

## **RESEARCHING THE CONTRIBUTION OF FOREIGN TOURISTS TO THE ECONOMY OF THE CAPE TOWN METROPOLE**

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### **ABSTRACT**

The aim of this paper is to investigate to what extent tourists, whether from overseas or from other African countries, contribute towards the economy while visiting Cape Town and the Western Cape. As many of these tourists have different purposes for visiting, they will spend money on different things. However, in the literature review, the researcher states that the main purpose for travel to the Western Cape is for holidaying and to visit friends and relatives, a result which emerges from the responses of the research population.

The researcher discusses various issues relating to who benefits from tourism and what can be done to generate tourism revenue to improve the standard of living of those less-fortunate individuals living in the poorer communities. Here the researcher will also raise issues as to what the government is doing regarding local communities, and if the benefits are filtering through to these communities. In the literature, the researcher discusses certain projects that have been implemented, such as job creation initiatives. However, this paper questions whether these objectives will be realised, and whether the disadvantaged communities will benefit from the local economic development projects.

The paper will also examine opportunities for outsourcing and business linkage development in South Africa's tourism economy.

### **INTRODUCTION**

Tourism is frequently justified on the basis of its potential contribution to economic development. However, it is understood that tourism can help to reduce the immense economic gap between both developed and underdeveloped countries and regions, thus ensuring a stable increase of both economic and social development in those particular countries or regions (WTTO 2005). Therefore, tourism has the potential to provide growth and to assist in poverty alleviation as well as job creation.

According to Bloch (2000), about 60 years ago tourism had an influence on national economies. Research demonstrated that, depending on the inwards or outwards direction of tourist flows, tourism would have both positive and negative impacts upon the quantity of national income. Therefore, tourism will firstly bring about the redistribution of national income by dividing the world into tourist-generating and tourist-receiving countries, regions and destinations. Secondly, it leads to the redistribution of income between both sectors and companies within the economy. The fact that tourism consumption differs from personal consumption must also be borne in mind

Ever since, many tourism analysts have studied the different so-called economic impacts of tourism, with the tourism multiplier being the most common one. Depending on the tourism context, other economic impacts presume more or less importance. When looking at less-developed countries, for example, tourism is dependent on foreign currency as a potential generator. On the contrary, deflation and inflation consequences remain somewhat neglected in tourism economic studies.

The purpose of this paper is to investigate the contribution of tourists to the economy of the Cape Town Metropole. This will focus specifically on international visitors, but will include domestic visitors.

**OVERVIEW OF TOURISM IN THE WESTERN CAPE AND CAPE TOWN**

The Western Cape province, home of the Stellenbosch winelands, is currently the South African province with the highest tourism growth rate and overall market share. Table 1 represents tourism facts and figures in South Africa and the Western Cape.

**Table 1: Tourism in South Africa and the Western Cape**

Tourism in South Africa	Western Cape province
<ul style="list-style-type: none"> <li>In 2000, the value was estimated at R90.4 billion, to which overseas visitors had contributed 25.9%. Almost level with gold, tourism was the second-largest earner of foreign currency for South Africa</li> <li>The projected growth is 11.6% per annum to 2010</li> <li>Tourism contributes 8.8% to GDP, which is expected to grow to 10.3% of GDP by 2010</li> <li>In 1998, South Africa received 1.5 million overseas visitors, plus 5.7 million visitors from Africa. Therefore, 24.5 million bed-nights were sold to overseas visitors per annum</li> <li>With a growth of 12.2% per annum, overseas visitors had grown to 2.2 million by 2000 and to 3.1 million in 2005</li> <li>More than 820 000 people are employed in the sector, with projected growth to 1.25 million in 2010, comprising 9.3% of all jobs</li> <li>64.5% of the share of the continent is accounted for by South Africa, Tunisia, Morocco and Zimbabwe, with southern Africa accounting for 30%</li> </ul>	<ul style="list-style-type: none"> <li>The value is estimated at R15.4 billion per annum (R7.2 billion from overseas and R8.2 billion from domestic visitors)</li> <li>By 2010, the projected growth is to R34.7 billion at current prices: overseas R22 billion and domestic R12.7 billion</li> <li>The contribution of the regional economy is estimated to be between 9% and 13%</li> <li>During 1998, there were 830 000 overseas visitors: 6.1 million bed-nights were sold to domestic and 8.5 million to international tourists per annum</li> <li>The target is to increase the number of international visitors to three million by 2010</li> <li>Nine of the 15 national tourism attractions of South Africa are in the Western Cape. The province has a 28% share of the national market</li> </ul>

