

CHAPTER 7

NICHE MARKETS

7.1 Australia's trade with SADC countries is at present relatively modest although there is scope for expansion. As noted in the previous chapter, South Africa is Australia's major trading partner in the SADC region and provides a natural entry point to the other SADC states. A number of niche markets were identified in submissions to the Committee. Austrade identified the greatest export opportunities for Australia as being in the following sectors:

- mining technology, equipment and systems;
- building/construction engineering services, materials and equipment;
- telecommunications/communications equipment, technology and services;
- food processing technology/machinery;
- rural development systems and equipment;
- hospital and medical equipment/professional and scientific equipment;
- transport equipment and technology;
- education and training services and equipment; and
- marine equipment and technology.¹

7.2 This view was supported by a range of other submissions. Professor Kenneth McPherson, Director of the Indian Ocean Centre noted that while Southern Africa does not offer a complex range of markets for Australian exporters:

...its massive need for infrastructure reconstruction provide important niche markets in the area of construction, communications, transport facilities, power generation and telecommunications which Australian companies could readily be involved in. In addition, there is an urgent need for capital and expertise in mining and in food production: again, two areas in which Australia possesses distinct skills and marketing advantages.²

This chapter examines the potential of a number of these sectors for Australian business.

Mining

7.3 Mining has played a key role in the development of many Southern African countries and offers extensive opportunities for trade and Australian investment. The SADC region has a wealth of mineral resources fundamental for industrial development. These include diamonds, chromium, coal, copper, iron, nickel, platinum, coloured gemstones and soda ash.³

1 Austrade, Submission, p. S156.

2 McPherson, Submission, p. S1068.

3 Exhibit No. 35, p. 68.

7.4 Namibia accounts for 30 per cent of the world's diamond market and is classed as the leading producer of gem-quality diamonds. Namibia also has the world's richest reserves of tin and lithium and is a large producer of lead, cadmium, zinc and copper. Other minerals include hydrocarbons, tungsten, vanadium, silver, gold, columbite/tantalite, germanium and beryl. Namibia is also the primary source of industrial salt for Southern African countries. Considerable reserves of natural gas are present offshore.⁴

7.5 Mozambique has a wealth of metallic mineral resources which include gold, platinum, iron, cobalt, chromium and nickel. Non-metallic mineral deposits include: marble, granite, graphite, emeralds, tourmalines, aquamarines, garnets, bauxite and limestone.⁵

7.6 Mining is Zimbabwe's second biggest foreign exchange earner and has grown at an average 13 per cent annually over the last five years. Zimbabwe mining officials estimate that 92.5 per cent of the country is under exploration.⁶ Australian companies such as BHP already have a significant presence in Southern Africa, and as noted in the previous chapter, BHP's investment in Zimbabwe in the BHP/Delta Gold Hartley Platinum Mine, is the largest post-independence investment in that country.

7.7 An officer of the Department of Foreign Affairs and Trade commented in evidence to the Committee on the positive input in Zimbabwe by BHP:

...the Australian joint venture, the BHP-Delta Gold - which was Zimbabwe's largest post-independence investment project - has given Australia an unusually high profile in Zimbabwe...This single investment by BHP has really captured interest.⁷

and

... investment by BHP has really struck a chord. It is so large, relative to other post-independence investments in Zimbabwe, that it has really made its mark, and there has obviously got to be a spin-off there in terms of attitudes towards Australia, which widen beyond a shared affinity on issues of anti-apartheid and the Commonwealth connection, taking them in a new direction.⁸

7.8 Australian involvement in mining in southern Africa is not just limited to the larger mining companies such as BHP. More than 80 Australian companies have invested a total of over \$4 billion in African mining ventures to date.⁹ Australia has significant strengths and expertise in the mining field, and either through direct involvement or in marketing of technology associated with mining, there is significant potential for increased Australian business in this field. As major Australian companies such as BHP move into markets in the region, it is likely that there will be a 'pull-through' effect for smaller Australian companies in related fields e.g. mining equipment, technical services etc.

