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RESEARCH REPORT FOR THE DEGREE OF MASTER OF ARTS IN TOURISM

UNIVERSITY OF THE WITWATERSRAND, JHB

RESEARCH TOPIC:

ASSESSING ECONOMIC EMPOWERMENT IN THE NEWTOWN CULTURAL PRECINCT.

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PLEDGE

I, Matlaba Solomon Setlhako acknowledge that this is my own research report submitted to the University of the Witwatersrand for the degree of Master of Arts in Tourism.

Signed……..

Date……

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Dedication

This Research Report is didicated to my late father Kgare Jim Setlhako and my late uncle Phaphedi Emmanuel Matsapola.

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List of Abbreviations and Acronyms

(i) B&B – Bed and Breakfast
(ii) BEE – Black Economic Empowerment
(iii) BSCs – Business Service Centres
(iv) BTSA – Business Trust of South Africa
(v) DACST – Department of Arts, Culture, Science and Technology
(vi) DBSA – Development Bank of Southern Africa
(vii) DEAT – Department of Environmental Affairs and Tourism
(viii) DTI – Department of Trade and Industry
(ix) GJMC – Greater Johannesburg Metropolitan Council
(x) GTA – Gauteng Tourism Authority
(xi) HDIs – Historically Disadvantaged Individuals
(xii) JSE – Johannesburg Stock Exchange
(xiii) IT – Information Technology
(xiv) JDA – Johannesburg Development Agency
(xv) KBC – Kagiso Business Consultants
(xvi) KFC – Karabo Financial Consultancy
(xvii) LED – Local Economic Development
(xviii) NGO – Non-Governmental Organization
(xix) NQF – National Qualifications Framework
(xx) NTCP – Newtown Cultural Precinct
(xxi) MICE -Meetings, Incentives, Conferences and Exhibitions
(xxii) PDIs – Previously Disadvantaged Individuals
(xxiii) SA – South Africa
(xxiv) SABCC – South African Breweries Centenary Centre
(xxv) SAGDA – South African Graduates Development Association

(xxvi) SANGO – South African Non-Governmental Organizations

(xxvii) SEDA – Small Business Development Agency

(xxviii) SETA – Sector Education and Training Authority

(xxix) SMEDP – Small and Medium Enterprise Development Programme

(xxx) SMMEs – Small, Medium and Micro- Enterprises

(xxxi) TBSA – Tourism Business Council of South Africa

(xxxii) TDF – Tourism Development Fund

(xxxiii) TEDP – Tourism Enterprise Development Programme

(xxxiv) Theta – Tourism, Hospitality and Sport Sector Education and Training Authority

Research Methodology

The research was conducted through structured interviews with thirty entrepreneurs involved in different types of tourism SMMEs in the Newtown Cultural Precinct, namely those classified as cultural tourism SMMEs e.g. crafts, those resulting from direct spending in the precinct e.g. coffee shops, and those resulting from the ripple or multiplier effect of cultural tourism in the area e.g. cleaning and security. SMMEs falling in the latter two categories are not tourism SMMEs per se, but were interviewed as part of the study as they fall within the broader travel and tourism economy in the area and benefit indirectly from cultural tourism in the Newtown Cultural Precinct.

The focus of the research was tourism SMMEs operating in the Newtown Cultural Precinct, defined as the area between Quinn, Ntemi Piliso (formerly West), Market and Carr Streets (JDA 1999, refer to fig. 3). However, SMMEs operating in the Metro Mall were also interviewed as part of the study because the building of the mall has a significant influence not only on the growth of tourism SMMEs operating in the mall, but also on SMMEs operating in the Newtown Cultural Precinct. Similarly, SMMEs operating in the mall benefit directly from cultural tourism from the Newtown Cultural Precinct. The mall is also regarded by the Johannesburg Development Agency and the Greater Johannesburg Metropolitan Council as part of development in the Cultural Precinct (JDA 1999). The research would therefore be incomplete without an assessment of the economic impact its building has on the livelihoods of Previously Disadvantaged Entrepreneurs involved in tourism SMMEs in the Cultural Precinct.

The classification of enterprises according to size as Small, Micro, Medium and Survivalist was based on the levels of their incomes per month as well as the number of people they employ as outlined in the White Paper on the Promotion and Development of Small Business in South Africa (DTI 1995). This was also based on research on what constitutes a small business in research on small businesses in developing countries (see Dahles and Bras 1999), which shows that defining what constitutes a small, micro, medium or survivalist enterprise differs from country to country. Therefore, while reference has been made to policy guidelines, I have also depended on my own assessment on what would constitute a small, micro, survivalist or medium enterprise. This is based on the recognition that whereas South Africa is a developing country, the country has a dual economy, namely the first and second, and whereas the latter operates within an economy that is on par with First World economies, it still has the characteristics of a Third World economy. The term previously or historically disadvantaged individuals refers to women, the youth, aged, disabled and blacks; namely Africans, Indians and Coloureds as defined in the above-named National Strategy. However, the research focuses mainly on the empowerment of previously disadvantaged black entrepreneurs and women in general.

In addition to the interviews, the research was conducted through the use of the electronic media, policy documents as well as published sources such as newspapers, journals and books. The results of the research were analyzed through the use of the qualitative as well as quantitative methodologies; while its theoretical framework is presented from an urban regeneration as well tourism development perspectives.

Chapter One: Introduction

The provision of support programmes for tourism SMMEs is an essential aspect in the process of empowering previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in South Africa. For tourism SMMEs to function efficiently and increase their potential to empower previously disadvantaged entrepreneurs, it is important that they have access to relevant support services that can enable them to grow beyond the subsistence level. The availability of support programmes is not only key to the empowerment of previously disadvantaged entrepreneurs involved in the tourism industry in South Africa, but is also a sustainable solution to ending years of economic exclusion from participating in the mainstream tourism economy for the majority of historically disadvantaged entrepreneurs.

Far too many previously disadvantaged individuals are still involved in tourism SMMEs simply as a means of survival and not as a means of achieving meaningful economic empowerment. The provision of support programmes will ensure that survivalist SMMEs in which many previously disadvantaged entrepreneurs are involved graduate to become successful business ventures. Enabling previously disadvantaged entrepreneurs to participate meaningfully in the mainstream tourism economy will transform the tourism industry in South Africa and ensure that tourism SMMEs are sustainable in the long run. Since the coming into power of the democratic government in 1994, there have been notable efforts from government to promote and support the development of tourism SMMEs owned and managed by previously disadvantaged entrepreneurs through the passing of

relevant legislation. However, in spite of these efforts, there is still insufficient support offered to previously disadvantaged entrepreneurs in South Africa.

The lack of enough support for previously disadvantaged entrepreneurs can generally be attributed to three main factors. In the first instance, there is a lack of commitment from major financial institutions to provide financial support to previously disadvantaged entrepreneurs. There is also a lack of awareness among previously disadvantaged entrepreneurs of available support programmes that can enhance their SMMEs and assist them to grow beyond the mere subsistence level. Lastly, there is a lack of capacity at various levels of government to deliver the relevant support programmes to previously disadvantaged entrepreneurs. However, the lack of capacity is not so much due to less financial resources being allocated to the promotion of tourism SMMEs as it is to the legacy of apartheid, owing to which no support was offered to previously disadvantaged entrepreneurs. Hence there are so many previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy requiring assistance. The huge backlogs regarding availability as well as delivery of support programmes in many previously disadvantaged areas is largely due to the fact that the rate at which support programmes are being delivered is far slower than the rate at which the need for support is growing.

There is a growing need for relevant support for previously disadvantaged entrepreneurs to grow and develop their tourism businesses, the consequence of which is growing inequalities with regard to ownership, management and control within the South African tourism industry. The continuing

inequalities, thirteen years into democracy have the danger of overshadowing the amount of progress that has been made to date. Eradicating inequality from the tourism economy in South Africa is no doubt the biggest challenge facing the new government in so far as transformation is concerned. The absence of adequate support programmes and the obvious backlogs in the delivery of relevant support has mainly resulted from the fact that prior to 1994 support programmes benefited SMMEs owned by a privileged white minority, while there was little or virtually no support offered to previously disadvantaged black entrepreneurs. Rogerson (1999, cited in Rogerson undated a) notes that during the years of apartheid, black participation in the economy of the country was not only discouraged, but was also actively suppressed by state legislation.

Owing to exclusion from fully participating in the mainstream tourism economy, an overwhelming majority of historically disadvantaged entrepreneurs have entered into informal micro and survivalist tourism SMMEs. Most of the SMMEs are not only in the form of crafts SMMEs, but have become an important employment option for the majority of women as well as a means of alleviating poverty among the most disadvantaged sections of South African society. Regardless of the important role tourism SMMEs have played and continue to play in job creation and poverty alleviation, no support programmes were provided for them to meaningfully empower historically disadvantaged entrepreneurs. The lack of support for women entrepreneurs in particular in spite of the fact that women were in the majority among tourism SMME owners and constituted a permanent feature of the informal craft SMME sector needs special mention (GJMC 2002).

The entry of black entrepreneurs into tourism SMMEs continued despite harassment by the state due to rising levels of unemployment. According to the Greater Johannesburg Metropolitan Council (GJMC 2002), between 1996 and 1999 the number of people who entered into informal tourism SMMEs and other self-employment income generating activities grew from 9.6 to 16 percent of Johannesburg's total employment. The majority of these were women who entered into micro and survivalist craft SMMEs with no form of support offered to them. Owing to the lack of support for previously disadvantaged entrepreneurs to grow their SMMEs into successful business ventures, the decades before 1994 were described as an era of expansion without real growth for the tourism small business sector in South Africa (Erguven 2001). It was the coming into power of the democratic government in 1994 that heralded a new era for the tourism small enterprise sector in the country as legislation and support programmes were introduced to promote tourism SMMEs owned by historically disadvantaged entrepreneurs.

The efforts to promote the tourism small business sector were accelerated by the increase in domestic and international tourism to the country post 1994. According to the Department of Environmental Affairs and Tourism (1996, see also DACST 1997), in 1995 alone 4.48 million international tourists visited South Africa, while in 1997 the number of domestic tourists reached a staggering 7.9 million. The surge in tourism led the new government to identify tourism as an industry with potential to empower previously disadvantaged entrepreneurs through the promotion of small and medium sized enterprises. The White Paper on the Development and Promotion of Tourism in South Africa (DEAT 1996, see also Rogerson undated a) notes that through its multiplier effect tourism has the potential to reduce

unemployment and poverty as well as redress previous income imbalances. By creating linkages with other sectors of the economy, tourism has a great potential to create sustainable jobs. It is estimated that for every eight tourists who visit the country, one job is created. The White Paper (DEAT 1996: 7) states, “tourism creates opportunities for the small entrepreneur; … breeds a unique informal sector; …. Creates economic linkages with agriculture, light manufacturing and curios (art, craft, souvenirs); creates linkages with the services sector (health and beauty, entertainment, banking and insurance); and provides dignified employment opportunities”.

The potential of tourism to empower previously disadvantaged groups through income-generating activities was neglected in the past due to the fact that the industry was mainly aimed at meeting the interests of white privilege and leisure without taking into account how it can meet broader developmental objectives (DEAT 1996). Consequently, there was no support offered to previously disadvantaged entrepreneurs involved at marginal levels of the industry. It was after the coming into power of the democratic government in 1994 that the role tourism can play in empowering previously disadvantaged communities through small business development took centre stage. It is estimated that more jobs will be created in the tourism small business sector than in the mainstream tourism economy. The World Travel and Tourism Council (WTTC 1998) estimates that by 2010, more than 174 000 jobs will be directly created in the tourism industry in South Africa; while a further 516 000 will be created in the broader travel and tourism economy in the country. The above figures are conservative estimates of the potential of the industry to improve the lives of previously disadvantaged groups for the better as they do not take into account the number of jobs that

will be created as a result of the hosting of the 2010 Soccer World Cup.

To promote tourism SMMEs, recent legislation is geared towards not only increasing participation by historically disadvantaged entrepreneurs in the tourism economy, but also providing them with support programmes that can enable them to start and manage their tourism businesses successfully. The 1995 White Paper on the Development and Promotion of Small Business in South Africa, which is one of the most ambitious pieces of legislation aimed at increasing participation by historically disadvantaged entrepreneurs in the mainstream economy, identifies the SMME sector as a highly significant vehicle for achieving black economic empowerment. The White Paper provides not only a policy framework for targeted support of enterprises owned by historically disadvantaged entrepreneurs, but also offers guidelines as to where support is mostly needed. According to the White Paper, support for previously disadvantaged entrepreneurs must focus on improving access to training, finance, markets as well as appropriate information technology.

Although a favourable legislative environment has been created by the new government, there is still insufficient support programmes offered to previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in South Africa.

1.1 The Provision of Support Programmes for Tourism SMMEs in Post - Apartheid South Africa

The new government took on the unenviable task of building an economy with an SMME sector that was dominated by informal micro and survivalist

enterprises. Firstly through the passing of relevant legislation it had to create an environment for developing the tourism small business sector. This was followed by the introduction of institutional mechanisms as well as support programmes to assist previously disadvantaged entrepreneurs to develop their tourism SMMEs. The formation of the National Small Business Council, the appointment of a Chief Directorate in charge of the Small Business development in the Department of Trade and Industry as well as the formation of Small Enterprise Development Agency, represented significant steps towards promoting small business development in post-apartheid South Africa.

The establishments of the Tourism Enterprise Development Programme as well as the Tourism Development Fund are mechanisms introduced in the post 1994 period to assist previously disadvantaged tourism entrepreneurs to grow their SMMEs. According to the Department of Environmental Affairs and Tourism (DEAT 2001, see also Rogerson undated a), the Tourism Enterprise Development Programme has added to the existing pool of entrepreneurial support programmes provided by government-funded SMME support agencies such as Khula, while the Tourism Enterprise Development Programme was established to assist previously disadvantaged entrepreneurs in critical areas of small business development such as marketing, business development and finance. By working in collaboration with the Development Bank of Southern Africa; the Tourism Business Council; the Business Trust as well as other important role players that support and promote tourism small business development in South Africa, the TEDP assists previously disadvantaged entrepreneurs to develop their SMMEs into sustainable business ventures.

In order to increase access for Previously Disadvantaged Entrepreneurs to foreign markets, the International Tourism Marketing Assistance Scheme was established. As part of the government's efforts to improve skills development, Theta was established with the aim of providing quality standard training courses in tourism. A Skills Development Levy was also established to assist previously disadvantaged entrepreneurs with funding for skills training. In addition, a Learnership Programme was introduced to train aspiring entrepreneurs, students and unemployed youth to equip them with the requisite skills to participate in the tourism industry as skilled workers, owners as well as managers of tourism enterprises. To improve their access to information, Business Service Centres were established to offer information on relevant support services as well as provide counseling and advice to aspiring entrepreneurs. In addition, Tourist Information Centres were established to offer information to tourists on products offered locally, while SEDA Information Centres were established to provide business information to SMMEs.

The launch of the Soweto Tourism Information Centre on 22 February 2006 was described as a "First Stop-Shop for information and advice for tourists and SMMEs" by the mayor of Johannesburg Amos Masondo (SABC 2 Morning Live, 22 February 2006). The introduction of Business Service Centres as well as Tourist Information Centres is essential to the development of tourism SMMEs. It is there important that more of these are provided in previously disadvantaged areas, where most previously disadvantaged entrepreneurs do not have access to relevant support programmes. Due to the lack of access to support programmes, the majority of SMMEs have not grown beyond the subsistence level.

The potential of the tourism small business sector to empower historically disadvantaged entrepreneurs has been articulated and acknowledged. However, according to the Department of Trade and Industry (DTI 1995), South Africa is still lagging behind compared to other countries in terms of small business development. Not only does the country have a small business sector, but its SMME sector is dominated by a growing micro-enterprise segment, while thousands of entrepreneurs are involved in survivalist enterprises.

Support for historically disadvantaged entrepreneurs must therefore focus on two levels. The first level should be aimed at expanding the tourism small business sector, which can be achieved by encouraging more young people to enter into tourism SMMEs. This means that the role of government must not only be to formulate policy to promote tourism SMMEs, but should involve carrying out of awareness campaigns to inform previously disadvantaged individuals of opportunities for them to enter into tourism SMMEs. The campaigns should also be aimed at informing previously disadvantaged entrepreneurs of support programmes as well as organizations that can assist them in accessing the necessary relevant support. As part of government's efforts to assist historically disadvantaged entrepreneurs, companies committed to promoting entrepreneurship by building partnerships with local communities should be given concessions in the form of tax relief. These can also be in the form of rebates on investment capital.

In order to develop tourism small enterprise development in poor areas, the government must give more tax exemptions to previously disadvantaged entrepreneurs to alleviate the tax burden often placed on SMMEs. This

would encourage more small entrepreneurs to formalize their SMMEs as one of the reasons why small business owners are reluctant to formalize their businesses is the fear of being overtaxed.

The government should intervene at all levels of small business development in order to ensure that there is delivery of support programmes. This will enable SMMEs owned by previously disadvantaged entrepreneurs to function efficiently. There is a need for government to introduce more effective mechanisms that will ensure compliance where there are blockages in terms of providing support to previously disadvantaged entrepreneurs. To develop the tourism small business sector, the government should make the sector more attractive to young people by increasing state funding to tourism SMMEs. The government should also work closely with all stake holders to create a much friendlier environment for previously disadvantaged entrepreneurs to participate in tourism SMMEs. For instance, the government should work in collaboration with small business associations who represent the interests of small business owners. Working closely with small business organizations is critical to small business development as these organizations enable entrepreneurs to speak with one voice pertaining to their needs. They can also play a significant role not only in providing relevant business information to entrepreneurs, but can also assist entrepreneurs in accessing the necessary support to develop their SMMEs.

Support by government of small and medium sized tourism enterprises is critical in empowering previously disadvantaged entrepreneurs involved in the tourism economy in South Africa. The announcement made by President Thabo Mbeki during his Second State of the Nation Address on 21 May 2004

(SABC 2) that the government has made a commitment to assist the youth in starting their own enterprises upon completion of their studies is a welcome step. This will ensure that previously disadvantaged youth set up tourism enterprises with the necessary support available to develop their SMMEs and that their SMMEs grow to levels where they are economically sustainable.

The other level of support for previously disadvantaged entrepreneurs must focus on growing the tourism small enterprise sector. This can be achieved through a number of government intervention strategies such as procurement. The Annual Review on Empowerment and Transformation in the South African Tourism Industry for 2003 notes that government procurement is by far the most successful way of empowering previously disadvantaged entrepreneurs. This in itself is a demonstration that for transformation of the tourism industry to take place, direct government intervention is absolutely necessary. One of the reasons why the small business sector in South Africa has not grown sufficiently during the thirteen years of democracy is the fact that the government has not only left the private sector to drive the economy, but it has also left the growth of the tourism small business sector to the dictates of the market with as little intervention from government as possible. While this is healthy in a free market environment, to assist previously disadvantaged entrepreneurs who have been excluded from participating in the economy of the country as well as address previous income imbalances, more direct government intervention is necessary.

As Koch et al (1998) correctly note, the success of small, micro and medium enterprises is not the result of the trickle down effect or the spontaneous response to market forces, but that of direct government intervention through

policy formulation aimed at promoting small enterprise development.

