

CITY OF CAPE TOWN

Update on the Economic Value of Tourism

June 2010

CONTACT DETAILS

Bellville Head Office:

101 Sanlam Building
Voortrekker Road
Bellville

Tel: +27 21 945 4924
Fax: or (021) 949 4146
Cell: +27 83 556 9055
Email: graham@gabconsult.co.za

CONTENTS

EXECUTIVE SUMMARY

Tourism is one of the main pillars and economic drivers of the South African economy and hence the relationship between tourism and a great variety of economic activities has fostered the interest in measuring its economic contribution to the South African GDP. In this regards, South Africa adopted the Tourism Satellite approach in measuring the all encompassing economic value of tourism. Extensive research has been conducted within the tourism industry at national level and regional level. However, there exists a huge gap in the current stock of knowledge on economic value of tourism at a city level. Thus, it has been a continuous endeavour of the City of Cape Town to create a standard reference for information regarding the economic value of the tourism sector at the city level.

In line with on-going research on the tourism sector and through the appointment of independent consultants the City has initiated the process of collating tourism statistics that are available at the city level. Consensus was reached that given the lack of information at the City level, a Tourism Satellite approach would be nearly impossible and hence the study on the economic value of tourism should be kept simple. In this regards, a consultant was appointed in 2009 to compile a report detailing all relevant tourism statistics for the City of Cape Town. It was then recommended that the report should be updated annually in order to capture all the trends and changes within the Tourism industry and overtime obtain extensive information that would enable the City to adopt the Tourism Satellite approach in the near future.

In May 2010 GAB Consulting was commissioned by the City of Cape Town to update the June 2009 Economic Value of Tourism report. It was decided that in order to maintain the consistency of tourism information, the same methodology and assumptions should be employed in the updating of the 2009 report. Therefore, GAB Consulting followed the two pronged approach (demand and supply side) and conducted extensive research to obtain all new and recent tourism information. The research consisted of the following:

- Demand Side – Reviewing tourism data and surveys to indicate the direct spend by tourists in Cape Town
- Supply Side – Conduct a survey on all the Cape Town Tourism members

The June 2009 questionnaire was amended and it was agreed that given the low response rate in the previous research, the completion of the questionnaire should remain anonymous. The questionnaire was thus uploaded on the Cape Town Tourism website and an electronic communication mail (email) was sent to all the 2185 TPOs registered on the Cape Town Tourism database. Despite the efforts to encourage TPOs to complete the questionnaire the response rate still remained very low. GAB Consulting received a response rate of about 5%.

The study revealed that according to the demand side information, the Economic Value of tourism in Cape Town was R 17.3 billion in 2009, representing a 6% growth from R.16.3 billion in 2008.

On the supply side, the economic value of tourism was calculated to be R 8.4 billion in 2009/10 showing 8% growth compared to R 7.8billion in 2008. According to the survey there were approximately 20 062 permanent and 12 216 temporary employees in the Cape Town tourism industry.

Using the available information, GAB Consulting updated the Fact Sheet (Annexure B). Additionally following the recommendations put forward in the June 2009, GAB Consulting identified individuals to be part of a panel of experts to provide strategic guidance to the City with regards to Tourism research and development.

1. INTRODUCTION

Cape Town Tourism Vision:

"To position Cape Town as a world-class competitor and South Africa's premier tourism and events destination and to maximise the economic spin-offs and jobs created." (Tourism Development Framework for Cape Town, 2004)

1.1 BACKGROUND

In line with the strategic objectives as identified in the Tourism Development Framework for Cape Town, it has been a continuous endeavour for the City of Cape Town to combat the challenges to develop tourism sustainability and remain competitive in the global marketplace. The Tourism Development goals for the City are based on the following strategic themes:

1. Sustainability
2. Market Driven product development
3. Partnership
4. Investment facilitation
5. People Development
6. Quality service and standards
7. Linking destination marketing and product
8. On-going and focused research

There is a general consensus that in order to effectively achieve the above-mentioned strategies it is imperative that all the key role players within the tourism sector are adequately equipped with reliable data about the industry. It has been agreed that there is a need for a mechanism that will allow the collation of tourism statistics that will provide stakeholders (governments, entrepreneurs and citizens) with reliable data to assist them in the design of public policies and business strategies for tourism and for the evaluation of their efficiency. In this regard, the City of Cape Town aims to create a standard reference for information regarding the economic value of tourism in the municipal area. There is a lot of research on the tourism sector that has been conducted by various institutions but there exist a big gap in the existing stock of knowledge with regards to tourism statistics for the Cape Town area. Therefore, the City has embarked on a project to calculate the economic value of tourism specific to the Cape Town region. A consultant was appointed in 2009 to gather all information pertaining to tourism within Cape Town and a comprehensive report was compiled to inform the City on the economic value (both from a demand and supply side) of tourism. In order, to maintain a standard reference for tourism information, the City of Cape Town deemed necessary to annually update the Tourism Report to capture the trends and changes in the Tourism Sector within the Cape Town area.

In this regards, GAB Consulting was commissioned to undertake a comprehensive research to canvass all new information pertaining to tourism and calculating the Economic Value of Tourism for the 2009/10 period. Consensus was reached that wherever possible the facts and figures on tourism should be updated using new available information.

After in depth discussion with the client ("The City of Cape Town"), the agreed scope of the updating exercise included the following:

- Using the same methodology and report format, update the June 2009 Report on the Economic Value of Tourism in Cape Town
- Conduct supply side survey
- Using new available information update the 2009 statistics model and fact sheets
- Identify a panel of experts to act as a sounding body for strategic guidance to tourism issues
- Compile a comprehensive report detailing all the new findings

1.2 METHODOLOGY

The approach employed by GAB Consulting can be summarised under the following 6 stages:

- Stage 1: Pre-start strategic planning
- Stage 2: Review and desktop analysis process
- Stage 3: Workshop/Survey with group of tourism experts
- Stage 4: Primary research – Supply survey
- Stage 5: Data Analysis and compilation of report
- Stage 6: Project Finalisation (Presentation of new findings)

Stage 1: Pre-start strategic planning

The pre-start planning stage comprised mainly meetings with the Project manager from City of Cape Town as well as other key stakeholders. The other activities undertaken under the planning phase included the following:

- Discussion with the client and other stakeholders (including CTRU and CTT) with regards to project deliverables, methodologies and time frames
- Compilation of a detailed project plan
- Signing of contractual agreements
- Collating all relevant documents:

Stage 2: Review and desktop analysis process

The main objective of the review and desktop analysis phase was to collate information that will aid in updating the demand side of the June 2009 report. The stepping stone under this stage of the project was to identify sources of tourism information. GAB Consulting liaised with relevant stakeholders including the consultant involved in the compilation of the June 2009 report to obtain all necessary documents containing tourism information. Some of the main sources of data presented in the updated 2010 Economic Value of Tourism report consisted of the following:

- SA Tourism
- Cape Town Tourism
- Cape Town Routes Unlimited

- Statistics South Africa

In addition to updating the data presented in the June 2009 report, GAB Consulting endeavoured to identify new information that would build on the existing stock of knowledge and hence fill in gaps in current information on tourism at the city level.

Stage 3: Identification of tourism experts

Agreement was reached that in order to ensure reliability as well as validity of information being collected on economic value of tourism there is a need to engage tourism experts. Therefore, GAB Consulting in collaboration with City of Cape Town identified a few experts in the tourism field in order to get their view on the type of information/statistics being collected as well as to ensure that the appropriate methodologies are being employed while conducting the tourism research. The panel of tourism experts consisted of individuals from the following entities:

i. Academic institutions

ii. Tourism Businesses

iii. Independent tourism researchers

GAB Consulting approached the individuals to establish their willingness to participate on the panel. Those who agreed submitted their CV to the city for final selection.

Stage 4: Primary research and database development– Supply side survey

The primary research was mainly focused on gathering information on the supply side of economic value of tourism. The target group for the survey were tourism product owners that are registered on the database of Cape Town Tourism. GAB Consulting in liaison with the client amended the 2009 questionnaire and the following information was canvassed:

- Classification of the tourism enterprise
- Indication of employment, by skills level, permanent vs. temporary and salary level
- Indication of total turnover per annum
- Years of operation
- High and low seasons of the enterprise
- Enterprise annual turnover growth

The following approach was undertaken to conduct the survey:

- The EVT questionnaire was uploaded on the websites of Cape Town Tourism and GAB Consulting
- Tourism Product owners were electronically informed (via email) about the survey
- GAB Consulting developed a database to capture the results of the survey questionnaire

Stage 5: Data Analysis and compilation of report

All data collected from both the supply and demand side was analysed and categorised using various techniques. Thereafter, using the new information GAB Consulting updated the 2009 fact sheet and a draft document incorporating all the updated information was compiled.

Stage 6: Project Finalisation (Presentation of new findings)

The activities included the following:

- Making changes to draft report
- Attending workshop to present research findings

1.3 TERMINOLOGY

TPO	- Tourism Product Operators
CTT	- Cape Town Tourism
UNWTO	- United Nations World Tourism Organisation
ISIC	- Industrial Classification of all Economic Activities
TSA	- Tourism Satellite Account
TDGDP	- Tourism Direct Gross Domestic Product
EVT	- Economic Value of Tourism
COCT	- City of Cape Town
CTRU	- Cape Town Routes Unlimited
CTT	- Cape Town Tourism
ISIC	- International Standard Industrial Classification

2. RESEARCH REVIEW

This section of the report presents the findings after the in depth desktop research and document review. The Desktop research was geared towards collating new information that is available on tourism statistics at both national and provincial level.

2.1 Overview of Tourism statistics

Tourism can be defined as "the activities of persons travelling to and staying outside their usual environment for not more than one consecutive year either for leisure, business or other purposes not related to the exercise of an activity remunerated from within the place visited"(The United Nations World Tourism Organisation (UNWTO). Over the years tourism has become an important economic and social activity in national and global economy. Hence, the relationship of tourism with a great variety of economic activities has fostered the interest in measuring its economic contribution, mostly in the places visited and in assessing its interdependence with other social and economic activities.

However, there exist various challenges in determining the economic value of tourism both at national and regional level given that the tourism sector is not measured as a sector in its own right in national accounts. Additionally, according to the International Standard Industrial Classification of all Economic Activities (ISIC) tourism is not clearly defined as an industry but rather an amalgamation of industries such as transportation, accommodation, food and beverages services, recreation and entertainment, travel agencies, etc. The lack of a specific definition for the tourism industry is due to the fact that industries are classified according to the goods and services they produce, while tourism is a consumption based concept that depends on the status as well as characteristics of the consumer. Furthermore, tourism consumption includes "tourism-characteristics" (i.e. accommodation, travel services, cable cars. etc.) and "non-tourism-related" (i.e. retail trade) goods and services, which deliver their services largely to non-tourists.

Therefore, despite the fact that tourism is by its nature a demand-driven phenomenon, the key factor in measuring the economic value of tourism is related to purchases by tourists to the total supply of these goods and services within a country. That is, from a macroeconomic point of analysis it is essential to observe how the match between demand and supply operates within the tourism sector, and how the latter affects the basic macroeconomic variables of the country of reference. Within the context of macroeconomic analysis, the relationship between supply and demand is best studied within the general framework of national accounts.

Hence, in line with measuring economic value of tourism the UNWTO adopted the Tourism Satellite Account (TSA) as an accounting framework to measure goods and services associated with tourism according to the international standards, concepts, classifications and definitions. The development of a TSA framework has been fuelled by the recognition that its implementation will provide the following on tourism:

i. Macroeconomic aggregates that describe the size and the economic contribution of tourism, such as tourism direct gross value added (TDGVA) and tourism direct gross domestic product (TDGDP), consistent with similar aggregates for the total economy, and for other productive economic activities and functional areas of interest;

ii. Detailed data on tourism consumption, a more extended concept associated with the activity of visitors as consumers, and a description on how this demand is met by domestic supply and imports, integrated within tables derived from SUT, that can be compiled both at current and constant prices;

iii. Detailed production accounts of the tourism industries, including data on employment, linkages with other productive economic activities and gross fixed capital formation;

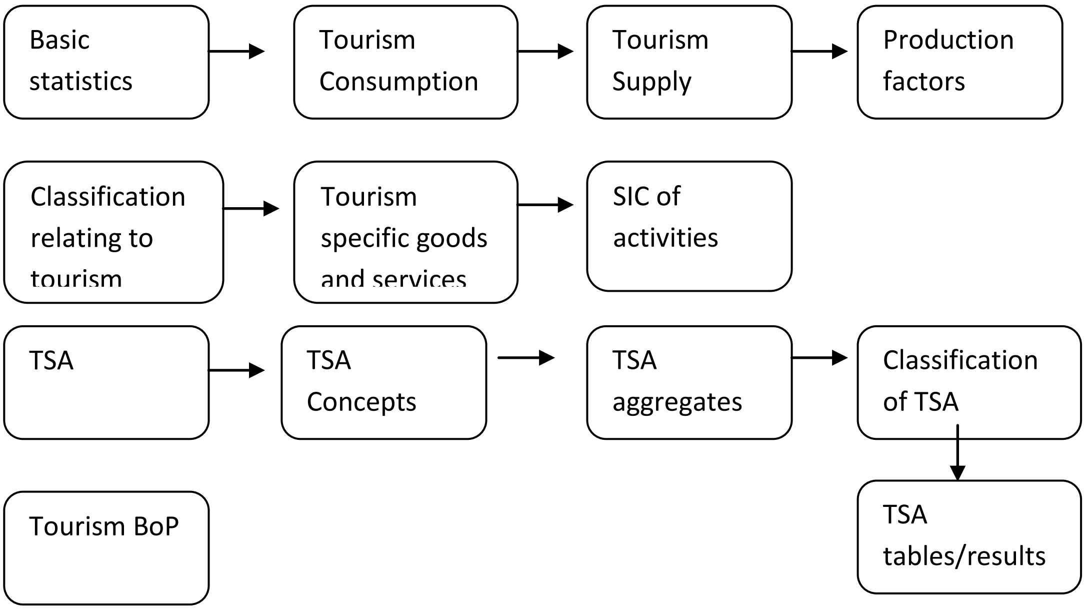
iv. A link between economic data and non-monetary information on tourism, such as number of trips (or visits), duration of stay, purpose of trip, modes of transport etc. which are required to specify the characteristics of the economic variables.

It is envisaged that based on the above the TSA will provide stakeholders with reliable statistics that would provide guidance in designing public policies and business strategies for tourism and for the evaluation of their efficiency.

2.2 Tourism Statistics in South Africa

Within the South African context statistical information on the nature, progress and consequences of tourism is mainly based on arrivals and overnight stay statistics, Balance of Payment (BOP) information and South African Tourism (SAT) surveys. The current sources of tourism statistics do not grasp the all encompassing trends of tourism. Thus, following the fundamental structure, guidelines and recommendations put forward by the UNWTO adopted the TSA approach in order to provide a measure of the importance of tourism in South Africa in terms of gross domestic product (GDP), expenditures and employment. The following **figure: 2.2.1** below presents the System of Tourism Statistics (STS) that forms the framework of all information produced by all stakeholders in the tourism industry and provides information on concepts, definitions, classifications and indicators.

Figure: 2.2.1



Source; South Africa's system of Tourism Statistics, South African Tourism/Department of Environmental Affaires and Tourism

With regards to the findings of the 2005 Satellite Account for South Africa, a comprehensive summary of all the relevant findings has been presented in the June 2009 EVT report on the Economic Value of Tourism. Thus, GAB Consulting conducted an in depth desktop analysis to find out if more recent information has been made available. However, our analysis revealed that there is no new body of information available.

The findings and the updated statistics on the economic value of tourism are presented in the sections that follow.

3. STATISTICS ON DEMAND SIDE OF TOURISM

GAB Consulting explored numerous sources to gather all recent tourism statistics. However it should be noted that though there are more recent statistics available, not much has changed on the background of the Tourism sector nationally as well as provincially. GAB Consulting thus endeavoured to present only new information in order to make a comparison of 2008 facts and figures (as depicted in the June 2009 report) to those of 2009.

In this section we present the analyses of all the available tourism information and statistics in South Africa and the Western Cape for the year 2009. It is important to note that the analysis and the discussions are only based on the current information available: i.e.

- In some cases the information is not available
- The information available is presented differently as compared to that used in 2009 report.

As a result in some cases the presentations cannot be done the same way as they appear in the 2009 report i.e. some will be in quarterly versus annually, percentages etc.

According to the UNWTO (May: 2009) the global economic recession, i.e. (from 2008 to 2009) had a big impact on the international tourism demand. Between January 2008 and February 2009 the global international tourist arrivals declined by 8%. The industry was also not spared by the out break of the Influenza A (H1N1) which happened from mid 2009.

The UNWTO expected a 2-3% decline on international tourism for 2009. It was however expected that Africa, Central and Southern America would record a 3-5% increase.

Despite the numerous challenges that faced the tourism industry, in 2009 tourism in South Africa showed a great resilience with a positive growth figure compared to 2008. The key features are as follows:

- 5.4% increase in January
- 6.3% increase in April and May
- 11.5% increase in July and August
- 1.8% increase in the forth quarter

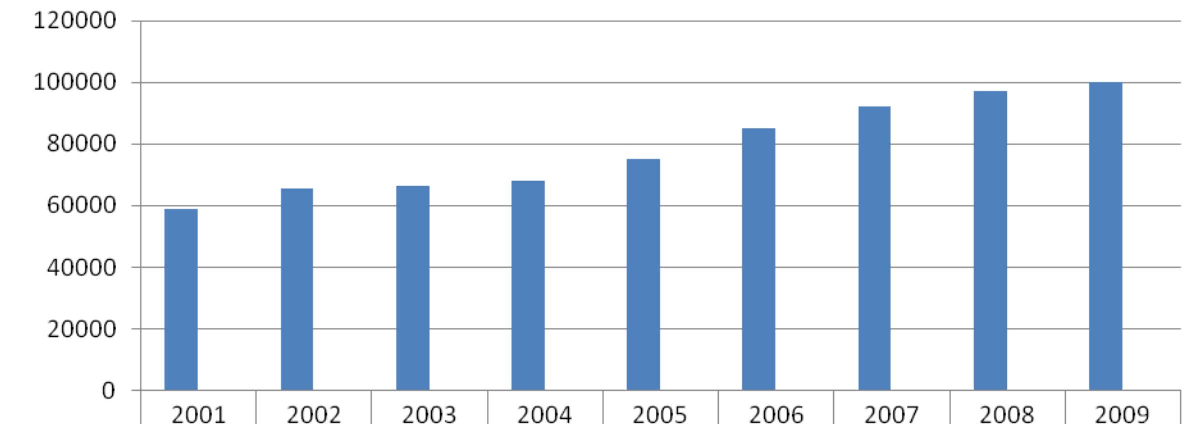
3.1 Foreign tourism in South Africa and the Western Cape

International Arrivals

This section refers to all individuals visiting South Africa who are not South African residents who visited for a period of not more than 12 months and their main reason of visit is other than the exercise of an activity remunerated from within South Africa.

In 2009 South Africa received 10 million (figure1.1) foreign visitors which was a 3% increase as compared to the number received in 2008.

Figure1.1: Total Foreign Arrival to South Africa



	2001	2002	2003	2004	2005	2006	2007	2008	2009
Visitors	59080	65499	66400	68151	75183	85088	92076	97288	100098
%change		10%	1%	3%	9%	12%	8%	5%	3%

Source: Stats SA

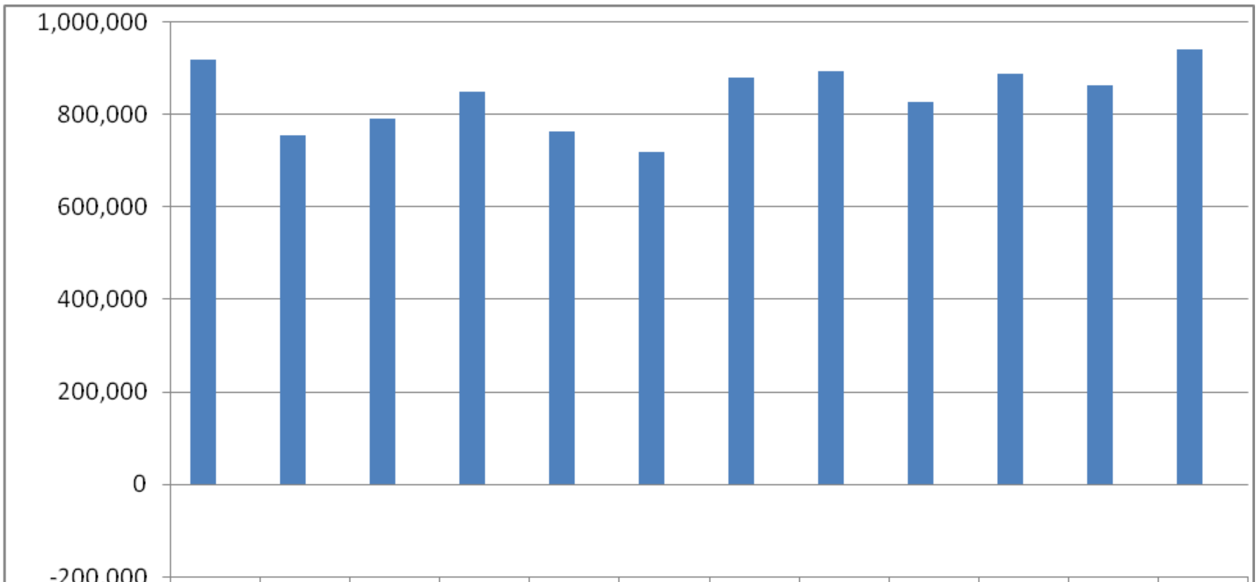
The above figure shows the total number of foreign visitors that visited South Africa from the year 2001 to 2009/10.

From the figure it can be noted that:

- There was a tremendous increase every year with the gradient becoming steeper from 2005. A steeper gradient indicates that from 2005 there has been an annual increase in the number of international tourists visiting South Africa.
- The percentage growth seems to decrease as from 2007 and the trend continues up until 2009.
- The decline in growth corresponds to the start of the global economic crisis.

