

# City of Cape Town

Research on the Monitoring of Trends in Economic Value of Tourism in  
Cape Town

National Tourism Data Projection and Tourism Enterprise Survey  
Projection

August 2013



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# 1. Introduction

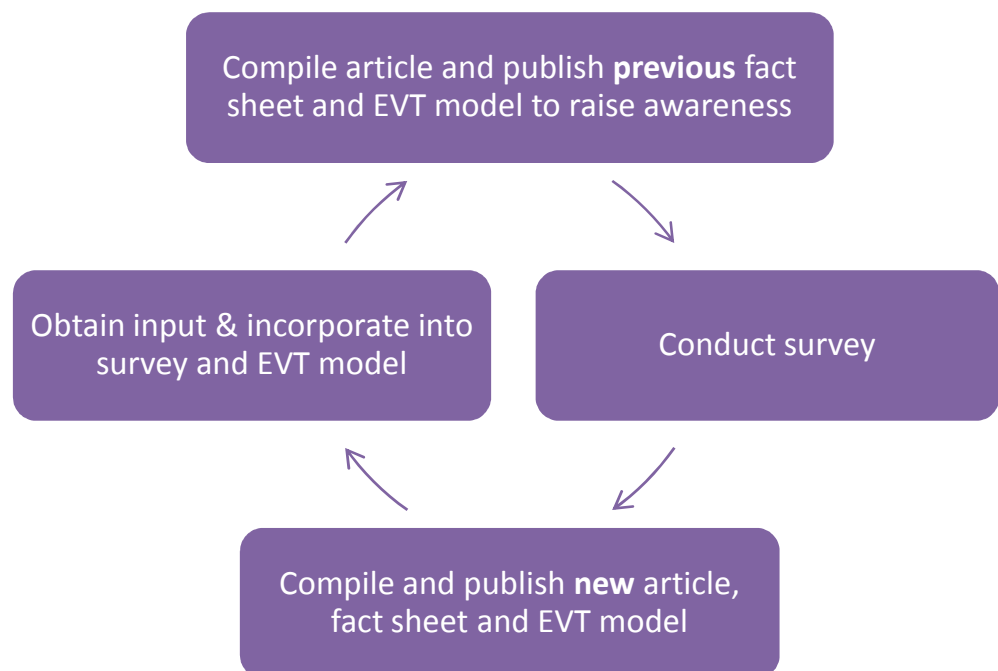
## 1.1 Background

The City of Cape Town (“**the Client**”) started to monitor the economic value of tourism in Cape Town in 2008. The purpose of the monitoring was to create baseline data on the economic value of tourism (“**EVT**”) as well as to elicit comment and inputs from relevant stakeholders.

The City of Cape Town has now commissioned Grant Thornton to update the baseline report that was conducted. Grant Thornton has been appointed for a three year period to compile the economic value of tourism report for 2011 to 2015.

## 1.2 Approach and Methodology

Our methodology is based on a circular process approach as indicated in the diagram below.



During the three year process we will develop the economic value of tourism model from its current approach utilising primary and secondary data to add a **simulated tourism satellite account** which will quantify the contribution of the tourism industry to the economy of Cape Town by utilising the economic sector data for Cape Town.

Our methodology is detailed below:

**Phase 1: Project Initiation**

At the start of the project, we will:

- Meet with the Client to confirm and detail the project scope and constraints;
- Together with the client or designated officials, agree on the project management approach to this assignment, including:
  - The number, dates and location of meetings;
  - Confirmation of the Client and consultant's project managers;
  - Confirm the composition and formation of a working committee/panel of experts;
  - Confirm relevant stakeholder to consult;
  - Agreement on all reporting formats;
  - Agreement on report frequency (i.e. monthly progress reports); etc.
- Prepare and submit a detailed project plan (in MS-Excel) to the Client, including the proposed work plan and agreed upon deliverables and time frames; and
- Finalise all contractual arrangements and quality control procedures.

**Phase 2: Obtain Input on the Methodology**

Following the project initiation phase, we will:

- Convene a meetings with the client, working committee, panel of experts and relevant stakeholders to obtain input on the previous study to verify the methodology and survey questionnaire design;
- Present the methodology for the compilation of the simulated tourism satellite account for Cape Town;
- Update and modify the methodology as required;

**Phase 3: Raise Awareness by Publishing Article and Previous Study**

Following methodology update phase, we will:

- Compile an article on the purpose and process of the intended survey;
- Obtain approval from the client on the contents of the article;
- Publish the article through the various channels of the City of Cape Town, Cape Town Tourism, online media and associations such as Satsa, Fedhasa, Saaci, etc;

**Phase 4: Conduct the Survey**

Following the raising of awareness phase, we will:

- Conduct the primary research through a web based questionnaire. The exact extent for the primary research is difficult to determine, however, a broad methodology for primary research is outlined below.

- In order to determine the economic value of tourism we will need to survey a statistically relevant sample of tourism product owners such as tour operators, restaurants, attractions and accommodation owners.
  - A statistically relevant sample size for primary research will be determined based on databases available from Cape Town Tourism and any other available source. The sample for the detailed survey should be from a variety of business types and sizes as well as being spread across different areas of the city.
  - Based on a survey conducted by the University of Stellenbosch in 2007 there are an estimated 2 240 attractions, accommodation establishments and restaurants in the Cape Town area. We propose that a relevant statistical sample, to a 95% confidence level with a 50% degree of variability and a confidence interval of  $\pm 7\%$  be a sample of 190-200<sup>1</sup>.
- Collate and analyse all relevant national, provincial and municipal tourism data to assess the direct spend by visitors to Cape Town;
  - Collate and analyse the municipal economic sector data produced by economic consultancies such as Quantec.

### **Phase 5: Update the Economic Value of Tourism**

Following survey phase, we will:

- Update the economic value of tourism report, fact sheet and model based on the primary and secondary data obtained;
- Compile a draft simulated tourism satellite account for Cape Town. Our methodology for the compilation of the draft simulated tourism satellite account include:
  - Analysis the economic sector data for Cape Town produced by economic consultancies such as Quantec;
  - Projecting the share of these economic sector data that are related to tourism utilising methodologies from the United Nations World Tourism Organisation (“UNWTO”) and World Tourism and Travel Council (“WTTC”).