Nevertheless, from the point of view of developing countries, South Africa is hailed as a leader in formulating policy for transforming the industry to empower historically disadvantaged entrepreneurs through increased meaningful participation. The country has taken the lead not only in advocating best business practice within the tourism industry, but also in advocating the principle of Responsible Tourism, which is described as the "responsibility of government and business to involve the local communities that are in close proximity to the tourism plant and attractions through the development of meaningful economic linkages e.g. the supply of agricultural produce to the lodges, outsourcing of laundry etc" (DEAT 1996: 17). Although the country is hailed as a leader in advocating Responsible Tourism, South Africa can also take a leaf out of the book of countries such as Japan, China, Taiwan, Singapore, Malaysia and others, which through deliberate policy interventions have succeeded in supporting and developing their small enterprise sectors. Even in the most developed economies such as Britain, SMMEs are playing a key role as engines of growth and development. Barke and Harrop (1994), note for example that SMMEs play a highly significant role in the economy of Britain.

In developing African countries such as Kenya, one third of large tourism firms outsource one or more of their business operations, while 95 per cent of the country's leading hotels source their furniture from local SMMEs. Thus the support and promotion of tourism SMMEs has not only led to the SMME sector in Kenya emerging as a major player in the tourism economy, but also plays a key role in empowering previously disadvantaged local

entrepreneurs through meaningful economic linkages. The support of tourism SMMEs can no doubt play an important role in empowering previously disadvantaged entrepreneurs in South Africa. With the country currently experiencing high levels of poverty, unemployment and battling to overcome previous inequalities, the support of tourism SMMEs can contribute to overcoming some of these challenges. The transformation of the industry to involve previously disadvantaged entrepreneurs in the mainstream tourism economy is therefore high on the national tourism development agenda. It is by supporting previously disadvantaged entrepreneurs to participate in the tourism economy that the country can meet the challenges of transformation, economic empowerment and job creation. However, for transformation to take place, the involvement of previously disadvantaged entrepreneurs in the tourism economy should seek to achieve real and meaningful economic empowerment. The support and development of tourism SMMEs makes sense from a local and national development perspective because through entrepreneurship more people can become creators of employment rather than job seekers. Indeed entrepreneurship constitutes the core development function of the tourism industry.

Despite the changes that have taken place since the coming into power of the democratic government in 1994, the delivery of support programmes to previously disadvantaged entrepreneurs in South Africa is still faced with a number of challenges that should be overcome for real transformation to take place. The aim of this research is to assess the effectiveness of support programmes for tourism SMMEs with regard to empowering previously disadvantaged entrepreneurs involved at marginal levels of the cultural

tourism economy in the Newtown Cultural Precinct. A survey as well as critical examination of available support programmes provided by government and non-governmental organizations, including infrastructural developments introduced by the City of Johannesburg and the Johannesburg Development Agency has been done to asses the level of economic empowerment for previously disadvantaged entrepreneurs involved in the tourism economy in the area since the coming into power of the democratic government in 1994.

Chapter Two

Literature Review on Support for Tourism SMMEs and their Role in Empowering Previously Disadvantaged Entrepreneurs.

1.1 International Debates on the Support for Tourism SMMEs and their Role in Empowering Previously Disadvantaged Entrepreneurs.

The provision of support programmes is central to the transformation of the tourism industry in South Africa. However, there has been little research conducted on support programmes and their effectiveness in empowering previously disadvantaged entrepreneurs, especially those involved at marginal levels of the tourism industry in South Africa since the coming into power of the democratic government in 1994.

The lack of research on support programmes and how their provision can transform the small business sector within the tourism industry in South Africa should be viewed within the context of an industry in which much of the focus is placed on how the mainstream of the industry can create jobs in the formal economy. There is a general lack of focus in tourism research on support for tourism SMMEs and how this can empower previously disadvantaged entrepreneurs in South Africa as well as in other parts of the developing world. According to Gartner (1999), Hampton (2001) and Rogerson (2001, cited in Rogerson (undated a: 1), “Questions concerning entrepreneurship and small business development occupy only a relatively minor role in the volumes of writings on tourism, especially in the developing countries of Africa, Latin America and Asia”. Shaw and

Williams (2002: 146) state, “Within the literature on tourism’s economic potential, relatively little attention has been paid to … entrepreneurial activity …”, while Dahles and Bras (1999: 2) argue, “Apart from general discussions of the impact of transnational organizations, the literature is remarkably uninformative about the role and position of small and medium-sized businesses in the tourism industry”.

Research on small enterprise development within the tourism industry in South Africa has been largely neglected in tourism studies. What is lacking in South African tourism research is an assessment of how the provision of support programmes has empowered previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy since the coming into power of the democratic government in 1994. In terms of the rationale and theoretical framework for supporting small enterprises development within the tourism industry, two schools of thought dominate the discourse in so far as existing international literature is concerned. The functional or modern theory, which to a large extent still influences the thinking of policy makers originated in the 15th and 16th centuries among Anglo-Saxon scholars, and has dominated tourism literature until the late 1970`s. Thereafter, the Political Economy theory, dependency or what has also come to be referred to as the neopopulist theory emerged among under-development scholars in Latin America as an alternative view in tourism studies.

The Functional theory states that large tourism investments is the most effective way of empowering previously disadvantaged individuals in tourist destination areas, while the neopopulist theory is in favour of support for tourism SMMEs as an effective way of empowering previously

disadvantaged local communities in developing countries. Advocates of the Functional theory believe that by generating foreign exchange earnings and creating x-number of jobs within large tourism enterprises, tourism enable developing countries to meet broader developmental objectives such as fighting unemployment and poverty, while Political Economy theorists argue that large tourism investments result in negative socio-economic and environmental impacts on local communities in developing countries. They argue that rather than encouraging large tourism investments, small-scale tourism enterprises should be encouraged because this allows more effective involvement by local communities.

According to adherents of the Political economy school of thought, owing to limited financial resources and skills, the scale of the enterprise is an important prerequisite in determining the degree of empowerment for previously disadvantaged communities. They argue that the smaller the enterprise, the higher the degree of involvement by local communities, whereas the bigger the enterprise, the less involvement by previously disadvantaged communities (see Dahles and Bras 1999). France (1997 and Milne 1998, cited in Scheyvens 2003) notes that due to limited financial resources, previously disadvantaged communities are able to meaningfully participate in small scale tourism enterprises instead of large scale enterprises that involve labour intensive, high level skills as well as large capital investments. In other words small tourism enterprises enable previously disadvantaged entrepreneurs to employ locally based skills and resources to start SMMEs and develop their own local economies.

The Political Economy theory holds the view that the tourism industry is by

and large dominated by large corporations. This is at the expense of the small enterprise sector through which small local entrepreneurs can be empowered by entering into small scale tourism SMMEs that rely on local skills and resources. According to Britton (1989), the potential of the tourism small enterprise sector to empower previously disadvantaged entrepreneurs must be viewed in the context of the unequal power relationship between developed countries and developing countries, regarded to as the core and the periphery respectively.

This unequal relationship can be explained in terms of a three-tier hierarchy, according to which the small enterprise sector occupy the bottom rang of the tourism industry. At the top are the headquarters of multinational corporations, situated in metropolitan countries that dominate ownership of the three main sectors of the industry, namely tours, travel and accommodation, while the second tier is dominated by associate firms situated in developing countries owned by the local elite and foreign investors. The third and bottom tier is dominated by small, medium, micro and survivalist enterprises owned by previously disadvantaged local entrepreneurs who have less access to financial resources, information, training as well as limited technology to participate meaningfully in the industry.

Briton notes that the international organization of tourism enables multinational corporations to make use of their proximity to foreign markets to market themselves. In addition, foreign multi-nationals make good use of modern technology, including powerful marketing tools such as the packaged tour to market themselves. As such they are able to influence the direction

and volume of tourist flow, to the disadvantage of the small entrepreneur involved at the marginal level of the industry. Consequently, locally owned small, micro and medium enterprises cannot grow to the point where they can dominate the industry and in terms of ownership and control, owing to these structural imbalances be in a position to dictate their own terms of participation in the industry regarding pricing et cetera. Through the packaged tour, large tourism companies are able to make block bookings for accommodation at much reduced prices, which puts the small entrepreneur at a disadvantage in the sense that they have to compete with the large enterprises in terms of pricing.

Much to the disadvantage of the small local entrepreneur, block bookings lead to enclavism, whereby tourists are confined to hotels and major places of tourist attraction. This result in a lack of spending in local economies, the end result of which is that local entrepreneurs have no equitable share in tourism's economic benefits (Sinclair 1998, Freitag 1994, Britton 1982, 1989). Coupled with that is the problem of large foreign exchange leakage that occurs in developing due to the fact that tourists mainly originate from metropolitan countries. The leakage also occurs as a result of imported goods and services as well as management fees that go back to metropolitan countries in the form of salaries of foreign personnel who manage tourism enterprises due to a lack of relevant requisite skills among the local population.

The neo-populist or Political economy theory present the view that unless locally owned small and medium sized enterprises can be supported through meaningful economic linkages with large tourism enterprises, there will be

no meaningful empowerment for previously disadvantaged local entrepreneurs. The argument advanced by Political Economy theorists has assisted in shifting the thinking of policy makers as more support is being advocated and provided for previously disadvantaged entrepreneurs to grow and develop their tourism businesses. There has been a paradigm shift in policy from an emphasis on large tourism investments to supporting and developing the small enterprise sector as the only meaningful way of empowering previously disadvantaged groups. Nevertheless, there is still an inclination on the part of governments to introduce macro economic policies that are less conducive to promoting small and medium sized enterprises in efforts to meet broader developmental objectives. The Gear strategy of the new government is a case in point. The practice to introduce macro economic policies that are less conducive to the promotion of the small business sector is against the backdrop of an increasing body of literature advocating the support and development of small and medium sized enterprises within the tourism economy as the most effective way to achieve broader developmental objectives of job creation and poverty alleviation within developing countries.

The support of small and medium sized enterprises within the tourism economy is thus a subject that has generated much interest from academics, researchers and governments of developing countries. Researchers such as Dahles and Bras (1999), Rodenburg (1980), Ellis (1994), Kirsten and Rogerson (2002), Rogerson (undated) and De Beer and Elliffe (1997) focus on tourism small enterprise development with a view not only to highlight the challenges facing previously disadvantaged entrepreneurs involved at marginal levels of the tourism industry, but also the advantages of supporting

the tourism small enterprise sector.

While large tourism investments still play an important role in bringing about economic growth, cognizance is given to the fact that this has not created sufficient jobs for local communities in terms of fighting unemployment and poverty. It is noted that meaningful socio-economic empowerment for historically disadvantaged communities can only take place through the development and promotion of small and medium sized businesses within the tourism industry. Britton (1989, see also Kirsten and Rogerson 2002, and Rogerson undated a) argues that in order to empower previously disadvantaged entrepreneurs, appropriate policy interventions are required to change the ownership structure of the industry to allow more meaningful participation by previously disadvantaged groups.

According to Kirsten and Rogerson (2002), support for small, medium and micro enterprises within the tourism economy has a number of significant advantages for developing countries. Kirsten and Rogerson (2002: 29) note, “within the context of the developing world, in particular, it has been suggested that the economic objectives of increased earnings, foreign exchange, investment and job opportunities, as well as minimizing the adverse social and cultural effects (of tourism), were not best promoted through inward investment and large tourism enterprises. Instead, the advantages of developing small, medium and micro enterprise (SMME) tourism businesses are stressed”.

Whereas large tourism investments are criticized for resulting in large foreign exchange leakage, Dahles and Bras (1999: 2) argue, “By stressing

smaller scale, local ownership, it is anticipated that tourism will increase multiplier and spread effects within the host community and avoid the problems of excessive foreign exchange leakages". According to Broman (1996), small tourism enterprises offer new forms of tourism that unlike large firms are dispersed, are of low density and are located in and around local communities where they can encourage more meaningful interaction between tourists and local residents. The promotion of small, medium and micro enterprises helps to fill niches left out by large tourism companies, which often do not cater for specific market segments. Dahles and Bras (1999, see also Rogerson undated a, and Kirsten and Rogerson 2002) note that one of the advantages of promoting the tourism small business sector is the fact that unlike large enterprises, SMMEs are easily adaptable to market imperfections as well as changes in the procurement and sales markets through their ability to cater for the needs of those market segments uncontested by large firms.

One of the most significant advantages of SMMEs is that they offer tourists unique experiences within what is generally regarded as alternative forms of tourism such as cultural tourism (Kirsten and Rogerson 2002). This provides previously disadvantaged entrepreneurs with opportunities to participate in the industry as owners of tourism infrastructure such as Bed and Breakfast establishments as well as suppliers of services such as Tour Guiding. Kirsten and Rogerson (2002, see also Broman 1996 and Rogerson undated a) note that alternative forms of tourism termed the "new tourism" offer more prospects for empowerment for previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy than mass tourism or large tourism investments.

While adherents of the political economy school associate the lack of economic empowerment for previously disadvantaged entrepreneurs with the unequal power relations between developing countries and developed countries, Marxist and Feminist writers attribute this to power relations within developing countries. The latter argue that issues of ownership within tourism can be explained in terms of class, race and gender in the struggle for power and control over the industry among social classes, genders as well as race groups in developing countries. According to Kinnaird and Hall (1998: 6), “Power relations also exist within national tourism and are focused much more acutely at the local level where issues of race, class and gender can be analyzed as significant political power relations”.

In South Africa not only is 95% of the tourist industry under white control and ownership, but the industry is still white male dominated. According to Erguven (2001), these power relations have been reinforced by the legacy of apartheid as well as the patriarchal nature of South African Society. This has resulted in women not only being the majority of micro and survivalist SMME owners, but has also resulted in a situation whereby their enterprises have not grown beyond the subsistence level owing to a lack of power and access to resources. A recent argument that has dominated SA media with to transformation is that the democratization of South Africa has resulted in a power shift in the struggle for control and access to economic resources. With the emergence of a strong black middle class with economic power and political influence the struggle for control and access to economic resources within the South African tourism industry can no longer be viewed solely in race terms.

Neither can women be viewed as a homogeneous group. While these have always existed, current political changes in the country have led to increasing class cleavages among women themselves as a social group. Whereas women are still a disadvantaged social group, the degree of empowerment and access to economic resources is becoming more and more associated with the level of education and political influence one has. Although still in a minority, some of the women are part of an emerging black middle class that has managed to acquire economic benefits within the tourism industry, while the majority is still involved at marginal levels of the industry in micro and survivalist enterprises. Whereas the few have benefited from black economic empowerment, the latter have not achieved any meaningful gains from participating in the tourism industry. A recent argument is also that white women have been the biggest beneficiaries in terms of "Black Economic Empowerment" or employment equity and affirmative action policies of the new government.

The debate on the promotion of tourism SMMEs has increasingly focused on whether the involvement of women in the tourism industry transforms or reinforces gender roles and inequalities. Modern theorists argue that tourism is one industry in which women are not only in the majority, but have also acquired a considerable amount of economic power and influence through owning and managing tourism enterprises (see Scheyvens 2003). Proponents of the functional theory believe that tourism offer financial freedom and opportunities to women to participate meaningfully in the industry. On the other hand, Political Economy theorists argue that tourism is inherently patriarchal in nature, which explains why there is such a close relationship between the types of jobs performed by women within the industry and

domestic work. According to this line of argument, the fact that tourism is a service industry aimed at meeting the needs of tourists does not offer much help in terms of breaking down gender stereo-types. This can be supported by the fact that not only is the majority of frontline personnel in the industry women, but also most of those who own and manage tourism enterprises such as B&Bs are women.

Whereas Functional theorists believe that the involvement of women in tourism SMMEs offers them financial freedom and independence, Marxist and feminist writers argue that tourism reinforces gender based stereo-types and previous inequalities. The industry has therefore come under criticism not only from Marxist and feminist writers, but has also come under severe criticism from Labour Movements and Civil Society organizations who are exerting pressure on governments to promote gender equity. Through their bargaining power they have managed to influence governments to introduce policies that advance women empowerment as well as provide support for women in order that they can participate in the tourism industry in meaningful ways and not merely as owners of micro and survivalist enterprises.

After coming into power in 1994, the democratic government has thus introduced legislation aimed at transforming the industry to promote gender equality. At the core of government's strategy to empower previously disadvantaged entrepreneurs is the provision of support programmes. Nevertheless, in spite of the fact that policy with regard to advancing women empowerment has been formulated, the majority of women are still involved at marginal levels of the industry without any form of support offered to

them. Research on support programmes is therefore necessary in order to assess not only accessibility, but also their effectiveness empowering women entrepreneurs since the coming into power of the democratic government in 1994. According to Kirsten and Rogerson (2002: 29-30), “One key theme that has not received adequate attention in South African tourism research is a specific examination of the prospects of developing the SMME economy in the tourism sector”. Kirsten and Rogerson (2002) argue that developing the SMME economy in South Africa depends on among other factors, the level and nature of support offered to historically disadvantaged entrepreneurs. According to Kirsten and Rogerson (2002), by developing meaningful economic linkages or through outsourcing with large tourism enterprises, previously disadvantaged entrepreneurs can be economically empowered. The role business linkages can play in empowering previously disadvantaged entrepreneurs is also highlighted by writers such as Alila and Mc Cormick (1999) in research on tourism and small enterprise development.

Other forms of support programmes are necessary in ensuring that previously disadvantaged entrepreneurs are fully empowered to participate in the tourism economy. A study conducted among small entrepreneurs in Indonesia shows that a far holistic approach is required in efforts to empower previously disadvantaged small entrepreneurs (Van Diermen, 1997, see also Dahles and Bras 1999). Making support programmes available is not sufficient in empowering previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy. The study shows that first what is required is a mind shift on the part of the small entrepreneur in so far as their business culture is concerned. According to the study, small entrepreneurs in many parts of the developing world lack a progressive entrepreneurial culture

that says “I want to succeed beyond the mere subsistence level” and go about the business of seeking out the relevant support to develop their SMMEs. The study indicates that many small entrepreneurs not only lack the ambition to grow their SMMEs beyond the subsistence level, but have entered the small business sector simply as a livelihood strategy, while some had been forced to participate in tourism SMMEs by a lack of education, which reduces their chances of finding work in the formal economy. The study shows that most small entrepreneurs enter into SMMEs not as a means to make profit, but are in fact forced by social obligations such as providing for the needs of their immediate as well as extended families. According to Upadhya and Rutten (1997, cited in Dahles and Bras (1999: 13), “Entrepreneurs are not merely economic agents, but most of all social actors. Small entrepreneurs are not driven solely by the profit motive” they argue, “goals such as obligations toward kin, also determine their actions. The economic transactions of small entrepreneurs”, they continue to argue, “Are also social transactions, in the sense that they are usually embedded in social relations and not just determined by impersonal market forces”.

Instead of seeking out relevant support to develop their SMMEs, small entrepreneurs usually employ risk-avoiding strategies such as remaining small or venturing into tried and tested businesses. This ultimately leads to market saturation as most of them offering similar products and services. They also work long hours not as a way of growing their businesses, but as a means of survival. The study shows that for most SMMEs not to grow is a result of the conscious effort by the owner entrepreneur to remain small. To the small entrepreneur, seeking out any form of financial support to grow their businesses is not necessary as they often regard investing large sums of

financial capital in their businesses an unnecessary risk. To show that they are not so much involved in SMMEs to grow their businesses and become successful business people, most of them keep no written records of their business transactions. Neither do they keep track of developments in the market or make any differentiation between business and personal expenses. Thus Dahles and Bras (1999: 29) conclude, “As a rule, the owner entrepreneur has no special skills in these matters and does not know where he can obtain reliable information about marketing developments, advertising opportunities, or better marketing channels”.