Figure 1.2 is a representation of the number of visitors that visited South Africa each month in 2009. The Tourism industry in South Africa is normally affected by seasonality; November, December and January are the peak seasons while May and June are the low seasons. The difference in the number of visitors between the high and low season averages to approximately 200 000 visitors.

Figure 1.2: Total foreign Arrivals to South Africa in 2009 by Month



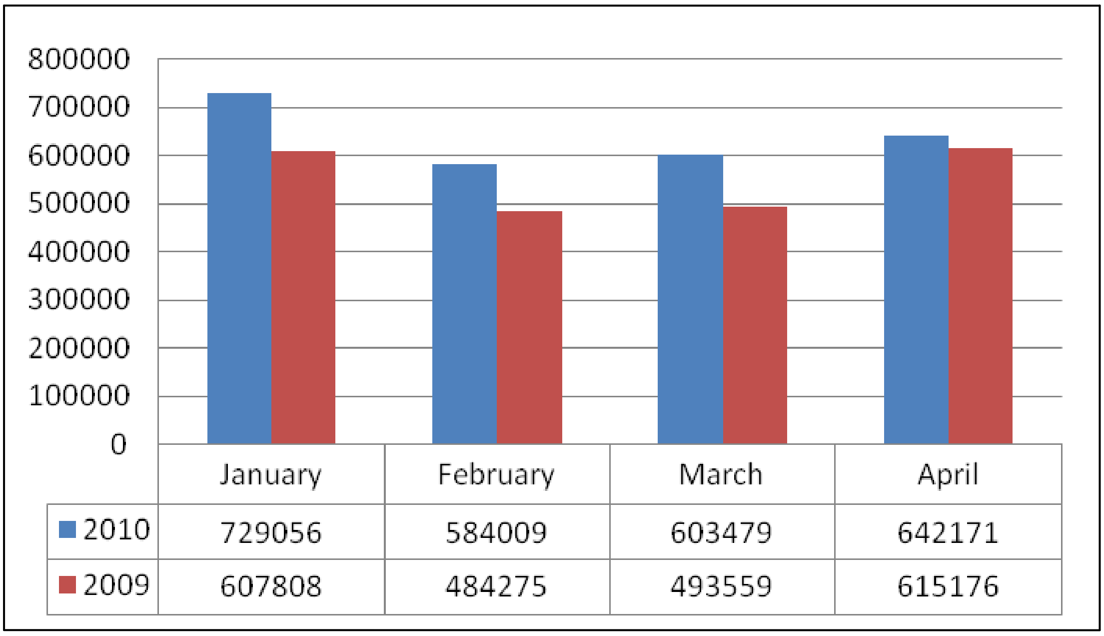
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Visitors	920,3	756,5	791,9	848,9	764,7	718,6	879,8	895,7	826,4	889,5	864,8	940,8
%change		-22%	4%	7%	-11%	-6%	18%	2%	-8%	7%	-3%	8%

Source: Stats SA

- December and January had the largest number of visitors, 940 800 and 920 300 respectively. This could be attributed to the fact that these two months fall under the festive summer season and that is when majority of the people choose to travel.
- June had the least number of visitors recording only 718 600 visitors. The reason for this could be the fact that it is normally winter in June. However, considerable is currently being made to make Cape Town as a premier destination 365 days a year
- There was a tremendous decrease of -22% from January 2009 to February 2009. It is interesting to note that there was there was a 7.5% in number of tourists visiting South Africa in January 2008 and January 2009. February recorded a slight decrease in number of visitors, with 769 000 visitors in February 2008 and 756 500 visitors in February 2009.

- The decline in May could be due to the fact that May is the beginning of winter in South Africa and this seems to have a negative impact on the tourism industry.

Figure 1.3: Total foreign Arrivals to South Africa in 2010 by Month



Source: CTRU

From the graph above it can be seen that 2010 recorded more foreign visitors in the first quarter of 2010 as compared to 2009.

Table 1.1: Source Market for Foreign Arrivals to South Africa in 2009

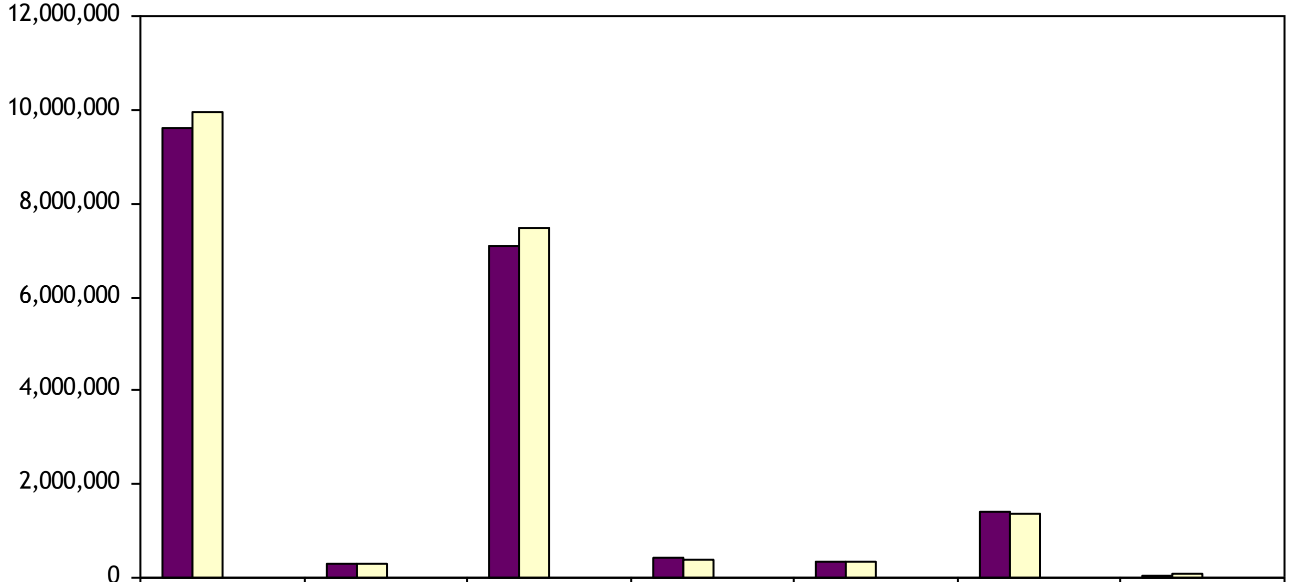
Overseas	
Europe	17.6%
North America	4.0%
Central and South America	0.8%
Australasia & Asia	1.5%
Middle East	0.5%
Africa	
SADC	70.7%
'Other' Africa	2.2%
East and Central Africa	1.1%
West Africa	1.0%
North Africa	0.2%
Unspecified	0.5%

Source: Stats SA

The above table gives a breakdown of the percentage contribution of the number of visitors visiting South Africa from different parts of the world.

- Majority of the visitors came from SADC countries and their contribution is 70.7% to the total number of visitors in South Africa. One of the contributing factors for the high % is that the political situation in Zimbabwe has led many Zimbabweans to come to South Africa for supplies such as food and clothing.
- Europe had the second highest contribution of the overseas visitors
- Among the overseas countries Middle East had the least percentage of 0.5 while among the African countries (other than SADC) North Africa had the least with only a contribution of 0.2%.

Figure 1.4: Arrival to South Africa by region in 2009:



	Total	Africa - Air	Africa - Land	Americas	Asia & Australasia	Europe	Unspecified
2008	9,591,828	306,961	7,087,452	407,408	322,586	1,406,350	61,071
2009	9,933,966	317,122	7,490,425	379,907	322,290	1,348,502	75,720
Difference	342,138	10,161	402,973	-27,501	-296	-57,848	14,649
% change	3.6%	3.3%	5.7%	-6.8%	-0.1%	-4.1%	24.0%

Source: South Africa Tourism

The figure above shows that there was a 3.6% overall growth from 2008 which was mostly as a result of a positive growth from the African-Land. The number of visitors from America declined the most with a -6.8% decline.

Table 1.2: Number of tourists by place of entry and month of arrival, (2009)													
		Month											
Place of entry	Grand Total	Ja	Fe	Ma	Ap	May	Ju	Jul	Aug	Sep	Oct	Nov	Dec
Grand Total	**7 011 865**	**607 808**	**484 275**	**493 559**	**615 176**	**536 047**	**505 431**	**623 414**	**638 572**	**583 352**	**632 104**	**619 265**	**672 862**
Air	**2 152 069**	**179 84**	**184 46**	**185 18**	**167 56**	**144 615**	**150 09**	**179 433**	**170 606**	**157 303**	**207 862**	**200 566**	**224 532**
Cape Town	476 398	55 92	59 30	54 04	31 82	18 170	19 22	27 736	25 711	26 716	44 650	55 772	57 317
Durban	11 251	30	22	33	37	162	27	280	374	253	2 763	2 345	3 555
OR Tambo	1 655 930	123 01	124 32	130 22	134 67	125 382	129 94	150 739	143 723	129 624	159 480	141 728	163 069
Other airports	8 490	60	60	58	68	901	64	678	798	710	969	721	591
Rail	**2 546**	**63**	**39**	**29**	**157**	**76**	**82**	**220**	**119**	**210**	**775**	**665**	**111**
Road	**4 853 819**	**427 87**	**299 55**	**308 21**	**447 25**	**391 135**	**355 05**	**443 310**	**467 620**	**425 604**	**423 106**	**417 461**	**447 640**
Botswana	612 176	39 13	33 72	36 62	74 26	46 693	41 55	55 449	57 008	56 776	50 950	52 534	67 456
Lesotho	1 074 701	110 11	65 77	70 56	104 49	82 744	81 94	96 752	89 442	90 156	90 137	90 941	101 636
Mozambique	894 241	87 23	67 22	66 16	78 79	75 410	72 63	84 140	79 261	74 762	73 517	74 067	61 034
Namibia	125 955	10 36	6 86	8 20	12 21	11 438	7 24	10 541	11 758	9 795	10 175	8 043	19 309
Swaziland	787 898	62 77	49 90	50 99	76 68	67 084	54 42	71 412	82 015	66 929	71 519	66 228	67 933
Zimbabwe	1 317 510	101 76	74 38	73 82	98 35	105 527	95 52	122 894	145 818	125 057	124 419	122 857	127 071
Unspecified road ports	41 338	16 48	1 66	1 82	2 45	2 239	1 71	2 122	2 318	2 129	2 389	2 791	3 201
Sea	**1 221**	**21**	**37**	**124**	**174**	**125**	**46**	**197**	**24**	**100**	**159**	**111**	**103**
Unspecified	**2 210**	**-**	**182**	**10**	**30**	**96**	**160**	**254**	**203**	**135**	**202**	**462**	**476**

Source: Stats SA

From the above table it can be seen that:

- December had the highest number of visitors (all means of transport) followed by October, November and January February and March had the lowest number of visitors.
- Comparing the mode of travel used, majority of the visitors travelled by road followed by air, the minority came via sea.
- This can be attributed to the fact that most visitors came from SADC countries and they used the road given that it is considered to be the cheapest mode of transport and the most efficient.
- Amongst those who came by air, majority of the visitors entered South Africa through OR Tambo airport followed by Cape Town airport.
- The Zimbabwe borders recorded the highest number of visitors coming to South Africa by road followed by Lesotho while the Namibian border recorded the least number of entries.

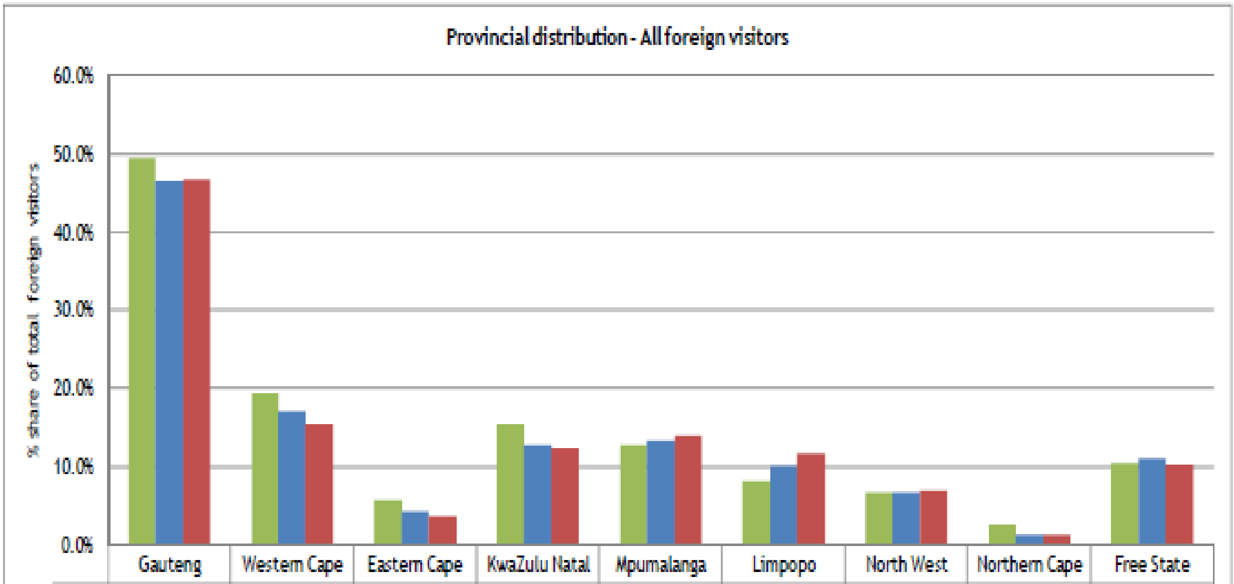
Distribution of visitors by Province:

The graph (figure 1.4) below shows the number of foreign visitors to each of the 9 South African Provinces in 2008 and 2009 respectively based on the first three quarters. The market share of all the provinces seems to have remained relatively the same for the two years and also for all the three quarters.

- Gauteng had the highest number of visitors in both years and in all the three quarters. This is due to the fact that Gauteng is geographically more accessible especially for the SADC visitors who come to South Africa for business and we should bear in mind that 70% of the foreign visitors to South Africa come from SADC region.

- Mpumalanga, Limpopo, North West and Free State registered a positive growth in the first quarter while the other Provinces had a decrease in 2009 as compared to 2008.

Figure 1.5: Foreign visitors to each province of South Africa

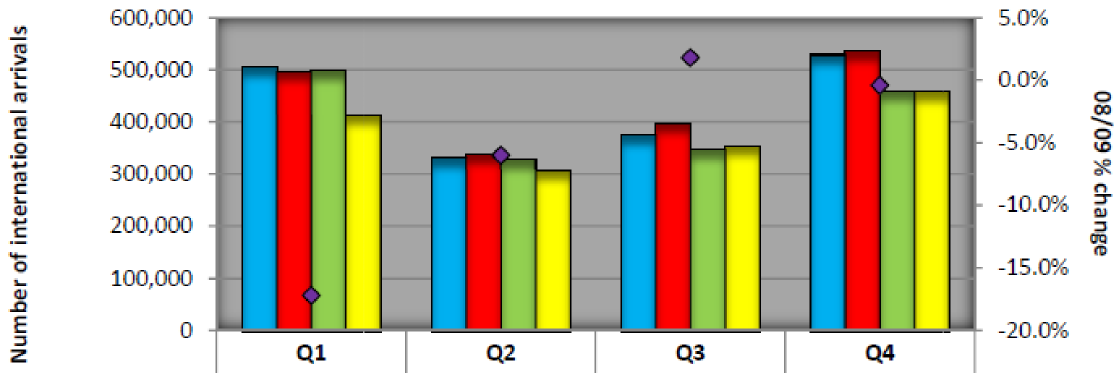


	Gauteng	Western Cape	Eastern Cape	KwaZulu Natal	Mpumalanga	Limpopo	North West	Northern Cape	Free State
2007	49.3%	19.4%	5.7%	15.4%	12.8%	8.2%	6.7%	2.5%	10.4%
2008	46.6%	17.0%	4.2%	12.8%	13.4%	10.1%	6.7%	1.3%	11.1%
2009	46.8%	15.4%	3.7%	12.2%	14.0%	11.6%	6.9%	1.2%	10.2%

Source: SA Tourism

Gauteng remained the most visited province with a 46.8% share of total arrivals. This has increased marginally by 0.2% compared to 2008. The Western Cape remained in second place and Mpumalanga in third place with a share of 15.4% and 14.0% respectively. Mpumalanga gained 0.6% share and continued to surpass KwaZulu Natal this year. Limpopo and North West also gained 1.5% and 0.2% market share respectively.

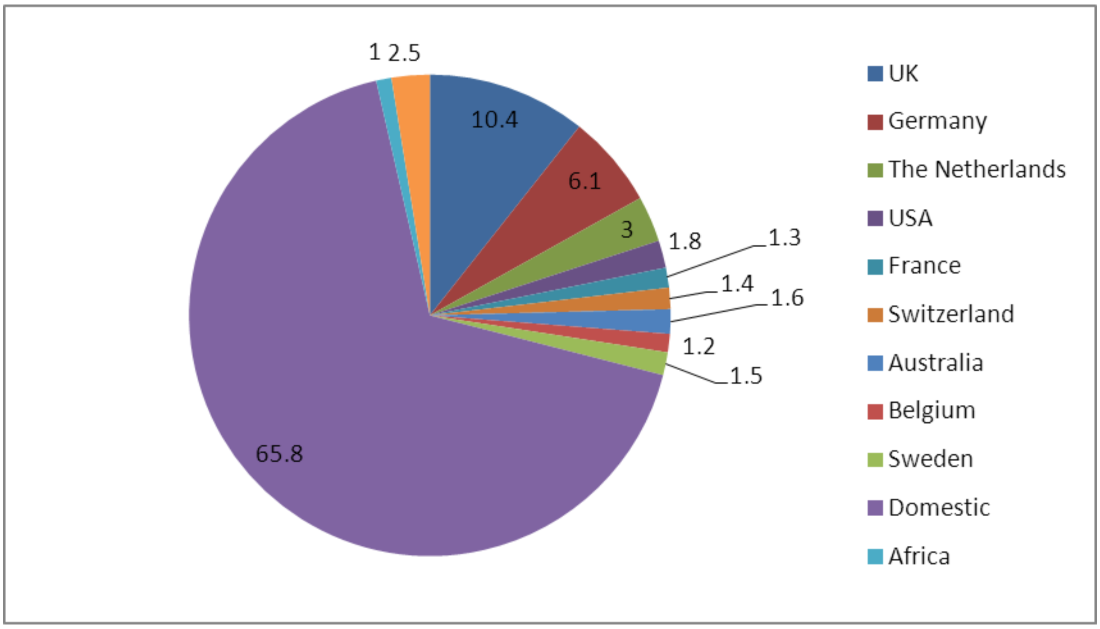
Figure 1.6: Foreign visitors to Western Cape by Quarter in 2009



	Q1	Q2	Q3	Q4
2006	504,273	330,768	374,637	528,259
2007	496,314	336,953	396,194	534,170
2008	498,050	327,225	346,900	458,436
2009	412,625	307,456	353,063	456,687
◆ 08/09 % change	-17.2%	-6.0%	1.8%	-0.4%

Source: CTRU

Figure 1.7: Source Market of Visitors to the Western Cape in 2009



Source: CTRU

Figure 1.6 above represents the percentage origin of the visitors travelling to Western Cape Province in 2009. Domestic visitors were dominating with a 65.8% of the total number of visitors. Among the international visitor, UK contributed the most with 10.4% of the visitors while Africa had the least percentage of 1%.

The low percentage from the African countries could be due to the fact that most of the visitors from African countries come to South Africa for business reasons and Gauteng acts as the business hub.

Visitors Profile

Table 1.3 gives a clear picture of the gender and age composition of the foreign visitors that visited South Africa in 2009. The number of male visitors was higher than the females and majority of the visitors were aged between 15 and 64 years.

Table 1.3: Age Profile of foreign Visitors to South Africa in 2009:

Sex	Total	Overseas	SADC	'Other' Africa	Unspecified
All	**7 011 865**	**1 885 977**	**4 936 064**	**153 350**	**36 474**
0-14	391 679	127 472	251 610	8 767	3 830
15-64	6 318 905	1 575 793	4 569 031	142 111	31 970
65+	297 261	182 272	111 877	2 452	660
Unspecified	4 020	440	3 546	20	14
Male	**3 851 121**	**1 061 166**	**2 667 270**	**103 011**	**19 674**
0-14	197 116	66 093	124 526	4 483	2 014
15-64	3 501 491	895 695	2 491 618	96 948	17 230
65+	150 630	99 174	49 471	1 561	424
Unspecified	1 884	204	1 655	19	6
Female	**3 151 437**	**822 889**	**2 261 502**	**50 308**	**16 738**
0-14	194 556	61 379	127 077	4 284	1 816
15-64	2 809 588	678 638	2 071 136	45 134	14 680
65+	145 736	82 705	61 908	889	234
Unspecified	1 557	167	1 381	1	8
Unspecified	**9 307**	**1 922**	**7 292**	**31**	**62**
0-14	7		7	-	-
15-64	7 826	1 460	6 277	29	60
65+	895	393	498	2	2
Unspecified	579	69	510	-	-

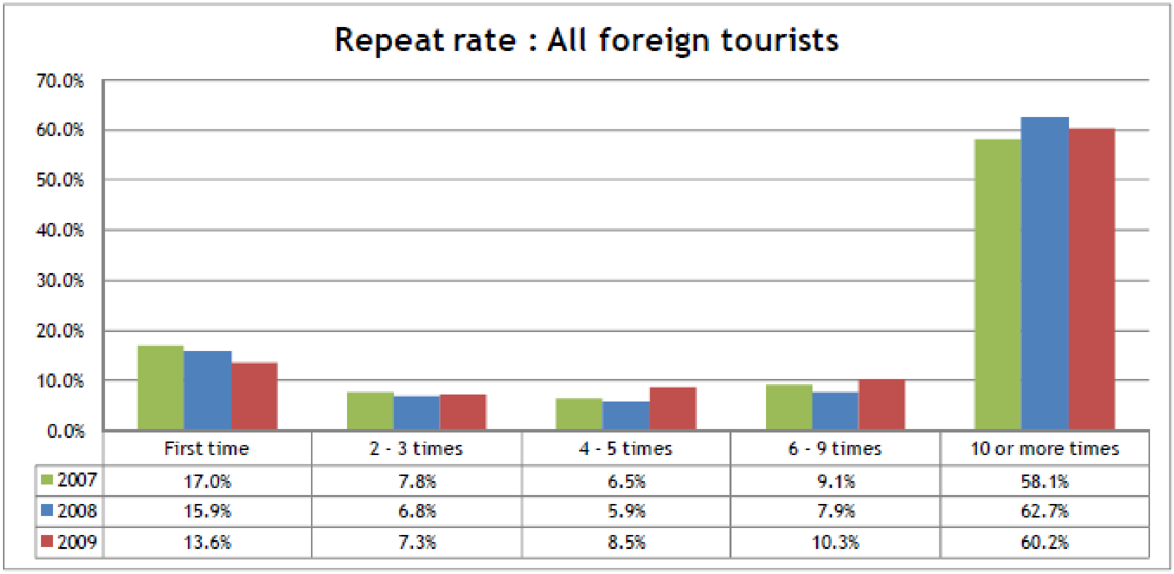
Source: Stats SA

The above table shows that:

- Although males constituted slightly more than half of the overseas and SADC residents, 67.2% of visitors from other African countries were males.
- SADC had the highest proportion of female visitors (45.8%).
- The age distribution shows that at least 83% of the three regions were aged between 15 and 64 years.
- Those above 65 and below 15 years were very few forming only 5% of the total number of visitors.
- The elderly from overseas were relatively higher at 9.7% in comparison to those from SADC and other African countries.