The above research will enable us to:

- Project the number of direct jobs created by tourism in the Cape Town area;
- Project the direct economic value of the tourism industry in the Cape Town area; and
- Use multipliers to project the indirect and induced impact Cape Town has on the wider Regional and National economy.

### **Phase 6: Presentation and Consultation of the Economic Value of Tourism**

Following compilation of the economic value of tourism we will present the results and obtain input from the client, working committee and general stakeholders.

The process will then bring us back to the raising of awareness phase.

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<sup>1</sup> The proposed statistical sample was not achieved. Please see the detail in Section 3

### 1.3 Terminology

The following terminology has been used in this report.

<b>Cape Town</b>	- The geographical area represented by the municipal boundaries of the City of Cape Town
<b>EVT</b>	- Economic Value of Tourism
<b>Fedhasa</b>	- Federated Hospitality Association of South Africa
<b>R bn</b>	- Rand billion
<b>SA Tourism</b>	- South African Tourism
<b>Saaci</b>	- South African Association for the Conference Industry
<b>Satsa</b>	- Southern African Tourism Services Association
<b>The Client</b>	- City of Cape Town
<b>TSA</b>	- Tourism Satellite Account
<b>UNWTO</b>	- United Nations World Tourism Organisation
<b>WTTC</b>	- World Tourism and Travel Council

### 1.4 Definitions

The following definitions are utilised in this report and are as per the definitions used by the United Nations World Tourism Organisation.

#### Tourism

Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which imply tourism expenditure.

As such, tourism has implications on the economy, on the natural and built environment, on the local population at the destination and on the tourists themselves. Due to these multiple impacts, the wide range and variety of production factors required to produce those goods and services acquired by visitors, and the wide spectrum of stakeholders involved or affected by tourism, there is a need for a holistic approach to tourism development, management and monitoring. This approach is strongly recommended in order to formulate and implement national and local tourism policies as well as the necessary international agreements or other processes in respect of tourism.

#### Business visitor

A business visitor is a visitor whose main purpose for a tourism trip corresponds to the business and professional category.

#### Country of reference

The country of reference refers to the country for which the measurement is done. As a general observation, it should be noted that in the International Recommendations 2008:

(a) The term “country” can be transposed to a different geographical level using the term “place” instead (either a region, municipality or other subnational geographic location);

(b) The term “long-term” is used as the equivalent of a year or more and “short-term” as less than a year.

### **Country of residence**

The country of residence of a household is determined according to the centre of predominant economic interest of its members. If a person resides (or intends to reside) for more than one year in a given country and has there his/her centre of economic interest (for example, where the predominant amount of time is spent), he/she is considered as a resident of this country.

### **Destination (main destination) of a trip**

The main destination of a tourism trip is defined as the place visited that is central to the decision to take the trip. See also purpose of a tourism trip.

### **Domestic tourism**

Comprises the activities of a resident visitor within the country of reference, either as part of a domestic tourism trip or part of an outbound tourism trip.

### **Economic analysis**

Tourism generates directly and indirectly an increase in economic activity in the places visited (and beyond), mainly due to demand for goods and services that need to be produced and provided.

In the economic analysis of tourism, one may distinguish between tourism’s ‘economic contribution’ which refers to the direct effect of tourism and is measurable by means of the TSA, and tourism’s ‘economic impact’ which is a much broader concept encapsulating the direct, indirect and induced effects of tourism and which must be estimated by applying models.

Economic impact studies aim to quantify economic benefits, that is, the net increase in the wealth of residents resulting from tourism, measured in monetary terms, over and above the levels that would prevail in its absence.

### **Employment in tourism industries**

Employment in tourism industries may be measured as a count of the persons employed in tourism industries in any of their jobs, as a count of the persons employed in tourism industries in their main job, as a count of the jobs in tourism industries, or as full-time equivalent figures.

### **Excursionist (or same-day visitor)**

A visitor (domestic, inbound or outbound) is classified as a same-day visitor (or excursionist) if his/her trip does not include an overnight stay.

### **Forms of tourism**

There are three basic forms of tourism: domestic tourism, inbound tourism, and outbound tourism. These can be combined in various ways to derive the following additional forms of tourism: internal tourism, national tourism and international tourism.

### **Inbound tourism**

Comprises the activities of a non-resident visitor within the country of reference on an inbound tourism trip.

**Internal tourism**

Internal tourism comprises domestic tourism plus inbound tourism, that is to say, the activities of resident and non-resident visitors within the country of reference as part of domestic or international tourism trips.

**International tourism**

International tourism comprises inbound tourism plus outbound tourism, that is to say, the activities of resident visitors outside the country of reference, either as part of domestic or outbound tourism trips and the activities of non-resident visitors within the country of reference on inbound tourism trips.

**Meetings industry**

To highlight purposes relevant to the meetings industry, if a trip's main purpose is business/professional, it can be further subdivided into "attending meetings, conferences or congresses, trade fairs and exhibitions" and "other business and professional purposes".

The term meetings industry is preferred by the International Congress and Convention Association (ICCA), Meeting Professionals International (MPI) and Reed Travel over the acronym MICE (Meetings, Incentives, Conferences and Exhibitions) which does not recognize the industrial nature of such activities.

**MICE**

See meetings industry.

**National tourism**

National tourism comprises domestic tourism plus outbound tourism, that is to say, the activities of resident visitors within and outside the country of reference, either as part of domestic or outbound tourism trips.

**Outbound tourism**

Comprises the activities of a resident visitor outside the country of reference, either as part of an outbound tourism trip or as part of a domestic tourism trip.

**Place of usual residence**

The place of usual residence is the geographical place where the enumerated person usually resides, and is defined by the location of his/her principal dwelling (Principles and recommendations for population and housing censuses of the United Nations, 2.20 to 2.24).

**Purpose of a tourism trip (main)**

The main purpose of a tourism trip is defined as the purpose in the absence of which the trip would not have taken place. Classification of tourism trips according to the main purpose refers to nine categories: this typology allows the identification of different subsets of visitors (business visitors, transit visitors, etc).