It is against this background that the government has to provide support programmes such as education and awareness to assist previously disadvantaged entrepreneurs to manage their tourism businesses in an efficient manner. This will not only assist them in sustaining their livelihoods, but shall enable them to grow their businesses beyond the subsistence level to be fully empowered to being successful business people. By equipping entrepreneurs with relevant skills such as basic book keeping, they will be empowered to participate meaningfully in the tourism industry. However, the above study does not mean that all small entrepreneurs have the same attitude regarding developing their tourism businesses and must all be painted with the same brush. There are entrepreneurs who are not only painstakingly seeking out relevant support to develop their tourism SMMEs, but who have no support coming their way and have to face real challenges with regard to accessing the relevant support that they are so much in need of.

2.2 The lack of access to support services for Previously Disadvantaged Entrepreneurs in South Africa

The lack of access to support programmes for previously disadvantaged entrepreneurs is one of the most profound challenges facing the economic empowerment of previously disadvantaged small tourism entrepreneurs in South Africa. Many previously disadvantaged tourism entrepreneurs are faced with quite a number of serious challenges when trying to access support programmes to develop their SMMEs, some of which have been identified in policy documents as well as research conducted on the South African tourism industry.

2.3 The Lack of Access to Financial Capital

Accessing finance for previously disadvantaged entrepreneurs involved at marginal levels of the tourism industry in South Africa has always been difficult. This is a problem that has characterized the South African tourism small business sector for years till the advent of democracy in 1994. The micro and survivalists segments in particular, with their own peculiar characteristics such as lack of operating licenses or formalization have always been difficult to assist in terms of providing them with relevant support programmes. Nevertheless, formalization does not mean easy of access to support programmes. Most small entrepreneurs have formalized but still continue to operate without access to relevant support to grow their businesses.

Due to the difficulties previously disadvantaged entrepreneurs experience, many small tourism entrepreneurs are reluctant to approach financial institutions such as banks for assistance. Consequently, most aspiring entrepreneurs have no financial means to enter into tourism SMMEs. This is often caused by red tape when approaching major financial institutions. Owing to poverty and high levels of unemployment, without assistance from financial institutions, previously disadvantaged aspiring entrepreneurs are unable to have financial resources to start their own tourism SMMEs. Those who do often have to rely on alternative sources for finance. According to Rogerson (undated a), most previously disadvantaged tourism entrepreneurs either have to rely on stockvels or rotating credit or borrow from friends and families to start their SMMEs. Others rely on retrenchment packages, while some have to start their SMMEs out of retirement packages.

Accessing finance for previously disadvantaged entrepreneurs is difficult due to the lack of a culture of saving among previously disadvantaged entrepreneurs. This often results from the fact that the small business sector is generally characterized by extremely low levels of incomes. Owing to the low prices of goods and services within the industry, many previously disadvantaged entrepreneurs are not in a position to save money after having met their basic needs. There are also high levels of competition among tourism SMMEs owing to market saturation. The fact that most of them sell more or less the same products has the effect of pushing prices of goods and services within the industry down (Dirsuweit 1999, Rogerson undated a, Bourgouin 2002) with little or no solution in sight as low prices and incomes have always characterized the micro and survivalist enterprise segments within the South African tourism economy. The Greater Johannesburg

Metropolitan Council (GJMC 2002) notes that over fifty percent of SMMEs in the country earn less than R222 per month, an increasing number of which are survivalist with no prospect for growth or potential to empower previously disadvantaged entrepreneurs. Most tourism small entrepreneurs in South Africa are simply involved in tourism enterprises as a means of survival and not for achieving meaningful economic empowerment.

2.4 The Lack of Relevant Skills to Participate Meaningfully in the Tourism Economy.

A challenge facing the economic empowerment of previously disadvantaged entrepreneurs in South Africa is the poor levels of education and training among most previously disadvantaged tourism entrepreneurs. Few tourism small entrepreneurs understand the importance of training as a prerequisite to the growth of tourism SMMEs. Many of them simply enter into tourism SMMEs without undergoing training in Business Management to be in a position to manage their businesses successfully. Due to the fact that training in business management is not a prerequisite to enter into tourism SMMEs, the tourism small business sector in South Africa has always been characterized by poor levels of education and training. As such there is a huge shortage of business management skills in this sector.

According to Rogerson and Sithole (2001, cited in Rogerson undated a), a study conducted in Mpumalanga province among small entrepreneurs indicates that one third of entrepreneurs involved in tourism SMMEs has a primary school education, while eighty-eight percent has no formal skills or qualifications to manage a tourism business. Due poor levels of education

and training, many previously disadvantaged entrepreneurs have no skills to develop their products. This prevents them from designing products of high quality that can meet required standards to enable them to become competitive suppliers to the local and foreign market.

2.5 The Lack of Training, Over-commercialization and the Growth of Tourism SMMEs

Over-commercialization seriously affects the economic empowerment of previously disadvantaged entrepreneurs involved in the tourism industry in South Africa. According to Mc Cannell (1976, 1992 and Mitchell 1988, cited in Zukin 1995: 71), over-commercialization occurs when "as a way of life, culture is incorporated into cultural products which can be displayed, interpreted, produced and sold in a putatively universal repertoire of visual consumption". Owing to a lack of understanding of the tourist markets, most previously disadvantaged entrepreneurs do not produce products that genuinely represent South African cultures.

This is due to the lack of training, owing to which previously disadvantaged entrepreneurs simply design items for commercial purposes without regard for the need to create the correct balance between the needs of the tourist market and the originality of South African crafts. This not only undermines the integrity of local cultures, but also affects the growth of tourism SMMEs. In his study of the social effects of tourism in Swaziland, Harrison (1992) states that over-commercialization results from the fact that cultural products are designed for a predominantly foreign tourist market, whose needs and preferences are inconsistent with the respect for local cultures.

Using Swaziland as a case study, Harrison argues that most of the items produced in Swaziland have little or nothing to do with Swazi culture. Instead they have a lot to do with what is hoped tourists will buy. As illustration of this, the Chief Secretary of Commerce, Industry and Tourism in Swaziland was quoted saying, “We have advertised the post of a handy-craft designer who will help us design our products for sale in the outside market. We think that if we can get somebody experienced, especially from Europe, we would be in a better chance to know how the Europeans want our products to look like” (Harrison 1992: 159).

Identified as one of the biggest challenges facing the tourism industry, over-commercialization is also caused by the over-pricing of materials for producing products for sale in the tourist market. This does not take into account the low incomes derived from tourism SMMEs and leaves entrepreneurs with no other option but to find alternative ways of supplementing the incomes from their SMMEs. One of the means entrepreneurs employ to sustain themselves is to perform more than one job at a time. This negatively affects the quality of their products as it reduces the time they spend producing their crafts. According to DACST (1998a, see also Dirsuweit 1999), some entrepreneurs are resorting to buying and selling mass-produced goods, which affects not only the quality, but the uniqueness and integrity of South African products.

2.6 The Lack of Access to Tourist Markets for Previously Disadvantaged Entrepreneurs

A lack of access to tourist markets makes it difficult for previously disadvantaged entrepreneurs to become economically empowered through participating in tourism SMMEs. According to the Department of Environmental Affairs and Tourism (DEAT 2001), previously disadvantaged tourism entrepreneurs have limited access to new and established markets. Owing to the fact that they were previously excluded from participating in the tourism industry, most small entrepreneurs do not have training in marketing. As a result they do not know how they can promote their products to tourists.

Coupled with this is the fact that mainstream private sector companies regard tourism as a highly risky investment option. Most large tourism companies are therefore reluctant to develop business linkages with previously disadvantaged entrepreneurs. The established industry in South Africa has been described as indifferent towards supporting local tourism SMMEs as only a few companies are involved in developing business linkages with previously disadvantaged entrepreneurs (DEAT 1996). Mathfield (2000, cited in Rogerson undated a: 12, see also DEAT 1996) notes that participation by previously disadvantaged entrepreneurs in the South African tourism industry not only has to deal with the "myopia of racial and class bias in the established industry…but is beset with historically established inequalities and discrimination that will not be easily overcome". The absence of incentives to reward companies that are making concerted efforts to empower previously disadvantaged entrepreneurs by

means of developing business linkages with local SMMEs is another challenge facing empowerment for the majority of previously disadvantaged entrepreneurs in South Africa (Rogerson undated a, DEAT 1996).

2.7 Crime, Fear and the Growth of Tourism SMMEs

Crime against tourists seriously affects tourism SMMEs and their potential to empower previously disadvantaged entrepreneurs in South Africa. Research conducted in Soweto and Alexandra indicates that crime, particularly in Alexandra township is a major obstacle to the growth and development of tourism SMMEs (Rogerson undated b). Cited as the biggest challenge facing the South African tourism industry, crime seriously affects the economic empowerment of previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in South Africa (DEAT 1996). Due to high crime levels, few tourists visit or spend time in areas that are perceived to be unsafe and these are mostly areas in which previously disadvantaged entrepreneurs are operating their SMMEs.

Following the upgrading of most areas in the Newtown Cultural Precinct, crime levels have dropped significantly. However, there are still isolated incidents of muggings in the area. This is despite the introduction of surveillance cameras as one of the measures designed to stop crime in the area. Some of the tour operators who were interviewed indicated that they are reluctant to allow tourists who are their clients to buy from tourism SMMEs in the Cultural Precinct for fear that they will be mugged, especially in the case of female tourists who are perceived to be soft targets.

Respondent 1: One of the challenges women (entrepreneurs) face is that they are vulnerable to all sorts of petty crime as criminals regard us as soft targets (Interview 15: 8 April 2003)

Respondent 2: Most tourists would like to go around so that they can meet the local people to experience the beauty of South African cultures. But as tour operators, we are reluctant to allow them to walk around on foot because of the high levels of crime" (Interview 19: 8 April 2003).

Respondent 3: For SMMEs to grow, the government must do something to solve the problem of crime in the country (Interview 14: 8 April 2003).

Although crime is rife in some areas, in certain cases the fear to visit is simply based on perceptions rather than fact. While it is true that crime levels are high, quite to the contrary some of the places perceived to be unsafe are safer than they are commonly perceived to be. The recent surge of international tourism Soweto is a case in point. For local SMMEs to grow, it is imperative that owners of SMMEs themselves become aware of trends and or perceptions regarding crime and engage in awareness campaigns to encourage tourists to visit areas where they are operating their businesses. Entrepreneurs should also become part of initiatives to market their products and educate tourists about crime. In fact as more people are becoming aware of the positive economic benefits tourism can bring to their areas in terms of local economic development, they are more welcoming to tourists.

2.8 Tele-Communications and the Growth of Tourism SMMEs among Previously Disadvantaged Entrepreneurs in South Africa.

The lack of access to appropriate tele-communications prevents previously disadvantaged entrepreneurs from participating meaningfully in the tourism

economy in South Africa. Without information technology, tourism SMMEs cannot function effectively in an economic environment that is increasingly knowledge-based. IT enables SMMEs to communicate across national boundaries and reduces the geographical limitations they often encounter.

Telecommunications also plays an important role in electronic commerce by reducing the costs associated with traveling and transportation. It improves access for SMMEs to foreign markets and enables them to network "beyond their immediate traditional social networks" (Bourgouin 2002: 197). The use of IT helps in promoting inter-firm linkages between tourism SMMEs and large tourism firms. For example, the Internet serves as a valuable resource because it increases access to information for SMMEs. Through the use of information technology they can access valuable information on developments in within the tourist industry, especially regarding the needs of tourist markets. In addition they can access information on support programmes that can assist their SMMEs. For example they can access information on opportunities for inter-firm linkages as well as government procurement programmes (Kistern and Rogerson 2002). Through the use of IT, entrepreneurs can make their needs and concerns known to service providers, NGOs, municipalities as well as other government institutions (Kistern and Rogerson 2002, Bourgouin 2002).

2.9 Lack of Appropriate Physical Infrastructure

The non-availability of adequate physical infrastructure inhibits the potential of tourism SMMEs to empower previously disadvantaged entrepreneurs. There is little doubt that the potential of tourism SMMEs to empower

previously disadvantaged entrepreneurs is dependent on the availability of physical infrastructure. Many entrepreneurs lack physical infrastructure in the form of office space. As a result most of them still have to operate their businesses at street corners. Coupled with this is the slow pace of service delivery of basic services such as electricity, water and sanitation to enable previously disadvantaged entrepreneurs to develop their tourism SMMEs. In order to empower previously disadvantaged entrepreneurs, the government has to ensure they not only have access to physical infrastructure, but also have access to services that can assist their tourism SMMEs to grow.

2.10 The Domination of the Tourism Industry by Multi-Nationals and the Promotion of Creative and Tourism SMMEs.

The tourism industry in South Africa is still dominated by large tourism companies. Whereas legislation to promote tourism SMMEs has been promulgated, the industry is dominated by foreign multi-nationals, while previously disadvantaged local entrepreneurs are still trying to find for themselves a stake in the industry. Whereas large tourism investments earn foreign exchange for the country, too much reliance on international mass tourism can lead to less benefits accruing to local entrepreneurs. Nevertheless, while the tourism industry in South Africa is dominated by foreign multi-nationals, the country is in a much better position compared to other developing countries as a number of hotels and tour companies are locally owned. In addition, South Africa has its own national airline, while there are also a number of locally owned commercial airlines.

The problem facing the South African tourism industry after thirteen years of

democracy is the fact that the bulk of the industry is still in white hands. During the launch of the tourism empowerment score-card in Soweto in March 2005, the Chief Executive officer of the Tourism Business Council of South Africa Dr. Tanya Abrahams noted that 80% of the industry was still white male dominated, 15% black male owned, while the remaining 20% was in the hands of black women. The domination of the industry by a small minority had also prompted the then minister of Environmental Affairs and Tourism Dr. Valli Moosa to describe tourism industry in South Africa as being too lily white (SABC 2 Morning Live 2004, Rogerson undated a). Domination of the industry by a minority has led to the emergence of a dual economy within the South African tourism industry, with the First Economy in the hands of a privileged white minority, while the Second Economy is in the hands of the poor black majority.

A major challenge facing the economic empowerment of previously disadvantaged entrepreneurs is the lack of support for local tourism SMMEs. This is caused by over-dependence on foreign products as many hotels and restaurants are still making use of imported goods and services such as furniture, food and beverages, while the film, television and music industries are dominated by foreign productions. Calls to buy locally have had little effect. This lack of support for local tourism SMMEs negatively affects the potential of the cultural tourist industry to empower previously disadvantaged entrepreneurs involved at marginal levels of the industry. For cultural tourism SMMEs to empower previously disadvantaged entrepreneurs in the Newtown Cultural Precinct, there is a need not only to buy locally produced goods and services, but also for large tourism companies to outsource some of their services such as Laundry, Furniture as well as Fruits and Vegetables supplies

to locally owned SMMEs.

2.11 The Slow Pace of Delivery of Support Programmes

The slow pace of delivery of relevant support programmes is a challenge facing the empowerment of previously disadvantaged entrepreneurs. The backlogs regarding delivery of relevant support programmes render efforts to transform the tourism industry in South Africa ineffectual. There are still very few support programmes for tourism SMMEs in previously disadvantaged areas, which affects the potential of tourism SMMEs to empower previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy. According to the Cluster Consortium (1999, cited in Rogerson undated a: 12), "Governmentally based entrepreneurial support programs are virtually non-existent *(in these areas)*; what programs do exist are poorly advertised, and take so long to implement that they are of little value".

Conclusion

A challenge facing the economic empowerment of previously disadvantaged entrepreneurs among other factors is the lack of delivery of support services. However, in spite of the availability of available support programmes to deliver on the government's mandate to empower previously disadvantaged entrepreneurs involved at marginal levels of the tourism industry, the transformation and economic empowerment of historically disadvantaged entrepreneurs will take time to achieve.

Owing to the legacy of apartheid that took many years to entrench, which resulted in disparities in ownership as well as unequal income distribution within the tourism industry, empowerment and transformation cannot be achieved within a period of only thirteen years. The amount of achievement made to date should be measured against the backdrop of the years of economic exclusion that have resulted in high levels of socio-economic inequalities that are so prevalent and widespread within the tourism industry in South Africa.

However, Apartheid cannot be blamed for ever for lack of delivery of relevant support programmes and services to previously disadvantaged tourism entrepreneurs in South Africa. For transformation and economic empowerment to take place, there is a need not only to make the necessary resources available to deal with these challenges, but there is also a more urgent need to speed up delivery of available support programmes and services to historically disadvantaged entrepreneurs for them to participate meaningfully in the tourism economy as owners and mangers of successful business ventures.

Chapter Three

Critical Evaluation of Support Programmes for Tourism SMMEs in the Newtown Cultural Precinct.

3.1 Availability of Financial Services for Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct

For tourism SMMEs in the Newtown Cultural Precinct to empower previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the area, there is a need for them to have access to financial services. However, entrepreneurs in the area lack access to financial services as many of them find it difficult to get financial assistance from financial institutions such as banks. Entrepreneurs in the Cultural Precinct still experience similar problems they have experienced in the past prior to 1994 when it comes to accessing finance from major financial institutions.

During the interviews, entrepreneurs indicated that they are still required to provide surety when applying for finance from banks. They also indicated that need to submit business plans when applying for bank loans, without which they are told that their applications will not be considered. While this is important in ensuring the long term sustainability of SMMEs, less consideration is given to the fact that the majority of previously disadvantaged entrepreneurs are illiterate and therefore unable to draw business plans. This indicates the need to provide support programmes in order to equip entrepreneurs with skills such as drawing a business plan. On

the other hand the need for surety does not take into account the fact that most previously disadvantaged entrepreneurs are poor and have no fixed property they can use as security when applying for bank loans. The amount of red tape and bureaucracy involved when applying for finance from financial institutions continues to exclude the majority of previously disadvantaged entrepreneurs from participating in the main-stream tourism economy.

The cost of capital remains a major obstacle to the economic empowerment of historically disadvantaged entrepreneurs in the Newtown Cultural Precinct. This had been cited as the main reason why most historically disadvantaged entrepreneurs are reluctant to apply for financial assistance from financial institutions. Over seventy per cent of entrepreneurs in the Cultural Precinct indicated that they did not apply for loans due to the high interest charged by financial institutions, while ten percent did not apply for loans because of problems with their credit record. Thirteen percent had unsuccessfully applied for financial assistance from the bank and in hundred percent of the cases entrepreneurs who had unsuccessfully applied for finance believed that they should have been granted loans due to the fact that they had a good or clear credit record. They therefore did not understand why their applications were unsuccessful.

Respondent 1: I applied for a loan from the bank to expand my business, but my application was turned down although I believe I should be given financial assistance because I have a good credit record (Interview 5, 3 April 2003).

Respondent 2: Although I applied for a loan from the bank, my loan was never approved. They told me I cannot get a loan because I do not qualify

for a loan. Why I do not qualify for a bank loan I do not understand because my credit record is good (Interview 3, 3 April 2003).

Of the seven percent of entrepreneurs who have obtained financial assistance from the bank, these were owners of SMMEs which according to the respondents have operated for a number of years. In addition to submitting their business plans, they were able to provide financial statements to show that they operated viable business ventures. None of the entrepreneurs were granted assistance based on the fact that they submitted business plans that demonstrated a good or viable business idea.

Respondent 3: In order to qualify for the loan I had to supply the bank with my financial statements to proof that I can be able to afford the monthly repayments. Without the financial statements, I would not have been given the loan (Interview 1, 3 April 2003).

Respondent 4: To apply for the loan I had to submit a business plan to the bank. On top of that they said I should give them the financial statements of the business to show how much profit the business was able to generate during the two years it has been operating (Interview 29, 5 September 2004).

Of those interviewed, hundred percent of entrepreneurs had to provide for their own start up capital, out of which sixty percent had no money of their own but had to rely on friends and families for finance to start their businesses. Forty percent of those who had to borrow from micro-finance corporations to start their SMMEs indicated that they continued to borrow from micro-finance institutions in order to sustain their livelihoods.

