



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS P2**

**NOVEMBER 2015**

**MEMORANDUM**

**MARKS: 150**

**This memorandum consists of 20 pages.**

**SECTION A (COMPULSORY)****QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 A (price taker) ✓✓
- 1.1.2 C (normal profit) ✓✓
- 1.1.3 B (advertising) ✓✓
- 1.1.4 B (merit) ✓✓
- 1.1.5 A / B / C (decrease / increase / remain constant) ✓✓
- 1.1.6 C (CPIX) ✓✓
- 1.1.7 B / C (government / command and control - CAC) ✓✓
- 1.1.8 A (developing) ✓✓ (8 x 2) (16)

**1.2 MATCHING ITEMS**

- 1.2.1 D – A market controlled by a small group of businesses ✓
- 1.2.2 E – A place that is listed as having special cultural or physical significance ✓
- 1.2.3 F – Value of inputs owned by the entrepreneur and used in production ✓
- 1.2.4 G – A market controlled by two businesses ✓
- 1.2.5 H – May become depleted if used repeatedly ✓
- 1.2.6 A – The organisational features of markets ✓
- 1.2.7 C – International agreements aimed at reducing greenhouse gases ✓
- 1.2.8 B – A period when prices decrease persistently ✓ (8 x 1) (8)

**1.3 GIVE ONE TERM**

- 1.3.1 Marginal ✓
- 1.3.2 Minimum / floor prices ✓
- 1.3.3 Collusion / cartel ✓
- 1.3.4 Imperfect market / monopoly / oligopoly / monopolistic competition / inefficient market ✓
- 1.3.5 Environmental / Green / Carbon / Eco ✓
- 1.3.6 Cost-push inflation / cost inflation / producer price inflation ✓ (6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

Answer TWO of the three questions in this section in the ANSWER BOOK.

**QUESTION 2: MICROECONOMICS****2.1.1 Give TWO characteristics of public goods.**

- Non-excludable ✓
  - Non-competitive / Non-rivalry ✓
  - Social benefits outstrip private benefits ✓
  - Infinite consumption ✓
  - Non-rejectability / cannot refrain from consuming even if they want to ✓
- (2 x 1) (2)

**2.1.2 Why are oligopolists reluctant to compete with each other on price in order to get a greater share of the market?**

They act on the behaviour of others: if one business increases its price it loses its market share. When the firm decrease their price, others will follow and a price war might arise ✓✓  
(Accept any other relevant response) (2)

**2.2 Data Response****2.2.1 Identify TWO examples of anti-competitive behaviour in the extract above.**

- Abuse of dominant positions ✓
  - Mergers ✓
  - Restrictive business practices ✓
- (2 x 1) (2)

**2.2.2 What is the role of the Competition Commission?**

- To investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency in the SA economy /
  - Tries to give all South Africans equal opportunities to participate fairly in economic activities to make the economy more efficient ✓✓
- (2)

**2.2.3 What can businesses do if they are not happy with the fine imposed on them by the Competition Commission?**

They can approach the Competition Appeal Court ✓✓ (2)

2.2.4 **How can consumers benefit from increased competition in the economy?**

- It provide all South Africans with equal opportunities to participate fairly in the South African economy ✓✓
- It will provide for markets in which consumers have access to ✓✓
- It will ensure good quality of service delivery ✓✓
- It will ensure good quality of products ✓✓
- Consumers' choices will be improved ✓✓
- Consumers will reap the benefits of lower prices ✓✓

(Accept any other relevant response) Any (2 x 2) (4)

2.3 **Study the graph**

2.3.1 **What type of externality is shown in the graph above?**

Negative ✓✓ (2)

2.3.2 **Explain the term *externality*.**

Costs or benefits to third parties which are not included in the market price of a good / spill-over effect / third party effects ✓✓ (2)

2.3.3 **What is indicated by the shaded area on the graph?**

External cost / welfare loss / dead weight ✓✓ (2)