See also destination of a tourism trip



### Tourism expenditure

Tourism expenditure refers to the amount paid for the acquisition of consumption goods and services, as well as valuables, for own use or to give away, for and during tourism trips.

### Tourism industries

Tourism industries (also referred to as tourism activities) are the activities that typically produce tourism characteristic products.

Tourism characteristic products are those that satisfy one or both of the following criteria:

- (a) Tourism expenditure on the product (either good or service) should represent a significant share of total tourism expenditure (share-of-expenditure/demand condition);
- (b) Tourism expenditure on the product should represent a significant share of the supply of the product in the economy (share-of-supply condition). This criterion implies that the supply of a tourism characteristic product would cease to exist in meaningful quantity in the absence of visitors.

List of categories of tourism characteristic products and tourism industries<sup>2</sup>

Products	Industries
1. Accommodation services for visitors	1. Accommodation for visitors
2. Food and beverage serving services	2. Food and beverage serving activities
3. Railway passenger transport services	3. Railway passenger transport
4. Road passenger transport services	4. Road passenger transport
5. Water passenger transport services	5. Water passenger transport
6. Air passenger transport services	6. Air passenger transport
7. Transport equipment rental services	7. Transport equipment rental
8. Travel agencies and other reservation services	8. Travel agencies and other reservation services activities
9. Cultural services	9. Cultural activities
10. Sports and recreational services	10. Sports and recreational activities
11. Country-specific tourism characteristic goods	11. Retail trade of country-specific tourism characteristic goods
12. Country-specific tourism characteristic services	12. Other country-specific tourism characteristic activities

### Tourism Satellite Account (TSA)

The Tourism Satellite Account (described in the Tourism Satellite Account: Recommended Methodological Framework 2008) is, besides the International Recommendations for Tourism Statistics 2008, the second international recommendation on tourism statistics that has been developed in a framework of consistency with the System of National Accounts. Both recommendations are mutually consistent and provide the conceptual framework for measuring and analyzing tourism as an economic activity.

As a statistical tool for the economic accounting of tourism, the TSA can be seen as a set of 10 summary tables, each with their underlying data and representing a different aspect of the economic

<sup>2</sup> Please note that not all these products and industries have been included in the survey. Please see Section 3 for more detail.

data relative to tourism: inbound, domestic tourism and outbound tourism expenditure, internal tourism expenditure, production accounts of tourism industries, the Gross Value Added (GVA) and Gross Domestic Product (GDP) attributable to tourism demand, employment, investment, government consumption, and non-monetary indicators.

**Tourism sector**

The tourism sector, as contemplated in the TSA, is the cluster of production units in different industries that provide consumption goods and services demanded by visitors. Such industries are called tourism industries because visitor acquisition represents such a significant share of their supply that, in the absence of visitors, their production of these would cease to exist in meaningful quantity.

**Tourist (or overnight visitor)**

A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor), if his/her trip includes an overnight stay.

**Travel / tourism**

Travel refers to the activity of travellers. A traveller is someone who moves between different geographic locations, for any purpose and any duration. The visitor is a particular type of traveller and consequently tourism is a subset of travel.

**Travel party**

A travel party is defined as visitors travelling together on a trip and whose expenditures are pooled.

**Trip**

A trip refers to the travel by a person from the time of departure from his/her usual residence until he/she returns: it thus refers to a round trip. Trips taken by visitors are tourism trips.

**Usual environment**

The usual environment of an individual, a key concept in tourism, is defined as the geographical area (though not necessarily a contiguous one) within which an individual conducts his/her regular life routines.

**Vacation home**

A vacation home (sometimes also designated as a holiday home) is a secondary dwelling that is visited by the members of the household mostly for purposes of recreation, vacation or any other form of leisure.

**Visit**

A trip is made up of visits to different places. The term tourism visit refers to a stay in a place visited during a tourism trip.

**Visitor**

A visitor is a traveller taking a trip to a main destination outside his/her usual environment, for less than a year, for any main purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited. A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor), if his/her trip includes an overnight stay, or as a same-day visitor (or excursionist) otherwise.

## 2. Projection of the Economic Value of Tourism in Cape Town utilising National Data

### 2.1 Introduction

The first step in the research process on the economic value of tourism in Cape Town is a projection based on information obtained from SA Tourism and projections by Grant Thornton.

**Please note that, prior to the SA Tourism report in 2010, SA Tourism could only report on foreign visitor arrivals as there was no way of separating out day visitors from the overall arrivals. In 2009, Statistics SA for the first time was able to make the distinction between tourists and day visitors and started a data series for tourist arrivals that was aligned to the globally accepted definition of a tourist. SA Tourism could only utilise this information for the first time in its 2010 reports. As a result of this change, the weighting methodology of SA Tourism has been revised and the results in reports prior to 2010 are not comparable to reports post 2010.**

Grant Thornton has utilised information contained in the 2010 SA Tourism report to complete the 2009 projection for the economic value of tourism in Cape Town. In addition the 2011 SA Tourism annual report and the SA Tourism quarter reports for 2012 were utilised to complete the projection.

Cape Town's share of arrivals, bednights and spend were estimated by utilising data obtained from SA Tourism reports prior to 2009 and the arrivals on international and domestic flights were utilised as proxy for the change in Cape Town's share.

This approach is flawed as it does not contain recent projections as to Cape Town's share of arrivals, bednights and spend but it is the only information that is available at the time of the research and writing of the report. Any input from stakeholders as to a better methodology to use will be welcomed.

### 2.2 Economic Value of Tourism in Cape Town based on National Data 2009 - 2012

The economic value of tourism based on the national SA Tourism data projection contains the following information for 2009 to 2012:

- 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 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 the Cape Town.

To project the economic value of foreign and domestic tourists to Cape Town Grant Thornton utilised the foreign and domestic direct spend in South Africa and the Western Cape as per the data from SA Tourism. Based on the share of foreign and domestic bednights spent in Cape Town (see Table 2.2), we projected the share of the foreign and domestic direct spend in Cape Town (See Table 2.3).