Respondent 5: To sustain the business, sometimes I have to lend money from "*bomashonisa"* (another name for micro – lenders) (Interview 5, 6 April 2003).

Respondent 6: The banks will never lend you money; they only lend to rich people because they say that you cannot afford to pay it back. It is better with *bomashonisa* because they never ask you how you are going to pay them back (Interview 16, 8 April 2003.

Respondent 7: I have always borrowed money from micro-lenders whenever I am in need of extra money to stock and to buy other household necessities because you don't have to stand in a long queue. Unlike at the micro-lender, at the bank you are always required to answer multiple questions and produce a lot of official documents and other paper work (Interview 7, 8 April 2003"

Respondent 8: I never borrow money from the bank as they will never loan it to you (Interview 25, 6 September 2004).

The continued reliance of many historically disadvantaged entrepreneurs on micro-finance institutions is a result of the reluctance of big financial institutions to reform because in some of the cases, interviewees were owners of micro enterprises, which unlike survivalist enterprises can grow into successful business ventures. Reliance on micro-finance institutions constitutes an increased financial burden on small, medium, micro and survivalist enterprises due to the fact that micro-lending institutions charge interest rates that are far higher than normal rates charged by banks.

Most entrepreneurs in the Newtown Cultural Precinct have not applied for funding from government-funded institutions such as the Tourism Development Fund, the Umsobomvu Youth Fund, DTI and others that assist tourism SMMEs with funding. The reasons for not applying for funding from government funded agencies vary from one entrepreneur to the other.

Respondent 9: I do not want to borrow money. I would like to do it on my own. I want to start small and grow my business. I would like to save enough money so that I can expand the business. When I have saved enough

money, I would like to rent a warehouse so that I can produce more goods to sell and employ more people (Interview 9, 4 April 2003).

In spite of the fact that there are a number of NGOs in and around the area that also provide support to tourism SMMEs with regard to Funding, Marketing, Business Management as well as advice and mentorship, few entrepreneurs have applied for finance from them. One out of thirty tourism SMMEs had benefited from the Tourism Development Fund, while only two out of thirty SMMEs interviewed had applied to the Umsobomvu Youth Fund. One of the reasons entrepreneurs gave for not applying to the Umsobomvu Youth Fund for example was that the fund required entrepreneurs to provide ten percent of the start up capital. Regarding the reasons why they had not applied for other government and NGO funding, most entrepreneurs indicated that they were not aware of the availability of such government and non-governmental support programmes that can assist them financially in developing their SMMEs.

The lack of knowledge regarding support offered by government and Non-governmental organizations in the area highlights the need for information and awareness of support programmes for tourism SMMEs, especially among previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the Cultural Precinct. In seven out of every ten SMMEs interviewed, entrepreneurs stated that they did not know where to apply for funding, with the only places they knew of being banks and micro-lending institutions.

3.1.2 Support for Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct Regarding Access to Information Technology

The introduction of IT has led to major changes in the global economy and its use has become one of the most effective ways by which SMMEs can function during this Age of Information. As was the case during the Industrial Revolution, when raw materials or proximity to sources of energy were central to industrial development, access to information is at the core of small business development in the 21 century. As such small businesses have to strengthen their technological capacity in the same way that big businesses are doing in order for them to meet the challenges of the information age if they would like to become competitive and active participants in the global economy.

In spite of the important role IT plays in SMME development, entrepreneurs in the Newtown Cultural Precinct are not fully equipped to meet with this challenge. Like most tourism SMMEs in the country, many tourism SMMEs in the Cultural Precinct lack even the most basic information technological equipment or infrastructure. Seventy percent of SMMEs in the area have no basic equipment such as a telephone, let alone a fax, photocopier, computer, e-mail and website. Therefore tourism SMMEs in the area have not enhanced their technological capacity and competitiveness to empower previously disadvantaged entrepreneurs in terms of increasing their access to relevant information that will enable them to grow.

However, increasing technological capacity does not come cheap because even with the most successful businesses, there is a need for technical

support to repair, maintain and upgrade the equipment in order to keep up with the fast changing developments in the field of IT. The threat of computer viruses makes it even more crucial to have the necessary technical support as well as financial resources to update existing infrastructure. Entrepreneurs in the Newtown Cultural Precinct are therefore hampered not only by the cost that goes with the installation, but also the maintenance of technological infrastructure.

Respondent 1: I can't afford a telephone, let alone the sophistication of a computer, an e-mail and website (Interview 7, 4 April 2003).
Respondent 2: It is very expensive to buy a new computer. The only option available to most small entrepreneurs is to buy a new second hand computer. However, one will need to upgrade it, and when it is broken, to fix it is like buying a new one (Interview 6, 3 April 2003).

Respondent 3: I do not have a computer because it is expensive for me as a small business person to afford one (Interview 11, 7 April, 2003).

Respondent 4: I cannot market my small business, which is my only means of survival and which I run from the street corner because I do not even have a telephone or a computer which I can make use of to improve my business (Interview 13, 7 April 2003).

Out of thirty SMMEs interviewed, seven had a telephone, while only three had a fax; photocopier; computer as well as access to the Internet. However, the use of the cellular phone is popular and widespread amongst cultural tourism SMMES in the area, with eighty seven percent of entrepreneurs having access to a cellular phone, which amounts to twenty six out of thirty SMMEs.

3.1.3 Training in Business Management for Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct

The ability to run a business is very important to the growth and development of tourism SMMEs because it is the skill to run a business venture that mainly determines the success or failure of the business. Whereas formal business training is not an important prerequisite for starting tourism SMMEs, effective management is central to their successful running.

Despite this, many entrepreneurs in the Newtown Cultural Precinct do not have formal business training. Twenty eight out of thirty SMMEs interviewed did not have any formal business training. Seventy five percent has acquired skills on the job through years of working experience, while eighty percent indicated that their support staff did not undergo any form of training.

Respondents 1: I did not go to school. I therefore cannot read or write. I only started selling beards and traditional clothing after my efforts to get employment were unsuccessful (Interview 21, 5 September 2004).

Respondent 2: I have no formal skills to run my business. I started this business out of nothing and had to learn my skills on the job, so are all my employees. We did not have the same opportunities that you as young people are having today and I do not have to go to school as I am old. The best I can do is to educate my children (Interview 27, 7 September 2004).

Although most of the entrepreneurs involved in cultural tourism SMMEs in the Cultural Precinct did not receive any formal training, they are aware of the need to have the necessary skills for them to develop their businesses

into successful ventures. Most of the entrepreneurs are aware of the fact that things that are often regarded as insignificant to the growth of tourism SMMEs such as customer care are actually very important to the successful running of tourism businesses. These are issues tourism SMMEs such as Bars and Restaurants have highlighted as being top on their list of priorities in efforts to increase their capacity and competitiveness. When asked what can be attributed to the lack of growth of their businesses, the interviewees cited the lack of training in customer care as one of the factors affecting the growth of their SMMEs.

Respondent 1: The tourism industry, like any industry is mainly customer driven, and when tourists do not receive the best service all round, they vote with their feet (Interview 19, 8 April 2003).

Respondent 2: I think if I had gone to school to acquire better skills to run my business, I would be able to run my business more successfully (Interview 22, 5 September 2004).

Respondent 3: I would like to learn better ways of improving my business. I would also like the people who help me in running the business (employees) to acquire better skills to perform their jobs (Interview 14, 7 April 2003).

Respondent 4: “In order to grow one’s business, one has to look after his or her customers, and if you do not offer your customers better service, you will lose your business to your competitors. But if the service you offer is good, then you will attract more people to your business. Once everyone is satisfied with your service, they will keep on coming back.” (Interview 30, 7 September 2004).

Training in hospitality and customer care is therefore considered to be very important to driving tourism small business development in the area. However, proper and adequate training is dependent on the availability of institutions to train aspiring entrepreneurs. Whereas there are no institutions

in the Cultural Precinct to provide training, a number of these can be found in an around the area. Among those that offer training in the Arts, Tourism and Hospitality as well as Small Business Management are the University of South Africa, University of the Witwatersrand, University of Johannesburg, Birnam Business College, Damelin Business College and others. The Craft and Design Centre, formerly situated in the area also offered training for craft SMMEs in Product Development and Small Business Management. Tourism SMMEs in the Cultural Precinct who contribute towards the Skills Levy can also apply for grants from the skills development fund to address their skills shortage. A number of non-governmental organizations listed in appendix 2 below situated in the vicinity of the Cultural Precinct offer specialized training and mentorship in business management for tourism SMMEs.

The introduction of the National Qualifications Framework (NQF) has led to the provision of better training courses in the creative arts and tourism sectors designed to equip entrepreneurs with skills to enable them achieve high levels of competitiveness. Unlike the kind of courses that were offered in the past, the introduction of these courses was done with the intention of producing the kind of skills that will meet the needs of the industry. The former Department of Arts, Science and Technology (DACST 1998a) notes that previously, training in the arts and tourism sectors was not designed to meet the skills needs of the tourism industry in South Africa. As stated in DACST (1998a: 37), prior to 1994, training in these areas was "overly fragmented…insufficient and …characterized by a lack of consistency and quality, a lack of co-ordination between training providers and little training in areas such as business and administration… and often demonstrate*(d)*

serious weaknesses in the integration between… forms of learning. This result*(ed)* in poor standards and a lack of recognition of the skills necessary for the industry".

The introduction of courses to meet the skills needs represents an important advantage for cultural tourism SMMEs in the Newtown Cultural Precinct as well as those in other parts of the country. The need for relevant skills is no doubt an important prerequisite not only to the growth of cultural tourism SMMEs in the Cultural Precinct, but to the economic empowerment of previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the area.

3.1.4 Specialized Support Programmes for Tourism SMMEs in the Newtown Cultural Precinct.

Specialized support progammes are provided by governmental and non-governmental organizations in the Newtown Cultural Precinct to assist previously disadvantaged entrepreneurs with small business management skills such as Funding, Marketing, Book Keeping, Tax Registrations as well as other forms of support that can enable them to function efficiently and increase their potential to empower previously disadvantaged entrepreneurs involved in the cultural tourism economy in the area.

Among organizations that assist entrepreneurs in the precinct is Rutec, which provides support in the form of Business Start-up Packages, Research and Development, Consulting as well as training in Business Management. Hypercube, another NGO provides support to entrepreneurs in the form of

training in Marketing, Tendering, Cash flow forecasting, Book keeping as well as general Business Management. There are also other non-governmental organizations such as Lesedi La Sechaba providing training in Dressmaking, Beading, Sewing, Catering, Hospitality and Customer Care, Business Management as well as advice on how to start a business. Lesedi La Sechaba also provides training to disabled entrepreneurs and assists them with accessing finance as well as develop networks with other entrepreneurs who have succeeded in the area of tourism small business development.

Open for Business plays a significant role in assisting previously disadvantaged entrepreneurs develop their enterprises through the provision of Professional Consulting services on a wide range of skills such as how to effectively manage, grow and improve the efficiency of small, micro and medium sized tourism businesses. The organization operates as a resource centre that provides free internet access, video shows on entrepreneurship as well as advertisements of tenders for small businesses. The South African Graduates Development Association offer training and mentorship to unemployed graduates in an attempt to equip them with skills in managing tourism enterprises.

The Black Management Forum, an organization that works closely with previously disadvantaged managers of enterprises assists entrepreneurs with access to finance and offer them information on investment opportunities. The organization also plays an important role in empowering previously disadvantaged entrepreneurs by providing them with networking opportunities through the hosting of regular functions for aspiring entrepreneurs. Karabo Financial Consultancy provides financial advice and

mentorship to entrepreneurs in Investment and Portfolio Planning, Debt Management, Income Tax, Education and Retirement Planning, drawing a Business Plan as well as provides them with information regarding Medical Aid schemes. Another NGO in the area that assists previously disadvantaged entrepreneurs is Kagiso Business consulting, which provides training on how to conduct market research, compile a feasibility study as well as offering ongoing counseling and mentorship to previously disadvantaged entrepreneurs. Junior Achievement focuses mainly on assisting aspiring young entrepreneurs in starting their own businesses and offers them training in Life Skills, Business development as well as Tendering. The organization provides ongoing mentorship to young entrepreneurs and assists them in accessing credit from major financial institutions. In order to increase access to information and keep entrepreneurs informed about issues regarding small business development, Big News, which is a newspaper that is provided free of charge at selected banks and specialized Service Centres has been established to offer essential business information ranging from Marketing to advertising opportunities for SMMEs.

Although support programmes are important, at times the kind of support offered to entrepreneurs is inadequate and as such unable to improve the efficiency of cultural tourism SMMEs. Some of the support programmes are ineffective in enhancing the potential of cultural tourism SMMEs to empower previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the area. This is indicated by the fact that one out of ten SMMEs in the Cultural Precinct have grown substantially in the past thirteen years. Nevertheless, it has also been noted that most SMMEs in the precinct have difficulty accessing support. Some simply did

not apply for any form of support for various reasons, while others indicated that they had no information regarding available support programmes and how to access relevant support.

3.2 Creating an Environment for Promoting Cultural Tourism SMMEs in the Newtown Cultural Precinct.

3.2.1 The Development of the Newtown Cultural Precinct as a Special Economic Zone and the Promotion of Cultural Tourism SMMEs.

The promotion of cultural tourism SMMEs in the Newtown Cultural Precinct received a short in the arm when the Department of Trade and Industry identified the precinct as a Special Economic Zone for start up businesses (JDA 1999). Owing to its location within the city of Johannesburg, which is South Africa's economic engine, the Newtown Cultural Precinct is ear marked as an important area in the city's economic development. According to the Johannesburg Development Agency (JDA 1999), by exploiting its creative energies and through the pursuit of trade, the Cultural Precinct has the potential to become the economic hub of a rejuvenated inner city through the development of small and medium sized enterprises in the creative arts and tourism sectors. This will not only revitalize other sectors of the city's economy, but shall revolutionize the precinct's cultural tourism industry.

The Newtown Urban Design Framework (JDA 1999:10) states, "Culture is a catalyst for economic growth, re-investment and job creation. Culture is a growth industry. The economic benefits found in clustering … not only set us at the leading edge of a fast-moving global industry, but they provide

powerful economic multipliers and form the basis on which vibrant vital city precincts of clubs, the hospitality industry, restaurants, offices, housing and associated small, micro and medium enterprises is grown". It goes on to state that over and above the direct multipliers resulting from the clustering of cultural tourism industries in the area, there will be huge economic spin-offs on the local economy.

3.3 The Provision of Physical Infrastructure and the Promotion of Cultural Tourism SMMEs in the Newtown Cultural Precinct.

3.3.1 The building of the Metro Mall and the Development of Cultural Tourism SMMEs.

The building of the Metro Mall in Bree Street has provided a significant impetus to the development of cultural tourism SMMEs in the Newtown Cultural Precinct. The development of the Metro Mall is one of the most innovative ways by which the Johannesburg Development Agency and the City of Johannesburg aim to promote local economic development in the Newtown Cultural Precinct through the promotion of small, micro and medium sized enterprises. The linking of trader markets and commercial outlets with a bus and taxi rank has generated increased pedestrian activity in the area, which has provided a regular market for cultural tourism SMMEs in the Newtown Cultural Precinct. Already, most people who commute to the city on a daily basis use the Metro Mall taxi rank as a transit point. According to the Johannesburg Development Agency (JDA undated), it is estimated that out of 480 000 commuters who enter the city of Johannesburg daily, 150 000 enter or go through the Newtown Cultural Precinct.

The success of cultural tourism SMMEs in the Cultural Precinct also depends on the area's ability to attract sufficient numbers of foreign and local tourists from outside the area, especially foreign tourists who can earn the city foreign exchange and generate the local economy through spending on goods and services provided by local entrepreneurs. Johnson and Thomas (1990, cited in Law 1991) note that for tourism to become a catalyst of economic growth, a significant portion of tourists must come from outside the local area as failure to attract tourists from outside may displace income from other activities, the result of which is a lack of overall economic growth and development.

The provision of physical infrastructure is an important step in promoting cultural tourism SMMEs in the Newtown Cultural Precinct as the lack of infrastructure has always been a serious dilemma facing the empowerment of previously disadvantaged entrepreneurs in the area. According to the White Paper on the Promotion and Development of Tourism in South Africa (DEAT 1996), the lack of infrastructure prevents the majority previously disadvantaged entrepreneurs from participating meaningfully in the tourism economy as suppliers of products and services to the industry. To support previously disadvantaged entrepreneurs involved in the cultural tourism economy in the Newtown Cultural Precinct, infrastructural developments have been undertaken. Besides the building of new office blocks, including stalls and commercial outlets, old warehouses as well as unused factory buildings have been renovated and upgraded for use as places of cultural production and entertainment (Dirsuweit 1999).

The Johannesburg Development Agency (JDA undated: 7) states, “The goals in terms of infrastructure include the construction, upgrading and redevelopment of necessary infrastructure in support of the precinct, whilst the operational goals include the activities necessary to ensure the success and viability of the precinct after the provision of the infrastructure”.

Provision of the necessary physical infrastructure has enabled previously disadvantaged entrepreneurs to enter into SMMEs in the tourism and hospitality sector. This has also created opportunities for previously disadvantaged entrepreneurs to enter into SMMEs in the film, media, creative, performing arts as well as other sectors that benefit from cultural tourism in the precinct. The promotion of cultural tourism SMMEs in the area also has a strong multiplier effect on the local economy. This has created further opportunities for local people to enter into SMMEs such as coffee shops, florist shops, hair salons as well as fruit and vegetable shops, notwithstanding the vibrant informal trading in the area. The clustering of tourism and Creative SMMEs in the precinct has also provided an environment for networking and support for one another among the different types of tourism SMMEs in the area.

3.4 The Importance of Networks in Promoting the Growth of Creative and Tourism SMMEs in the Newtown Cultural Precinct.

Networks are essential in promoting tourism SMMEs. Entrepreneurs in the Newtown Cultural Precinct have developed strong social networks by which they support one another. For example they share information regarding pricing of products and services. They also support one another through co-purchasing of goods, whereby they often make orders jointly in order to

obtain discounted prices. In addition, they support one another is through buying locally produced materials to develop their products. They also share expertise regarding design and production of their goods. Although this is not prevalent and happened in only two out of thirty SMMEs, entrepreneurs in the area also assist one another in loan applications by providing surety and serving as collaterals on each other's behalf. This is particularly important to the development of cultural tourism SMMEs in the precinct given the fact that most entrepreneurs are not able to qualify for financial assistance as most of them are poor and do not have fixed property to use as surety when applying for loans. These kinds of networks work better in clusters of big, small, medium and micro enterprises as indicated by a study on industrial districts in the northern and north-eastern parts of Italy (Sengenberger and Pyke 1992). Another study conducted by Crewe and Beaverstock (1998) on the Nottingham Lace Market shows that networks are very effective in SMME development as well as in building and revitalizing local economies. Through networks, SMMEs in the Nottingham lace market have enhanced their potential to building a vibrant local economy and empower local entrepreneurs.

According to Dahles and Bras (1999) in spite of their limitations with regard to skills as well as access to financial resources, SMMEs can become competitive and become even more successful than the large firms. Dahles and Bras note that what gives SMMEs a competitive edge over large firms is the fact that small enterprises, unlike large firms are able to develop more effective networks among themselves as well as among themselves and large firms by means of business linkages. Unlike large firms, SMMEs are able to share their resources in order to overcome the constraints that they

experience as small enterprises. In their study of industrial districts, Sengenberger and Pyke (1992: 1) note, that the “Economic success for the industrial district has come not so much through advantageous access to low cost factors of production – cheap labour, land or capital – as from a particular effective social and economic organization based on small firms”.