2.3.4 **How can the above externality cause market failure?**

- If the cost of the externality was included in the price the firm will produce less ✓✓
- The market is producing at Q which is more than what is socially desirable at  $Q_1$  ✓✓
- The market has failed to allocate resources properly ✓✓  
(Accept the opposite viewpoint if the graph has been interpreted as a positive externality) (2 x 2) (4)

2.4 **Briefly discuss the number of businesses and nature of the product as characteristics of a perfect market structure.**

**Number of businesses**

- There are a large number of sellers ✓✓
- It should not be possible for one seller to influence the price / When there are many sellers the share of each seller in the market is so small that the seller cannot influence the price ✓✓
- Sellers are price takers; they accept the prevailing market price ✓✓
- If they increase prices above the market price, they will lose customers ✓✓

**Nature of product**

- Products are homogenous (i.e. identical / same) ✓✓
- There is no differences in style, design and quality ✓✓
- In this way products compete solely on the basis of price and can be purchased anywhere ✓✓

(Accept any other relevant response)

(2 x 4)

(8)

2.5 **Motivate why the government implements minimum wages in the labour market.**

- Pressure was put on the South African government to introduce labour laws which require employers to pay minimum wages ✓✓
- The application of minimum wage laws is needed to improve a redistribution of income ✓✓
- To redress inequality (Gap between wealthy and poor) ✓✓
- To improve the standard of living ✓✓
- Government tried to protect domestic workers and farm workers – thus preventing exploitation ✓✓

(Accept any other relevant fact)

(4 x 2)

(8)

**[40]**

**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES****3.1.1 Name any TWO ways to measure inflation.**

- Price index / CPI / PPI ✓
- Weighting ✓
- Inflation rate ✓

Any (2 x 1) (2)

**3.1.2 How can climate change influence agricultural production?**

- Climate change may have a positive effect, increasing agricultural production (of certain products) ✓✓
- Climate change might have a negative effect, where a decrease in agricultural products is experienced due to lower rainfall, increased heat ✓✓
- Adaptation in the production of agricultural products due to climate change. Extreme heat, drought, floods, will definitely influence the type of agricultural activities allowed to take place ✓✓

(Accept any other relevant response) (1 x 2) (2)

**3.2 Data Response****3.2.1 Which ONE of the two types of inflation is the official inflation rate?**

CPI Headline ✓

(1)

**3.2.2 What is the inflation target range set by the SARB?**

The inflation target is between 3% and 6% ✓

(1)

**3.2.3 What effect will an increase in interest rates have on the trend of the CPI curve?**

- There will be a fall/drop in the trend line ✓ due to a decrease in the demand for goods and services (less demand for credit, less savings) ✓
- There could be an increase in the trend line ✓ because interest on mortgage bonds are part of the basket ✓

(2)

**3.2.4 What negative influence will inflation have on the balance of payments?**

- South African exports will become expensive therefore the country will sell less ✓✓
- Imports will be higher than exports, as such the balance of payment will have a deficit ✓✓

(1 x 2) (2)

3.2.5 **Why is core inflation lower than the CPI?**

- Products with highly volatile prices are excluded ✓✓
- E.g. fresh vegetables / fish / and fresh meat are excluded ✓
- The CPI headline inflation is calculated by using a selection basket of goods and services that the average household use ✓✓
- The reason is that these high volatile price changes will distort the real changes in prices ✓✓

(Accept any other relevant argument) Any (2 x 2) (4)

3.3 **Data Response**3.3.1 **What is *fracking* according to the extract above?**

Shale gas extraction by hydraulic fracturing ✓ (1)

3.3.2 **Name any ONE non-renewable resource.**

Coal ✓  
Natural gas ✓  
(Accept any other relevant answer) (1)