Repeater Rate

Figure 1.8: Repeater Rate of foreign visitors in South Africa



	First time	2 - 3 times	4 - 5 times	6 - 9 times	10 or more times
2007	17.0%	7.8%	6.5%	9.1%	58.1%
2008	15.9%	6.8%	5.9%	7.9%	62.7%
2009	13.6%	7.3%	8.5%	10.3%	60.2%

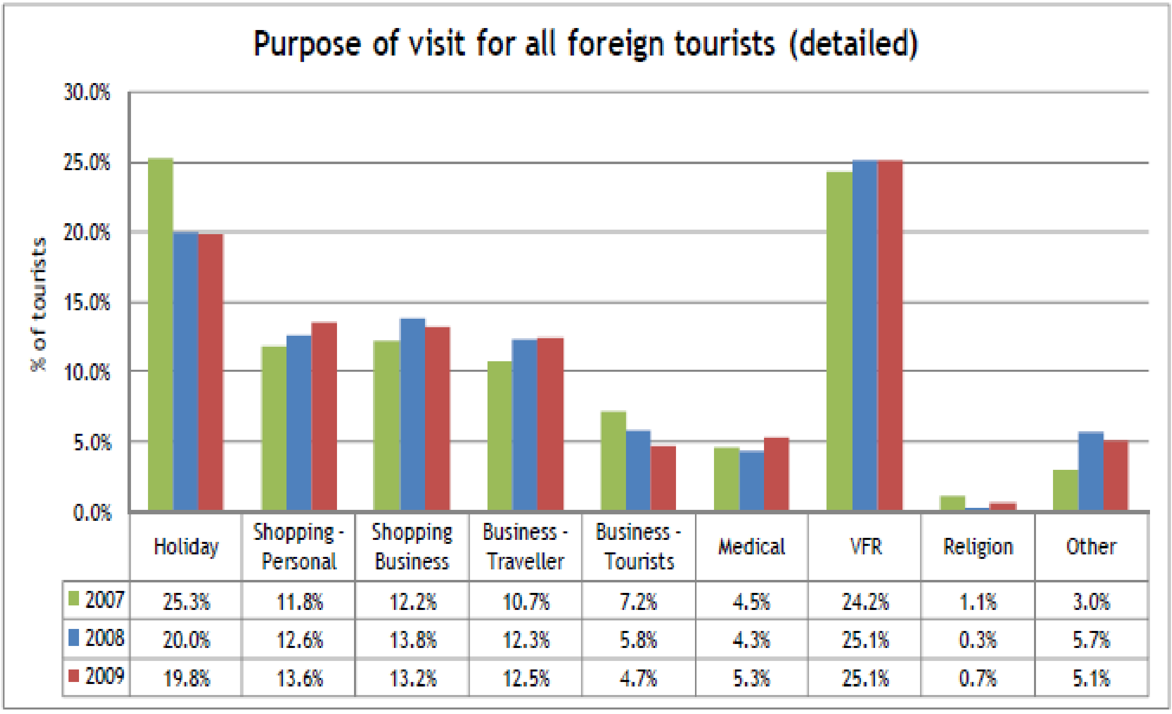
Source: SA Tourism

The number of first-time foreign tourists decreased from 15.9% in 2008 to 13.6% in 2009. This declining trend has been observed since 2007. The most frequent visitors (10 times or more) also decreased, while the number of tourists who were visiting for the second or third to the sixth or ninth time increased significantly.

Purpose of visit

South Africa is a world known tourist attraction destination and has different varieties of products to offer to its foreign visitors. Among the many reasons that bring foreign visitors to South Africa the leading ones are: Leisure, Business, Medical and Religion.

Figure 1.9: Purpose of visit of Foreign Visitors to South Africa



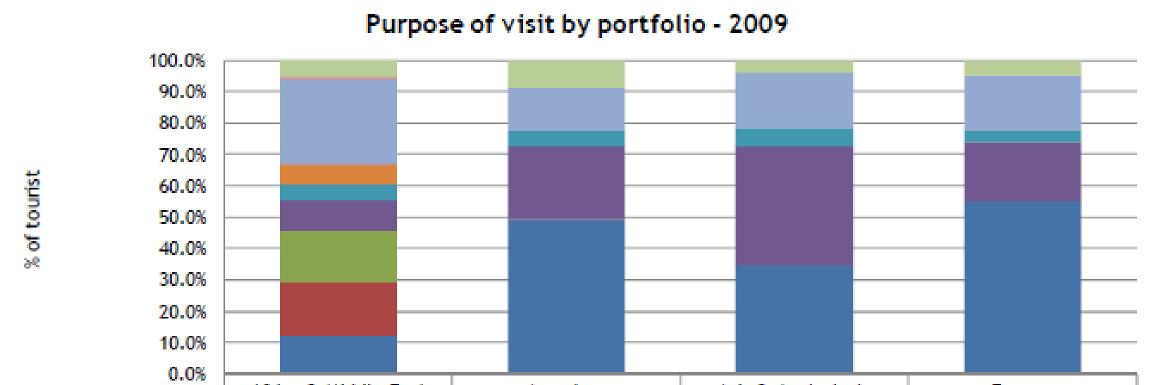
	Holiday	Shopping - Personal	Shopping Business	Business - Traveller	Business - Tourists	Medical	VFR	Religion	Other
2007	25.3%	11.8%	12.2%	10.7%	7.2%	4.5%	24.2%	1.1%	3.0%
2008	20.0%	12.6%	13.8%	12.3%	5.8%	4.3%	25.1%	0.3%	5.7%
2009	19.8%	13.6%	13.2%	12.5%	4.7%	5.3%	25.1%	0.7%	5.1%

Source: SA Tourism

Leisure remains the primary purpose of visit of tourists to South Africa and this has grown from 57.7% in 2008 to 58.6% in 2009. This is driven by the increase in tourists visiting for personal shopping up from 12.6% in 2008 to 13.6% in 2009. VFR travel remained constant at 25.1% in 2008 while holiday tourists decreased from 20.0% in 2008 to 19.8% in 2009. Tourists visiting for shopping for business purposes and business tourists have decreased.

As illustrated in figure 1.7 above, foreign visitor come to South Africa for different reasons. Figure 1.8 below represents a comparison of visitors to South Africa from different countries and their main purpose of visit.

Figure 1.10: Number of tourists by country of residence and purpose of Visit (2009):



	Africa & Middle East	Americas	Asia & Australasia	Europe
Other	5.1%	8.3%	3.4%	4.6%
Religion	0.8%			
VFR	27.1%	13.7%	17.7%	17.8%
Medical	6.5%			
Business - Tourists	4.9%	4.7%	5.8%	3.3%
Business - Traveller	10.0%	23.4%	38.0%	18.9%
Shopping Business	16.4%			
Shopping - Personal	16.8%			
Holiday	12.4%	49.4%	34.6%	55.1%

Blank cells indicate that the sample is too small for a valid interpretation

Source: SA Tourism

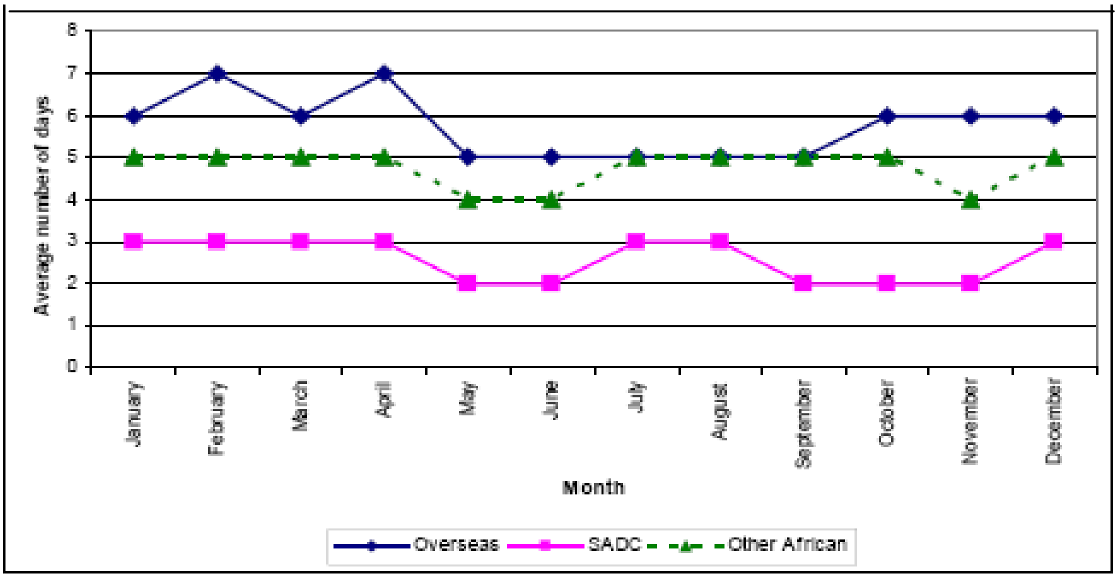
The analysis of purpose of visit by region shows that most holiday tourists come from overseas markets (Europe, the Americas and Asia & Australasia) while the shoppers and VFR tourists come from Africa.

Length of stay

According to the UNWTO the length of time that tourists spent in their destinations declined in 2008 and 2009 as compared to the previous years. This could be attributed to the global economic crisis that had a big negative impact to the tourism industry.

Figure 1.11 below shows the length of time that foreign visitors spent in South Africa. The visitors were divided into three categories depending on their origin i.e. Overseas, SADC and other African countries. The number of days visitors spent in South Africa is based on the tourists who arrived and left in the same month.

Figure 1.11: Average Length of Stay of Foreign Visitors to South Africa in 2009 (Nights):

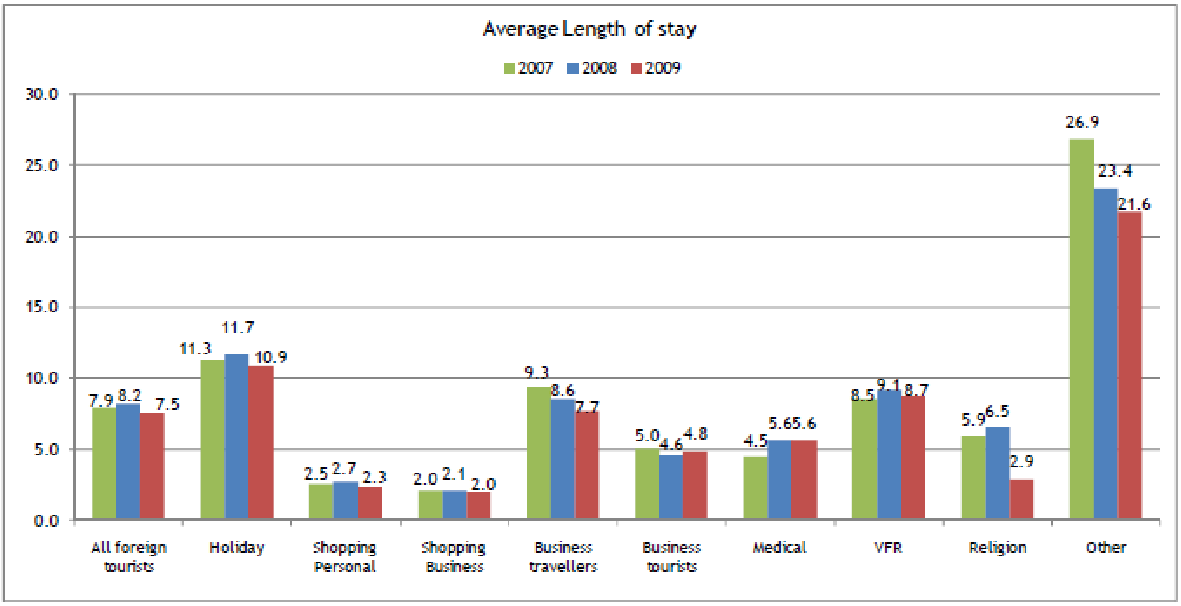


Source: Stats SA

From the figure it can be seen that:

- In general tourists from overseas spent 5-7 days on average per month.
- Those from other African Countries spent 4-5 days.
- SADC visitors spent 2-3 days. This could be due to the fact that most of SADC tourists visit South Africa for business reasons and hence it takes them less time to finish their mission.
- It can also be observed that visitors from all regions spent fewer days during the winter months of May and June with those from Overseas having a prolonged low season of up to September.

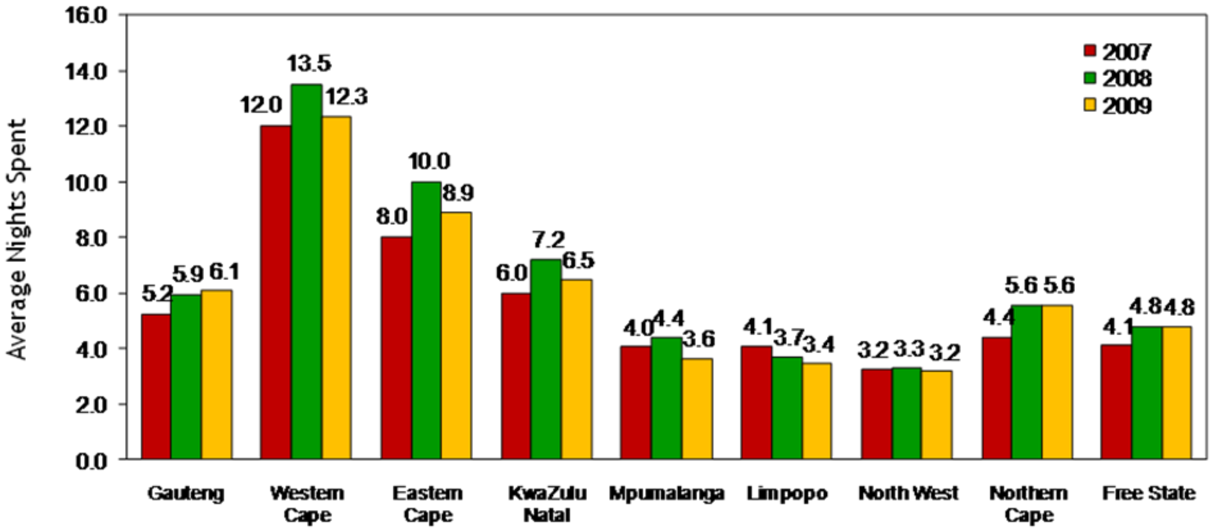
Figure 1.12: Average length of Stay of Foreign Visitors by Purpose of Visit (Nights)



Source: SA Tourism

The average length of stay of all foreign tourists decreased from 8.2 nights in 2008 to 7.5 nights in 2009 in line with global trends towards shorter holidays. Holiday tourists spent fewer nights in South Africa in 2009, the lowest since 2007. The length of stay of business tourists increased in 2009.

Figure 1.13: Average Length of stay of Foreign Visitors by Province (Nights):



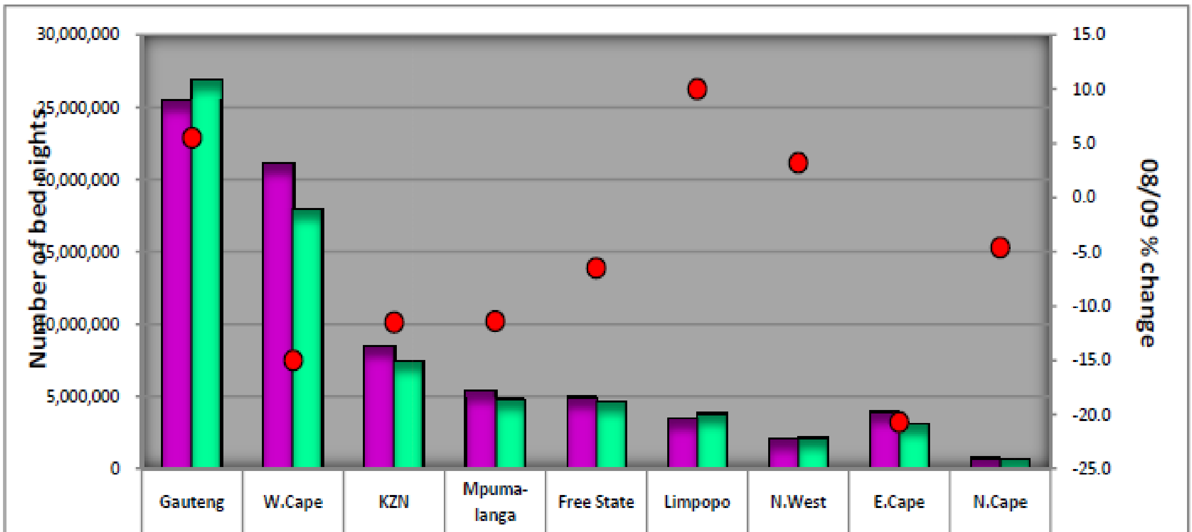
$CAGR_{07\text{-}09}$	7.6%	1.4%	5.3%	3.8%	-5.4%	-8.2%	-0.7%	12.2%	7.9%

Source: SA Tourism

From the above figure it can be seen that

- Gauteng was the only province that had an increase (3%) on the number of nights spent in 2009 as compared to 2008.
- In Western Cape there was a 9.8% decrease on the average number of nights spent in comparison to that of 2008.
- Limpopo is the only province that recorded a continuous decline for the three years.

Figure 1.14: Foreign Bed nights in South Africa by Province (2009):

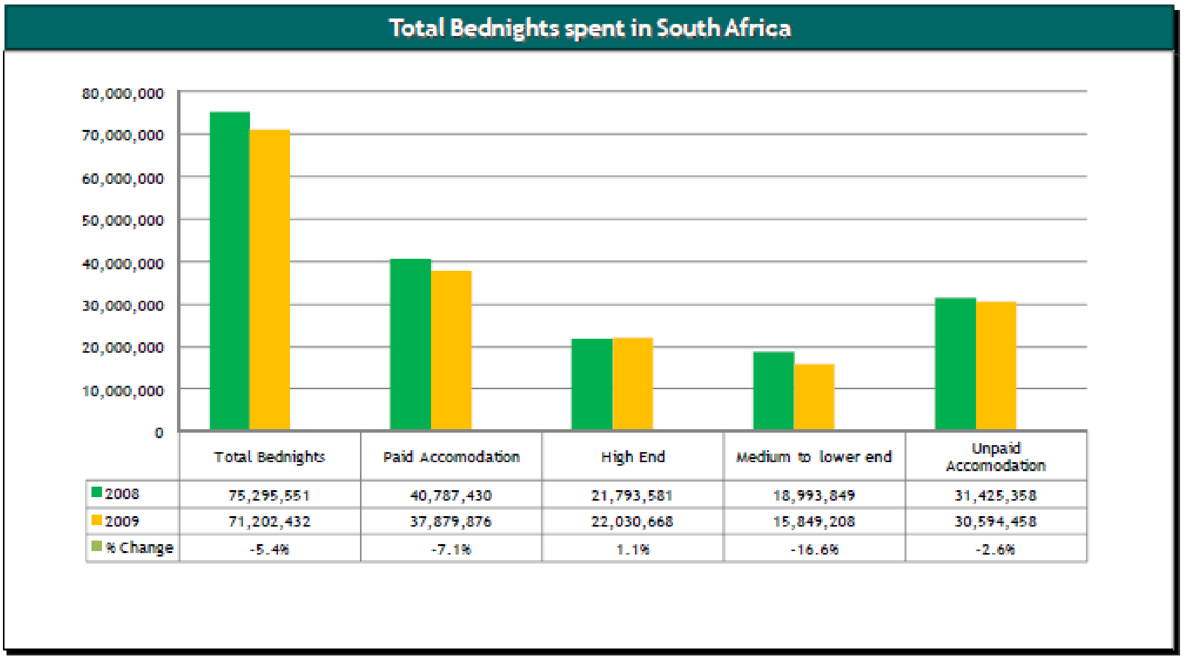


	Gauteng	W.Cape	KZN	Mpuma-langa	Free State	Limpopo	N.West	E.Cape	N.Cape
2008	25,457,097	21,077,852	8,426,173	5,387,477	4,909,934	3,429,687	2,023,335	3,898,523	684,474
2009	26,853,675	17,923,740	7,458,388	4,773,007	4,588,381	3,774,354	2,087,437	3,090,415	653,034
% Change	5.5	-15.0	-11.5	-11.4	-6.5	10.0	3.2	-20.7	-4.6

Source: CTRU

- In general Gauteng had the highest number of bed nights in both 2008 and 2009 followed by Western Cape while Northern Cape had the lowest number of bed nights followed by North West.
- In 2008 the highest number of bed nights (7 058 768) was recorded in Gauteng during the first quarter while the lowest (130 224) was in Northern Cape during the second quarter.
- In 2009 the highest number of bed nights was 7 056 197 recorded in Gauteng during the third quarter while the lowest was 119 914 recorded in the Northern Cape during the first quarter.
- Limpopo North West and Free State had and increase in the first quarter while all the other provinces had a decline in 2009 as compared to 2008.

