_{ji} = the proportion of expenditure by the j^{th} type of tourist in the ith category of business

V_i = direct and indirect income generated by unit of expenditure by the i^{th} type of business

X_i = the proportion of total consumer expenditure by the residents of the area in the i^{th} type of business

Z_i = the proportion of Xi that takes place in an area

c = the marginal propensity to consume

Arguing the mathematical justification for the above equation is beyond the scope of this research report. What must be taken away from this equation is that in order to estimate the effects of an increase in tourism expenditure on income and employment levels in an economy, one is reliant on considerably complex estimations of variables which are often neither readily available nor reliable. Hence, while the equation is theoretically appealing, Mihalič (2002:92) cautions that multipliers in general are not definitive due to "confusion that may arise as many researchers have come to interpret income differently…and often calculation methods have been incorrectly applied."

2.6.4 The South African Government's Position on Tourism

Recognising the growing significance of tourism as an economic sector, the South African government set about developing a public policy wherein it would outline its position on tourism within the broader economy and set down goals to achieve. The result of these efforts was the Department of Environmental Affairs and Tourism's White Paper, *The Development and Promotion of Tourism in South Africa* (1996), which lists 18 points as to why tourism is a vital component of economic policy and how it "can be an engine of growth, capable of dynamising and rejuvenating other sectors of the economy" (1996:§3.2). The main essence of the points listed by the paper reiterate potential that tourism has to generate income, create jobs and to stimulate entrepreneurial activities in both the formal and informal sectors. This has been illustrated in the number of jobs estimated to be created in 2011 through direct, indirect and induced channels, shown in Figure 2. Please see Appendix 1 for a complete list of the points raised in the White Paper.

Lowitt (2006:1) goes on further to expand on the major economic appeals of tourism for South Africa. These benefits, among others are:

- Tourism is an export that earns foreign exchange but is consumed domestically, thus allowing for all ripple effects of local production to be felt effectively.
- Tourism employs a large proportion of unskilled and semi-skilled workers and the creation of these jobs are quicker than those in the manufacturing sector where the upskilling time period tends to be longer and more costly.
- Tourism activities have lower barriers to entry than traditional manufacturing thus it is appealing to small, medium and micro enterprises (SMMEs).
- Tourism tends to have a wide geographic spread and hence can provide job opportunities in areas where other types of economic activity are limited.

These reasons are similar to those mentioned in the government's White Paper where potential linkages and the catalysing qualities of tourism are mentioned yet Rogerson (2002b:104) quotes Law (1993:166) who adds that LED through tourism is not like other forms of LED in that tourism has a much broader significance.

> Investment in tourism involves the development of facilities, activities, physical environments and infrastructure which will have benefits for the local community.

This significance has been recognised by the South African government and has been cited as one of the reasons for the creation of a standalone Department of Tourism within the government ministries. It is necessary to point out however, that this ministry was only created in 2009. Prior to this tourism was grouped with environmental affairs and continues to do so in many provincial governmental structures. This grouping has been cited by some as being the reason why tourism as well as environmental affairs have faltered on many occasions due to their significant and unrelated portfolio differences, limited staffing levels and wooly governmental support. However in the run up to the FIFA World Cup in 2010 coupled with a significant political leadership change a standalone tourism ministry was created and Marthinus van Schalkwyk, South Africa's current Minister of Tourism, has stated that tourism has been positioned as one of the six core pillars of growth for the South African economy and that his department has committed itself to the creation of a total of 225 000 additional jobs by the end of 2020 in addition to increasing tourism's total direct and indirect contribution to the economy from R189.4 billion in 2009 to R499 billion in 2020 (NTSS, 2011:2).

2.7 Tourism: The Downside

Despite government agencies and ministries promoting tourism as a major force for LED, it must also be noted that caution needs to be applied to the concept of tourism as an overall approach. McKercher (1993:6) cautions against the promotion of tourism as a universal remedy for a state's dire economic position. He goes on to list eight "fundamental truths" about tourism that need to be considered before declaring it to be a silver bullet for the problems of development. In his points McKercher mentions that one must not be fooled into believing that tourism does not consume resources nor create waste. Tourism is not as "green" as one would believe and to accept it as such is to set oneself up for disappointment. Ratyanake and Kasim (2010) cite examples from Sri Lanka while Nehru (2011) comments on failed tourism initiatives in India. Numerous other examples exist stretching from Botswana to Brazil. Furthermore McKercher cautions strongly that tourism is dominated by the private sector whose main intent is on profit maximisation and is not necessarily concerned with the local community. In this vein one must recognise the echoing arguments of Sen and Manji where they caution against the dominating effect of profits within the context of development theory. McKercher also states that "tourists are consumers, not anthropologists" and to expect tourists to actively engage with local communities and their respective problems is extremely short-sighted (1993:6). Most tourists wish to be self-indulgent while on holiday and escape their problems, not to spend money travelling to a destination only to be confronted with another set of them. For the complete list of McKercher's points please see Appendix 2.

Although some of the abovementioned "truths" may appear dramatic and blunt, they are of significant value and need to be considered in the formulation of any tourism based LED strategy. The combination of these points results in what can be viewed as a cautionary platform which highlights the fact that "tourism is not all benefits and that it significantly comes with many sociocultural and even economic costs" (Balasubramanian, 2005:11).

Estimating these costs is a point of debate as the economic data around the contribution of tourism to South Africa's GDP varies depending on the source. This is important to note in that there is no one set way in which to measure the direct and indirect contributions of tourism due to it being a complex industry. Abedian et al. (2010:6) explains the complexities in more detail:

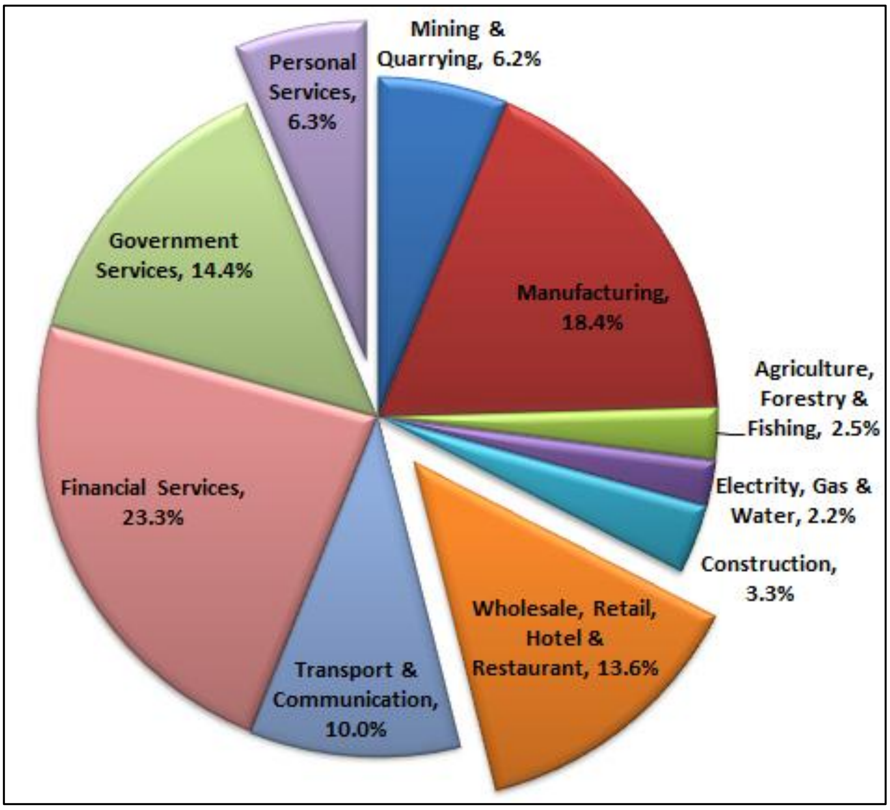
> As a consumption-based industry, tourism does not produce an explicit product but rather uses products of other industries that are captured under the various standard sectors with the National Accounts statistics. This results to the contribution of tourism towards the economy being accredited towards other sectors such as transportation, trade, energy and the like under the current macroeconomic and statistics accounting framework.

Unlike other items for consumption tourism is not a single, tangible product. Berno & Bricker (2001:6) mention that there are three distinct tourism 'products': the tourism experience, the place product and the tourism products.

> The tourism experience (the macro level product) comprises all that the tourist sees, uses and experiences as part of their tourist encounter. The place product is the tourist destination as the point of consumption of certain components of the tourism experience. Finally, the tourism product refers to the individual products such as accommodation, attractions, restaurants and souvenirs.

From this position it is thus understandable why tourism is excluded from the traditional accounting system as an independent sector though arguably tourism may be recorded in the Personal Services or in the Wholesale, Retail, Hotel and Restaurant sector although this is not a given fact. Due to this complexity the United Nations advocated for the creation of satellite accounts in order to measure the size of sectors that are not defined as industries in conventional accounting systems (RSA, 2011:1). How the figures are recorded into the satellite accounts is a matter of discussion among academics thus allowing for doubt as to the accuracy of conventional published economic statistics regarding South Africa's economic position (Rogerson, 2005: 628).

FIGURE 11: SOUTH AFRICAN GDP PER SECTOR, 2008



(Abedian et al, 2010:8)

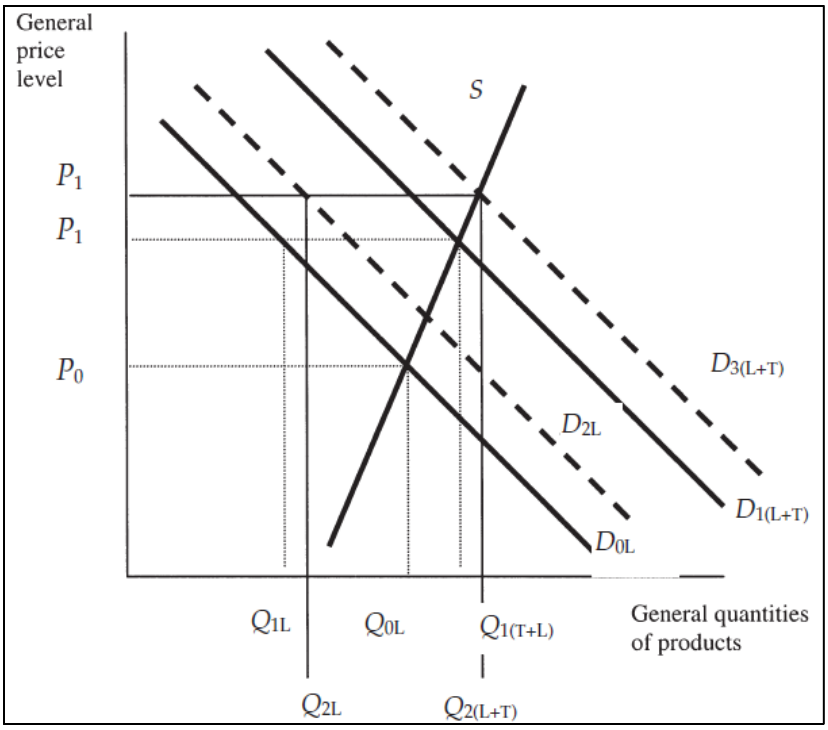
The question around the sustainability of tourism is also another factor that has been written about by several authors (Balasubramanian, 2005; McKercher, 1993) and this is also of significant importance to local economies considering the potential effects of tourism within their jurisdiction. According to Wall (2002:89):

> Sustainable development can be viewed as being an oxymoron – as involving contrasting ideas that cannot be reconciled. Sustainability requires a long-term perspective and something that is sustained should be enduring and ideally, exist in perpetuity. In contrast, development implies change – a progression from an existing situation to a new, ideally superior state.

Balasubramanian (2005:8) argues that combining sustainability with tourism results in a rubric of sorts where the end result, sustainable tourism, can only be achieved with skill, patience and consistent effort. In the case of South Africa, the lack of significant skill levels is frequently mentioned as a major constraint to economic development and hence, in the case of tourism, skill levels are required to ensure the sustainability of any initiative (Rogerson, 2005:635). Goodwin et al. (2004) mentions that a major draw card of tourism-centered LED is the creation of opportunities for the empowerment of communities through their participation in decision making. However, Balasubramanian (2005:21) counters this position by asking if this position is always feasible and whether communities are always able to handle empowerment so that all members may benefit from the process. Considering these positions, among others, it is clear that tourism is not the "smokeless" and simple industry that it was once touted to be. Through arguably the effects of tourism are more benign than that of other forms of development, namely manufacturing and mining (Berno & Bricker, 2001:14), a one-size-fits-all approach to tourism initiatives is not feasible and requires sophisticated levels of sensitivity in order for it to be sucessful, especially in the South African context where inadequate skill levels and desperate poverty situations often muddy the ability to forecast the long term potential of any LED initiative.

Another factor to consider from the literature is that in any economy increased levels of spending have the potential to drive inflation. Mihalič (2002:97) cautions that this is the case with tourism where increases in tourism related spending may also lead to inflation in an economy. She argues that in most economies the supply of goods and services is relatively inelastic and that any increase in levels of demand as well as financial resources lead towards an inflationary environment.

FIGURE 12: GRAPH OF INCREASED PRICE LEVELS INDUCED THROUGH TOURISM EXPANSION



In the absence of international tourism, the purchasing funds of local inhabitants equals the funds of goods and services and the economy is in equilibrium P_0Q_{0L}. In this case tourism expenditures increase the supply of money and bring about inflation. The additional tourism demand shifts total demand from D_{0L} which represents local demand to $D_{1\ (L+T)}$ which represents the sum of local and tourist demand. A direct or primary effect of tourism expenditure is a new equilibrium at $P_1Q_{1\ (T+L)}$ where more products are traded, but at a higher price. Since local consumers, whose income remains unchanged, are only able to buy quantities along curve D_{0L} in a new equilibrium at higher prices, they may only buy a lower quantity Q_{2L}. Furthermore, because tourism demand increases production, local employment and salaries will increase as a secondary effect. Some of the additional salaries will shift the local demand curve to the right (D_{2L}) as locals are now willing/able to spend more money for available goods and services. At the same time the total demand curve $D_{1\ (L+T)}$ will move to $D_{3\ (L+T)}$ and push prices up further. It is the slope of the supply curve that decides how much additional local purchasing power is going to disappear in higher prices. In the case that a country has higher purchasing funds compared to commodity funds, international tourism will increase the inflation rate; in the opposite case, in an economy with deflation any tendency it will stabilise prices. Conversely, outgoing tourism acts as redactor of purchasing power in an outgoing economy – theoretically it may reduce the inflation rate or cause deflation.

(Mihalič, 2002:98)

Mihalič goes on further to warn that with an increase in price levels domestic tourism may come to be affected in that local residents may have to spend more money for basic goods and services and as a result have less income for "discretionary tourism expenditure"(2002:98). Goodwin et al. (2002:13) concur with Mihalič wherein they state that "uncontrolled tourism growth, often based on short term priorities, invariably results in unacceptable impacts that harm society and the environment." Soto (2001) argues that the case of the island of Ibiza to be a good example of tourism creating more negatives than positives:

> During the 1960´s the island emerged as a tourist destination, bringing in its wake a process of massive construction across the whole island. At that time there was no territorial plan nor plan for urban development, resulting in serious environmental impacts due to the construction of large hotel complexes, built at random and with a total disregard for either the cultural life of the island or the natural needs of the countryside. Ibiza possesses a residential population of 100,000 and comes under colossal pressure when more than 2 million tourists arrive annually. This massive flow of tourists in a short period of time exceeds the capacity of the island's environment, and has generated a huge demand for land, water and energy, while producing an increasing volume of waste. This type of tourism shows the least regard for local resources due to its intensity in area and time, its orientation towards minimal cost of accommodation and services and the attitude of those tourists attracted by this low cost.

In the example of Ibiza, what started out as something that was well intended tourism development and marketing transformed into something more menacing and detrimental without much effort.

Rebuffing the arguments that tourism creates significant job levels, Mihalič mentions that although jobs are created directly through tourism, often these jobs are seasonal in nature, part-time and low skilled. As such Mihalič reasons that these jobs are more likely to attract individuals such as students and retired people who are not traditionally associated with the economic population of an economy.

> At the same time, either a lack of a domestic labour force or the low wages, unsociable hours and the poor image of working in tourism may result in foreign workers, either officially or unofficially, being employed in the sector, resulting in a variety of social tensions (Mihalic, 2002:101).

2.8 Conclusion

As McKercher mentioned in his eight truths and Berno and Bricker highlighted in their arguments, tourism is a multifaceted, complex and nuanced industry. It is an industry that many would like to believe that they understand and yet numerous examples can be drawn from across the world where tourism policy makers have been proved wrong and their altruistic goals shown up to be lacking in delivery. Indeed in many cases severe environmental and social costs have been associated with tourism's advent. It is thus unsurprising that approaches to achieve development within the ambit of tourism also remain complex.

The literature surveyed indicates that the multiple interpretations on the potential of tourism appear to answer multiple objectives of any governmental policy. Be it job creation, increasing GDP levels or generating foreign exchange, tourism is constantly promoted as a significant player. Tourism can almost be seen as this cornucopia from which unlimited benefits can be gathered. Initial research shows that supporters of tourism are quick to produce statistics as to the benefits of tourism yet they are slow to comment as to their accuracy or to recognise the fact that their figures often conflict with others.

Literature is also thin as to the other side of tourism – the side that reveals tourism's weaknesses and the cases in which it has failed to produce economic results. McKercher illustrates this point clearly in his writings about the "truths" of tourism; however similar pieces are not forthcoming in large numbers. This is an observation to take note of when arguing the pros and cons of tourism within a developmental agenda. Failing to do so is myopic in nature and ignorant of the complexities of the tourism industry.

Considering this position and all the literature reviewed in mind this research report intends to investigate the role of bed and breakfast establishments in the promotion of LED. Accommodation forms part of the direct value chain of tourism and is often seen as a marker of a growing tourism sector. This topic is of growing interest in that it falls within the realm of tourism-led LED but yet very little has been written around the topic in a South African context, outside of works by select authors, namely Rogerson (2002, 2005) and Visser (2004). The potential to reveal to what degree these establishments aid and abet local economic development is of interest as it may run counter to the well-established beliefs that any development, any form, is always to the benefit of a community. This research project intends to show that the trickledown effects from the B&B sector that traditional economists are so passionate about are neither as significant nor as widespread as one would like them to be. This hypothesis is to be confirmed through primary investigation and subsequent analysis. Throughout this research project the points that McKercher raises will be used as a framing device within the analysis of the B&B sector and will be of use when analysing the consumption profiles of B&B guests and the production profiles of B&B owners. To what degree McKercher's points hold up to scrutiny in the East London B&B sector remains to be seen, however, the findings from the analysis may prove to be useful within a larger LED framework.

Chapter 3. RESEARCH METHODOLOGY

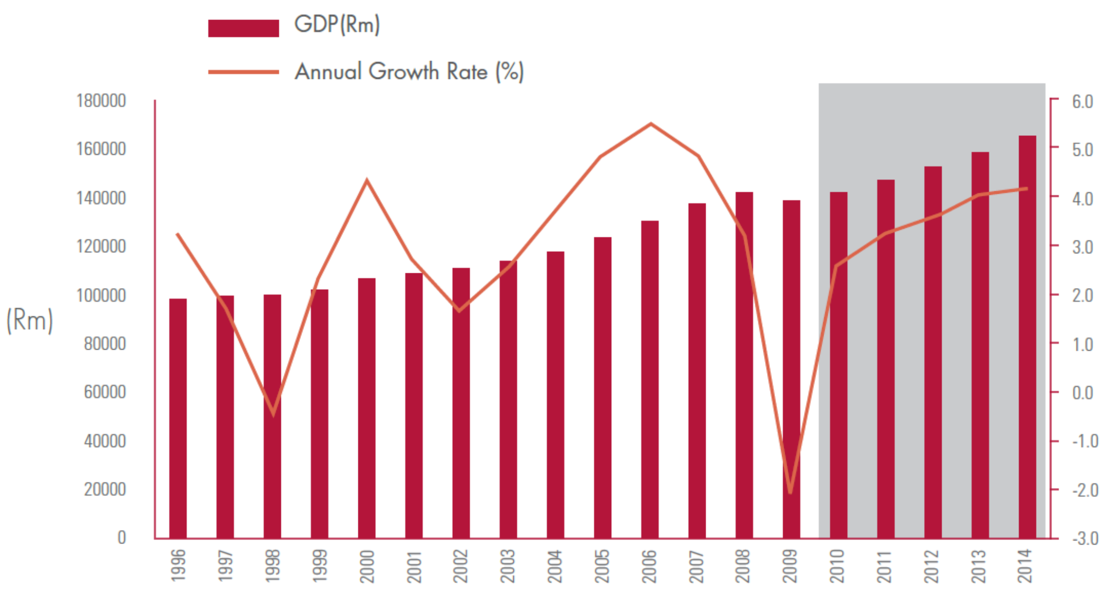
3.1 Introduction

In this section the research methodology for this report is set out. It begins by elaborating on the research location for this report, the Eastern Cape province. An overview of the Eastern Cape is provided where demographic and economic statistics are presented so as to allow one to create a mental image of the province and thus begin to theorise as to what its living conditions are like. A section is devoted to the current status quo of the Eastern Cape's tourism sector and this is discussed as a potential means of alleviating the effects of poverty witnessed across the province. Thereafter the methodology turns to focus on the city of East London, the site location for this research report. Again illustrative statistics are used to describe the socio-economic conditions of East London and to create a base from which several hypotheses can be formulated that attempt to explain the growth of the B&B industry across the city and to what degree this growth is beneficial towards LED.

3.2 Research Location

The Eastern Cape province covers an area of 170 000 km^2 representing approximately 14 % of the country's land mass and incorporating a population of approximately 7 million people (Nuntsu et al, 2004:517). In 2001 the Eastern Cape created a Gross Domestic Product (GDP) of R81 billion in current prices which equated to 8,2% of the total South African GDP and the 4th largest contributor to the South African GDP following Gauteng, KwaZulu-Natal and the Western Cape. (Buffalo City, 2004:8).

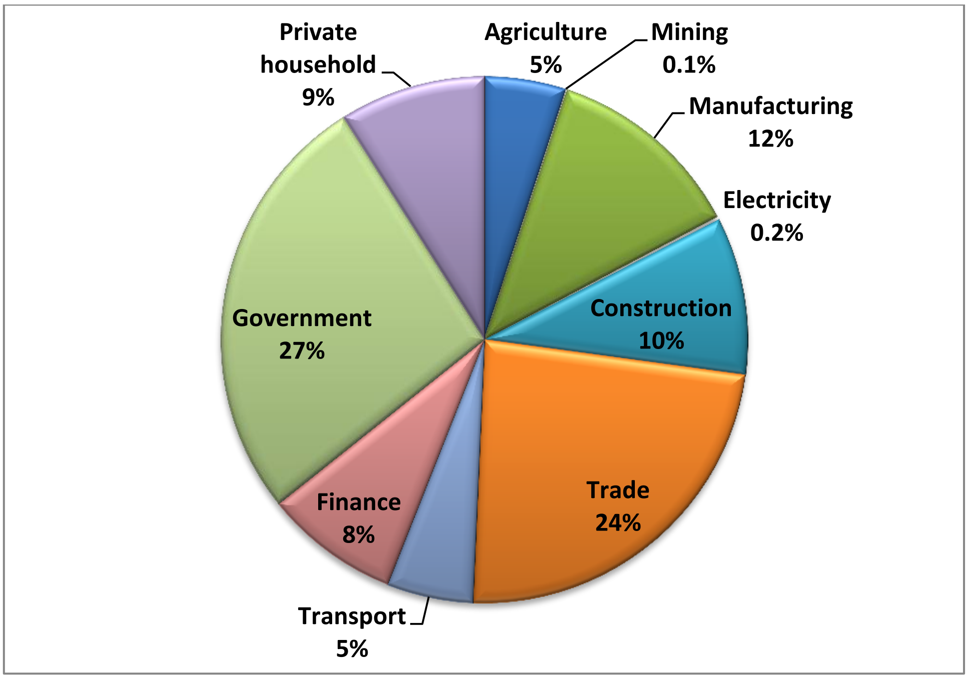
FIGURE 13: GDP GROWTH RATE AND RAND VALUE, 1996-2014



(DEDEA, 2011:22)

The graph above illustrates clearly the highly volatile nature of economic growth in the province as well as the current impact of the global recession of 2008 on the Eastern Cape with its annualised growth rate forecasted to reach only 3.2 % in 2011. The Eastern Cape remains by and large undeveloped, with economic activity well below economic potential. The province has run negative trade balances from 1995 to 2009, importing more goods and services than it exports, with only two years being the exception while high levels of unemployment and poverty persist, particularly in the rural areas where two thirds of the population resides. The Province struggles to generate its own revenues to the tune that 98% of provincial government revenue receipts are supplied by the national government (DEDEA, 2011:19). The reliance on the state is also evidenced in the formal employment sectors of the Eastern Cape economy. As of 2010 the Governmental sector formally employed 27 % of all eligible employees. What is also noteworthy is the fact that Private Household employment level is significant at 9 %, higher than that of the Finance (8 %), Agriculture (5 %) or Transport (5 %) sectors (ECSECC, 2011:1). Again reading further into these figures illustrates that while people may be physically employed, the level of wages associated with these sectors are stark in their differences. Bearing further in mind that the people who are employed in the Private Household sector often perform low skilled jobs such as domestic work, cleaning or caring, one can see how the low average propensity to save from Figure 17 can be constructed. This point will be explored in further detail in subsequent sections.