4 DFAT, Submission, p. S344.

5 Community Aid Abroad, Submission, p. S641.

6 Chinaka, G., 'Mining giants flock to Zimbabwe', Reuters, 13 June 1996.

7 DFAT, Transcript, 25 August 1995, p. 7.

8 *ibid.*

9 Exhibit No. 71, pp. 6-7.

Infrastructure

7.9 A key requirement for economic growth is access to efficient infrastructure such as a regular power and water supply, good transportation and port facilities, adequate housing and efficient telecommunications. Monetary funding alone for infrastructure in Southern Africa is insufficient to ensure quality construction. The World Bank has advised that by introducing private sector management skills and business practices urban infrastructure services would greatly improve in Southern Africa.¹⁰

7.10 Generally Africa is underequipped and severely disadvantaged in rural infrastructure and has a low density of roads per square kilometre. The cost of maintaining road systems is a problem and strongly contributes to the high cost of freight haulage. In Southern Africa, railway and port costs are also high, although there are gradual signs of improvement.¹¹ The Maputo Corridor Project, which will provide a road and rail link between Johannesburg and Maputo, is but one major proposal under consideration at present.

7.11 Southern Africa's economic and social development is severely hindered by a lack of access to economical and reliable sources of power. The population's access to power is a crucial contributor in raising the quality of life in SADC countries, particularly in rural areas in order to raise agricultural production and thus generate income.

7.12 There is vast hydro-electrical potential for many Southern African countries. For example, Mozambique's hydro-electrical capacity is estimated at around 11,755 MW. Sixty rivers contribute to this ability, with the Zambezi River being the strongest as a result of the Cahora Bassa dam. This particular dam could potentially service four major cities and still export power to South Africa and Zimbabwe.¹²

7.13 The potential of alternative methods of power generation for Southern African countries should not be underestimated. Solar energy is a viable and attractive option for Southern Africa being economical after installation, renewable and environmentally friendly. The option of solar power generation is a significant one for rural dwellers with often rugged terrain and long distances between homes. Solar power systems would also eliminate the need for expensive and technically difficult utility grids for power provision.

7.14 Australian technology in water harvesting and utilisation could be invaluable in improving water resources in the SADC countries. In their submission Community Aid Abroad commented:

Australian contractors would be well-placed to deliver economical and appropriate technology to support this process. Such technology can be delivered at the macro and the micro level. For instance, Australian expertise in permaculture has been taken on board in areas of Botswana and Zimbabwe. Small-scale water utilisation technologies and related expertise available in Australia has a ready niche market in the southern African region.¹³

10 Exhibit No. 67, p. 9.

11 Exhibit No. 67, pp. 8-9.

12 Community Aid Abroad, Submission, p. S641.

13 Community Aid Abroad, Submission, p. S642.

7.15 In their submission, the Department of Foreign Affairs and Trade advised that despite insignificant trade levels with Botswana to date there are healthy prospects for Australian businesses in several infrastructural areas including solar heating, irrigation, water pumps and drilling equipment.¹⁴

Reconstruction and Development Program

7.16 As noted in Chapter 6, a major focus of the GNU's Reconstruction and Development Program is focused on housing. It has been estimated that some 53 per cent of black south Africans live in out-buildings, shacks, huts or single-sex hostels; 63 per cent live in some form of one-room dwelling shared by three or more people.¹⁵

7.17 The RDP directly addresses the inadequacy of housing and basic services, particularly in urban townships and rural settlements and aims to provide 1.5 million houses over the next five years. The program provides a potential market in South Africa for Australian companies in such items as building products, construction tools, equipment and materials, plumbing items, construction systems and kits, and expertise in efficient construction methods

7.18 Beyond the provision of housing, there is further scope for Australian firms in the development of infrastructure in South Africa:

The supply of housing, water and other residential infrastructure, electricity, education, health care services and telecommunications are areas which hold most potential in the short to medium term for Australia. These are all areas in which the South African government will be devoting increased resources over the next five years in an effort to correct the poor access which the majority of South African blacks have to these basic services.¹⁶

7.19 A number of Australian companies have already realised the potential of the South African market. Homestead Award Winning Homes P/L, from South Australia, has entered into a \$20 million joint venture with a South African based company to construct 600 houses in South Africa. Brownbuilt Industries have entered into a Manufacturing Under Licence (MUL) agreement with a South African company to manufacture a variety of metal roofing and cladding products for distribution throughout the Southern Africa region. Solarhart International Pty Ltd has entered into a joint venture agreement with a South African company to distribute their systems throughout the region.¹⁷

7.20 The GNU has set out a number of 'policy imperatives' in reaching decisions on contracts, for example:

- targets those most in need (housing);
- facilitates and develops industry skills;
- stimulates the development of local industry (building materials);

14 DFAT, Submission, p. S456.

15 *Building a Nation: South Africa's Reconstruction and Development Program*, published in association with Forbes magazine, p. 67.