Figure 1.15: Foreign Bed nights Spend in South Africa (millions) in 2009:

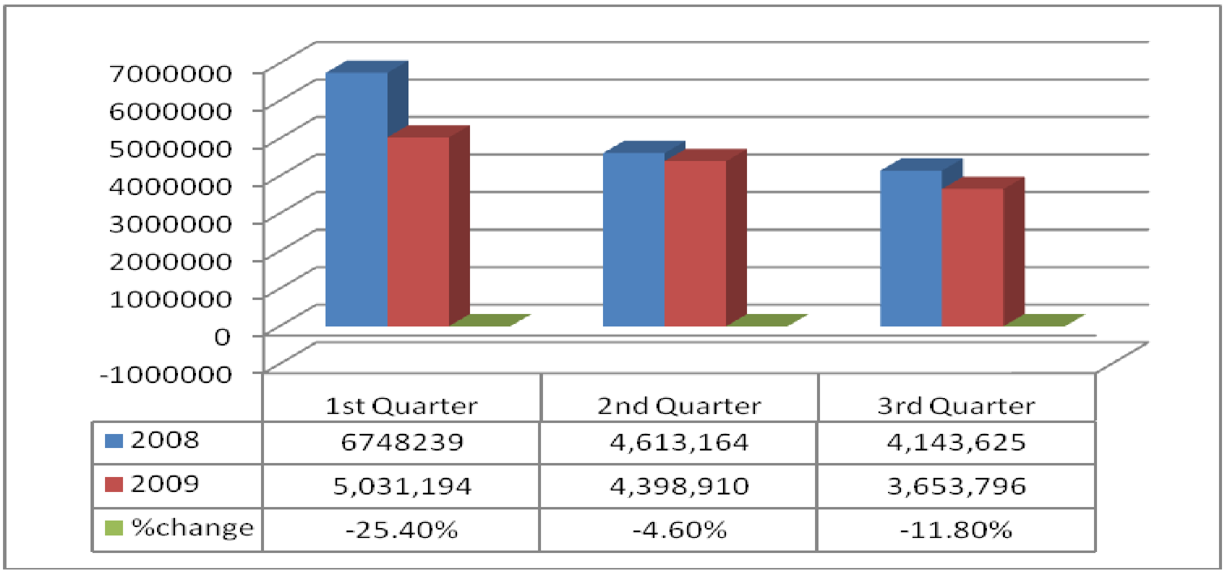


	Total Bednights	Paid Accomodation	High End	Medium to lower end	Unpaid Accomodation
2008	75,295,551	40,787,430	21,793,581	18,993,849	31,425,358
2009	71,202,432	37,879,876	22,030,668	15,849,208	30,594,458
% Change	-5.4%	-7.1%	1.1%	-16.6%	-2.6%

Source: SA Tourism

Revenue from accommodation, the 3rd highest expenditure category, declined by -6.8% (-R0, 6 billion) in 2009 as tourists spent fewer nights in both paid and unpaid accommodation. The number of nights spent in high-end accommodation grew by 1.1% while the nights spent in medium to lower end accommodation types declined by 16.6%.

Figure 1.16: Foreign Bed nights Spent in Western Cape



	1st Quarter	2nd Quarter	3rd Quarter
2008	6748239	4,613,164	4,143,625
2009	5,031,194	4,398,910	3,653,796
%change	-25.40%	-4.60%	-11.80%

Source: CTRU

Figure 1.14 above represents the quarterly bed night spent in the Western Cape. From the figure we can see that:

- Western Cape registered a negative growth of the number of bed nights in 2009 as compared to 2008
- The highest drop of -25.44% was recorded in the first quarter.
- The second quarter recorded less fluctuation wit a drop of 4.64%.

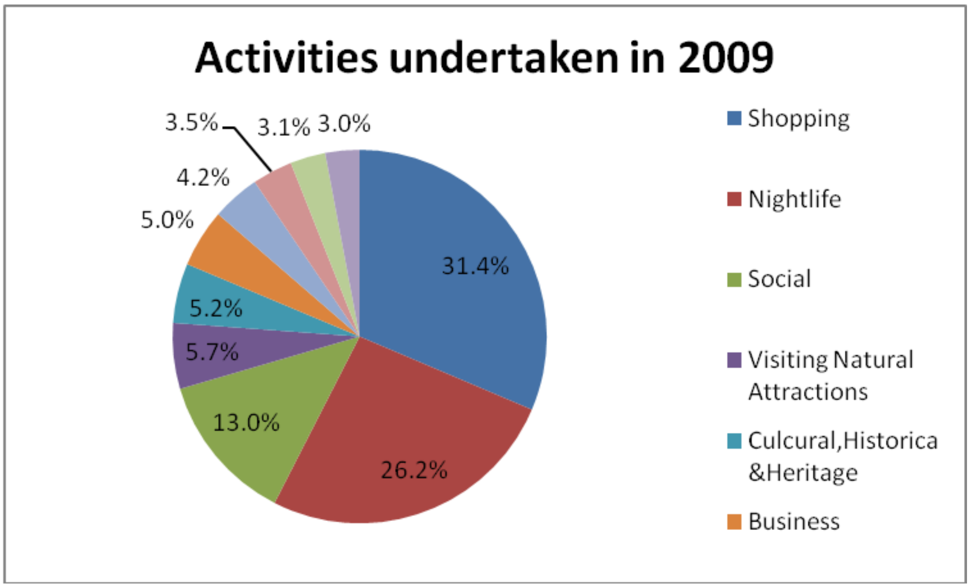
NB: Foreign bed night spend is still unavailable for the fourth quarter (2009)

Activities Undertaken

Visitors travelling to South Africa can be assured of quite a variety of activities that they can indulge themselves into. Just to mention a few there are natural attractions such as game parks, cultural and historical cities, a variety of shops, night clubs, and social places, natural attractions such as game parks, cultural and historical cites etc.

The graph below represents the percentages of the activities that were undertaken by foreign visitors in South Africa in 2009.

Figure 1.17: **Activities Undertaken By Foreign Visitor to South Africa in 2009**



Source: CTRU

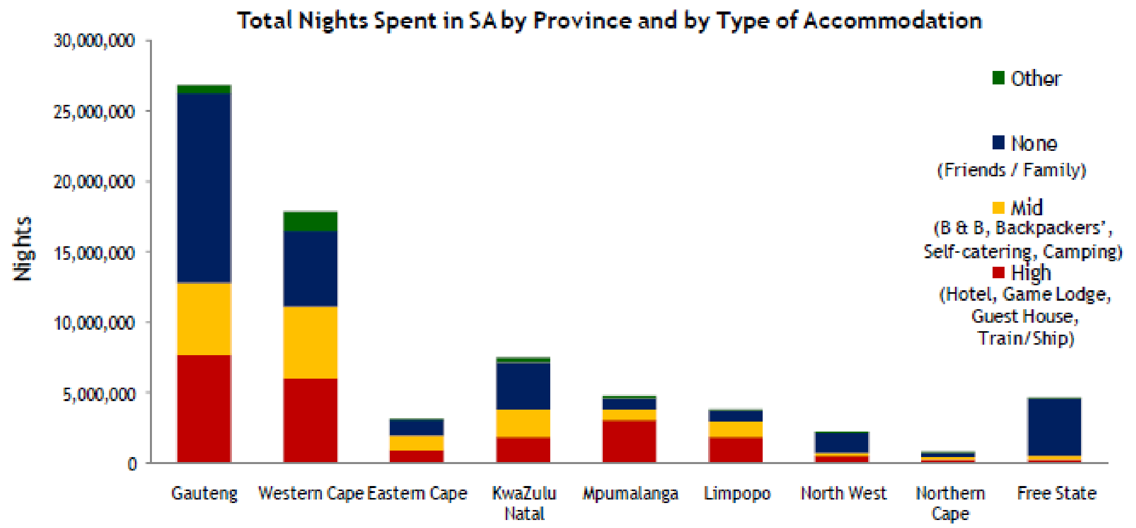
In 2009 visitors visiting South Africa got engaged in different activities:

- Shopping scored the highest percentage of 31.4%, nightlife 26.2% and social life 13%.

- Those who came for business reasons were 5% while the least number of visitors was recorded on theme parks.

Type of Accommodation Used

Figure 1.18: Activities Undertaken By Foreign Visitor to South Africa in 2009



	Gauteng	Western Cape	Eastern Cape	KwaZulu Natal	Mpumalanga	Limpopo	North West	Northern Cape	Free State
Total Nights ('000s)	26,854	17,924	3,090	7,458	4,773	3,774	2,087	653	4,909
%of Total Nights (2009)	37.7%	25.2%	4.3%	10.5%	6.7%	5.3%	2.9%	0.9%	6.4%

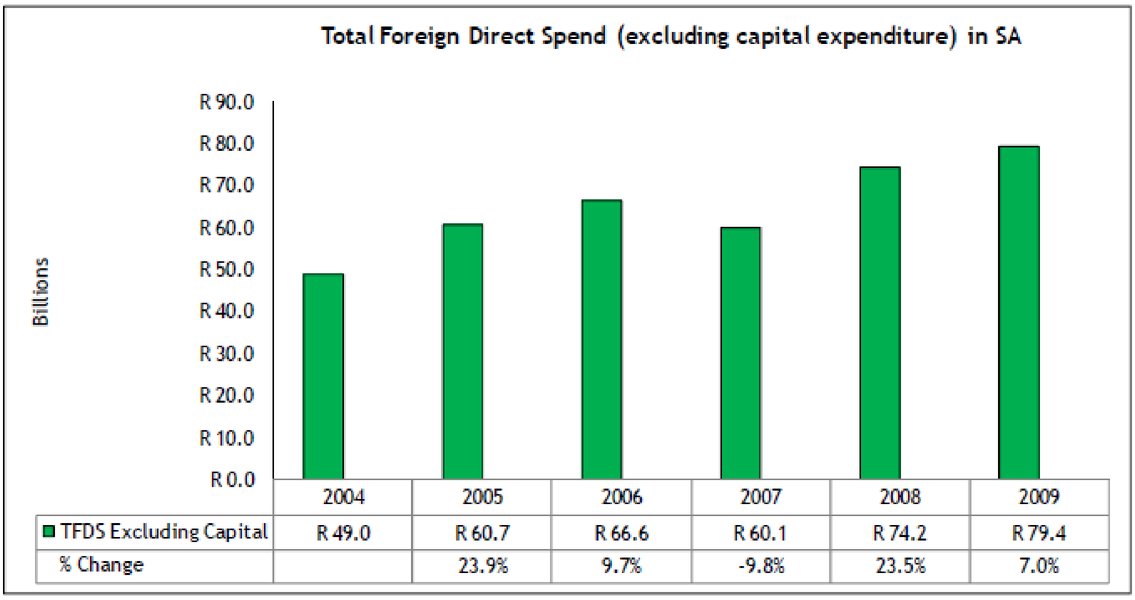
Total Direct Spend

Tourism is one of the fastest growing industries and is well recognized by the South African Government for the role it plays in economic growth and poverty reduction. Tourism plays a major role in influencing economies 'generation of value added, employment, and personal income and government income'.

Tourism expenditure can be divided as the amount paid, the acquisition of consumption goods and services as well as valuables for own use or to give away, for and during tourism trips. This includes all the expenditure by visitors themselves as well as expenses that are paid for or reimbursed by others.

Figure 1.19 shows the Total Foreign Direct Spend (TFDS) excluding CAPEX in South Africa in 2009. We should note that TFDS normally includes all expenditure by foreigners in South Africa. From this total we have to exclude capital expenditure and the shopping expenditure of traders as this is already included elsewhere in the Balance of Payments statistics.

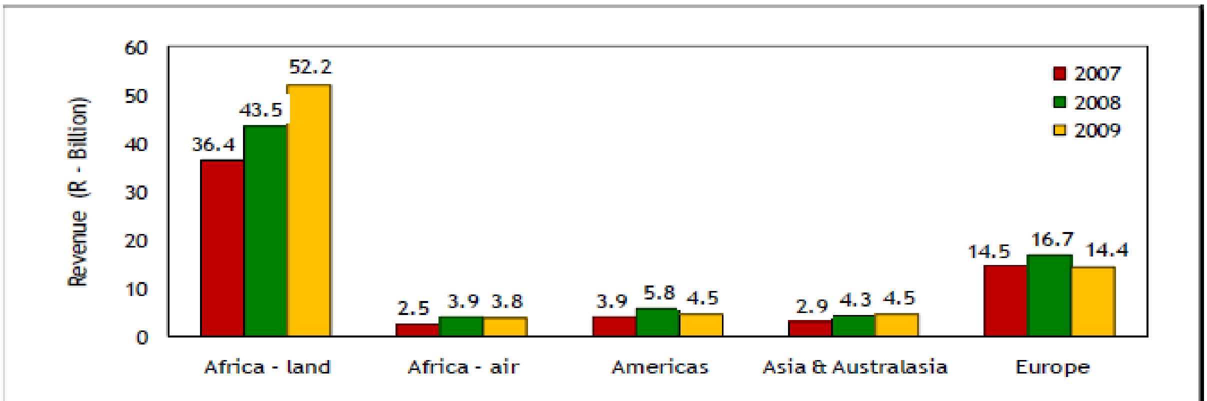
Figure 1.19: Total Foreign Direct Spend excluding CAPEX in South Africa (Billions) in 2009.



Source: SA Tourism

Total foreign direct spend (excluding capital expenditure) increased to R79.4 billion in 2009 from R74.2 billion in 2008. This is a 7.0% (R5.2 billion) increase compared to that of 2008. The biggest drivers for the increase in TFDS (excluding capital expenditure) were the increases in average spend per day and volume of foreign arrivals. The increase of these two measures resulted in a gain of R6.0 billion and R1.6 billion respectively (Annual Tourism report: 2009)

Figure 1.20: Average Visitor Spend by Source Market Region



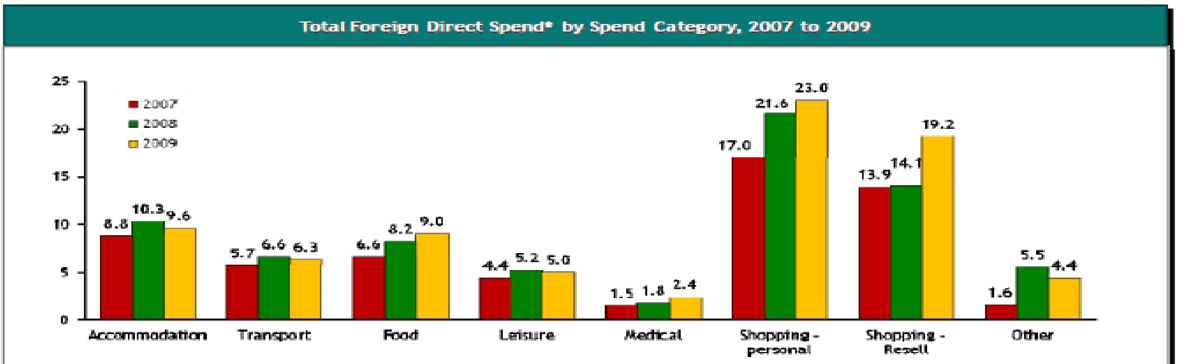
Average spend per tourist in SA

	Africa - land	Africa - air	Americas	Asia & Australasia	Europe
2007	R5,800	R10,400	R10,200	R9,100	R10,500
2008	R6,200	R14,900	R15,400	R14,300	R12,900
2009	R7,100	R14,700	R13,200	R15,000	R12,100

Source: SA Tourism

The R8.7 billion increase in TFDS (excluding capital expenditure) from Africa land markets in 2009, was driven by increases in average spend per day and volume of arrivals. In Africa air markets, the decrease in TFDS (excluding capital expenditure) was because of the -6.5% decrease in average length of stay. The decline from the Americas was mainly due to the decrease in average spending per day (despite the Rand depreciating against the US Dollar), foreign arrivals and length of stay. The European tourists spent more per day but are staying shorter periods in South Africa on average. The increases in revenue from Asia and Australasia were driven mostly by an increase in average spend per day as their length of stay and arrivals were flat to declining relative to 2008 (Annual Tourism report: 2009).

Figure 1.21: TFDS excluding CAPEX by Category 2009

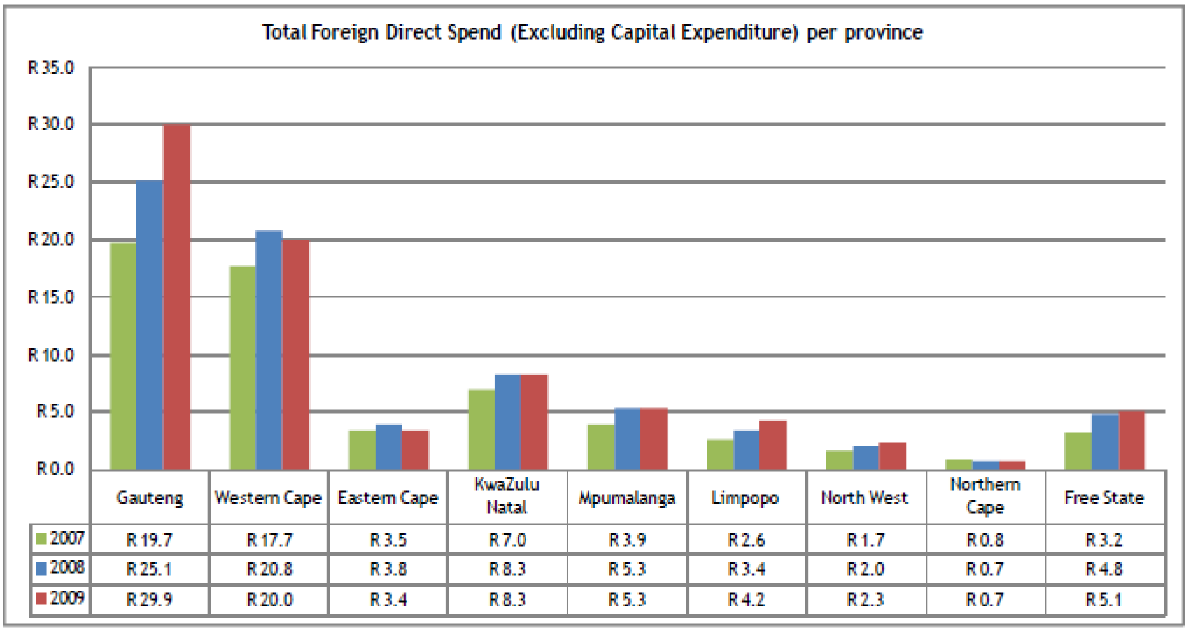


	Accommodation	Transport	Food	Leisure	Medical	Shopping - personal	Shopping - Resell	Other
Growth	-6.8%	-4.5%	9.8%	-3.8%	33.3%	6.5%	36.2%	-20.0%
Inflation %		-0.4%	9.7%	11.6%	10.8%			

Source: SA Tourism

From the graph above it can be noted that Expenditure on food and drink increased by 9.8% (in line with the 9.7% inflation increase in this category), medical costs by 33.3% (R0.6 billion), spend on shopping for goods for personal use by 6.5% (R1.4 billion) and on goods for resale by 36.2% (R5.1 billion). Expenditure on transport declined by -4.5% to R6.3 billion.

Figure 1.22: **TFDS excluding CAPEX by Province in 2009 (in millions)**

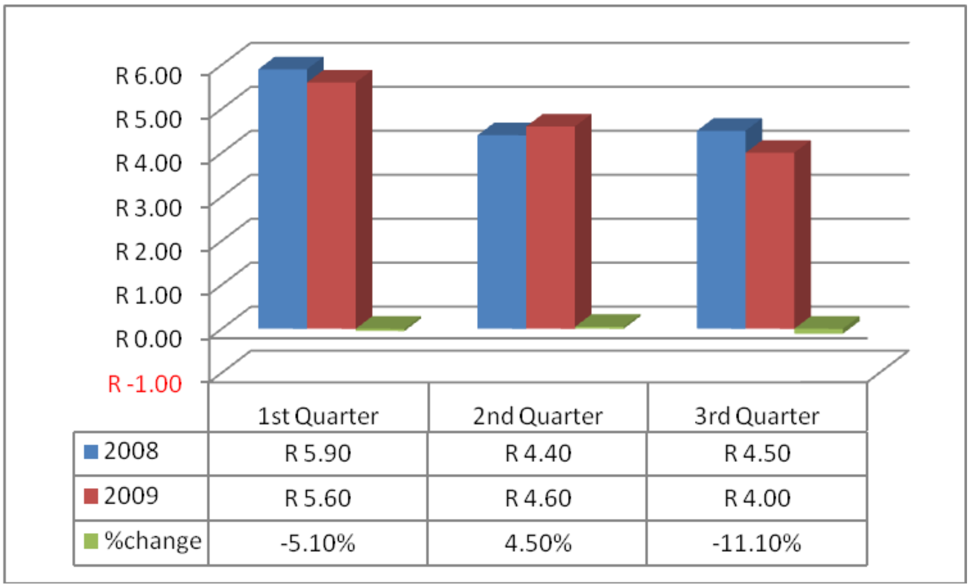


	Gauteng	Western Cape	Eastern Cape	KwaZulu Natal	Mpumalanga	Limpopo	North West	Northern Cape	Free State
2007	R 19.7	R 17.7	R 3.5	R 7.0	R 3.9	R 2.6	R 1.7	R 0.8	R 3.2
2008	R 25.1	R 20.8	R 3.8	R 8.3	R 5.3	R 3.4	R 2.0	R 0.7	R 4.8
2009	R 29.9	R 20.0	R 3.4	R 8.3	R 5.3	R 4.2	R 2.3	R 0.7	R 5.1

Source: SA Tourism

- Gauteng registered the highest TFDS in both 2008 and 2009 with the highest amount being R.7.8 million recorded in the third quarter of 2009.
- Western Cape came second with the largest amount in 2009 being R.5.6 million recorded in the first quarter.
- Northern Cape had the least amount for both years with the minimum amount of R.0.1 million recorded in the second quarter of 2008 and the first quarter of 2009.
- There was a tremendous growth of 24% in Gauteng in the third quarter as compared to the second quarter of the year 2009.