Networks among SMMEs are based on informal relations rather than formal means of co-operation found among large firms. However, in certain instances these may be in the form of more formal relations developed through specialized institutions such as service centres that offer information and advice over the counter (Sengenberger and Pyke 1992, see also Kirsten and Rogerson 2002). Sengenberger and Pyke (1992) note that although networks differ from district to district based on the business environment as well as the challenges faced by SMMEs operating within the same district or industrial sector, there are specific principles that underpin successful industrial districts. Industrial districts are not modeled along the same lines as “industrial estates” or what the French call “zones industrielles” that operate merely as a group of small firms either situated within the same geographical area or operating within the same manufacturing sector. Unlike SMMEs operating in industrial estates, which operate as individual units, SMMEs within the industrial district support one another by sharing the requisite skills needed for producing specialized goods and services by dividing the labour required among them. This enables them to achieve the highest standards of quality and service

The support given to an individual enterprise in an industrial district is aimed at achieving success for the individual enterprise as it is for the entire district.

“It is the firm as part of, and depending on, a collective network, which perhaps more than anything else encapsulates the essence of the district’s character. A small firm in an industrial district does not stand alone; a condition of its success is the success of the whole network of firms of which it is a part” (Sengenberger and Pyke 1992: 4). What gives SMMEs a competitive edge over large firms is their flexibility. According to Sengenberger and Pyke (1992:5, see also Upadhya and Rutten 1997, cited in Dahles and Bras 1999), “Flexibility is perhaps the characteristic which people most often associate with the industrial district’s advantages over the large centralized corporation. Often people refer to the combination of flexibility and specialized production units typical of industrial districts as “flexible specialization” and contrast it to Fordism, the inflexible organization of production on mass market lines”.

Often found among industrial districts is a high level of co-operation rather than competition, hence the willingness to share information, human resources as well knowledge. While there is indeed a high level of competition among small firms, it is based on quality, efficiency, product differentiation as well as product design rather than the undercutting of prices usually found among large firms. Therefore for tourism SMMEs, whether located in the same geographical area or operating within the same industry as well as business environment, support for one another is absolutely critical for them to become successful business operations.

Conclusion

One of the objectives of the 1995 White Paper on the Development and Promotion of Small Business in South Africa is to promote networking among small, micro and medium sized enterprises. The clustering of tourism and creative SMMEs in the Cultural Precinct has created an environment for developing effective networks among SMMEs owned by previously disadvantaged entrepreneurs involved in the cultural tourism in the area. The involvement of governmental and non-governmental organizations has also greatly enhanced the development of networks among tourism SMMEs in the Cultural Precinct. For tourism SMMEs in the precinct to enhance their potential to empower previously disadvantaged entrepreneurs, there is a need for them to develop networks by which they can support one another.

Encouraging previously disadvantaged entrepreneurs in the precinct to build networks is essential in improving the efficiency of their cultural tourism SMMEs to function efficiently. Networks will enhance performance and give cultural tourism SMMEs in the area a competitive edge to compete with large centralized corporations as well as increase their potential to empower previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the area.

Chapter Four

Assessing Economic Empowerment of Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct

4.1 Empowerment and the Promotion of Tourism SMMEs in the Newtown Cultural Precinct

Within the context of cultural tourism, empowerment may be defined as a process by which previously disadvantaged entrepreneurs are provided with the necessary resources and requisite skills to participate meaningfully in the tourism economy in order for them to earn sustainable livelihoods. According to Simmons and Parsons (1983, cited in Sofield 2003: 81*)* empowerment is a "process of enabling persons to master their environment and achieve self-determination".

For meaningful empowerment to take place, it must be viewed within the context of community development because it is only when each person as part of a social formation, group or community has been empowered that we can speak of real empowerment. Onyx and Brent (1995, cited in Sofield 2003), note that empowerment should involve participation, self-reliance, while at the same time taking into account issues of equity. Empowerment should come about as a process through which previously disadvantaged individuals are provided with the enabling environment to develop themselves by making use of local resources. This means the passing of relevant legislation to promote tourism SMMEs to encourage participation by previously disadvantaged entrepreneurs. It also means providing them

with adequate physical infrastructure and ensuring that they have equitable access to financial resources, tourist markets as well as appropriate information technology.

Self-reliance is a powerful tool against dependency in the sense that instead of relying on outside help, previously disadvantaged entrepreneurs can mobilize their own local resources such as indigenous knowledge to start and develop their own tourism SMMEs. For them to be fully empowered there has to be a willingness from the established private sector to form partnerships with local SMMEs as a way of developing capacity through outsourcing initiatives as well as skills transfer programmes. Government has to ensure that there is adequate provision of support programmes to enable local tourism SMMEs to function efficiently.

According to Scheyvens (2002), previously disadvantaged entrepreneurs should be provided with support until they are able to stand on their own without having to be overly dependent on outside assistance, government, the established sector or foreign multi-national companies. Partnerships are necessary in so far as they enable SMMEs to grow to sustainable levels so that previously disadvantaged entrepreneurs can become self-sufficient to rely on local skills and resources to develop their tourism enterprises. Scheyvens notes that without support from the established tourism sector as well as financial institutions SMMEs owned by previously disadvantaged entrepreneurs cannot grow to sustainable levels due to the lack of financial resources. Partnerships through outsourcing with the established sector are extremely important because of a lack of access to markets for SMMEs owned by previously disadvantaged entrepreneurs. Provision of support

programmes and services for tourism SMMEs owned by previously disadvantaged entrepreneurs will ensure equity as everyone, including previously disadvantaged social groups such as women, the aged, disabled and youth can participate meaningfully in the tourism economy as owners and managers of tourism enterprises. It is the provision of support programmes that will ensure that each individual as part of the community or social grouping share equitably in the economic benefits of cultural tourism in the Newtown Cultural Precinct.

However, empowerment should not only be viewed in economic terms. It should also be viewed in terms of how it can enhance entrepreneurs involved at marginal levels of the cultural tourism economy in the area's sense of pride and dignity in themselves as well as their cultures. This means that entrepreneurs should not only seek to enjoy economic benefits from their tourism SMMEs, but should develop products that best represent South African cultures instead of being dictated to by the needs and preferences of the market to the extent that this compromises their pride and integrity of South African cultures. Empowerment means entrepreneurs in the Newtown Cultural Precinct should have the power to decide what kind of products they would like to offer to tourists and that the kind of products they develop should reflect the originality and beauty of South African cultures.

Empowerment also means being informed about developments in the area that directly impact on small, micro and survivalist entrepreneurs' livelihoods as a community. They should be involved in decision making processes regarding cultural tourism development projects in the area. This will ensure that those development projects are aimed at meeting their needs

as small entrepreneurs instead of someone from outside deciding on what is in their best interest. By being part of decisions will empower entrepreneurs to become part of efforts to develop cultural tourism in the area through crime fighting initiatives as well as efforts to address other challenges that face small business development in the Cultural Precinct.

3.4.1 Improved Safety and the Promotion of Tourism SMMEs in the Newtown Cultural Precinct

The development of the Newtown Cultural Precinct has led to an improved image of an area that had previously consisted of slums and was becoming increasingly derelict. This had affected many businesses operating in the area as it had become increasingly unsafe to visit the precinct alone, especially at night owing to high levels of criminality. According to Dirsuweit (1999), this led to fewer audiences attending cultural events in the precinct, which had resulted in businesses such as the Market Theatre being at a risk of eventually closing down.

The development of the area has resulted in a major improvement in the precinct's image as the cultural hub of the city and has led to an end to the negative perceptions that the area was unsafe to visit. This has also improved perceptions about Johannesburg as the crime capital of the world in terms of murder and robbery by foreign and local media. The development of the area has led to a completely new look in terms of the area as a cultural tourist destination of choice among local and foreign tourists. This has also led to increased business confidence and re-investment in the area as many businesses that had trekked northwards to the suburbs in the late 1970s, 80s

and 90s returning to the area. Its improved image has created an environment suitable for promoting cultural tourism SMMEs owing to the fact that compared to the past; more tourists are now visiting the area.

3.4.2 Improved Accessibility and the Promotion of Cultural Tourism SMMEs among Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct.

The building of the Nelson Mandela Bridge has led to the growth of cultural tourism SMMEs in the Newtown Cultural Precinct. Before the building of the bridge, poor accessibility was among other factors, a serious constraint to the economic empowerment of previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the area. The linking of the area to Braamfontein through Bertha Street as well as other parts of the city though the M1 highway has greatly improved access to the Precinct by private vehicles as well as by public transport, which has enhanced the growth and development of cultural tourism SMMEs in the precinct.

According to The Star newspaper of 22 January 2003, the Nelson Mandela Bridge has not only provided increased access to the area, but has become a major draw card for tourists to the Newtown Cultural Precinct. The building of the bridge will have long-term economic benefits to local SMMEs, which had been further boosted by a process of upgrading the precinct's internal road network. This has increased accessibility to the precinct from the inner city as well as other parts of the city by road transport. The paving of streets, and installation of street lights as well as the putting together of a

coordinated traffic management plan has reduced congestion, which has greatly benefited cultural tourism SMMEs in the Cultural Precinct (see JDA 1999). According to the JDA (1999), it is also envisaged that a railway station will be built in the area to link the precinct to West Street Station through Miriam Makeba Street as a measure that will generate increased pedestrian activity from daily commuters as well as improve access for tourists to the precinct by rail transport. Already, the Braamfontein Railway Station makes it easy to access the area by rail transport. With the construction of the Gautrain, access for tourists to the area by rail transport will be increased. Increased accessibility will empower previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the area as more tourists will visit the precinct and buy from their cultural tourism SMMEs.

3.4.3 Housing Development and the Promotion of SMMEs in the Newtown Cultural Precinct

The construction of middle income housing has encouraged more people to reside in the Newtown Cultural Precinct. According to the Johannesburg Development Agency (JDA 1999) that has created the critical mass necessary for the development of the area. More than 2500 housing units consisting of retail outlets at pedestrian crossings have been constructed in the area as a measure aimed at promoting SMMEs among previously disadvantaged entrepreneurs involved in tourism and creative SMMEs.

The construction of residential apartments has not only encouraged young professionals who form part of the middle-income group to reside in the

Cultural Precinct, but has supported the development of tourism and creative SMMEs owned by previously disadvantaged entrepreneurs. According to Lucy Kaplan, who has been quoted in a study conducted by Dirsuweit (1999), the absence of a strong middle class with disposable income had been a constraint to cultural development in the Newtown Cultural Precinct. This has also adversely affected the economic empowerment of previously disadvantaged entrepreneurs involved in creative and tourism SMMEs in the area. Attracting middle-income earners to the precinct is important as this will increase attendance to cultural events and lead to the growth and development of tourism and creative SMMEs.

The presence of the middle-income group is extremely vital to the development of the Newtown Cultural Precinct. As Varady and Raffel (1995) correctly note, one of the most important attributes for cities with regard to promoting local economic development is their ability to attract and retain a large pool of middle-income earners with disposable income.

4.2 Cultural Tourism and the Development of Tourism and Creative SMMEs in the Newtown Cultural Precinct

4.2.1 Cultural Tourism and the Empowerment of Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct

In order to determine the extent to which cultural tourism has benefited the development of tourism SMMEs in the past thirteen years in the Newtown Cultural Precinct, it is important to define cultural tourism. There are a number of broad and varying definitions of what cultural tourism entails. The

White Paper on the Development and Promotion of Tourism in South Africa (DEAT 1996: 4) defines it as “cultural aspects which are of interest to the visitor and which can be marketed as such, including the customs and traditions of people, their heritage, history and way of life”. It is also defined as travel that involves visits to places of political and religious significance such as museums, historic buildings, monuments, heritage sites as well as attendance to cultural events, commemorations, festivals, conferences and exhibitions (DACST 1997). According to DACST (1997: 17), “cultural tourism involves customized excursions into other cultures and places to learn about their people, lifestyle, heritage and arts in an informed way that genuinely represents those customs and their historical contexts”.

For the purpose of this paper, cultural tourism in the Newtown Cultural Precinct is defined as travel to the precinct inspired by a desire to learn about the area’s cultures, history and heritage, expressed in the music; dance; theatre; film; media; fashion; food; architecture, including the arts and crafts of the area as well as the diverse cultures of the people of South Africa as defined through these media. Cultural tourism in the precinct also entails learning about cultures from Africa and other parts of the world as expressed in the music, food and other art forms. Although there will always be a defining feature of South African cultures in the music and art forms of the area, the culture of the precinct cannot be defined solely on the basis of South African or African Culture as culture is dynamic and draws on all global influences.

Having defined what cultural tourism to the area is, it is important to define what tourist spending in terms of the economic spin-offs of cultural tourism

in the precinct entails. According to the World Travel and Tourism Organization, a tourist is someone who visits an area other than his or her place of work for a period not less than twenty four hours and for not more than twelve consergative months. In terms of this definition, workers, commuters, daily visitors and residents of the area do not form part of cultural tourism spending in the Cultural Precinct. However, these segments play a significant role in the growth of tourism and creative SMMEs in the area, particularly with regard to micro and survivalist enterprises. These have been considered in terms of assessing the economic empowerment of historically disadvantaged entrepreneurs involved in the tourism economy in the area.

4.2.2 The Increase of Cultural Tourism and the Promotion of Tourism SMMEs in the Newtown Cultural Precinct.

In recent years, there has been a significant increase in cultural tourism to the Newtown Cultural Precinct, with the area being ranked among the top twenty most visited places in Johannesburg. According to the Sunday Times of 12 October 2003, the Cultural Precinct is expected to grow as a major tourist destination for foreign and local visitors. This has not only led to the development of SMMEs, but has increased their potential to empower previously disadvantaged entrepreneurs. According to the Sunday times, a study commissioned by the Johannesburg Metropolitan Council ranks Gauteng as the most visited province in South Africa. This cannot only be attributed to Johannesburg's traditional role as the country's leading business destination, but can also be attributed to the city's cultural offerings. The availability of live performance venues, nightclubs as well as

a lively cultural ambience make the Newtown Cultural Precinct a preferred destination for domestic and foreign tourists. The Cultural Precinct is also rich in heritage resources such as the Turbine Hall, Workers Library, Museum Africa and others that not only serve as historical landmarks, but which have also attracted cultural tourists to the area. The Sunday Times notes that most foreign tourists visit Johannesburg because of its symbolic status as the living museum of the struggle against apartheid. As the city's cultural hub, and because of its proximity to Soweto, the Newtown Cultural Precinct is well positioned to claim a big portion of Johannesburg's domestic and international cultural tourism stakes.

In 2003, it was estimated that Museum Africa alone was visited by more than thirty five and a half thousands visitors, while the SAB Centenary Centre attracted more than twenty-two thousands visitors (Sunday Times, 12 October 2003). According to the Newtown Draft Business Plan (JDA undated), the Cultural Precinct hosts no less than a hundred and eighty thousand tourists per year. In addition, between three hundred and four hundred thousand migrant shoppers from neighbouring African countries visit Johannesburg each year (GJMC 2002). It is estimated that in 1998, this segment of the city's tourist market earned Johannesburg R1.14 billion (Rogerson 1999, GJMC 2002). The African tourist market is therefore significant in terms of empowering previously disadvantaged entrepreneurs involved in tourism and creative SMMEs in the Cultural Precinct.

The recent increases in cultural tourism is cited as the most significant factor with regard to the growth of tourism SMMEs among previously

disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the Cultural Precinct.

Respondent 1: My business has grown because more tourists are now coming into the area (Interview 8, 4 April 2003).

Respondent 2: Compared to the previous years when business was slow, the number of tourists coming into the area has increased. I can now buy and sell more goods. That is the reason why my business has grown (Interview 16, 7 April 2003).

Respondent 3: Since the development in the area started, there are more tourists who visit the area. My business is doing very well because more people are now coming to see the area. It is more profitable to do business in the precinct than it was before (Interview 14, 7 April 2003).

Respondent 4: The area is always full of people. Although not everyone who comes to the precinct buys something, most of the people buy the things that I am selling (Interview 16, 8 April 2003).

Respondent 5: It is good to do business in the area as many people are coming to the area, especially foreign tourists (Interview 18, 8 April 2003).

The increase of cultural tourism to the Newtown Cultural Precinct has been the direct result of the changes that have taken place in the country since the coming into power of the democratic government in 1994. According to the World Travel and Tourism Council (WTTC 1998), South Africa's international status as the symbol of peaceful transition from Apartheid to Democracy has led to foreign tourists who were reluctant to visit South Africa visiting the country to witness the diversity of South African cultures under the new democratic dispensation. The growth of cultural tourism SMMEs in the Cultural Precinct has also resulted from the successful marketing of the country abroad as a cultural tourism destination. According

to Lionel Mtshali (DACST 1997), the former minister of Arts and Culture in Kwazulu-Natal, in the past South Africa was only marketed to foreign tourists for its flora and fauna. Since the coming into power of the democratic government, tourism bodies have made considerable strides in marketing the country's cultures, including the history of previously marginalized groups. This has created opportunities for previously disadvantaged groups to enter into tourism SMMEs.

The development of places of historical significance such as Constitution Hill bordering Braamfontein and Hillbrow has further promoted the development of tourism SMMEs in the Newtown Cultural Precinct. Constitution Hill, which is in its own right a major tourist destination of note has been built at Johannesburg's Old Fort Prison complex, where many of the heroes of the liberation struggle such as Nelson Mandela, Oliver Tambo, Robert Sobukwe, Mahatma Gandhi, Walter Sisulu, Albertina Sisulu, Lillian Ngoyi, Ellen Khuzwayo and many others were imprisoned. The complimentarity of the Cultural Precinct and Constitution Hill lies in the fact that the two are in close proximity to one another and together with the Civic Theatre and the Nelson Mandela Bridge form part of the cultural arc within the inner city of Johannesburg. Hence the increase of cultural tourism to the area has tremendous potential to support the development and growth of tourism SMMEs among previously disadvantaged individuals involved at marginal levels of the cultural tourism economy in the Cultural Precinct.

4.3 Challenges Facing the Empowerment of Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct

Despite the creation of a favourable legislative environment to support the development of SMMEs after the coming into power of the democratic government in 1994, the empowerment of previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the Newtown Cultural Precinct still faces a number of challenges.

4.3.1 The Low Average of Cultural Tourism in the Newtown Cultural Precinct

In spite of recent increases in cultural tourism to the precinct, on average the Newtown Cultural Precinct receives low levels of cultural tourism when compared to other areas, especially when calculated on a provincial level. This significantly limits the extent to which cultural tourism can empower previously disadvantaged entrepreneurs involved in cultural tourism SMMEs in the precinct. When calculated on a provincial level, in comparison to other provinces, Gauteng receives lower levels of holiday tourism, with cultural tourism constituting the most important segment of Johannesburg's Holiday Tourist market.

According to the city's tourism strategy (GJMC 2001), the rate at which holiday tourism in Johannesburg is growing is only thirty seven percent, which is five percent lower than the national average of forty two percent. This is an indication that cultural tourism to the city has a low value added

effect on the growth of cultural tourism SMMEs. As further indication of the low value added effect of cultural tourism to the growth of tourism SMMEs, the city's tourism strategy states that only less than one percent of holiday tourists to the city attend cultural events.