16 DFAT, Submission, p. S467.

17 Austrade, Submission, p. S171.

- actively seeks to involve Black corporate entities; and
- assist Black small business.¹⁸

7.21 In 1995 the South African Government announced a comprehensive privatisation program for major industries to generate income. Industries include Telkom, the state telecommunications company, Eskom, the electricity utility and Transnet which controls shipping and railways, South African Airways and various holiday resorts. This program presents Australian companies with promising opportunities to establish joint ventures and cooperative arrangements in a variety of industries.¹⁹

Communications

7.22 Recent progress in the area of communications in Southern Africa has been significant, largely due to the efforts of the Southern African Transport and Communications Commission (SATCC) who are endeavouring to link all the SADC states by road, rail and air in order to improve telecommunications and postal systems.²⁰

7.23 SADC countries have seen a recent increase in telephone traffic, with a further rise expected after the completion of new links between Mozambique and Zimbabwe, and Namibia and Botswana. The capacity of Direct Exchange Lines (DEL) have shown continued growth in Southern Africa, however the level of telephone access and demand remains one of the lowest in the world. In order for telecommunications to play a stronger role in business and economic development this access level must increase.²¹

7.24 At the SADC 1995 Summit, Mozambique coordinated a presentation on communications in the SADC countries and stated the following:

It is estimated that in order to get much closer to the levels of telecommunications services attained by developed countries investments in telecommunications will need to, at least, be trebled to an annual average of US\$300 million.²²

18 TrAIDing for Access and Development Consultancy, Submission, p. S17.

19 Haigh, Submission, p. S145.

20 Exhibit No. 35, p. 44.

21 Exhibit No. 35, p. 45.

22 *ibid.*

Agriculture

7.25 Agriculture and agribusiness have declined in Southern Africa over the past thirty years, chiefly as a result of political instability, drought and economic policies. As a consequence potentially major exporters of agricultural products have become importers, largely dependent on food and financial aid.²³ Although there has been a decline in agriculture and agribusinesses in Southern Africa these still play an important role in the maintenance and development of the social and economic life in many southern Africa countries.

7.26 A large portion of Southern Africa is classified as arid or semi-arid land and the production potential has been reduced by the severe droughts of 1992 and 1995 and several years of low rainfall. A further hindrance to agriculturally productive lands is soil erosion, which affects more than 75 per cent of Sub-Saharan Africa; over-grazing; and unscientific farming methods. There is scope for Australian investment as some of the semi-arid land regarded as holding marginal agricultural potential in Africa would be regarded as prime farming land in Australia, paving the way for a strong market in dry-land farming techniques so integral to the success of Australia's own agricultural industry.²⁴

7.27 Most Southern African countries have an abundance of cheap labour at hand, often paid at less than 10 per cent of the rate in Australia, but what is lacking is the necessary capital required to create profit making ventures. As a result, a number of countries offer substantial concessions to persuade foreign agribusiness companies to invest in Southern Africa.²⁵

7.28 The Zambian Government offers a significant number of taxation and business incentives to Australian companies establishing and operating within Zambia. The country has no capital gains tax and resident Australian companies are well placed to receive the following concessional incentives from the Zambian Government for investments in the agricultural sector:

- (a) Subsidisation of expenditure incurred on undertaking certain broadacre farming techniques, in particular, programme expenditure involving the use of improved pesticides and fertilisers.
- (b) Manufacture of fertilisers and pesticides in Zambia for domestic consumption or export to other African countries.
- (c) Investment incentives for the establishment of food processing plants e.g. packaging and freezing of fresh produce for retail or export sale.²⁶