Figure 1.23: Foreign Direct Spend excluding CAPEX in the Western Cape (millions)



Source: CTRU

The above figure shows that:

- There was a negative growth of 5% during the first quarter of 2009 as compared to that of 2008 from R.5.9 million to R.5.6 million.
- The second quarter registered a positive growth of 4.3%.
- The third quarter had a negative growth of 12.5% from R.4.5 million to R.4.0 million

NB: Foreign Direct Spend excluding CAPEX in the Western Cape is still unavailable for the fourth quarter (2009)

3.2 Domestic Tourism in South Africa and the Western Cape

This section aims at analysing domestic tourism both at a national as well as a provincial level Western Cape region). The main aim is to get a clear picture on the current trends that the tourism industry is experiencing in relation to domestic tourism. We cannot go forward without mentioning that current information on domestic tourism is very limited.

General overview

In the case of domestic tourism, a person is considered a tourist if the person has travelled for more than 40 kilometres from his/her place of residence and has not visited the place more than once a week. This refers to place of work and place of study. Leisure and recreational trips are included irrespective of the frequency of visits.

South African domestic tourism declined by 8% in 2009 whereby only 30 million trips were made in comparison to 33 million trips in 2008. Although the number of trips declined, the record shows that 48% of the South African population travelled in 2009. This means that more South Africans travelled but they took less trips.

Visiting friends and family (VFR) was the major reason for domestic visits and accounted for 76% of the total domestic trips taken in 2009, holiday counted for 12%, business and religion 5% each and medical trips counted for 1%. Despite the decline in the number of domestic trips, the share of VFR increased from 71% in 2008 to 76% in 2009.

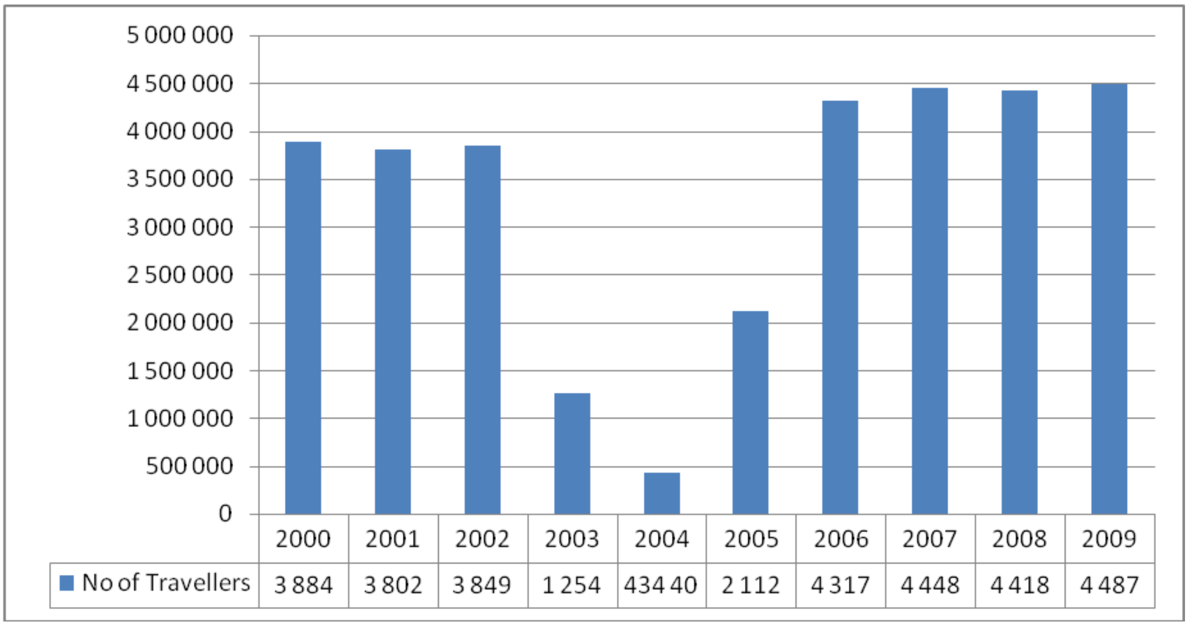
The financial crisis seems to have made the domestic tourists to tighten their spending as the total revenue generated declined by 14% from R 26 billion in 2008 to R 22 billion in 2009. This could mainly be associated with the decline on the number of trips taken by domestic tourists.

The average spend per day by traveller declined from R 780 (2008) to R 730 (2009) and the number of bed nights declined by 14%.

Domestic Travellers in South Africa

It is important to note that in the early 2000s, the number of South African travellers was greatly affected by changes in the data collection system. **Figure 2.1** below shows the number of domestic travellers in South Africa in 2009. The sudden drop in the number of arrivals and departures of SA residents after 2002 was mainly due to the changes in the immigration Act (Act No.13 of 2002) regarding the recording of information on the international movements of South African residents. The act resulted in information on arrival and departure of SA residents not being collected. Collection through the scanning of passports resumed after implementation of Act no.19 of 2004.

Figure 2.1: Number of Domestic Tourists in South Africa in 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
No of Travellers	3 884	3 802	3 849	1 254	434 40	2 112	4 317	4 448	4 418	4 487

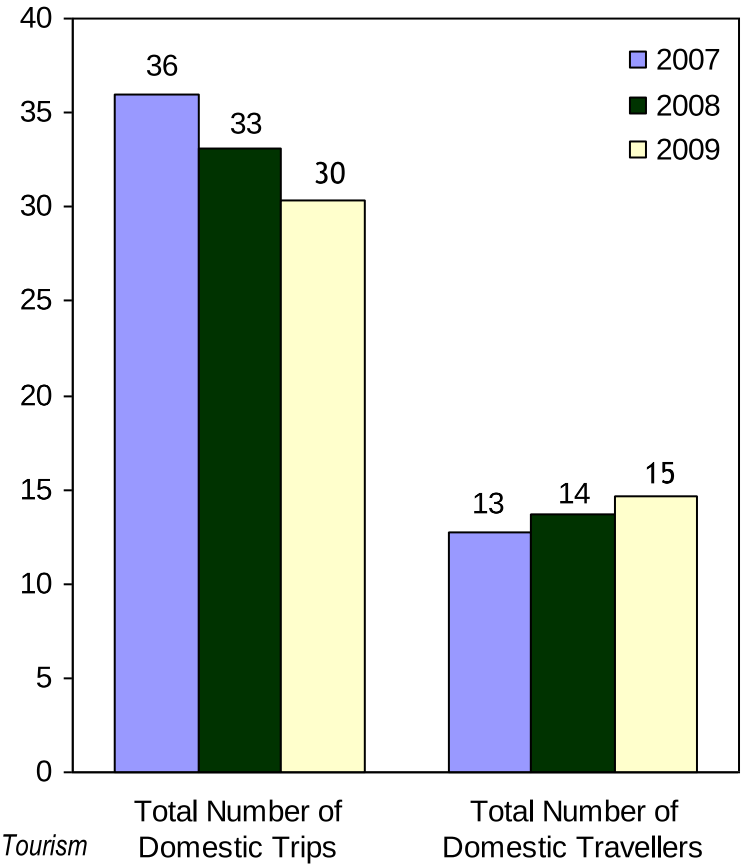
Source: SA Tourism

In 2009 4.487 million domestic tourists were recorded which was a 2% increase from 2008. This could be an indication that the industry is taking a positive trend from the mayhems it suffered due to the economic crisis. Comparison with the other years could be biased due to the data collection problems discussed earlier on.

Figure 2.2 below represents a comparison of the total number of trips taken by domestic tourists in South Africa from 2007 to 2009 as well as the total number of domestic tourists for the same period of time. It is interesting to note that the number of domestic trips seems to decline from 2007 to 2009 but at the same time the number of travellers seems to increase. This is an indication that the number of people taking domestic trips is increasing each year but the travellers are taking lesser number of trips.

There was a 16.7% decline in the number of trips from 2007 to 2009 and 15.4% increase in the number of travellers for the same period of time.

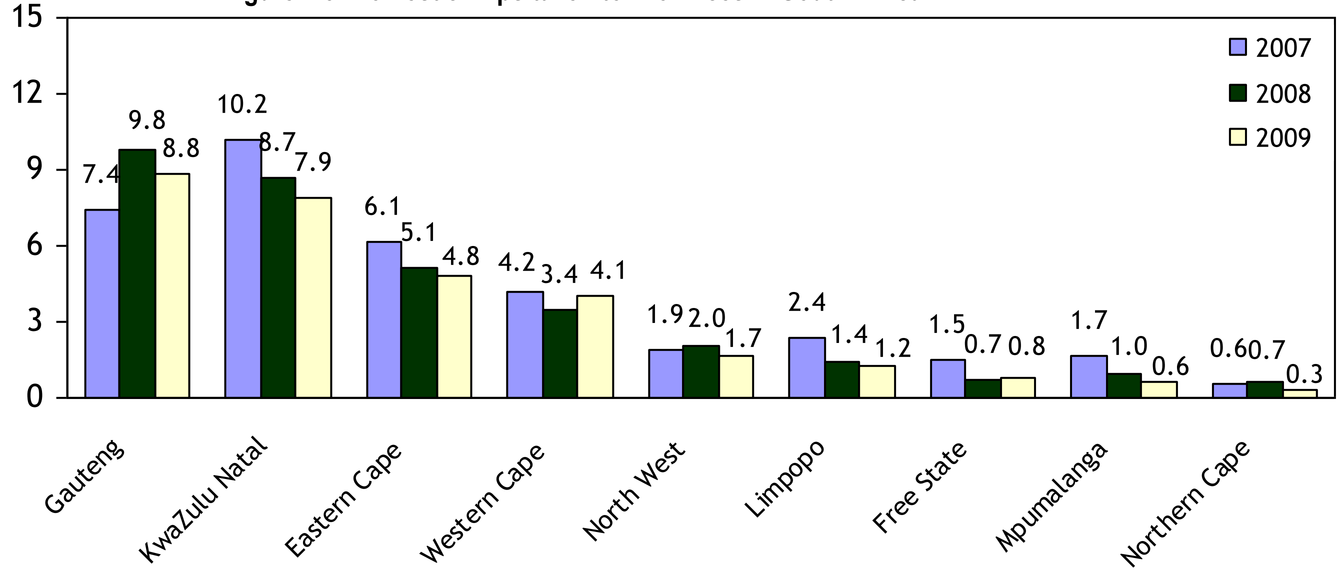
Figure 2.2: **Number of Domestic Trips taken in South Africa (in Millions)**



Source: SA Tourism

In South Africa, tourism is normally not evenly distributed among the provinces. While Gauteng seems to be among the leading tourism destination, other provinces such as Northern Cape and Free State seem to benefit very little from the tourism industry. This could be due to their geographical location given that these areas are land rocked and hence there are no beaches to attract holiday makers. Also, unlike Gauteng which acts as a business hub for many African countries especially SADC, very little business takes place in these provinces. **Figure 2.3** shows the market share of domestic tourism to each of the nine South African provinces from 2007 to 2009.

Figure 2.3: Domestic Trips taken to Provinces in South Africa



% of Total Trips '07	**21%**	**28%**	**17%**	**12%**	**5%**	**7%**	**5%**	**4%**	**2%**
% of Total Trips '08	**30%**	**26%**	**16%**	**10%**	**6%**	**4%**	**3%**	**2%**	**2%**
% of Total Trips '09	**29%**	**26%**	**16%**	**13%**	**6%**	**4%**	**3%**	**2%**	**1%**

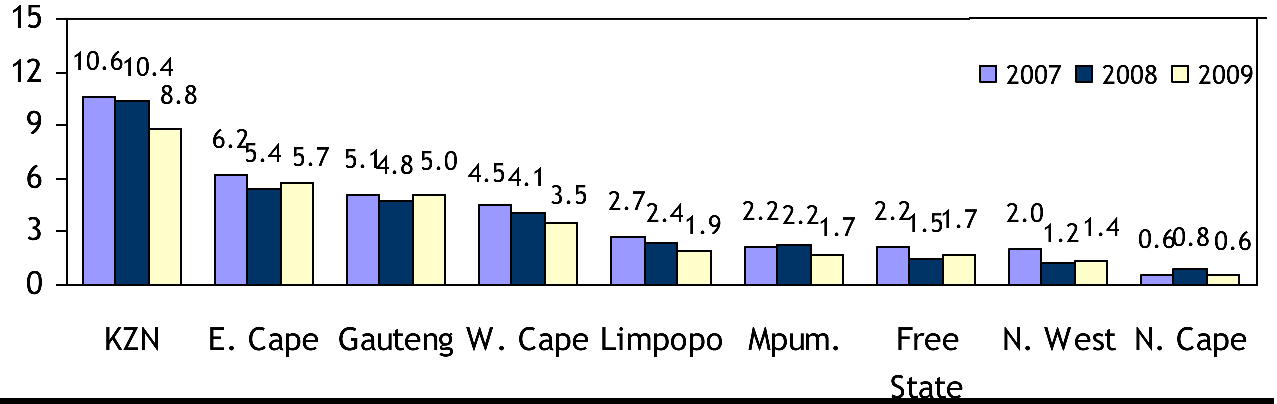
Source: SA Tourism

From the figure above it can be noted that Gauteng had the highest number of trips taken in 2009 with 8.8 million trips taken, which counted to 29% of all the trips taken. KwaZulu-Natal came second and accounted for 26% of the total trips then Eastern Cape with 16% followed by the Western Cape with 4.1 million trips which counted for 13% of the total domestic trips.

Northern Cape had the least share of the market with only accounted for 1% of the market share in 2009 followed by Mpumalanga.

If we compare Gauteng and Northern Cape, we can see that there was a wide gap of the market share (28%) of the total number of travellers in 2009. This gap is also replicated in the other two years meaning that in general tourism industry in Northern Cape has a long way to go before the province can start enjoying the benefits associated to the tourism industry.

Figure 2.4: Percentage Total Domestic Trips Taken in South Africa by Province



Market share'07	**29%**	**17%**	**14%**	**13%**	**8%**	**6%**	**6%**	**6%**	**2%**
Market share'08	**32%**	**17%**	**14%**	**12%**	**7%**	**7%**	**5%**	**4%**	**3%**
Market share'09	**30%**	**19%**	**17%**	**12%**	**7%**	**6%**	**6%**	**5%**	**2%**

Source: SA Tourism

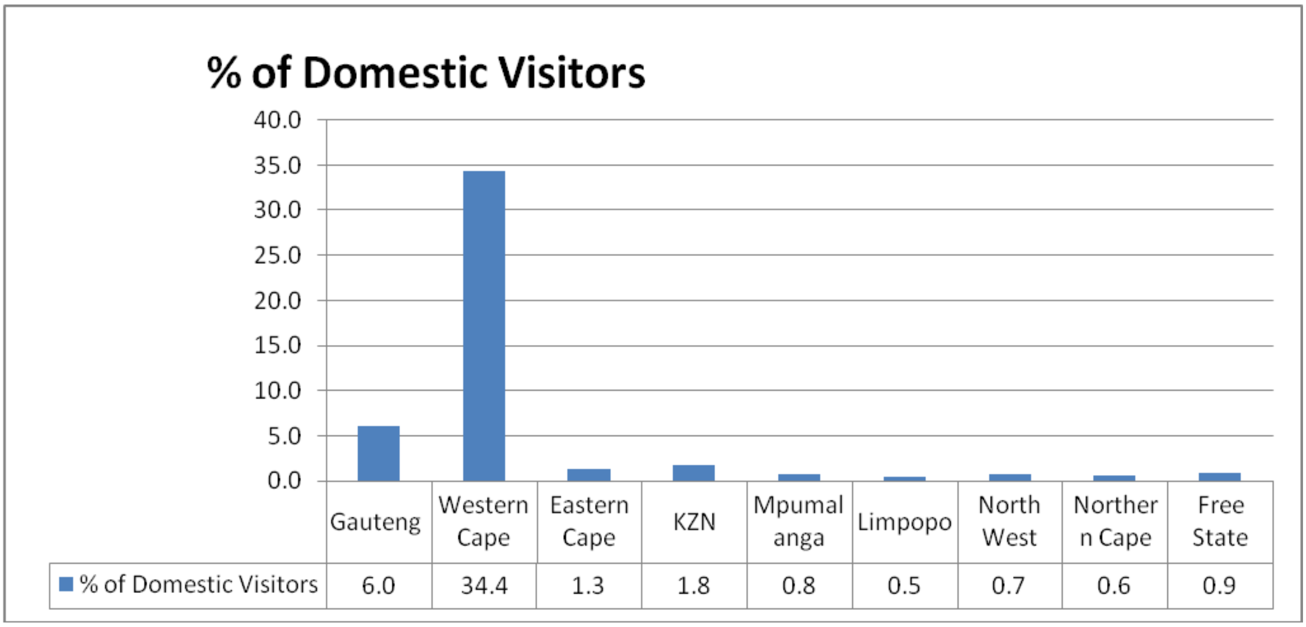
From the above figure it can be seen that the market share seems to remain the same for all the provinces during the three year period.

KZN dominated in all the three years in relation to the total domestic trips taken with a 30% market share in 2009, Eastern Cape 19% on the second position, Western Cape came fourth after Gauteng with a 12% market share. In all three years Northern Cape had the least market share followed by North West province.

Origin of Domestic Visitors

Figure 2.5 below shows the percentage representation of the origin of the domestic visitors that visited the Western Cape in 2009. It is evident from the figure that inbound tourism dominated in the Western Cape with a total percentage of 34.4%. Gauteng was leading the other provinces but only accounted for 6% of the domestic tourist visiting Western Cape. Limpopo had the lowest percentage of 0.5% followed by Northern Cape with 0.6%

Figure 2.5: Origin of Domestic Tourist to the Western Cape in 2009:



Source: Cape Tourism

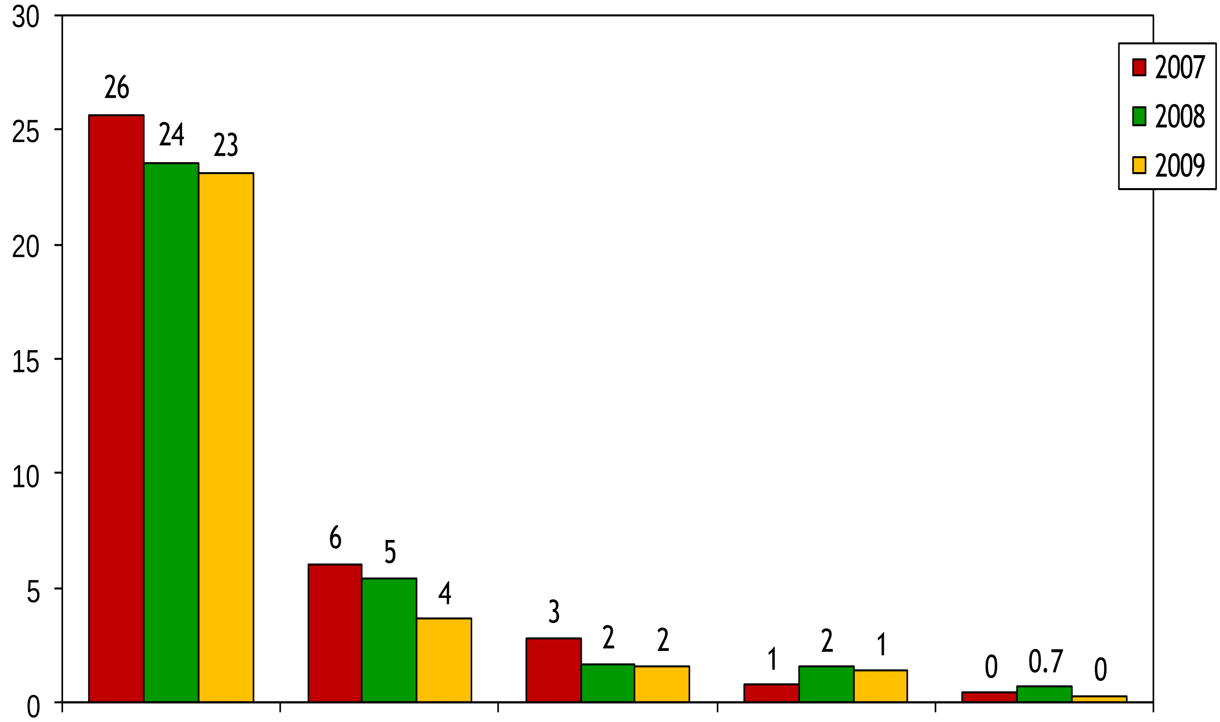
Domestic Visitor's Profile By Race and Age

Grant Thornton presented the latest information (2005) in the profile of the visitors in the June 2009 report and there is no such information for after 2005.

Purpose of Visit

Just like foreign visitors South Africans are attracted to other provinces for different reasons. Domestic tourism would not exist were it not for the many differences in culture, geographical features (such as mountains, beaches etc.) diverse religious beliefs and wide spread business opportunities. **Figure 2.6** gives a clear overview of the purpose of domestic trips taken in 2009 by South Africans.