3.3.3 **Name TWO economic benefits of fracking for the South African economy.**

- South Africa becomes self-sufficient in natural gas ✓✓
  - and can become big exporters of gas ✓✓
  - Earner of foreign exchange ✓✓
  - Boost local economy ✓✓
  - Less reliance on coal as energy ✓✓
  - Creation of jobs ✓✓
  - New entrepreneurial opportunities ✓✓
  - Lead to economic growth ✓✓
- (Accept any other relevant answer) Any (2 x 2) (4)

3.3.4 **In your opinion, what impact will fracking have on the environment?**

- It could cause water contamination ✓✓
  - Animals could die of drinking contaminated water ✓✓
  - Could have an effect on people's health when eating these animals ✓✓
  - Could cause air pollution ✓✓
  - Can have a more environmentally friendly impact than coal ✓✓
  - It can be utilised as a cheaper energy resource ✓✓
- (Accept any other relevant answer) (2 x 2) (4)

3.4 **Briefly discuss the term *producer price index*.**

- PPI is very useful in the analysis of inflation, due to the fact that PPI measures the cost of production ✓✓
- PPI measures prices at the level of first significant commercial transaction / Prices of imported goods are measured at the point where they enter the country and manufactured goods are priced when they leave the factory ✓✓
- The basket consists of goods only (no services) ✓✓
- Capital and intermediate goods are included ✓✓
- Prices exclude VAT ✓✓
- Interest rates are excluded ✓✓
- Prices of imported goods are shown explicitly ✓✓ (4 x 2) (8)

3.5 **What are the benefits of using technology in sustaining the environment?**

- Technology can facilitate a solution to environmental problems by providing alternative production techniques ✓✓
- The development of clean technologies can have lower levels of toxic emissions and stop the existence of high risk chemical waste in the environment ✓✓
- It makes it possible for developing countries to comply with emissions targets / Substituting products that are more environmentally friendly e.g. paper bags instead of plastic bags; unleaded petrol ✓✓
- Although the production of platinum causes pollution, the use of the platinum reduces pollution ✓✓
- Technology facilitates the development of new techniques or equipment to save energy and replace coal and oil with greener energy resources such as wind or sun ✓✓
- It enables the recycling of waste material such as bottles, cans, cardboard to ensure a cleaner environment ✓✓
- The on-site treatment and controlled disposal of waste can be achieved by using technology ✓✓

(Accept any other relevant fact)

Any (4 x 2)

(8)  
[40]

**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES****4.1.1 Name TWO kinds of inefficiencies related to market failures.**

- Productive / technical inefficiencies ✓
- Allocative inefficiencies ✓ (2 x 1) (2)

**4.1.2 What effect will the overexploitation of land have on agricultural output in South Africa?**

The agricultural output will be affected negatively/reduced output ✓✓  
(Accept any other relevant fact) (1 x 2) (2)

**4.2 Data Response****4.2.1 Which point (label) on the graph indicates profit maximisation?**

N ✓ (1)

**4.2.2 Name the curve labelled L.**

Average Cost / AC / ATC / SAC ✓ (1)

**4.2.3 What is depicted by the shaded area?**

Economic Profit ✓✓ (2)

**4.2.4 Briefly explain the term *short run*.**

Period where only variable factors of production can change / there is at least ONE fixed input / fixed cost remains constant ✓✓  
(Accept any other relevant response) (2)

**4.2.5 Explain why this equilibrium position will NOT remain fixed.**

- Profits will attract more entrants into the market, which will lead to an increase in supply ✓✓
  - This will drive prices down towards average costs and profits will decrease ✓✓
  - The new equilibrium position will be a normal profit ✓
- (Accept any other relevant explanation) (2 x 2) (4)

**4.3 Data Response**

4.3.1 **State TWO factors from the extract above that will have an impact on retirement savings.**

- Inflation hikes ✓
  - Market volatility ✓
- (2)

4.3.2 **Explain the term *retirement lump sum*.**

A cash payment / money that you receive on retirement ✓✓  
(Accept any other relevant answer) (2)