**Source: Western Cape Tourist Board 2007.**

According to the Western Cape Tourism Board (2001), tourism is estimated to contribute R15.4 billion per annum, i.e. R7.2 billion from overseas tourists and R8.2 billion from domestic visitors, to the local economy of the Western Cape. By 2010 it is projected that income from tourism will more than double to R34.7 billion, of which R22 billion will be derived from overseas tourists, and R12.7 billion from domestic tourists. The contribution of tourism to the regional economy is estimated at between 9% and 13%.

In 2002, the Western Cape received 1.4 million foreign visitors, of which 976 000 were overseas visitors (non-African) and about 40 000 were from the African continent, arriving by both land and air. Therefore, 71% of all foreign visitors are not initially from other African countries but are mostly European (just under 50%) and US residents. Of all visitors to South Africa, 53% visit the Western Cape (Western Cape Tourism Board 2007).

In the Western Cape, more bed-nights were sold to international visitors than in any other province, and of the 12 million bed-nights sold to tourists in the Western Cape, 8.9 million were to overseas tourists. While 32% of all foreign bed-nights were spent in hotels, the other 37% were shared among guesthouses, B&Bs, resorts, self-catering establishments, game lodges and hostels. Overall, the UK and Germany account for the two largest visitor groups, where Europeans were responsible for just under 50% of all bed-nights (Western Cape Tourism Board 2007).

During 2002, international tourists spent approximately R17.3 billion in the Western Cape, to which overseas visitors contributed the most (R12.7 billion). They spent 43% on accommodation, 20% on transport, 20% on recreation and entertainment, and 17% on food and beverages. During this time the Western Cape had the highest length of stay of all South African provinces, with overseas visitors spending on average 9.1 days in the province, whereas African air visitors spent about 13.8 days and African land visitors 6.5 days. In the Western Cape the average hotel occupancy was 66%, compared to 59% for South Africa as a whole (Western Cape Tourism Board 2007).

The most successful destination in South Africa was Cape Town, charging significantly higher room rates in comparison to Johannesburg, Pretoria and Durban. During 2001 and 2002, foreign arrivals on direct international flights to Cape Town increased by 20%, resulting in a significant seat capacity increase since September 2002 (Western Cape Tourism Board 2007).

With a 12.5% share of the total market, the Western Cape is the fifth most popular destination for domestic tourism after Gauteng, KwaZulu-Natal, Limpopo and the Eastern Cape, with 55% of domestic tourists in the Western Cape originating from within the province (Western Cape Tourism Board 2007). In 2002, of all domestic trips to the Western Cape, the majority visited Cape Town (44%), the Garden Route (16.4%), the Overberg (8.1%), the Breede River (7.6%), the West Coast (6.6%), and the winelands (5.9%). In 2001, the average expenditure per capita for all types of domestic overnight trips to South Africa was R437 billion, where 42% was spent on transport, 22% on accommodation, 24% on food, 8% on entertainment and 5% on gifts. Of all the provinces in South Africa, the Western Cape had the highest average expenditure per domestic tourist (Western Cape Tourism Board 2007).

According to Cape Town Routes Unlimited's *Western Cape Tourism Trends Report*, during the first quarter of 2006 (January to March), there were 2 017 090 international arrivals in South Africa, of which 25% visited the Western Cape. From the first quarter in 2005, international arrivals to the Western Cape have increased by 7.99% and the number of bed-nights spent by overseas visitors in the Western Cape has increased by 2.7%, bringing the total number of bed-nights spent by overseas visitors during 2005 in the Western Cape to 5.54 million.

The first quarter of 2006 recorded over two million international arrivals to South Africa, showing a 12% growth since the first quarter of 2005, with most originating from Lesotho (489 034), followed by Swaziland (219 320) and Zimbabwe (214 579). Gauteng received the highest share of international arrivals in the country (948 032), followed by the Western Cape (504 273) (Cape Town Routes Unlimited 2006).