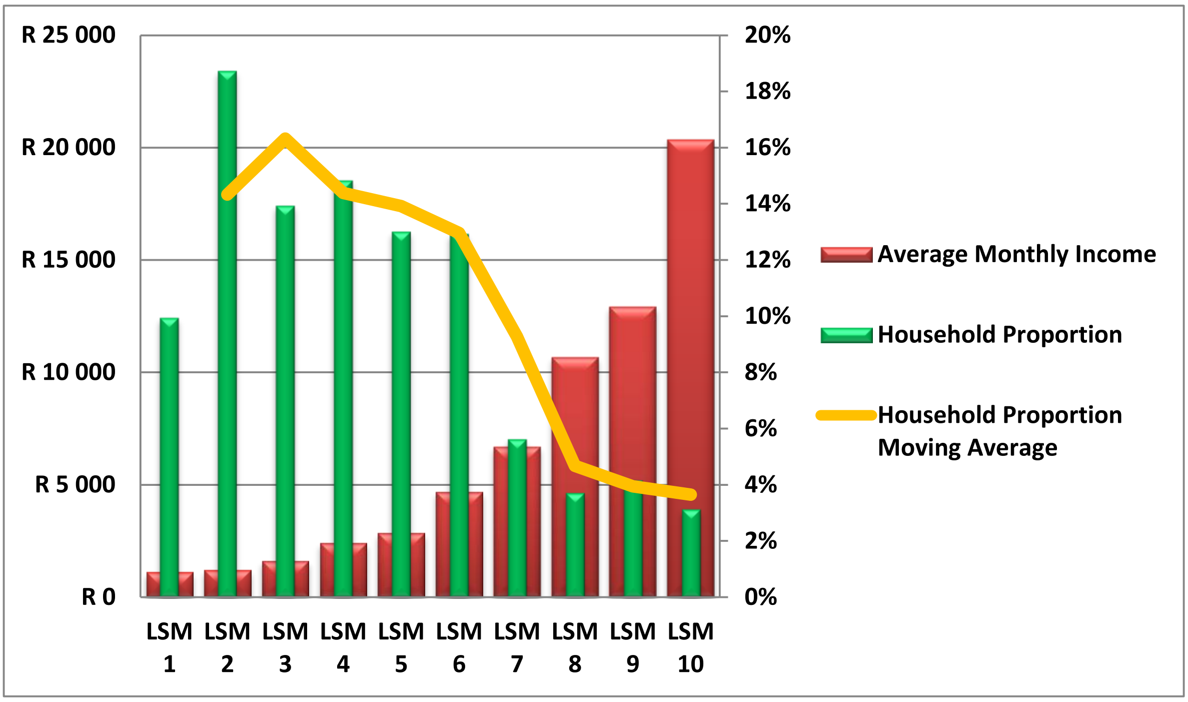
FIGURE 14: EASTERN CAPE EMPLOYMENT SECTORS, 2010



(ECSECC, 2011:1)

The average household characteristics of the Eastern Cape are also of note when considering the Living Standards Measures (LSM) across the province. The LSM standards group all households into ten separate categories based primarily on income earnings. LSM 1 is the lowest with the average earning of R1 080 a month while LSM 10 is the highest with an average earning of R 23 054. As of 2009 approximately 83.3 % of all households across the Eastern Cape fell within the bandings of LSM 1 – 6 thus earning at its highest banding less than R4 600 per month. The heavy reliance of the population on the social grant system is thus not surprising. As of 2009 the Eastern Cape has the second highest number of people claiming both an old age and disability grant with also the third highest number of child support grants.

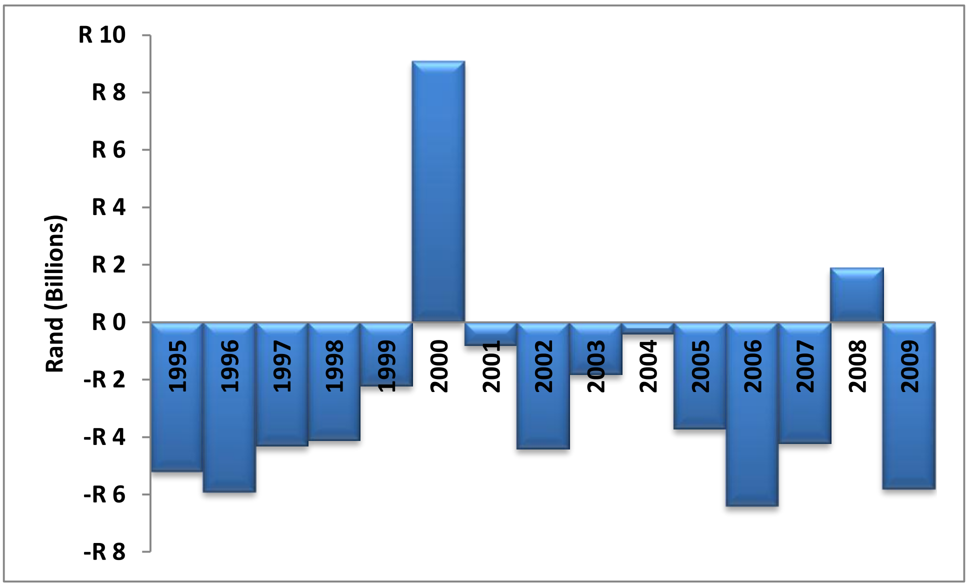
FIGURE 15: EASTERN CAPE AVERAGE MONTHLY EARNINGS & PROPORTIONAL REPRESENTATION PER LSM GROUP, 2008/2009



(South African Presidency, 2009: 24)

Figure 15 reveals that over 83.3 % of all households across the Eastern Cape earn less than R4 600 per month concentrating primarily across LSM bands 1-6.

FIGURE 16: EASTERN CAPE BALANCE OF TRADE, 1995-2009

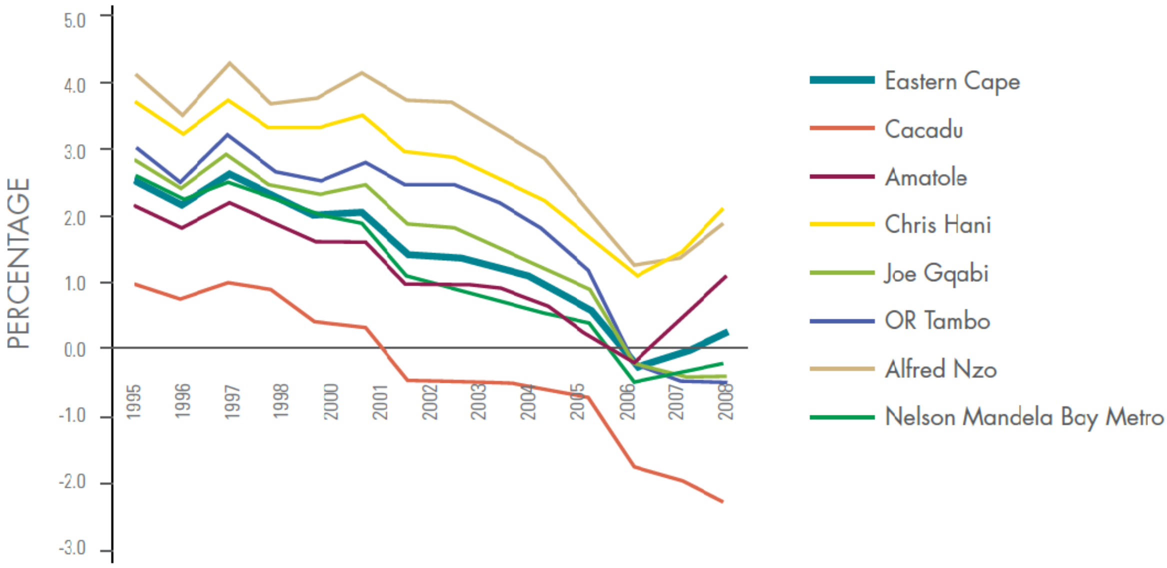


(DEDEA, 2011:22)

As mentioned above a worrying condition across the Eastern Cape is that the average propensity to save across the province is extremely low. The average propensity to save refers to the proportion of income which is formally saved, and is usually expressed as a percentage of total household disposable income.

The graph below illustrates the average propensity to save across the Eastern Cape's seven districts and it shows that the average propensity to save in the Eastern Cape declined from 2.6% in 1995 to reach a debt level in 2006, before showing an upward trend to 0.25% in 2008. Between 2006 and 2007, households in the province were, on average, living in debt as the average propensity to save showed a negative ratio (DEDEA, 2011:116).

FIGURE 17: EASTERN CAPE AVERAGE PROPENSITY TO SAVE, 1995-2009



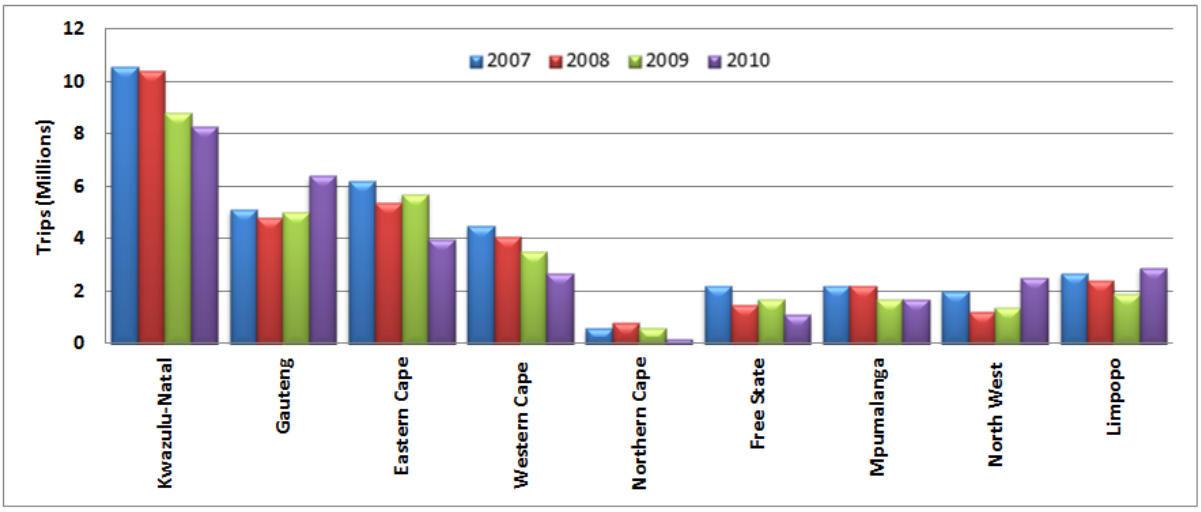
(DEDEA, 2011:116)

The objective of these figures is not to historically analyse the origins of these figures nor to comment on their severity but rather to set the scene wherein one can observe the macroeconomic conditions found across the Eastern Cape: a rural province that is significantly underdeveloped with a large population that is heavily reliant on the provincial structures and, where applicable, engaged in semi-skilled to unskilled employment.

3.3 Eastern Cape Tourism

While the macroeconomics of the Eastern Cape appear to be dismal the province has performed well in recent years growing in popularity in terms of trips undertaken by South Africans visiting the province for various reasons. From 2007 to 2010 South African Tourism (2011:53) has shown the Eastern Cape to have received more visitors than the highly marketed and popular Western Cape province although its overall percentage share has declined over the years (DEDEA, 2011: 76). The province possesses over 438 000 hectares of protected national parks which generate significant revenue through holiday makers utilizing the provinces abundant nature-based tourism facilities (EC Parks, 2011:1). However, what is also significant to note is that the number of business travellers to the province has eclipsed that of the traditional holiday makers both in terms of volume and capital spend. This point was illustrated in Figure 7. This is an interesting observation in that the average spend of a business trip is significantly higher than that of a holiday maker and thus the possibility for additional revenue to spill over into other sectors is considerably higher. This is the forward linkage multiplier that was mentioned by Mihalič (2002) and Vanhove (2005) in Chapter 5, section 6.3.

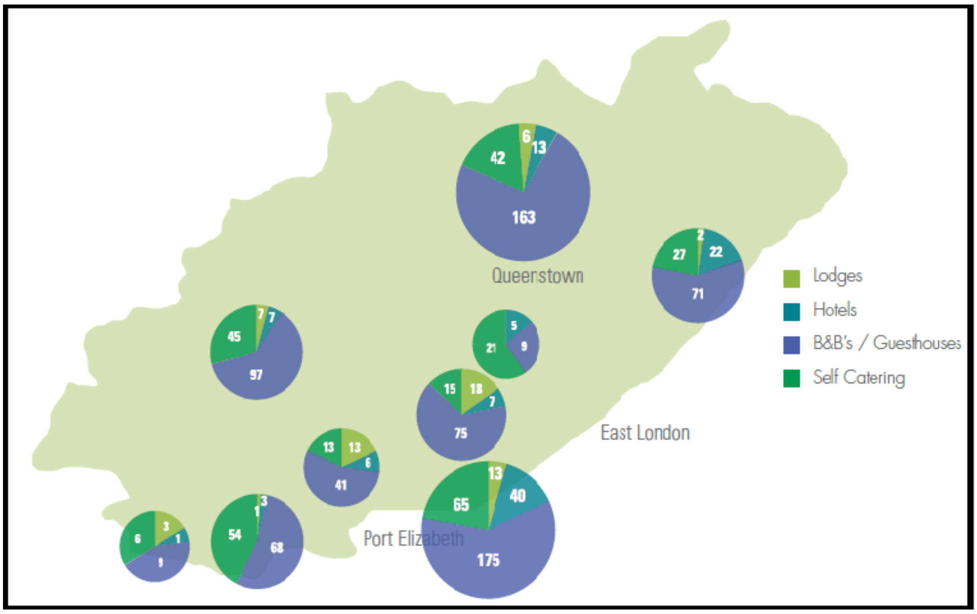
FIGURE 18: PROVINCIAL BREAKDOWN OF NUMBER OF DOMESTIC TRIPS RECIEVED, 2007-2010



(South African Tourism, 2011:57)

It can be theorized that partly due to this increase in the number of business travellers that the accommodation sector has taken off as rapidly as it has across the province. The Eastern Cape's Department of Economic Development and Environmental Affairs (2011:84) estimates the accommodation sector to be dominated by the bed and breakfast (B&B) industry, outnumbering their hotel counterparts in the region of 3:1 in some instances. An illustrative graph is shown in Figure 19.

FIGURE 19: ACCOMMODATION CONCENTRATIONS IN THE EASTERN CAPE, 2011



(DEDEA, 2011:116)

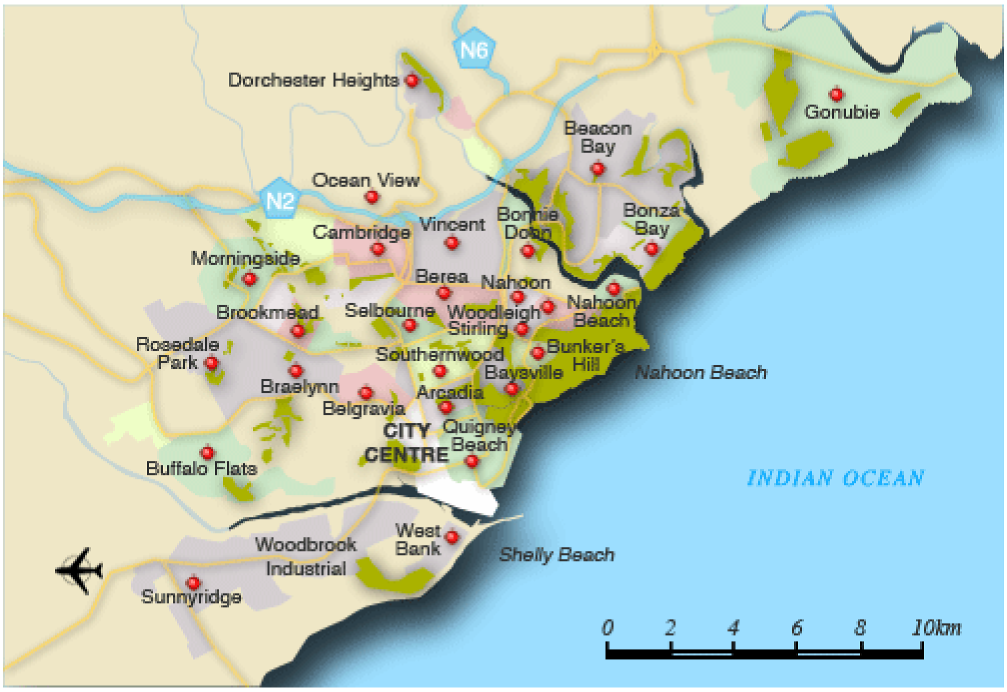
The Eastern Cape government is quick to admit that while tourism has the potential to make a significant impact on its development levels through the catalyzing of other sectors of the economy, the industry is not without its problems. While it is accepted that tourism is concentrated in the urban centres of Port Elizabeth, East London and Mthatha, there is "no measurement of its value and its percentage share of provincial revenue" (DEDEA, 2011:83). Furthermore while Figure 19 attempts to illustrate the number of the various accommodation types across the province, the list is not completely accurate as it is not mandatory to acquire accreditation, and membership comes at a fee. This situation leads to a dilemma where one wishes to promote the industry due to its theoretical benefits to the broader economy; however, one is strained to promote something that is not regulated, co-ordinated nor properly understood.

It is at this juncture that the research project began its exploration of the Eastern Cape's accommodation sector with a particular focus on the East London area.

3.4 Research Site: East London

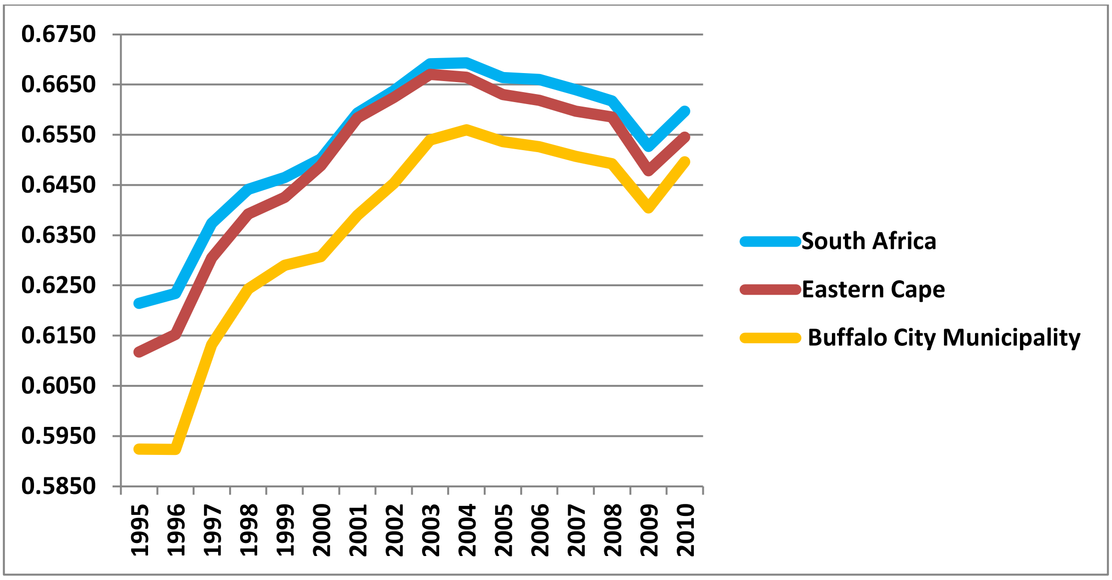
The research project began with the observation that the accommodation sector across East London has exploded in recent years. East London is a city on the southeast coast of South Africa, situated in the Eastern Cape province. The city is situated on the Indian Ocean coast, between the Buffalo and the Nahoon Rivers, and is South Africa's only river port. East London today has a population of 250,000, with over 700,000 in the metropolitan area (Eastern Cape Tourism Bureau, 2011:1).

FIGURE 20: EAST LONDON CITY MAP



East London is the second largest industrial centre in the Eastern Cape province after Port Elizabeth. The motor industry is the dominant employer with other industries including clothing, textiles, pharmaceuticals and food processing. Although there is a significant number of small to medium businesses in the city, unemployment is significant and has become worse over time reaching 84 000 unemployed in 2007 versus 82 000 employed (Buffalo City 2007b). The Gini coefficient for the Buffalo City Municipality, under which East London falls, has steadily risen from approximately 0.5947 to 0.6452 over the period of 1995 to 2010 (ECSECC, 2011). The Gini coefficient is a measure of income inequality where a value of 0 expresses total equality and a value of 1 expresses maximum inequality.

FIGURE 21: GINI COEFFICIENTS ACROSS REGIONS OF SOUTH AFRICA, 1995-2010



(ECSECC, 2011:1)

Over time the Gini coefficients for the Buffalo City Municipality has mirrored that of the Eastern Cape as well as South Africa as a whole. Cross-referencing this data with that of the employment sectors of the Eastern Cape in Figure 14, one can understand that while people are formally employed, they are not commanding a significant salary and hence the gap between income groups has continued to widen.

It is possibly due to this need to create additional income that the accommodation sector in East London has begun to grow, the extent of which is yet to be determined.

3.5 Phase 1: Determination of Scope

The research began with an online survey to determine roughly the number of Bed & Breakfast (B&B) establishments that exist in East London. This proved to be a difficult task as the precise definition of what constitutes a B&B is murky. A great deal of cross over happens between the definitions for a B&B and that of a guesthouse. Technical definitions from government sectors define a guesthouse as being:

> An owner managed commercial accommodation establishment of not less than 5 guest-rooms and not more than 16 guestrooms and which has as its primary source of business the supply of short-term accommodation and meals for resident guests (BCM 2007:12).

While a B&B is defined as being:

> An owner managed commercial accommodation establishment of not more than 4 guest-rooms and which has as its primary source of business the supply of short-term accommodation and breakfast for resident guests (BCM 2007:9).

In summary a B&B is supposed to have a maximum of four rooms and serve only breakfast while a guesthouse can have up to sixteen rooms and serve all types of meals, not just breakfast, according to official municipal by-laws. A problem that was noted immediately was that some B&Bs had grown in terms of the number of rooms that they offer and still called themselves a B&B. Once such institution possessed 14 rooms and still labeled itself as a B&B. Frazier (2010:8) argues that the B&B industry is a complex matrix to understand as it is not static and instead reacts to economic, technological, social and political forces.

TABLE 4: FORCES AFFECTING THE B&B INDUSTRY

Economic Forces	Technological Forces	Social Forces	Political Forces
Energy Costs	Impact of social networking	Aging baby boomer population:	Taxation levels
Access to Credit	Online reviews	Need for specialised accommodation	Government spending on tourism promotion
Consumer Spending Patterns	Independent decision making rather than utilising booking agents	Varied levels of discretionary income	Labour laws
Consumer Confidence Levels			Environmental regulations

Taking the official definitions of a B&B/guesthouse as valid an online survey revealed that 172 B&B/guesthouses were actively marketing themselves online. Often the establishments were advertising on several web listings concurrently. The most popular websites identified were:

- Sleeping-Out: http://www.sleeping-out.co.za
- Safari Now: http://www.safarinow.com/destinations/east-london/hub.aspx
- SA Venues: http://www.sa-venues.com/accommodation/eastlondon.php
- Where to Stay: http://www.wheretostay.co.za
- Rooms for Africa: http://www.roomsforafrica.com

It was however, noted that some of the websites required a membership fee in order to advertise and hence the listings on those particular websites may not have been completely indicative of the number of actual establishments in existence.