Table 2.1: Foreign Arrivals and Domestic Trips

	Source	2009	2010	2011	2012
<b>Foreign Arrivals</b>					
Total Foreign Arrivals to South Africa	SA Tourism	7 011 865	8 073 552	8 339 354	9 188 368
Share of Foreign Arrivals to the Western Cape	SA Tourism	18.8%	18.6%	16.7%	14.9%
Number of Foreign Arrivals to the Western Cape	SA Tourism	1 316 795	1 504 698	1 391 228	1 368 894
Share of Foreign Arrivals to Cape Town	Estimate	93%	91%	97%	96%
<b>Number of Foreign Arrivals to Cape Town</b>	<b>Calculation</b>	<b>1 224 619</b>	<b>1 374 180</b>	<b>1 293 842</b>	<b>1 273 072</b>
<b>Domestic Tourism Trips</b>					
Total number of domestic trips taken in South Africa	SA Tourism	30 300 000	29 700 000	26 400 000	25 300 000
Share of domestic trips taken to the Western Cape	Calculation	11.6%	9.1%	9.1%	10.2%
Number of domestic trips taken to the Western Cape	SA Tourism	3 500 000	2 700 000	2 400 000	2 589 362
Share of domestic trips taken to Cape Town	Estimate	44%	47%	49%	48%
<b>Number of domestic trips taken to Cape Town</b>	<b>Calculation</b>	<b>1 540 000</b>	<b>1 188 000</b>	<b>1 056 000</b>	<b>1 139 319</b>

Source: Grant Thornton

The projected number of foreign arrivals to Cape Town has declined in 2011 and 2012 as the Western Cape's share as well as the Cape Town's share of foreign arrivals has declined. Even though the actual number of total foreign arrivals to South Africa has increased, the actual number of foreign arrivals to Cape Town has decreased due to the Western Cape and Cape Town losing market share.

The actual number of domestic trips to Cape Town has increased in 2011 and 2012 even though actual number of total domestic trips undertaken in South Africa has declined over the same period. The increase in the actual numbers of domestic trips to Cape Town is due to an increase in the market share of domestic trips undertaken to the Western Cape and Cape Town respectively in 2011 and 2012.

Unfortunately the data to compare the number of foreign arrivals and domestic trips to other major cities are not readily available.

Table 2.2: Foreign and Domestic Bednights

	Source	2009	2010	2011	2012
<b>Foreign Bednights</b>					
Total Number of Bednights by Foreign Arrivals to SA	SA Tourism	55 802 589	66 852 503	66 153 429	68 134 864
Share of Foreign Bednights in the Western Cape	SA Tourism	28.1%	29.9%	25.6%	23.8%
Number of Bednights by Foreign Arrivals to the Western Cape	SA Tourism	15 680 688	19 971 821	16 961 520	16 210 079
Share of Foreign Bednights in Cape Town	Estimate	68%	67%	71%	70%
<b>Number of Bednights by Foreign Arrivals in Cape Town</b>	<b>Calculation</b>	<b>10 656 778</b>	<b>13 573 082</b>	<b>11 527 247</b>	<b>11 016 559</b>
<b>Domestic Bednights</b>					
Total number of domestic bednights in South Africa	SA Tourism	128 400 000	130 800 000	115 200 000	121 200 000
Share of domestic bednights on trips taken to the Western Cape	Calculation	12.0%	11.0%	11.0%	11.0%
Number of domestic bednights on trips taken to the Western Cape	SA Tourism	15 408 000	14 388 000	12 672 000	13 332 000
Share of domestic bednights on trips to Cape Town	Estimate	44%	47%	49%	48%
<b>Number of domestic bednights on trips to Cape Town</b>	<b>Calculation</b>	<b>6 779 520</b>	<b>6 330 720</b>	<b>5 575 680</b>	<b>5 866 080</b>

Source: Grant Thornton

The number of foreign bednights spent in Cape Town has declined as the share of foreign bednights spent in the Western Cape has declined.

The number of domestic bednights spent in Cape Town between 2009 and 2012 has declined as the total number of domestic bednights in South Africa has declined. In 2012 the number of domestic bednights spent in Cape Town has increased with the increase in the total number of domestic bednights.

Table 2.3: Economic Value of Tourism based on National Data

	Source	2009	2010	2011	2012
<b>Foreign Direct Spend</b>					
Total foreign direct spend in South Africa (R bn)	SA Tourism	67.0	76.3	74.0	77.8
Share of foreign direct spend in the Western Cape	SA Tourism	24.8%	28.4%	24.6%	23.2%
Total foreign direct spend in the Western Cape (R bn)	SA Tourism	16.6	21.7	18.2	18.1
Share of foreign direct spend in the Cape Town	Estimate	68%	67%	71%	70%
<b>Total foreign direct spend in the Cape Town (R bn)</b>	<b>Calculation</b>	<b>11.3</b>	<b>14.5</b>	<b>12.9</b>	<b>12.7</b>
<b>Total Domestic Spend</b>					
Total spend by domestic tourists in South Africa (R bn)	SA Tourism	22.4	21.1	20.3	23.8
Share of total domestic spend in the Western Cape	Calculation	11.6%	15.6%	19.2%	16.4%
Total spend by domestic tourists in the Western Cape (R bn)	SA Tourism	2.6	3.3	3.9	3.9
Share of domestic spend in Cape Town	Estimate	44%	47%	49%	48%
<b>Total spend by domestic tourists in Cape Town (R bn)</b>	<b>Calculation</b>	<b>1.1</b>	<b>1.5</b>	<b>1.9</b>	<b>1.9</b>
<b>Economic Value of Tourism based on National Data</b>					
Total foreign direct spend in Cape Town (R bn)	Calculation	11.3	14.5	12.9	12.7
Total spend by domestic tourists in Cape Town (R bn)	Calculation	1.1	1.5	1.9	1.9
<b>Total economic value of tourism in Cape Town (R bn)</b>	<b>Calculation</b>	<b>12.4</b>	<b>16.0</b>	<b>14.7</b>	<b>14.6</b>

Source: Grant Thornton

Based on the national information the economic value of tourism in Cape Town was R12.4 billion in 2009, increasing to R16 billion in 2010, before declining to R14.7 billion in 2011 and R14.6 billion in 2012.