7.29 To date, several Australian firms have successfully negotiated and obtained contracts in Botswana in the fields of water resource management, agricultural development

23 Macpherson Consulting Group, Submission, p. S805.

24 Macpherson Consulting Group, Submission, p. S806.

25 *ibid.*

26 ASABC, Submission, p. S759.

and meat processing.²⁷ A wide range of subsidies and a highly attractive foreign investment code are offered by the Government of Botswana to potential entrepreneurs.²⁸

7.30 Opportunities exist in South Africa for marketing Australian expertise, especially to black farmers. With climatic similarities between Australia and Southern Africa, there is the potential to open a niche market for Australian service suppliers offering techniques adaptable to the needs of small-hold farmers. To enter this market, however, business consultancies with a specific South African focus need to be established in Australia in order to confront the existing competition from within South Africa itself.²⁹

7.31 The Macpherson Consulting Group expressed confidence in Australia's ability to maximise new opportunities for agriculture and agribusiness in SADC countries:

.....Australian agribusiness firms and Australian expertise have excellent qualifications to successfully and profitably produce for the export market from Africa....³⁰

Education and training

7.32 As one of the factors essential to development, education at the primary, secondary and vocational levels is critical to making the SADC countries attractive to investors as centres for industrial production. Education is also integral to the development of service industries such as transport, telecommunications, tourism and medicine, as well as being an industry in its own rights. It will also lead to the adoption of better agricultural, fishing and forestry practices.

7.33 Australia's education and training services offer considerable commercial benefits. Our export income in 1994-95 from overseas students was estimated at \$1.7 billion,³¹ clearly demonstrating the potential in this sector.

7.34 Submissions in this area focused on South Africa and its tertiary education system, which features 21 universities (350,000 students) and 15 teknicons (138,000 students) at the national level, and well-developed provincial colleges of education, nursing, agriculture and general technical colleges. The universities fall into three distinct groups, the historically white English universities; the historically white Afrikaans universities and the historically black universities. Although efforts are being made to address the disparity in resources between HWUs and HBUs, there is still a great variation in the participation rates in higher education of whites (67 per cent) and blacks (11 per cent) when the cohort of 20-24 years is examined. HWUs are now accepting increasing numbers of black students into their courses, but there is great unmet demand for education places.³²

7.35 It was suggested that strong opportunities exist for Australia in South Africa to sell educational services particularly in the vocational sphere. It was argued that Australia's

27 DFAT, Submission, p. S456.

28 DFAT, Submission, p. S300.

29 Dorward and Geddes, Submission, p. S50.

30 Macpherson Consulting Group, Submission, p. S806.

31 *Team Australia: Trade and Investment Priorities 1996*, DFAT, p. 72.

32 Exhibit No. 32, pp. 1-5.

TAFE system would translate well into the South African environment and would be a 'win/win situation' for both countries.³³

7.36 The South African Education Minister, Professor Siusiso Bengu, visited Australia in November 1995 at the invitation of the then Minister for Employment, Education and Training, Hon Simon Crean MP. The chief aim of the Professor's visit was to investigate initiatives in secondary education and partnerships with higher education institutions. Professor Bengu stated his belief that he expected an ever increasing role in South Africa for Australian universities that were interested in staff exchanges and student training and exchange.³⁴ The Professor commented that many offers of higher educational links with South Africa had followed the election, but not all were considered attractive by South Africa. Further, he expressed the view that agreements should essentially be mutually beneficial to be of lasting significance. He suggested that universities internationally could learn from South Africa's unique experience of managing rapid and extensive transformation of the sector.³⁵

7.37 A number of Australian universities have visited Southern Africa for discussions with their educational counterparts. Both the University of Adelaide and the University of South Australia have agreements with the University of Fort Hare, South Africa.