Although international tourist spending in South Africa in the first quarter in 2006 showed a decline to an average of R6 692, international arrivals in the Western Cape were the highest recorded for the first quarter of any year. The majority of international arrivals in the Western Cape were from the UK (114 315), followed by Germany (55 515) and Namibia (36 194) (Cape Town Routes Unlimited 2006).

As stated by Cape Town Routes Unlimited (*Western Cape Tourism Trends Report*), during the second quarter in 2006 (April to June), the total number of international arrivals to South Africa was 1 945 693, of which 17% visited the Western Cape. From the second quarter in 2005, international arrivals to the Western Cape increased by 7.7% and the number of bed-nights increased by 24.7%, bringing the total number to 4.4 million (Cape Town Routes Unlimited 2006).

The second quarter of 2006 recorded the highest number of international arrivals (1 945 693) to South Africa, showing a 6.9% growth since the second quarter of 2005, with most international arrivals originating from Lesotho (464 456), followed by Zimbabwe (253 016) and Swaziland (248 436). Gauteng received the highest share of international arrivals to South Africa in this period (914 476), followed by KwaZulu-Natal (350 225) and the Western Cape (330 768).

The majority of international visitors to the Western Cape were from the UK (55 327), followed by the US (36 340) and Germany (30 127) (Cape Town Routes Unlimited 2006).

## **THE ECONOMIC IMPACT OF TOURIST SPENDING**

A tourist spends money on a wide variety of goods and services provided by a wide range of businesses. For example, when visiting a destination a tourist would have to purchase accommodation, food and beverages, transport, entertainment services, communications, goods from retail outlets and travel services. Therefore, this money may be seen as a demand that is created by people from outside of the area of the local economy. As a result of international tourism, tourist

expenditure involves non-nationals spending within the national economy (Swart 2007), and in the case of domestic tourism, tourist expenditure is a result of spending by people who do not live in the area in which the money is spent. However, the total value of international and domestic tourist expenditure only represents a partial and sometimes deceptive image of the total economic impact (Swart 2007).

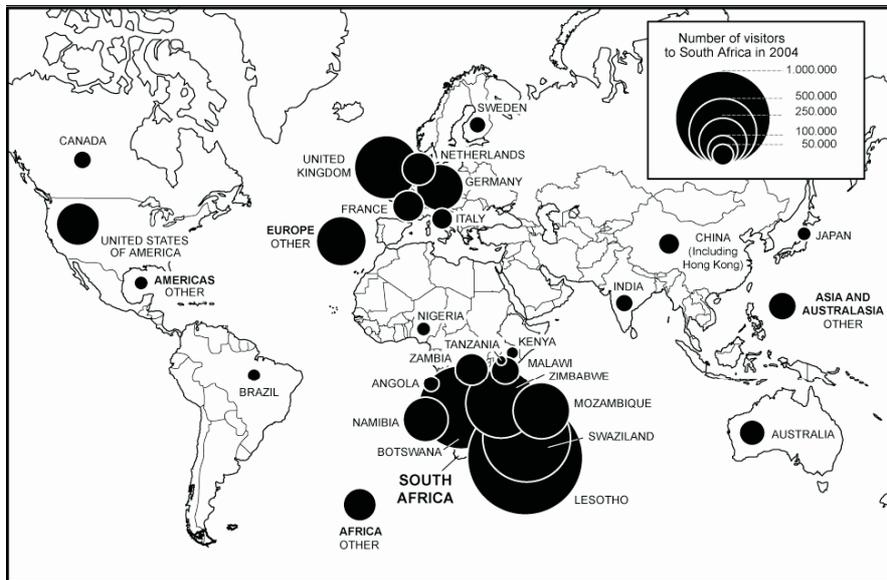
The full assessment of the economic impact must take into account other aspects such as leakages of expenditure out of the local economy, indirect and induced effects, and displacement and opportunity costs. Expenditure by tourists within an economy depends upon the extent of leakages that occur, and thus will determine the amount of money that stays in the economy. For example, if a tourist purchases a carved wooden souvenir from a gift shop in South Africa, the extent of leakages will depend on whether the carving was imported or made locally. If the carving was imported, the tourist is really only buying the added value that was created within the local economy, i.e. the value of local transport, import, government taxes and duties, etc. (Cooper et al 1998). The extent of leakages can result from demand-side factors in that different types of tourist activity tend to be associated with a different propensity to purchase imported goods. However, leakages can also be linked with supply-side factors, especially in developing economies where the local capacity to supply the needs of tourists may be small and there is consequently a high percentage of demand met through imported goods and services. Wherever money flows out of circulation, either by being spent on goods and services from outside or simply being withdrawn through savings, leakages result (Swart 2007).