The reasons for the decline in the economic value of tourism between 2010 and 2012 can be listed as:

- The decline in the share of foreign arrivals to the Western Cape. The share of foreign arrivals to Cape Town has been estimated based on surveys in prior years and the arrivals on international flights at Cape Town International Airport;
- The decline in the share of foreign bednights spent in the Western Cape. This may be a result of the decline in the share of foreign arrivals to the Western Cape, but also a decline in the length of stay in the Western Cape.
- The decline in the share of foreign direct spend in the Western Cape. This may be a result of both the decline in the share of foreign arrivals to the Western Cape, as well as a decline in the share of foreign bednights spent in the Western Cape. It may also be a result of the decline in the average spend per day in the Western Cape.

It should however be remembered that in 2010 Cape Town achieved a strong increase in the economic value of tourism due to the Soccer World Cup being hosted in Cape Town. Since 2010, the economic value of tourism in Cape Town has declined in 2011 and 2012. However, the average annual growth in the economic value of tourism since between 2009 and 2012 has been 5.6% per annum.

## 3. Projection of the Economic Value of Tourism in Cape Town utilising a Survey of Tourism Enterprises

### 3.1 Introduction

The second step in the research process on the economic value of tourism in Cape Town is a projection based on a survey of tourism enterprises in Cape Town.

### 3.2 The Survey of Tourism Enterprises

The survey of tourism enterprises was conducted between Monday, 20 May 2013 and Monday, 3 June 2013. The survey was an online survey and an e-mail containing an explanation regarding the significance of the survey and a link to the relevant website were e-mailed to all the members of Cape Town Tourism, Fedhasa, Satsa and Saaci. The survey was also publicised in a press release which was distributed widely to the media by the City of Cape Town and Grant Thornton.

A total of 107 responses were received and a summary of the survey results are included in **Annexure A**. The achieved survey sample was low with a sample of around 200 being required to provide an analysis at a higher confidence level.

Tourism enterprises that responded to the survey were categorised according to type of enterprise and according to their size. The total number of tourism enterprises per category in 2012/13 was then estimated based on listings by Cape Town Tourism as well as a database compiled by the National Department of Tourism. For example, it is estimated that there were 202 Bed & Breakfast enterprises that have less than 4 rooms operating in Cape Town in 2012/13.

The next step was to project the average turnover and number of permanent and temporary employees per category by enterprise and size. 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 R250 000 per annum and employ one low level and one high level permanent employees, with one temporary employee.

Following the projection of the average turnover and employment it was multiplied with the total number of enterprises per category in 2012/13 to estimate the economic value of tourism in Cape Town. The detail estimated projection for 2012/13 is shown in **Annexure B**.

An analysis of the salary levels of employees was not included in this report as clear trends could not be identified from the survey results.

### 3.3 Economic Value of Tourism in Cape Town in 2012/13 based on a Survey of Tourism Enterprises

Based on the EVT model using a survey of 107 tourism enterprises in Cape Town it is projected that the economic value of tourism in Cape Town for 2012/13 is R11.9 billion and that there are around 34 600 permanent employees and around 15 000 temporary employees employed in Cape Town's tourism industry.

Table 3.1 indicates that the majority of the employment is in the low level category. This highlights the benefit of tourism of creating employment in the category where unemployment is at its highest.

Table 3.1: Estimated number of Employees in the tourism industry in Cape Town 2012/13

Employment	Permanent	Temporary
Low Level (Unskilled or semi-skilled)	19 113	12 256
Medium Level (Skilled & technically or academically qualified – supervisor, junior manager)	8 448	1 991
High Level (Experienced, professionally qualified, mid to senior managers)	7 024	675
<b>Total</b>	<b>34 584</b>	<b>14 922</b>

Source: Grant Thornton

The disaggregation of the data by type of tourism enterprise as shown in Annexure B should be treated with caution. Due to the low survey response of 107 respondents, Grant Thornton had to utilise secondary data to estimate where data was insufficient for a particular category.

The number of assumptions and the quality of the data, in part, explains the difference in the estimates of the economic value of tourism in Cape Town from the two methodologies used. It is hoped that future surveys will achieve a higher response rate and that the addition of the tourism satellite account calculations will add an additional benchmark for the economic value of tourism in Cape Town.

### 3.4 The Way Forward

The results from the disaggregated national data and the survey of tourism enterprises will be disseminated to relevant stakeholders for comment through scheduled workshops.

Specific workshops will be held to obtain input on the methodology used from academic and other stakeholders.

The input obtained will be incorporated in the next estimation of the economic value of tourism which will start with the disaggregation of national data and a repeat of the survey of tourism enterprises in 2014.