It was then decided to contact the relevant tourism authorities to enquire if they possessed records in terms of the number of B&B/guesthouses operating in the East London area. Herein arose another issue. In East London exists two separate bodies charged with the promotion of tourism for both the city as well as the province. The first was Tourism Buffalo City (TBC), a section 21 not for profit entity, charged with promoting the Buffalo City Municipality. The various cities falling under the umbrella of TBC included East London, Bhisho, King William's Town and Mdantsane. TBC offered accommodation venues to formally register as a member of TBC for an annual subscription of R450.00 which then allowed them to display the TBC logo and to advertise alongside the TBC at various locations. Membership of TBC was not a compulsory requirement of operating a B&B or as part of any municipal by-laws. TBC refused to provide a formal list of their members and referred the researcher to consult TBC's website where their members were listed. It could not be determined from the website whether the list was up to date or whether the businesses listed were still operating. This was done and the numbers were cross referenced against the online survey already completed.

The other body identified that was charged with the promotion of tourism in East London was the Eastern Cape Tourism Board (ECTB). As per their website the ECTB stated that according to the Tourism Act 8 of 2003 of the Eastern Cape legislature currently requires that "all tourism products to register" with the ECTB "for the purposes of establishing a comprehensive database of the tourism industry" (2003:§3.19(f)).

When contacting the ECTB they indicated that their database was outdated and that many of the records had not been checked nor updated for some time as "it was not compulsory to register with the ECTB". This statement obviously runs contrary to the stipulations of the Act and was noted for future consideration during the research.

From the records of the ECTB it was determined that 123 establishments existed on the ECTB records. This was 49 less than what was determined by an online count across several websites.

It then became apparent that although legislation was in place it was not being actively enforced except where the B&B owners themselves were being proactive in order to be compliant. An email conversation with a representative of the Buffalo City Zoning Department further revealed that zoning regulations existed where a potential B&B would need to apply for a "departure certificate" in order for their property to be properly zoned for use as a B&B. However, this was complicated by the fact that if the potential B&B only possessed two commercial rooms, then no formal processes needed to be followed. If two or more rooms were to be utilized then owner would need to apply for formal permission to open a B&B legally. When asked as to how many B&Bs had formally asked for permission to operate it was determined that only 93 had formally done so.

Thus between an online survey of actively marketed B&Bs/guesthouses, the database of Tourism Buffalo City, the database of the Eastern Cape Tourism Board and the database of Buffalo City Municipality the number of B&Bs/guesthouses officially operating legally ranged from 93 to 172 equating to a variation of 84 %. Although this figure is useful in its apparent display of the degree of seriousness with which the formal legal structures are taken in the East London B&B industry, the figure itself is not conclusive. The zoning structures and guidelines published by the municipality were effective of 2001 hence any B&B establishments operating pre-2001 may have done so without being aware of their subsequent violation of the now-existing requirements. Although one would like to believe society to be morally driven to be compliant with the law, realistic minds would come to realise the contrary. When asked about older B&B establishments that may not be aware of the existing zoning requirements it was the position of the municipality that it was the owners' responsibility to be aware of compliance regulations even if they were not actively marketed nor communicated.

> You should know your zoning and know what is allowed and what isn't. Like you know that you can't operate a business from a residential property and you should know to communicate with Buffalo City Municipality to check if what you are doing is allowed or not.

From this discussion it was determined that the number of B&Bs/guesthouses in East London, while interesting in their volume, would not be a primary concern of this research. This was determined by the fact that no official body could confirm or deny the precise number of B&Bs/guesthouses in existence across East London due to outdated information databases, the lack of enforced binding legislation as well as what could be perceived as the lack of urgency on the part of the authorities to regulate the industry.

It was then through the use of internet listings that a map of the various B&Bs was created plotting the locations of the various B&Bs across East London (Appendix 3). It was determined from the online surveys that several accommodation concentrations occurred throughout the city. These were observed in the following suburbs:

TABLE 5: NUMBER OF B&B VENUES ACROSS EAST LONDON BY SUBURB, 2011

Suburb	Number of B&Bs
Amalinda	5
Baysville	8
Beacon Bay	35
Berea	3
Bunkers Hill	10
Gonubie	25
Nahoon	12
Other	26
Quigney	20
Selborne	12
Stirling	2
Vincent	13
Total	**172**

The figures listed in the table above were drawn against those that were collectively accumulated from the various tourism authorities as well as from the online survey. It is apparent from this table that the greatest concentration of B&Bs/guesthouses is located in the suburb of Beacon Bay, equaling roughly 20 %. Beacon Bay can be described as a fairly wealthy suburb of East London and is noted for its high property prices as well as close proximity to the Nahoon River and Beacon Bay beach. The Blue Lagoon Hotel is the dominant hotel in the suburb and is located on the mouth of the Nahoon River. The suburb receives a lot of passing traffic due to the number of restaurants and bars that have grown in the area as well as the numerous shopping complexes that have also recently been developed. It is thus not completely surprising that small scale accommodation venues would also follow suit.

What is very interesting to note is the number of accommodation offerings in the suburb of the Quigney. The Quigney is one of East London's older suburbs and has struggled with urban decay over the years. The suburb is home to the city's lower income citizens and is not known to be tourist centric or offering attractions that are of significant tourism value. However, the centrality of the suburb in terms of East London's geography cannot be disputed and the large properties in the area lend themselves to being converted into accommodation offerings.

It was thus determined that the scope of the research project would focus on the suburb of Beacon Bay due to the number of B&Bs/guesthouses that are concentrated in the suburb. It was theorised that due to the concentration of B&Bs in the suburb, a competition dynamic could possibly be observed between the establishments, which in turn could be carried through to possible LED initiatives at the behest of the B&B owners.

3.5.1 Phase 1: Summary

The definition of what constitutes a B&B versus a guesthouse was determined to depend on the number of rooms available for commercial hire according to the BCM zoning bylaws. A B&B was defined as having less than five rooms while a guesthouse was to have more than five but less than sixteen. This definition proved to be problematic due to B&Bs and guesthouses using the term interchangeably due to marketing reasons and regarded expediency of each term. It was determined that all accommodation establishments that provided breakfast to a guest in a "homely" environment would be termed a B&B and that these establishments would form the focus of research, although those establishments that obviously matched the criteria of a theoretical guesthouse would also be included for analysis but on a limited scale. The number of B&Bs in East London could not be accurately determined despite contacting three official tourism related bodies. The number of B&Bs ranged from 123 to 172 while only 93 had formally applied for permission to operate as per statutory by-laws. The greatest concentration of B&B was located in the Beacon Bay, Gonubie and Quigney suburbs of East London and it was decided to focus on the suburb of Beacon Bay due its greater B&B concentration level.

3.6 Phase 2: Data Gathering Techniques

The research began with a two-step approach. The first step entailed designing a questionnaire that would be distributed to guests staying at a B&B after completing their stay. This formed part of the primary means of investigating the decision making process of the guests and whether any considerations formed part of their decision making process in choosing that particular B&B to stay at. Considerations for the environment and the promotion of "green" operating practices in the B&B, the sourcing of locally produced consumable products at the B&B, the staff hiring policies of the B&B owners and the need for a B&B to be formally graded and part of a grading regime were all considered and questions around these topics were posed to the guests in the questionnaire. The questionnaire was designed to be totally anonymous as no identifying features such as a date or area, were included so as to determine which B&B the questionnaire came from. It was also designed so as to gather quantitative data as it was not feasible to gather qualitative data on a large scale due to the time constraints of the guests as well as the willingness of the B&B owners to allow the interviewer to interview guests on site. The questionnaire included only two open ended questions while the remaining questions (16) were closed ended. The questionnaire was three pages in length, printed doubled sided so that it gave the impression of not being too long and thus off-putting to the guests who had been asked to complete it. In short, it was hoped that by keeping the questionnaire simple it would not be intimidating to the guests and results would be gathered (Schuman, 2002:41).

The questionnaire was initially piloted to a group of ten different people who were known to have stayed in a B&B recently so as to determine whether the questions posed were ambiguous and to gauge the difficulty of its completion. This piloting proved to be successful and the questionnaire was deemed to be ready for use.

The questionnaires were distributed to various B&Bs through a drop-and-collect method over the month of August 2011 and 57 responses were collected. It was noted that as this was a passive method of data collection it was feared that the take up of the surveys may not necessarily have been significant. However, the B&B owners approached during this research were very supportive of the process and actively encouraged their guests to complete the questionnaires, often while their guests were eating their breakfasts following their stay. The enticement of guests through rewards to complete the survey was strictly forbidden and was explained to the B&B owners.

The questionnaire is attached as Appendix 4.

The second phase of the research centered on the B&B owners. As the research scope became more focused on the Beacon Bay suburb owners in the area were identified to be interviewed on a one-on-one basis to develop what Weiss (1994:9) calls "an integrated multiple perspective" of the B&B due to the numerous role players that are involved in the B&B industry – management, cooks, cleaners, gardeners and so on – who all form part of the B&B experience but are traditionally excluded from academic literature and review. The interviews were digitally recorded and consent was obtained from the B&B owners prior to commencing the interview while an information sheet briefly outlining the research objectives was provided as well. The B&B owners were informed that the results from both the questionnaires and the interviews would be presented in the research in the aggregate form while also stating that the data that would be gathered in the process will not be sold onto any 3rd party neither would any "trade secrets" be passed on to any other B&B establishments. The consent forms are attached as Appendix 5 and 6.

The interviews began in August 2011 and lasted approximately 35 minutes on average per session. At the time of scope determination it was revealed that 35 B&Bs were operating in the Beacon Bay area. It was initially hoped that all 35 would be interviewed however, after conducting ten interviews it was apparent that the results were proving to be very similar and so three other interviews were conducted in the Bunkers Hill suburb to determine if geography had any effect on the interview results. It proved to have no effect. In total seventeen interviews were conducted.

All B&B owners that were approached were willing to be interviewed in person with only one B&B refusing to be interviewed while one chose to rather answer the interview questions in writing than in a face-to-face interview.

The questions that were posed to the B&B owners began with generic demographic information of the owners and began to probe the reasons for the starting of the B&B and whether the owners had any previous experience or formal training in the tourism industry. An underlying theme for the questions was the degree to which the B&B created forward linkages to other potential sectors outside of the tourism industry. These linkages are vital components of LED as it is through them that the potential for other sectors to grow and develop are created. These linkages could have been revealed through the number of jobs directly created as a result of the B&B's opening as well as the sourcing patterns of the B&B owners for consumable goods for the B&B. Questions around the "Proudly South African" concept, where people are encouraged to buy locally produced goods in order to foster LED, were also posed to the B&B owners. The perceived benefits of membership of tourism related bodies such as The Tourism Grading Council of South Africa (TGCSA) or the Automobile Association (AA) was also explored as well as the B&B owners perceptions as to why East London had seen so many B&Bs open over the years. A separate subsection of the interview revolved around the concept of operating an environmentally friendly business while finally questions which subtly ascertained whether the B&B was being professionally run were also asked. These questions included whether the B&B had a first aid box on the premises, whether any permanent member of staff was trained in first aid, whether the B&B had public liability insurance and finally what form of business entity the B&B was. These questions were useful as it was initially assumed that many of the B&Bs were small businesses that were opened by older couples who had merely revamped pre-existing rooms now that their children had left the house and were looking to generate some supplementary income with as low overhead costs as possible. In this vein the professionalism that underscored some of the B&Bs was theorised to leave much to be desired in terms of corporate responsibilities and guest welfare. Although these B&Bs were theorised to constitute a minority, the statistics to verify this did not exist prior to commencing this research report and hence questions to gather such statistics were included.

A secondary aspect of the research was designed to probe the experiences of B&B workers. It was hypothesized that many of the workers were pre-existing domestic workers who had taken on the title of B&B worker after the B&B started. It was important to record their voices and experiences within the B&B industry as they could be seen to be direct beneficiaries of the growth of the industry in East London. In order to capture these responses a short, anonymous questionnaire was designed in both English and Xhosa and was distributed to the workers. Their responses were captured and analysed along with the responses from the B&B owners and guests.

From the outset no ethical issues appeared to be apparent in this research as anonymity would be guaranteed for the questionnaire participants while confidentiality would also be guaranteed to the B&B owners through signed consent.

Another research area that needed to be explored was that of the role of the Eastern Cape Development Corporation (ECDC). This body was discovered to be based in East London and is charged with providing financing to projects dedicated to development of the province as a whole. Upon exploring its website it was discovered that one of their focus areas was on tourism and thus it became imperative to interview someone from that department so as to ascertain their position on the B&B industry in East London and whether it was actively contributing to local economic development. Two interviews were conducted with two representatives of the ECDC and their responses were recorded. These results are presented in Chapter 6.

3.6.1 Phase 2: Summary

The data gathering techniques decided upon was the utilization of a questionnaire in order to gather responses from guests staying in B&Bs and to approach B&B owners in face-to-face interviews. The suburb that was focused on was Beacon Bay and interviews were also conducted in Bunkers Hill in order to provide variety to the data collection sample.

Interviews were also held with the Eastern Cape Development Corporation in order to receive an official position from a funding body around the role of tourism.

The ethics considerations for the research project proved to be unproblematic in that the questionnaire being utilized was completely voluntary as well as anonymous while the interviews that were conducted were also voluntary and consent was requested from the owners in writing. Furthermore anonymity was guaranteed and an information sheet around the research was provided prior to starting the research.

Chapter 4. CONSUMPTION OF B&B SERVICES

4.1 Introduction

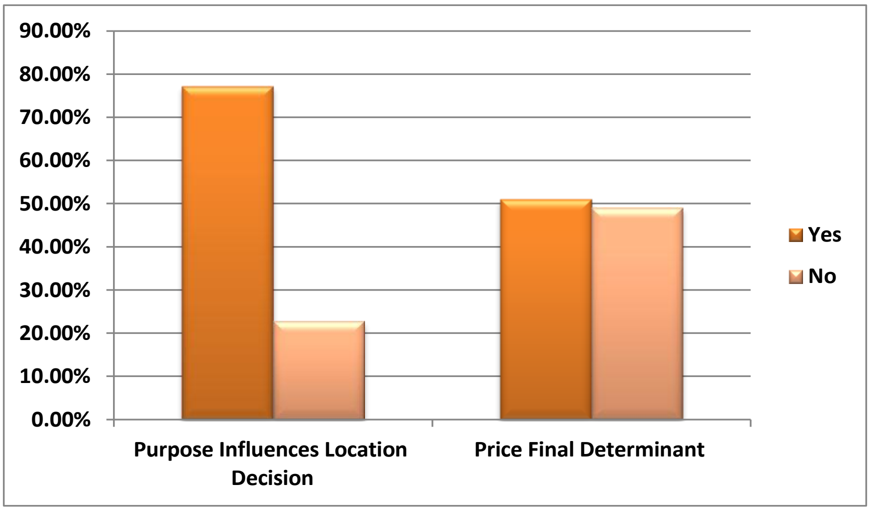
Due to the nature of this research being split into distinct yet related sections, it became necessary to devote separate sections to each area of research. This has been done so by splitting the research findings into the components that deal with the research questionnaire, its results and the in depth interviews and its respective results. The thematic elements that are used to describe these sections are the consumption of B&B services by the guests and the production of B&B services by the B&B owners and their staff. These sections are dealt with in distinct chapters. Although the research did not intend to directly study the consumption and production factors that resulted in the creation of a B&B it emerged as an intrinsic element of the research. The marketing of a B&B forms part of this consumption/production research and it too was merely observed through the research and not actively researched. However the cumulative effect of these observations resulted in observing behavioural patterns that could be acted upon at a later stage to formulate LED programmes that are tuned to a local audience.

Comprehending the behavioural patterns of B&B guests is of importance in terms of understanding consumption decisions, which, within a larger LED framework can potentially constitute a large market for related as well as unrelated goods and services. Allowing for this understanding to filter through to a theoretical B&B could potentially allow for the B&B to become more LED-centric and thus spur on development through the tourism sector.

4.1 Guests' Demographics

With the growth of the B&B sector one automatically assumes that a need has arisen for such establishments and thus one begins to question the reasons why someone would choose to stay in a B&B and not in a traditional hotel. The most logical reason would be that there possibly is a cost saving appeal for staying in a smaller establishment than in a larger corporate driven facility, however this may not always be the case. When questioning the guests as to whether the purpose of their trip influenced where they stayed cumulatively 77.19 % responded "Yes" while 22.81 % responded "No". This result is not surprising as business arrangements with larger hotels often achieve lower room tariffs and other discounts for frequent visits. The second natural follow up question to this was to ask whether price was the final determinant of whether someone chose to stay in a B&B or hotel. These results were almost evenly split.

FIGURE 22: INFLUENCES OF TRIP PURPOSE & PRICE DETERMINANTION ON ACCOMMODATION CHOICE, AUGUST 2011



Although neither of these results were that surprising it was interesting to cross-reference the results rather than to simply look at the cumulative. When this was done it was revealed that the results were not as clear cut in terms of the pricing relationship and its effect on influencing accommodation decisions.

TABLE 6: CROSS-REFERENCE BETWEEN PRICE DETERMINATION & PURPOSE OF TRIP INFLUENCES, AUGUST 2011

		Purpose of Trip Influences Accommodation Type	
		Yes	No
Price is Final Determinant	Yes	40.35%	10.53%
	No	36.84%	14.04%

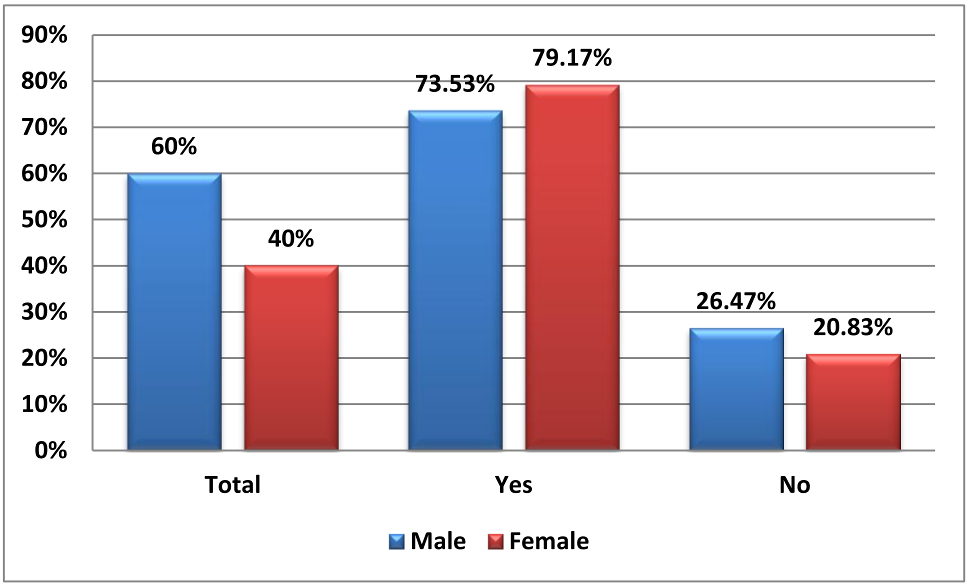
From the figures above it becomes apparent that while price remains a significant factor in accommodation decisions, it is not the final deciding aspect. When looking deeper into the figures one sees that 28.08 % of respondents' decisions (14.04 % of 51 % across the "No" banding for price determination) are based on more than both the purpose of their trip and the price of the accommodation offering. Here one looks to the comments that the guests offered around their decisions for more clarifying detail. The most common comment was around the location of the accommodation. Two comments extracted from the questionnaire revealed a distinct desire for accessibility to all areas of interest whether that be a working location or other amenities nearby.

> Distance to the city centre/work. Sometimes it is best to pay a little bit more for a more centrally located venue – one can save on fuel and other costs associated with living a little further away from city centre/work.

> Location, location, location. Where is it situated, how close to amenities, how little time do I need to spend in my car.

These comments tended to be more strongly driven from the female clientele who displayed a stronger relationship between purpose of the trip and choice of accommodation type. What was also interesting to note was that the male respondents to the questionnaire displayed only a 6 % difference between the female respondents in terms of whether the purpose of the trip influenced their accommodation choice. This data shows that gender distinctions are increasingly becoming less significant in terms of accommodation choices.

FIGURE 23: INFLUENCES OF GENDER SPLIT & PURPOSE OF TRIP ON ACCOMMODATION CHOICE, AUGUST 2011



When taking account of the guests' demographic information it was shown that the majority of the travellers originated from Gauteng, were white, fell into the age bracket of 26-30 with secondary age bracket of over 40 being also of significance, were travelling either alone or with a spouse/partner and that they were travelling in the East London area for non-commercial reasons.

FIGURE 24: ORIGINATING PROVINCES OF GUESTS, AUGUST 2011

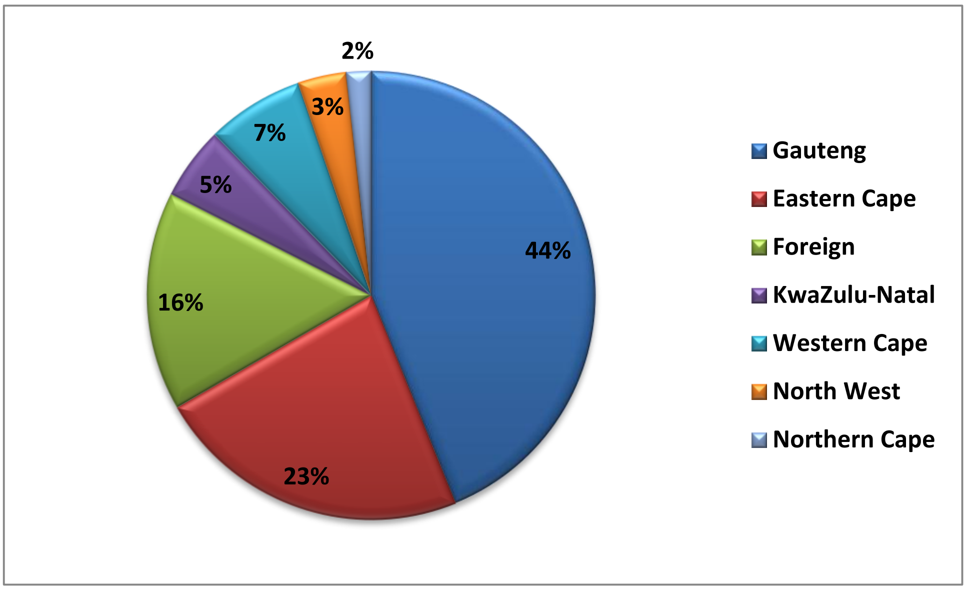
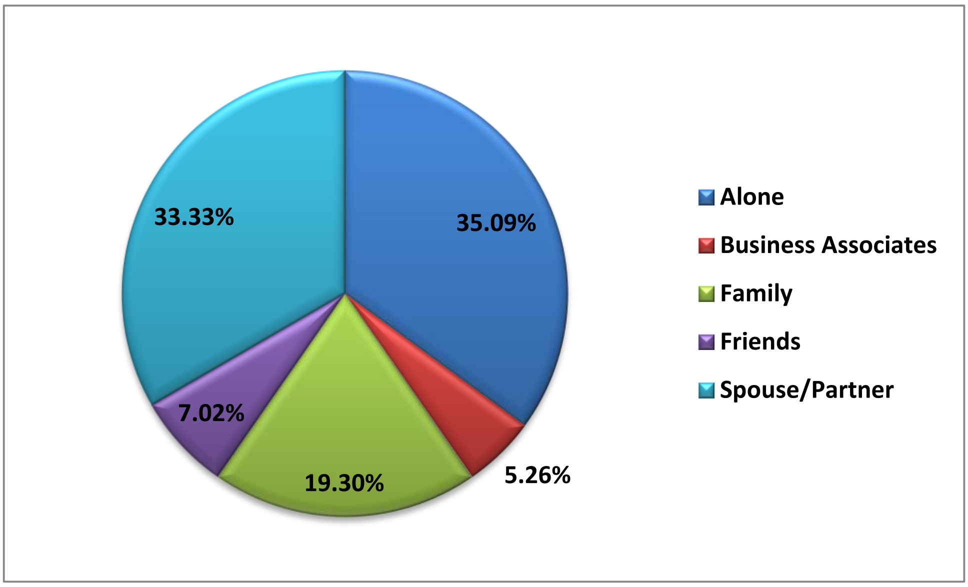
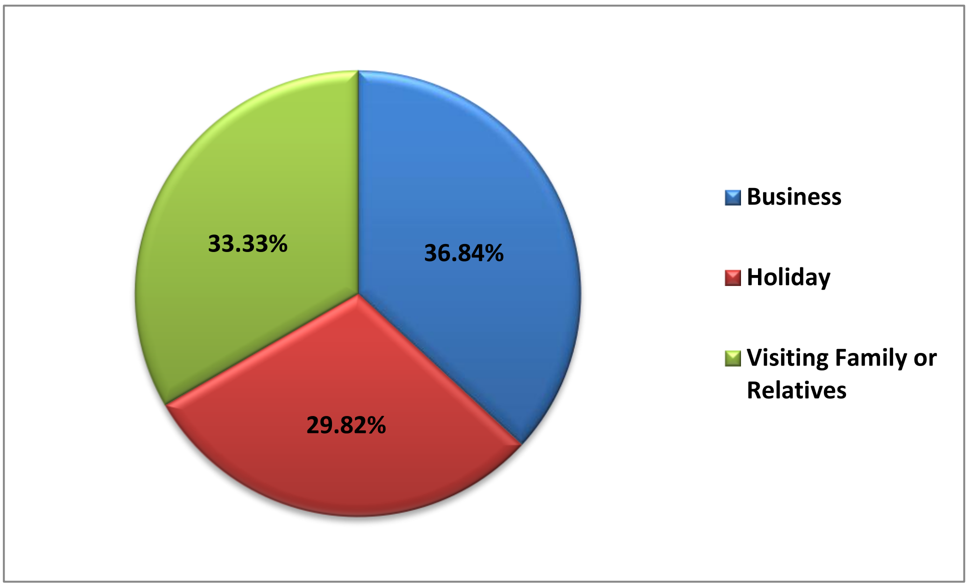


FIGURE 25: B&B GUESTS' TRAVELLING PARTNERS, AUGUST 2011



When looking at the figures above it is noteworthy that the amount of family and friends travelling with the questionnaire respondents is significant at 19.30 % and 7.02 % respectively. Together these travelling groups amount to over a quarter of all the respondents.