#### **INTERNATIONAL AND DOMESTIC TOURIST FLOWS TO SOUTH AFRICA**

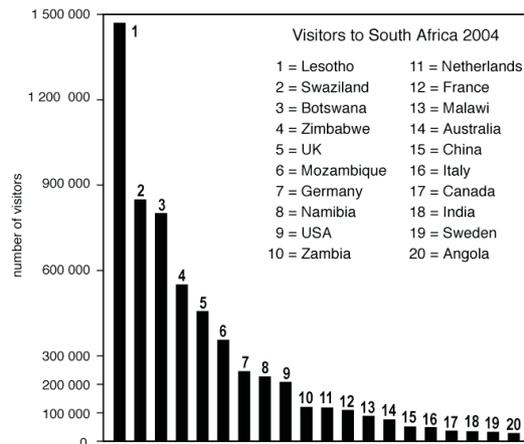
The World Tourism Organisation (WTO) states that international tourist arrivals are determined by a relatively small number of destinations in the north-west and south-east of the African continent. North Africa received 35% of the regional total, and southern Africa 30%, attracting two-thirds of the total tourist arrivals. On the other hand, East Africa received 23%, leaving West Africa with only 10% and Central Africa with 3% (WTO 2003).

According to Mitchell and Ashley, the leading destinations for African tourism are Egypt and South Africa (Mitchell & Ashley 2006). In 2005 the industry was worth an estimated \$73.6 billion, divided between the four main African regions, and supporting about 10.6 million employment opportunities. It is stated by the World Travel and Tourism Council (WTTC) that Africa will see the sector grow between 1995 and 2020. By 2020 the South African region should experience over 300% growth in tourist arrivals, with South Africa and southern Africa is expected to have a great increase in visitor numbers (WTTC1999).

During 2004, South Africa received the largest number of tourists in its history, totalling nearly seven million international tourist arrivals of which more than two million came from other continents. South Africa was ranked 32nd in terms of international receipts (South African Tourism 2005). Figures 1 and 2 illustrate the sources of foreign visitors arriving in South Africa in 2004.



**Figure 1: The geography of international visitor arrivals in South Africa, 2004**  
 Source: South African Tourism 2005.



**Figure 2: Leading country sources of foreign arrivals in South Africa**  
 Source: South African Tourism 2005.

The leading source markets to South Africa during 2004 were as follows: Lesotho (1.47 million visitors), followed by Swaziland (849 179 visitors) and Botswana (802 715 visitors). These are all neighbouring states of South Africa. The main overseas markets were as follows: the UK (456 368 visitors), Germany (245 452 visitors) and the US (208 159 visitors). However, the number of SADC air travellers (200 000) arriving in South Africa is very much lower than the sum of arrivals from the UK (450 000), which positions itself in fifth place in terms of its significance as a source market as indexed by the number of visitor arrivals (South African Tourism 2005).

**THE PURPOSE OF VISITS TO SOUTH AFRICA**

According to South African Tourism (2005), the purposes of tourist visits are classified in terms of holiday, leisure, business, and visiting friends and relatives (VFR), meaning that South Africa's groups of international tourists visit the country for many different reasons. When looking at the

overseas market, North American and European tourists mainly visit South Africa for holiday or leisure purposes. However, most regional tourists visit South Africa mainly for business purposes. When looking at the African source markets, the highest number of business travellers come from Mozambique (71.5%), Tanzania (63.9%) and Botswana (60%). The highest share of leisure tourists are from Angola (38.5%) and Zimbabwe (38.2%). When looking at the VFR, category, the highest were Namibia (47%), Lesotho (40%) and Zimbabwe (28.4%) (South African Tourism 2005).