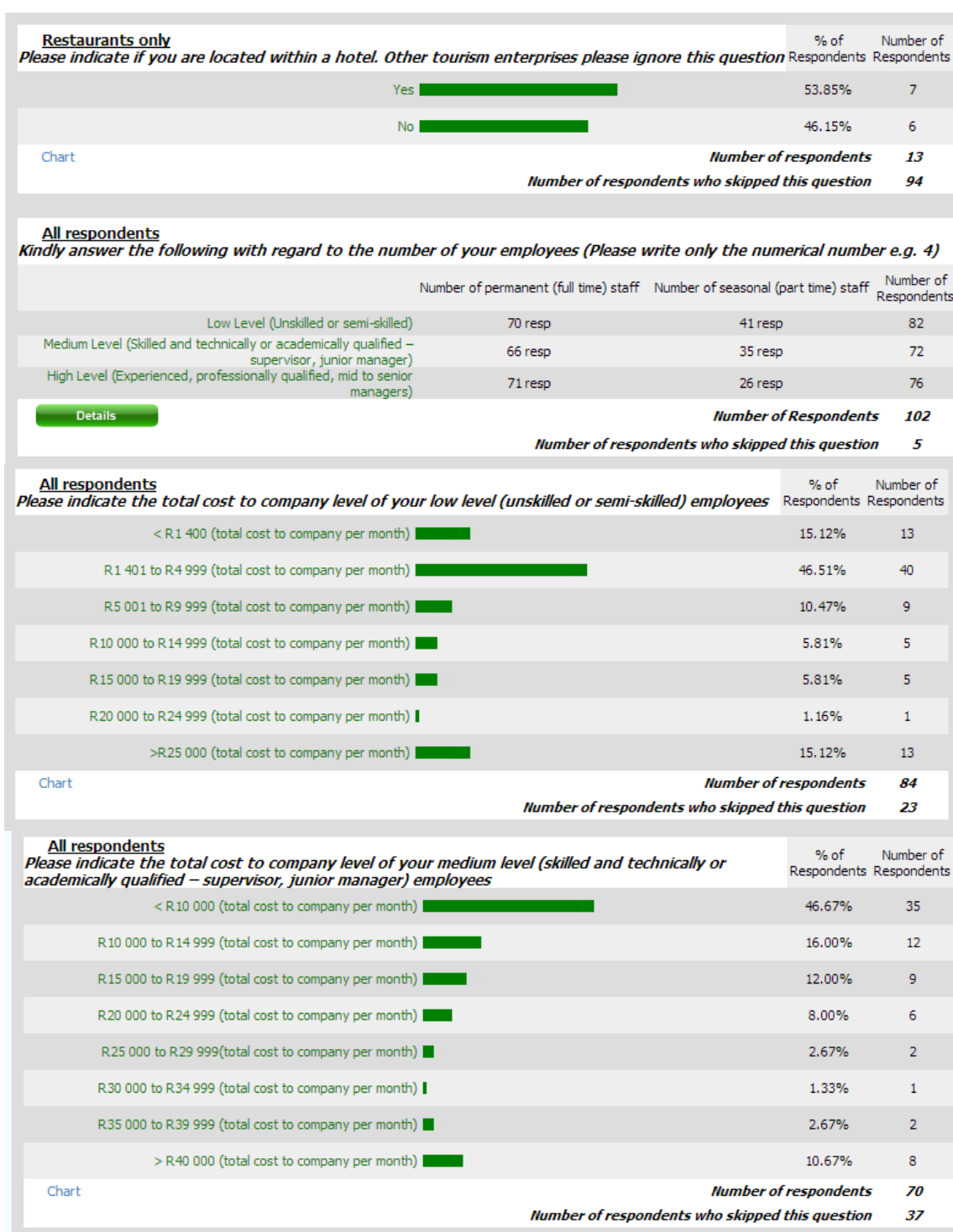
A draft tourism satellite account (TSA) for Cape Town will be compiled during August and September 2013. This draft tourism satellite account will be distributed to the steering committee members for comment but will not be released to a wide range of stakeholders. Once input from the steering committee members and selected stakeholders have been obtained, the draft satellite account will be compiled again in August and September 2014 and released for input from academia and tourism stakeholders.

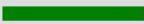











# Annexure A: Summary of the Survey of Tourism Enterprises

















Page 1. City of Cape Town - Economic Value of Tourism Survey			
<u>Accommodation only</u> Kindly tick the relevant box if you are an accommodation enterprise. Other tourism enterprises please ignore this question		% of Respondents	Number of Respondents
Single Hotel (* Hotel groups please see next question)	<input checked="" type="checkbox"/>	14.81%	12
Game/Safari Lodge	<input type="checkbox"/>	0.00%	0
Caravan/Camping	<input type="checkbox"/>	1.23%	1
Backpacker	<input type="checkbox"/>	3.70%	3
Letting pools/broker	<input type="checkbox"/>	2.47%	2
Wine Farm	<input type="checkbox"/>	1.23%	1
Bed & Breakfast	<input checked="" type="checkbox"/>	13.58%	11
Guesthouse	<input checked="" type="checkbox"/>	28.40%	23
Self catering	<input checked="" type="checkbox"/>	25.93%	21
<a href="#">Details</a>	Other (Specify) <input type="checkbox"/>	8.64%	7
<a href="#">Chart</a>		<b>Number of respondents</b>	<b>70</b>
		<b>Number of respondents who skipped this question</b>	<b>37</b>
<u>Hotel Groups only</u> Please indicate the following (Please write only the numerical number e.g. 4) Other tourism enterprises please ignore this question			
<a href="#">Details</a>	<b>The number of hotels within your group</b>		11
<a href="#">Details</a>	<b>The total number of rooms/units in your group</b>		13
		<b>Number of Respondents</b>	13
		<b>Number of respondents who skipped this question</b>	94
<u>Accommodation only</u> Kindly tick the relevant option if you are an accommodation enterprise. Other tourism enterprises please ignore this question		% of Respondents	Number of Respondents
1-3 Rooms/Units	<input checked="" type="checkbox"/>	23.08%	15
4-8 Rooms/Units	<input checked="" type="checkbox"/>	23.08%	15
9-15 Rooms/Units	<input checked="" type="checkbox"/>	13.85%	9
16-25 Rooms/Units	<input type="checkbox"/>	3.08%	2
26-50 Rooms/Units	<input checked="" type="checkbox"/>	13.85%	9
51-75 Rooms/Units	<input type="checkbox"/>	4.62%	3
76-100 Rooms/Units	<input type="checkbox"/>	3.08%	2
101 - 150 Rooms/Units	<input type="checkbox"/>	4.62%	3
151 - 200 Rooms/Units	<input type="checkbox"/>	3.08%	2
201 - 250 Rooms/Units	<input type="checkbox"/>	0.00%	0
251+ Rooms/Units	<input checked="" type="checkbox"/>	7.69%	5
<a href="#">Chart</a>		<b>Number of respondents</b>	<b>65</b>
		<b>Number of respondents who skipped this question</b>	<b>42</b>