7.38 The University of South Australia has developed an exchange program with the University of Fort Hare. An institutional link agreement was co-signed by the universities in February 1995 with the view to:

...collaborate in a range of activities for the purposes of developing high level human resources through mutual cooperation in the areas of teaching, research, scholarship and community service, as well as to strengthening mutual knowledge, understanding and cultural interchange between the students, staff and the wider communities of South Africa and Australia.³⁶

7.39 The University of South Australia recognised the problems facing the new South Africa following decades of inappropriate teacher training for teachers in government schools and initiated the program to assist South Africa in the redevelopment process. A further need for agricultural training, particularly in relation to dry-land farming, was identified in discussions between the two Vice-Chancellors. In their submission, the University of South Australia stated:

We strongly believe that the application of Australian educational and agricultural expertise will contribute to the development of a stable South Africa and, by extension, a more secure regional environment.³⁷

7.40 The Edith Cowan University, Western Australia, is party to the Commonwealth Universities Study-Abroad Consortium (CUSAC) - a Commonwealth initiative established to

33 Venning, Submission, p. S71.

34 *South African universities seek stronger links*, Deborah Tideman, in *The Australian*, 29 November 1995, p. 35.

35 *ibid.*

36 University of South Australia, Submission, p. S28.

37 University of South Australia, Submission, p. S24.

link under-developed and developed countries. Through this program, links have been established between the University and Swaziland, Zimbabwe and Tanzania. Professor Harold McKnight, Associate Dean of the Division of International Development and Training at Edith Cowan University, spoke of funding being a crucial issue in the exchange program:

... one of the keys to our relations with South Africa at the university level is the funding issue. Universities are not funded to provide aid and obviously we will be looking for joint funding through such agencies as the World Bank. So that will be the key, I think.³⁸

7.41 The Committee strongly endorses the development of tertiary exchange programs between Southern African and Australian institutions, and believes that an emphasis should be placed on the bilateral nature of the programs, ensuring advantages for all participants. An example to reinforce this concept was given by Professor McKnight in evidence to the Committee:

In July this year [1995] the business faculty took a group of students and staff to the University of Swaziland and conducted a course across there with our students and their students. So this is an attempt, in fact, to take some of our students into their country rather than always taking their students to our countries.³⁹

7.42 Regarding the Edith Cowan University's exchange program in South Africa, Professor McKnight commented on the University's aim for the immediate future:

It is our intention early next year to send a group to South Africa to try to facilitate a student exchange network involving a semester exchange program with a number of South African universities. There will be no fees exchanged; it will be just a one for one swap, essentially. We are looking to that to come on line some time in 1996.⁴⁰

7.43 Edith Cowan University is also involved in a proposal to establish a university in Kenya:

We have a group of Kenyan businessmen with a very strong link to a high level of government in Kenya who wish to establish a university in Nakuru in the Rift Valley. The university will be exclusively delivering Edith Cowan University courses, initially in business and then broadening out into computing and possibly into education within the next few years...It has the potential to be an institution with somewhere between 1,500 and 2,000 students in the fairly short term...[The] intention is to make it a regional centre. Nakuru is close to several other country borders. The hope is to attract students from other countries...⁴¹

38 McKnight, Transcript, 4 October 1995, p. 276.

39 *ibid.*

40 McKnight, Transcript, 4 October 1995, p. 277.

41 McKnight, Transcript, 4 October 1995, pp. 277-78.

7.44 While Kenya is outside of the terms of reference for this inquiry, the Committee was interested to hear of this type of proposal being investigated by Australian universities and the entrepreneurial spirit being shown. Should the proposal proceed, there are obvious advantages for not only the country involved but also for the institution, and less directly Australia.

7.45 Video-conferencing is another avenue of institutional linkage between SADC countries and Australia that warrants encouragement. In 1995 the Teaching Learning Group of Curtin University, Western Australia, took part in a video conference with 38 universities and technicians in South Africa. A panel discussion occurred between the institutions and subjects covered included such issues as the promotion, recognition and reward of quality teaching and learning and how institutions might encourage and support staff diversity. The conference was funded by the Australian Government under the Australia-South Africa Links Program, designed to help South Africa's institutions reconstruct, develop and bridge their international isolation.⁴²

7.46 Video-conferencing not only offers the advantages stated above, but also provides the telecommunications industries of Australia and SADC countries with an opportunity for expansion.

7.47 While South Africa has experience in some forms of distance education, Australia has much useful experience in this field and there is potential for the provision of services in this area.