4.3.3 **How can the government use fiscal policy to combat inflation?**

- Increase in direct tax ✓✓
  - Increase in indirect taxation ✓✓
  - Reduction in government expenditure ✓✓
- (Accept any relevant answer) (2)

4.3.4 **How can pensioners safeguard themselves against the eroding effect of inflation?**

- The retirement fund should be invested in high yield returning investment/portfolios ✓✓
  - Purchasing of property ✓✓
  - Purchasing of blue chip shares ✓✓
  - Specialized investment tools ✓✓ (Accept if specified)
- (Accept any relevant answer) (2 x 2) (4)

4.4 **Explain the uses of the cost-benefit analysis (CBA).**

- The cost-benefit analyses is generally used in the public sector when evaluating large-scale public investment projects ✓✓
- E.g. New highways, railway lines, airports, dams, ports and public transport ✓
- The CBA is used to assess the net social benefit that will accrue to the population from these projects ✓✓
- CBA requires careful definitions of the projects, accurate estimation of projects lives, and comprehensive consideration of externalities ✓✓
- Essentially, CBA concentrates on the economic efficiency benefits from a project ✓✓
- Calculations in a CBA should be done by using market prices or shadow prices to correct distortions which cripple market prices ✓✓
- Due to the fact that costs and benefits occur at different points in time their future value need to be converted to present value ✓✓
- The CBA can be used to redistribute income, by making payments to the losers and expect payment from the gainers through a levy or indirect tax ✓✓
- If the benefits exceeds the costs, acceptance of the project is recommended regardless of who benefits and who bears the costs ✓✓
- However where decision makers feel that the redistribution of income associated with a project is unacceptable, they may reject the project despite its benefits ✓✓
- The CBA is a tool/technique that seeks to bring greater objectivity to decision-making ✓✓

Any (4 x 2) (8)

4.5 **In your opinion, how is the environment as a common resource responsible for market failure?**

- Many parts of the environment are not privately owned therefore the efficiency of these resources are compromised ✓✓
- The environment forms part of global community goods and thus have the characteristics of non-excludability ✓✓
- Many of the services provided by the environment do not have a price and as a result there is no incentive to economise in their use ✓✓
- Most environmental resources are increasingly scarce and at zero price therefore the resources will be overused ✓✓

(Accept any other relevant answer)

Any (4 x 2) (8)  
[40]

**TOTAL SECTION B: 80**

**SECTION C**

Answer any ONE of the two questions in this section in the ANSWER BOOK.

Your answer will be assessed as follows:

<b>STRUCTURE OF ESSAY</b>	<b>MARK ALLOCATION</b>
<b>Introduction</b>	Max. 2
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/ Explain/Assess/Debate	Max. 26
<b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/Compare/ Explain/Distinguish/Interpret/Briefly debate/How?/Suggest	Max. 10
<b>Conclusion</b> Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MICROECONOMICS**

A monopoly is the extreme opposite of a perfect competitive market.

- **Examine the monopoly as a market structure.** (26 marks)
- **With the aid of a neatly labelled graph, explain long-run equilibrium of the monopolist.** (10 marks)

**[40]**

## INTRODUCTION

Monopoly exists when there is only one seller of a product, when the product has no close substitutes, and when barriers block entry into the market completely ✓✓

(Max. 2)