The main reason why on average there are fewer tourists visiting places such as the Cultural Precinct is the fact that cultural tourism is less popular among South Africans as compared to foreign tourists. A study conducted by Mafisa in 1995 indicates that whereas cultural tourism is popular among international tourists, it is less popular with domestic tourists (Koch and Massyn 1998). This is not good for the development of cultural tourism SMMEs in the Newtown Cultural Precinct. As further indication that cultural tourism is far lower than other segments of the city's tourist market is the fact that domestic tourism constitutes sixty percent of Johannesburg's total tourism stakes (GJMC 2001). For cultural tourism to empower previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the precinct, notwithstanding the effects of international tourism in terms of foreign exchange leakage, more South Africans must visit the Newtown Cultural Precinct.

4.3.2 The Lack of Conference Venues and the Promotion of Cultural Tourism SMMEs in the Newtown Cultural Precinct.

The lack of conference venues affects the growth and development of cultural tourism SMMEs in the Newtown Cultural Precinct. Owing to the lack of conference venues, few tourists visit the precinct as the availability of venues to host conferences would encourage local and foreign groups to

hold conferences in the area. Due to the lack of facilities such as conference venues, the cultural precinct's MICE (Meetings, Incentives, Conferences and Exhibitions) segment is growing at a very slow pace. Johannesburg is also competing with leading cities such as Durban and Cape Town in hosting major international events. For the area to grow the MICE segment of its tourist market, there needs to be conference facilities that can host major international events in order for the precinct to compete in the global market. The MICE segment is important to the economic empowerment of previously disadvantaged entrepreneurs involved in cultural tourism SMMEs in the Newtown Cultural Precinct as its increase will invariably lead to the growth of cultural tourism SMMEs. It is estimated that in 1998 this segment generated ninety billion dollars to the global economy (GJMC 2002).

In order to achieve the economic empowerment of previously disadvantaged entrepreneurs in the area, there has to be synergy between all segments of the city's tourist market, namely General Business Tourism, Holiday and Leisure Tourism, Visiting Friends and Relatives, MICE as well as cultural tourism. A carefully and well co-coordinated strategy in this regard is central to the growth of cultural tourism SMMEs in the area as well as the economic empowerment of historically disadvantaged entrepreneurs. Such a strategy is essential because visitors who come to the city for reasons other than touring, be it to attend a meeting, a conference, an exhibition or just to close an important business deal not only end up attending cultural events, but also buy goods and services provided by local entrepreneurs (GJMC 2001).

Asked why their tourism businesses have not grown in the past five years, most of the respondents cited the lack of facilities to host international events as a major cause.

Respondent 1: There are few facilities to attract more tourists to the area, for example there are no venues to hold conferences or conventions, so most of the people who come here mainly visit Museum Africa and the Market theatre (Interview 22, 9 September 2004).

Respondent 2: If we can have conference venues, then people will come to the area in larger numbers (Interview 26, 13 September 2004).

Respondent 3: There is a need to have places to host big events in the Cultural Precinct so that the area can attract bigger crowds (Interview 23, 12 September 2004).

4.3.3 The Lack of Foreign Exchange Services and the Promotion of Tourism and Creative SMMEs in the Newtown Cultural Precinct.

Until recently, there were no financial services such as banks operating long hours to make it convenient for tourists who travel to the Cultural Precinct to withdraw money or exchange foreign currency. The availability of banks in the Cultural Precinct would promote the area as a preferred destination among local and international tourists. This would increase cultural tourism as well as spending on goods and products provided by local entrepreneurs.

Respondent 1: Sometimes a tourist comes with a foreign currency and wants to buy something. It is difficult to sell to him or her when one doesn't know how much he or she is having in relation to the local currency. The difficulty also lies with one trying to exchange foreign currency at a local bank because of the lack of proof as to where one got the money. One can even get arrested for being in possession of foreign currency whereas one is a

local citizen who has never even left the country (Interview 12, 5 April 2003).

Respondent 2: The availability of foreign exchange in the area would create more business opportunities for the local people because tourists would be able to exchange their foreign currency to buy goods from local businesses (Interview 24, 9 September 2004).

Up until 2006, the lack of foreign exchange services had negatively affected the empowerment of previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the Cultural Precinct. The fact that one had to walk some distance to access foreign exchange services or withdraw cash from areas outside the precinct was a major inhibiting factor to the growth of tourism SMMEs, hence the economic empowerment of historically disadvantaged entrepreneurs. Without foreign exchange services there was no guarantee that the foreign currency entrepreneurs received from potential tourists was genuine, which could result in major losses for entrepreneurs.

Respondent 3: By accepting foreign currency entrepreneurs often act in good faith. However, they are at risk of losing all or a major part of their stock because when you go to the bank you may be told that the money is not in use (Interview 25, 9 September 2004).

Respondent 4: There is not even an ATM in the area. As such we have to walk a long distance to access one. That is even more inconveniencing for tourists because they have to carry large amounts of money when traveling to the precinct as it exposes them to the risk of being mugged. Despite the fact that tourists are warned not to carry large amounts of cash when traveling, there are no financial services in the areas they visit. An area such as the Newtown Cultural Precinct must have at least an ATM (Interview 18, 7 April 2003) *NB. An ATM and a Foreign Exchange Service have been provided since the interviews were conducted.*

Respondent 5: To make matters worse, the banks are situated from outside the area. There is no bank here for people to withdraw or deposit money. For you to deposit money you have to walk a long distance (Interview 7, 4 April 2003).

For the small entrepreneur who has no facilities to be able to make transactions using savings, cheque or credit cards, the lack of financial services in the area was a serious constraint to the development of their SMMEs as this meant that tourists had to carry cash or walk long distances to withdraw money in order to buy from local SMMEs.

4.3.4 The Lack of Suitable Accommodation for Tourists and the Promotion of Tourism SMMEs among Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct.

The lack of suitable accommodation makes it difficult for tourists to spend more time in the Newtown Cultural Precinct, the result of which is less spending in the local economy. The Tourism Strategy of the City of Johannesburg (GJMC 2001) states that in line with international trends, hotels remain the most favoured means of accommodation, while B & B's and guesthouses are gaining in popularity as alternative means of accommodation.

According to the Johannesburg Development Agency (JDA undated), it was envisaged that a hotel would be built in the vicinity of Bree, Wolhuter, Miriam Makeba and Jeppe streets to provide accommodation for visiting performing artists, which would promote the Cultural Precinct as a destination of choice as well as a stop-over for tourists visiting other parts of the country. It was also hoped that a lodge and guesthouse would be built in the area to provide accommodation for independent travelers as well as

school tours.

The lack of suitable accommodation remains a challenge facing the economic empowerment of previously disadvantaged individuals who enter into tourism SMMEs as a livelihood strategy as well as a means of achieving real and meaningful economic empowerment. For example B & Bs and guesthouses, which are often a stepping-stone for previously disadvantaged social groups such as women to access the mainstream tourism economy are not available in the Cultural Precinct. Many entrepreneurs believe that the availability of suitable accommodation would encourage tourists to stay longer in the precinct, which would assist in maximizing tourist spending in the area.

Respondent 1: The government must build accommodation facilities so that when tourists visit the precinct, they can also stay in the area (Interview 2, 3 April 2003).

Respondent 2: (who is the owner of a Bar and Restaurant) said: For tourism businesses such as mine to grow, there must be suitable and proper accommodation for tourists so that they can spend the duration of their stay in the Cultural Precinct (Interview 4, 3 April 2003).

Respondent 3: If there was proper accommodation, tourists would not go and stay in other areas. There would be more tourists coming to visit the area (Interview 13, 7 April 2003).

4.3.5 The Potential of the Newtown Cultural Precinct to Attract Tourists who would Spend More in the Local Economy and the Promotion of Cultural Tourism SMMEs.

The success of cultural tourism SMMEs in the Newtown Cultural Precinct depends on the precinct's ability to attract tourists who can spend more money in the local economy. The spending power of tourists is an important factor in supporting the growth and development of tourism SMMEs, hence the empowerment of previously disadvantaged entrepreneurs because the more money spent on goods and services rendered by the local people, the higher the degree of empowerment there will be.

While both domestic and international tourism is important, it is important to study the tourist market of the area in relation to its ability to generate the local economy. Koch and Massyn (1998) note for example that the spending power of tourists vary according to their standard of living. According to Koch and Massyn, the South African domestic tourist market can be broadly subdivided into three distinctive segments. The first segment is the Established Market made up of the traditional white tourist, which constitutes 5% of the national tourist market. The Emergent Market is made up of an emerging black middle class of the Leisure or Holiday Tourist, which constitutes 45% of the national tourist market. The last segment is the Less Privileged Market made up of low-income earners of Visiting Friends and Relatives, which constitutes 44% of the national tourist market, while the remaining 6% is constituted by less significant segments. With spending averaging R1, 549. 00, tourists from the Established and Emergent Markets

have more spending power, while tourists from the Less Privileged Market spend on average only R188.00 on a holiday.

The Established and Emergent Markets travel either as Holiday or Business tourists, while tourists from the Less Privileged Market travel as Visiting Friends and Relatives. Although the latter constitutes the single largest segment of the South African tourist market, they usually spend only on transport and less on other tourism related goods and services. According to the Greater Johannesburg Metropolitan Council (GJMC 2001), tourists from this segment mostly visit Johannesburg, while tourists from the Established and Emergent Markets like visiting coastal areas such as Durban and Cape Town.

The Greater Johannesburg Metropolitan Council (GJMC 2001) note that compared to other segments, business tourists have a higher value added effect on tourism SMMEs as they have more spending power to on tourism related goods and services. The fact that Johannesburg is South Africa's leading business destination is good for cultural tourism SMMEs in the Newtown Cultural Precinct, that is provided there are more tourists from this segment who visit the area.

International tourism is also important to the empowerment of previously disadvantaged entrepreneurs involved in cultural tourism SMMEs in the Newtown Cultural Precinct. The Greater Johannesburg Metropolitan Council (2001) notes that most foreign tourists who visit Johannesburg are from South Africa's traditional markets, namely Britain, Germany, France, Holland, Australia and Africa. Compared to tourists from North America

and South East Asia, tourists from these markets are considered to be low spenders. Therefore, it is important to market the Cultural Precinct widely to more lucrative markets.

Respondent 1: I would like the government to assist me to market my products so that I can grow my business. The government must market the area much more to foreign tourists who will buy more instead of buses coming with tourists who leave without buying (Interview 15, 7 April 2003).

Respondent 2: I would like assistance so that I can market my products to foreign tourists (Interview 3, 3 April 2003).

Respondent 3: If the area can be marketed more to foreign tourists, then there will be more tourists coming into the area (Interview 4, 3 April 2003)

Respondent 4: The area is not well marketed. If the government can market it abroad, then there will be more foreign tourists who are coming into the area (Interview 27, 9 September 2004)

Respondent 5: For my business to grow, I need help to market my business to foreign tourists (Interview 1, 3 April 2003).

The African market is one of the most important segments to the area's economic development as it constitutes the biggest segment of Johannesburg's international tourist market. Tourists from Africa are mainly from neighboring countries such as Botswana, Mozambique and Namibia who come to Johannesburg to buy goods not available in their countries for domestic use or to sell home in their own countries (GJMC 2002). However, some of the tourists are students and musicians who come to Johannesburg to develop their music and other artistic talents. This is another segment of the African tourist market that is neglected, but nevertheless important to the growth of cultural tourism SMMEs in the Newtown Cultural Precinct.

Respondent 1: (the owner of a recording studio) I depend a lot on musicians from African countries who come to South Africa to promote and record their music (Interview 21, 4 September 2004).

Respondent 2: Most of the tourists who come to Newtown are musicians from Africa. They like our wares and whenever they come they buy a lot of the things I sell (Interview 19, 8 April 2003).

For cultural tourism SMMEs in the Newtown Cultural Precinct to empower previously disadvantaged entrepreneurs, there is a need for an aggressive marketing strategy to market the area locally and abroad so that more tourists can visit the area and buy goods and services provided by local entrepreneurs.

4.4 The Promotion of Cultural Tourism SMMEs and the Socio-Economic Empowerment of PDIs in the Newtown Cultural Precinct

An assessment of empowerment for previously disadvantaged entrepreneurs in the Newtown Cultural Precinct has to be considered both from a policy framework as well as a social equity framework as outline above. One of the most important policy frameworks to consider when assessing empowerment in the South African tourism industry is the March 2003 Broad-based Empowerment Strategy.

The broad-based empowerment strategy defines Black Economic Empowerment as “an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that

manage, own and control the country's economy, as well as significant decreases in income inequalities" (cited in Infonomics SA 2003: 7). According to the Department of Environmental Affairs and Tourism (DEAT 2001), empowerment and or transformation means changing the structure of the South African tourism industry in order to ensure that the industry is predominantly owned by the majority of the people of South Africa rather than being in the hands of a minority.

While the above policy documents consider ownership to be an important aspect of empowerment, the March 2003 broad-based empowerment strategy is much broad as it includes aspects such as affirmative procurement, enterprise development, human resource development as well as employment equity. The broad-based empowerment strategy states that a black-owned enterprise is "one that is 50.1% owned by black persons and where there is substantial management control", while a black empowered enterprise is defined as "one that is at least 25.1% owned by black persons and where there is substantial management control" (cited in Infonomics SA 2003 P: 7). The broad-based empowerment strategy states that ownership refers to the financial stake that black persons have in an enterprise, whereas control refers to who runs the business in terms of its governing body or executive board of directors. Management on the other hand refers to how many previously disadvantaged individuals are in strategic management positions. Currently there are very few historically disadvantaged people who are in management positions of tourism enterprises in South Africa. According to the former minister of Environmental Affairs and Tourism Vali Moosa, in order to bring about transformation of the South African tourism industry, it is important first to ensure that previously disadvantaged individuals are not

only placed in strategic positions to manage tourism enterprises, but also take full control and ownership of tourism enterprises (Rogerson undated, see also Kirsten and Rogerson 2002).

4.4.1 Ownership and Control of Tourism SMMEs by PDIs in the Newtown Cultural Precinct

The majority of tourism SMMEs in the Newtown Cultural Precinct is owned and controlled by black persons, who own eighty percent of tourism SMMEs in the area. Previously disadvantaged black entrepreneurs also manage seventy seven percent of cultural tourism SMMEs in the area. As indicated in the table below, ownership and management of cultural tourism SMMEs by previously disadvantaged black persons in the precinct accounts for twenty four and twenty three out of thirty SMMEs respectively.

	Ownership		**Management**	
Blacks	24	80%	23	77%
Whites	1	3%	1	3%
Coloureds	2	7%	1	3%
Indians	3	10%	5	17%
Other	0	0%	0	0%

When calculated on the basis of previously disadvantaged group, out of twenty four SMMEs owned by black entrepreneurs, twenty two have a hundred percent black financial stake. Two out of thirty SMMEs have share-holding agreements of fifty percent each, while hundred percent of SMMEs owned by previously disadvantaged black entrepreneurs are owner-managed.

In terms of business linkages, only three out of thirty SMMEs have entered into outsourcing agreements.

4.4.2 The Promotion of Tourism SMMEs in the Newtown Cultural Precinct and the Empowerment of Women

The empowerment of women as a previously disadvantaged group in terms of ownership is as high as eighty seven percent. This amounts to twenty six out of thirty SMMEs, while men own the remaining thirteen percent. In terms of control, most of the SMMEs have no management structure or executive board. However, women manage ninety percent of SMMEs in the area. In seventy seven percent of the cases, the owner entrepreneur exercised the roles of employee, owner and manager.

Most of the women who participate in the tourism economy in the Newtown Cultural Precinct are involved in micro and survivalist craft SMMEs. The craft sector thus continues not only to provide an entry point for women into the mainstream South African tourism economy, but can also play an important in terms of empowering women. According to DACST (1998a), compared to other sectors, the craft sector has a far greater potential to empower previously disadvantaged women entrepreneurs in South Africa. Crafts SMMEs have the potential to empower women as enterprises in this sector are not only easy to start, but are based on the indigenous knowledge and skills of ordinary women, some of whom are illiterate but can nevertheless still participate in economically empowering ways in the cultural tourism economy. In her study titled From Fortress to creative city: Developing Culture and Information-based Sectors in the Regeneration of

the Greater Johannesburg Area, Dirsuweit (1999) notes that the Craft sector has the potential to empower women through the development of economically viable cultural tourism SMMEs.

The following table illustrates the ownership of tourism SMMEs by women entrepreneurs in the Newtown Cultural Precinct.

Gender	**Ownership**		**Management**	
Women	26	87%	29	97%
Men	4	13%	1	3%

4.4.3 The Promotion of Tourism SMMEs in the Newtown Cultural Precinct and the Empowerment of Youth

Young people are less involved in the cultural tourism industry in the Newtown Cultural Precinct. The fact that few young people in the Cultural Precinct own and manage cultural tourism SMMEs can be attributed to the lack of a culture of entrepreneurship among young people. Many young people still go to school, college or university with the intention of getting a qualification and looking for a job, while very few intend to start their own businesses once they leave school or university. This can also be attributed to the fact that in the past there were fewer courses in entrepreneurship and small business management at school level. The number of people who study business courses at university level is also comparatively lower than those in the "Arts" and other fields of study.

The empowerment for young people regarding ownership, management and control of tourism SMMEs in the Cultural Precinct can be illustrated by the diagram below.

Age	Ownership		Management	
Youth (18 - 35)	6	20%	6	20%
Mid-age (36–59)	16	53%	16	53%
Aged (60- 95)	8	27%	8	27%

4.4.4 The Promotion of Tourism SMMEs in the Newtown Cultural Precinct and the Empowerment of People with Physical Disabilities

The number of people with physical disabilities involved in tourism SMMEs in the Newtown Cultural Precinct is also very low. According to the findings of this study, people with physical disability own and manage only three percent of cultural tourism SMMEs in the area. This accounts for one out of thirty tourism SMMEs as indicated in the following table.

Disability	Ownership		Management	
Able	29	97%	29	97%
Disabled	1	3%	1	3%

4.4.5 Income Levels and Sustainability of Tourism SMMEs in the Newtown Cultural Precinct

Based on the empowerment framework provided by the March 2003 broad-based empowerment strategy, in terms of ownership, management and control previously disadvantaged entrepreneurs in the Newtown Cultural Precinct have achieved high levels of empowerment. This applies in particular to women and black entrepreneurs who own between 80 and 97 percent of cultural tourism SMMEs in the Cultural Precinct. In total between eighty and ninety seven percent of SMMEs in the area is owned, managed and controlled by women, black entrepreneurs, the aged, disabled and youth.

However, when calculated on the basis of income levels, economic empowerment for previously disadvantaged entrepreneurs involved in cultural tourism SMMEs in the Cultural Precinct is very marginal. Eighty percent of SMMEs has income levels of between five hundred or less and five thousand rand monthly. Ten percent of SMMEs has incomes of between five thousand and ten thousand rand per month. Seven percent has incomes of between ten thousand and twenty thousand rand, while the remaining three percent has incomes of between fifty and hundred thousand rand per month as illustrated in the table below.

Size of SMME	Income	Number	Percentage
Survivalist Enterprises	R500 – R5000	24	80%
Micro	R5000 – R10	3	10%

Enterprises	000		
Small Enterprises	R10 000 – R50 000	2	7%
Medium Enterprises	R50 000 – R100 000 +	1	3%

The income levels of tourism SMMEs in the Newtown Cultural Precinct indicates that the profile of cultural tourism SMMEs in the area is mainly made up of micro and survivalist enterprises. These segments not only constitute ninety percent of cultural tourism SMMEs in the area, but these are SMMEs that are at the bottom of the economic empowerment scale. Nevertheless, despite their meager incomes the SMMEs provide an important means of livelihood for the majority of historically disadvantaged entrepreneurs in the area.