7.48 While a number of Australian universities have developed substantial contacts with their counterparts in Southern Africa, the Committee would encourage as much co-ordination as possible between the universities, to avoid duplication and offer a more coordinated approach to marketing of educational services in Southern Africa.

7.49 The Committee recommends that:

- 19. Australia encourage an increase in the number of study exchanges between SADC and Australian educational institutions.**
- 20. Australia establish a formal exchange program between employees of the public and corporate sectors of SADC countries and Australia, with an emphasis on the industry specialist areas of infrastructure, education and agriculture.**
- 21. Australia fund a small investigative team representing nationwide Technical and Further Education and training institutions, to undertake a feasibility study of SADC countries with the view to setting up vocational education and training programs supported by Australia.**

Small business training

7.50 Under the RDP in South Africa, the government is encouraging small and medium size black businesses. However, such enterprises have been described as having a poor success rate:

42 'Curtin sets up video conference', by Ross Storey, in *The Australian*, 29 November 1995, p. 47.

Given the lack of managerial skills, education and experience of Black businessmen in South Africa, the prognosis is not promising in terms of effective national development and employment.⁴³

7.51 In their submission to the inquiry, Dr Dorward and Mr Geddes went on to state that there was 'considerable potential' for Australian business consultancy firms in assisting emergent black enterprises:

Not only is there an opportunity for Australian business consultancies to play a role in the development of Black South African enterprise, in the process they will acquire the contacts and expertise to assist Australian enterprises to break into the South African market.⁴⁴

7.52 The WA Chapter of the ASABC supports the concept of establishing a small business development corporation which would cater for emerging black business people, an idea that is being pursued by the WA Government.⁴⁵ The WA Department of Commerce and Trade is discussing with AusAID, the South African Government and the Gauteng Province the development of a program to support small businesses.⁴⁶ This program is not based purely on altruism:

We see small business in South Africa particularly being black dominated in the future. We would like to identify the rising businesses early so that they can partner Western Australian firms in third countries or in a suitable way from South Africa into Asia, where Western Australian companies could act as good partners for them.⁴⁷

7.53 There is obviously scope for Australian educational institutions and private consultancy firms to link in with such programs, and indeed seek involvement through programs funded by multilateral institutions.

7.54 Mr Kolin Thumbadoo of the TrAIDing for Access and Development Consultancy, an Australian owned agency established to facilitate the development of a range of progressive relations between the ANC and the Australian government, commented on the potential bilateral benefits for Australia and South Africa through small business assistance:

Australian aid directed at assisting the development of Black small business could have a direct, positive economic effect.

For instance, Australian aid used to organise small Black retail butchers into a buying, processing and distribution co-operative could help persuade the South African Government to lower prohibitively high tariffs on Australian mutton and beef to South Africa. This will

43 Dorward and Geddes, Submission, p. S49.

44 Dorward and Geddes, Submission, p. S50.

45 ASABC, Transcript, 4 October 1995, p. 318.

46 Western Australian Department of Commerce and Trade, Transcript, 4 October 1995, p. 251.

47 *ibid.*

also increase the export tonnage of beef, mutton and lamb to South Africa.⁴⁸

7.55 To date, the most significant development of black business has been at the upper end of the market through the unbundling of Anglo-American Corporation's mining and industrial holdings in Johannesburg Consolidated Investments. Numerous black business groups are said to be involved, including Real African Investments. Dr Dorward considered that this development provided one of the major potential niche markets for Australia, in the provision of business consultancy products to emergent black entrepreneurs.⁴⁹ Dr Dorward commented:

What Black business in South Africa needs is independent corporate training and support in areas such as the formation, planning and implementation of enterprise networks over a diverse range of enterprises, business and strategic planning, and management development and training.⁵⁰

7.56 The Committee recommends that

- 22. Australia facilitate a thorough assessment and analysis of potential business and management training programs and services for prospective or present indigenous national business owners and managers.**

Tourism

7.57 There are significant prospects for growth in tourism, which is recognised as one of the world's fastest growing and most economically significant industries. With unique wildlife and numerous natural attractions, the Southern African region has great potential for the tourism market. Tourism to South Africa and Zimbabwe, and to a lesser extent Botswana is already well established, but opportunities exist for investment in tourism related infrastructure such as hotels etc.