FIGURE 26: PURPOSE OF GUESTS' VISIT TO EAST LONDON, AUGUST 2011



When reviewing the results of the travelling partners of the questionnaire respondents and cross-referencing them to the purpose of the guests' travel to East London it reveals that over 62 % of all travel to the East London area is non-commercial in nature. The implications of this result is a potentially lower spend per trip as travellers on holiday or visiting family or relatives typically do not necessarily spend as much as a corporate traveler. This was shown in Figure 7.

FIGURE 27: RACIAL PROFILE OF GUESTS STAYING IN B&BS, AUGUST 2011

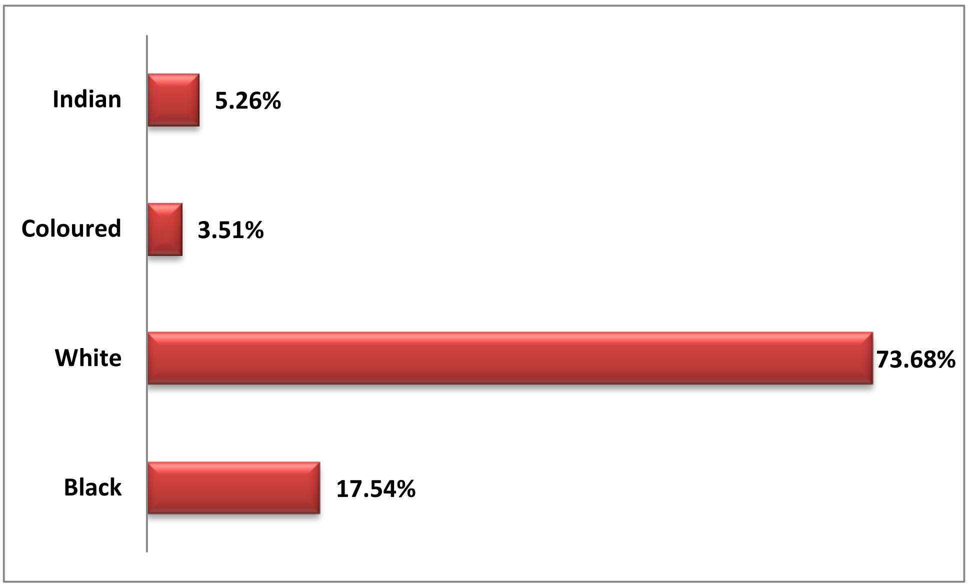
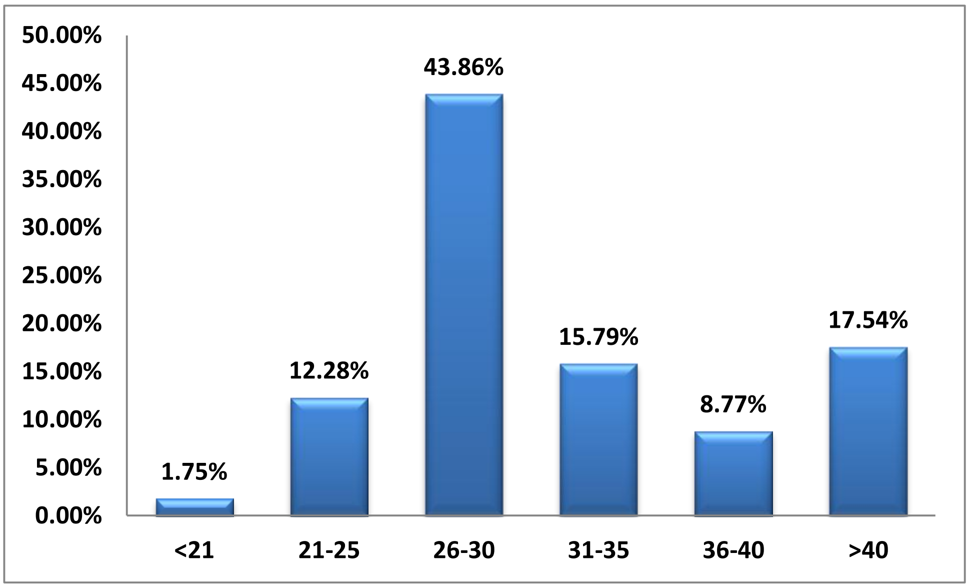


FIGURE 28: AGE BRACKETS OF B&B GUESTS, AUGUST, 2011



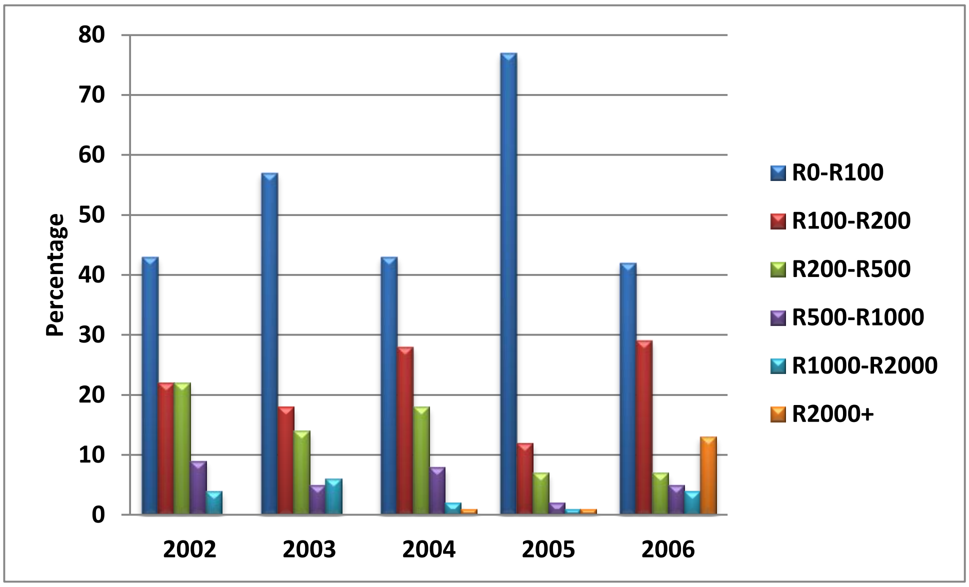
Although it was stated earlier that the demographic information of the guests indicated that the majority of the travellers originated from Gauteng, were white, were travelling either alone or with a spouse/partner and that they were travelling in the East London area for non-commercial reasons, it would be naïve to state this to be a conclusive representation of all possible scenarios being represented in this data sample. This research report recognises the dangers of making transitive arguments based on a set of possibly mutually exclusive facts. However, in this case the results presented thus far display little to no significant value save that they reflect the statistically verifiable demographics of the guests surveyed.

In terms of the more pertinent information around the concept of LED the attitudes of the guests were surveyed in terms of whether their choice in accommodation venue would be influenced if they could choose between two different B&Bs where one displayed some or other action or behaviour that could be interpreted as promoting LED while the other did not. These actions were grouped into four distinct themes; spending patterns, environmental concerns, business concerns and community concerns. These themes best illustrated the consumption behaviours of the B&B guests while also attempting to determine potential linkages to outside LED initiatives.

4.2 Guests' Spending Patterns

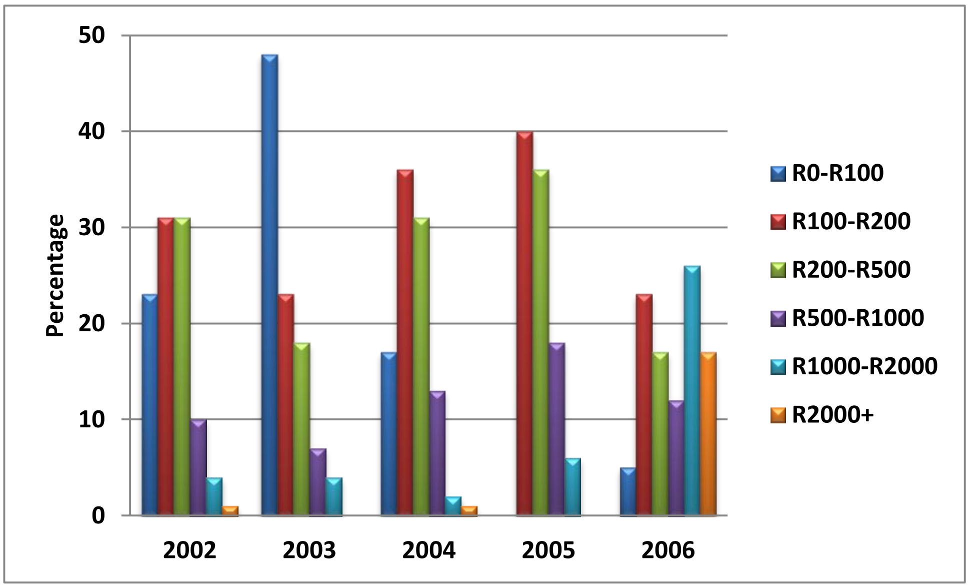
In 2007 the Buffalo City Municipality completed a visitor research survey wherein holiday makers were interviewed at various locations throughout the city during the summer vacation period of December through to January from 2002-2006. The spending patterns of the tourists interviewed were analysed to determine what the average spend was across the sections of entertainment, gifts and curios and food and restaurants. These three sectors are of importance when considered in an LED context in that they represent direct linkages from the tourism sector. Furthermore the associated employment created as a result of the need to capitalise on these markets is also of significance for LED. Although one must be cognisant of the fact that these surveys were conducted during a period that is traditionally associated with vacations and that the people interviewed were identified as holiday makers, rather than business people who are the more common visitor to East London, the results have potential as spending markers to be used in possible LED initiatives.

FIGURE 29: GUESTS' AVERAGE SPEND ON GIFTS & CURIOS, DECEMBER-JANUARY 2002-2006



What can be observed from this figure is that although not highly significant, guests to East London do spend money on gifts and curios. From the period of 2002-2006 the dominant amount of money averages R100 per visitor surveyed. This figure illustrates that those people who are reliant on earnings from the sales of gifts and curios are vulnerable to erratic revenue streams. From this position it would thus be unwise to promote any LED initiatives that are linked to the selling of gifts and curios as it appears that the spending patterns of guests to East London do not actively support this market sector.

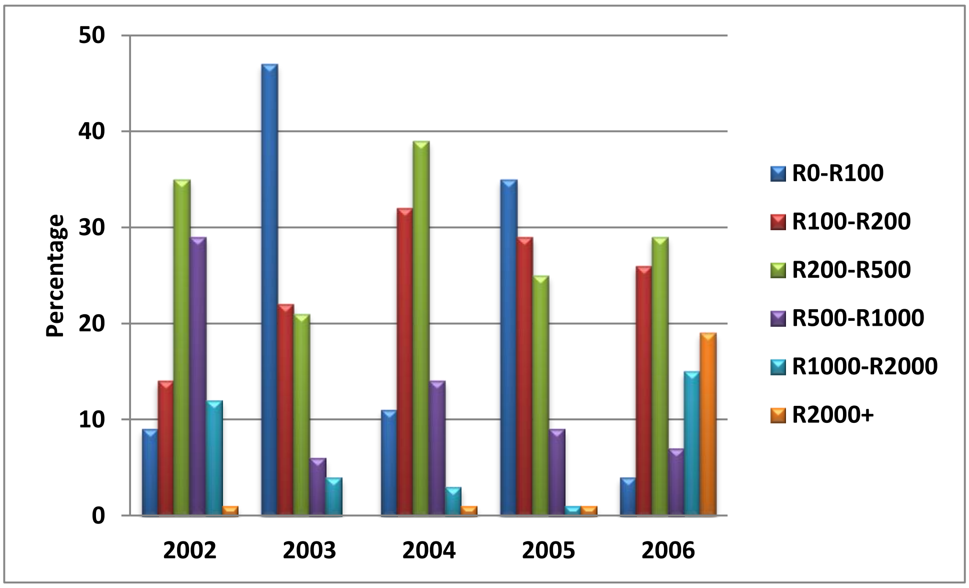
FIGURE 30: GUESTS' AVERAGE SPEND ON ENTERTAINMENT, DECEMBER-JANAURY 2002-2006



The results from the average spend on entertainment in East London revealed a rising trend for holiday makers to spend increasing sums of money over the period of 2002-2006. This can be seen in the increasing results for the R1000-R2000 spend from 2004-2006 periods. Again these results need to be read in the context of the period being associated with holidays and vacations and thus having a greater potential of entertainment-related events occurring during the period that may not occur outside of the summer period.

The final segment of the survey dealt with the amount of money spent on food and restaurants. From the data surveyed it was shown that the amount of money being spent in this sector increasing during the 2002-2006 period. This information can be read as there being a growing desire to spend money in restaurants or that the price of food to have been increasing during the said period. Either way the figure illustrates that money spent on food and restaurants to be one of the bigger costs that guests to East London experience. Within a LED context the results from these figures may also be indicative of a growing need for restaurants and thus reveal the potential for further business expansion and employment opportunities.

FIGURE 31: GUESTS' AVERAGE SPEND ON FOOD & RESTAURANTS, DECEMBER-JANUARY 2002-2006



4.3 Guests' Environmental Concerns

According to the South African Department of Tourism, corporate environmental policies affect the travel behaviour and choices of almost half of European business travellers. Increasingly more and more travellers are interested in finding out more about the local social and environmental issues before booking a holiday (NTSS, 2011:6).When the questions in this section were being decided upon it was apparent that the concept of "green" or eco-friendly business was and remains growing in popularity both domestically as well as worldwide when referred to in a tourism environment. The concept is often combined with the concept of "responsible" or "sustainable" tourism which entails tourism businesses partnering in different ways to ensure among other things, equal profit shares while maintaining a minimal impact on the local environment (Craft, 2011:44). This principle reflects LED behavior which Goodwin, Robson & Higton (2004:3) referred to as empowerment of communities through direct engagement. Traditionally the focus of such campaigns has targeted the larger, well established businesses such as hotels and resorts, however, it was a sub-focus of this research to determine whether the B&B industry was receptive to any of these initiatives. One such initiative is currently being driven by Eskom, South Africa's power utility, to encourage B&Bs to minimize their water usage and thus save energy. Please see Appendix 7 for an example of their campaign. As such it was decided that both the B&B owners as well as the guests would be questioned around environmental issues and whether they formed part of their consumption decisions.

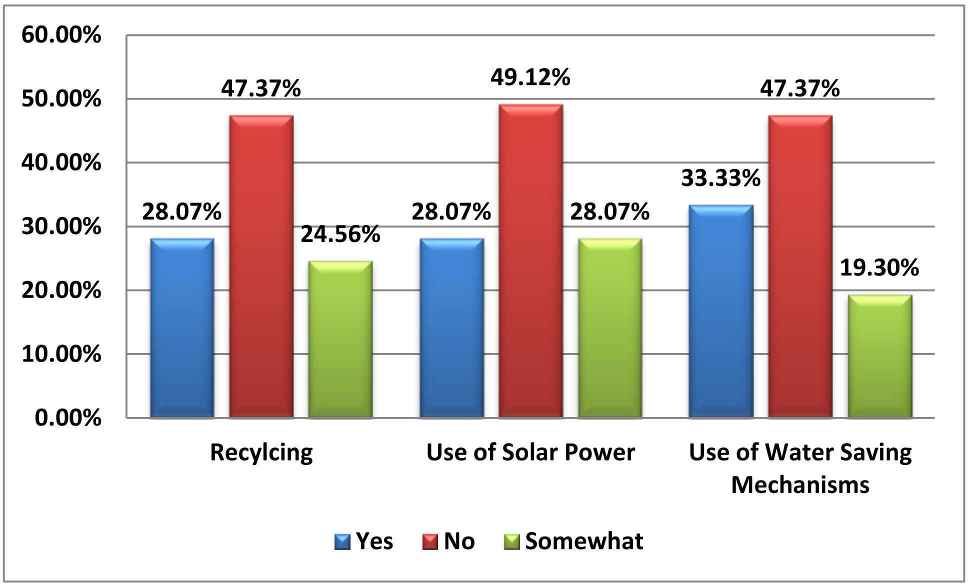
Three questions were chosen to test guests' attitudes around the environment:

"If you were choosing between two bed and breakfasts, equally priced, would your decision be influenced by whether one…

- Recycled and the other did not?
- Used water efficient mechanisms and the other did not?
- Used solar power and the other did not?"

These questions were asked with closed responses of "Yes", "No" or "Somewhat". It was important to state that the competitor B&Bs were equally priced as often people think that differences result in higher prices, which thus would influence the responses gathered.

FIGURE 32: ENVIRONMENTAL CONCERNS OF GUESTS STAYING IN B&BS, AUGUST 2011



Although it is disheartening to note the fact that the consumption behaviours of the B&B guests surveyed indicate overwhelmingly that environmental concerns are not front of mind for the majority, it is pleasantly surprising that cumulatively the guests whose accommodation choice would be influenced by environmental concerns outstripped the number of guests who would not be influenced. Combining the "Yes" and "Somewhat" responses resulted in 52.63 % for the recycling aspect, 56.14 % for the solar power aspect and 52.63 % for the water saving aspect. Although these figures are appealing in their potential they do not necessarily reflect actual behavioural results. It would be useful to test the attitudes portrayed in these results with actual data made by B&B guests, however this is beyond the scope of this research project. Drawing a conclusion from this data in terms of promoting LED it is apparent that the majority of guests' choices in accommodation venues are not necessarily influenced by whether a B&B markets itself as a "green" business. Consequently it can be inferred that B&B owners reviewing this data would not necessarily change their business operating model to cater to the growing popularity of being a "green" business in order to satisfy their guests' preferences. These results tie in with McKercher's argument (1993) that tourists, in all forms, "create waste and leave an impact" on their surroundings.

4.4 Guests' Business Concerns

Designing questions in order to gauge the attitudes of guests around the operations of the B&B industry recognised that B&B owners are under no obligation to be party to any formal regulations within the tourism sector. As it currently stands B&Bs do not have to be members of any organisation, do not have to be formally graded or have their facilities inspected and thus are not answerable to any regulatory body other than to the common law of the Republic. In effect they are their own self-determining entities operating without fear or favour from the macro structures of the state in which they conduct their business.

Recognising this, three issues were identified as possible business considerations for the B&B sector that dealt with the concepts of tourism grading, hiring policies and the provision of local information.

As mentioned formal tourism grading of a B&B is voluntary, often expensive and valid for one year only. Due in part to the lack of a legislative framework on the part of the South African government, several membership bodies currently operate in the B&B industry that invite B&Bs to join at a fee in return for alleged branding benefits, marketing possibilities and discounted rates from member affiliated suppliers.

Membership bodies that were identified operating in the East London area included:

- Tourism Grading Council of South Africa (TGCSA)
- Automobile Association (AA)
- National Accommodation Association (NAA)
- Bed & Breakfast Association of South Africa (BABASA)
- Guesthouse Association of South Africa (GHASA)
- Federated Hospitality Association of South Africa (FEDHASA)
- Tourism Buffalo City (TBC)

The two major grading bodies that were the most frequently observed in East London were the Tourism Grading Council of South Africa (TGCSA) and the Automobile Association (AA). The TGCSA awards stars, much in line with similar international grading star standards while the AA awards levels of accommodation ranging from "Recommended" level through to "Superior." The AA brings with it its international reputation but is geared towards a more senior clientele.

A brief survey of the B&Bs that advertised online and declared themselves to be members of some or other tourism grading body indicated the following results. Again it must be stated that these results are not conclusive due to the B&Bs needing to be proactive in declaring their membership. Hence the below figure is merely illustrative in nature.

FIGURE 33: TOURISM MEMBERSHIP CHARACTERISTICS OF B&BS ACROSS EAST LONDON, AUGUST 2011

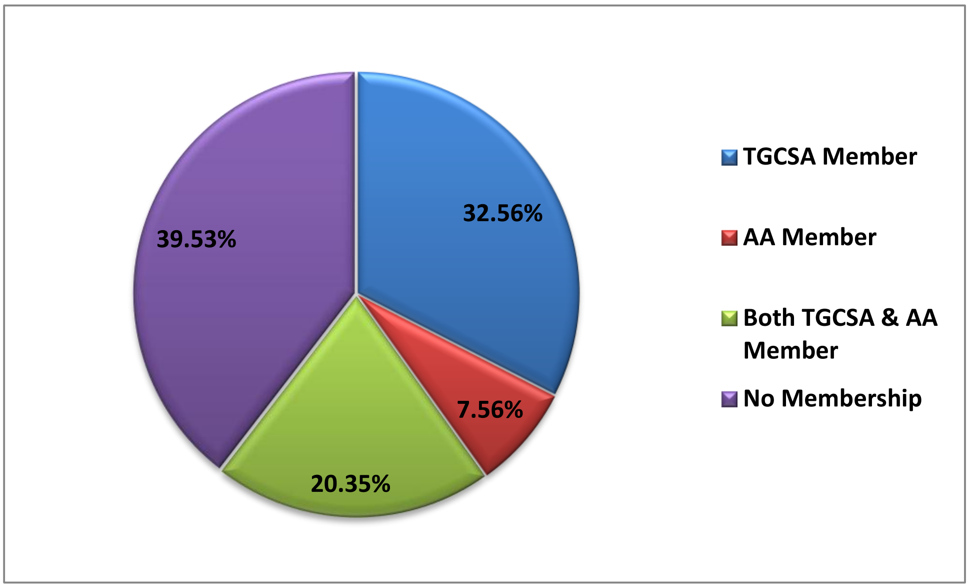
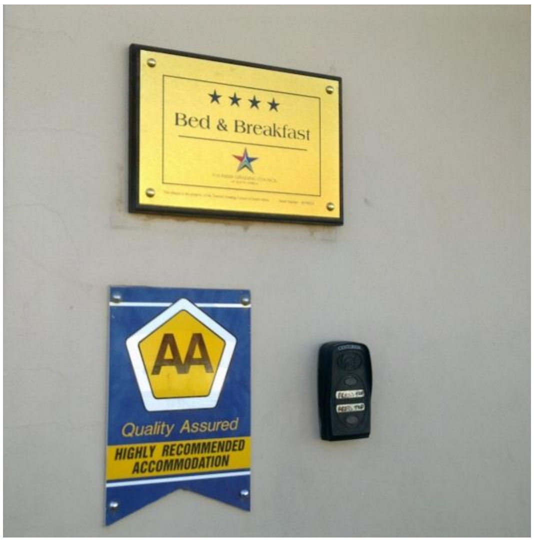


FIGURE 34: EXAMPLE OF GRADING SIGNAGE DISPLAYED OUTSIDE A B&B



Membership to these bodies comes at a premium where the greater the number of rooms in an establishment the greater the annual fee. The value that the membership gives to a B&B was identified as a contentious issue as some B&B owners felt that it added no value whatsoever while others declared otherwise. Several B&B owners claimed that when asked as to their star grading they decided themselves as to their grading rating based on their personal opinions of their establishments.

> These people want me to pay to put their stars on my wall and it's expensive. Forget it. I am going to design and put my own stars up. Who is going to stop me?
>
> When people call me I say that I am three stars and that is it. No one has ever said 'You said you were three stars. Where is your board?' No one ever checks.

Due to such comments around what could be perceived as the fraudulent use of the grading system it became imperative to determine whether B&B guests were aware of the various grading systems available and furthermore whether their consumption behavior would be affected by its presence or the lack thereof.