Figure 2.6: Purpose of Domestic Trips Taken in South Africa in 2009:



	VFR	Holiday	Business	Religious	Medical
Share of trips: 2007	71%	17%	8%	2%	1%
Share of trips: 2008	71%	16%	6%	5%	2%
Share of trips: 2009	76%	12%	5%	5%	1%

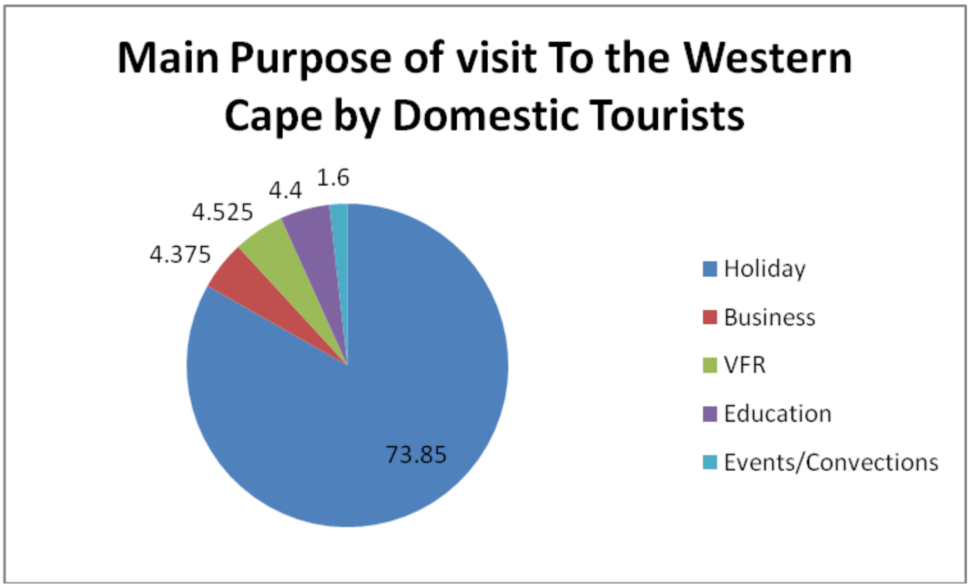
Source: SA Tourism

From the figure above it can be seen that the main reason why most South Africans travelled was to visit friends and relatives. This accounted for 76% of the total domestic trips taken in 2009. Medical reasons counted the minimal reason of travelling in all three years with only 1% of the travellers in 2009 travelling for medical reasons.

The number of trips taken for the purpose of VFR, Holiday and business seems to decline from the year 2007 with 4% decrease on the number of people travelling to visit friends and relatives for holiday and 2% decrease on the number of people travelling for holiday.

Western Cape is one of the most diverse tourist destinations with a variety of products to offer. These include immense holiday destinations, some of the best universities in the country and not to forget that most of the international and national events are held at the Cape Town international Convectional Centre. **Figure 2.7** shows the main purpose of visit to the Western Cape by the South African citizens.

Figure 2.7: Purpose of Domestic Trips Taken to Western Cape



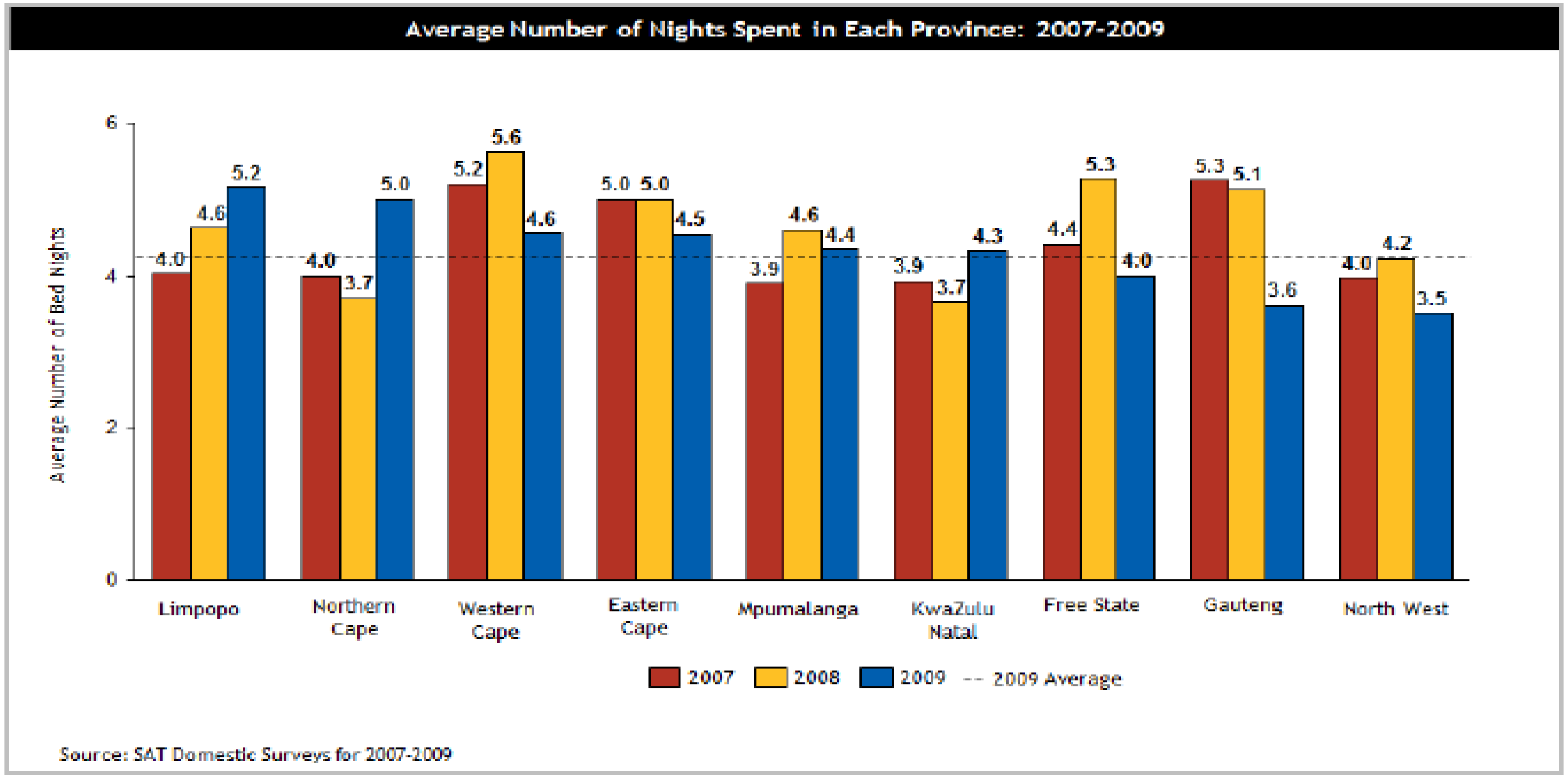
Source: CTRU

From the above figure it can be noted that:

- 73.8 percent of the domestic visitors visiting Western Cape visited for holiday purposes.
- 4.4 percent visited for business reasons.
- The least percentage of 1.6 of the visitors came for events and convections.

Length of Stay

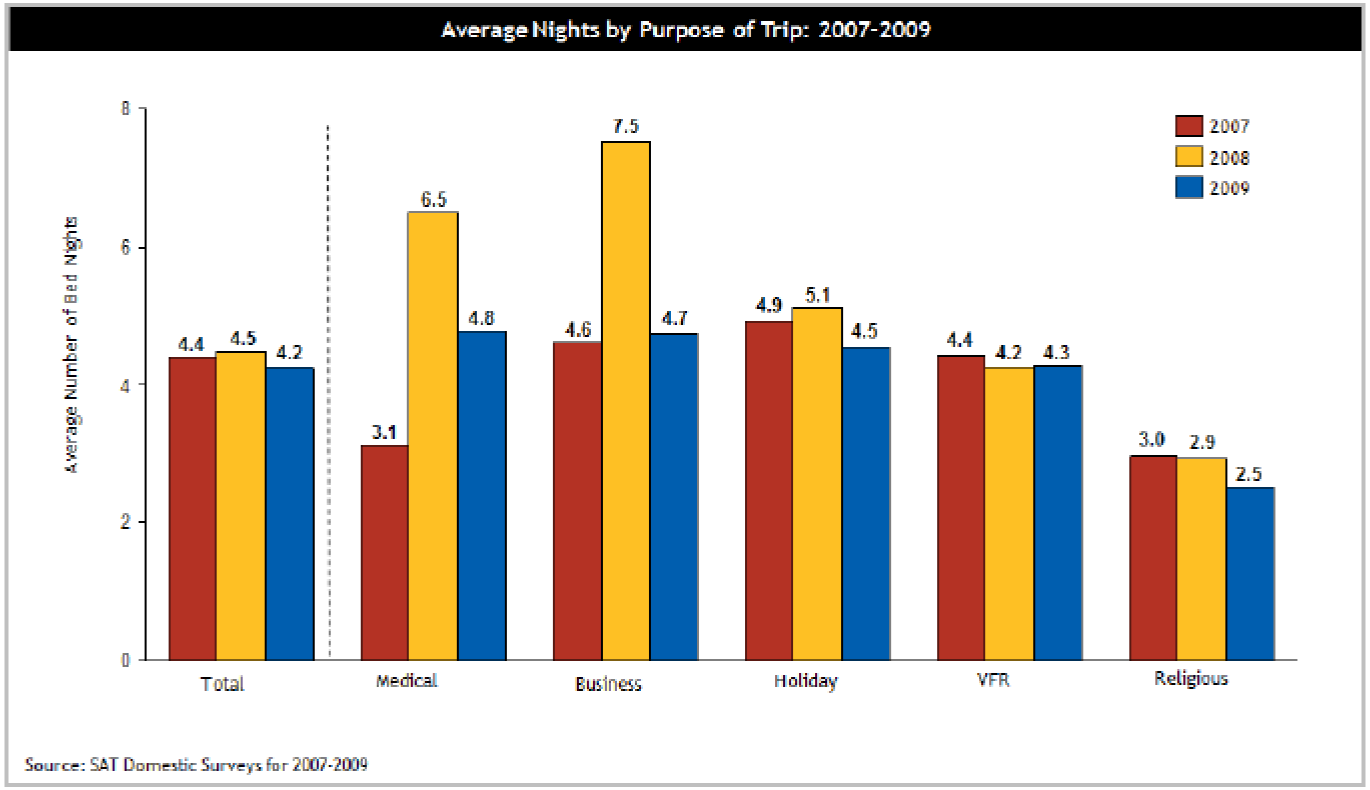
Figure 2.8: Average Length of Stay of Domestic Tourists by Province



Source: SA Tourism

Tourists to Limpopo and Northern Cape stayed on average longer than in any other provinces. However, due to easy accessibility to Gauteng and North West, mainly from KwaZulu Natal which is the second highest source market, tourists stay shorter in those provinces than any other province.

Figure 2.9: Average length of Stay of Domestic Tourists by Trip Purpose



Note: The average length of stay of business tourists in 2008 is high as there were a number of tourists who travelled for professional reasons (meetings, sales calls, etc.) who took trips that lasted more than 2 weeks.

Source: SA Tourism

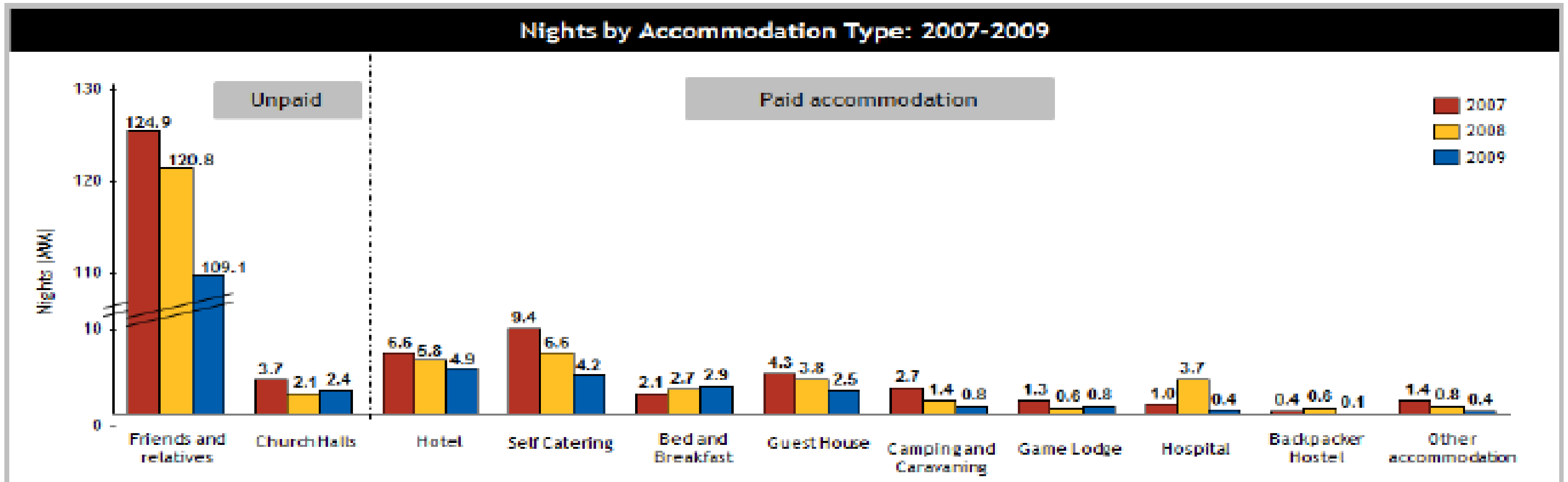
The average trip lasted 4.2 nights. Business trips and holiday trips continue to be longer than the average of all domestic trips; however the length of these trips declined sharply in comparison with 2008. The number of VFR nights has remained relatively unchanged since 2007.

Bed nights

The latest data available on bed night spend is for 2005 which had already been presented in the June 2009 EVT Report

Type of Accommodation Used

2.10: Nights by Domestic Tourists by Accommodation Type 2009



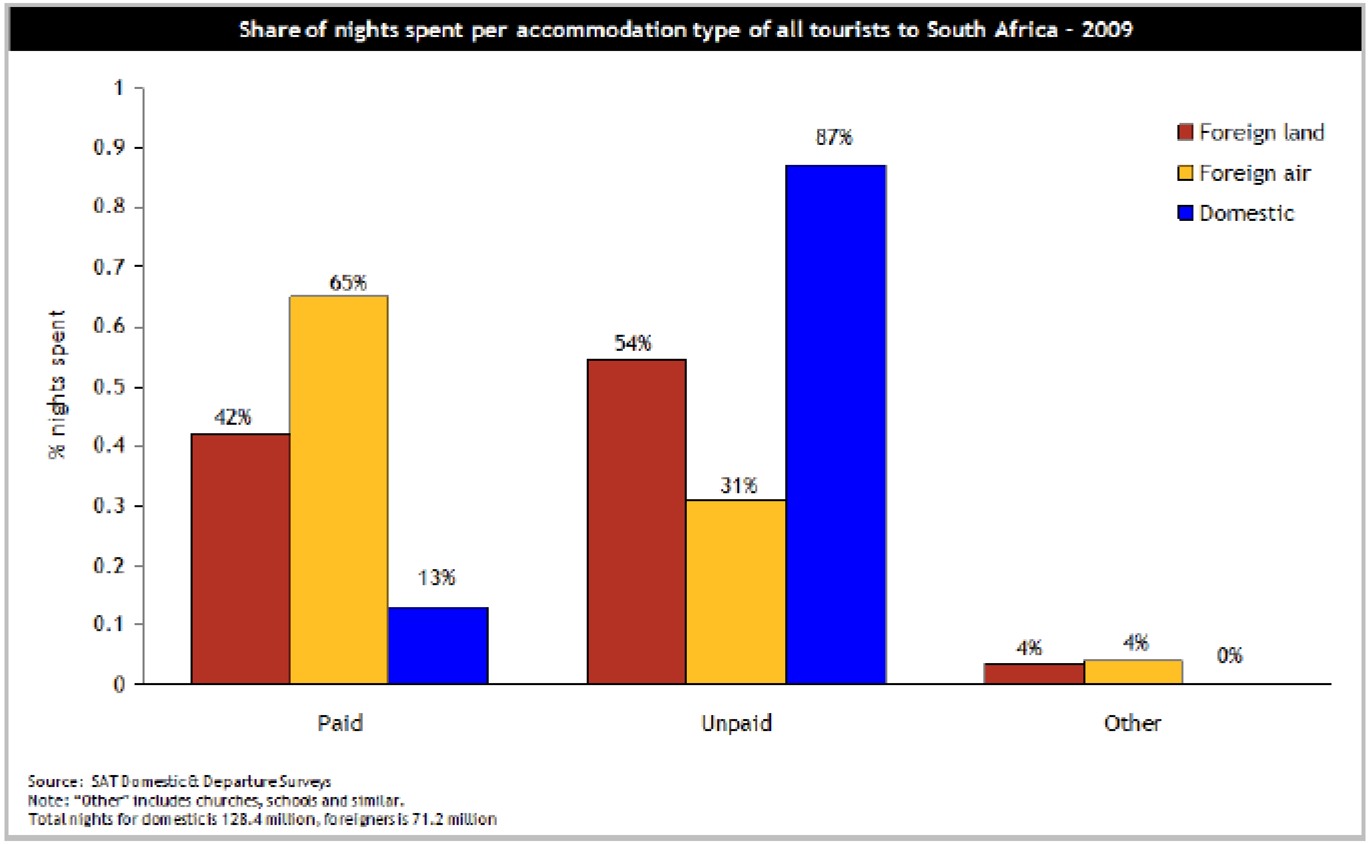
Share of Trips (%)	VFR	Holiday	Business	Religious	Medical	Other
2007	67.5%	16.1%	7.1%	7.3%	1.2%	0.8%
2008	71.4%	15.7%	5.4%	4.8%	2.0%	0.7%
2009	76.2%	12.0%	5.3%	4.6%	1.0%	1.0%

	2007	2008	2009
Total Domestic Bed-Nights (MM)	157.8	149.0	128.4

Note: Other accommodation includes sleeping in car, training college, holiday home, workshop premises, jail, school hall.
Source: SAT Domestic Surveys for 2007-2009

Due to the prevalence of VFR travel, the bulk of nights are spent in unpaid accommodation. The share of nights in unpaid accommodation increased from 82% to 87% in 2009, possibly due to economic constraints that people were faced with in 2009 (Annual Tourism Report:2009).

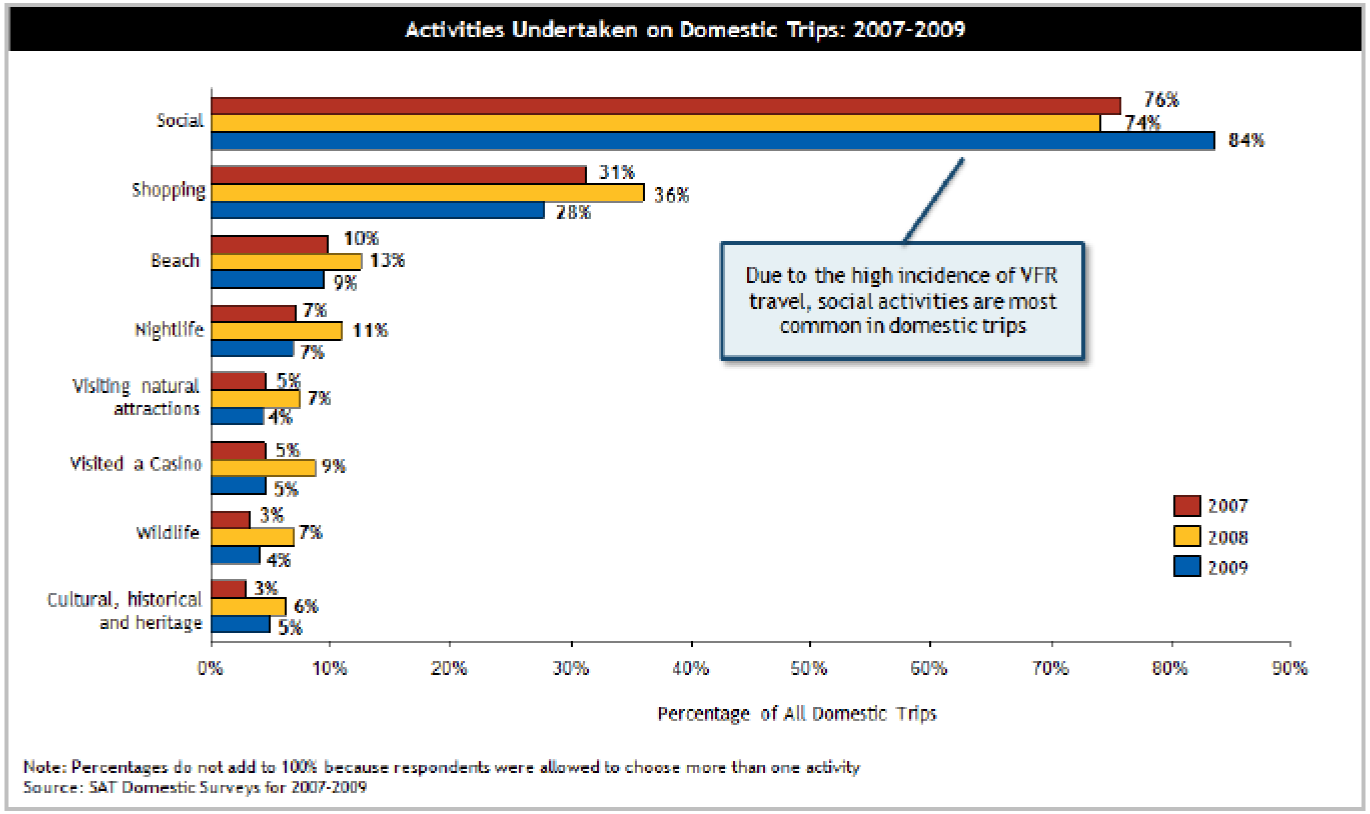
Figure 2.11: Share of nights spent per accommodation type of all tourists to South Africa