7.58 Improved air connections between Australia and Southern Africa have meant that there are greater opportunities for two way tourist trade. There are currently only comparatively low levels of tourist movement between Australia and most of the Southern African region, with the exception of South Africa.⁵¹ The tourism market is growing, although at present the number of visitors travelling between South Africa and Australia is relatively small - in 1994 about 42,400 visitor arrivals from Southern Africa (of which 30,300 were from South Africa); and 30,400 Australians visited Southern Africa.⁵² In 1995 there were 42,200 visitor arrivals in Australia from Southern Africa, a slight decrease (0.7 per cent) on the previous year. Departures from Australia to Southern Africa in 1995 increased by over 31 per cent, to 39,000 (possibly in part accounted for by the Rugby World Cup held in

48 TrAIDing for Access and Development Consultancy, Submission, p. S20.

49 Dorward and Geddes, Submission, p. S49.

50 *ibid.*

51 Department of Tourism, Submission, p. S702.

52 Department of Tourism, Submission, pp. S703-704.

South Africa in May-June 1995).⁵³ Australia is currently South Africa's fourth largest tourist market.⁵⁴

7.59 While the numbers are still small there has been significant percentage growth in the South African market over the last few years. South African visitors to Australia increased in 1994 by about 15 per cent over the 1993 figures, and 1995 saw a further 8 per cent increase in visitor arrivals from South Africa (to 32,700).⁵⁵ The Australian Tourist Commission (ATC) estimates that by the year 2000 South African visitors to Australia would increase to approximately 67,000 or about double the current figure:

The Australian Tourist Commission has been pursuing strategies to target the South African market with a view to increasing Australia's share...[T]he recent establishment of the Indian Ocean Tourism Organisation...could provide a vehicle for closer tourism relations bilaterally and within the region...⁵⁶

7.60 Qantas advised that there is an apparent growth shift away from the South African end of the market - which accounts for 60 per cent of the traffic, down from 67 per cent in 1995 - to the Australian end which contributes 40 per cent. Figures indicate that Australian resident traffic to South Africa grew by 40 per cent last year. This could be accounted for by a combination of increased migration from South Africa to Australia (and hence more Australian residents travelling between the two countries), and the increased popularity of South Africa for Australians as a destination in its own right or as a stopover point between Australia and Europe.⁵⁷

7.61 While the Department of Tourism felt that the 'countries of southern Africa do not currently represent a significant trading region for the export of tourism services...a number of individual countries have potential.'⁵⁸ The Department argued that:

Australia is well placed to take advantage of a decline in travel demand from this region for Europe, and to position itself as a value-oriented, Western-style destination for middle class southern Africans of all ethnic origins.⁵⁹

7.62 One difficulty that may affect future growth in tourism from Southern Africa to Australia is the

apparent perception among South Africans that Australia is "too similar" to their own country...Australian tourism will have to work hard to improve perceptions in South Africa and beat the competition from Asian destinations and their airlines which have a vested interest

53 DIST, Submission, p. S1229.

54 Department of Tourism, Submission, p. S704.

55 Exhibit No. 71, p. 6; and DIST, Submission, p. S1229.

56 Department of Tourism, Transcript, 29 September 1995, p. 224.

57 Qantas, Submission, pp. S1125-26.

58 Department of Tourism, Submission, p. S703.

59 *ibid.*

in diverting if not entirely capturing African tourism flows to Australia.⁶⁰

7.63 The Committee was therefore critical that the ATC only has one representative, based in Johannesburg, to cover all of Southern Africa and that the office does not have a more prominent position. The Committee believes that if the growth in tourism forecast by the ATC is to be met, and competition from Asian markets countered, there should be additional resources devoted to that market.

7.64 The Committee recommends that:

23. the Australian Tourist Commission review its location, staffing and promotional activities in Southern Africa with a view to raising its visibility.

7.65 Representatives of the Department of Tourism also advised that they were exploring the potential for training in the tourism and hospitality areas for the emerging Southern African tourism industry:

We have...sent or despatched quite a number of publications in the last six months or so, including to South Africa. The publications are in terms of: what facilities we have in Australia; what the Department of Tourism does; the national strategies; the national ecotourism strategy...Also in terms of what facilities we have in the training area...