## BODY

### MAIN PART

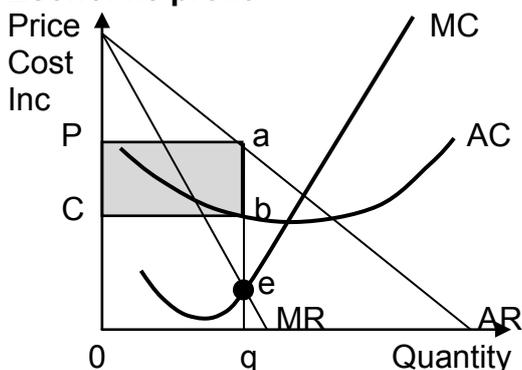
- **Number of producers** ✓
  - The monopolist has full control over the supply of a product, because it is the only seller ✓✓
  - The monopoly also represents the total industry e.g. De Beers, Eskom ✓✓
- **Nature of the product** ✓
  - The product is unique and has no close substitutes ✓✓
  - E.g. electricity and rail transport ✓
- **Economic profit** ✓
  - The monopoly makes a short-term loss or profit ✓✓
- **Technical superiority** ✓
  - A monopoly has technical advantage over potential competitors and their access to resources and technical superiority make it difficult for others to compete ✓✓
- **Access to scarce resources** ✓
  - A single firm owns and controls a specific scarce resources and excludes other companies from entering the market ✓✓
- **Demand curve** ✓
  - Monopolists are also confronted with a demand curve for their product but because they are the only supplier of the product they can decide at what point on the demand curve they wish to be ✓✓
  - The monopolist is the only supplier of the product in the market - the demand curve that confronts the monopolist is that of the market as a whole ✓✓
  - The market demand curve which slopes downwards from left to right / graph ✓✓
- **Production level** ✓
  - Once the monopolist has decided on a price, the quantity sold is determined by market demand - by reducing the price, monopolists can sell more units of the product and vice versa ✓✓
  - Monopolists influence the product-price combination of the product they sell without any reaction from other market participants ✓✓
  - Other participants cannot act because a basic requirement for the existence of a monopoly is that entry to the market is blocked ✓✓

- **Market forces** ✓
  - Although the monopolist is the only supplier of a product, the product is still influenced by market forces in the economy ✓✓
  - Consumers have limited budgets and a monopoly can therefore not demand excessive prices for the product and the monopolist product has to compete for consumer's favour with all the other products available in the economy ✓✓
  - E.g. Transnet competes road, air etc. means of transport ✓✓
  
- **Control over the price** ✓
  - A monopolist has considerable control over the market price – but demand limits it ✓✓
  - A monopoly does not have control over demand, so demand will influence the final market price ✓✓
  - A monopoly can only decide at which point on the demand curve it wants to produce ✓✓
  
- **Substitutes** ✓
  - There are few products that have no close substitutes whatsoever ✓✓
  - For many years even though there was no competition for telephone services in South Africa, consumers could still use alternative forms of communication such as letters and telegrams ✓✓
  
- **Favourable circumstances** ✓
  - Sometimes entrepreneur may enjoy favourable circumstances in a certain geographic area ✓✓
  - E.g. there may be only one supplier of milk in a particular town, a hardware store or hotel ✓✓
  - There may even be laws that protect them, e.g. Post Offices in South Africa ✓✓
  - Pure monopolies are a common rarity in South Africa ✓✓
  - Not only are substitutes available, but there is often nothing to prevent other entrepreneurs from entering the market hence what may be called a quasi-monopoly ✓✓
  
- **Market information** ✓
  - All buyers and the single seller have full knowledge of all the current market conditions ✓✓
  
- **Exploitation of consumers** ✓
  - The monopolist may produce fewer products at a higher price compared to businesses under perfect competition ✓✓
  - E.g. De Beers, because the monopolist is the only producer of the product in the market, there is always the possibility of consumer exploitation. Most governments take steps to guard against such practices and new and existing monopolies are usually well monitored ✓✓