<b>Other tourism enterprises</b> <i>Kindly tick the relevant box for your type of tourism enterprise</i>		% of Respondents	Number of Respondents
Attractions & Activities with <250,000 visitors per annum <input checked="" type="checkbox"/>		8.33%	10
Attractions & Activities with 250 000 - 500 000 visitors per annum		0.00%	0
Attractions & Activities with 500 000 - 1 m visitors per annum		0.00%	0
Attractions & Activities with > 1 m visitors per annum <input type="checkbox"/>		0.83%	1
Business Tourism & Events Support Service <input checked="" type="checkbox"/>		5.83%	7
Destination Marketing Company <input type="checkbox"/>		2.50%	3
Events Venue (<25 delegates) <input type="checkbox"/>		2.50%	3
Events Venue (26 - 50 delegates)		0.00%	0
Events Venue (51 - 100 delegates) <input type="checkbox"/>		1.67%	2
Events Venue (101 - 250 delegates) <input type="checkbox"/>		2.50%	3
Events Venue (>251 delegates) <input type="checkbox"/>		3.33%	4
Film & related companies <input type="checkbox"/>		0.83%	1
Meeting Venue (<25 delegates) <input checked="" type="checkbox"/>		4.17%	5
Meeting Venue (26 - 50 delegates) <input type="checkbox"/>		1.67%	2
Meeting Venue (51 - 100 delegates) <input type="checkbox"/>		0.83%	1
Meeting Venue (101 - 250 delegates) <input type="checkbox"/>		2.50%	3
Meeting Venue (>251 delegates) <input type="checkbox"/>		1.67%	2
Professional Conference Organizer <input checked="" type="checkbox"/>		5.00%	6
Professional & general services <input checked="" type="checkbox"/>		3.33%	4
Retail Travel Agent		0.00%	0
Shop or store (individual) <input type="checkbox"/>		0.83%	1
Shopping centre (<50 shops)		0.00%	0
Shopping centre (51-150 shops) <input type="checkbox"/>		0.83%	1
Shopping centre (>151 shops) <input type="checkbox"/>		0.83%	1
Spa, health & personal care providers <input type="checkbox"/>		2.50%	3
Transport Service (1-5 Vehicles) <input checked="" type="checkbox"/>		4.17%	5
Transport Service (6-10 Vehicles) <input type="checkbox"/>		1.67%	2
Transport Service (>10 Vehicles) <input type="checkbox"/>		0.83%	1
Tourism services <input checked="" type="checkbox"/>		5.83%	7
Tourist Guide <input checked="" type="checkbox"/>		8.33%	10
Tour Operator (1-5 Vehicles) <input checked="" type="checkbox"/>		10.83%	13
Tour Operator (6-10 Vehicles)		0.00%	0
Tour Operator (>10 Vehicles)		0.00%	0
Restaurant (<25 seats)		0.00%	0
Restaurant (26 - 50 seats) <input type="checkbox"/>		0.83%	1
Restaurant (51 - 100 seats) <input type="checkbox"/>		3.33%	4
Restaurant (>101 seats) <input type="checkbox"/>		3.33%	4
<a href="#">Details</a> Other (Specify) <input checked="" type="checkbox"/>		8.33%	10
<a href="#">Chart</a>		<b>Number of respondents</b>	<b>57</b>
		<b>Number of respondents who skipped this question</b>	<b>50</b>



<b>All respondents</b> <i>Please indicate the total cost to company level of your high level (experienced, professionally qualified, mid to senior managers) employees</i>		% of Respondents	Number of Respondents
< R15 000 (total cost to company per month)		32.91%	26
R15 000 to R19 999 (total cost to company per month)		8.86%	7
R20 000 to R24 999 (total cost to company per month)		8.86%	7
R25 000 to R29 999 (total cost to company per month)		11.39%	9
R30 000 to R34 999 (total cost to company per month)		8.86%	7
R35 000 to R39 999 (total cost to company per month)		5.06%	4
R40 000 to R44 999 (total cost to company per month)		2.53%	2
R45 000 to R49 999 (total cost to company per month)		2.53%	2
R50 000 to R54 999 (total cost to company per month)		3.80%	3
R55 000 to R59 999 (total cost to company per month)		0.00%	0
>R60 000 (total cost to company per month)		15.19%	12
Chart		<b>Number of respondents</b>	<b>72</b>
		<b>Number of respondents who skipped this question</b>	<b>35</b>

<b>All respondents</b> <i>Kindly indicate what the turnover of your enterprise is for the last 12 months?</i>		% of Respondents	Number of Respondents
< R100 000		12.87%	13
R100 000 to R249 999		10.89%	11
R250 000 to R499 999		8.91%	9
R500 000 to R749 999		5.94%	6
R750 000 to R999 999		2.97%	3
R1 000 000 to R1 999 999		9.90%	10
R2 000 000 to R2 999 999		5.94%	6
R3 000 000 to R3 999 999		4.95%	5
R4 000 000 to R4 999 999		3.96%	4
R5 000 000 to R9 999 999		10.89%	11
R10 000 000 to R19 999 999		4.95%	5
R20 000 000 to R49 999 999		3.96%	4
R50 000 000 to R99 999 999		1.98%	2
R100 000 000 to R199 999 999		2.97%	3
R200 000 000 to R299 999 999		0.00%	0
R300 000 000 to R399 999 999		0.99%	1
R400 000 000 to R499 999 999		0.00%	0
>R500 000 000		7.92%	8
Chart		<b>Number of respondents</b>	<b>100</b>
		<b>Number of respondents who skipped this question</b>	<b>7</b>