Though I am not certain that any specific initiatives have yet emerged from South Africa, we participate in forums with the tourism and hospitality educators at the tertiary level...and we have, by and large, sought to encourage them, sometimes in the context of specific bilateral country arrangements to explore opportunities generally...⁶¹

7.66 The Department of Tourism advised that it had a memorandum of understanding on tourism cooperation with a number of Asian countries, 'for the key reason of promoting export services in the area of education and training.'⁶² The Committee believes there would be value in exploring with South Africa and Zimbabwe initially, the negotiation of a similar MOU.

7.67 The Committee recommends that:

24. the Department of Industry, Science and Tourism and the Department of Foreign Affairs and Trade explore with the South African and Zimbabwe governments a Memorandum of Understanding on tourism cooperation.

Air links

60 Qantas, Submission, p. S1126.

61 Department of Tourism, Transcript, 29 September 1995, pp. 229-30.

62 Department of Tourism, Transcript, 29 September 1995, p. 230.

7.68 Qantas operated regular flights to South Africa from 1952 until 1977. Regular flights to Southern Africa resumed in 1982, initially to Harare, Zimbabwe and after the lifting of sanctions against South Africa, to Johannesburg in 1992. Since then there has been significant growth in air services to that country, and by extension to the region. Qantas initially had two weekly return flights to South Africa and Zimbabwe. A third flight was introduced in November 1995. The response has been so positive that Qantas initiated a fourth weekly service from August 1996, providing a new non-stop link between Melbourne and Johannesburg in each direction. Through scheduled connections with other Qantas flights, it has created a one-stop Auckland-Johannesburg option for the New Zealand-South Africa market.⁶³

7.69 The fourth service is being operated on a 'temporary supplementary basis'. When the necessary approvals are obtained from Australian and South African authorities, it will become a regular scheduled flight, operating all year round.⁶⁴

7.70 Qantas also has plans to introduce a fifth weekly flight in 1997, providing a second weekly non-stop link between Melbourne and Johannesburg. In the longer term, Qantas has indicated that:

Whilst the Company's current planning makes no specific changes in service levels beyond that point, ... Qantas would aim towards establishing and consolidating a pattern of daily services to/from Johannesburg, following which operations directly to other points in southern Africa could be contemplated, given sufficient end to end traffic.⁶⁵

7.71 South African Airways operates two services per week between South Africa and Australia; Air Mauritius operates twice weekly services between Australia and Mauritius. Qantas has code-sharing arrangements in place with Air Zimbabwe, and is also exploring the possibility of extending code sharing arrangements, to help both Australian and South African carriers to compete 'more effectively against rivals based in Asia which have entered the Australia-South Africa market...' Qantas estimates that the share of the market now held by 'third country' carriers, including New Zealand, accounts for almost 26 per cent of the total traffic between Africa and Australia.⁶⁶

7.72 The Committee notes the significant increase in air services between Australia and SADC, particularly via South Africa and Zimbabwe, and that this increase has been in response to market demand. The Committee believes that, with the increase in private, business and tourism traffic the market will continue to grow, to the mutual advantage of all concerned.

Conclusion

7.73 The Committee believes that there is a need for both the Australian private and public sectors to undertake medium and long term research and development in order to successfully penetrate niche markets in Southern Africa. With considerable expertise already

63 Qantas, Submission, p. S1124.

64 *ibid.*

65 Qantas, Submission, p. S1125.

66 *ibid.*

present in this country, there is a need for greater dissemination of information so that trade and investment opportunities for Australia in Southern Africa can be fully realised. The emphasis should move from the export of commodities, to that of provision of services, using the strategy of joint ventures to assist diversification into new niche markets.⁶⁷ One of the keys to success appears to be the formation of 'strategic alliances with appropriate...companies'⁶⁸ in the target country or region.

7.74 The Committee recommends that:

- 25. Austrade research the potential niche markets for Australia in SADC countries.**

⁶⁷ Dorward and Geddes, Submission, p. S56.

⁶⁸ Austrade, Submission, p. S167.