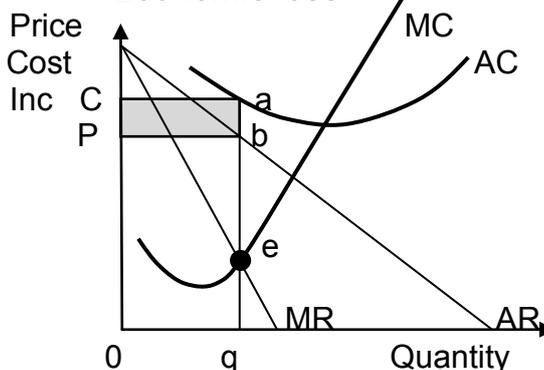
- **Market entry** ✓
  - The barriers prevent other producers from entering the market to supply the same type of product ✓✓
    - **Natural monopolies** ✓
      - High development cost are frequently a reason - the provision of electricity is often used as an example
      - To build a nuclear power station and transmission lines to distribute electricity costs billions of rands ✓✓
      - E.g. Eskom as a single business in the country that supplies electricity ✓ operates as a natural monopoly and is frequently owned and regulated by the government ✓
    - **Artificial monopolies** ✓
      - The barriers to entry are not economic in nature but artificial like patent rights which are legal and exclusive rights of a patent holder to manufacture a product using his or her unique invention ✓✓
      - Patents are also frequently encountered in the pharmaceutical industry ✓✓
      - Licensing is another way in which artificial monopoly is applied, e.g. TV and radio licenses ✓✓
      - licences protect operators against entry of other competitors ✓✓
- **Economies of scale** ✓
  - These give advantages to large existing companies ✓✓
  - Occur when the cost per unit decreases when the output increases ✓✓
  - Large businesses production costs per unit are lower than those of small businesses, e.g. Eskom ✓✓
- **The geographical area** ✓
  - This can cause a natural barrier as well, e.g. only one holiday resort can fit on the seafront as an exclusive beach ✓✓
- **Size of the market** ✓
  - Sometimes a business enjoys favourable circumstances in a certain small market ✓✓
  - E.g. there may be only one hardware store in a particular small town ✓✓

(Accept any other relevant facts)

**Economic profit**



**Economic loss**



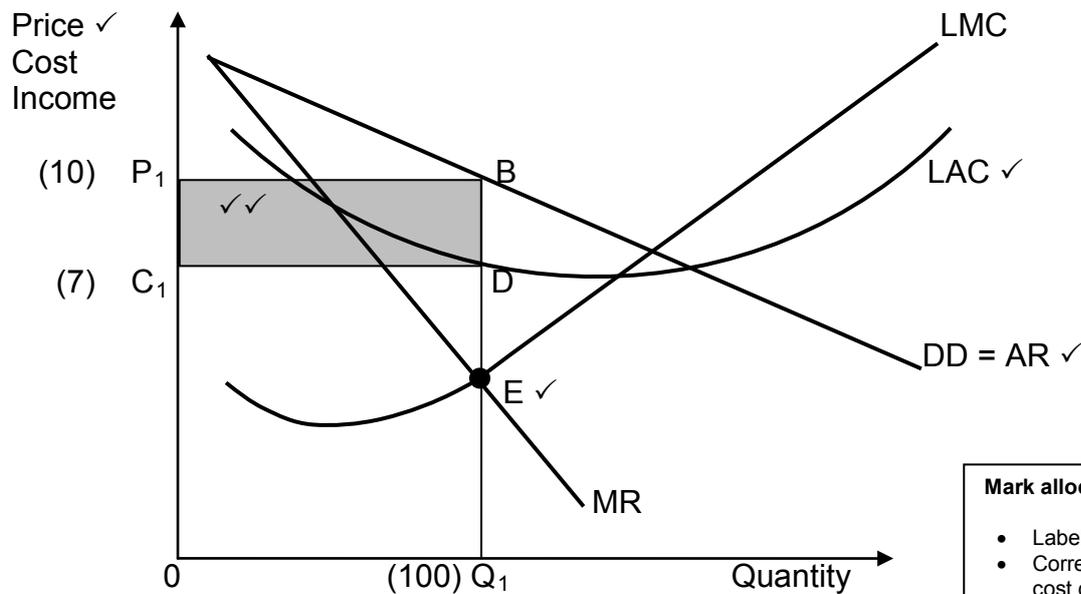
(Allocate a maximum of 8 marks for graphs)

(Max 26 marks)