Respondent 1: Despite the difficulty to survive from the small tourism business I have had since 1995 when I lost my job, from the little income I get, I can clothe, feed and educate my children (Interview 27, 4 September 2004)

Respondent 2: This business is my only source of income (Interview 29, 4 September 2004)

Respondent 3: I do not have any other income except the one I derive from my small business Interview 26, 4 September 2004)

Respondent 4: None of my family is working and the rest of my family has to depend on this small business I am running (Interview 20, 6 April 2004)

In spite of the fact that many entrepreneurs depend entirely on their businesses for survival, in most of the cases the incomes are so low that their

owners have to depend on other sources of income to sustain their livelihoods. Of those entrepreneurs interviewed, seventeen percent indicated that they have entered into cultural tourism SMMEs as a means of supplementing their spouses' incomes. Twenty seven percent indicated that they are involved in other types of businesses in order to sustain their livelihoods, while as high as eighty three percent indicated that they depend entirely on incomes derived from their tourism businesses. Out of these twenty three percent, the majority of which are in the form of micro and survivalist enterprises are run by both spouses. There is less upward mobility in these segments than in the small and medium size enterprise segments. However, whereas there are far greater prospects for growth and economic empowerment in the micro enterprise segment than in the survivalist segment, the majority of entrepreneurs running micro enterprises in the precinct continue to run their SMMEs without any form of support offered to them.

According to the National Strategy on the Development and Promotion of Small Business in South Africa (DTI 1995), while micro-enterprises often grow into viable businesses, survivalist enterprises seldom do. The findings of my research show that due to a lack of relevant support, most micro enterprises in the Newtown Cultural Precinct have not grown in the past thirteen years. The majority of cultural tourism SMMEs in the Cultural Precinct falls within two broad categories, namely micro and survivalist enterprises, while small and medium sized enterprises constitute only seven percent and three percent respectively. The White Paper on Development and Promotion of Small Business in South Africa (DTI 1995) notes that small and medium enterprises constitute a segment in which classification in terms

of assets and income is difficult to make. However, it is believed that enterprises falling in these categories constitute economically viable businesses. Owing to the high prospects for growth and economic empowerment in these categories some analysts argue that medium sized enterprises, like large tourism businesses do not require any special government support or intervention. The fact that few SMMEs in the Cultural Precinct fall within these segments shows that only a handful of historically disadvantaged entrepreneurs have made significant inroads into the mainstream cultural tourism economy in the area. Only a handful of bars and restaurants as well as tour companies have experienced growth in the past thirteen years and still demonstrated prospects for further growth in the future.

For most cultural tourism SMMEs in the area, the prospect for economic empowerment is limited by a lack of government intervention. Due to the believe that there is virtually no prospect for growth in the survivalist segment there have been no support programmes provided for previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the area (see DTI 1995). Most analysts argue that government support must focus on providing skills for entrepreneurs and assisting them to find work in the formal tourism economy. In view of the difficulties people with lower-level skills encounter finding jobs in the formal mainstream labour market, government support should also focus on assisting entrepreneurs to grow their businesses through the provision of low interest micro loans.

4.4.6 Analysis of Socio-Economic Empowerment of Previously Previously Disadvantaged Entrepreneurs in the Newtown Cultural Precinct

The 2003 Annual Review of Empowerment and Transformation in the South African tourism industry notes that the tourism industry in South Africa is still "white owned even more at the SMME level than among large enterprises" (Infonomics SA 2003: 18). However, previously disadvantaged entrepreneurs own and run the majority of cultural tourism SMMEs in the Newtown Cultural Precinct. However, most of the SMMEs have extremely low income levels and therefore the fact that previously disadvantaged entrepreneurs own the majority of tourism SMMEs in the area does not constitute real or meaningful economic empowerment.

Neither has their participation in tourism SMMEs socially empowered them. Based on the above empowerment framework, empowerment means involving previously disadvantaged entrepreneurs in decision making processes to ensure that their needs are best met by the development process. However, during the interviews it emerged that previously disadvantaged entrepreneurs were not part of the decision making process regarding development in Cultural Precinct. It also emerged that most previously disadvantaged entrepreneurs have not meaningfully benefited from participating in cultural tourism SMMS in the area.

This provides proof that a top-down approach in terms of development does not yield positive results. While development in the area was well intended

to promote local economic development, it has resulted in most survivalist enterprises becoming more economically marginalized. Besides the challenges of over-commercialization entrepreneurs in the precinct face, cultural development in the precinct has largely resulted in the economic exclusion of historically disadvantaged entrepreneurs. The building of stalls and trader markets has led to many entrepreneurs either leaving the micro and survivalist enterprise segments or continuing to trade on street corners where they are continuously harassed by the metropolitan police. Economic exclusion has been attributed mainly to the high rent charged for stalls and trader markets. When asked why they were trading on street pavements, many entrepreneurs cited this as the main reason. Owing to the high rent charged for stalls, few craft small entrepreneurs have rented stalls and continue to trade on street pavements under an extremely hostile economic environment.

Respondent 1: I cannot afford the rent for the stalls (Interview 18, 7 April 2003).

Respondent 2: When I moved into the stall I was told that the rent is R60 per month, but officials at the Metropolitan Trading Company are charging us R300, and at times up to R500. That is why I have decided to leave and sell my wares here (Interview 29, 9 September 2004).

Respondent 3: Trading on the streets is difficult because we are constantly on the run from the Metro Police who are chasing us away (from the street) (Interview 5, 3 April 2003).

Respondent 4: When the Metro Police come, we have to hide the stuff that we sell because if they find you trading here they will arrest you (Interview 17, 7 April 2003).

Respondent 5: If the Metro Police find you trading here they will take away

all your stock. Unless you pay the fine, you will not be able to get your stock back (Interview 26, 9 September 2004).

There seems to have been little or no assessment to determine what effect the development of the area would have on the small entrepreneurs, especially those involved in survivalist and micro enterprises. When asked why they have decided to locate their businesses in the area, their responses indicated that they had no say in terms of the building of trader markets in the precinct.

Respondent 1: I sell my crafts here because the council has built stalls here. If I had a choice, I would locate my business in another area. There is no business here any longer because everyone is selling the same items I am selling (Interview 9, 5 April 2003).

Respondent 2: I did not want to locate my business here. I had to locate (my business) here because of the stalls which have been built in the area by the Johannesburg Metropolitan Council. It is safer here because I do not have to carry my stock around. I can just lock it in until the following day. Even when it is raining, I do not have to close or stop trading. However, there is more competition here as compared to other areas, and as such our prices have to remain low (Interview 10, 5 April 2003).

Few SMMEs in the Cultural Precinct belong to any business associations. Therefore entrepreneurs in the area have no real voice or say to make their needs known.

Respondent 1: I do not belong to any business organization. None of us do. But we work together like a collective. If someone wants to go to buy more stock or to the bank, I look after their stock until they come back. If someone wants to buy I help them sell their wares while they are away because I know the prices (Interview 17, 7 April 2003).

Respondent 2: “We have to work together as we are in the same business so that we can all stay in business. It is therefore important that we work together (Interview 21, 7 September 2004).

Respondent 3: We have to share a lot of information. When I go to buy new stock, if I find a bargain or something at a very good price that I can sell at a much higher profit, I do not keep that to myself, I tell my other friends with whom I sell (or work) about it (Interview 25, 9 September 2004.

The above responses show that despite the fact that most SMMEs in the Cultural Precinct do not belong to business organizations; entrepreneurs have developed very strong social networks that enable their SMMEs to survive. This also shows that given the necessary support, cultural SMMEs have the potential to empower previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the area. In order to empower previously disadvantaged entrepreneurs involved in the cultural tourism economy as well as ensure the long-term sustainability of their cultural tourism SMMEs, what is needed is the provision of the necessary support services for them to develop and grow their SMMEs.

Conclusion

The support of historically disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy is central to the transformation of the tourism industry in the Newtown Cultural Precinct. Without the relevant support, the majority of previously disadvantaged entrepreneurs involved in cultural tourism SMMEs cannot grow beyond the subsistence level. It is therefore important to make support services accessible to previously disadvantaged entrepreneurs in order to enable their tourism SMMEs to become economically sustainable. To empower previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the Cultural Precinct, it is also important to ensure that the necessary enabling

environment is created for small, medium, micro and survivalist enterprises to conduct their business in the area.

Chapter Five

Discussion and Summary of the Results of the Research

5.1 Discussion, Analysis and Summary of the Results of the Research

The Newtown Cultural Precinct has potential not only to promote the development of cultural tourism SMMEs, but also to empower previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the area. With a number of support programmes provided by government and Non-governmental organizations, there is sufficient reason to belief that prospects for economic empowerment for previously disadvantaged entrepreneurs involved in the tourism economy in the area have increased since the coming into power of the democratic government in 1994.

The Cultural Precinct has been earmarked as a special economic zone for promoting SMMEs and this ogres well for the development of tourism and creative SMMEs owned by previously disadvantaged entrepreneurs. The area also has a rich social capital in terms of the high levels of entrepreneurship among local entrepreneurs. Coupled with that are the strong social networks that have been developed among entrepreneurs in the area, especially among owners of micro and survivalist enterprises. In addition, the precinct has an abundance of heritage resources in the form of historic buildings that attract tourists to the area. This promotes cultural tourism to the area and leads to the development of cultural tourism SMMEs, which have been greatly boosted by the provision of physical infrastructure in the form of trader

markets or stalls, office space as well as commercial outlets. Provision of the necessary infrastructure, which has been done through the construction of new buildings as well as a process of upgrading old warehouses and unused factories for cultural production and entertainment, has led to the development of creative and tourism SMMEs. Unlike in the past, there is no shortage of physical infrastructure for previously disadvantaged entrepreneurs involved in the creative and tourism industry in the area to develop their SMMEs.

Construction of middle-income housing units has also provided the impetus for developing tourism and creative SMMEs in the precinct through local spending. Lastly, the improvement of the internal road network as well as the building of the Nelson Mandela Bridge has not only improved accessibility to the area, but also the Nelson Mandela bridge has become a major draw card for local and international visitors to the precinct. This has further promoted cultural tourism to the precinct. There are also support programmes that can assist in developing for creative and tourism SMMEs in the area.

Nevertheless, there has not yet been any meaningful economic empowerment for previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the Newtown Cultural Precinct. The findings of this research show that provision of support programmes by government and non-governmental organizations has not led to the growth of the majority of tourism and creative SMMEs operating in the Cultural Precinct. Only a handful of SMMEs have grown in the past few years, while most of those involved at marginal levels of the cultural tourism economy in the area has

not grown beyond the subsistence level. This lack of growth for the majority of SMMEs owned and managed by previously disadvantaged entrepreneurs involved in less meaningful ways in tourism and creative SMMEs can mainly be attributed to a lack of information and awareness regarding available support programmes. The lack of information and awareness regarding available support programmes for tourism and creative SMMEs in the area prevents previously disadvantaged entrepreneurs from accessing relevant support to develop their SMMEs.

Coupled with the slow pace of delivery of the relevant support programmes, the lack of information regarding support programmes are some of the major contributory factors to the lack of economic empowerment for the majority of previously disadvantaged entrepreneurs involved in creative and tourism SMMEs in the area. There is therefore an urgent need to speed up delivery of support programmes so as to enable previously disadvantaged entrepreneurs to participate in meaningful ways in the cultural tourism economy in the Newtown Cultural Precinct. The speeding up of delivery of relevant support programmes will enhance the growth of creative and tourism SMMEs and ensure that they become engines of economic growth, empowerment and transformation within the cultural tourism industry.

For this to occur, there is a need to make the necessary relevant support programmes accessible to previously disadvantaged entrepreneurs involved creative and tourism SMMEs in the area as access to information will assist in improving the efficiency as well as potential of SMMEs to empower previously disadvantaged entrepreneurs involved in less meaningful ways of the cultural tourism and creative economy in the Cultural Precinct.

It is not simply the availability of support programmes that is central to the economic empowerment of previously disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy in the Newtown Cultural Precinct, but also ease of accessibility thereof. It is by having easy access to adequate and relevant support programmes that previously disadvantaged entrepreneurs can play a significant and meaningful role in the cultural tourism economy in the Cultural Precint. In order to empower previously disadvantaged entrepreneurs in the area, what is necessary is the removal of the bottlenecks that still limit access to relevant support programmes for previously disadvantaged entrepreneurs.

Critical to small business development in the creative and tourism sectors of the area's economy essential is the creation of an enabling legislative for previously disadvantaged entrepreneurs to participate in their SMMEs in an environment that is characterized by freedom of trade without fear of intimidation from the state. In addition to ease of access to support programmes, it is also important to ensure that previously disadvantaged entrepreneurs in the area participate in creative and tourism SMMEs without the restrictions of the past years.

Access to support programmes will ensure that previously disadvantaged entrepreneurs are involved in the mainstream cultural tourism economy in the area. This will enable government to meet its objectives of transforming the creative and tourism industry in the area. A challenge facing government regarding transformation and empowerment within the cultural tourism industry in the Newtown Cultural Precinct is not only to provide support

programmes with the view of closing income disparities that exist within the tourism economy in the area, but also what is required is government intervention through procurement programmes that will allow for more participation by women, youth and people with disabilities in the tourism and creative economy of the area. A huge challenge still facing the government in terms of economic empowerment for previously disadvantaged entrepreneurs in the Newtown Cultural Precinct is the lack of transformation of the cultural tourism industry through government intervention to enable more previously disadvantaged entrepreneurs to participate in the mainstream tourism economy.

In order to allow for more meaningful participation by previously disadvantaged entrepreneurs in the cultural tourism economy in the Cultural Precinct, the government needs to put in place far more effective mechanisms to address the backlogs created by apartheid policies with regard to the provision and access to support programmes for previously disadvantaged entrepreneurs. For economic empowerment and transformation within the cultural tourism economy of the Newtown Cultural Precinct to take place will require more than just political will on the part of government to develop tourism and creative SMMEs owned by previously disadvantaged entrepreneurs. Transformation of the industry will also require that more financial resources are invested in developing creative and tourism SMMEs owned and managed by previously disadvantaged entrepreneurs. This can either be in the form of rebates on investment capital of money previously disadvantaged entrepreneurs invest in starting creative and tourism SMMEs or more tax relief being granted to SMMEs owned and managed by previously disadvantaged entrepreneurs involved at marginal

levels of the cultural tourism economy of the area. The granting of tax exemptions or relief for SMMEs owned by historically disadvantaged entrepreneurs should continue up until SMMEs have sufficiently developed to can play a meaningful role in the tourism and creative economy in the area. This will encourage more compliance in terms of tax registration and or formalization of creative and tourism SMMEs from small entrepreneurs in the area who are aspiring to grow their SMMEs. The more compliance there is, the less harassment of previously disadvantaged entrepreneurs involved in less empowering ways in the creative and tourism economy in the Cultural Precinct there will be. Government intervention in the form of relevant legislation and mechanisms to ensure compliance from big companies with its empowerment score cards will no doubt fast track empowerment for previously disadvantaged entrepreneurs and lead to the growth of cultural tourism SMMEs in the Newtown Cultural Precinct. With more government support and intervention the number of people involved in survivalist enterprises will be significantly reduced.

Due to the lack of government intervention regarding small business development in the area, there been less growth and economic empowerment for previously disadvantaged entrepreneurs in the Cultural Precinct. Lack of empowerment had been largely due to the absence of business linkages being developed between cultural tourism SMMEs and large tourism companies as it had been due to the high rentals charged for stalls. Consequently, the majority of previously disadvantaged entrepreneurs in the precinct still participate in the creative and tourism economy at the bottom of the economic empowerment scale. Without government involvement, the ownership of the mainstream cultural tourism economy in the Newtown

Cultural Precinct will continue to remain in the hands of a minority, while the majority of previously disadvantaged entrepreneurs participate in the economy at marginal levels where there are few prospects for growth and economic empowerment.

Although there are support programmes available in the area, there are many previously disadvantaged entrepreneurs in the precinct who still have no access to relevant support, while most of them lack the requisite management skills to develop their SMMEs. There is also a need for creative and tourism SMMEs in the Cultural Precinct to have more access to tourist markets as most foreign tourists come and leave without buying from creative and tourism SMMEs to the area, particularly from those owned by previously disadvantaged entrepreneurs. There is therefore a need to train entrepreneurs in marketing for them to acquire relevant skills to market their products and services to tourists who come to the precinct so that they can buy from their SMMEs.

It is also important to market the area positively with the view of dispelling notions that it is not safe for tourists to walk around and buy from local SMMEs. Whereas there continue to be isolated incidents of muggings, this does not mean it is generally unsafe for tourists to walk around and support local SMMEs. It is also important for tour operators to know that crime occurs everywhere. What is important is for them to have up to date information on crime so that they can be in a position to give safety tips to tourists when they visit the area, especially regarding hot spots for crime. Previously disadvantaged entrepreneurs should partner with law enforcement agencies as well as tour operators not only with regard to educating tourists

about crime, but also with regard to initiating measures aimed at eradicating crime in the area altogether.

Access to finance for previously disadvantaged entrepreneurs involved at marginal levels of the creative and tourism economy in the Newtown Cultural Precinct has been a huge challenge facing empowerment and transformation of the cultural tourism industry in the area. Lack of access to finance is mainly caused by the stringent requirements set by banks with regard to the granting of loans to SMMEs owned by previously disadvantaged entrepreneurs. Whereas indeed banks do need a return on their money, it is important for them to relax some of the strict requirements imposed on SMMEs. There should be a fund set up by government that will provide security for historically disadvantaged entrepreneurs in loan applications. This will not only facilitate ease of access to finance for previously disadvantaged entrepreneurs, but will also ensure that financial institutions get a return on their capital invested in promoting tourism and creative SMMEs. This will also empower previously disadvantaged entrepreneurs by ensuring that they have financial support to develop their SMMEs whenever they need it.

Although ease of access to financial resources is essential, it is also important to address the problem of the cost of capital as most entrepreneurs are reluctant to apply for finance owing to the high interest rates charged by financial institutions. There is therefore a need to make provision for low interest loans for SMMEs owned by previously disadvantaged entrepreneurs.
Owing to the lack of access to support programmes, Black Economic Empowerment for most previously disadvantaged entrepreneurs involved at

marginal levels of the creative and tourism economy in the Newtown Cultural Precinct has simply become an ideal rather than a reality. In spite of the potential of the area to empower previously disadvantaged entrepreneurs through the promotion of tourism and creative SMMEs, without accessing relevant support programmes, participating in the cultural tourism economy in the area for them will not yield any significant economic returns. As a result of the lack of access to finance few SMMEs involved in creative and tourism economy in the area have grown. There are in fact fewer prospects for economic empowerment for the majority of entrepreneurs involved in the cultural tourism industry in the Cultural Precinct.

In terms of broad-based economic empowerment, few SMMEs, especially the small entrepreneur involved in less meaningful ways in for micro and survivalist enterprises, participating in creative and tourism SMMEs has not yielded notable results. The findings of this research indicates that the standard of living of the majority of owners and managers of creative and tourism SMMEs in the Newtown Cultural Precinct is no better than that of an ordinary worker. For the past few years, SMMEs involved in marginal levels of the cultural tourism economy in the Newtown Cultural Precinct have hardly earned a sustainable living for the owner entrepreneur. Due to the lack of sustainability of livelihoods within the cultural tourism economy in the precinct, most entrepreneurs have rely mostly on other sources of income to sustain their livelihoods, including keeping their SMMEs operational. Some of the entrepreneurs have indicated that they borrow from micro-finance to buy new stock for their SMMEs.