The second topic to be investigated involved a major issue that has grown in South Africa which has been the influx of foreign nationals, especially from Southern African countries, who are blamed for undercutting the local job market by accepting lower salaries and thereby out pricing local South Africans. Although much of this criticism has originated from local workers unions, formal business entities in South Africa have been less engaging of such notions. In effect it could be viewed the many businesses are not concerned with their hiring practices so long as their product or service is delivered to standard. It was thus of interest to gauge to what degree B&B guests were aware of this tension and whether it would matter to them if a B&B did or did not hire local South Africans.

The final aspect that was investigated under the theme of business concerns was around the provision of information to guests by the B&B owners. Traditionally local information around events and attractions fell to local tourism authorities. However, some proactive B&Bs sourced their own information and created information boards or tables at their establishments wherein they placed relevant information such restaurant listings or local activities that may be of interest to their guests. These display tables are a potentially important way in which the tourism sector can create links to other businesses in the area and thus promote LED. Although the choice of what information to display remains with the B&B owner, the principle is that of one where related industries should partner together to create better awareness of what the area has to offer.

FIGURE 35: EXAMPLE OF A LOCAL INFORMATION TABLE AT A B&B, AUGUST 2011

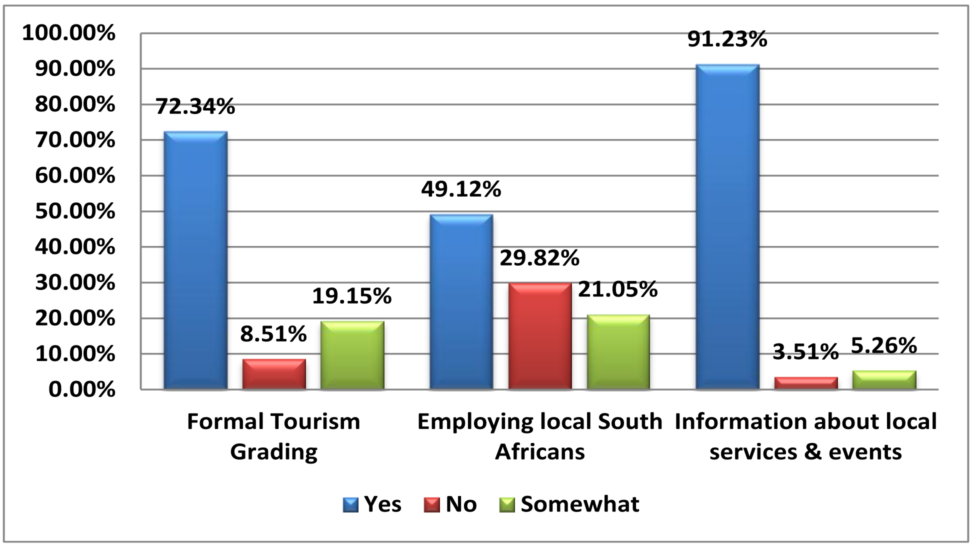
Not all B&Bs create such information displays and thus it was interesting to see whether guests would be receptive to such efforts. Again, where effective, these tables could potentially impact on the B&B guests' consumption choices and thus aid efforts aimed at promoting LED.

The questions that were chosen to explore the abovementioned themes were presented as such:

- Does it matter to you if a bed and breakfast is formally graded? e.g Star graded, member of the AA or a member of a tourism body?
- Does it matter to you if a bed and breakfast employs local South Africans?
- Would you like a bed and breakfast that can provide information about local events, activities and services?

These questions were also asked with closed responses of "Yes", "No" or "Somewhat"

FIGURE 36: BUSINESS CONCERNS OF GUESTS STAYING IN B&BS, AUGUST 2011



Analysing the above results reveals that across all three business concerns B&B guests feel that B&Bs should be formally graded, employ local South Africans and that B&B owners should provide them with information about local services and events. What is very encouraging in terms of LED about Figure 36 is the 91.23 % result in favour of guests wanting information about local services and events. This result indicates the significant potential for the B&B sector to act as a catalyst for local businesses and services by providing information to B&B guests and thereby driving LED.

4.5 Guests' Community Concerns

The final major theme of research for the guest questionnaire was around the concept of the B&B engaging with the local community and whether this was an important aspect of guests' consumption criteria when choosing accommodation establishments. It is obvious that a B&B can engage with the local community in a myriad of ways though for example, the sponsorship of an event to supporting a local charity, hence the questionnaire sought to determine if the principle rather than the act of "giving back" to the community, in whatever form, is something that potential B&B guests would respond to.

Subsequent to the question around giving back to the community it was discovered that Tourism Buffalo City, one of the tourism bodies based in East London, was supporting a learnership programme wherein tourism students from local communities were being trained and were looking for practical work experience as interns as part of their qualification. As the taking in and training of such interns could easily be viewed as "giving back" to the community, it was deemed appropriate to ask guests if they thought that B&B should engage in such a programme.

It was later realised that the concept of "giving back" may have proved to be too vague to some respondents despite the fact that examples of giving back were included in the original question. Hence it was decided to ask a more direct question that was tied to the theme of LED. Here the B&B guests were asked if they felt that a B&B should be "involved in community upliftment projects." Here the question was designed to incorporate a greater and more direct human element which is one of the major factors in any LED campaign.

The final section of the B&B guests' community concerns theme centred around the concept of "Proudly South African." Defined as being:

> A "buy local" campaign launched in 2001 by government, organised business, organised labour and community organisations to boost job creation and pride in "local" by promoting South African companies and their 'homegrown' products and services…

…the "Proudly South African" campaign places itself as a powerful catalyst for LED and hence of extreme importance to this research project. The background theory argues that by purchasing a South African good or service stimulates an increased demand for locally-produced good or service, which in turn safeguards existing employment levels in those industries, promotes economic growth and thus potentially creates more employment opportunities on a domestic as well as national level (Proudly South African, 2011:1). In order for a product or service to be classified as "Proudly South African" stringent criteria need to be met. These criteria include:

TABLE 7: REQUIREMENTS FOR "PROUDLY SOUTH AFRICAN" STATUS

1	At least 50% of the cost of production must be incurred in South Africa and there must be "substantial transformation" of any imported materials.
2	The product or service must be of a proven high quality.
3	The company must comply with labour legislation and adhere to fair labour practices
4	The company must be environmentally responsible and adhere to production processes that are environmentally friendly and acceptable.

(Proudly South African, 2011:1)

All of the above criteria need to be met before a company can display the "Proudly South African" logo.

FIGURE 37: "PROUDLY SOUTH AFRICAN" ADVERTISEMENT

Since its beginning in 2001 over 1500 companies have now registered for membership to the "Proudly South African" campaign and its logo has increased in brand recognition year on year.

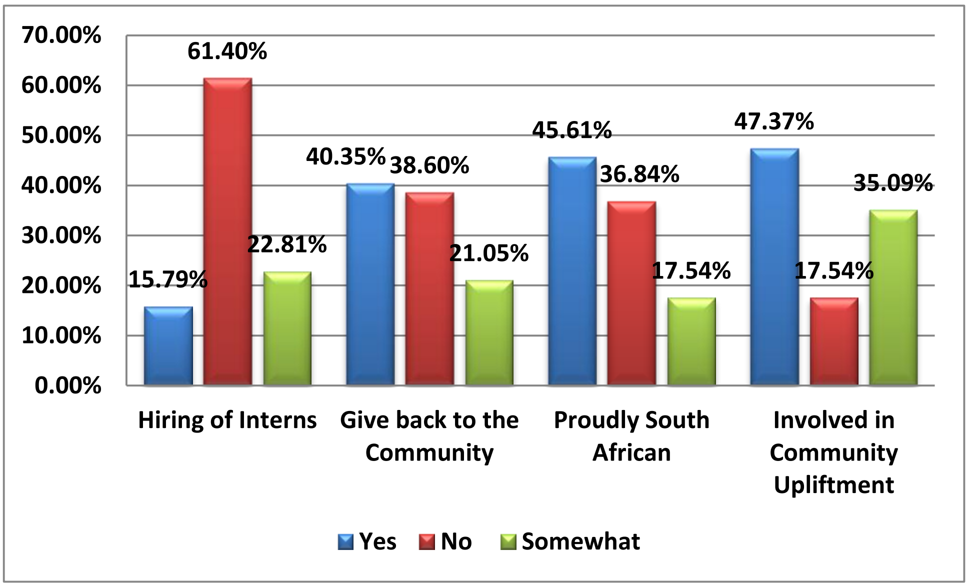
As such it was deemed to be highly appropriate to investigate whether the concept of a B&B being "Proudly South African" held any value to potential B&B guests.

Thus the questions that were decided upon to investigate the guests' perceived community concerns were:

- If you were choosing between two bed and breakfasts, equally priced, would your decision be influenced by whether one "gave back" to a community through charity, education or other community projects and the other did not?
- If you were choosing between two bed and breakfasts, equally priced, would your decision be influenced by whether one hired tourism interns from local training facilities and the other did not?
- Should a bed and breakfast be involved in community upliftment projects?
- If a bed and breakfast says that it is "Proudly South African" is that important to you?

These questions were again asked in a closed response manner with the option of "Yes", "No" and "Somewhat". The results of these questions are shown in Figure 38.

FIGURE 38: COMMUNITY CONCERNS OF GUESTS STAYING IN B&BS, AUGUST 2011



The hiring of interns by B&Bs was not very strongly rated by the responses of the B&B guests with 61.40 % of respondents stating that their decision to stay at one B&B versus another would not be swayed if one hired tourism interns and the other did not. The fact that even if one were to convince the undecided respondents the combined result would only equal 38.6 % who would be influenced versus the 61.40 % who would not be influenced. At an extreme level this result could be seen as disheartening to potential B&B owners who would like to engage in the tourism interns programme as a way of creating a competitive advantage over their rival B&Bs. This result could be further interpreted as there being no commercial need for B&B owners to assist tourism interns and to transfer knowledge which could be seen as an obstacle to LED.

Contrasting this result is the fact that 40.35 % of respondents felt that a B&B should give back to the community while 47.37 % felt that a B&B should be involved in community upliftment projects. These results indicate that the concept of giving back and being involved in the local community is a strongly emotive topic, one that B&B owners could embrace and market themselves against. Accounting for the 7 % difference between two seemingly similar questions is a difficult task. Arguments around the wording of the questions or the inclusion of particularly emotive words are possible while at the same time non-value adding. What is important to take away from these results is that community engagement is important to potential B&B guests and that B&B owners should respond to this. These results are particularly encouraging in the light of the promotion of LED, while the only hindrance would be to engage owners to take these results forward in a constructive way.

The results for the question around the perceived importance of a B&B declaring itself as being "Proudly South African" is also encouraging in the light of promoting LED. With 45.61 % of respondents claiming that a B&B declaring itself to be "Proudly South African" to be important to them the theoretical implications of this in terms of general LED promotion is significant. Again if one were to convey this result across to all B&B owners and if the B&B owners were to respond to these proclamations around engaging in the local community and began to operate their B&Bs in a "Proudly South African" fashion (see Table 6) then noteworthy LED results could begin to be observed on a substantial level.

4.6 B&B Guest's Questionnaire Summary

The results of the guests' questionnaire indicated that most travellers to the East London area were there for both business and holiday reasons. The guests mainly came from Gauteng fell in the age brackets of 26-30 and over 40 years old.

Questions were asked as to whether price was their final determinant in choosing an accommodation venue and the results indicated that it was not as influential as one would have expected. Rather it was shown that the original purpose of the trip to have a greater deciding factor on where a guest chose to stay. Most of the guests were either travelling alone or with a partner/spouse.

Questions were posed to the B&B guests to determine if certain factors that could be displayed in a B&B were important to them and whether they would influence their consumption decision to stay at a particular B&B or not. A B&Bs environmental considerations did not achieve significant results with most guests responding negatively as to whether a B&B that was environmentally friendly was preferable to them or not. B&B guests indicated that a B&B should be formally graded. This fact allows for an opportunity for a B&B to become more involved in the local community if it were required of them by the various grading councils concerned. This fact dovetails well with the result that the concept of the "Proudly South African" campaign resonates with B&B guests. These two facts culminate in an opportunity for B&Bs to contribute to LED through a pre-existing campaign that is well marketed and appeals to nationalistic sentiment.

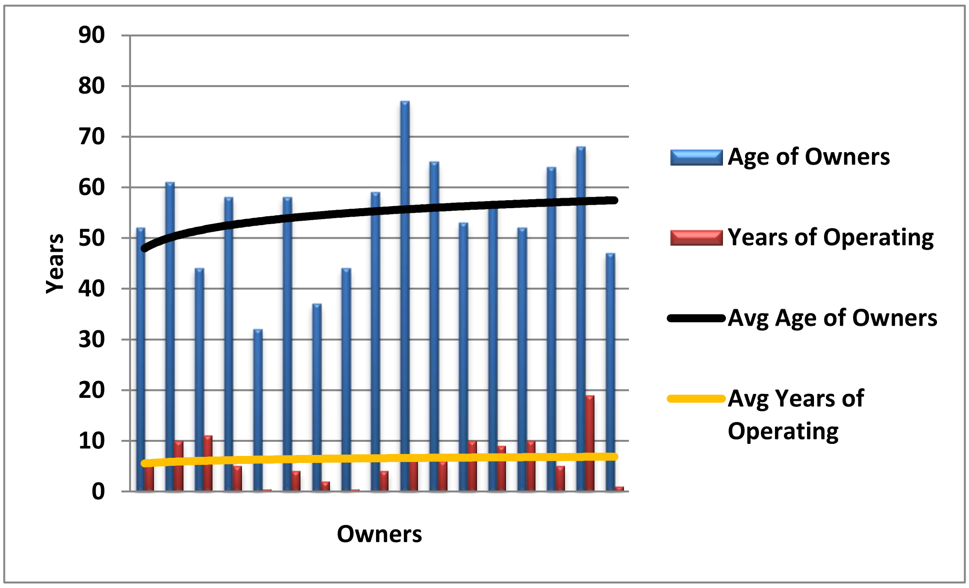
Chapter 5. PRODUCTION OF B&B SERVICES

As has been mentioned earlier, surprisingly little is as yet known about the nature, extent, distribution, role and functioning of B&Bs across South Africa. Visser (1997) states ironically that there are probably few industries on which more is written about but less hard information is available than that of the tourism industry. B&B owners have proliferated in number across South Africa, generating significant revenue levels in some instances however, fully understanding this business entity has remained largely "exploratory in nature" (Visser, van Huyssteen, 1997:107). In this chapter the results of the in depth interviews conducted with B&B owners are presented where the business model of a typical B&B is briefly put forward. In several cases it was deemed appropriate to cross-reference the results of certain groups of questions against whether a B&B considered itself to be a primary income revenue stream or a supplementary revenue stream. This cross-reference was done as it was hypothesised that behavioural changes and thus production patterns could be observed where differences in income considerations were apparent; in this case where a B&B operates as a supplementary revenue stream, it may be more predisposed to spending additional funds on items that other more income-pressurised B&Bs would not. A concluding section is dedicated to the responses of the B&B workers that were interviewed wherein their spending patterns were analysed and the links between them and LED are considered.

5.1 B&B Owner' Demographics

After interviewing seventeen B&B owners the following demographic information was obtained. The average age of the B&B owner was approximately 54 years with females dominating in terms of the manager/owner positions. In total 12 of 17 establishments were female-run, 3 were male-run and only 2 described themselves as being jointly run. The longest running establishment started operating in 1992 giving the owner over 19 years of experience while the newest had only been operating for 6 months. The average number of years that the establishments were operating was calculated as 6 years, bearing in mind the vast differences in operating time. All the respondents were white South Africans while one couple were European but had lived in South Africa for over 35 years. Black-run B&Bs were also evident across East London but not on the same scale as the number of white-run B&Bs. For commentary on the growth of this sub-sector see Rogerson (2004) and Nxumalo (2003).

FIGURE 39: AGE OF OWNERS VERSUS YEARS OF OPERATING, AUGUST 2011



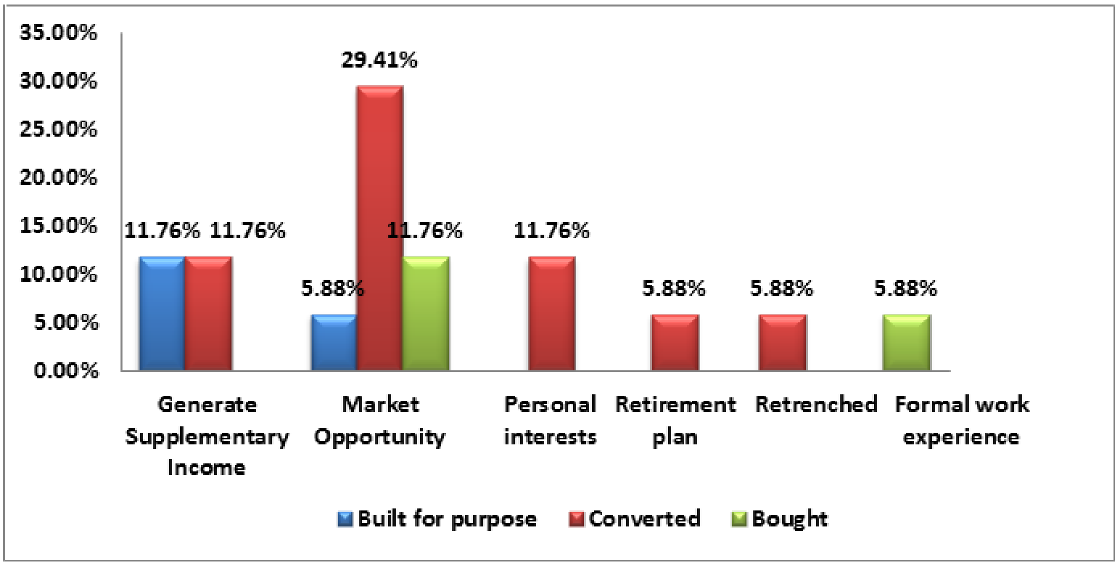
What can also be observed from the graph above is the significant number of years difference between the ages of the B&B owners and the years of operating their respective B&Bs. Taking 2011 as a reference year the graph indicates that on the average most of the B&B owners began to start their operations in the period from 2000/2001 onwards placing them around the ages of 45 and upwards when they began operating. Often in South African discourse one hears commentary that since the demise of Apartheid in 1994 and with the advent of affirmative action allegedly making it increasingly difficult for white South Africans to seek or maintain meaningful employment, the need for entrepreneurial initiatives has increased. Indeed one could argue that with all B&B owners interviewed being white in racial profile and being close to retirement age (+/- 55-60 years old), the threat of affirmative action and significant social changes in the post-democratic South Africa appear to be compelling reasons to start a B&B. However, this concept was proven to not be widespread nor statistically significant. Only one interview respondent, equaling 5.88 % of total respondents, stated that they had started a B&B because of retrenchment and the reason for the retrenchment was due to age factors and internal restructuring rather than racial or politico-economic motivations.

Furthermore in several instances the ages of the owners fell into the over 60 years age bracket. True that in South Africa it is common for people to retire in their late 50s to early 60s giving the impression that the B&B owners who fell into this bracket could have been starting B&Bs as a way of a retirement activity, however, again the interviews revealed that generating supplementary income as well as recognising a market opportunity were the primary reasons for starting a B&B and not due to the onset of retirement.

5.2 B&B Owners' Operating Model

What is significant to note from the below figure is that the conversion of existing properties to B&Bs accounted for 64.71 % of all property types while properties that were bought for purpose or built for purpose only accounted for 17.65 % each.

FIGURE 40: REASONS FOR STARTING A B&B VERSUS PROPERTY TYPE, AUGUST 2011



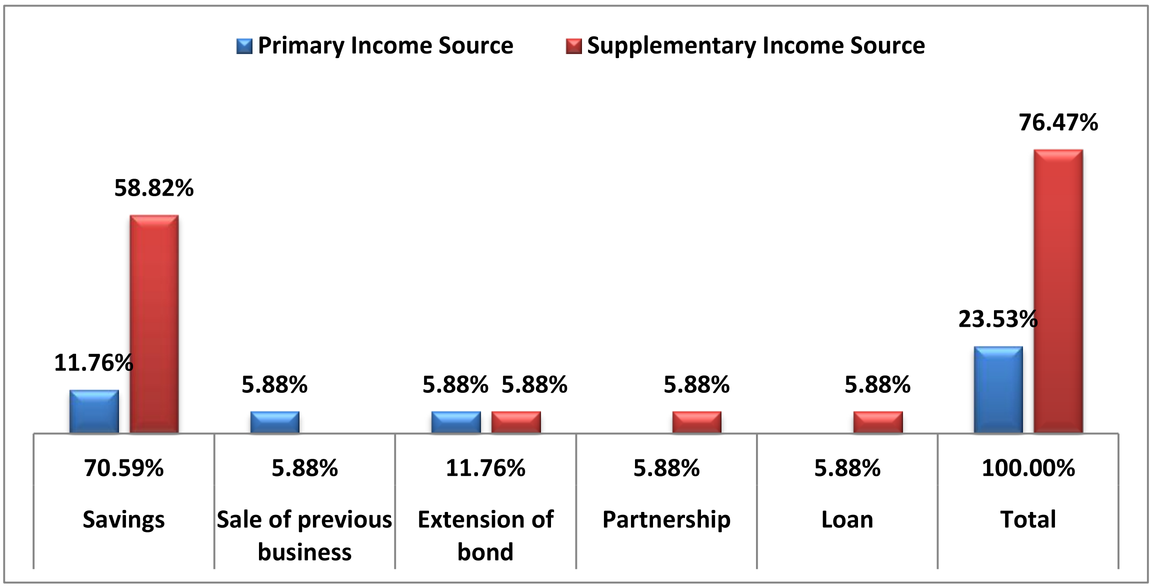
It is not surprising that the conversion result appears as high as it does. A literature survey indicates that Empty Nest Syndrome (ENS), where parents may seek to replace the spaces created by their children leaving home, to be a significant factor contributing to the number of conversions and the opening up of B&Bs. A sub-issue within this is revealed where many of the B&B owners indicated that they possessed no formal training in the hospitality or tourism sector nor were they willing to expand their existing number of rooms beyond their current capacity. These results were cross-referenced by revenue stream determination as it was hypothesised that in this case the primary revenue stream B&Bs would display a greater tendency to wish to expand their operations as well as to offer a professional service. Upon analysing the cross-reference, illustrated in Table 8, it was shown that the completion of formal tourism training had indeed occurred in a greater amount across the primary revenue stream B&Bs, however, what was interesting to note was that the primary revenue stream B&Bs were not willing to expand. This figure requires further consideration as it could be viewed that the primary B&Bs that were interviewed were already operating B&Bs that possessed more rooms on average than the supplementary revenue B&Bs and thus saw no need for further expansion. It is thus logical that the smaller, supplementary revenue B&Bs would be more predisposed to expansion, as indicated in the cross-reference table below.

