Grant Thornton

City of Cape Town

Report on the Economic Value of Tourism

July 2009

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Attention: Ms Pauline van der Spuy

27 July 2009

Dear Pauline

Draft Report on the Economic Value of Tourism

We have pleasure in presenting our report on the economic value of tourism.

The opinions and recommendations contained in this report are based on such information as was available to us at the time of our research and the study is based on estimates, assumptions and other information developed by us from our independent research, general knowledge of the industry, and from consultations with the Client and its representatives. We assume no responsibility for inaccuracies in reporting by the Client, its agents and representatives or any other data source used in preparing or presenting our study.

In performing our procedures, we have assumed and relied upon, without independent verification, the accuracy and completeness of the information provided to us or otherwise received by us for the purposes of this report, whether in writing or obtained through research or discussions with various parties including the Client and its representatives, and we have not assumed and do not assume any liability therefore.

To the extent that our advice is based on unaudited information provided to us, obviously we cannot accept responsibility if such information (and therefore advice based on it), is incorrect.

The estimates and projections included in our report are not presented as results or outcomes that are inevitable under any circumstances. Factors which are unquantifiable and unpredictable, including but not limited to the weather, the general state of the economy, market acceptance, management approach, quality and effectiveness of design and others have not been considered in the preparation of this report. The estimates and projections are, instead, subject to the various assumptions and bases stated in the report.

Our report is based on the current economic and regulatory conditions. It should be understood that subsequent developments may affect our conclusions which we are under no obligation to update, revise or affirm. Therefore, as is customary with studies of this nature, we advise that the Client ensure that all data and conclusions are reviewed and updated from time to time to take account of changing conditions.

Our report is solely for the information purposes of the Client. Our complete report may be used for presentation to relevant third parties, however, we require that you inform us in writing of all parties to whom the report is made available. Our report may not be quoted or distributed in part without our prior written consent.

We trust that the report will prove useful for your purposes. We would, of course, be pleased to discuss any aspect of the report with you in more detail should you so require.

Yours sincerely

Martin Jansen van Vuuren
Director
Grant Thornton Strategic Solutions

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Executive Summary

The City of Cape Town (**"the Client"**) is endeavouring to create a standard reference for information regarding the economic value of the tourism sector in the municipal area. Although research has been commissioned by various institutions at a national and regional level, the city believes that such information should be easily accessible and standardised for the Cape Town area.

Grant Thornton were commissioned to conduct the relevant research. As this was the first attempt to quantify the economic value of tourism for the City of Cape Town it was decided that the study should be simple, understandable and reliable in order to be credible. The study is also published to elicit comment and inputs to ensure that future studies can build on the foundation of this study.

The study started by conducting a review of research methodology utilised on an international, national, regional/provincial and local level. Following input from the City of Cape Town, Cape Town Tourism and Cape Town Routes Unlimited (CTRU) it was decided not to compile a tourism satellite account for the City of Cape Town as the required information is not available on a city level. It was decided to rather follow a two pronged approach to compile the economic value of tourism in Cape Town, namely:

- The utilisation of nationally available data in conjunction with tourism surveys to indicate the direct spend by tourists in Cape Town (supply side data); and
- The survey of tourism enterprises in Cape Town to obtain turnover and employment data in order to compile the economic value of tourism in Cape Town (demand side data).

A survey questionnaire were formulated and distributed to the database of Cape Town Tourism. As the survey was a first attempt to quantify the economic value of tourism for the City of Cape Town a number of problems emerged including a low survey response, possible double counting of tour operators and conference venues and restaurants included in hotels and a lack of national data that are disaggregated to a local level. These issues can be addressed in subsequent surveys and for the purposes of this study Grant Thornton supplemented the projections based on the primary research with our knowledge of the tourism industry.

The study indicated that according to the supply side information the economic value of tourism in Cape Town was R16.3 billion in 2008, representing a 20% increase over the R13.6 billion in 2007.

Based on the demand side information we project that the economic value of tourism in Cape Town for 2008/09 is R7.8 billion and that there are around 23 000 permanent employees and around 10 200 temporary employees employed in the Cape Town tourism industry.

Recommendations has been made as to how to monitor and communicate the economic value of tourism in future including, conducting an online survey on an annual basis and have a panel of experts review the assumptions utilised in the calculations. It is also recommended that the City of Cape Town, Cape Town Tourism and CTRU reach an agreement with SA Tourism to obtain unpublished information from surveys conducted by SA Tourism which indicates which destinations were visited by foreign and domestic tourists, the number of bednights spent in each destination and their monetary spend in each destination.

Section 1: Introduction

1.1 Background

The City of Cape Town (**"the Client"**) is endeavouring to create a standard reference for information regarding the economic value of the tourism sector in the municipal area. Although research has been commissioned by various institutions at a national and regional level, the city believes that such information should be easily accessible and standardised for the Cape Town area. The city is commissioning a research project to compile existing information as well as generate new data on the local tourism economy. Examples of information that should be gathered during research includes:

- The number of jobs created;
- The economic value of different sectors; and
- Domestic/ foreign investments made in the tourism sector.

The study, should be aligned with the objectives of the Tourism Development Framework of the City of Cape Town. The Tourism Development Framework provides the strategic direction for tourism in the city.

Our understanding is that the exact deliverables will be agreed on with the tourism department and other key tourism stakeholders but that broadly, the scope of the study will require inter alia:

- An assessment of the issues around determining the economic value of tourism;
- An assessment of where the gaps are in existing information in order to assure that the research component of the project be as valuable as possible and not duplicate work done by other bodies;
- A report based on the economic value of tourism and job creation in the metropolitan area based on available data;
- A spatial analyses of the impact of tourism based on available data;
- A monitoring system to ensure the sustainability of the project impacts;
- Generation of fact sheets on tourism; and
- A communication plan to be drawn up that will enable efforts to be continued.

Grant Thornton Strategic Solutions has been appointed to compile the report on the economic value of tourism.

1.2. Methodology

Our approach to the assignment can be described in 4 phases:

- Phase 1: Project Planning and Inception
- Phase 2: Desktop Research
- Phase 3: Primary Research

- Phase 4: Project Finalisation

Phase 1: Project Planning and Inception

Phase 1 included initial client meetings and during the course of this phase we have:

- Met with the Client to further ascertain the project scope and constraints;

- Together with the Client agreed on the project management approach to and reporting requirements for the assignment viz:
  - Number, dates and location of meetings;
  - Confirmation of project managers – Client and Consultant;
  - Agreed on all reporting formats; and
  - Agreed on reporting frequency.

- Prepared and submit a detailed work plan to the Client including agreed upon deliverables and time frames;

- Finalised all contractual arrangements;

- Obtained all relevant documentation from the Client. This included:
  - Previous research studies conducted;
  - Relevant National, Provincial and Local plans; and
  - The City of Cape Town Tourism Development Framework.

Phase 2 Desktop Research and Database Development

In the Desktop research and Database Development phase we have:
- Reviewed existing information on the tourism economy;
- Compiled existing information on the value of tourism; and
- Formulated research tools and methodology.

During the course of the document review and data collection phase we have:

- Reviewed and assessed relevant existing studies, plans, strategies and initiatives that might have captured some of the data necessary to develop the database. This included the National, Provincial and Local Plans, the Tourism Development Framework, as well as other studies that may have been conducted for the study area;

- Collated and reviewed all sources of data pertaining to the value of the local tourism industry including:
  - SA tourism data;
  - Cape Town Routes Unlimited;
  - WESGRO; and

– Other relevant sources.

The document review enabled us to gain a better understanding of the profile of tourism in the district and how the primary research can best fill gaps in existing information and feed into the goals of the Tourism Development Framework. It also enabled us to develop a draft report on the results of existing economic data and how the data can be interpreted for the City of Cape Town.

The information gathered during data collation enabled us to further develop and enhance the primary research methodology as well as create the most appropriate research tools to gather the data required to meet the objectives of the study.

Workshop 1 was a meeting with representatives from the City of Cape Town, Cape Town Tourism and Cape Town Routes Unlimited to present the draft findings of the Desktop research phase as well as the proposed research methodology and to gain consensus on the primary research methodology and scope.

Phase 3: Primary Research

The Primary Research phase filled in the gaps of previous studies recognised in phase 2 and served to update existing information.

In order to determine the economic value of tourism we surveyed a relevant sample of tourism product owners such as tour operators, restaurants, attractions and accommodation owners. The research enabled us to:

- Project the number of direct jobs created by tourism in the study area;
- Project the direct economic value of the different tourism sectors in the study area; and
- Project other issues as determined in Phase 2 and in Workshops.

Phase 4: Project Finalisation

Phase 4 involved:

- Submission of a draft report;
- Workshop 2;
- Creation of a Monitoring System;
- Submission of draft Fact Sheet;
- Submission of a Communication Plan

The findings of Phase 3 together with the spatial and economic data gathered in Phase 2 was summarised in a draft report presented to the client.

The purpose of workshop 2 was:

- To present the findings of the survey to all interested affected parties;
- To determine the way forward in terms of future liaison and co-operation amongst stakeholders in the reporting and generation of statistics in order to develop a communication plan;
- To create a process for monitoring the economic value of tourism; and
- To agree on a format for a Fact Sheet on tourism and the content thereof.

Based on the results of Workshop 2 and through further liaison with the client, we have drafted a document outlining a system for continued monitoring of the economic value of tourism in the city.

Based on the format decided by the client we have submit the initial Fact Sheet for the economic impact of tourism based on the study, which can readily serve as a template for a regular publication.

The agreements reached at Workshop 2 regarding future stakeholder relationships and communication channels was drafted into a formal accord to set a formal basis for future communication around assimilating information on the value and impact of tourism in the City of Cape Town.

1.3. Terminology

The following terminology has been used in this report.

ARR	- Average Annual Room Rate (excluding VAT)
BAR	- Best Available Rate
RevPAR	- Revenue per Available Room (excluding VAT)
Stats SA	- Statistics South Africa
STO	- Standard Tour Operator (rates)
STR	- Smith Travel Research Global
UK	- United Kingdom
UNWTO	- United Nations World Tourism Organisation
US	- United States
USA	- United States of America

Section 2: Tourism in South Africa and the Western Cape

2.1 Introduction

In this section we analyse the available tourism information regarding tourism to South Africa and the Western Cape. Please note that the information available is not consistently published in the various surveys utilised. We have indicated which of the latest data is available and in some cases the information is not available for a particular category of information. For example, the total number of visitors for 2007 and 2008 may be available, but the breakdown of the total visitors per province may not be available for 2008.

2.2 Foreign Tourism in South Africa and the Western Cape

2.2.1 Introduction

In this section we analyse the foreign tourism market in South Africa and the Western Cape. This analysis serves to provide the Client with an overview of the current trends that are being experienced in the market. Our analysis makes use of the following sources of information:

- SA Tourism Annual Foreign Tourism Reports 2002 - 2007;
- SA Tourism Highlights of Tourism's Performance 2008; and
- Cape Town Routes Unlimited (**"CTRU"**) Visitor Tracking Survey 2006/2007.

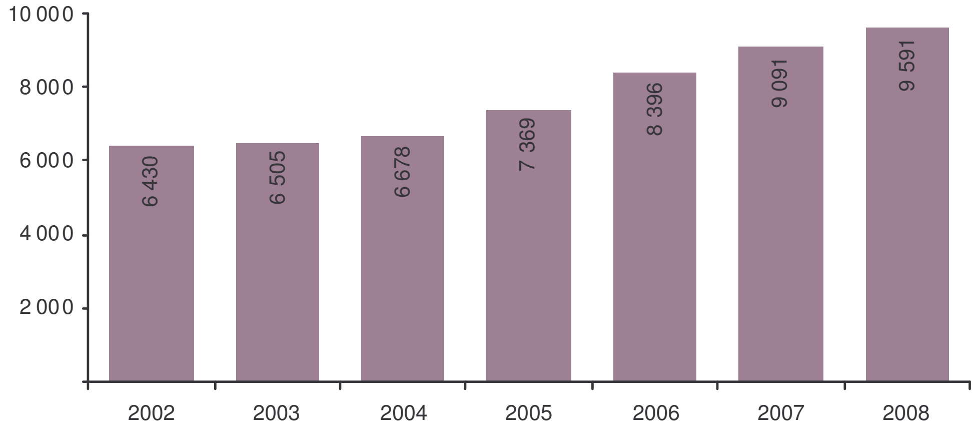
Tourism is internationally recognised as one of the world's fastest-growing industries. After years of isolation, South Africa has emerged as an attractive tourism destination striving to position itself as a major player in this high-growth, global industry that has been identified in a South African perspective as a pro-poor empowerment asset of our young democracy.

Tourism is also one of South Africa's major foreign exchange earners and job creators. According to the World Travel and Tourism Council, the direct contribution of South Africa's travel and tourism industry to gross domestic product ("**GDP**") in 2008 was 3,2%, while the direct and indirect contribution was 8,5%. Direct employment in the travel and tourism industry in 2007 was 438 500 (3,2% of total employment) while direct and indirect employment was 1 041 700 (7,6% of total employment).

2.2.2 Arrivals

There were 9,6 million foreign visitors to South Africa during 2008, an increase of 5,5% when compared to the 9,1 million arrivals in 2007 (**Figure 2.1**). However, it is important to note that although the total foreign arrivals grew by 5,5% between 2008 and 2007, overseas arrivals only grew by 0,1% and that the growth in total arrivals was buoyed by African land arrivals, which grew at 7,0%.