Mark allocation per graph:  
 Indication of economic profit / loss = 2 marks  
 Correct drawing and labelling of axes = 1 mark  
 Correct drawing and labelling of curves = 1 mark  
**MAXIMUM = 4 MARKS PER GRAPH**

**ADDITIONAL PART**

**ECONOMIC PROFIT OF THE MONOPOLIST**



Mark allocation for graph:	
• Labelling of axes	- 1 mark
• Correct drawing and labelling of cost curves	- 1 mark
• Correct drawing and labelling of income curves	- 1 mark
• Profit Maximisation	- 1 mark
• Shaded area (profit)	- 2 marks
<b>Max = 6 marks</b>	

- In the long term the monopolist makes economic profit ✓✓
  - The LMC curve intersects the LAC curve at its minimum point ✓✓
  - Profit maximising point is at point E ( $LMC = MR$ ) where production is  $Q_1$  at a price of  $P_1$  per unit/The monopolist will produce at  $Q_1$  (100) (profit maximisation point E) at a price of  $P_1$  (10) ✓✓
  - At this production level the average revenue is R10 and average cost is R7 ✓✓
  - Therefore the monopolist is making a profit of R3 per unit (total economic profit of R300). The total economic profit is represented by the shaded area ✓✓
- (Accept any other relevant explanation) (Max 6 marks)

**CONCLUSION**

The monopolist is a price maker but cannot set a price independently of output. A higher price will always result in less quantity. ✓✓  
(Accept any other relevant conclusion) (Max. 2)

**[40]**

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES**

**Tourism is the fastest growing industry in the world.**

- **Examine in detail the effects of tourism on the South African economy.**  
**(26 marks)**
- **How can indigenous knowledge systems be used to promote tourism in South Africa?**  
**(10 marks)**

**[40]**

**INTRODUCTION**

This is the activities of people travelling to and staying in places outside their usual environment for a period not longer than one consecutive year for leisure, business and other purposes and not related to a remunerative activity from within the place visited ✓✓ (Max. 2)

**BODY****MAIN PART**

- **Gross domestic product (GDP)** ✓

Tourism impacts mostly on the services industry than on agriculture or manufacturing although there are upstream effects when agriculture provides foodstuffs to restaurants and manufacturing provides vehicles for transport ✓✓

- **Direct contribution on GDP** ✓

- Statistics South Africa (SSA) shows that in 2010 inbound tourists contributed R69 billion and domestic tourists R99 billion, amounting to R168 billion - about 3% of South Africa's GDP ✓✓

- **Indirect contribution on GDP** ✓

- If the indirect contribution is added, tourism add about 7% to GDP ✓✓
- The WTTC estimated that tourism contributed 9% to the GDP of the world economy in 2011 ✓✓
- In developing economies the service sector is responsible for around 40% of GDP, while it is responsible for more than 65% of GDP in developed economies ✓✓
- South Africa is similar to that of developed economies and services contributed more than 67 % of GDP in 2011 ✓✓

- **Employment** ✓

- Tourism has a major effect on employment and this amounted to 1.18 million workers in 2011 ✓✓
- Tourism is the world's largest generator of jobs ✓✓ Reasons:
  - Tourism is labour intensive ✓✓  
More jobs can be created with every unit of capital invested in tourism than elsewhere ✓✓
  - Tourism employs many skills ✓✓  
It ranges from accountants and hairdressers to tour guides and trackers, the tourism industry draws upon numerous skills ✓✓
  - Tourism can provide immediate employment ✓✓  
If one quarter of tourists accommodation establishment in South Africa starts to offer live entertainment to quests, thousands of entertainers could be employed within days ✓✓
  - Tourism provides entrepreneurship opportunities ✓✓  
The tourism industry accommodates informal sector enterprises, from craft and fruit vendors to pavement vendors, chair rentals ✓✓