TABLE 8: CROSS-REFERENCE OF PRIMARY & SUPPLEMENTARY INCOME B&BS VERSUS LEVELS OF TOURISM TRAINING & WILLINGNESS TO EXPAND NUMBER OF ROOMS ON OFFER, AUGUST 2011

	Formal Tourism Training		Willing to Expand Number of Rooms	
	Yes	No	Yes	No
Primary Income Source	11.76%	11.76%	11.76%	11.76%
Supplementary Income Source	5.88%	70.59%	29.41%	47.06%
Total	17.65%	82.35%	41.18%	58.82%

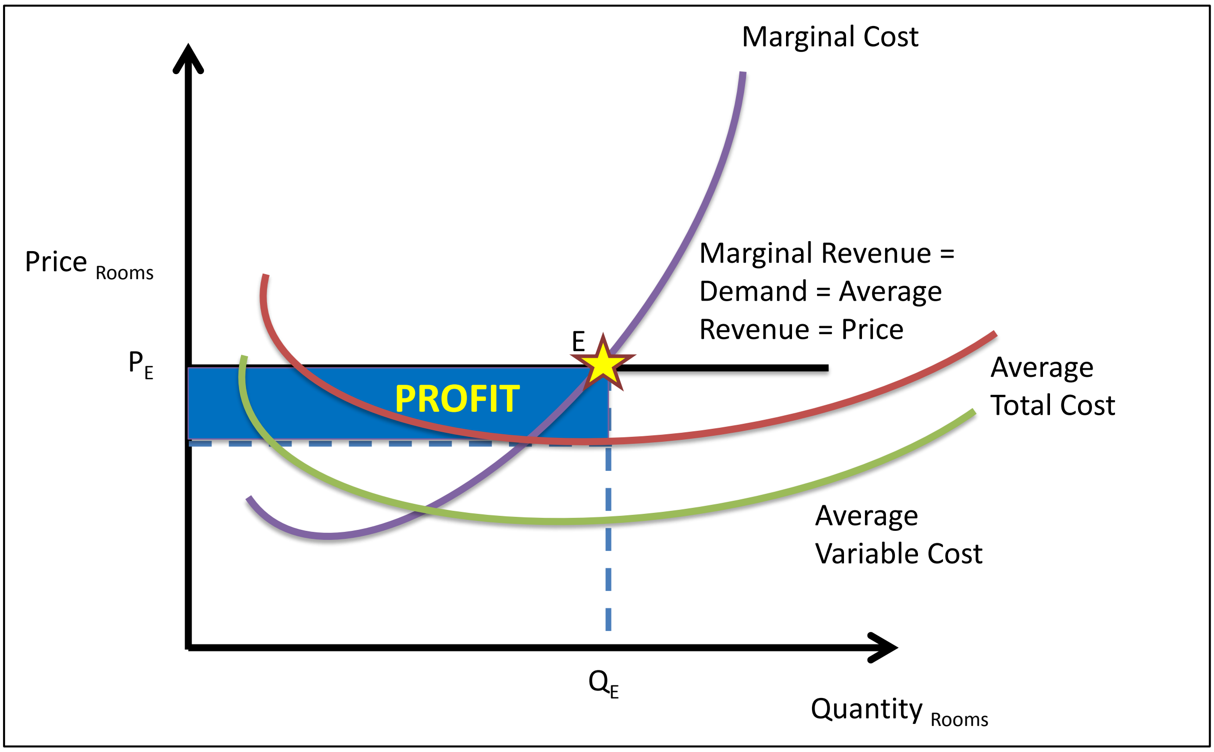
From the interviews it was shown that coupled with a significant unwillingness for many of the B&B owners to expand their businesses, 76.47 % of B&B owners declared that the income that they generated from their B&Bs to be a supplementary source of income versus 23.53 % of owners who felt it was their primary revenue stream. Wanting to explore this situation further required for the B&B owners to disclose their source of funds for starting their B&Bs. This information was then cross-referenced in terms of how they classified their B&B revenue stream.

FIGURE 41: REVENUE STREAM CLASSIFICATIONS VERSUS SOURCE OF FUNDS FOR STARTUP, AUGUST 2011



An important observation from Figure 41 is that that personal savings accounted for 70.59 % of all B&B startup capital. Again looking at this figure against the average age of the B&B owners as well as their classifications of their B&Bs revenue streams, one can conclude that many of the B&B owners came from successful careers or professions during which time they (and/or their spouse) managed to secure considerable income which currently provide them with their chief source of income (Visser, 1997:128). The fact that few B&B owners extended their bonds or sold off existing businesses, save those who classified their revenue streams as primary sources, indicates that the B&B sector that was interviewed comes from a well-financed base and thus the need for the B&B to operate on a higher commercialised level is significantly diminished. This position in turn theoretically limits the economic effectiveness of the B&Bs to drive LED as once a hypothetical B&B reaches the operating level that the B&B owner wants, there is very little opportunity for that model to change without a significant exogenous force or event. These model changes may include staffing levels, spending patterns, marketing mechanisms and so forth. In effect it could be stated in economic terms that once the marginal revenue from the B&B equals its marginal cost, thus assuring its maximum profit efficiency, the chances of any further ripple effects into the broader economy are minimal. Understanding at what point this equilibrium is reached is of vital importance as within traditional economic theory where perfect competition is present, a business entity needs to properly calculate when it is best to expand one's operations to maximize profit and when it is also appropriate to stop expanding to prevent losses. This point is illustrated in Figure 42 where, in a perfectly competitive market with many firms competing for a finite number of resources, in this case B&Bs competing for guests, the number of rooms that a B&B provides does not impact on the price that they may wish to charge. Here a B&B owner needs to recognise that simply because they may have spent money on establishing themselves does not allow for them to charge whatever rate per night that they consider to be reasonable. Furthermore, they need to recognise that at a point expanding the number of rooms available to guests can result in economic losses to the B&B as the costs of running and servicing the rooms may exceed the profits of the business.

FIGURE 42: PERFECT COMPETITION AND PROFIT MAXIMASATION GRAPH



In Figure 42 a B&B should only provide a number of rooms to the point that the point of its marginal cost does not exceed its marginal revenue. This point is shown at E. At this point the marginal revenue and marginal cost curves intersect and are greater than the average total costs of running the B&B, hence a profit is made at price per room P_E with the number of rooms available being Q_E. The use of perfect competition theory to explore the B&B industry is useful in that the B&B industry displays several of the necessary theoretical assumptions. Namely:

- There are a large number of buyers and sellers. [In East London it was determined that over 172 B&Bs were in existence with a great chance of several more being unaccounted for.]
- There are no entry or exit barriers. [The regulation around the provision of B&B services in East London were determined to be haphazardly enforced and not well communicated.]
- There is perfect mobility of the factors, i.e. buyers can easily switch from one seller to the other. [B&B guests displayed a certain loyalty to some B&Bs that they had stayed in but this was not a universal trait and many were open to trying new establishments that suited their criteria.]
- The products are homogenous. [Other than the overall quality of the services provided very little differentiation could be noted within similar pricing brackets among B&Bs.]

What can be taken from Figure 42 is that that with the declared unwillingness of many of the owners to expand, many B&Bs may theoretically be under performing in terms of their ability to generate profits for themselves due to an insufficient number of rooms being made available. Here one remembers that many owners declared their income generated from the B&B to be supplementary and thus within the considerations of the above diagram, one can understand why.

5.3 B&B Employment Levels and Taxation Considerations

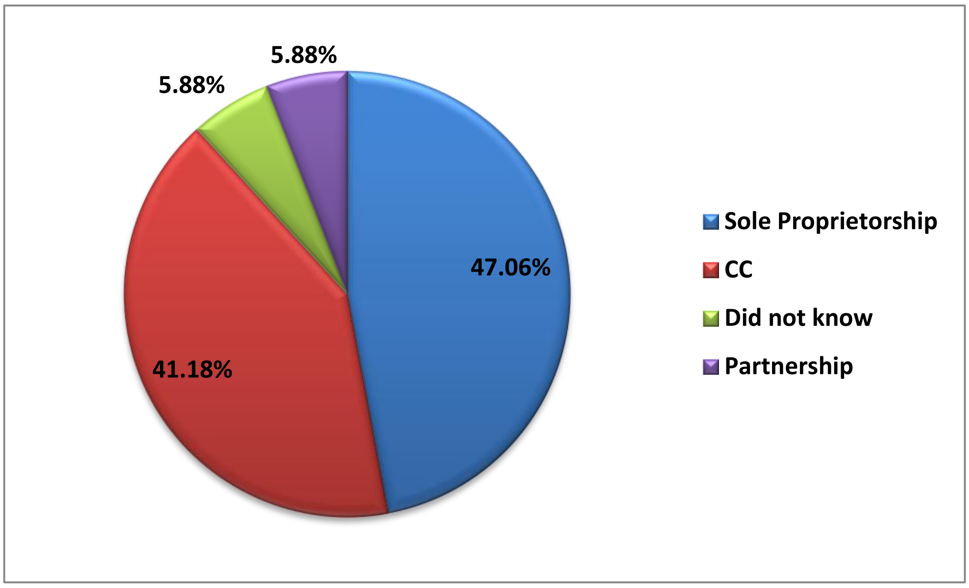
Frazier (2010:2) argues that unlike the hotel industry which is both labour and cost intensive, B&Bs are often more small scale where B&B owners often live on the property and execute all the day-to-day running of the B&B personally. In terms of the so-called greatest benefit of the B&B industry, the creation of employment, the results from the interviews indicated that on average the number of employment opportunities created as a direct result of starting a B&B to be 2.35 jobs. It was difficult to try and differentiate between fulltime and part-time positions as in many cases the staff members on the property were pre-existing when the B&B began and with the opening of the B&B their working hours and work load had merely increased with a marginal rise in salary. However, it was also determined that some B&Bs provided extra benefits for their staff such as purchasing groceries on their behalf as well as providing transport allowances. Calculating the average number of jobs created per B&B as 2 positions and combined with an average salary of R3 500 a month equated to an industry generating salary revenue of R14 448 000 per annum on an estimated base of 172 B&Bs across East London. However, one must recognise that based on 2011 income tax rates a staff member needs to earn in excess of R 4 979 a month in order for income tax to be payable. Thus none of the salary revenue from the B&B employees is income taxable. From a macroeconomic perspective this situation leaves much to be desired as without funds flowing back to the state through taxation, the state may theoretically become hard pressed to provide services to an economically empowered public thus resulting in public discontentment.

It must also be noted that although the average B&B staff member may not qualify to pay income tax, Unemployment Insurance Fund contributions are mandatory for all South Africans and again extrapolating against the average number of B&B workers working across East London's 172 B&Bs equates to R144 480 per annum at a 1 % contribution. Granted that this figure is doubled in order to account for the employers' contributions equating to R 288 960, per annum the revenue generation of a B&B versus the taxation amounts generated for the state remains largely insignificant in comparison.

A further consideration is whether B&B owners even pay income tax based on their B&B earnings. This questions was deemed relevant as considering the lack of any governing body for the B&B industry the opportunity to evade tax is present. Wanting to delve deeper into this consideration a question that was posed to the B&B owners as to what form of business entity that the B&B was registered as. It was assumed that the greater the degree of formality that a B&B displayed, the better the chance of it operating a tax compliant business. This was obviously a dubious assumption, one that could have been easily dismissed; however, it posed an appropriate starting point to begin to investigate the selected B&Bs corporate structures.

In South Africa a small to medium business entity usually takes the form of a closed corporation (CC), where a separate legal entity is formed, distinct from the individual and must be registered with both the Companies and Intellectual Properties Commission as well as the South African Revenue Service. This registration process results in the CC being registered to pay companies tax. Within this agreement any income that is paid to a CC owner as a salary is subjected to South African individual income tax laws (White, 2011). These processes are the same for any business, hence for a B&B any earnings from the provision of accommodation are themselves subjected to both companies tax as well as individual income tax. The benefit of this arrangement is for a business to be viewed separately from the owner and thus offer protection from its creditors should the business decline. After conducting the interviews the following corporate structures were observed.

FIGURE 43: BUSINESS STRUCTURES OF B&BS INTERVIEWED, AUGUST, 2011

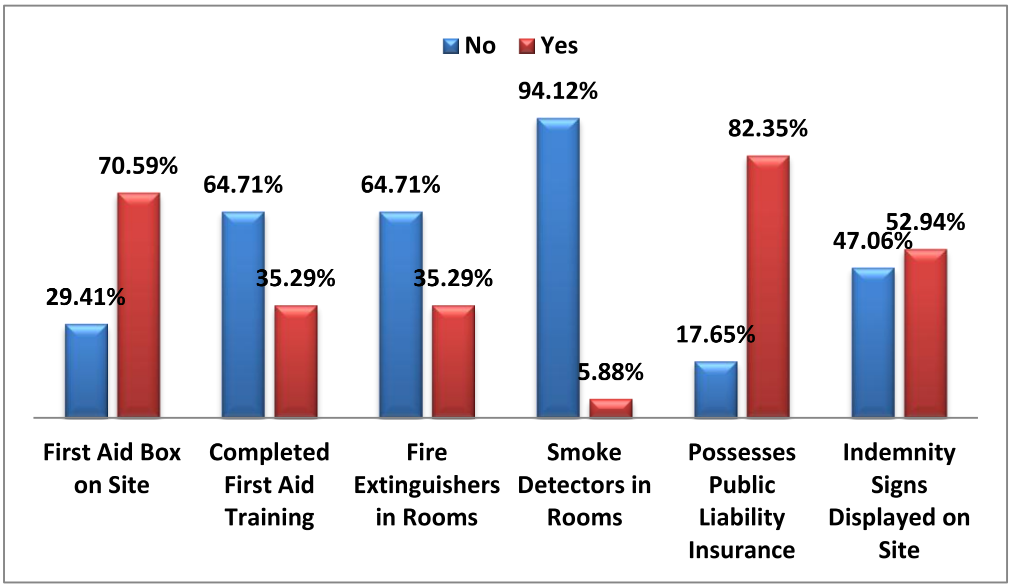


From Figure 43 one can see that a large proportion, 41.18 %, of the B&Bs in East London stated that they were operating as CCs. This result is encouraging as it lends to one believing that these B&Bs are operating as tax compliant businesses due to the significant registration process involved in order to establish a CC. However, the majority of B&Bs declared that they were operating as sole proprietors indicating that they had not created any separate business structures for their B&Bs. The implication of this is that the income derived from the B&B could potentially be hidden within the income structures of the household and thus not be properly taxed. Though this is not to say that all the B&Bs that are sole proprietors are purposefully evading tax it must be stated that the potential for this to occur is greater than in any of the other B&Bs that had created legal corporate structures for themselves. It must also be stated that the underlying assumptions of these tax implications cannot be conclusively proved without further investigation, investigation that is beyond the scope of this research report. It must also be seen that within the framework of LED any income that is not circulated within the macroeconomy becomes a wasted opportunity to catalyse other areas and thus spur on local development, which needs to be avoided.

5.4 B&B Owners' Safety Considerations

In South Africa legislation around safety in a working environment exists in the form of the Occupational Health and Safety Act of 1993. When interviewing B&B owners around the safety features of the B&B it became apparent that few had actively engaged with the topic and were caught off-guard by many of the questions posed.

FIGURE 44: SAFETY FEATURES OF B&BS INTERVIEWED, AUGUST, 2011



A startling picture was revealed after reviewing the results of the questions that were designed to probe whether the safety of guests was front of mind in terms of the B&B owners. While first aid boxes were present on site of 70.59 % of B&B interviewed only 35.29 % of B&B owners had formally completed any first aid training. Only one B&B out of seventeen interviewed had had smoke detectors installed in their guests' rooms while 64.71 % of the B&B owners had not installed fire extinguishers in their guests' rooms. The safety implications of these results do not need to be further emphasized.

TABLE 9: CROSS-REFERENCE OF PRIMARY & SUPPLEMENTARY INCOME B&BS VERSUS DEMONSTRABLE SAFETY CONSIDERATIONS, AUGUST 2011

	First Aid Box on Site		Completed First Aid Training		Fire Extinguishers in Rooms		Possesses Public Liability Insurance		Indemnity Signs Displayed on Site	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Primary Income Source	17.65%	5.88%	11.76%	11.76%	0.00%	23.53%	23.53%	0.00%	11.76%	11.76%
Supplementary Income Source	52.94%	23.53%	23.53%	52.94%	5.88%	70.59%	58.82%	17.65%	41.18%	35.29%

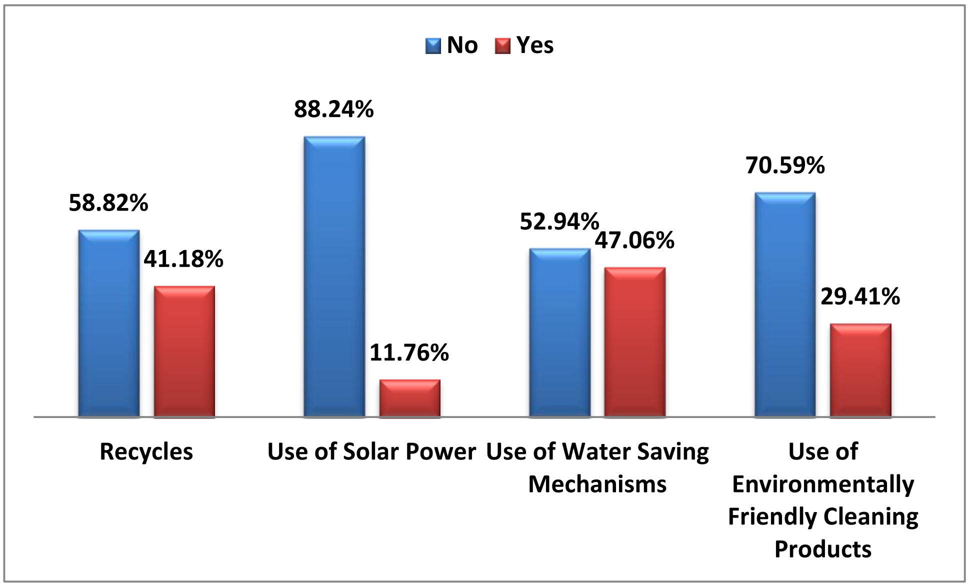
When these results were cross-referenced in terms of revenue stream determination an interesting result was presented. One would hypothesise that a primary revenue stream business would operate as a more professional entity and thus display greater signs of professionalism. However, Table 9 shows that across all safety considerations explored it was the supplementary income B&Bs that displayed a greater tendency to have engaged with these aspects and not the primary income B&Bs. Whether any definitive conclusions can be drawn around the operational standards and practices of these B&Bs is not clear at this point, however what is clear is that there is no direct link between "professional" B&Bs and guests' collective safety.

Illustrating this point when safety-related questions were asked to the B&B owners many of them were visibly disturbed by their own responses indicating that many had not even thought of these issues prior to the commencement of the interview. Interestingly the number of B&B owners that possessed public liability insurance was significant at 82.35 % indicating that several owners had recognised the need for some sort of insurance protection in case of an event on the property. Be that as it may, few have taken steps to be proactive around the prevention of events arising by implementing safety controls, whereas most have taken steps towards protecting their business interests legally through the imposition of reactive controls, namely public liability insurance.

5.5 B&B Owners' Environmental Considerations

In the same vein as the B&B guests were questioned around their perceptions of the environment, similar questions were asked of the B&B owners around their operating practices. The results were not encouraging.

FIGURE 45: ENVIRONMENTAL CONCERNS OF B&B INTERVIEWED, AUGUST 2011



From all the interviews conducted the overall results indicate that on average B&B owners do not put the environment front of mind when conducting their business. The only positive result from the interviews was around the use of water saving mechanisms. This was attributed to Eskom, South Africa's electricity provider, conducting a campaign where they encouraged B&B owners to trade in their old shower heads for water efficient ones for free (McLean, 2011:1). Please see Appendix 7 for an advertorial example of the campaign.

TABLE 10: CROSS-REFERENCE OF PRIMARY & SUPPLEMENTARY INCOME B&BS VERSUS DEMONSTRABLE ENVIRONMENTAL CONSIDERATIONS, AUGUST 2011

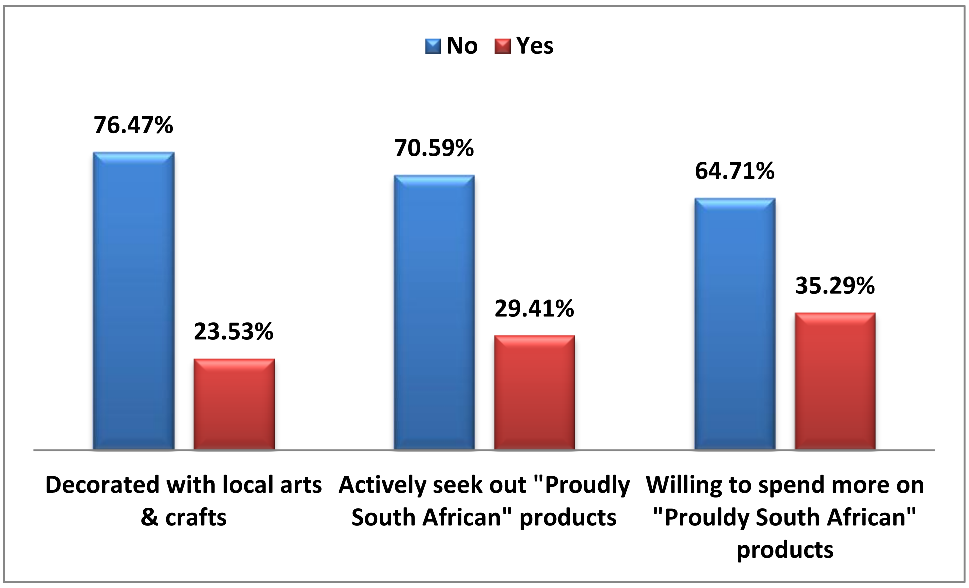
	Recycles		Uses Solar Power		Uses Water Saving Mechanisms		Uses Environmentally Friendly Cleaning Products	
	Yes	No	Yes	No	Yes	No	Yes	No
Primary Income Source	11.76%	11.76%	5.88%	17.65%	5.88%	17.65%	11.76%	11.76%
Supplementary Income Source	29.41%	47.06%	5.88%	70.59%	41.18%	35.29%	17.65%	58.82%

Again as previously shown in Table 9 with the safety considerations data, when cross-referencing the results from the interviews against income determination the supplementary income B&Bs lead the way in terms of operating environmentally friendly establishments. When considering the volume of guests that stay in a B&B the environmental impact of these guests can add up to being significant. Again McKercher's (1993) point is reaffirmed in that tourism creates waste and that those that create it are often indifferent to its creation. It is because of this environmental impact that the need for B&Bs to be proactive in their environmental choices is important.

5.6 B&B Owners' Community Considerations

As with the B&B questionnaire to guests, questions were formulated to determine the degree to which the operations of a typical B&B engaged with the local community. This was viewed as one of the more important sections of the interview in the light of its implications for LED. Here the research was intending to determine whether any community linkages were being created or maintained by the day to day operations of the B&B. These linkages form a major part of the underlying theory that supports LED. Two major ways were viewed as being able to immediately contribute to the local community through the B&B; namely by engaging in the "Proudly South African" campaign by purchasing its branded products and also by engaging the local community by purchasing locally produced products that may not have been branded "Proudly South African" for the B&B.

FIGURE 46: COMMUNITY CONSIDERATIONS OF B&BS INTERVIEWED, AUGUST, 2011



The results from the B&B owners around engaging with the local community are not encouraging. When questioned as to whether the B&B was decorated with locally produced arts and crafts only 23.53 % positively responded while the remainder simply argued that they bought "whatever was cheapest and looked the best." The origins of the product were never even considered. This is a very important observation in that it reveals that, on average, across the B&B owners surveyed, two major deciding factors are taken into consideration before a purchase takes place – 1) price and 2) quality. Appealing to nationalistic pride did little to sway to the opinions of these purchasers. Two interviewees responded as such.

> South Africa has got to compete with the other people [foreign nations]. I am not a charity. I have got a business to run.

> You know it is all about quality and price. It doesn't matter if something comes from Portugal or China or South Africa or wherever.

The second aspect of the interview focused on the "Proudly South African" campaign and whether the B&B owners were aware of the programme and whether it had resulted in them changing their spending patterns. As can be seen from the results in Table 11 the dominant response was that it had not. Both the willingness to spend more on South African products as well as actively seeking out "Proudly South African" products and services scored very weak responses indicating that most B&B owners were not receptive to the campaign nor were they willing to change their spending patterns and behaviours for whatever reason. Looking through the lens of LED these responses indicate that the B&B owners are not extremely willing to contribute to LED through their spending patterns thus inhibiting the potential growth of LED through the B&B tourism sector. It could potentially be argued that the economic position of a B&B could be a deciding factor for whether a B&B would be willing to spend more money on South African products and local crafts. However, when cross referencing B&Bs identified as primary income source establishments versus supplementary income source B&Bs the results indicated weak correlations and thus proved to be inconclusive on the whole.

TABLE 11: CROSS-REFERENCE OF PRIMARY & SUPPLEMENTARY INCOME B&BS VERSUS LOCALISED SPENDING PATTERNS, AUGUST 2011

	Decorated with Local Arts & Crafts		Actively seek out "Proudly South African" Products		Willing to spend more on "Proudly South African" products	
	Yes	No	Yes	No	Yes	No
Primary Income Source	11.76%	11.76%	11.76%	11.76%	11.76%	52.94%
Supplementary Income Source	11.76%	64.71%	17.65%	58.82%	23.53%	11.76%

What is interesting to note from the above table is that when comparing the positive results across the primary and supplementary income B&Bs the difference the results are marginal save for the question as to whether a B&B would be willing to spend more on a "Proudly South African" product versus a foreign import. Here the hypothesis that a supplementary income B&B would potentially be more disposed to spending money on South African products is proved correct but only by an 11.76 % margin which cannot be described as being conclusive.

5.7 B&B Owners' Interview Summary

Taking an overview of the results from the in-depth interviews within the theoretical framework of LED indicates that many opportunities for B&Bs and their owners to play a greater role are being missed. After establishing the general demographics of the B&B owners' to be roughly 54 years of age and them operating their businesses for approximately 6 years, their business model revealed that most had established their B&Bs as a supplementary source of income due to a perceived market opportunity without any formal training in the tourism or hospitality industries. Thereafter three major areas of interest were explored – 1) the B&B owners safety considerations, 2) the B&B owners' environmental considerations, and 3) the B&B owners' community considerations while running their B&Bs.