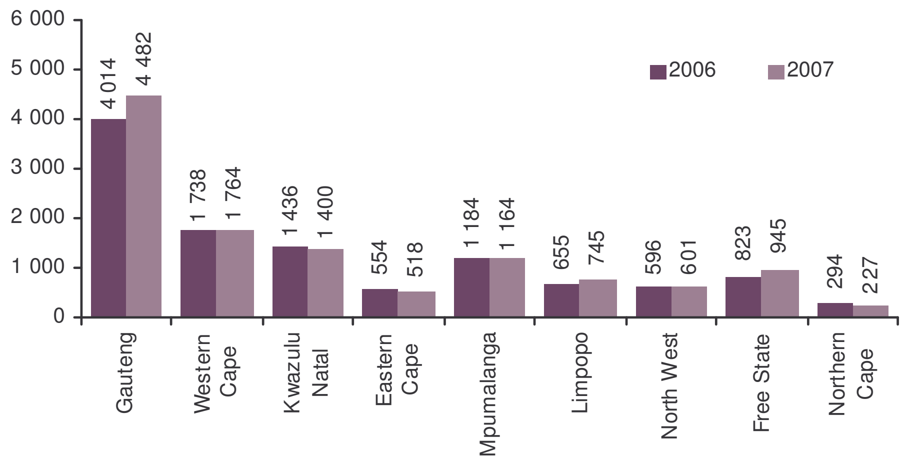
Figure 2.1: Total Foreign Arrivals to South Africa ('000)



Source: SA Tourism

Figure 2.2 shows the number of foreign visitors to each of the 9 provinces of South Africa during 2006 and 2007 (the latest available data). Gauteng remains the most visited province with around 4,5 million (48,9%) of all foreign tourists in 2007 visiting the area, followed by the Western Cape with 1,8 million (19,4%), and Kwazulu-Natal with 1,4 million (15,2%). The least visited province during 2008 was the Northern Cape which only received 227 000 visitors.

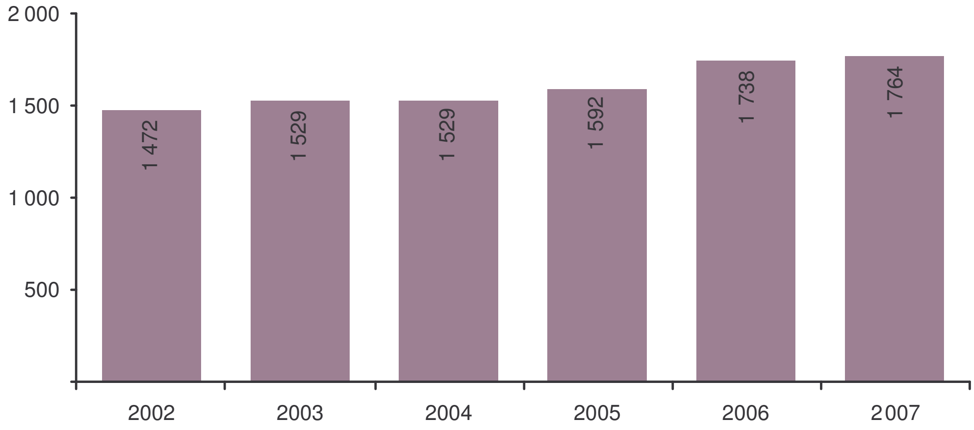
Figure 2.2: Foreign Visitors to Each Province of South Africa ('000)



Source: SA Tourism

The Western Cape experienced an compound annual growth rate of 3,7% in foreign visitor numbers between 2002 and 2007 (**Figue 2.3**). According to CTRU, 94% of all visitors to the Western Cape visit the city of Cape Town during their stay.

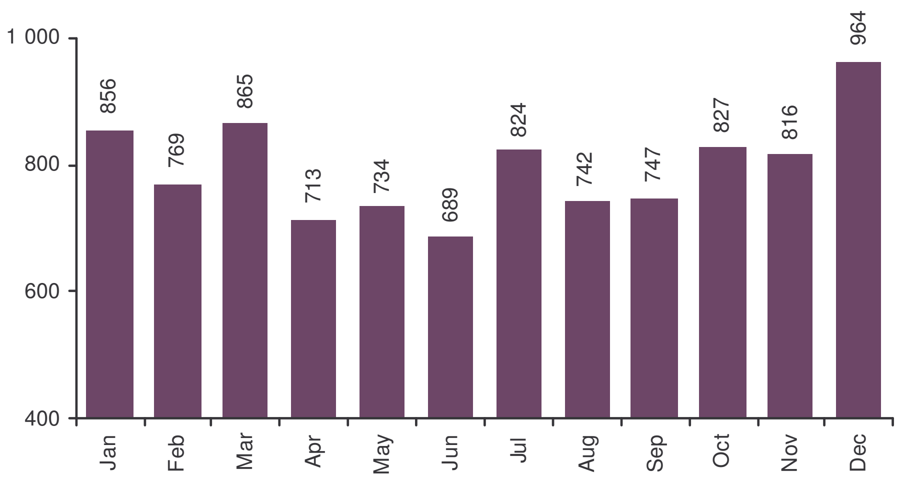
Figure 2.3: Total Foreign Visitors to the Western Cape ('000)



Source: SA Tourism

Figure 2.4 provides an indication of the seasonality of foreign tourist arrivals during 2008. As expected, foreign arrivals to South Africa were at their highest in December and January, and at their lowest in the month of June.

Figure 2.4: Foreign Arrivals to South Africa by Month 2008 ('000)



Source: SA Tourism

2.2.3 Source Markets

Table 2.1 provides a breakdown of the foreign arrivals to South Africa during 2008. Land arrival source markets are defined as those countries where at least 60% of all arrivals are by means of road transport. Arrivals from these countries accounted for 73,9% of the total arrivals, while arrivals from Europe accounted for 14,7%.

Lesotho (22,6%), Zimbabwe (12,8%), Mozambique (12,8%) and Swaziland (11,3%) were the major source markets of foreign visitors. Of the overseas countries, residents from the United Kingdom (**"UK"**) made up 5,1% of all foreign arrivals, followed by the United States of America (**"USA"**) (3,0%) and Germany (2,5%).

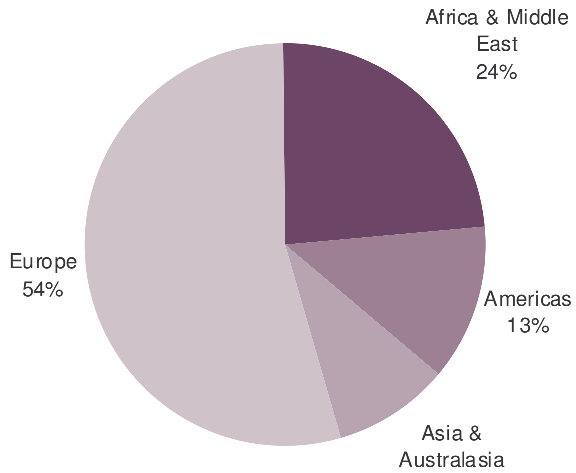
Table 2.1: Source Markets for Foreign Arrivals to South Africa (2008)

Source Markets by Region	
Africa Air	3.2%
Africa Land	73.9%
Americas	4.2%
Asia & Australasia	3.4%
Europe	14.7%
Unspecified	0.6%
Source Markets by Country	
Africa	
Lesotho	22.6%
Mozambique	12.8%
Zimbabwe	12.8%
Swaziland	11.3%
Botswana	8.4%
Overseas	
UK	5.1%
USA	3.0%
Germany	2.5%
Netherlands	1.3%
France	1.3%

Source: SA Tourism

The source market profile of foreign visitors to the Western Cape is very different to that of the country as whole. Europeans accounted for 54,5% of all visitors to the province during 2007 (the latest available data) followed by Africans (23,7%) and North and South Americans (12,5%) (**Figure 2.5**).

Figure 2.5: Source Markets of Foreign Visitors to the Western Cape 2007

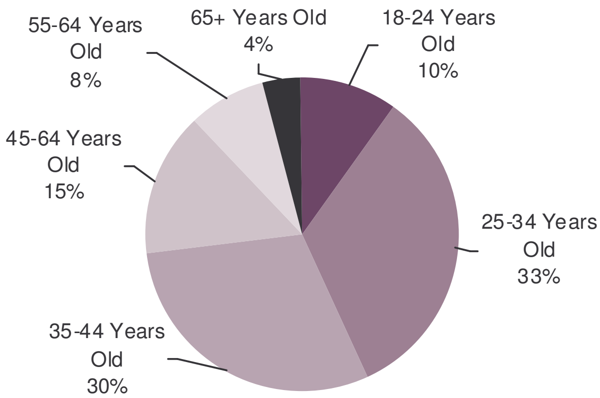


Source: SA Tourism

2.2.4 Visitor Profile

As shown in **Figure 2.6**, 33% of all foreign visitors to South Africa in 2007 were between 24 and 34 years old, while 30% were between 34 and 44 years old. Only 10% of foreign visitors were 24 or younger.

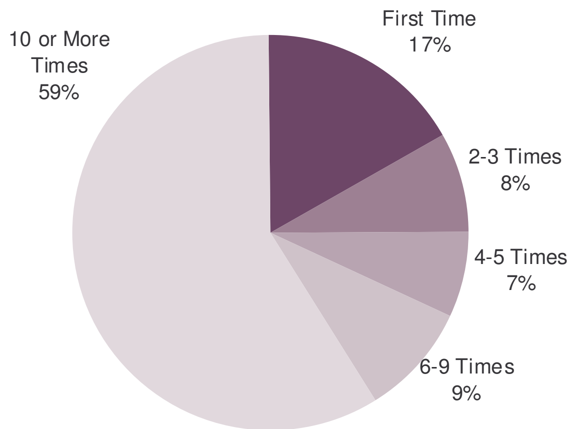
Figure 2.6: Age Profile of Foreign Visitors to South Africa 2007



Source: SA Tourism

58% Of all foreign visitors to South Africa in 2007 were visiting for the tenth time or more. These visitors were mostly cross border arrivals from South Africa's neighbouring countries. First time visitors accounted for 17% of foreign arrivals (**Figure 2.7**).

Figure 2.7: Repeater Rate of Foreign Visitors 2007

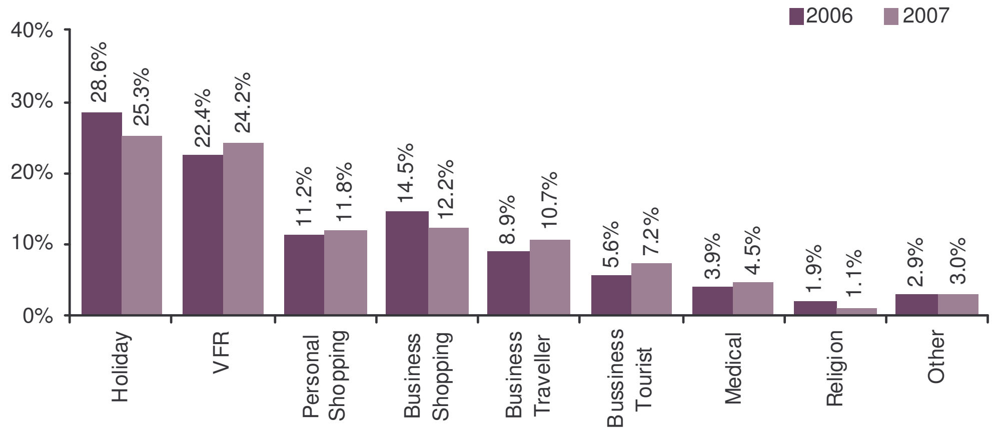


Source: SA Tourism

2.2.5 Purpose of Visit

Figure 2.8 shows the purpose of visit of foreign visitors to South Africa during 2006 and 2007. Holiday was the primary reason for travel with 25,3% of foreign visitors travelling for this purpose in 2007. This was followed by 24,2% of foreigners travelling to visit friends and relatives ("**VFR**") and 12,2% travelling for business shopping purposes.

Figure 2.8: Purpose of Visit of Foreign Visitors to South Africa



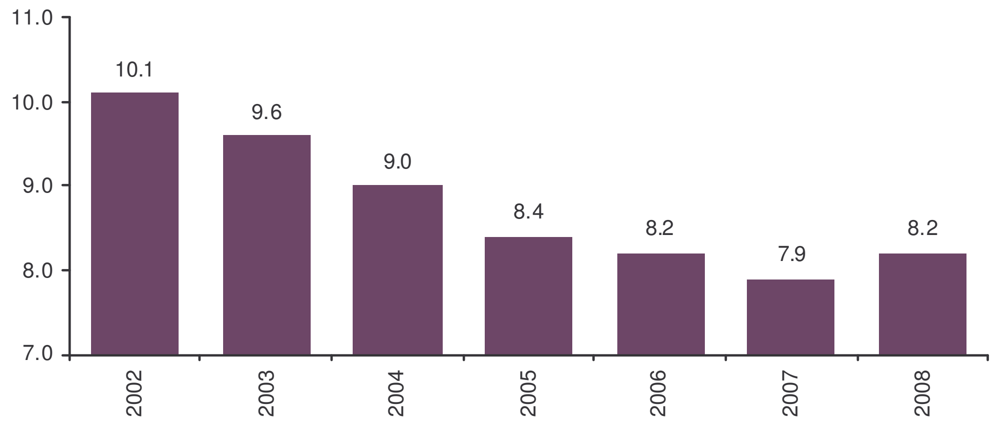
Source: SA Tourism

The CTRU survey indicated that 76% of all foreign tourists to the Western Cape visit for holiday and leisure purposes.

2.2.6 Length of Stay

There has been a steady decline in the length of stay of foreign visitors in South Africa over recent years, with the average length of stay having decreased by a total of 1,9 nights between 2002 and 2008 (**Figure 2.9**). Foreign arrivals to South Africa spent an average of 8,2 nights in the country during 2008. The average length of stay of land arrivals to South Africa during 2007 was 4,7 nights, while the average length of stay of foreign arrivals was 16,3 nights. The most common length of stay for air arrivals was 6 nights, while the most common length of stay for land arrivals was 2 nights.