# Annexure B: Estimated Economic Value of Tourism in Cape Town 2012/13

**Cape Town Economic Value of Tourism Model**  
**Tourism Enterprise Survey May 2013:**

Type of Enterprise	Size	Number	Estimated Average Turnover	Average Number of Low Level	Medium Level	High Level	Average Number of Low Level	Medium Level	High Level	Estimated Total Turnover	Total Number of Permanent Low Level	Medium Level	High Level	Total Number of Temporary Low Level	Medium Level	High Level
B&B	Less than 4 rooms	202	250 000	1	0	1	1	0	0	50 500 000	202	-	202	202	-	-
	Between 4 and 8 rooms	81	750 000	2	0	1	1	0	0	60 750 000	162	-	81	81	-	-
	More than 8 rooms	37	2 250 000	4	3	1	2	0	0	83 250 000	148	111	37	74	-	-
Resort, caravan park & Camping	Less than 15 sites/units	2	200 000	1	0	1	2	0	0	400 000	2	-	2	4	-	-
	Between 15 and 25 sites/units	6	750 000	4	1	1	2	0	0	4 500 000	24	6	6	12	-	-
	More than 25 sites/units	9	2 750 000	8	5	3	6	4	0	24 750 000	72	45	27	54	36	-
Guesthouse	Less than 4 rooms	97	250 000	1	0	1	1	0	0	24 250 000	97	-	97	97	-	-
	Between 4 and 8 rooms	875	750 000	2	0	1	1	0	0	656 250 000	1 750	-	875	875	-	-
	More than 8 rooms	155	2 250 000	4	3	1	2	0	0	348 750 000	620	465	155	310	-	-
Backpacker	Less than 10 beds	2	200 000	3	2	2	2	0	0	400 000	6	4	4	4	-	-
	Between 10 and 25 beds	12	550 000	5	5	3	5	2	0	6 600 000	60	60	36	60	24	-
	More than 25 beds	16	2 500 000	10	7	5	10	5	0	40 000 000	160	112	80	160	80	-
Hotel	Less than 50 rooms	105	3 000 000	15	10	1	2	0	0	315 000 000	1 575	1 050	105	210	-	-
	Between 50 and 200 rooms	68	20 000 000	35	15	10	20	0	0	1 360 000 000	2 380	1 020	680	1 360	-	-
	More than 200 rooms	10	60 000 000	55	45	20	15	10	0	600 000 000	550	450	200	150	100	-
Lodge	Less than 4 rooms	26	350 000	1	0	1	1	0	0	9 100 000	26	-	26	26	-	-
	Between 4 and 8 rooms	11	850 000	2	0	1	1	0	0	9 350 000	22	-	11	11	-	-
	More than 8 rooms	33	3 000 000	4	3	1	2	0	0	99 000 000	132	99	33	66	-	-
Self-Catering	Less than 4 units	556	400 000	1	0	1	1	0	0	222 400 000	556	-	556	556	-	-
	Between 4 and 8 units	331	1 200 000	2	0	1	1	0	0	397 200 000	662	-	331	331	-	-
	More than 8 units	88	2 550 000	4	3	1	2	0	0	224 400 000	352	264	88	176	-	-
Conference Venue	Less than 50 seats	79	1 250 000	3	0	1	2	0	0	99 000 000	238	-	79	158	-	-
	Between 50 and 250 seats	70	4 500 000	10	5	3	8	4	1	316 800 000	704	352	211	563	282	70
	More than 250 seats	21	14 500 000	25	10	5	15	5	3	303 050 000	523	209	105	314	105	63
Transport Operators, Tour Operators & Tour Guides	Less than 5 vehicles/boats/planes	122	650 000	0	1	1	0	0	2	79 365 000	-	122	122	-	-	244
	Between 6 and 10 vehicles/boats/planes	72	1 200 000	2	2	3	0	0	3	85 800 000	143	143	215	-	-	215
	More than 10 vehicles/boats/planes	10	5 500 000	6	4	4	0	2	4	54 450 000	59	40	40	-	20	40
Attraction	Less than 250 000 visitors pa	254	2 250 000	4	2	2	1	0	0	571 500 000	1 016	508	508	254	-	-
	Between 250 000 and 500 000 visitors pa	148	20 000 000	6	4	5	2	1	0	2 960 000 000	888	592	740	296	148	-
	More than 500 000 visitors pa	22	45 000 000	10	25	10	4	2	2	990 000 000	220	550	220	88	44	44
Restaurant	Less than 50 seats	59	800 000	5	1	1	5	1	0	47 520 000	297	59	59	297	59	-
	Between 50 and 100 seats	113	1 800 000	10	4	2	10	2	0	203 940 000	1 133	453	227	1 133	227	-
	More than 100 seats	217	7 500 000	20	8	4	20	4	0	1 625 250 000	4 334	1 734	867	4 334	867	-
Total/Average		3 909	3 037 173	5	2	2	3	1	0	11 873 525 000	19 113	8 448	7 024	12 256	1 991	675

## Annexure C: Fact Sheet

### City of Cape Town Economic Value of Tourism Model

#### Fact Sheet

#### **Foreign Direct Spend (excluding capital expenditure)**

Total Foreign Direct Spend in South Africa (R bn)

Share of Foreign Direct Spend in the Western Cape

Total Foreign Direct Spend in the Western Cape (R bn)

Share of Foreign Direct Spend in Cape Town

**Total Foreign Direct Spend in Cape Town (R bn)**

<u>Source</u>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
South African Tourism	67.0	76.3	74.0	77.8
SA Tourism	24.8%	28.4%	24.6%	23.2%
South African Tourism	16.6	21.7	18.2	18.1
Grant Thornton Estimate	68%	67%	71%	70%
<b>Calculation</b>	<b>11.3</b>	<b>14.5</b>	<b>12.9</b>	<b>12.7</b>

#### **Total Domestic Spend**

Total spend by domestic tourists in South Africa (R bn)

Share of total domestic spend in the Western Cape

Total spend by domestic tourists in the Western Cape (R bn)

Share of domestic spend in Cape Town

**Total spend by domestic tourists in Cape Town (R bn)**

South African Tourism	22.4	21.1	20.3	23.8
Grant Thornton Estimate	11.6%	15.6%	19.2%	16.4%
South African Tourism	2.6	3.3	3.9	3.9
Grant Thornton Estimate	44%	47%	49%	48%
<b>Calculation</b>	<b>1.1</b>	<b>1.5</b>	<b>1.9</b>	<b>1.9</b>

### Economic Value of Tourism: Disaggregated National Data

Total Foreign Direct Spend in Cape Town (R bn)

Total spend by domestic tourists in Cape Town (R bn)

**Economic Value of Tourism in Cape Town (R bn)**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Calculation	11.3	14.5	12.9	12.7
Calculation	1.1	1.5	1.9	1.9
<b>Calculation</b>	<b>12.4</b>	<b>16.0</b>	<b>14.7</b>	<b>14.6</b>

### Economic Value of Tourism: Tourism Enterprise Survey (2012/13)

Economic Value of Tourism in the Cape Town (R bn)

#### **Employment**

Low Level (Unskilled or semi-skilled)

Medium Level (Skilled and technically or academically qualified – supervisor, jr manager)

High Level (Experienced, professionally qualified, mid to senior managers)

**Total**

Calculation			<b>11.9</b>
	<b>Permanent</b>	<b>Temporary</b>	
Calculation	19 113	12 256	
Calculation	8 448	1 991	
Calculation	7 024	675	
<b>Calculation</b>	<b>34 584</b>	<b>14 922</b>	