Source: SA Tourism

Activities Undertaken

Figure 2.12: Activities undertaken by Domestic tourists in 2009

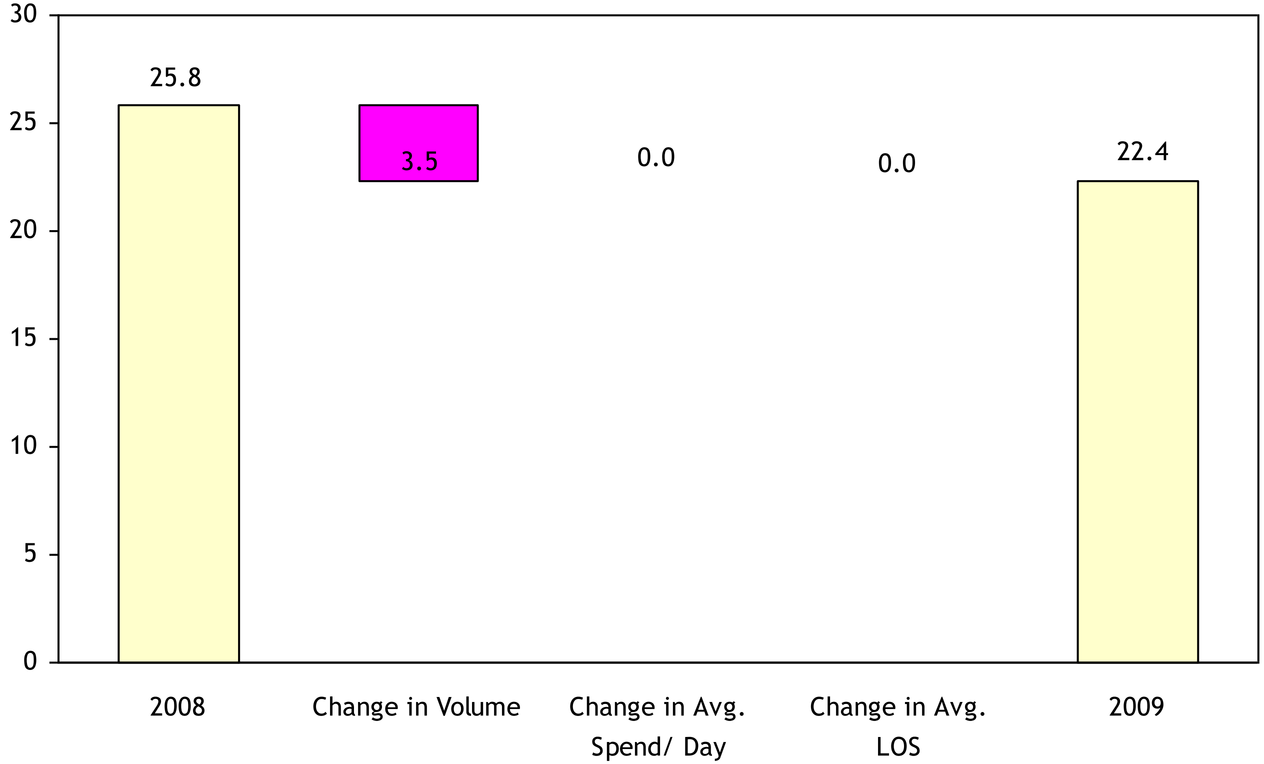


Source: SA Tourism

Domestic tourists engage mostly in unpaid activities, such as social activities associated with VFR travel. Apart from shopping, a small number of domestic tourists engage in income generating activities for the tourism sector.

Revenue generated from Domestic Tourism in 2009

Figure 2.13: Revenue generated from Domestic Tourism in Billions



Source: SA Tourism

The total revenue generated from domestic tourism dropped by R.3.5 billion to R.22.4 billion in 2009 as compared to R.25.8 billion in 2008.

Total Spending on Domestic Trips in South Africa

Figure 2.14: Spending on Domestic Trips in 2008

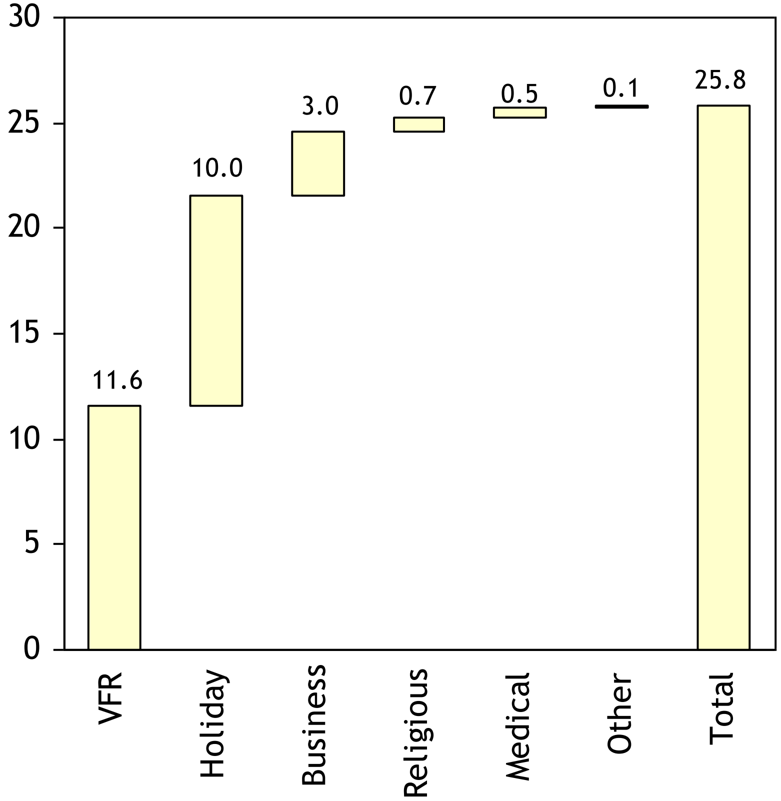
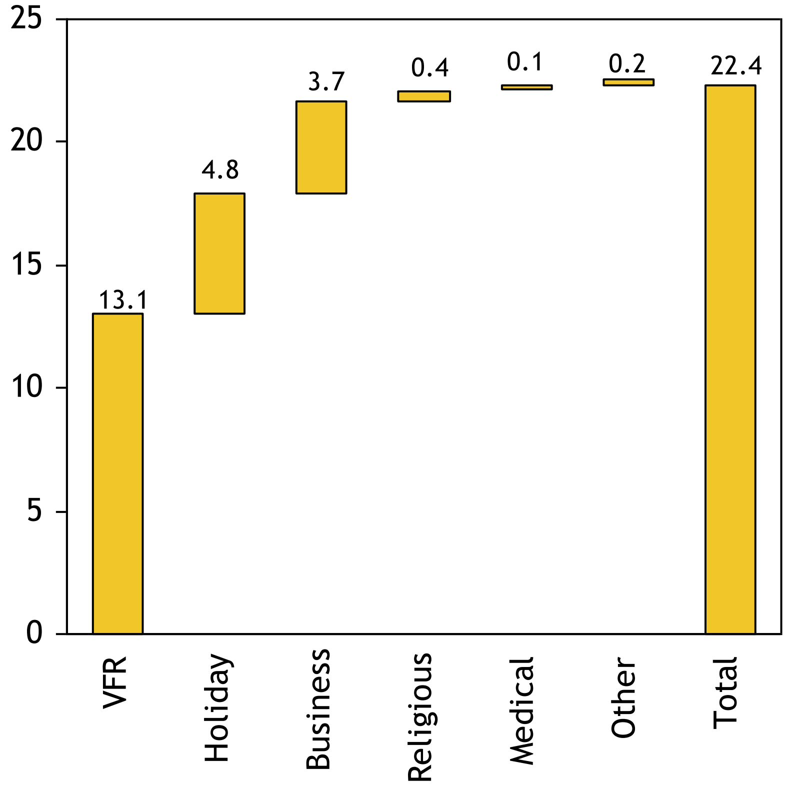


Figure 2.15: Spending on Domestic Trips in 2009



Source: SA Tourism

VFR accounted for 76% of total domestic volume which was 4.7% increase from 2008 and a tremendous 13.7% increase in percentage revenue contribution from 44.8% to 58%. Holidays accounted for 12% of total volume which was a 3.7% decline but 22% of total domestic revenue a16% decline.

<u>Average Spend in South Africa Per Trip by Purpose (2008 and 2009)</u>

Figure 2.16: Average Spend Per Trip by Purpose: 2008

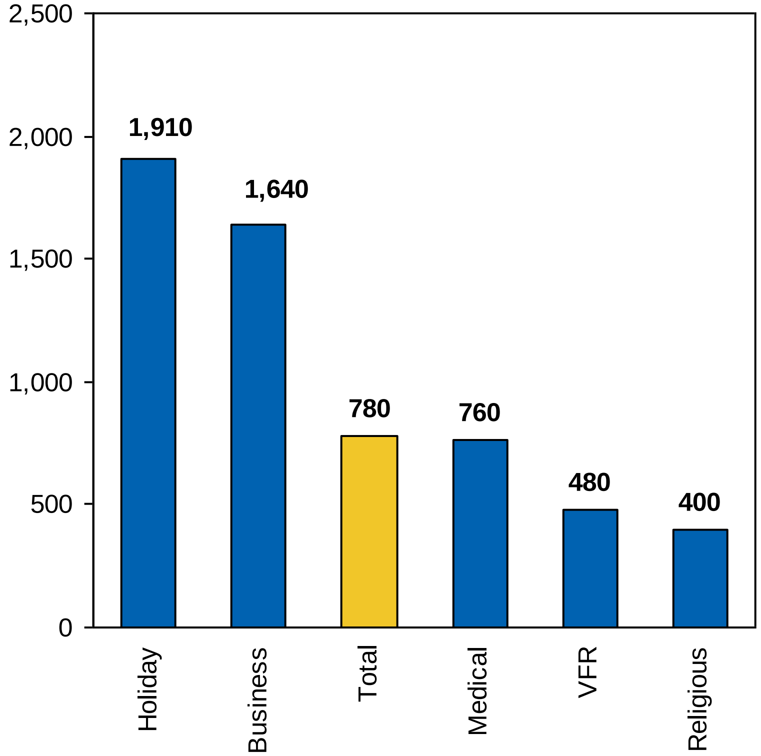
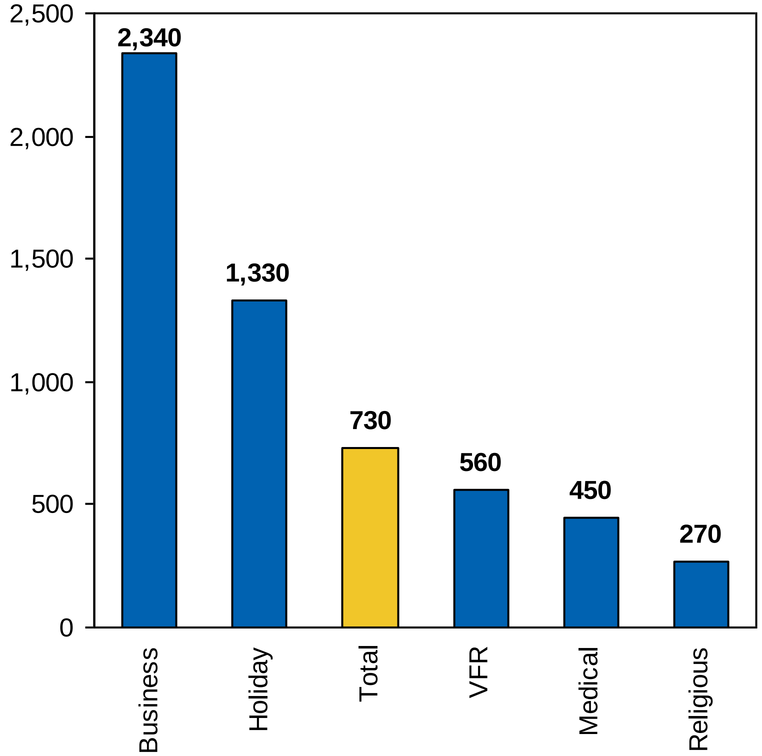


Figure 2.17: Average Spend Per Trip by Purpose: 2009

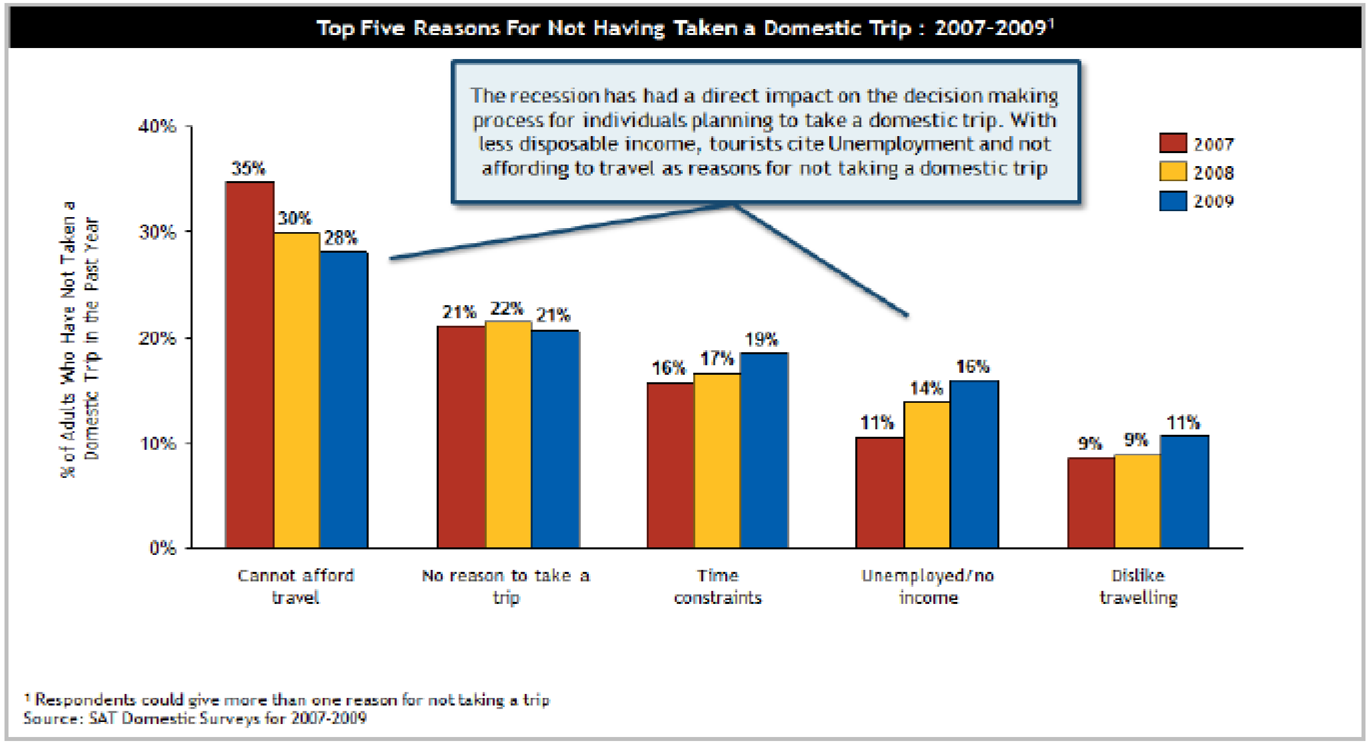


Source: SA Tourism

From the above figures it is clear that:

- Holiday and business dominated on the average spend among the domestic tourists in both years.
- In 2009 the contribution changed with people spending more on business trips than they did on holiday trips unlike 2008 when more people travelled for holiday than business.
- Religious spend counted least in both years.

Figure 2.18: Main Reasons for not having taken a Domestic Trip



Source: SA Tourism

Of those that did not take a trip in 2009, most of them cited economic constraints as the major barrier to travel. This is supported by the decline in employment from Q4 2008 to Q4 2009. Approximately 870,000 people lost their jobs in that period, which is a -6% decrease in employment. GDP also fell sharply from Q2 2008, but did start picking up after Q1 2009. This however did not help the decline in employment or the negative sentiment that was already felt throughout the country.

3. Conclusion: Relevance to the Study

Tourism in South Africa

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

- There were approximately 10 million foreign visitors in 2009
- Total Foreign Direct Spend in South Africa was R89.3 Billion
- Average spend in South Africa per Day (excluding capital expenditure) was R1 110
- Average length of stay was 7.5 nights
- Tourism GDP (direct and indirect) was R194.5 Billion (up by 7.9%)

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

- There were 30 million domestic trips taken in South Africa in 2009
- The Total Direct Domestic Spend in 2009 was R22.4 Billion (down by 14% in 2008)
- Average spend per domestic trip was R740

Tourism in the Western Cape

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

- There were approximately 3.4 million visitors in the Western Cape during the first 3 quarters in 2009
- 65.8 % of the visitors to the Western Cape were domestic visitors

4. STATISTICS ON SUPPLY SIDE OF TOURISM

4.1 Preamble

This section of the report presents the findings based on the supply side survey on tourism product owners in the Western Cape. The aim of the supply side survey was to collate information to calculate the supply side economic value of tourism. The survey was conducted by using a questionnaire and hence the results presented are based on the information provided by the Tourism Products Operators and no data transformation was deemed necessary.

4.2 Survey Design

Through experience in conducting previous surveys with Tourism Products Owners it is well known that the response rates from such surveys are normally very low. Thus, in order to avoid facing the problem of too few TPOs willing to participate in the survey, consensus was reached that there is no need to draw a specified sample from all the TPOs registered on the database of Cape Town Tourism. Therefore, all the 2185 TPOs on the database were informed about the EVT questionnaire and requested to complete the questionnaire online.

4.3 Sample Size

According to the Random Sample Size Table, the representative sample size (at 95% confidence level) for a population of approximately 2200 is 327 (around 15%). The Random Size Table is attached to the report as Annexure D.

4.4 Survey tool

For the June 2009 supply side survey, a questionnaire was compiled canvassing information on the following areas:

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

In order to maintain consistency of information while updating the 2009 report it was agreed that the same questionnaire will be used but with the following additions:

- Years of operation
- High and low seasons of the enterprise
- Enterprise annual turnover growth

Also, to ensure that more TPOs take part in the survey, the questionnaire clearly indicated that the survey does not require the name and contact details of the business. It was clearly stated that the "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 prioritization of tourism in regards to infrastructure development resulting in more tourists for tourism enterprises".

Also, in an attempt to increase the response rate and entice more businesses to participate in the survey the City of Cape Town opted to enter business owners who completed the questionnaire in a competition whereby they stand a chance of winning one of the following:

- Soccer Ball
- 2010 FIFA World Cup™ T-shirt
- Tourism brochures

4.6 Data Collection

To ensure anonymity the questionnaire was uploaded on the Cape Town Tourism website as opposed to sending it to the TPOs via email or fax. Additionally, GAB Consulting created a link on its website as a back up plan for the completion of the questionnaire in case of technical problems that could arise.

An electronic communication was send to over 2000 TPOs throughout the Western Cape. The table below depicts the categories of Tourism Business that were included in the survey:

Table 4.1: Categorization of Tourism Business

ENTERPRISE TYPE	NUMBER OF MEMBERS
Accommodation	958
Transport and Car rentals	83
General	376
Tour and Experience	587
Wine and Dine	181

The initial communication was sent to the TPOs on the 24th May 2010 and a period of 1 week was given for the completion of the questionnaire. By the end of the first week GAB Consulting received 86 completed questionnaires. A reminder was sent on the 3rd June 2010 but despite that the response rate remained considerably low. Out of the 2185 businesses, GAB Consulting only received 90 completed questionnaires, resulting in a response rate of below 5%.

The completed questionnaires were received and a data set was created on excel spread sheet containing all the information captured from the questionnaire. In this survey we only use the averages, totals and percentages of the figures gathered from the data set to do our comparisons and analysis. A spread sheet with the summary of this information is also presented. The variables on the data set were grouped into classes based on the type of business and then each category was sub divided into different classes based on the size (Small, Medium, large). During the data cleaning, all empty fields were filled with zeros this was in order to make it possible to do some calculations such as finding the averages.

Due to the fact that the response to the questionnaire was quite poor, we decided to take two approaches to calculate the EVT. The first calculation is based on the survey and the results are then generalized.

4.7 Survey Findings

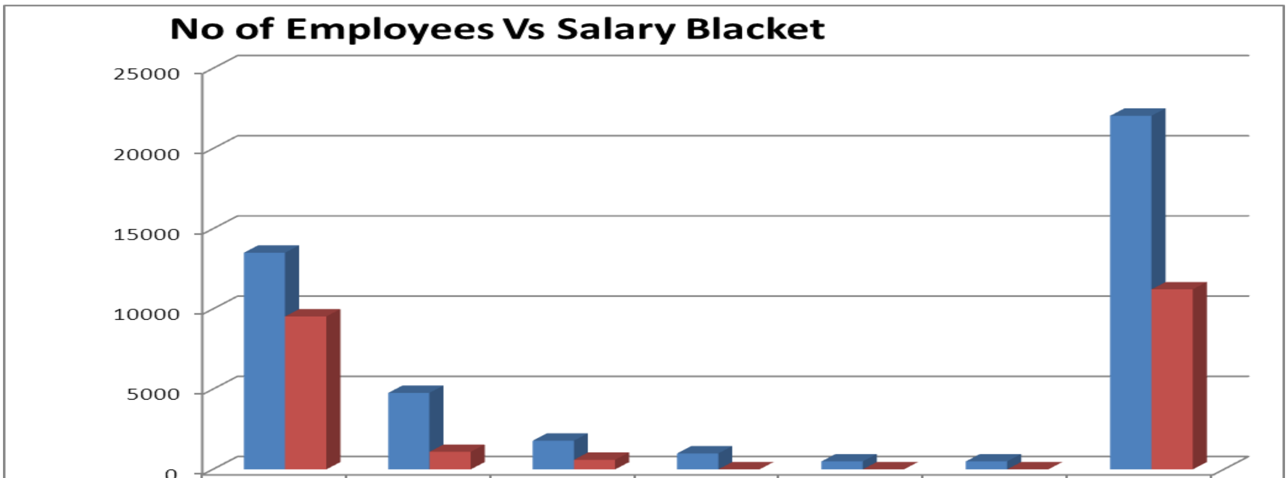
Based on the survey result the EVT in 2009 was R.8.4 billions, while based on the previous year assumptions and calculations the EVT in 2009 was R.8.6 billions.