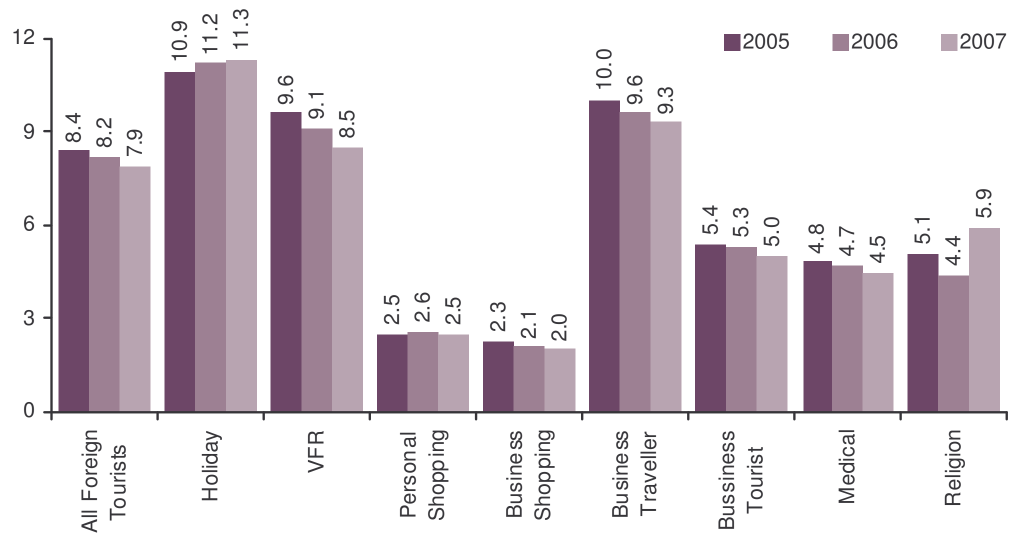
Figure 2.9: Average Length of Stay of Foreign Visitors to South Africa (Nights)



Source: SA Tourism

Holiday travellers spent an average of 11,3 nights in the country, while business travellers spent 9,3 nights (**Figure 2.10**). The average length of stay of holiday and religious visitors has increased over the last 3 years, while the average length of stay of all other categories of visitors has declined.

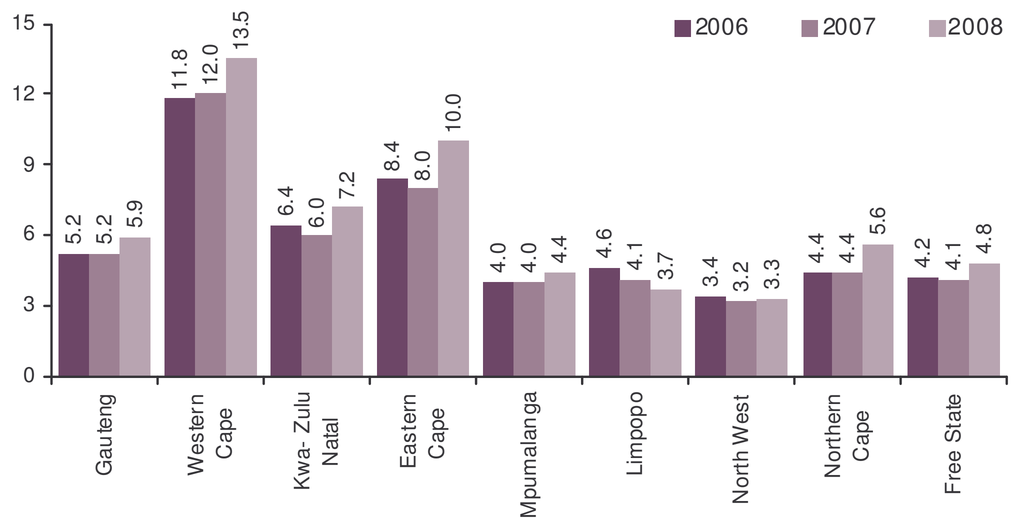
Figure 2.10: Average Length of Stay of Foreign Visitors by Purpose of Visit (Nights)



Source: SA Tourism

The average length of stay of foreign visitors was the longest in the Western Cape with 13.5 nights, followed by the Eastern Cape with 10,0 nights (**Figure 2.11**). Foreign visitors spent the shortest amount of time in the North West (3,3 nights).

Figure 2.11: Average Length of Stay of Foreign Visitors by Province (Nights)



Source: SA Tourism

As shown in **Figure 2.12**, the average length of stay in the Western Cape has increased by 2,5 nights over the last 5 years. This trend is the opposite of that being experienced by the country as a whole.

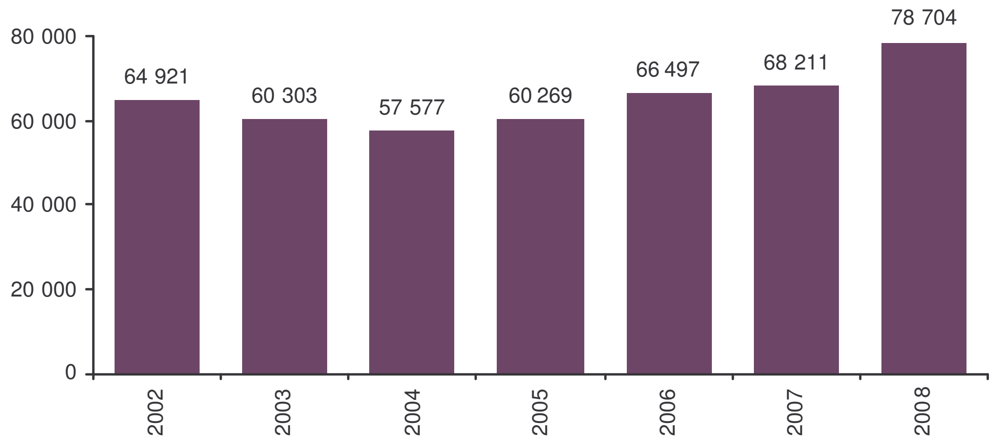
Figure 2.12: Average Length of Stay of Foreign Visitors to the Western Cape (Nights)

Source: SA Tourism

2.2.7 Bednights

In 2008, foreign tourists spent 78,7 million bednights in South Africa, an increase of 15,4% when compared to 68,2 million spent in the country during 2007 (**Figure 2.13**).

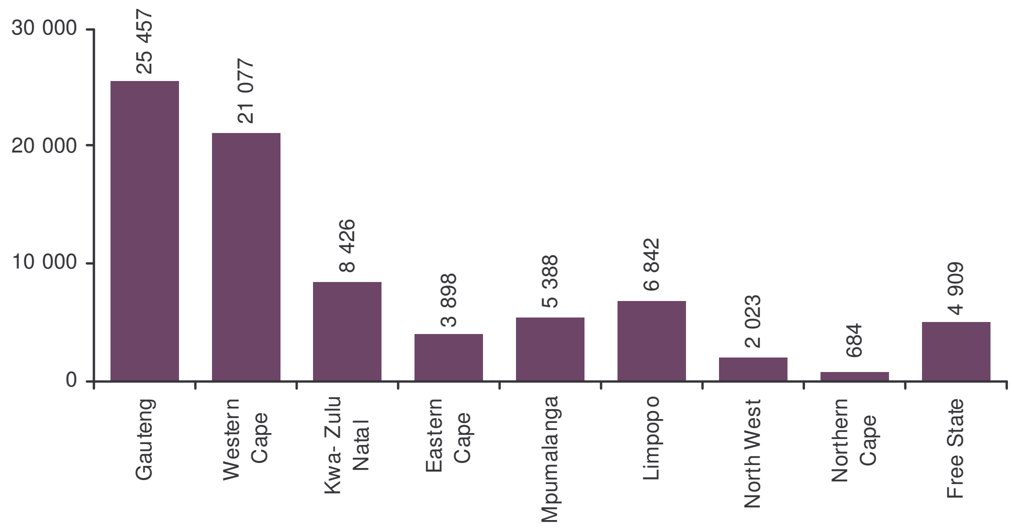
Figure 2.13: Foreign Bednights Spent in South Africa ('000)



Source: SA Tourism

Foreign tourists spent 25,5 million bednights (32,3%) in Gauteng, followed by 21,1 million bednights (26,8%) in the Western Cape. The Northern Cape received the smallest share accounting for only 684 000 of the foreign bednights (**Figure 2.14**).

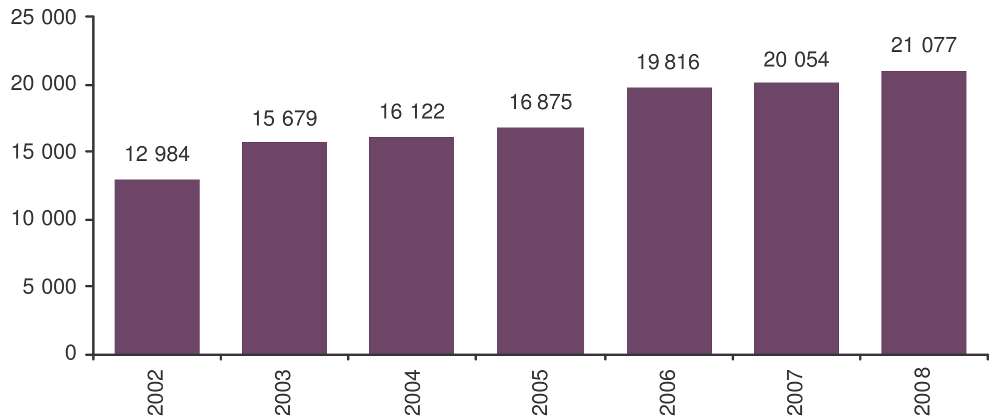
Figure 2.14: Foreign Bednights Spent in South Africa by Province 2008 ('000)



Source: SA Tourism

The Western Cape experienced an annual compound bednight growth rate of 8,4% between 2002 and 2008 (**Figure 2.15)**.

Figure 2.15: Foreign Bednights Spent in the Western Cape ('000)



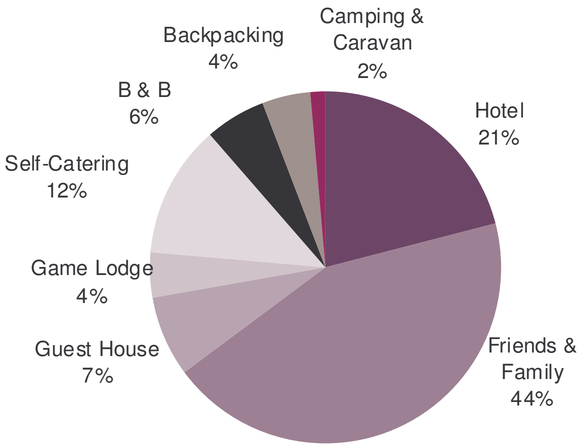
Source: SA Tourism

2.2.8 Type of Accommodation Used

From 2005 to 2007, staying with friends and family was the most popular type of accommodation used by foreign arrivals to South Africa. In 2007, 43,1% of foreign visitors stayed with friends and family. This was followed by hotels (21,1%), self-catering accommodation (12,1%), guest houses (7,4%), bed and breakfast accommodation (5,6%) and backpackers (4,1%) (**Figure 2.16**).

It is interesting to note that between 2005 and 2007, bednights at self-catering accommodation and guest houses experienced compound annual growth rates of 17,4% and 12,4% respectively. During the same period, bednights at hotels remained relatively stagnant with a compound annual growth rate of only 2,1%.

Figure 2.16: Type of Accommodation Used by Foreign Visitors 2007

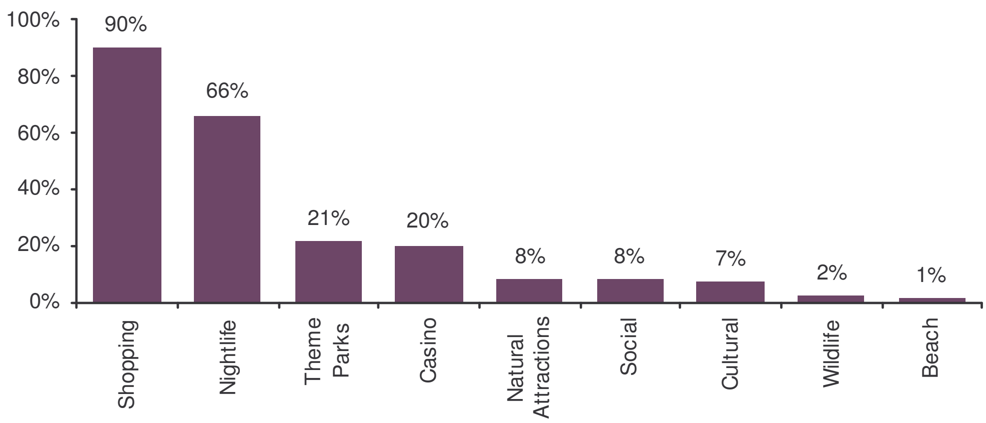


Source: SA Tourism

2.2.9 Activities Undertaken

Shopping, followed by nightlife activities, were the activities most frequently undertaken by foreigners during their stay in South Africa (**Figure 2.17**).

Figure 2.17: Activities Undertaken by Foreign Visitors to South Africa 2007



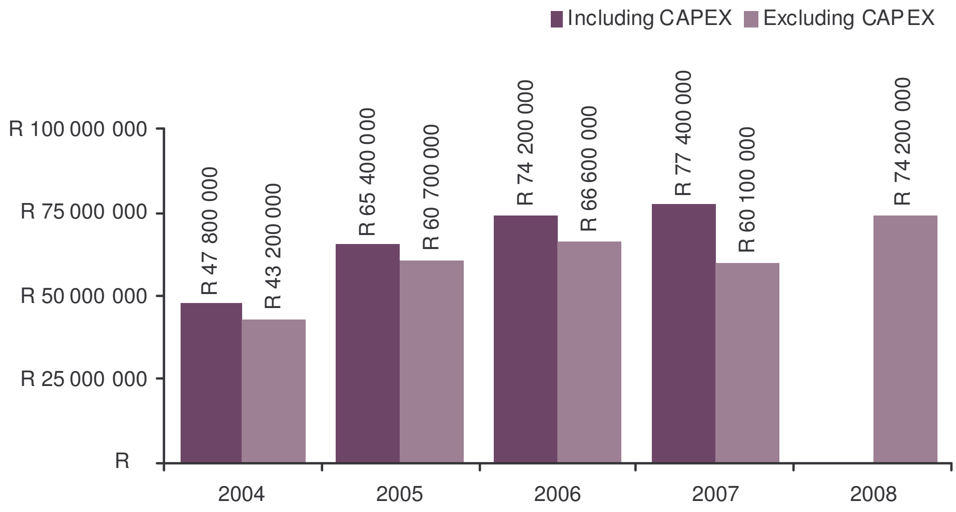
Source: SA Tourism

2.2.10 Spend

According to SA Tourism, total foreign direct spend ("**TFDS**") excluding capital expenditure ("**CAPEX**"), reached a record high of R74,2 billion in 2008. This figure is 23,5% (or R14,1 billion) higher than the R60,1 billion spent in 2007 (**Figure 2.18**). However, it must be noted that this increase is off a very low base and that the 2007 TFDS excluding CAPEX had declined by 9,8% or R6,5 billion from 2006 levels. TFDS including CAPEX amounted to R77,4 billion during 2007 (the latest available data).