The results from the safety considerations indicated that while most B&Bs had first aid boxes on site few had completed first aid training. Equally most had public liability insurance yet few had public indemnity signage displayed on the property.

The environment was revealed to not be front of mind on average for the B&B owners with poor results for the number of B&Bs that recycled, used water saving mechanisms or solar power.

The final section reviewed the B&B owners perceptions of the "Proudly South African" campaign and whether their spending patterns had been influenced by it. The results indicated that while the concept of "Proudly South African" was understood by the B&B owners, it had not been influential in changing their spending patterns. It was determined that price and quality were the main drivers of purchasing decisions and nationalistic sentiment did not feature in any significant way.

Drawing conclusions from these results indicates that LED is not being significantly driven nor promoted by the B&B owners and their business operating model. This is not to say that there are no benefits associated with the B&B industry in terms of marketing of the local area and the creation of a local brand or reputation for the city. One must recognise that employment, in whatever form, remains important, especially when considered in an environment as poverty stricken as the Eastern Cape. It must be said that employment has been created as a result of the B&B industry's expansion across East London. However, it must also be said that employment generated from the B&Bs, while evident, is on a low scale, often unskilled to semi-skilled and low paid. It must be noted that several B&B owners remunerated their staff far better and often in excess in terms of what is required of them by law however, in terms of linkages to other sectors of the community, the economic buying power of these employees is negligible and not significantly different from any of their peers in either similar or unrelated industries.

Most of the B&Bs indicated that in order for a B&B to be economically self-sufficient one would need to offer a minimum of six to eight rooms in order to cover expenses such as advertising, operating costs while at the same time making a profit. This comment is a reconfirmation of the position illustrated in Figure 42 where the underlying economics of business expansion were put forward. Considering that most of the B&Bs offered on average 3-4 rooms the potential for these B&Bs to be economically self-sufficient and provide a primary revenue stream is not significant.

In terms of LED what could be of great benefit to the macroeconomy is if the B&B industry made a commitment to purchase "Proudly South African" products and to advertise themselves as doing so. In that way public pressure may result in other B&Bs and possibly even other industries following suit. The other possible way in which the B&B industry could contribute to society would be by donating or dedicating part of their revenues to a local charity. This type of effort mirrors what Craft (2011:45) terms as "responsible tourism" where the benefits of the tourism sector are distributed to the local community. By dedicating a portion of the profits to a local charity, a symbiotic relationship could be formed between the B&B and the outside community rather than having the B&B stand alone. Obviously for this to work would require buy-in from the B&B owners themselves, who at present, appear to be more concerned with more immediate short term considerations rather than long term philanthropic objectives.

5.8 B&B Worker Questionnaire

When the process of interviewing the B&B owners began it became evident that in terms of the broader study of the impact of tourism on LED initiatives it became imperative to interview some of the B&B workers. LED theory argues that through the creation of employment and the paying of salaries that income can come to be catalysed through a local economy and thus drive on local development. This is the position of the South African government's White Paper on Tourism (1996). Hence it was thus relevant to interview some B&B workers as it stood to reason that they were potential embodiments of successful LED theory and thus relevant to this research.

5.8.1 B&B Worker Questionnaire Design

It was determined early on that many of the B&B owners were not comfortable with the researcher interviewing the workers face to face. The reasons for this were not clear save to say that one B&B owner simply denied the request, citing staff unease at the prospect of being interviewed. It was thus concluded to be better to design a close-ended questionnaire to explore the potential links between the B&B sector and LED that could be completed quickly by the workers themselves. Two versions of the questionnaire were designed – one in English and one in Xhosa so that the workers could have a choice of which language they preferred to answer in. Please see Appendix 8 and 9 for examples of the questionnaire.

The questionnaire was designed to gather basic demographic information and then to explore the employment history of the employees and whether they had come from a background in the tourism or hospitality industry. It was hypothesized that most of the employees were simply pre-existing domestic workers that had merely taken on the title of B&B staff when the B&B began operating formally without any significant training involved.

A significant portion of the questionnaire was devoted to the spending patterns of the B&B workers as it was important to determine where the B&B workers were spending their salaries. As all of the B&Bs were located in urban areas it was necessary to determine where the B&Bs' workers were originally from and whether they still lived there and commuted to work. This point was important to explore as the efficacy of the catalysing effect of the B&B workers' income needed to be quantified and explored. LED theorists argue that with disposable funds available to be spent, entrepreneurs in the rural areas would establish businesses to capitalize on the newly salaried workers and thus turn a profit. This in turn would attract other commercial interests and thus grow the market. The exploration of the B&B workers disposable income was done by asking the B&B workers as to where they spent most of their salaries, either in the rural or urban areas.

If it was determined that a significant portion of the B&B workers' salaries were being spent in rural areas and not the urban areas, then the LED catalysing theory of their salaries could be held up as viable. It was, however, hypothesized that most of the workers were spending their salaries in the urban areas due to the lack of commercial options in the rural areas.

Also a breakdown of the spending patterns was necessary in order to determine as to what the main expenses of the workers were. In terms of LED theory this breakdown could be useful later on in terms of identifying potential businesses interests that could be tailored towards these workers and thus contribute to the catalytic potential of the workers' salaries.

5.8.2 B&B Workers' Questionnaire Results

In total ten B&B workers were surveyed for this research. It is acknowledged that this is not a very high number and thus these results are merely illustrative of a limited sample across the B&B industry.

5.8.2.1 B&B Workers' Demographics

Across the workers surveyed only one was male. All of the respondents were black South African nationals. The average age of all the workers fell into the 36-40 age bracket with one worker being over 50 years and one being under 21. Across all the cases only two workers had completed high school with the modal class response being completing Grade 5-7. Ninety percent of the respondents had children, all of which were enrolled in school. In terms of previous work experience prior to starting work in a B&B, only two possessed any previous B&B experience.

Common day to day tasks that the B&B workers mentioned were cleaning, making up of rooms and serving breakfast. Only one B&B worker mentioned performing receptionist work.

Ninety percent of all the respondents indicated that they did not live on the property and thus listed transport costs in their monthly spend. Results were evenly split between workers living in either Mdantsane or Duncan Village, two poor, densely populated township areas located outside of East London. The average travelling distance from these sites to Beacon Bay was calculated at 15 kms. Transport costs were noted as being significant averaging around R480.78 per month, the second highest of all listed expenses. See Table 12 below for a more detailed breakdown.

5.8.2.2 B&B Workers' Collective Spending Patterns

In the questionnaire it was put to the workers to determine where they spent the most of their salaries on a monthly basis. Options were provided to the workers that included:

- Cellphones
- Education
- Food
- Savings
- Debt repayment
- Alcohol
- Rent
- Clothing
- Medical Expenses
- Entertainment
- Transport

This list is by no means exhaustive but was decided upon as a general list of expenses that were common to most people, irrespective of their salary levels. The results from the questionnaire are illustrated as follows:

TABLE 12: B&B WORKERS' SPENDING PATTERNS BREAKDOWN, AUGUST 2011

	Gender	Salary Banding	Average Salary	Cellphone	Educational Expenses	Groceries	Savings	Rent	Clothing	Transport	Total Expenses	Salary Difference
1	Female	R2000 - R2500	R 2 250.00	R 20.00	R 300.00	R 300.00	N/A	N/A	R 200.00	R 561.00	R 1 381.00	R 869.00
2	Female	R2000 - R2500	R 2 250.00	R 30.00	R 300.00	R 500.00	N/A	R 80.00	R 200.00	R 360.00	R 1 470.00	R 780.00
3	Male	R3000- R3500	R 3 250.00	R 20.00	R 300.00	R 250.00	N/A	N/A	R 200.00	R 520.00	R 1 290.00	R 1 960.00
4	Female	R2000 - R2500	R 2 250.00	R 50.00	R 350.00	R 600.00	R 250.00	N/A	R 300.00	R 180.00	R 1 730.00	R 520.00
5	Female	R2000 - R2500	R 2 250.00	R 100.00	R 500.00	R 400.00	R 200.00	N/A	R 500.00	R 200.00	R 1 900.00	R 350.00
6	Female	Unpaid Intership	R 2 250.00	R 300.00	N/A	R 500.00	N/A	R 1 000.00	R 1 000.00	R 400.00	R 3 200.00	-R 950.00
7	Female	R2000 - R2500	R 2 250.00	R 35.00	R 500.00	R 700.00	N/A	R 395.00	R 200.00	R 806.00	R 2 636.00	-R 386.00
8	Female	R2000 - R2500	R 2 250.00	N/A	R 660.00	R 1 000.00	N/A	R 200.00	N/A	R 700.00	R 2 560.00	-R 310.00
9	Female	R1000-1500	R 1 250.00	R 120.00	R 118.00	R 1 500.00	N/A	R 240.00	R 500.00	R 600.00	R 3 078.00	-R 1 828.00
10	Female	R1000-1500	R 1 250.00	R 50.00	R 1 000.00	R 500.00	R 300.00	R 300.00	N/A	N/A	R 2 150.00	-R 900.00
AVERAGES			R 2 150.00	R 80.56	R 447.56	R 625.00	R 250.00	R 369.17	R 387.50	R 480.78	R 2 139.50	R 10.50

The results from the spending breakdown reveal a startling picture. At face value only 50 % of the workers were living within their given salaries and yet only three of the respondents indicated having dedicated savings as part of their monthly expenditure. The results of where these purchases took place were evenly split between town shops and shopping malls. No results were given to indicate that any purchases occurred in the rural areas thus proving the initial spending hypothesis to be correct. The implication of this result is significant in that it shows that the catalysing effect of the B&B workers' salaries are urban-based rather than rural-based and thus limited in terms of its catalytic potential.

Reading these results in the context of the Eastern Cape's macroeconomic position that was explored in Chapter 3.1 one can begin to understand the reasons for the low growth output and propensity to save. Combining this information with the given demographics paints a picture of a low level income working group that is poorly educated and does not manage its finances sustainably. Four out of the ten respondents were calculated to be living outside of their salaries by a significant margin, thus creating speculation of them being reliant on 3rd parties or other jobs to supplement their spending patterns. It is doubtful that any of the workers were involved in other paid work as all listed themselves as working fulltime, although this idea cannot be conclusively dismissed.

In terms of LED theory the growth of the B&B industry does not appear to have significantly catalysed any benefits to other areas or businesses. From the table above it can be seen that the main areas of expenditure are on transport, clothing, groceries and rent, all of which are localized in the urban areas. Due to the brevity of the questionnaire one cannot definitively conclude that no expenditure occurs in the rural areas and thus no income circulates as a result of the B&B workers' salaries. However, at this juncture it is possible to conclude that the results of the exploration into this topic have revealed that that the catalysing effect of the creation of employment within the B&B industry are not markedly different from any other industry wherein similarly paid positions have been created as a result of its advent.

5.8.3 B&B Workers' Interview Conclusion

The interviewing of the B&B workers commenced after the completion of the interviews with the B&B owners. A total of ten interviews were completed which, although small, proved to be useful as an illustrative guide with the results that they provided.

The level of education across the group averaged to be grade 5-7 with the majority of the respondents to be female and over the age of 30. The average salary was revealed to be R 2 250 per month. The spending patterns of the B&B workers revealed to be localized in the urban areas thus limiting the efficacy of the LED theory of salaried workers catalytic potential for development.

5.9. Conclusion

This chapter explored the inner workings of a typical B&B establishment and its operational model. The production functions of the B&B managers and workers were revealed to be profit driven and perfunctory in nature with little regard in terms of long term contributions to other sectors outside of the B&B industry. Several cross-references of primary income and supplementary income B&Bs were conducted against different criteria that were explored through the interview process and it was determined that the supplementary income B&Bs displayed a greater tendency to have engaged with the variables being explored. The survey of the B&B workers indicated that most were living beyond their means economically, if they were completely reliant on their B&B salaries. Furthermore most of the B&B workers were not significantly different from their peers in terms of their collective spending patterns and salary levels and thus their catalytic potential in relation to traditional LED theory is not significant.

Chapter 6. THE EASTERN CAPE DEVELOPMENT CORPORATION (ECDC)

The Eastern Cape Development Corporation (ECDC) is a wholly owned subsidiary of the Eastern Cape Department of Economic Development and Environmental Affairs (DEDEA) and is the official economic development agency for the Eastern Cape Province (ECDC, 2010:3). Its head offices are based in East London which thus allowed for the opportunity to interview staff members to gauge the ECDC's position around the growth of the B&B industry in East London and its implications for LED. Drawing from the ECDC's website (2011:1) the corporation states that their intentions, among others are to:

- Attract new investors and position the Eastern Cape as the investment target of choice
- Stimulate exports
- Facilitate economic development
- Derive value from their assets, including their large property portfolio
- Build existing businesses
- Facilitate start-up businesses

Its statement around facilitating economic development caught the researcher's eye and thus it became imperative that representatives of the ECDC be interviewed about what, in the opinion of the ECDC, constituted economic development. Researching the ECDC further it was determined that their main function was the provision of development finance to the private sector developers that approached the ECDC under the umbrella of developmental projects. As of August 2011 projects in Agriculture, Agro-Processing, Tourism and Property Development were listed as the ECDC's main foci. With tourism listed a focus area an interview with the ECDC was further warranted. Reviewing the ECDC's annual report for 2010/2011 it was discovered that tourism related projects received the greatest financial allocation in terms of the sectors supported by the ECDC.

TABLE 13: ECDC FINANCIAL SUPPORT PER SECTOR 2010/2011

Sector	Amount (R Million)
Tourism	R 454
Plastics	R 67.6
Agriculture & Agri-Processing	R 46.3
Aquaculture	R 42.5
Renewable Energy	R 33
Automotive	R 18
Total	R 661.4

The interview began with a general outline of the intentions of this research report and the capturing of general information around the operational characteristics of the ECDC. It was determined that should someone approach the ECDC for funding a six-step process has to be followed for any funds to be released to the applicant (ECDC, 2011:1).

TABLE 14: FUNDING PROCESS OF THE ECDC, 2011

1	The concept document is received and the Project Development Unit conducts a preliminary analysis.
2	If a concept document is not yet in place, the unit will assist the applicant to draw one up. Thereafter the unit, the applicant or a third party or any combination of these parties will develop a business plan.
3	If the business plan indicates the concept is not viable, no further action is taken.
4	If the concept indicates viability, funding will be considered by ECDC through its project development committee. The unit may also assist the applicant in accessing third party funding.
5	If ECDC funding is approved, the contractual elements will be discussed and formulated through a Memorandum of Understanding, Heads of Agreement and Acknowledgement of Debt.
6	Once these contractual arrangements are in place, ECDC funds will be advanced.

The above process can be time intensive ranging from a minimum of one month to a year depending on the complexity of the project. In light of this intensive process and when questioned against the large amount of funds dispersed to the tourism sector, as shown in Table 13, the interview revealed that capital intensive projects, such as the establishment of new hotels or resorts, were the cause of the large amounts. In essence, a few but capital intensive projects. It was important to clarify this point as it could not be adequately confirmed through literature review or research that there was a significant relationship between money spent and jobs created. When asked about the number of B&Bs that the ECDC had financed under the umbrella term of economic development the interviewee responded that approximately ten had been financed since 2008 due to rigorous feasibility study process which often rejected many of the proposals.

> "We have had a lot more applications than 10. I would say that we have had about 30 since 2008. We get a lot of applications where the guy [applicant] has got like 2 rooms, 3 rooms and based on the value of the property, the application is just not sustainable. We have tried to cherry pick and assist where we could instead of just funding everything and then losing money in the long run. Also the market is saturated. The market is also under pressure. We are not the only people funding B&Bs. Other guys are funding it themselves. Other are funding through other financial institutions. So although we may only have 10 on our books, who knows what the other financial institutions have financed. This has definitely contributed to the explosion of B&Bs."

The interview then proceeded to ask the position of the ECDC around the operation model of a B&B and what factors would be necessary for a B&B to be successful within the current economic climate. It was revealed that a B&B needed to have an average of 6-8 rooms in order for it to be sustainable as a stand-alone economic entity. This was an interesting position as the research that had been conducted with the B&B owners revealed that the average number of rooms on offer from the B&B owners who viewed their B&Bs to be their primary source of income to be between 7-8. For B&B owners who viewed their B&B to be supplementary income the average number of rooms was between 3-4. Thus in this instance the interview results and the position of the ECDC concurred.

> "I think that the success factor is the number of rooms that are available. What their offering is. I mean the guy that is going to open a 3 bedroom B&B is going to suffer in the long term. These are the guys that live in the house and they have just revamped it and hope. You need the volume. You need an average of 6-8 rooms for it to be sustainable. Anything under that is a mishmash."

Due to the ECDC being a government supported parastatal a question was then asked as to the effect of government policies in terms of determining the granting of funding to individuals particularity in the light of Black Economic Empowerment (BEE) where it is now the national government's official policy to prefer to grant funding and resources to non-white South African citizens. Criticism has been levelled at the BEE policy as being discriminatory and hampering to the establishment of businesses while others have labelled it as being an important tool address historical injustices. Both positions are contentious and are beyond the scope of this research however, it was important to determine whether BEE featured within the operational decision making body of the ECDC.

> "The BEE element is important, however it is also important on the number of jobs that are going to be created. It does not have to be 100 % BEE. If it makes economic sense and we are creating 200 jobs then we are not going to turn the white guy away."

> "However, when you deal with a B&B the number of jobs that can be created from a B&B is very small."

> "That is right. So now we only look at a BEE B&Bs. And we are not even financing B&Bs at the moment because the market is so saturated"

The final few questions asked the position of the interviewee on the Eastern Cape and why, despite all the efforts of both the private and governmental sectors, poverty levels remain so high and whether tourism could be used to assist in combating it.

> "I just feel that the Eastern Cape is just fast asleep. We have so much potential in this area and nothing ever seems to happen. We talk a good game. We have all these lovely policies and it is well documented on the strategies that should be done. I mean if you looked at all the documents that are in place you would think that this province of ours should be booming. I mean we have libraries of documents. And then we redo stuff, new versions. But nothing ever gets going on the ground because no one is actually driving anything. We assist SMMEs but we can't create them. We also can't drive tourism. That is someone else's job. Who? I don't know."

The point that is important to note here is the comment that the ECDC assists SMMEs (Small, Medium and Micro Enterprises) but that it does not create them. This is significant to recognise as the Eastern Cape government itself argues in its *Local Economic Development Information Booklet* (2010) that LED is "about creating a platform and environment to engage stakeholders in implementing strategies and programmes" (2010:4). It is "not the primary objective of LED to create jobs". Job creation is one of several benefits of LED but is not the primary purpose in the eyes of the Eastern Cape's DEDEA. Reading these two statements together it is apparent that the intended goals of the Department and the mechanism for achieving them, in this instance LED, are aligned however a problem lies in bringing key stakeholders together along with community interest groups. In this light it is apparent that a greater effort needs to be driven to source quality stakeholders so to engage them in the development process. However, as mentioned in the interview these stakeholders cannot be created and where they do not exist they cannot be engaged in the development process.

6.1 ECDC Interview Summary

From the interview it was determined that while the B&B industry had grown in recent years it was the position of the ECDC not to finance any further B&B related activities due to over saturation of the market. It was confirmed by the ECDC that the number of rooms that a B&B

possessed was crucial in determining whether it could be viewed as financially sustainable as a primary revenue stream.

It could also be inferred from the interview that the number of B&Bs that had opened in East London did not significantly contribute to the development process due to combination of factors, namely the number of rooms on offer and the employment opportunities that were created by the B&Bs. Due to the majority of B&Bs being run as supplementary income sources, with no desire to convert to a primary income status, coupled with the low number of jobs created, the position of the ECDC confirmed the research position that had been completed in that the B&B sector was not significant in contributing to development on a significant scale. What is also important to take away from the ECDC interview is its position on LED which it views as a platform for engaging stakeholders and other relevant parties depending on the projects to be engaged. This position is interesting in that LED is seen as a means to an end rather than an end in itself.

Chapter 7. CONCLUSION

This research project has explored the concept of local economic development (LED) and how it is theoretically suited to the tourism industry. This suitability was explored through investigating the Bed and Breakfast (B&B) industry in East London and whether the growth of the B&B industry in recent years is actively contributing to LED.

The research project began with a thorough review of current literature around the concept of development tracing its history as an academic discipline and the subsequent growth of the concept of LED in popular discourse.

It was determined through the literature that tourism is a theoretically appealing avenue to promote LED due to its catalyzing potential to spur on projects and initiatives that are developmental in structure. Through the establishment and promotion of sites and other service offerings, tourism has been theorized for some time to be a significant force to tackle unemployment by providing jobs without significant time lags due to substantial training interventions as well as by generating revenue, often based in foreign currencies. Tourism is also viewed by some as a "green" industry where renewable factors such as favourable weather and hospitable people lower tourism's cost of business on the local environment and thus make it more appealing avenue for development as opposed to traditional "smokestack" industries.

However, the literature review also revealed that not all voices are unanimously supportive of tourism's role in developmental agendas and that in many cases costs were incurred by the pilot areas that occasionally outweighed the benefits. It was shown that tourism is not as "smokeless" as many would have us believe and thus is not necessarily a completely "green" avenue for development. Here the island of Ibiza was put forward as such an example to be considered.

Upon deciding to explore the concept of tourism-based LED the subsector of B&Bs was decided upon to explore due to the dearth of academic exploration of the industry, even among LED authors. The initial question that was raised as to what degree the B&B industry complied with the theoretical underpinnings of tourism-based LED. The city of East London was chosen to explore this idea due to the rapid growth of its B&B industry in recent years.

The empirical research was completed over the month of August 2011 through the use of a voluntary questionnaires and in-depth interviews. One questionnaire was dedicated to exploring

B&B guest experiences and opinions of the B&B industry while the other questionnaire was dedicated to B&B workers exploring similar topics. During this time a total of 67 questionnaires and 17 interviews were completed. In both the questionnaires and the interviews questions related to LED were asked to determine whether the theoretical nature of the topic was evident in the day-to-day running of the B&Bs and whether B&B guests would be receptive to LED-related efforts on the part of the B&B owners.

In both the questionnaires and the interviews mixed results around the concept of LED were gathered. Guests were indifferent to environmental practices of B&Bs, however they did respond positively to B&Bs being formally graded and being involved in their local communities through charitable actions. B&B owners interviewed revealed that many were aware of environmentally friendly practices but did not engage in them for a variety of reasons. Engaging with the local community was cited as not being a major concern for the businesses. This point echoes what van der Merwe & Wöcke (2007:1) state where they mention that despite South Africa being regarded as leader in responsible tourism policy, the uptake of such policies lags far behind other nations.

In both cases the concept of stronger engagement with the "Proudly South African" campaign was explored and the results were recorded. Stating whether a B&B was "Proudly South African" or not did not rank highly on the consumption criteria of many B&B guests and most B&B owners clearly stated that they were not prepared to spend more money on a South African product versus a foreign product for use in their B&Bs, all things being equal. This result is unfortunate in that even some B&B owners viewed the "Proudly South African" campaign with slight feelings of contempt with the view as it being an expensive endeavor and a failed attempt at harnessing economic buy-in through appealing to nationalistic sentiment. Such positions could be argued as being un-patriotic, which according to the Automotive Business Review (2011:12) is one of the major reasons for the campaign delivering mixed results over the years.

Commenting on the role that the "Proudly South African" campaign can play in terms of promoting LED the Automotive Business Review (2011:12) argues that patriotism in its multidimensional forms is a crucial ingredient for the success of any LED initiative, without which successful results cannot be guaranteed nor sustained.

> "Pure, unadulterated patriotism is to be praised and to find expression of patriotism through music dance, support of the Proteas or the Springboks is fine. But let us add business to this form of expression – let us wear our patriotism on our sleeves when we buy a bar of soap, a TV set, when we invest our money, when we buy a car, and for the sake of the local component manufacturing industry, when we buy a brake pad, a clutch,

> a tail light. Not that we want to give the guys a free pass – they must offer a quality product at a competitive price and give the necessary sales support. The key to this is that there must be demand to encourage supply."

Reflecting on this quotation one is drawn to the comment that demand must first be present so as to encourage supply. This point reflects the information gathered from the interviews conducted with the representatives of the ECDC where they commented on the performance of their organization to provide funds to developmental projects. Where there is no one to drive an initiative all the funds in the world are not enough to attain a result. What is necessary is a recognised need to be addressed. This need, this encouragement is what is needed within the B&B industry in order for it to be more engaging with the theory of LED.