4.5.2 Discussion of the Results

This section represents the discussions and graphical representations of the collected data from survey.

The graph below represents the total number of temporary and permanent workers employed in the tourism businesses in Cape Town based on their level of income. From the figure it can be seen that there are more permanent than temporary employees in the industry under all salary brackets. The figure also indicates that the majority of temporary workers in the tourism industry are in the low income bracket. 69% of the employees fall under the lowest income bracket while only 1.5% falls in the high income bracket.

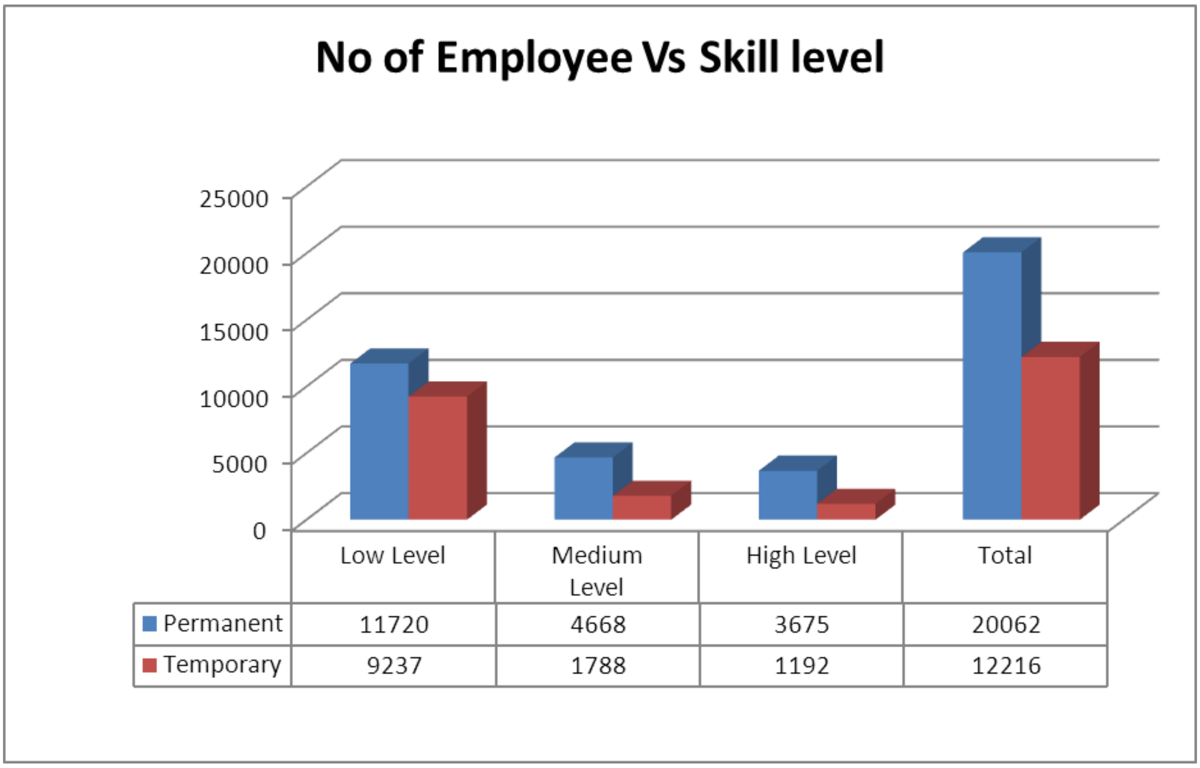
Figure 4.1: No of workers and their level of income



	R1 401 to R4 999	R5 001 to R9 999	R10 000 to R14 999	R15 000 to R19 999	R20 000 to R24 999	>R25 000	Total
Permanent	13507	4767	1788	993	497	497	22049
Temporary	9535	1093	596	0	0	0	11223

Figure 4.2 below is a representation of the total number of workers in the tourism industry wiin the Western Cape grouped acccording to their level of skills. From the figure it can be seen that 62% of the workers is composed of permanent employees, 65% of the total employees is composed of low level workers, 20% medium level and 15% high level.

Figure 4.2: No of workers and level of skills



	Low Level	Medium Level	High Level	Total
Permanent	11720	4668	3675	20062
Temporary	9237	1788	1192	12216

Figure 4.3 below is a representation of the average period of existence of businesses in the tourism industry in the City of Cape Town in 2010. Majority of the businesses (45%)have been in operation for more than six years meaning that they are well established. 34% of the businesses are still new in the industy and 21% of the businesses have been in operation for four to six years meaning they have gone beyond the trial period.

Figure 4.3: Years of business operation

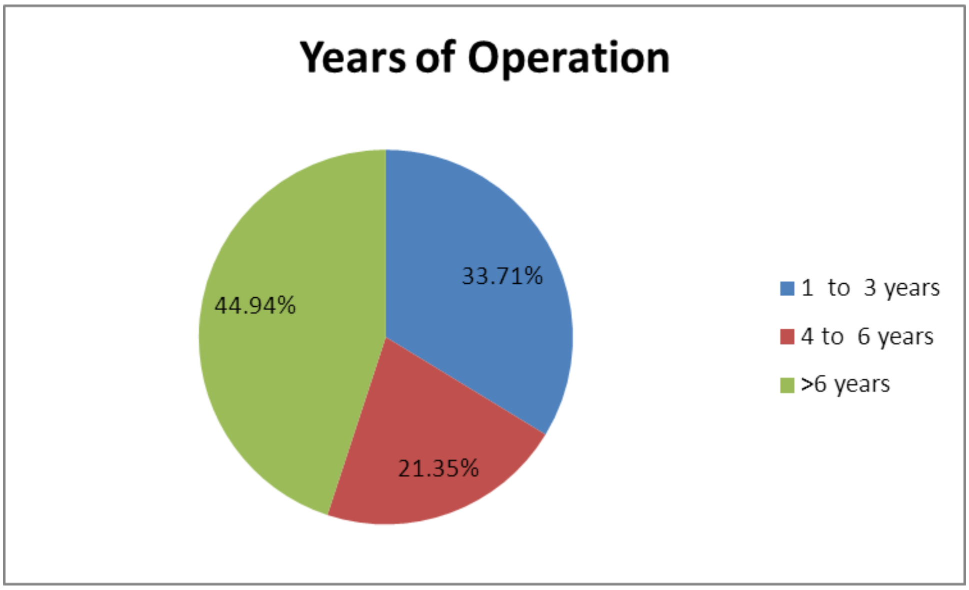


Figure 4.4 below compares the percentage growth of tourism businesses in 2008 and 2009. It can be noted that 48% of the businesses recorded a growth rate of between 0% to 10% in 2009 while 8% more businesses registered a percentage growth of between 10% and 20%. The number of businesses that registered a growth of between 20% and 40% were almost the same for the two years while those that had a percentage growth of above 40% were 6% higher in 2009 than they were in 2008.

Figure 4.4: Percentage Growth of the business

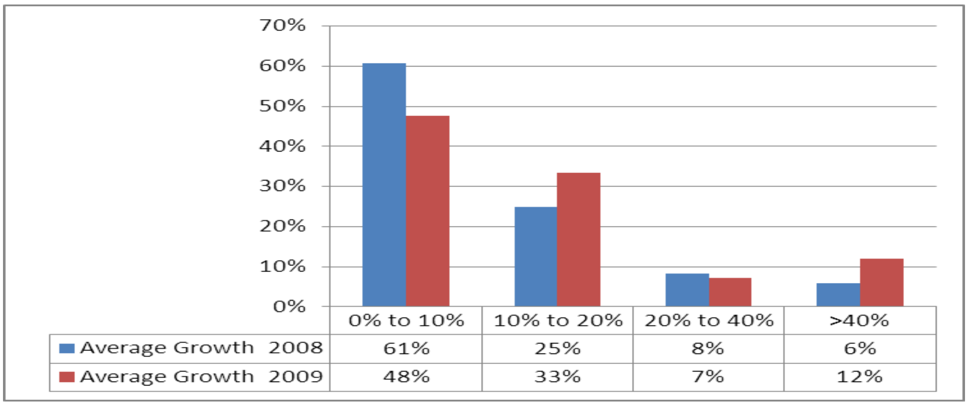
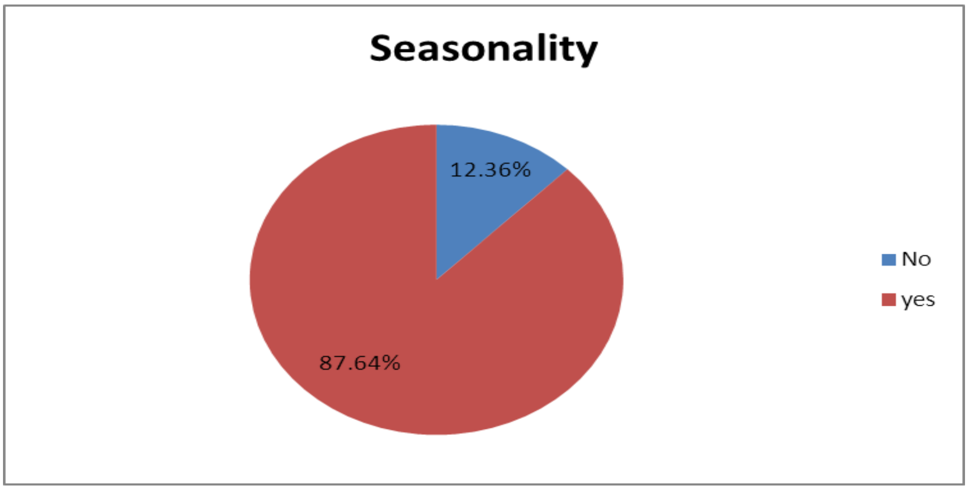
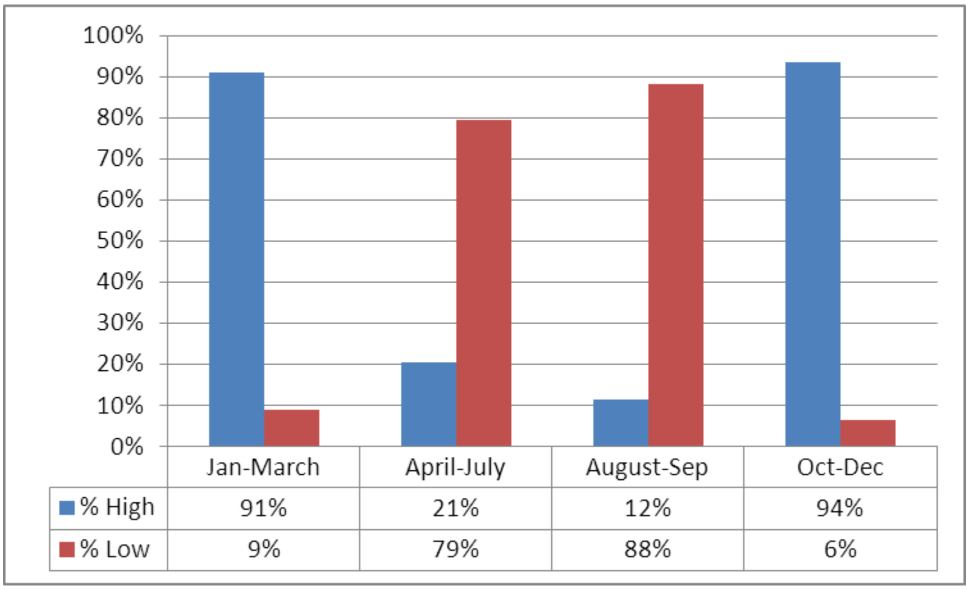


Figure 4.5: Effect of Seasonality on Business



The graph above shows that 88% of the tourism businesses in the Western Cape are affected by seasonality.

Figure 4.6: The high and low seasons of the Businesses



	Jan-March	April-July	August-Sep	Oct-Dec
% High	91%	21%	12%	94%
% Low	9%	79%	88%	6%

From **figure 4.6** above it can be seen that the majority of the businesses that are affected by seasonality have a high season between January – March and October – December while April to September were registered as low season months.

<u>Employment figures within the Tourism Sector in the City of Cape Town:</u>

<u>Table 4.2: Employment figures</u>

	2008	**2009**	**% Change**
Permanent Employees	22 967	20 62	-13%
Temporary Employees	10 214	12 216	20%
Total	**33 181**	**32 278**	**-3%**

The table indicates that there was a 13% decrease in the number of permanent workers in 2009 while there was a considerable increase of 20% temporary employees within the tourism sector. This is in line with the economic crisis that affected the tourism industry whereby more employees were either retrenched or businesses adopted the contract employment approach.

Additionally, it is imperative to note that the employment figures above might not be a true reflection of the actual number of employees within the tourism sector given that there might be potential ±2000 businesses that are not registered on the CTT database and hence not included in the survey. This means that the employment figures could double and hence have a significant impact on the EVT figure given the multiplier effect on the average income of R2500 could possibly add approximately R 1 to 2 billion to the supply side EVT value.

5. ECONOMIC VALUE OF TOURISM

This section presents the EVT calculations and figures based on the information collected from the desktop research and survey. The demand side EVT projection was derived from data obtained from SA Tourism and Gab Consulting's estimates. On the other hand there were two approaches that were adopted in the calculation of the supply side economic value of tourism.

5.1 Demand Side Economic Value of Tourism

The demand side EVT consists of the following contributors:

i. Foreign arrivals to South Africa, the Western Cape and Cape Town

ii. Foreign bed nights spent in South Africa, the Western Cape and Cape Town

iii. Foreign direct spend (excluding capital expenditure) in South Africa, the Western Cape and Cape Town

iv. Domestic tourism trips taken to destinations in South Africa, the Western Cape and Cape Town

v. Domestic bed nights spend in South Africa, the Western Cape and Cape Town

vi. Total spend during domestic trips to destinations in South Africa, the Western Cape and Cape Town

The data for South Africa and the Western Cape were readily available from SA Tourism. However, since such information was not available for the Cape Town region GAB Consulting used previous tourism surveys to estimate the share of foreign and domestic tourists in Cape Town. Therefore, the demand economic value of tourism in 2009 was approximated to 17.3 billion.

The fact sheet containing all the EVT calculations can be found in the Appendix B and the table below presents a summary of the demand side EVT calculation:

Table 5.1: Summary table of EVT calculation

	Source	**2007**	**2008**	**2009**
Foreign Direct Spend (excluding capital expenditure)				
Total Foreign Direct Spend in South Africa (R bn)	South African Tourism	60.1	74.2	79.4
Share of Foreign Direct Spend in the Western Cape	SA Tourism	29.5%	29.0%	29.4%
Total Foreign Direct Spend in the Western Cape (R bn)	South African Tourism	17.7	21.5	23.3
Share of Foreign Direct Spend in Cape Town	GAB Consulting Estimate	68%	68%	68%
Total Foreign Direct Spend in Cape Town (R bn)	Calculation	**12.0**	**14.6**	**15.9**
Total Domestic Spend				
Total spend by domestic tourists in South Africa (R bn)	South African Tourism	20.0	25.8	22.4
Share of total domestic spend in the Western Cape	GAB Consulting Estimate	18.0%	15.1%	14.7%
Total spend by domestic tourists in the Western Cape (R bn)	South African Tourism	3.6	3.9	3.3
Share of domestic spend in Cape Town	GAB Consulting Estimate	44%	44%	44%
Total spend by domestic tourists in Cape Town (R bn)	Calculation	**1.6**	**1.7**	**1.5**
Demand Side Information:				
Total Foreign Direct Spend in Cape Town (R bn)		12.0	14.6	15.9
Total spend by domestic tourists in Cape Town (R bn)		1.6	1.7	1.5
Economic Value of Tourism (R bn)		**13.6**	**16.3**	**17.3**

Source: GAB Consulting

From the table above it can be seen that there has been a 6% growth in the EVT of tourism from 2008 to 2009. It is interesting to note that despite the fact that there was a 15% decline in the number of bed nights spend by foreign tourists in Cape Town there was a significant increase of 8% in the total amount spend. On the domestic side, there seems to be a general decrease in number of domestic tourists, bed nights and total spend. This could be as a result of the economic crisis.

5.2 Supply Side Economic Value of Tourism

5.2.1 Supply side methodology

As mentioned under section 4 of the report, in order to gather information on the supply side economic value of tourism, GAB Consulting conduct a survey on the 2185 Tourism Product Owners registered on the Cape Town Tourism database. However, GAB Consulting adopted the following two approaches to calculate the supply side economic value of tourism. The first approach was to use the survey findings and calculate the averages while the second approach included making adjustments in the June 2009 report turnover and number of businesses.

i. ***EVT Calculation using survey findings:***

- The variables on the data set were grouped into three categories based on the type of business each category which was then sub divided into three different classes based on the size (Small, Medium, large).
- The averages for each class of business were calculated to determine the average turnover per class.
- To get the total turnover per class we took the average turnover which we then multiplied by the number of businesses in that class that took part in the survey.
- The overall total turnover was calculated by adding all the sub totals for different classes.
- To get the overall average turnover the overall total was then divided by the total number of businesses that took part in the survey.
- To get the value of EVT the overall average was multiplied by the total number of tourism businesses (2185) registered in the CTT database.
- ***Thus, based on this particular approach the supply side EVT was estimated to be R 8.4 billion.***

ii. EVT using 2009 calculation

- In this case we took the ratios from 2009 report and to determine the number of businesses falling under each category we took the percentage contribution of that category to the whole dataset that was used in 2009 report and then we multiplied the percentage ratio to the total dataset figure 2185.
- To get the average turnover for each class we took the average turnover that was used on 2009 report and then we scaled it by a 5% increase. NB: The increase was calculated by comparing the changes in spend on the demand side for 2009 for both domestic and foreign visitors to the Western Cape.
- The calculated average turnovers were then multiplied by the number of businesses in the corresponding class to determine the total turnovers for each class.
- The overall total turnover was then calculated by summing the total turnovers for all classes.
- ***Using 2009 calculation the supply side EVT was estimated to be R 8.6 Billion***

Table 5.2: EVT figures

	2008	**2009**
EVT using 2010 Survey figures		R 8.4 Billion
EVT using 2009 calculations	R 7.8 Billion	R 8.6 Billion

The table above depicts that using the same approach as in the June 2009 report there is a significant 10% increase in the supply side economic value of tourism. There were around 20 062 permanent employees and 12 216 temporary employees within the Cape Town tourism industry.

6. CONCLUSION

The update of the June 2009 EVT report was geared towards capturing all recent available tourism statistics in order to identify the trends and changes within the tourism sector at the City level. The 2010 EVT report was updated using all the recent available tourism statistics and the new supply side survey using the latest database of registered tourism businesses in Cape Town. The update exercise reveals that there has been a significant increase in the economic value of tourism since 2008 both on the demand and supply side. However, there exists a huge disparity between the demand and supply side EVT values.

On the demand side the 2009 EVT of R 17.3 billion points to an increase of 6%. It is interesting to note that while there seems to be a decline in the following elements of tourism:

i. Foreign arrivals to South Africa, the Western Cape and Cape Town
ii. Foreign bed nights spent in South Africa, the Western Cape and Cape Town
iii. Domestic tourism trips taken to destinations in South Africa, the Western Cape and Cape Town
iv. Domestic bed nights spend in South Africa, the Western Cape and Cape Town
v. Total spend during domestic trips to destinations in South Africa, the Western Cape and Cape Town

The Foreign direct spend (excluding capital expenditure) in South Africa, the Western Cape and Cape Town shows an increase of 8% in 2009. This significant increase in direct spend seems to be contrary to the general trends within the tourism sector, which in turn implies that the spend per tourist must have increased quite considerably in order to counter the negative effect of all the other tourism aspects and cause the EVT to increase. Therefore, we would like to throw caution on the absolute reliance of these calculated values.

On the other hand, the supply side survey reveals an EVT value of R 8.4 billion, which is more than 50% lower than the demand side. If we assume that the demand side has some level of accuracy because of the wide statistical information surveyed, then the supply side EVT value reveals:

i. There is about ± 2000 businesses not registered as members on the CTT database
ii. The turnover averages utilised might be low

Therefore, our aim while updating the June 2009 report has been to review the numbers, bases of calculations and the integrity of the numbers presented. Our thorough research and review reveals the following:

- The basis of the EVT calculation is simple, understandable and in absence of more detailed information on a city level, acceptable

- The integrity of the numbers is doubtful and should be used with circumspect

The continued annual update and review of the EVT for the COCT is and will be a valuable exercise. The refinement of information collected and computed will eventually enable the creation of a standard reference of information related to the economic value of tourism at a city level.

7. RECOMMENDATIONS

In reviewing the recommendations made in the June 2009 report, it can be clearly noted that the top 3 items have been achieved, namely:

i. The supply side survey to be conducted online

ii. The survey be conducted on an annual basis

iii. A panel of experts is established that can review the information obtained from the survey and provide input to the assumption utilised in the calculation

On the other hand, the following 3 items:

i. Cooperation with SA Tourism to get unpublished survey information

ii. Review and expansion of accommodation categories

iii. The results of the survey should be published widely and completely;

are on going and will be given attention in the next year update. Additionally, now that the survey has been published online it will be easy to conduct the survey more frequently and it is our recommendation to conduct the survey at least twice a year for the next two years. This will hopefully allow a bigger pool of respondents and ensure survey becomes a normal part of business.