On average, foreign tourists each spent R880 per day (excluding CAPEX) in South Africa during 2007 (the latest available data), down from R1 000 per day in 2006.

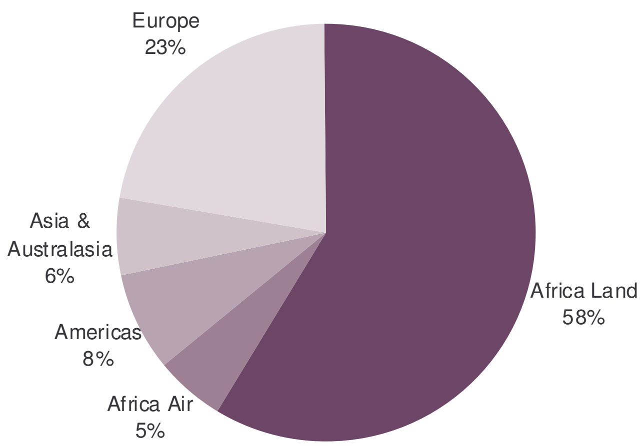
Figure 2.18: Total Foreign Direct Spend excluding CAPEX ('000)



Source: SA Tourism

Figure 2.19 provides a breakdown of TFDS excluding CAPEX by source market region for 2008. Overland visitors from Africa accounted for 58,6% of the total spent (despite accounting for 73,9% of total visitor numbers), while visitors from Europe accounted for 22,5% of the TFDS.

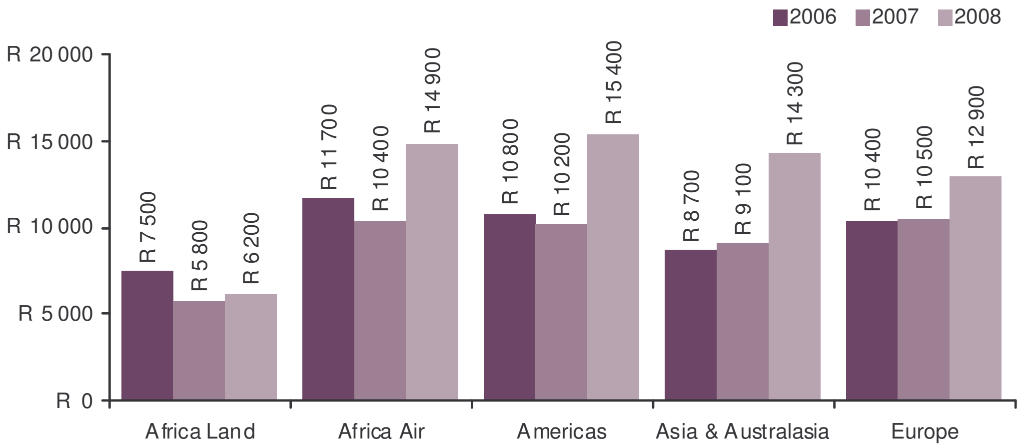
Figure 2.19: TFDS excluding CAPEX by Region 2008



Source: SA Tourism

As shown in **Figure 2.20**, visitors from Europe are the biggest foreign spenders in South Africa, each spending an average of R12 900 per trip during 2009. The average spend per trip by overland visitors from Africa was the lowest at R6 200.

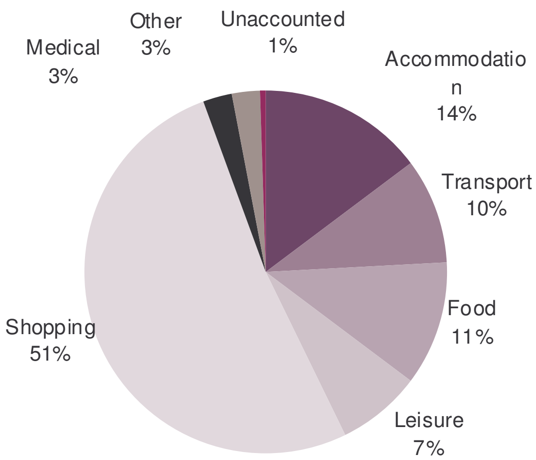
Figure 2.20: Average Visitor Spend by Source Market Region



Source: SA Tourism

Shopping accounted for R30,9 billion or 51,7% of the TFDS excluding CAPEX during 2007 (the latest available data), and accommodation for R8,8 billion or 14,7% (**Figure 2.21**).

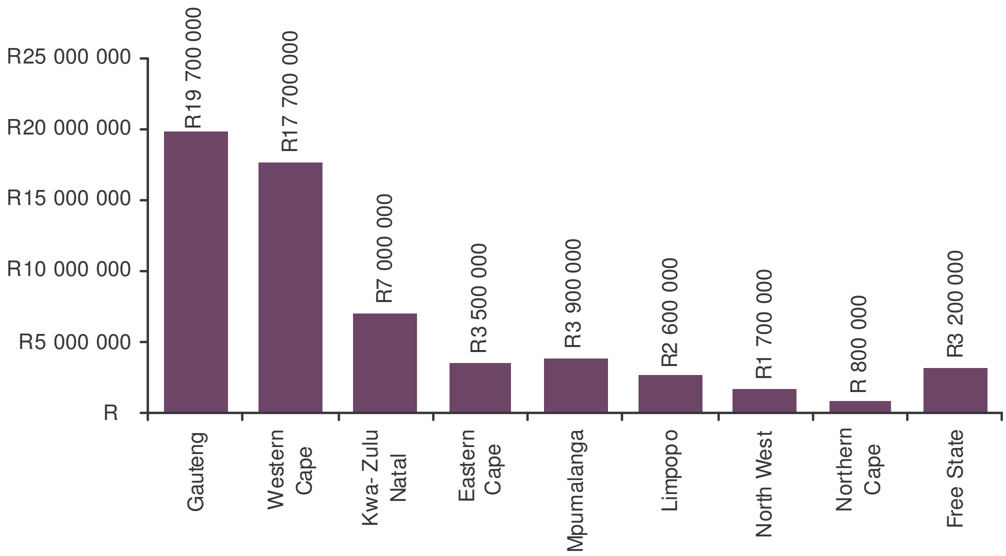
Figure 2.21: TFDS excluding CAPEX by Category 2007



Source: SA Tourism

The foreign direct spend excluding CAPEX during 2007 was the highest in Gauteng, with R19,7 billion being spent in the province. This was followed by the Western Cape with R17,7 billion. The total spent by foreign tourists in the Northern Cape was the lowest at R1,2 billion.

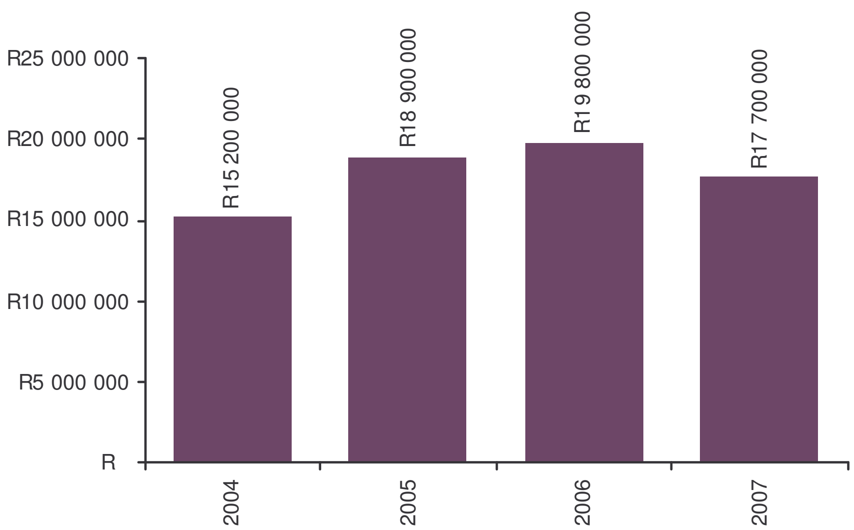
Figure 2.22: Foreign Direct Spend excluding CAPEX by Province 2007 (‘000)



Source: SA Tourism

The foreign direct spend in the Western Cape declined by 10,6% (or R1,1 billion) to R17,7 billion during 2007 after previously having experienced 3 years of positive growth (**Figure 2.23**).

Figure 2.23: Foreign Direct Spend excluding CAPEX in the Western Cape (‘000)



Source: SA Tourism

2.3 Domestic Tourism in South Africa and the Western Cape

2.3.1 Introduction

In this section we analyse the domestic tourism market in South Africa and the Western Cape. This analysis serves to provide the Client with an overview of the current trends that are being experienced in the domestic market. Our analysis makes use of the following sources of information:

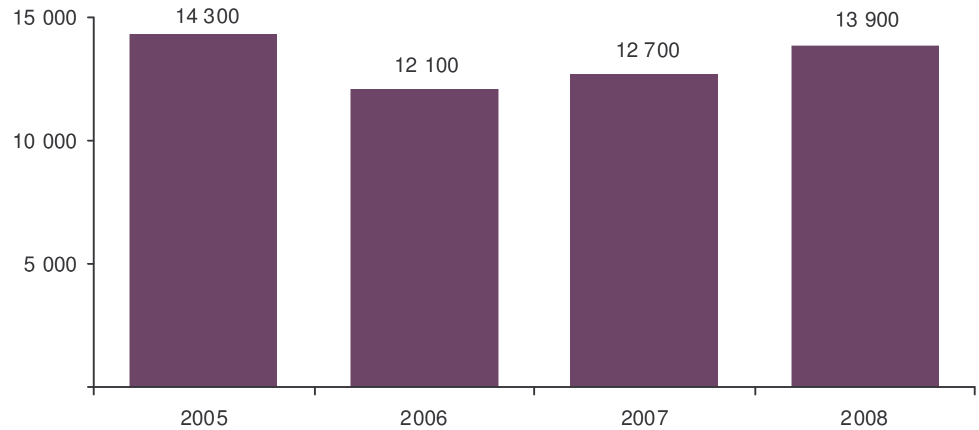
- The SA Tourism 2005 Annual Domestic Tourism Report;
- The SA Tourism 2006 Highlights of Tourism’s Performance Report;
- The SA Tourism 2008 Highlights of Tourism’s Performance Report; and

– The SA Tourism Domestic Tourism 2008 Performance presentation.

2.3.2 Number of Domestic Tourists

According to SA Tourism, approximately 13.9 million adult South Africans (46% of the adult population) took a domestic trip during 2008, a 9.4% increased from the 12.7 million during 2007 (**Figures 2.24**).

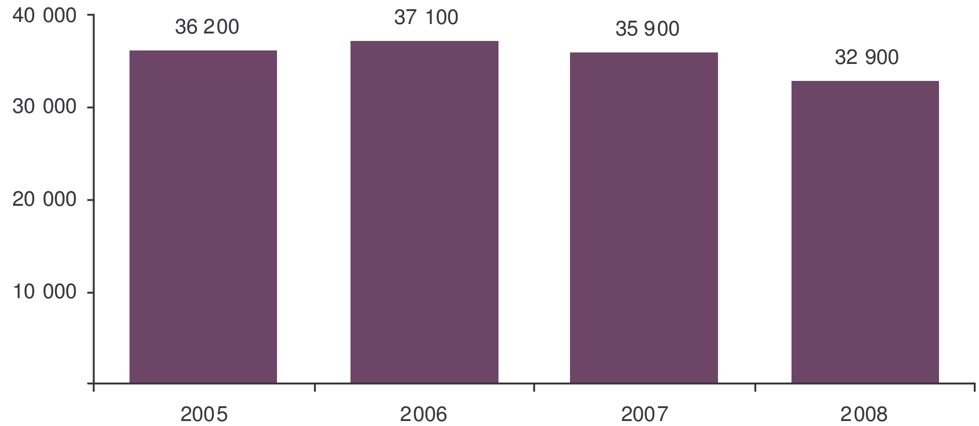
Figure 2.24: Number of Domestic Travellers in South Africa ('000)



Source: SA Tourism

A total of 32.9 million domestic trips were taken during 2008, a decrease of 8,4% from the 35.9 million trips taken during 2007 (**Figures 2.25**).