This study also indicates that very few historically disadvantaged

entrepreneurs in the Newtown Cultural Precinct have made significant inroads into the mainstream cultural tourism economy. Its findings are substantiated by a recent study conducted by a group of black businessmen that shows that few historically disadvantaged entrepreneurs have made significant advances within the mainstream economy in South Africa during the past few years of democracy. According to the study, only four percent of JSE listed companies in are owned and managed by historically disadvantaged individuals.

SMMEs that have benefited from business linkages in the Cultural Precinct are mainly cleaning and security companies rather than those SMMEs directly involved in creative and tourism SMMEs. The fact that there are few linkage opportunities for creative and tourism SMMEs has resulted in the overall lack of growth for small, micro and medium enterprises directly involved in the cultural tourism economy in the Newtown Cultural Precinct. The importance of business linkages in empowering previously disadvantaged entrepreneurs involved in the tourism economy has been well articulated. However, there is more that is required in terms of empowerment and transformation of the creative and tourism economy in the area than just providing business linkage opportunities. What is also required in terms of efforts to empower previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the area is more than any other form of support an attitude change.

Previously disadvantaged entrepreneurs in the area should have the ambition to grow and develop their SMMEs instead of participating in the creative and tourism economy of the area merely as a survival strategy, but rather as a

means of achieving meaningful economic empowerment. There is a need to educate previously disadvantaged entrepreneurs on the importance of the small business sector in building the economy as well as the role it can play in empowerment and transformation within the South African creative and tourism economy. Instead of participating in the creative and tourism economy simply as a means of supplementing their income, previously disadvantaged entrepreneurs in the area should be instilled with an entrepreneurial attitude of wanting to succeed by growing their SMMEs beyond the subsistence level.

However, this can only be achieved through the provision of adequate and relevant support. Indeed provision of support programmes, if adequately managed offers not only a solution to the problem of unemployment, but can also bring about the overall socio-economic upliftment of previously disadvantaged entrepreneurs involved in marginal levels of the creative and tourism industry in the Newtown Cultural Precinct. While support in the form of business linkages is critical in empowering previously disadvantaged entrepreneurs, this cannot take precedence over other forms of support for creative and tourism SMMEs in the area. Empowerment for previously disadvantaged entrepreneurs involved at marginal levels of the creative and tourism industry in the precinct can also be achieved through other forms of support developed though networks among entrepreneurs in the area. Networks have proved to be very successful in improving the efficiency of creative and tourism SMMEs in many parts of the developing world.

As part of a process to empower previously disadvantaged entrepreneurs in the area, it is also important to take into account the fact that the kind of

support offered to SMMEs has to be the appropriate form of support in terms of the level of growth of creative and tourism SMMEs. This is particularly important due to the fact that the constraints and support needs of SMMEs differ according to the size and level of growth of SMMEs concerned. For example, outsourcing is appropriate to small and medium sized enterprises and may not be the most appropriate form of support in the case of survivalist enterprises.

Nevertheless, access to finance, markets; training and appropriate information technology is essential to all types as well as sizes of tourism and creative SMMEs in the precinct. While access to finance, markets; training as well as appropriate information technology are important in ensuring that SMMEs function efficiently as well as increase their potential to empower historically disadvantaged entrepreneurs, there is limited access to support in these areas for most entrepreneurs involved in the cultural tourism economy in the Newtown Cultural Precinct. For example, with regard to access to information technology, most SMMEs in the Cultural Precinct lack even the most basic infrastructure such as a telephone or fax to be able to communicate effectively. The lack of access to IT is thus one of the main constraints to the economic empowerment of previously disadvantaged entrepreneurs involved in cultural tourism SMMEs in the area.

Although there is poor access to support programmes for tourism and creative SMMEs owned and managed by previously disadvantaged entrepreneurs in the Newtown Cultural Precinct, South Africa does not lack legislation to transform the industry with the view to increasing meaningful participation by historically disadvantaged entrepreneurs. Nevertheless, the

passing of legislation, together with the provision of an institutional framework in the form of the National Small Business Council and the appointment of the Chief Directorate in charge of small business development in the Department of Trade and Industry as well as support programmes aimed at transforming the industry have not benefited the majority of previously disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the Newtown Cultural Precinct. For SMMEs in the area to empower previously disadvantaged entrepreneurs will require not only the provision of relevant support programmes, but also practical mechanisms to ensure that there is equal access for previously disadvantaged entrepreneurs to the necessary available support programmes.

Efforts to transform the industry in the Cultural Precinct should be focused on increasing information and awareness for previously disadvantaged entrepreneurs involved at marginal levels of the creative and tourism economy regarding support programmes provided by government and non-governmental organizations in the area. Increasing access to support programmes also requires information on how to access relevant support programmes. This means increasing capacity for government departments not only to disseminate information, but also to provide the necessary support programmes in order to deliver on the government's mandate of addressing income inequalities within the creative and tourism sector in the area. Without increasing capacity for government departments and NGOs in the area to deliver relevant support programmes, previously disadvantaged entrepreneurs will not be empowered to participate meaningfully in the cultural tourism economy in the Cultural Precinct.

Apart from specialized support programmes provided by government and non-governmental organizations, there are other forms of support necessary to address the challenges that affect the growth and development of creative and tourism SMMEs in the Newtown Cultural Precinct. There is a need not only to encourage more cultural tourism to the precinct, but also to grow other segments of the area's tourist market. It is also necessary for the precinct to have conference facilities so that the area can have enough capacity to host major international events. It is also important to provide suitable accommodation for tourists so as to encourage tourists to stay longer in the precinct. This will enhance the potential of creative and tourism SMMEs to empower previously disadvantaged entrepreneurs by encouraging more tourist-spending in the local economy.

Whereas there are a number of factors affecting the economic empowerment of previously disadvantaged entrepreneurs in the area, lack of access to support programmes that will enable creative and tourism SMMEs in the Newtown Cultural Precinct to function efficiently is probably the single most important factor limiting the economic empowerment of historically disadvantaged entrepreneurs involved at marginal levels of the cultural tourism economy of the area. Lack of access to support programmes has mainly affected the potential of micro and survivalist SMMEs to grow beyond the subsistence level.

With regard to ownership, management and control, the majority of creative and tourism SMMEs in the Cultural Precinct is owned, managed and controlled by previously disadvantaged entrepreneurs. However, this has not resulted in real and meaningful economic empowerment for previously

disadvantaged entrepreneurs in the area. The main finding of my research is that the majority of small entrepreneurs involved at marginal levels of the creative and tourism economy in the Newtown Cultural Precinct has not grown in the past few years, with only a small minority having made significant inroads into the mainstream cultural tourism economy in the area. Overall, participation by previously disadvantaged entrepreneurs in creative and tourism SMMEs in the precinct has not resulted in significant improvements in the standard of living for the majority of entrepreneurs.

The availability of support programmes, which had been accompanied by significant improvements in physical infrastructure, has meant very little for previously disadvantaged entrepreneurs involved in less meaningful ways in the cultural tourism industry in the area. However, the challenge facing transformation and economic empowerment for previously disadvantaged entrepreneurs within the cultural tourism industry is in the Newtown Cultural Precinct is no longer so much at the level of policy formulation as it is at the level of delivery of relevant support programmes. The speeding of delivery of relevant support programmes in the area requires a concerted process aimed at ensuring that available support programmes are accessible to the small entrepreneur involved in less meaningful ways in the cultural tourism economy. This will ensure that there is broad-based economic empowerment within the creative and tourism economy in the area. Delivery of support programmes to SMMEs owned and managed by previously disadvantaged entrepreneurs will enable them to graduate from being survivalist to becoming successful business ventures. What is necessary in ensuring that survivalist SMMEs in the area become successful business ventures requires not only a re-thinking of strategy on the part of government in ensuring

increased that there is increased accessibility to support programmes, but also a high level of consideration on the part of financial institutions with regard to some of the requirements they place on entrepreneurs in terms of access to financial support.

Transforming the cultural tourism industry in the Cultural Precinct should be done with the aim of not only making support programmes accessible, but also ensuring that support goes where it is mostly needed. The most pressing constraint to transformation and economic empowerment for previously disadvantaged entrepreneurs in the area is no doubt the lack of awareness regarding relevant support programmes that can assist their SMMEs to grow. While there is a need for education and awareness to inform historically disadvantaged entrepreneurs of relevant support programmes, it is also important to ensure that the kind of support offered to entrepreneurs is at the level of growth of tourism SMMEs. While there are other factors limiting the growth of creative and tourism SMMEs in the area, the provision of relevant support programmes is key to the economic empowerment of previously disadvantaged entrepreneurs in the Newtown Cultural Precinct.

Without access to appropriate relevant support, creative and tourism SMMEs cannot increase their capacity to close the income disparities that exist within the creative and tourism industry in the area. There is thus an urgent need to facilitate ease of access to support programmes for previously disadvantaged entrepreneurs, especially with regard to those involved at marginal levels of the creative and tourism economy in the Newtown Cultural Precinct. Empowerment and transformation will not be achieved unless there is access to support programmes to previously disadvantaged entrepreneurs in the

area. In order to fast track transformation within the cultural tourism industry in the Cultural Precinct, there has to be government support and intervention so as to improve the rate at which delivery is taking place in order to keep pace with the rate at which demand for support is growing. Government intervention and support for tourism SMMEs in the Cultural Pecinct is important because the government has the power to enforce compliance with regard to policy aimed at transformation.

The government can also play an important role in empowering previously disadvantaged entrepreneurs involved at marginal levels of the creative and tourism economy in the area as the government is the biggest procurer of goods and services within the tourism industry. To bring about the transformation of the cultural tourism industry in the precinct, the same level of commitment is required from the established tourism sector to develop business linkages with creative and tourism SMMEs involved in the cultural tourism industry in the area. Lastly, the same amount of commitment is needed from the financial sector to assist historically disadvantaged entrepreneurs with finance to develop their creative and tourism SMMEs. This will not only transform the creative and tourism industry, but will also empower previously disadvantaged entrepreneurs and enable them to participate meaningfully in the mainstream cultural tourism economy as well as in building the local economy.

CONCLUSION

In conclusion, the tourism and creative industries in South Africa have grown at phenomenal rates since the dawn of democracy in South Africa. This has the potential to empower previously disadvantaged entrepreneurs who have entered into creative and tourism SMMEs. However, the potential of SMMEs to empower previously disadvantaged entrepreneurs depends on access to support programmes. While there are support programmes provided by government and non-governmental organizations in the Newtown Cultural Precinct, the lack of access to these support programmes has resulted in a lack of economic empowerment for the majority of historically disadvantaged entrepreneurs involved at marginal levels of the tourism economy in the area.

The redevelopment of the Cultural Precinct through the provision of physical infrastructure as well as support programmes for SMMEs has increased prospects for growth and economic empowerment for previously disadvantaged entrepreneurs involved in the cultural tourism economy in the Cultural Precinct. The improved legislative environment to promote SMMEs has increased prospects for growth of creative and tourism SMMEs in the Cultural Precinct since the coming into power of the democratic government in 1994. Nevertheless, previously disadvantaged entrepreneurs in the area still do not have ease of access to relevant support programmes. Owing to less direct government involvement in encouraging business linkage opportunities between large enterprises and cultural tourism SMMEs in the precinct, there have been few outsourcing agreements developed.

Whereas the majority of cultural tourism SMMEs in the Newtown Cultural Precinct is owned and managed by previously disadvantaged entrepreneurs, this has not resulted in real economic empowerment. This is mainly due to the fact that the income levels of tourism and creative SMMEs in the area are extremely low. Consequently, most previously disadvantaged entrepreneurs simply regard their participation in creative and tourism SMMEs as a means of survival rather than as a means of achieving meaningful economic empowerment. Often, it is survivalist SMMEs at the very bottom of the economic empowerment scale that find it difficult to access relevant support. This applies also in the case of micro enterprises. In spite of the fact that unlike survivalist enterprises, micro enterprises have a far greater potential to develop into successful businesses than, most of them have barely had access to support programmes.

Despite the changes that have taken place since the coming into power of the democratic government, access to support programmes for previously disadvantaged entrepreneurs in the Newtown Cultural Precinct is still a major challenge facing transformation and empowerment within the cultural tourism industry in the area. In the final analysis, while there have been some SMMEs that have experienced growth in the past few years, the provision of support programmes for creative and tourism SMMEs since the coming into power of the democratic government has not economically empowered previously disadvantaged entrepreneurs involved in at marginal levels of the cultural tourism industry in the Cultural Precinct.

Annexure A

Questionnaire

The following questionnaire is part of a survey aimed at assessing the economic empowerment of previously disadvantaged individuals involved in tourism SMMEs in the Newtown Cultural Precinct.

(i) Entrepreneur's gender ☐ Female ☐ Male

(ii) Entrepreneur's race ☐ Black ☐ White ☐ Coloured ☐ Indian ☐ Other

(iii) Do you have any form of disability? ☐ Yes ☐ No

(iv) Type of SMME……

(v) How many employees including you as the owner does this business have? ☐☐☐

(vi) Number of ☐☐☐ permanent ☐☐☐ temporary ☐☐☐ part-time ☐☐☐ casual employees

(v) What other roles do you play as the owner of this business? ☐ Manager ☐ Employee

(vii) Average income of business per month ☐ 500 ☐ 1000 ☐ 2000 ☐ 5000 ☐10 000 ☐ 20 000 ☐ 50 000 ☐100 000

(viii) Is the income you derive from the business your only source of income? ☐ Yes ☐ No

(ix) Monthly rent for R ☐☐☐☐☐ stall R ☐☐☐☐☐ business premises R ☐☐☐☐☐ street pavement

(x) If trading on the street, what are your reasons for not renting a stall or business

premises?……..

……..

……..

(xi) What is your highest level of education?……...

(xii) Do you have skills in running a business? ☐ Yes ☐ No

(xiii) How did you acquire the skills? ☐ Business training institution

☐ In-service training ☐ other

(xiv) Do you know of any business training institutions in the vicinity?

☐ Yes ☐ No

(v) If yes, specify name and locality ……

……...

……

(xvi) Do you have a ☐ telephone ☐ fax ☐ Cell phone ☐ e-mail

☐ Web site ☐ none

(xvii) What kind of support does your business require? ☐ Finance

☐ Training

☐ Marketing

(xviii) Give details in respect of the above……

……

……

(xix) Are you aware of any organization that can assist you with regard to the above? Yes ☐ ☐ No

(xx) Are you a member of any business organization? ☐ Yes ☐ No

(xxi) Are you a registered business? ☐ Yes ☐ No

(xxii) If not, what are your reasons for not registering your business?.....

……

……

(xxiii) Where did you get the capital to start your business? ☐ Bank loan ☐ self-finance ☐ other

Specify…….

(xxiv) Did you ever apply for financial assistance? ☐ Yes ☐ No

(xxv) Specify whether government-funded institution or organization, NGO, bank or micro-finance institution…….

……

(xxv) Did you get funding? ☐ Yes ☐ No

(xxvi) If no, state the reason/s thereof?.....

……

……

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……

……

(xxvii) Why did you locate your business in this particular area?

……

……

……

……

(xxviii) What are the major problems you face in your business?.....

……

……

……

……

……

……

(xxix) If you are a woman entrepreneur and or disabled, what are the major

challenges you face in running a business?

☐ Discrimination ☐ pressure from spouse ☐ crime ☐ other

Give details……

……

……

……

……

(xxx) Has your business ☐ grown or ☐ declined in the past five years?

(xxxi) To what do you attribute this?……..

……

……

……

(xxxii) What role do you think the National Government must play to assist you to grow your business?…….

……

……

……

……

(xxxiii) What role do you think Local government must play to assist you to grow your business?……

……

……

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……

……

……

Figure 1

Map of Central Johannesburg

Source: Johannesburg Tourism Company Brochure

Figure 2

Map of the Newtown Cultural Precinct with Creative and Tourism SMMEs in the area.

Source: www.jda.org.za

Figure 3

Map of the Newtown Cultural Precinct - Note the Street-Name Changes

Source: Invitation Card to **TransAtlanticInk** (British Council May 2005).

Appendices

Appendix 1

List of SMMEs interviewed

(a) African traditional clothing shops

(b) Arts and craft informal traders

(c) Bar and Restaurants

(d) Barber shop and hair salons

(e) Catering and Events Management company

(f) Cleaning company

(g) Coffee shop

(h) Craft shops

(i) Florist shop

(j) Jazz club and Restaurant

(k) Music and drama group

(l) Music group

(n) Rastafarian clothing traders

(0) Security company

(m) Tour operators

Appendix 2

Name of organisation	Rutec
Contact Details	P.O. Box 32011, Braamfontein, 2017 Irvin@rutec.co.za
Support programmes	Provides training in Business start up, research and development, consulting and business management to tourism SMMEs.
Name of organization	Community Education Computer Society (CECS)
Contact Details	Fax: 011-834-9054
Support programmes	Offers computer training for beginners, Information Technology literacy (Certified by Wits University) and advanced computer training to tourism SMMEs.
Name of organisation	Hypercube cc
Contact Details	Business Place, 58 Marshall Street, Marshalltown, 2001
Support programmes	Offers training in marketing, tendering, cash flow forecasting, book keeping and business management.
Name of organisation	Lesedi La Sechaba
Contact Details	Business Place, 58 Marshall Street, Marshalltown, 2001
Support programmes	Provides training in the Arts e.g. sculpture, dressmaking, beading, sewing catering and hospitality e.g. cooking and baking, business start up, networking as well as specialized business management for the aged, disabled and the youth.
Name of organisation	Open for Business
Contact Details	Business Place, 58 Marshall Street, Marshalltown, 2001

Support programmes	Offers consulting and information on how to start, improve or expand a business to tourism SMMEs and aspiring entrepreneurs. Serves as a Resource Centre by providing free internet access, video shows on entrepreneurship and advertising tenders on a weekly basis.
Name of organisation	South African Graduates Development Association (SAGDA)
Contact Details	Business Place, 58 Marshall Street, Marshalltown, 2001
Support programmes	Offers training in starting a business, on-going business counseling, mentoring and internship to enable graduates to acquire business management skills in line with the National Skills Development Strategy and Human Resources Development (HRD) Strategy of the Dept. of Labour. Affiliated to SANGO, SA Youth Council, Nedcor, Ford Foundation and Inter Fund.
Name of organisation	Black Management Forum
Contact Details	Business Place, 58 Marshall Street, Marshalltown, 2001
Support programmes	Provides financial advancement through investment schemes and networking by hosting regular functions for black entrepreneurs.
Name of organisation	Karabo Financial Consultancy (KFC)
Contact Details	P.O. Box 93608, Yeoville, 2143
Support programmes	Provides financial advice in investment and portfolio planning, debt management, savings, income tax, education and retirement planning, business plans and medical aid schemes to tourism SMMEs.
Name of organisation	Kagiso Business consultants (KBC)
Contact Details	Business Place, 58 Marshall Street, Marshalltown, 2001
Support programmes	Offers advice with business plans, business start up, feasibility studies, Business Management training, Book Keeping and

	general business advice and mentorship.
Name of organisation	Junior Achievement
Contact Details	Business Place, 58 Marshall Street, Marshalltown, 2001
Support programmes	Offers training in Business Management, life skills, business development, business plans, tendering, ongoing support and accessing credit to young and aspiring entrepreneurs to enable them to establish their own businesses.
Name of organisation	Big News
Contact Details	Business Place, 58 Marshall Street, Marshalltown, 2001
Support programmes	Monthly Newspaper for small business owners. Provides information to small, medium and micro entrepreneurs and serves as a promotional, advertising and marketing tool for SMMEs. Available free of charge at selected banks, suppliers, and specialized Business Service Centres.

NB. The Names and Contact Details of Support Programmes and Organizations were compiled with the Assistance of Open for Business.

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