Embracing the concept of responsible tourism, tourism that promotes responsibility to the environment through its sustainable use; responsibility to involve local communities in the tourism industry; responsibility for the safety and security of visitors; would allow for the industry to grow and benefit greater numbers of people. The literature reviewed outlined cases across the world where tourism initiatives have started with good intentions but yet failed to deliver on its initial promises. Again one must reflect on McKercher's (1993) "truths" where he warns that in the private sector profits have ways of coming before people in most cases.

This research report showed that a clear understanding and conceptualisation of LED, while limited at present, is growing in South African circles. When the concept was introduced to B&B owners in East London many indicated that they were not aware of the concept and their ability to contribute to it through adjustments in consumption for their B&Bs. It is hoped that after the completion of the interviews that several owners came to reflect on their B&B service production methods.

However, this research project has also revealed that while changes to B&B owner behavior will constitute a major adjustment in terms of succeeding in promoting LED, governmental responses are also necessary. Significant problems were also identified in this research where a high degree of fragmentation is occurring across the sphere of tourism planning in all three sectors of government and that weak systems of tourism governance are allowing for B&B owners and others to have a free reign to be self-determined and unchecked. The fact that <u>**not one**</u> person identified could comment as to the actual number of B&Bs that were operating in East London at the time of this research speaks volumes.

This research has thus come to show that the literature of LED theory is indeed applicable to tourism with the latter's ability to contribute to a myriad of developmental goals. Tourism can contribute to job creation, the generation of revenue streams and be a catalyst for capital investment in areas previously under-developed. Where this research differs from theory is around the degree to which the subsector of the B&B industry can play a role in tourism-led LED practice. B&Bs have come to be shown through this research to be low level employers with few new jobs created as a direct result of the establishment of a B&B. Many of the B&Bs surveyed also were found to be supplementary revenue streams for their owners. In most cases owners were not formally trained nor came from a hospitality or tourism background.

Based on this research what has come to be apparent is the need for greater authoritative control of the B&B sector. The lack of binding regulations has allowed for multiple types of establishments to operate under the guise of a B&B and offer a range of services with an equally ranging level of professionalism. Formal grading of B&Bs is a voluntary and costly exercise thus the practice is open to abuse and manipulation leaving guests vulnerable to fraudulent grading ratings. Furthermore this research has shown that several B&Bs operate as sole proprietorships thus raising suspicions around their compliance with local tax laws. While it cannot be conclusively stated that all B&Bs that operate as sole proprietorships are evading tax it cannot also be ruled out.

It is thus the concluding opinion of this research report that a two-pronged approach to LED needs to be driven by both the B&B owners and local government sectors. The lack of regulations heightens the need for regulations. These regulations need to be communicated and enforced so that all current and future B&B owners operate from the same rule book. Formal grading should be made obligatory and inspections should be carried out. The idea of a B&B licence, in the same vein as that of a liquor licence, should be considered and the fees generated therefrom be donated to an LED initiative local to the licensed B&B. Reciprocating these fees generated, local government should provide training to current and future B&B owners around the use of modern technology, tourism and hospitality practices as well as courses in local and foreign languages. In this way structure is given to B&B owners so that they may better provide a quality service to their guests.

It is thus through a joint effort on the behalf of both parties that the B&B industry can come to make a significant impact on LED and consequently transform the expedient phrase “a better life for all” into a concrete reality.

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APPENDIX 1: THE SOUTH AFRICAN WHITE PAPER ON TOURISM

The White Paper Points:

1. Tourism represents a great opportunity to generate significant income, employ large numbers of people and contribute significantly to tax revenues for the state.

2. Tourism is the world's largest generator of jobs.

3. Tourism can provide immediate employment through the provision of unskilled and semi-skilled positions, often through on-site training.

4. Tourism is labour intensive with the lowest ratio of investment of per unit of capital to job creation.

5. Tourism draws a multiplicity of skills hence allowing for catalytic effects to multiply out throughout the economy.

6. Tourism creates entrepreneurial opportunities in both the formal and informal sectors.

7. Tourism provides an alternative to urbanisation, permitting people to continue a rural lifestyle.

8. Well-managed tourism is environmentally conscious often relying on maintaining and even repairing the landscape and its natural features.

9. Tourism builds cross-cultural relations through its inherent messages of goodwill, hospitality, tolerance and communication.

10. Tourism is a final good in that all revenues derived from tourism are experienced locally and are not exported overseas like other primary goods.

11. Tourism is a foreign exchange earner.

12. Tourism brings a ready market by exploiting increasing numbers of tourists from foreign and regional markets.

13. Tourism allows for a country to promote possible exports of local products through sampling and promotion utilising tourism avenues.

14. Tourism demand is continuous with the potential to continuously grow in different forms.

15. Tourism has a multiplier effect creating both direct and indirect value add to the domestic economy.

16. Tourism has the ability to create and stimulate linkages to other sectors of the economy – manufacturing, agriculture and services – and thus promote economic growth.

17. Ecotourism is a comparative advantage that South Africa possesses which has the potential to be developed further.

18. Tourism in South Africa is under-utilised sector of the economy thus the potential for major development, with all its subsequent benefits, is possible.

Source: Republic of South Africa. 1996. White Paper: **The Development and Promotion of Tourism in South Africa.** Department of Environmental Affairs and Tourism: Pretoria. May.

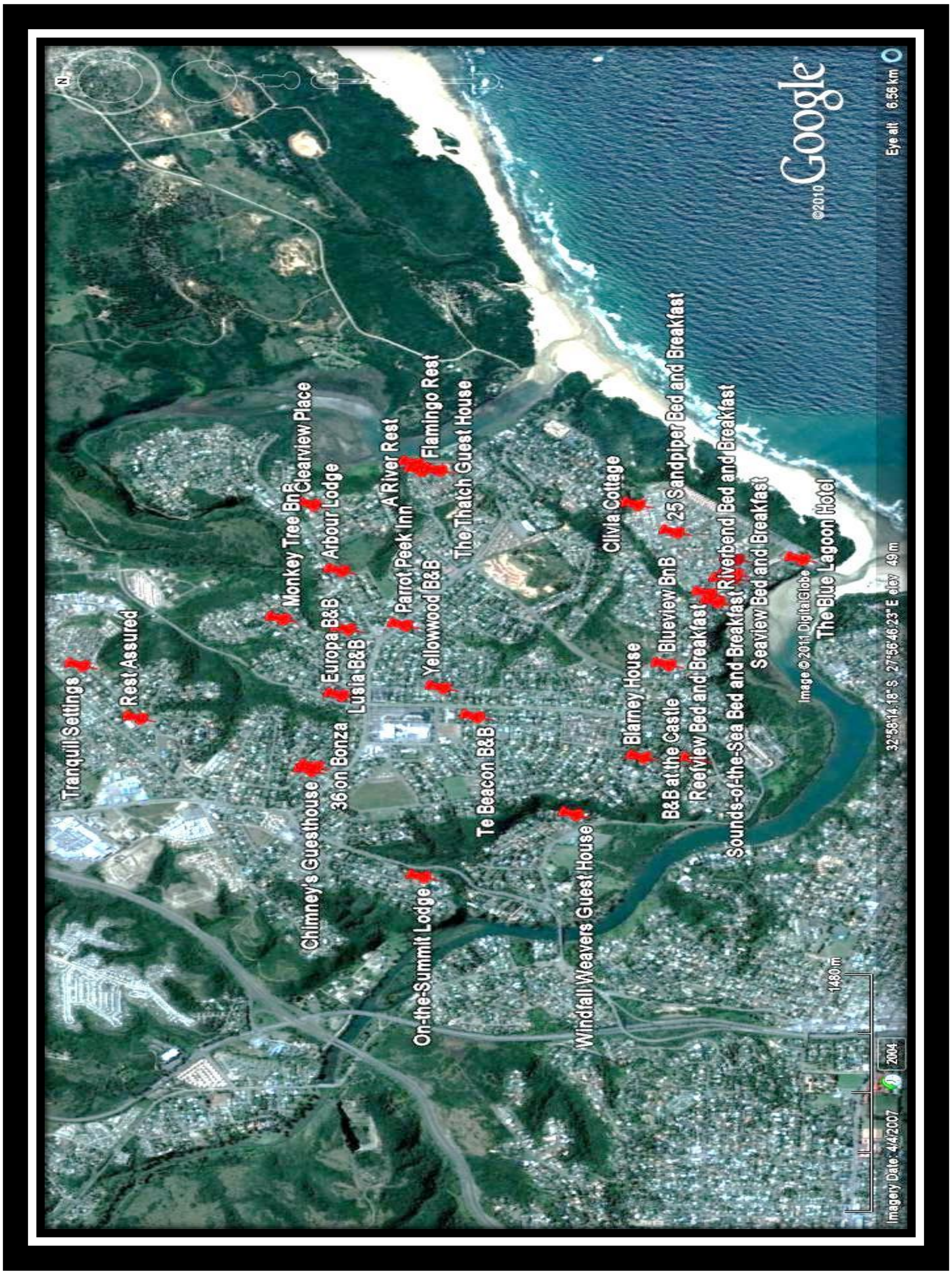
APPENDIX 2: MCKERCHER'S FUNDAMENTAL TRUTHS

The Eight Fundamental Truths

1. As an industrial activity, tourism consumes resources, creates waste and has specific infrastructure needs.
2. As a consumer of resources it has the ability to over consume resources.
3. Tourism as a resource dependent industry must compete for scarce resources to ensure its survival.
4. Tourism is a private sector dominated industry with investment decisions being based predominately on profit maximisation.
5. Tourism is a multifaceted industry and, as such, it is almost impossible to control.
6. Tourists are consumers, not anthropologists.
7. Tourism is entertainment.
8. Unlike other industrial activities, tourism generates income by importing clients rather than exporting its product.

Source: McKercher, B. 1993 "Some fundamental truths about tourism: understanding tourism's social and environmental impacts." *Journal of Sustainable Tourism.* Vol.1(1).

APPENDIX 3: MAP OF BEACON BAY AND ITS B&BS



APPENDIX 4: GUEST QUESTIONNAIRE

Dear B&B Guest

My name is David van den Bos and I am conducting research for the completion of a Masters degree in Development Studies at the University of the Witwatersrand. The purpose of this questionnaire is to gain insight into the roles of the Bed and Breakfast industry in East London and its links to creating local economic development.

I would like to ask you some questions about your stay at this B&B to better understand the experiences of guests. The questionnaire will take approximately 10 minutes to complete and all information obtained will be kept confidential and will be displayed in my research in aggregate form only. Thank You for your input.

Demographic	
Gender	☐ male ☐ female
race of respondent	☐ Asian ☐ Black ☐ Indian ☐ White ☐ Coloured ☐ Other (specify) ________
home language	☐ Xhosa ☐ Zulu ☐ Pedi ☐ Sotho ☐ English ☐ Afrikaans ☐ Swati ☐ Ndebele ☐ Tsonga ☐ other (specify)_________________
age bracket	☐ <21 ☐ 21-25 ☐ 26-30 ☐ 31-35 ☐ 36-40 ☐ >40
In which province do you reside? **(SA residents only)**	☐ Gauteng ☐ North Wes t ☐ Northern Cape ☐ Free State ☐ Eastern Cape ☐ Western Cape ☐ Limpopo ☐ KwaZulu-Natal ☐ Mpumalanga
foreign respondents only	specify country you currently live in/originate from

All respondents	
1. Please estimate your monthly household disposable income (for all those living in your house). Please indicate currency.	☐ Rand ☐ ☐ Dollars ☐ Euros Other(specify)______ ☐ <5000 ☐ 20 000–24 999 ☐ 5000–9999 ☐ 25 000–29 999 ☐ 10 000–14 999 ☐ 30 000–39 999 ☐ 15 000–19 999 ☐ 40 000+
2. What is the main purpose of your visit to this area?	☐ Business ☐ Visiting family/friends ☐ Holiday ☐ Other (Specify) ____

3. Generally does the purpose of your trip influence the type of accommodation that you choose to stay in?	☐ Yes ☐ No
4. Who are you travelling with?	☐ Alone ☐ Family ☐ Friends ☐ Tour group ☐ Academic group ☐ Business associates ☐ Spouse/Partner ☐ Other (specify)__________
5. How did you come to know about this bed and breakfast?	☐ Have visited before ☐ Recommendation ☐ Tour operator ☐ Brochure ☐ Advertising ☐ Internet search ☐ Word of mouth ☐ Other (specify) ____
6. How did you make your booking at this bed and breakfast?	☐ Website based booking ☐ Travel agent ☐ Email enquiry ☐ Tour operator ☐ Telephone enquiry ☐ Off the street booking ☐ Business preferred supplier ☐ Other (specify) ___________________________
7. Where you have utilised websites, please list the websites.	
8. Is price the final determinant for your choice of accommodation?	☐ Yes ☐ No
9. What other aspects are important to you when choosing accommodation? Please list as much detail as possible	
10. If you were choosing between two bed and breakfasts, equally priced, would your decision be influenced by whether one…	a. Recycled and the other did not? ☐ Yes ☐ No ☐ Somewhat b. Used water efficient mechanisms and the other did not? ☐ Yes ☐ No ☐ Somewhat c. Used solar heating and the other did not ☐ Yes ☐ No ☐ Somewhat d. Hired tourism interns from local training facilities and the other did not? ☐ Yes ☐ No ☐ Somewhat e. "Gave back" to a community through charity, education, other community projects and the other did not? ☐ Yes ☐ No ☐ Somewhat

11. If a bed and breakfast says that it is “Proudly South African” is that important to you?	☐ Yes ☐ No ☐ Somewhat
12. Does it matter to you if a bed and breakfast employs local South Africans?	☐ Yes ☐ No ☐ Somewhat
13. Does it matter to you if a bed and breakfast is formally graded? e.g Star graded, member of the AA or member of a tourism body?	☐ Yes ☐ No ☐ Somewhat
14. Should a bed and breakfast be involved in community upliftment projects?	☐ Yes ☐ No ☐ Unsure
15. Would you like a bed and breakfast that can provide information about local events, activities and services?	☐ Yes ☐ No ☐ Somewhat
16. When choosing a bed and breakfast do you prefer to:	☐ Stay at new places ☐ Stay at places where you have stayed before
17. How many nights did you stay for?	☐ 1 night ☐ 2 nights ☐ 3 nights ☐ 4 nights +
18. How could the bed and breakfast owners have improved your stay?	

INTERVIEW CONSENT FORM

Transcription

I agree to take part in the University of the Witwatersrand Masters research project being conducted by DAVID WILLIAM VAN DEN BOS, student number 332976.

I have had the project explained to me. I understand that agreeing to take part means that I grant permission to the interviewer to document through transcription information as it relates to my bed and breakfast establishment.

I agree to be interviewed by the researcher: ☐ **Yes** ☐ **No**

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantaged in any way.

I understand that any data that the interviewer extracts from the interview for use in the Masters research report will not, under any circumstances, contain names or identifying characteristics,

I understand that any information I provide is confidential, and that no information that could lead to the identification of any individual will be disclosed in any reports on the project, or to any other party.

I understand that reports based on the interview(s) will be kept in a secure storage and accessible to university examiners only.

Participant's name: ______________________________

Signature: ______________________________

Date: ______________________________

Interviewer's name: **David van den Bos**

Signature: ______________________________

INTERVIEW CONSENT FORM

Audio Recording

I agree to take part in the University of the Witwatersrand Masters research project being conducted by DAVID WILLIAM VAN DEN BOS, student number 332976.

I have had the project explained to me. I understand that agreeing to take part means that I grant permission to the interviewer to document through audio recording information as it relates to my bed and breakfast establishment.

I agree to be interviewed by the researcher: ☐ **Yes** ☐ **No**

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantaged in any way.

I understand that any data that the interviewer extracts from the interview for use in the Masters research report will not, under any circumstances, contain names or identifying characteristics,

I understand that any information I provide is confidential, and that no information that could lead to the identification of any individual will be disclosed in any reports on the project, or to any other party.

I understand that reports based on the interview(s) will be kept in a secure storage and accessible to university examiners only.

Participant's name: ______________________

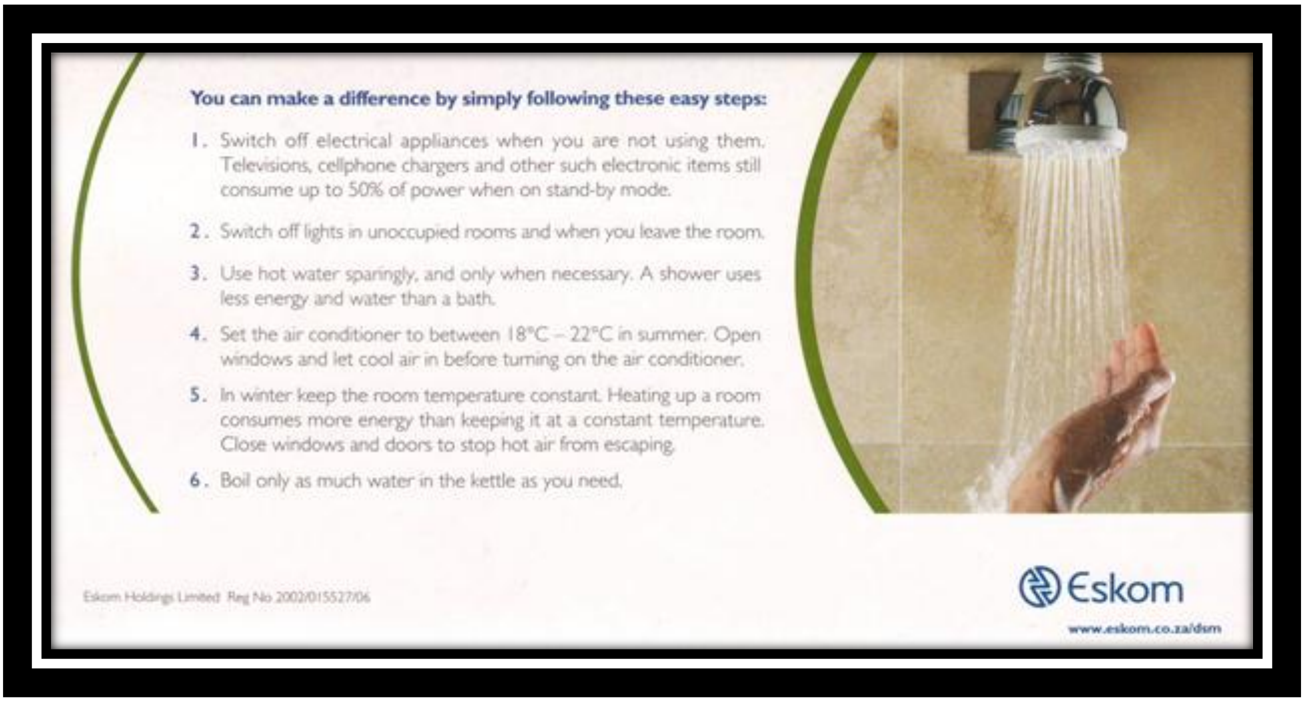
Signature: ______________________

Date: ______________________

Interviewer's name: **David van den Bos**

Signature: ______________________

APPENDIX 7: EXAMPLE OF ESKOM'S B&B ENERGY SAVING CAMPAIGN



APPENDIX 8: B&B WORKER QUESTIONNAIRE [ENGLISH]

Dear B&B Worker

My name is David van den Bos and I am conducting research for the completion of a Masters degree in Development Studies at the University of the Witwatersrand. The purpose of this questionnaire is to understand the Bed and Breakfast industry in East London and how it is helping create local economic development.

I would like to ask you some questions about your job at this B&B to better understand your experiences. The questionnaire will take approximately 10 minutes to complete and all information obtained will be kept confidential. Thank you for your help. It is much appreciated.

General Questions	
Gender	☐ Male ☐ Female
Race of respondent	☐ Asian ☐ Black ☐ Indian ☐ White ☐ Coloured ☐ Other (specify) ________
Home language	☐ Xhosa ☐ Zulu ☐ Pedi ☐ Sotho ☐ English ☐ Afrikaans ☐ Swati ☐ Ndebele ☐ Tsonga ☐ other (specify)________________
Age bracket	☐ <21 ☐ 21-25 ☐ 26-30 ☐ 31-35 ☐ 36-40 ☐ 40-45 ☐ 46-50 ☐ 50+
Highest level of schooling completed	☐ Grade1-4 ☐ Grade 5-7 ☐ Grade8-9 ☐ Grade10-12 ☐ Completed Matric ☐ Tertiary education
Marital status	☐ Single ☐ Divorced ☐ Married ☐ Widowed
Do you have children?	☐ No ☐ Yes How many? ________ How old are they? _______________ Are they in school? ☐ No ☐ Yes

Work Questions	
19. When did you start working here?	
20. What work did you do before you started working here?	
21. Have you ever worked in a B&B before?	☐ Yes ☐ No
22. What are your main daily jobs in the B&B?	

23. Please indicate your monthly disposable income	☐ R1000-R1500 ☐ R2000–2500 ☐ R3000–R3500 ☐ R4000-R4500 ☐ R5000-R5500 ☐ R6000-R6500 ☐ R7000-R7500 ☐ R8000+
24. Where do you do your grocery shopping?	☐ Shopping mall ☐ Rural shops ☐ Town shops ☐ Rural market ☐ Town market ☐ Other ______________________________
25. Please estimate how much money you spend on the following items per month. If one does not apply then leave blank.	Cellphone Bills R____________ Education (fees, books, uniforms) R____________ Groceries R____________ Savings R____________ Debt repayments R____________ Alcohol R____________ Rent R____________ Clothing R____________ Medical bills R____________ Entertainment R____________ Transport R____________
26. Do you live on the property during the week?	☐ Yes ☐ No Where do you live? ________________
27. If you don't live on the property, how do you get to work?	
28. East London now has many B&Bs. Do you think that this is a good thing?	

APPENDIX 9: B&B WORKER QUESTIONNAIRE [XHOSA]

Molweni

Ndingu David van den Bos. Ndenza uphando olujolise ekugqibezeleni, nokwandisa izifundo zesidanga sesibini esiphezulu (Masters) kwi Yunivesithi yase Witwatersrand. Injongo yale mibuzo kukufumana ulwazi olunzulu ngeshishini lokulala nokudla kwakusasa eMonti, nokuthi eli shishini lubanceda njali abahlali ngemisebenzi.

Le mibuzo imayela nomsebenzi wakho kulo mba, khon'ukze ndifumane ulwazi olungcono ngamava akho kulo msebenzi.

Imibuzo le izakuthatha ishumi lemizuzu, neempendulo zakho zekhuselekile kum, khululeka. Ndiyalubulela uncedo lwakho.

Imibuzo jikelele	
Ishini	☐ Indoda ☐ Imazi
Ubudala	☐ <21 ☐ 21-25 ☐ 26-30 ☐ 31-35 ☐ 36-40 ☐ 40-45 ☐ 46-50 ☐ 50+
Iqondo ibanga eliphezulu lemfundo	☐ Grade1-4 ☐ Grade 5-7 ☐ Grade8-9 ☐ Grade10-12 ☐ Matric ☐ iYunivesithi
Utshatile?	☐ Hayi ☐ Ndihlukeneyile ☐ Ewe ☐ Ndingumhlolo(kazi)
Unebo abantwana?	☐ Hayi ☐ Ewe Bangaphi? ________ Bayafunda? ☐ Hayi ☐ Ewe

Imibuzo yomsebenzi	
29. Uqale nini ukusebenza apha?	
30. Wawusebenzaphi ngaphabili?	
31. Wakhe wasebenza eshishini lokulala nokutya (eB&B) ngaphambili?	☐ Ewe ☐ Hayi
32. Wenza ntoni apha eB&B?	
33. Uhlawulwa malini ngomsebenzi wakho apha	☐ R1000-R1500 ☐ R2000–2500 ☐ R3000–R3500 ☐ R4000-R4500 ☐ R5000-R5500 ☐ R6000-R6500 ☐ R7000-R7500 ☐ R8000+
34. Nithengaphi ukudla kwasendlini?	☐ iShopping mall ☐ Iivenkile zamaphandle

	/ispaza ☐ Iivenkile zasedolophu ☐ Urhwebo lasedolophu ☐ Urhwebo lamaphandle ______________________________________
35. Imali oyisebenzisayo ukuthenga ezi zinto ezilandelayo	Ifoni R______________ Izifundo R_____________ Ukudla R______________ Imali oyigcinayo R______________ Izikweleti R______________ Utywala R______________ iRenti R______________ Impahla R______________ Unyango R______________ Ubumnandi R______________ Uthuto R______________
36. Uhala apaha usebenza khona?	☐Ewe ☐Hayi Uhlala phi__________________
37. Xa ungahlali apha usebenza khona, uhlala phi?	
38. Zinintsi iB&B eMonti. Ucinga ukuba yinto entle leyo? Caza ukuba kutheni usitsho.	