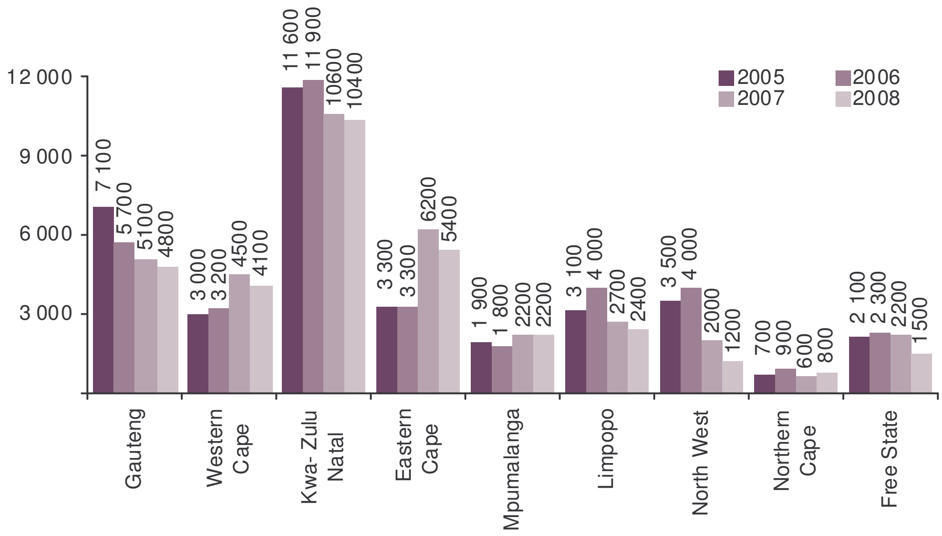
Figure 2.25: Number of Domestic Trips Taken in South Africa ('000)



Source: SA Tourism

The most visited provinces during 2008 (the latest available data) were Kwazulu-Natal and Eastern Cape, with 10.4 million (32%) and 5.4 million (17%) trips respectively. The least visited province was the Northern Cape which received a mere 800 000 (3%) of the total domestic trips. There were 4.1 million trips taken to the Western Cape during 2008, 12% of the total domestic trips in South Africa (**Figure 2.26**).

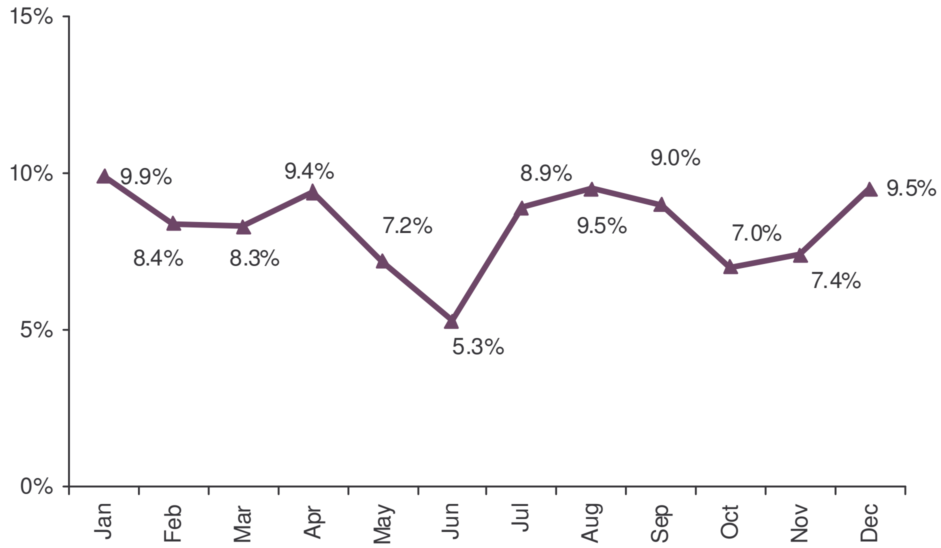
Figure 2.26: Domestic Trips Taken to Provinces in South Africa ('000)



Source: SA Tourism

As shown in **Figure 2.27**, domestic tourism patterns in South Africa are driven by school holidays, with peaks in April (which included the Easter holidays in 2008), July and December.

Figure 2.27: Percentage of Total Domestic Trips Taken in South Africa by Month 2008

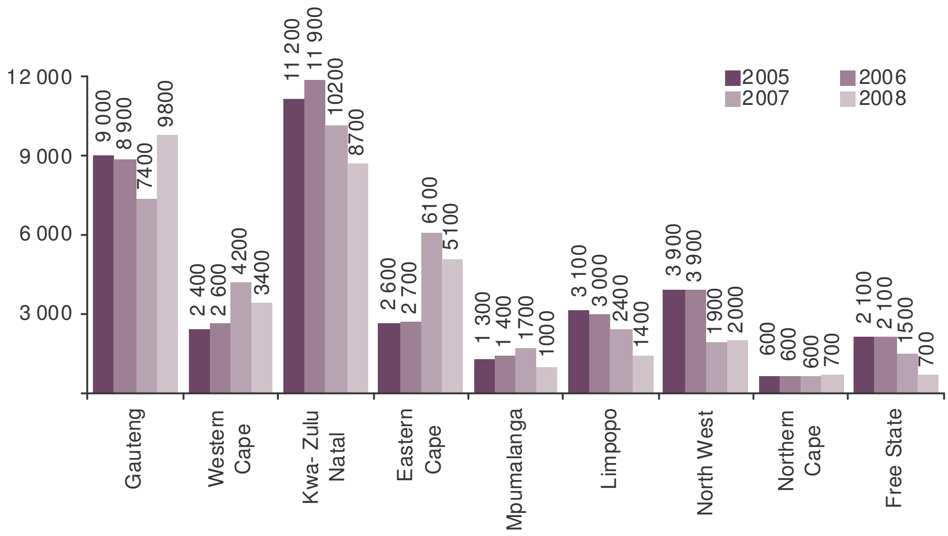


Source: SA Tourism

2.3.3 Source Markets

Of the 32.9 million domestic trips taken during 2008, 9.8 million visitors (30%) were from Gauteng, 8,7 million (26%) were from KwaZulu-Natal and only 3.4 million (10%) were from the Western Cape (**Figure 2.28**).

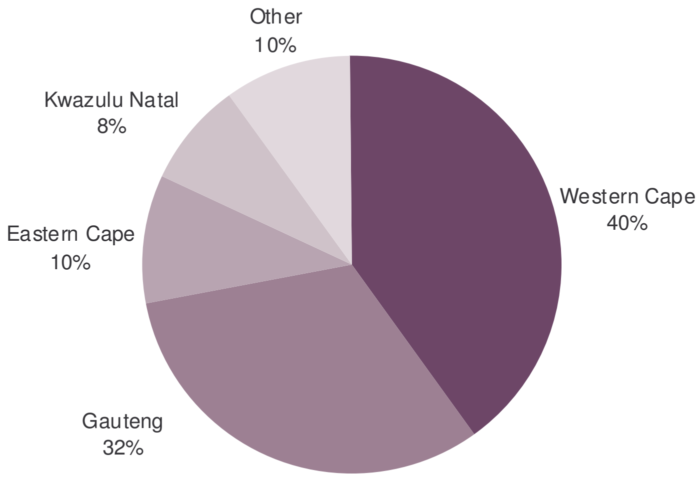
Figure 2.28: Origin of Domestic Tourists in South Africa (‘000)



Source: SA Tourism

According to CTRU data, 40% of the domestic visitors to the Western Cape during 2006 were from other parts of the Western Cape, while 32% of visitors to the province were from Gauteng (**Figure 2.29**).

Figure 2.29: Origin of Domestic Tourists to the Western Cape 2006

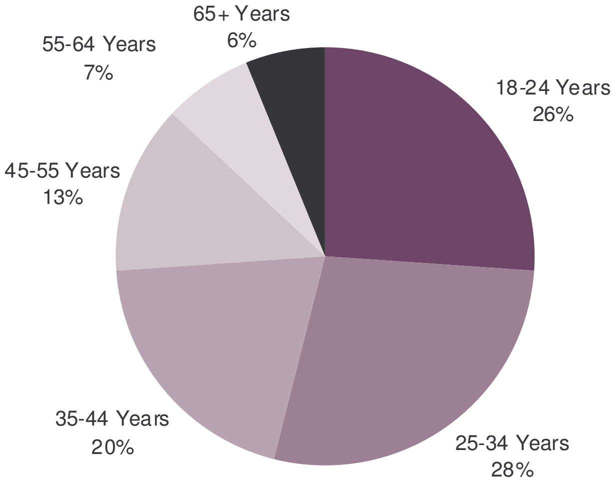


Source: SA Tourism

2.3.4 Domestic Tourist Profile

According to SA Tourism, 27.4% of all domestic tourists in 2005 (the latest available data) were between 25 and 34 years old, while 26.2 % were between 18 and 24 years old (**Figure 2.30**).

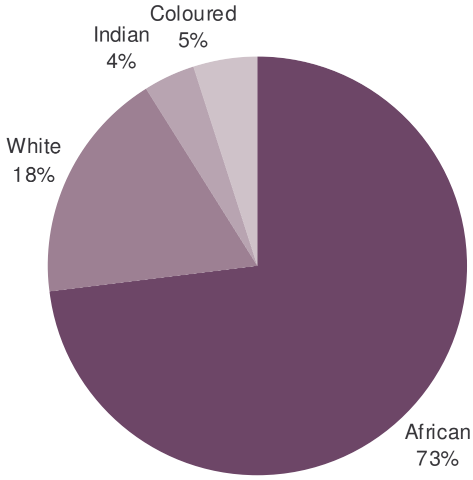
Figure 2.30: Age Profile of Domestic Tourists in South Africa 2005



Source: SA Tourism

Of the domestic trips taken during 2005, 72.8% were taken by Africans, 18.4% by Whites, 4.2% by Indians and 4.6% by Coloureds (**Figure 2.31**).

Figure 2.31: Race Profile of Domestic Tourists in South Africa 2005

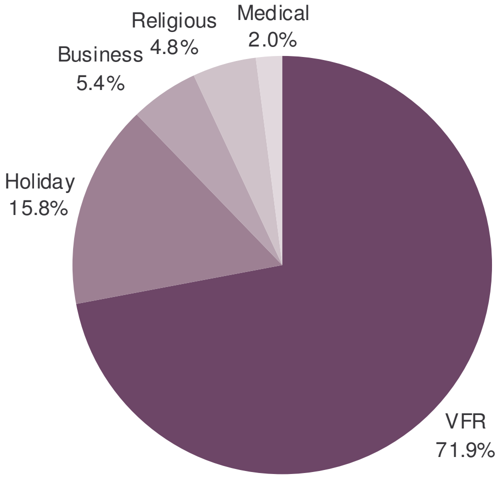


Source: SA Tourism

2.3.5 Purpose of Travel

Visiting family or relatives (VFR) accounted for 71% of all domestic trips taken in South Africa during 2008. This was followed by holiday trips with 16%, and religious and business trips each with 5% (**Figure 2.32**).

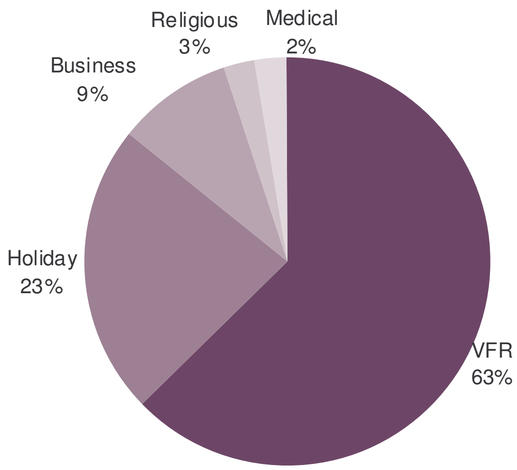
Figure 2.32: Purpose of Domestic Trips Taken in South Africa 2008



Source: SA Tourism

Figure 2.33 indicates that the main purpose of domestic trips taken to the Western Cape during 2005 (the latest available data) was to visit family or relatives (63%) followed by holiday (23%). Subsequently there is a much higher incidence of trips in the Western Cape being undertaken for holiday purposes as compared to South Africa as a whole.

Figure 2.33: Purpose of Domestic Trips Taken to the Western Cape 2005

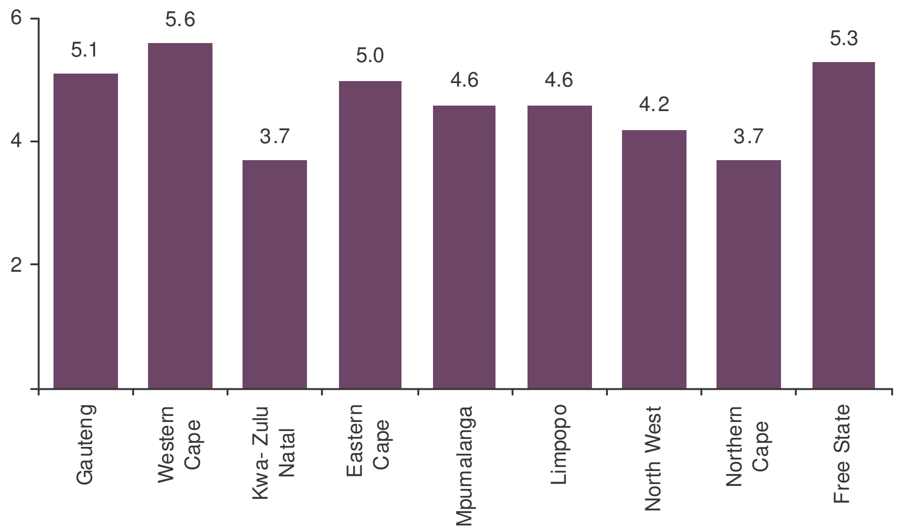


Source: SA Tourism

2.3.6 Length of Stay

The average domestic trip during 2008 lasted 4,5 nights, up from 4,4 nights during 2007, and the most common length of stay was 2 nights. During 2008 (the latest available data), trips to the Western Cape lasted the longest at an average of 5,6 nights, followed by the Free State with 5,3 nights (see **Figure 2.34**).

Figure 2.34: Average Length of Stay of Domestic Tourists by Province 2008 (Nights)



Source: SA Tourism

During 2008, business trips accounted for the longest average length of stay with 7.1 nights, and religious holidays for the shortest with 2.9 nights (**Figure 2.35**).