- **Poverty** ✓
  - Tourism is widely recognised as one of the fastest and more effective redistribution mechanisms in development ✓✓
  - It brings development to the poor in rural areas ✓✓
  - Tourism provides an alternative to urbanisation, permitting women and youth to continue a rural family lifestyle while giving them business opportunities ✓✓
  - E.g. to start and operate small-scale tourism businesses around community assets (forests, parks and rivers) ✓
- **Externalities** ✓
  - The rapidly expanding tourism industry could have both positive and negative impacts that extend well into the future ✓✓
  - While tourism attracts large amount of revenue, it can also cause undue environmental damage that can harm the very foundation on which it depend ✓✓
  - All other economic resources, tourism uses resources and produces wastes and also creates environmental costs (pollution) and benefits in the process ✓✓
  - Rapid growth in tourism aiming at short-term benefits usually results in more negative effects and these includes the degeneration of traditions and cultural values and environmental damage to sites and setting ✓✓
- **Environment** ✓

Tourism activities create environmental stress:

  - Permanent environmental restructuring which includes major infrastructure ✓✓
  - Waste product generation such as biological and non-biological waste that damages fish production ✓✓
  - Direct environmental stress caused by tourist activities, e.g. the destruction of vegetation and dunes ✓✓
  - Effects on population dynamics such as migration and increased urban densities ✓✓
- **Investment** ✓

An adequate physical, economic and basic services infrastructure is essential for tourist destinations which means they invest in the following:

  - Transport infrastructure, e.g. roads, airports ✓✓
  - Communication and infrastructure including telephone lines, electronic signal stations and radio, TVs' ✓✓
  - Energy infrastructure such electricity and liquid fuel ✓✓
  - Basic service infrastructure such as clean water and sewerage systems ✓✓

**(Max. 26)**

**ADDITIONAL PART****How can Indigenous Knowledge Systems be used to promote tourism in South Africa?**

- More cultural villages can be improved to facilitate and promote tourism ✓✓ e.g. Shangana in Mpumalanga, Basotho in the Free State and Simunye Zulu Lodge in Kwazulu-Natal where guides explain and demonstrate storytelling and indigenous knowledge practices ✓✓
- Advertising campaigns domestically and internationally by travel agencies, hotels and B & B, lodges and SA Tourism can focus on promoting these heritage sites in brochures and fliers, social media. These actions will make tourists more aware of these attractions ✓✓
- Encourage tourists to experience different cultures and townships - experience life at home with a household and eat at a shebeen or township restaurant ✓✓
- World Heritage Sites of South Africa can be promoted for their cultural significance e.g. the Fossil Hominid Sites of Sterkfontein, Mapungubwe Cultural Landscape, Richtersveld Cultural and Botanical Landscape, Vredefort Dome and Robben Island ✓✓
- Environmental World Heritage Sites of South Africa selected for their natural importance namely the Cape Floral Region Protected Areas, Isimangaliso Wetlands Park as well as uKhahlamba/Drakensberg Park which has been selected for its mixed significance ✓✓
- Arts and culture festivals e.g. the National Arts Festival, the Hermanus Festival, Awesome Africa Music Festival and Macufe African Cultural Festival should more widely be advertised to encourage tourists to attend ✓✓
- According to the World Health Organisation, a large majority of the African population make use of traditional medicines for health, social-cultural and economic reasons and forms part of the unique experience tourists experience when visiting local villages ✓✓
- In South Africa tourists are made more aware of the important role traditional medicine plays in poverty reduction and employment creation ✓✓
- Relaxation of restrictive tourist visa laws to facilitate easier entry into South Africa ✓✓

(Accept any other relevant answers)

(Max. 10)

**Conclusion**

South Africa attracted over 7,8 million tourists in 2011/For every 8.1 additional tourist to South Africa, one new job is created/one per cent increase in tourism adds R532 million annually to the SA economy. ✓✓

(Accept any other relevant higher order conclusion)

(Max. 2)

**[40]****TOTAL SECTION C: 40****GRAND TOTAL 150**