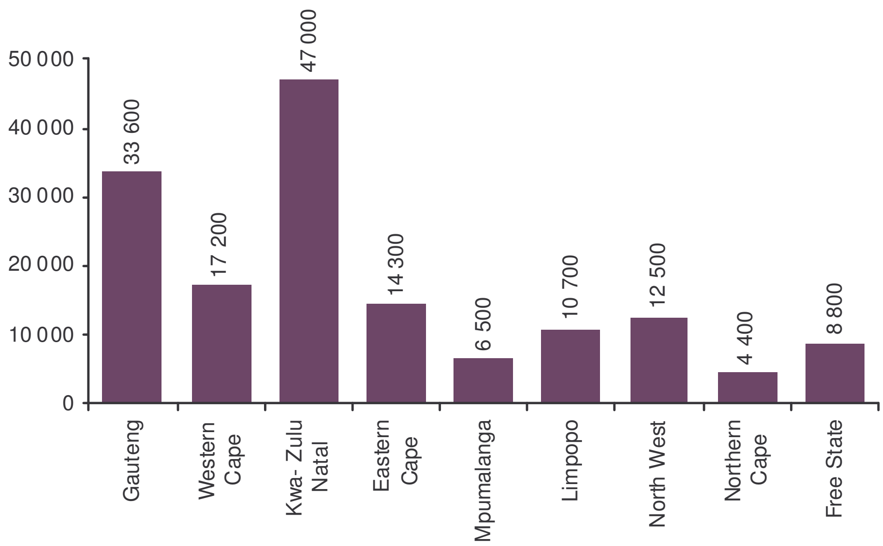
Figure 2.35: Average Length of Stay of Domestic Tourists by Trip Purpose 2007 vs 2008

Source: SA Tourism

2.3.7 Bednights

South African domestic tourists spent a total of 152 million nights away from their usual place of residence during 2008, down 3,8% from 158 million during 2007. During 2005 (the latest available data), 47 million nights (30,9%) were spent in Kwazulu-Natal, 33,6 million (22,2%) in Gauteng, and 17,2 million (11,3%) in the Western Cape (**Figure 2.36**).

Figure 2.36: Bednights Spent in South African Provinces by Domestic Tourists 2005 ('000)

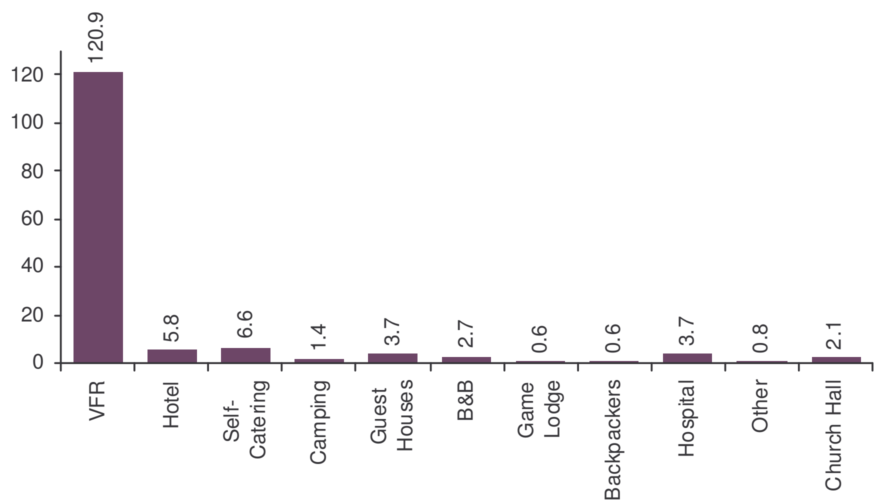


Source: SA Tourism

2.3.8 Type of Accommodation Used

Out of a total of 152 million nights away from their usual place of residence during 2008 (the latest available data), domestic tourists spent 120.9 million nights (81%) at the homes of friends and relatives (VFR). This was followed by self-catering accommodation with 6.6 million nights (4%) and hotels with 5.8 million bednights (4%) respectively during 2005 (**Figure 2.36**). Income generating accommodation only accounted for 20% of all domestic tourist bednights.

Figure 2.37: Bednights of Domestic Tourists by Accommodation Type 2008 ('millions)

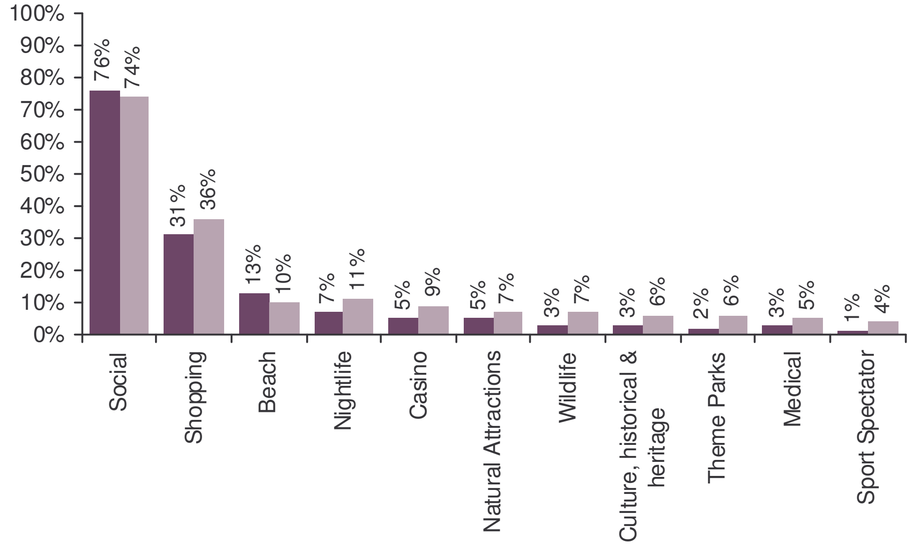


Source: SA Tourism

2.3.9 Activities Undertaken

Figure 2.38 shows that in 2008, the activities most undertaken by domestic visitors were social activities (74%) and shopping (36%). This trend can be attributed to the high number of domestic tourists that travel to visit friends and relatives.

Figure 2.38: Activities Undertaken by Domestic Tourists 2007 vs 2008

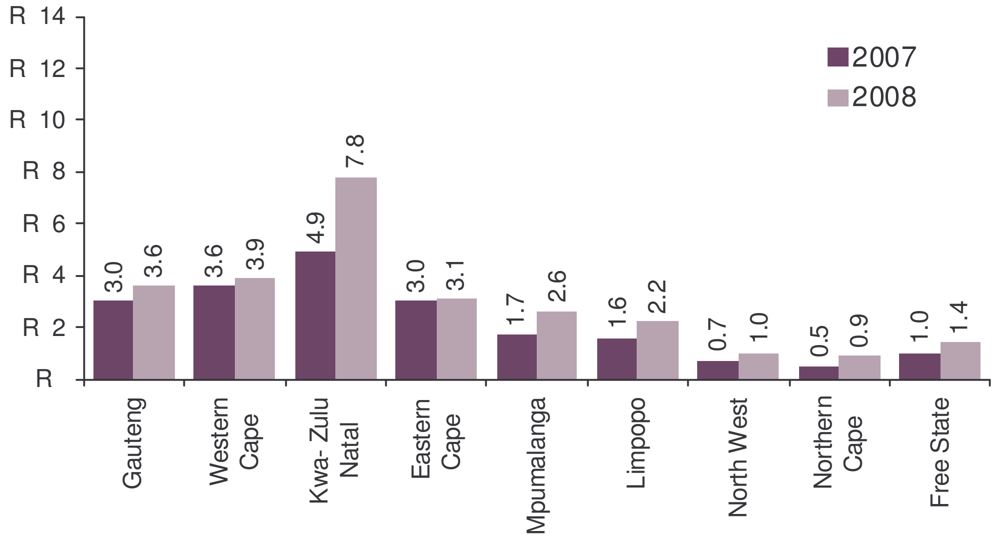


Source: SA Tourism

2.3.10 Spend

The total spent on domestic trips increased by 29% from R20 billion in 2007 to R25.8 billion in 2008. The total revenue received from domestic tourism in 2005 (the latest available data) was highest in Kwazulu-Natal at R7.8 billion (30%), followed by Western Cape with R3.9 billion (15%)(see **Figure 2.39**).

Figure 2.39: Total Domestic Tourism Revenue by Province 2007 vs 2008 ('millions)



Source: SA Tourism

The average amount spent by a domestic tourist per trip was R780 in 2008, down 41% from R550 in 2007.

2.4 Conclusion: Relevance to the Study

2.4.1 Tourism in South Africa

The following key findings were presented regarding **foreign tourism** in South Africa:

- There were 9,6 million foreign arrivals to South Africa in 2008;
- The compound annual growth rate of foreign arrivals between 2002 and 2008 was 7,6%;
- Foreign visitors spent 78,7 million bednights in South Africa during 2008;
- The TFDS excluding CAPEX was R74.2 billion in 2008.

The following key findings were presented regarding **domestic tourism** in South Africa:

- There were 33 million domestic trips taken in South Africa during 2008;
- Domestic travellers spent 152 million bednights away from their usual place of residence during 2008;
- The total amount spent by domestic tourists was R16,5 billion during 2006, down from R21,2 billion in 2005.

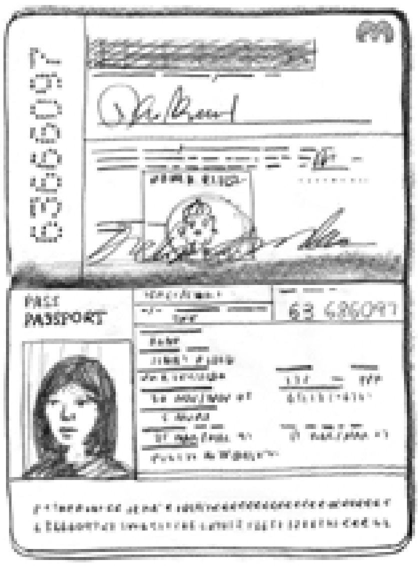
2.5.2 Tourism in the Western Cape

The following key findings were presented regarding **foreign tourism** in the Western Cape:

- There were 1,8 million foreign visitors to the Western Cape during 2007;
- Foreign visitors spent 21,1 million bednights in the Western Cape during 2008; and
- The TFDS excluding CAPEX in the Western Cape was R17,7 billion in 2007.

The following key findings were presented regarding **domestic tourism** in the Western Cape:

- There were 4,1 million domestic trips taken to the region during 2008;
- Domestic travellers spent 17,2 million bednights (11,3% of the total) in the province during 2005;
- The total spend by domestic tourists in the region was R3.9 billion in 2008.



Section 3: Research Review

3.1 Introduction

In this section we review the existing research that has been conducted on the economic value of tourism to inform our research process.

3.2. The Value of Tourism: International Measurement

The United Nations World Tourism Organisation (UNWTO) makes various recommendations as to the measurement of the value of tourism. In the UNWTO's "**International Recommendations for Tourism Statistics 2008**" they address the issue of measuring tourism at sub national levels.

The UNWTO state that "Increasingly regional tourism authorities are interested in regional statistics and possibly some form of Tourism Satellite Account at regional level as a means of providing useful indicators for tourism enterprises and organizations in identifying possible business opportunities, assessing the volume and intensity of tourism business and determining the extent to which private and public regional tourism networks and clusters are interconnected."

The UNWTO indicates that "there are some statistical limitations in producing regional data, especially in the absence of a national collection framework for tourism statistics: defining survey frames for tourism sample surveys conducted at the sub national level is particularly difficult due to the lack of control at the corresponding administrative borders. In addition, regional estimates of tourism might not be compatible with those for other regions, therefore undermining the credibility of tourism estimates both for the regions and for the country as a whole."

The UNWTO recommends that "as a first approach that national statistical offices, tourism authorities and/or other organizations with direct responsibility for tourism statistics promote the use of national instruments to collect tourism data at the regional and local levels using a common set of definitions, based on the present International Recommendations, permitting national tourism statistics to be "built- up" from data at the regional and local levels.

The UNWTO recommends that regional and national tourism entities review, discuss and agree the operational definition of usual environment as there are often differences between density of population, transportation accessibility, cultural behaviours, proximity to administrative borders, etc., within a country. The consensus definition needs to take into account these regional differences.

The UNWTO indicates that if a consensus definition can not be established then the regional tourism authorities may wish to complement the national data with data specific to their region which are more relevant for their particular decision making processes. This complimentary data should, however, follow international and national statistical standards and recommendations.

When developing tourism statistics at the sub national level, it is important to be able to separate visitors to a region who have their place of usual residence within the region from those who come from other regions or other countries. It is therefore recommended that three subsets of visitors to or in this region be identified:

- Residents from other countries (inbound visitors for the country as a whole);
- Residents from another part of the national territory; and
- Residents from the region.

In the UNWTO's "**Recommended Methodological Framework 2008**" they address the issue of adapting the Tourism Satellite Account at the sub national levels. The information included below is quoted from the UNWTO document.

Tourism in a country is unevenly "localized" in the national territory, from the perspective of both demand and supply. Consequently, it generates additional demand at the different territorial levels that needs to be measured using reliable and suitable tourism statistics for decision-making by public and private stakeholders, within a framework of coherence and compatibility with national and regional statistics.

The territorial localization of tourism is a necessity from both the regional and national perspectives, and consequently, the regional development of the systems of tourism statistics of a country is obligatory. Its implementation will depend on the priority that is given to one of the following two approaches:

- An interregional or regionalization approach, or
- A regional approach.

International Recommendations for Tourism Statistics 2008 addresses the specific issues related to establishing tourism statistics covering different geographical environments and the need for definitions and concepts to adjust to such new venues, particularly the usual environment, the definition of the different categories of visitors, and the existence of different procedures to relate tourism statistics at other geographical levels with national tourism statistics.

There are various reasons for encouraging discussion on how the Tourism Satellite Account can be adapted to sub national levels:

- The worldwide trend towards a certain degree of decentralization of political power and, more especially, the decentralized management of national resources in federal states, regions, municipalities, etc., which, in order to allocate and monitor those resources effectively, needs more and better integrated regional and local information;
- The multifaceted nature of tourism activities, which can potentially benefit rural areas seeking to diversify, as well as areas overlooked so far as the prevailing production model is concerned;

- The unequal geographical distribution and characteristics of tourism activity within the national territory, from the standpoint of both demand and supply, leading to additional requirements for tourism statistics at the various territorial levels;
- The growing interest of tourism-related businesses in learning about the interrelation of their activity with others and its main determinants and seasonal cycles;
- The necessity of improving the allocation of resources in national and local economies, which can only be achieved by upgrading quantitative references and measuring economic impacts.

There are two possible approaches to this adaptation:

- The interregional approach, which would be common to all the regions of the national territory and based on and intimately linked to the System of National Accounts. It is an approach that relies on the existence of a national Tourism Satellite Account and the availability in each region of uniform tourism information for each of the tables and aggregates to be regionalized;
- The regional approach, which would entail the development of a specific Tourism Satellite Account for any given region, in which specific situations and differentials may also be identified for important sub regional territories, provided there is sufficient information on them.

For either of these approaches, the first thing to note is that no conceptual framework exists at regional level equivalent to that of the System of National Accounts: the Systems of National Accounts 1993 does not define a specific framework for regional accounting, nor are the general statistical systems of most countries designed for this purpose. When the national accounts speak of regional accounts, they refer to a table or set of aggregates but never to a set of associated accounts developed to a similar degree. This is due not only to observation difficulties, which are many owing to the non-existence of border controls in these territories, but also to the fact that many national accounting concepts are not directly applicable at sub national level.

Only in the European System of Accounts (ESA-95 is an adaptation of the Systems of National Accounts 1993) is there a simplified scheme of regional accounts, which owes its existence to the regional policy applied by the European Union for the distribution of structural and other funds.

At present, for neither of the two approaches (interregional or strictly regional) nor for each and every region in most countries is it possible to make a strict identification of tourism activity in the terms of the scheme used in the design of the Systems of National Accounts 1993 and the Tourism Satellite Account, whose formal representation is a body of interconnected accounts and accounting aggregates. There are three main reasons for this:

- Not all tourism variables (for instance, trips, residence and forms of tourism) are additive or easily transportable from the national environment to sub national level; the same applies to other variables, such as the export and import of goods and services;
- Some activities cannot, strictly speaking, be regionalized (auxiliary activities of multiregional units and central government services related to tourism), and for others, such as the interregional transport of passengers and tour operator and travel agency services (more specifically, the disaggregation of the tourism package), measurement is even more complicated than at national level;

- The enormous amount of statistical information required because, although officially there are administrative boundaries separating the regions, there is free movement of people, goods, services, capital, etc., which means that no instruments are in place for monitoring flows to and from the region.

Nevertheless, the greatest restrictions occur on the demand side, both because of the requirement to adapt the conceptual framework of the Tourism Satellite Account (the definitions of such concepts as usual environment, residence, forms of tourism, trips and purpose of the trip are the most significant examples) and because of the complexity and cost of capturing the corresponding data.

Among statisticians and national accountants in particular, the first option (interregional) corresponds to what is known as the "top-down" approach, whereas the second (regional) is known as the "bottomup" approach.

It should be noted that the top-down approach provides a set of regional estimates that add up to the national Tourism Satellite Account totals and can be interpreted as shares of those totals and are comparable to one another, while the bottom-up approach is likely to produce a set of regional estimates that add up to greater than the national Tourism Satellite Account totals and can only fairly be compared to one another.

3.3. The Value of Tourism: National Measurement

Statistics South Africa (Stats SA) released the Draft Tourism Satellite Account for South Africa at Indaba 2009. South Africa's first tourism satellite account (TSA) was a joint venture between Stats SA, South African Tourism (SAT), the Department of Environmental Affairs and Tourism (DEAT), the South African Reserve Bank (SARB), the Department of Home Affairs and the Department of Trade and Industry (DTI).

The TSA indicate that the tourism GDP for South Africa was R45.7 billion in 2005, comprising 3% of the national GDP and the tourism industries employed 527 630 people, comprising 4.3% of total employment. The employment includes employment that is directly related to the goods and services acquired by tourists and non-tourists.

The simulated TSA produced by the WTTC and previously used as the measure of the economic value of tourism in South Africa indicates that the travel and tourism industry contributed R50 billion (3.2% of total GDP) and 391 800 employment opportunities (3.2% of total employment) to the South African economy in 2005, while the travel and tourism economy contributed R120.8 billion (7.8% of total GDP) and 850 200 employment opportunities (7% of total employment).

The difference between the simulated TSA produced by the WTTC and the TSA released by Stats SA are due to the difference in methodology used when measuring the impact or value of tourism. The Stats SA TSA utilise a breakdown of the existing national accounts and rearrange it to quantify the size of the South African tourism industry. The WTTC utilise the existing national account but make assumptions of how much of the components of the national accounts are in fact tourism. The WTTC utilise assumptions whereas the Stats SA TSA utilise the actual detailed breakdown of the national accounts.

Another difference is that the WTTC estimates the value of the Travel and Tourism Industry which is the direct impact of the tourism industry as well as the Travel and Tourism Economy, which is the direct and indirect impact of the tourism industry. The Stats SA TSA measures only the direct value of tourism to the South African economy. Previously it was widely quoted that tourism comprised around 8% of the South African economy. This figure was based on the WTTC data and included the direct and indirect impact of tourism. The Stats SA TSA indicates that tourism comprise 3% of the South African economy, but relates to the direct impact only.

Due to the limited availability of employment data, the Stats SA TSA had to use tourism industry ratios to allocate employment number from the national accounts to tourism. The Stats SA TSA does acknowledge that further work is required to produce more accurate tourism employment data.

3.4. The Value of Tourism: Provincial Measurement

Cape Town Route Unlimited has commissioned two studies related to the economic value of tourism, namely:

- The economic significance of tourism in the Western Cape Province: A Tourism Satellite Account approach by Prof Jonathan Bloom & le Roux Burrows, March 2008;
- The economic significance of leisure, business and event tourism in the Western Cape Province: A Tourism Satellite Account approach by Prof Jonathan Bloom & le Roux Burrows, June 2008.

The main findings from the studies are that in 2005:

- Travel and tourism consumption for the Western Cape was R25 216 750 000;
- The direct travel and tourism industry contribution to the GGP of the Western Cape was 5.87%;
- The direct and indirect travel and tourism contribution to the GGP of the Western Cape was 14.08%;
- It is estimated that 150 000 direct jobs are created by travel and tourism in the Western Cape according to the CTRU annual report (2004/2005 p12);
- The study project that 209 763 indirect jobs are created by travel and tourism in the Western Cape;
- The number of tourists required to create 1 direct job are 28.23;
- The number of tourists to create 1 indirect job are 20.19;
- The direct travel and tourism industry contribution to the GGP of the Western Cape by leisure tourism was 4.1%;
- The direct travel and tourism industry contribution to the GGP of the Western Cape by business tourism was 1.27%;
- The direct and indirect travel and tourism industry contribution to the GGP of the Western Cape by leisure tourism was 9.82%;
- The direct and indirect travel and tourism industry contribution to the GGP of the Western Cape by business tourism was 3.04%;

Both studies utilise the tourism satellite account methodology but due to a lack of information required by this methodology, the studies utilised available information to compile an interim tourism satellite account containing various assumptions. These assumptions include, amongst others:

- Utilising the Western Cape's share of domestic trips and foreign arrivals to estimate the Western Cape's share of government expenditure, capital investment, the GGP industry and travel & tourism economy GGP (direct and indirect); and
- Utilising the breakdown of purpose of visit by tourists to estimate the Western Cape's share of corporate travel.

The studies conclude that the tourism satellite account compiled was limited by the availability of tourism information. It recommends that the following data be continuously monitored:

- Arrivals and departure information from Cape Town International airport and other entry points to the Western Cape;
- Advanced bookings and cancellations from accommodation establishments;
- Economic indicators such as exchange rate movements, interest rates, etc;
- Perceptions of tourists and other stakeholders on issues such as political stability, security risks, etc;

It is also recommended that the province becomes part of the process to prepare a Tourism Satellite Account for South Africa and a program be introduced to collect the data required for a provincial tourism satellite account.

The study also highlighted the following issues for consideration:

- A bottom-up approach of collecting demand and supply side data is generally better suited to regional areas, where data collection may be kept within a reasonable scope;
- A reliable method to determine the number of bed-nights by type of accommodation for each region of the province must be developed;
- A need exists to collect consumption data that are representative for both the type of region and type of accommodation;
- No formal statistics are available for South Africa or the Western Cape, which is a second area that needs detailed research; and
- Data collection should be seen as a longer-term goal, requiring a well planned and structured approach.

3.5. The Value of Tourism: City Measurement

Internationally various cities has conducted various types of analyses to measure the economic value of tourism. The analyses range from simple calculations of the number of visitors multiplied by the spend of visitors to more complex models which are similar to tourism satellite accounts.

Cities that have conducted analyses similar to tourism satellite accounts include Boston, Washington DC and New York City where regular local surveys and detailed national and state data are utilised to populate the economic models.

3.6. Conclusions

Based on a review of the various measurements of the economic value of tourism on an international, national, regional and local level we can conclude that:

- Tourism Satellite Accounts are best suited on a national level and require detailed information in order to be accurate;
- Tourism Satellite Accounts on a regional level is less common due to problems with the accuracy and availability of data;
- Cities that have completed tourism satellite account type exercises conducts regular surveys on a city level and have access to detailed national and state/regional data in order to populate their economic models;
- The attempt to compile a tourism satellite account for the Western Cape was limited due to a lack of tourism information.

Section 4: Database Development

4.1 Introduction

The research and document review detailed in Section 2 and 3 enabled us to gain a better understanding of the profile of tourism in the City of Cape Town and how the primary research can best fill gaps in existing information and feed into the goals of the Tourism Development Framework.

We utilised this information to formulate the research tools and methodology to compile the economic value of tourism.

4.2 Research Tools and Methodology

The research tools and methodology to compile the economic value of tourism in Cape Town were discussed during a meeting with representatives from the City of Cape Town, Cape Town Tourism and CTRU.

It was decided that the measurement of the economic value of tourism should be simple, understandable and reliable in order to be credible. The option of compiling a tourism satellite account was discussed and discarded due to the amount of detail tourism and economic information that would be required on a city level. At present this information is not available.

The creation of a list of indicators were also discussed and the conclusion was reached that it would be possible to utilise national indicators, such as the number of foreign arrivals to South Africa, in conjunction with surveys by SA Tourism and CTRU, to provide indicators as to the economic value of tourism in Cape Town.

It was also concluded that it would be possible to survey tourism enterprises in Cape Town and to utilise the information gained to compile an indication of the economic value of tourism based on the turnover and employment data gained from the survey. The compilation of the economic value of tourism would consist of:

The number of tourism enterprises X the average turnover of the enterprise = economic value of tourism in regards to monetary value The number of tourism enterprises X the average number of employees of the enterprise = economic value of tourism in regards to employment

This calculation would be done for each type of tourism enterprise.

It was decided that a two pronged approached would be followed to compile the economic value of tourism in Cape Town, namely:

- The utilisation of nationally available data in conjunction with tourism surveys to indicate the direct spend by tourists in Cape Town (supply side data)
- The survey of tourism enterprises in Cape Town to obtain turnover and employment data in order to compile the economic value of tourism in Cape Town (demand side data).

4.3 Database Development

In order to survey tourism enterprise in Cape Town it was decided to utilise the database of Cape Town Tourism. The database contains listing for members and non-members. The listing on the database for the Cape Metropolitan area includes:

- 945 listings for tourism accommodation establishments;
- 155 listings for conference and meeting venues;
- 185 listing for tourism transport and car rental enterprises;
- 424 listing for attractions; and
- 354 listings for restaurants.

A questionnaire was e-mailed to all the members of Cape Town Tourism on 5 June 2009.

In addition students employed by the City of Cape Town's Department of Tourism phoned various tourism enterprises to complete the questionnaire during the second, third and fourth week of June 2009.

4.4 Questionnaire Development

In order to obtain the required information to compile the economic value of tourism a questionnaire was compiled (see Annexure A). The questionnaire included 3 main components namely:

- Classification of the tourism enterprise
- Indication of employment, by skills level, permanent vs temporary and salary level;
- Indication of total turnover per annum

The questionnaire stated that "the survey does not require the name and contact details of the tourism enterprise, but a fair reflection of the turnover and employment details will ensure that a constructive and usable number of the value of tourism can be calculated".

The questionnaire also stated that "the benefit of this research for tourism enterprises is that this information can be used to demonstrate the importance of tourism to decision and policy makers. The value of tourism can be used to motivate for bigger tourism marketing budgets as well as motivating for the prioritisation of tourism in regards to infrastructure development resulting in more tourists for tourism enterprises".

The results of the survey are shown in the Section 5 and 6.

Section 5: Primary Research

5.1 Introduction

The primary research was formulated to ensure that the measurement of the economic value of tourism be simple, understandable and reliable in order to be credible. The primary research process is detailed below.

5.2 Issues with Primary Research

During the course of the primary research the following issues arose:

5.2.1. Low Survey Response

The survey received a very low response rate which can be attributed to the unwillingness of tourism enterprises to provide information related to their turnover and employment. Although the questionnaire did not require the name or contact details of the tourism enterprise and stated that all information would be used in aggregate, few tourism enterprises were willing to provide a response.

Accordingly, Grant Thornton had to utilise our knowledge of the tourism industry to supplement the information obtained from the survey.

5.2.3. Possible double counting of Tour Operators, Conference venues and Restaurants

One issue that is experienced at all levels (international, national, regional and local) when estimating the economic value of tourism is the double counting incorporated in the turnover of tour operators and conference venues and restaurants included in hotels.

A tour operator would sell a package to a tourist and include the total value of the package in their turnover. However, payments are made by the tour operator to hotels, car rental, restaurants and attractions. These payments are included in the turnover of the relevant hotel, car rental, restaurant and attractions. Double counting arise when the tour operator and the relevant hotels, car rental, restaurants and attractions are surveyed and the same amount are included at least twice.

The Tourism Satellite Account Recommended Methodological Framework compiled by the UNWTO recommends that the output of travel agencies, tour operators and other providers of reservations services be included on a net basis i.e. excluding the payments to hotels, car rental, restaurant and attractions. To implement this recommendation on the city level would require a more detailed questionnaire to be developed in order to obtain this information from travel agencies, tour operators and other provides of reservation services.

The issue of possible double counting exist for conference venues and restaurants that are part of an hotel facility. If these conference venues and restaurants are listed separately, the survey and calculations may incorporate their turnover twice. Firstly in the turnover of the conference centre or restaurant would be included in the turnover of the hotel and secondly as a separate enterprise if the conference centre and restaurant are listed separately in the database and accordingly surveyed separately.

5.2.4. Extent of the Database

During the analysis of the database as provided by Cape Town Tourism the extent of the representation of the database of all facilities in the City of Cape Town in certain categories were reviewed.

The analysis did indicate that the database was not representative in the category of resorts, where only 2 resorts were included. This may be to various reasons including resorts not applying to be listed on the database, or having such low levels of visitation that they are not active in the tourism industry.

It is recommended that the database utilised for the estimation of the economic value of tourism in the City of Cape Town be reviewed and updated on a continued basis.

5.2.5. Lack of National Data

The survey results and subsequent estimation of the economic value of tourism was supplemented by the disaggregation of national and provincial tourism data to a city level. Assumptions were made as the share that the City of Cape Town has of the national and provincial foreign and domestic tourism spend.

The analysis of the tourism data available on a national and provincial basis indicated that the information is fragmented and subject to retrospective revision.

The information available from national sources on the City of Cape Town is outdated with a survey in 2004 being the latest publicly available information.

It is recommended that the City of Cape Town, Cape Town Tourism and CTRU obtain this information from the surveys conducted by SA Tourism at least on an annual basis and disseminate it to the tourism industry. This information should be available from SA Tourism as the questionnaires that they use during their surveys do include questions as to the cities that tourists visit.

5.3 Recommendations

Based on the issues experienced with the primary research we would make the following recommendations:

- The survey needs to be conducted online in order to ensure that more responses are received as anonymity can be guaranteed. It is recommended that a website be utilised where respondents can complete the questionnaire by clicking relevant boxes;

- The survey should be conducted on an annual basis in order to build information from which trends can be obtained;

- A panel of experts need to be established that can review the information obtained from the survey and provide input to the assumptions utilised in the calculation. This panel of experts need to be from a wide range of sectors within the tourism industry, including various types of accommodation, tour operators, transport services, restaurants and attractions;

- In future the categories for accommodation could expand the simple format from small, medium and large that was initially used to include grading of the accommodation establishment by size category for example small 3-star, small 4-star, small 5-star;

- In future the various categories could be refined to include more choices. For example the number of categories for accommodation rooms could be increased.

Section 6: The Economic Value of Tourism

6.1 Introduction

Following the completion of the primary research phase, we projected the economic value of tourism. The demand side projection was based on information obtained from SA Tourism and projections by Grant Thornton. The supply side projection is contained in the Economic Value of Tourism (EVT) model included in Annexure C and is detailed below.

6.2 Demand Side Economic Value of Tourism

The demand side economic value of tourism is included in the fact sheet in Annexure B and contains the following information for 2005 to 2008:

- Foreign arrivals to South Africa, the Western Cape and Cape Town;
- Foreign bednights spent in South Africa, the Western Cape and Cape Town;
- Foreign direct spend (excluding capital expenditure) in South Africa, the Western Cape and Cape Town;
- Domestic tourism trips taken to destinations in South Africa, the Western Cape and to Cape Town;
- Domestic bednights spent in South Africa, the Western Cape and in Cape Town;
- Total spend during domestic trips to destinations in South African, the Western Cape and in Cape Town.

To project the economic value of foreign tourists to Cape Town we utilised the foreign direct spend (excluding capital expenditure) in South Africa and the Western Cape as per the data from SA Tourism. Based on the share of foreign bednights spent in Cape Town, we projected the share of the foreign direct spend in Cape Town (see Table 6.1).

To project the economic value of domestic tourists to Cape Town we utilised the total spend by domestic tourists to destinations in South Africa and the Western Cape as per data from SA Tourism for 2005 to 2008. Grant Thornton utilised surveys in previous years to estimate the share of the domestic spend by tourists in Cape Town (see Table 6.1).

Based on the demand side information the economic value of tourism in Cape Town was R16.3 billion in 2008, representing an increase of 20% over the R13.6 billion in 2007.

Table 6.1: Demand Side Economic Value of Tourism

	Source	2005	2006	2007	2008
Foreign Direct Spend (excluding capital expenditure)					
Total foreign direct spend in South Africa (R bn)	SA Tourism	60.7	66.6	60.1	74.2
Share of foreign direct spend in the Western Cape	SA Tourism	27.8%	29.7%	29.5%	29.0%
Total foreign direct spend in the Western Cape (R bn)	SA Tourism	16.9	19.8	17.7	21.5
Share of foreign direct spend in Cape Town	Calculation	68%	68^	68%	68%
Total foreign direct spend in Cape Town (R bn)	**Calculation**	**11.5**	**13.5**	**12.0**	**14.6**
Total Domestic Spend					
Total spend by domestic tourists in South Africa (R bn)	SA Tourism	21.3	16.5	20.0	25.8
Share of total domestic spend in the Western Cape	Calculation	13.2%	13.2%	18.0%	15.1%
Total spend by domestic tourist in the Western Cape (R bn)	Calculation	2.8	2.2	3.6	3.9
Share of domestic spend in Cape Town	Calculation	44%	44%	44%	44%
Total spend by domestic tourists in Cape Town (R bn)	**Calculation**	**1.2**	**1.0**	**1.6**	**1.7**
Demand Side Economic Value of Tourism					
Total foreign direct spend in Cape Town (R bn)	Calculation	11.5	13.5	12.0	14.6
Total spend by domestic tourists in Cape Town (R bn)	Calculation	1.2	1.0	1.6	1.7
Total economic value of tourism in Cape Town (R bn)	**Calculation**	**12.7**	**14.4**	**13.6**	**16.3**

Source: Grant Thornton

6.3 Supply Side Methodology

The methodology utilised to project the economic value of tourism was to firstly categorise the tourism enterprise according to type of enterprise and according to their size (see Table 6.2).

Table 6.2: Classification of Tourism Enterprises

Type of Enterprise	Size	Size Classification
Bed & Breakfast	Small	Less than 4 rooms
	Medium	Between 4 and 8 rooms
	Large	More than 4 rooms
Camping	Small	Less than 15 sites
	Medium	Between 15 and 25 sites
	Large	More than 25 sites
Guesthouse	Small	Less than 4 rooms
	Medium	Between 4 and 8 rooms
	Large	More than 4 rooms
Backpacker	Small	Less than 10 beds
	Medium	Between 10 and 25 beds
	Large	More than 25 beds
Hotel	Small	Less than 50 rooms
	Medium	Between 50 and 200 rooms
	Large	More than 200 rooms
Resort, Caravan Park	Small	Less than 4 units
	Medium	Between 4 and 8 units
	Large	More than 8 units
Self-Catering	Small	Less than 4 units
	Medium	Between 4 and 8 units
	Large	More than 8 units
Conference Venue	Small	Less than 50 seats
	Medium	Between 50 and 250 seats
	Large	More than 250 seats
Transport Operator	Small	Less than 5 vehicles/boats/planes

Type of Enterprise	Size	Size Classification
	Medium	Between 6 and 10 vehicles/boats/planes
	Large	More than 10 vehicles/boats/planes
Attraction	Small	Less than 250 000 visitors per annum
	Medium	Between 250 000 and 500 000 visitors per annum
	Large	More than 500 000 visitors per annum
Restaurant	Small	Less than 50 seats
	Medium	Between 50 and 100 seats
	Large	More than 100 seats

Source: Grant Thornton

We then inserted the number of listings as per the Cape Town Tourism's database listing. For example, Cape Town Tourism lists 83 Bed & Breakfast enterprises that have less than 4 rooms.

The next step was to project the average turnover and number of permanent and temporary employees per category. This projection was based on the survey responses as well as Grant Thornton's knowledge of the tourism industry. For example, it was projected that the average Small Bed & Breakfast would have an average annual turnover of R350 000 per annum and employ 1 low level and 1 high level permanent employees, with no temporary employees.

Following the projection of the average turnover and employment it was multiplied with the total number of enterprises per category.

6.4 The Supply Side Economic Value of Tourism

Based on the EVT model we project that the economic value of tourism in Cape Town for 2008/09 is R7.8 billion and that there are around 23 000 permanent employees and around 10 200 temporary employees employed in the Cape Town tourism industry.

Section 7: Monitoring System

7.1 Introduction

In order to ensure that the economic value of tourism is continuously monitored we have formulated a monitoring system below.

7.2 Monitoring System

In order to ensure that the economic value of tourism is continuously updated and data is collected from which trends can be extrapolated we recommend that:

- The survey is conducted online in order to ensure that more responses are received as anonymity can be guaranteed. It is recommended that a website be utilised where respondents can complete the questionnaire by clicking relevant boxes;

- The survey be conducted on an annual basis in order to build information from which trends can be obtained;

- A panel of experts be established that can review the information obtained from the survey and provide input to the assumptions utilised in the calculation. This panel of experts need to be from a wide range of sectors within the tourism industry, including various types of accommodation, tour operators, transport services, restaurants and attractions;

- The City of Cape Town, Cape Town Tourism and CTRU reach an agreement with SA Tourism to obtain unpublished information from the surveys conducted by SA Tourism which indicates which destinations were visited by foreign and domestic tourists, the number of bednights spent in each destination and their monetary spend in each destination. This information is available on a provincial level but not published on a city level. This demand side information will be used to benchmark the estimation of the economic value of tourism through the survey that is conducted amongst tourism enterprises within the City of Cape Town (supply side);

- In future the categories for accommodation could be expanded from the simple format of small, medium and large that was initially used to include grading of the accommodation establishment by size category for example small 3-star, small 4-star, small 5-star;

- In future the various categories could be refined to include more choices. For example the number of categories for accommodation rooms could be increased.

- The results of the survey should be published widely and completely. The calculation of the economic value of tourism should be published in MS excel format in order for people to see all the assumptions and calculation that has been made in order to estimate the value of tourism in the City of Cape Town. This will ensure that the calculation is simple, understandable and reliable which will ensure that it is credible.

Section 8: Fact Sheet

8.1 Introduction

Below we provide the initial Fact Sheet for the economic impact of tourism based on the study, which can readily serve as a template for a regular publication.

8.2 The Fact Sheet

We recommend that the fact sheet should have two sections:

1. Demand data consisting of national and provincial data (from SA Tourism) on the spend by domestic and foreign tourists, with assumptions of the share of this spend in Cape Town; and

2. Supply data consisting of the results from the survey incorporate in the economic value of tourism (EVT) model.

The proposed fact sheet is included in Annexure B.

It is recommended that the executive summary of this report be distributed with the fact sheet.

Section 9: Communication Plan

9.1 Introduction

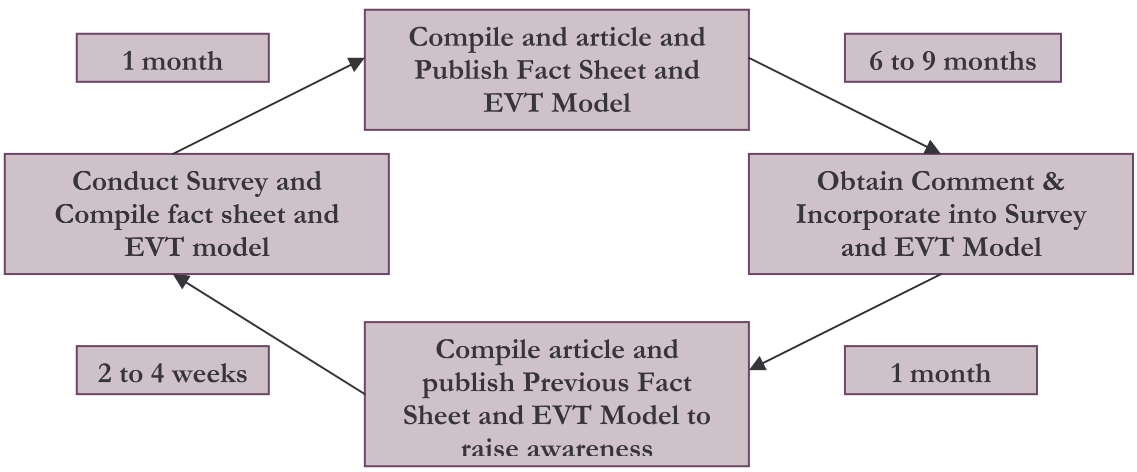
In order to disseminate the economic value of tourism estimation we have formulated a communication plan and detailed below.

9.2 Communication Plan

The output from the estimation of the economic value of tourism would include two main components, namely:

- The fact sheet; and
- The Economic Value of Tourism (EVT) model in MS Excel format.

We recommend that the both of the outputs be communicated as follows within a one year cycle:



- The first step in the communication plan would be to compile an article on the economic value of tourism in the City of Cape Town and distribute it widely in the media. It is recommended that the article, fact sheet and EVT model be distributed to the membership of Cape Town Tourism and the media distribution list of Cape Town Tourism;

- The fact sheet and EVT model should be available for download from the City of Cape Town and Cape Town Tourism websites;

- The EVT model should be in MS Excel format so that all assumptions and calculations can be seen;
- Comments should be invited from various tourism industry stakeholders on the fact sheet and EVT model and these comments should be incorporated into the methodology for the next survey;
- Around 10 months after the publishing of the first fact sheet and EVT model, another article needs to be compiled indicating that the fact sheet and EVT model is to be updated and that the survey will be conducted. This article should raise awareness of the process and encourage tourism enterprises to participate in the survey. The original fact sheet and EVT model can be published again before the next survey is conducted;
- The survey then needs to be conducted again, with the results being incorporated in the updated fact sheet and EVT model;
- Before publishing the updated fact sheet and EVT model needs to be discussed with the panel of tourism industry experts and their comments incorporated into the fact sheet and ECT model;
- The cycle can then commence again.

Annexure A: Questionnaire

Annexure B: Fact Sheet

Annexure C: EVT Model

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