### **AVERAGE AMOUNT SPENT BY TOURISTS IN SOUTH AFRICA**

South African Tourism (2005) states that during 2004, the direct spending of foreign tourists in South Africa amounted to R47.8 billion. The total direct spending by African tourists was about R25 billion, representing a 53% share. Visitors from Europe contributed R13 billion and Americans R2.5 billion (South African Tourism 2005).

The following markets are the most significant individual ones, including both overseas and African visitors: Mozambique R7 548 million, the UK R5 819 million, Zimbabwe R4 516 million, Lesotho R3 967 million, Swaziland R3 304 million, Germany R2 338 million, Namibia R1 903 million, the US R1 808 million and the Netherlands R1 087 million. Although the overseas countries average much more than that of African visitors, the African countries still stand for five of the average between R9 000 and R13 000 per visit. Whereas Lesotho visitors spend about R2 000, those from Mozambique spend an average of R21 000. However, this is for certain source markets of African travellers.

According to South African Tourism (2005), the latest available data revealed that tourists arriving from Angola, Kenya and Mozambique were spending more in South Africa compared to visitors travelling from Europe and the US. The average business visitor from Lesotho spends R3 766, whereas leisure travellers spend an average of R3 745. However, a VFR visitor from Lesotho will spend an average of R376 per day (South African Tourism 2005). (Please refer to Appendix C: Average spending (rand) in South Africa by geographical origin and purpose of visit.)

### **THE POTENTIAL OF UTILISING TOURISM BENEFITS FOR THE COMMUNITIES AND THE CITY OF CAPE TOWN AND TOURISM ISSUES PERTAINING TO UNDERDEVELOPED AREAS IN CAPE TOWN**

#### **Tourism in the townships**

Great efforts have been made over the past years to put the townships of Cape Town on the tourist map, and to make them one of the main tourist attractions. A considerable tourist infrastructure has been developed due to the support of the City of Cape Town and the Community-based Development Fund, with projects such as the Look Out Platform and Tourist Information in both Khayelitsha and Gugulethu, as well as the Migrant Labour Museum in Lwandle (Telschow 2003).

The increase of tourists in the city centre of Cape Town and in the affluent surrounding suburbs has meant that there is also an increase of visitors to the townships around Cape Town. This has motivated the initiative of many township inhabitants, and B&Bs, restaurants, craftsmen and travel organisers have begun to establish themselves. In comparison with the big tourism projects of Cape Town, projects like these are still very modest. However, it is a great start and makes the townships more attractive for the purpose of tourism (Telschow 2003).

#### **Tourism development in local communities**

According to the *Annual review 2000: Tourism the way to go*, a business trust programme called Tourism Enterprise Programme (TEP) assists new entrants through advice and expertise. TEP has made R66 million available for the development of both small and medium-sized tourism

businesses over four years. However, this is expected to reach an ultimate total transaction cost of R475 million. The most exciting part of this programme is that mentors are dedicated to each fledging business until it is successful. There is no question of giving funding and then allowing the new entrepreneur to succumb alone (*Annual Review 2000*).

According to the Department of Environmental Affairs and Tourism (DEAT), a number of new small, medium and micro enterprises (SMMEs) have been identified in townships such as Gugulethu and Mamelodi, where meetings were held, and the department is now developing a database to make it easy to identify these young entrepreneurs. Because of the current trends in the hospitality industry and outsourcing of core facilities, such as laundry, catering and transport, SMMEs stand to benefit hugely from these activities. Also, there are vacant or neglected areas such as abandoned state camping sites that are being acquired by communities to use for tourism purposes. The Amadiba Community Trust tourism enterprise is already running, and provides tourists with horse riding, fly-fishing and canoeing along the Wild Coast. More and more communities are becoming aware of the wide range of tourist activities they can offer (cultural, heritage, historical, ecological, religious, etc.) and are becoming more involved (*Annual Review 2000*).

### **Poverty relief**

The Poverty Relief Fund has committed about R130 million towards product development, infrastructure development, capacity building and trading, establishment of SMMEs and business development projects within a tourism context. During 1999 and 2000, nine tourism craft projects were set up, and in the past year a further 76. In the nine provinces these projects are expected to create jobs for 8 600 people. DEAT is identifying and helping small and medium tourism businesses all over the country, especially in rural areas (*Annual Review 2000*).

### **Tourism investment**

DEAT is working together with the Department of Trade and Industry (DTI) by developing a holistic and integrated support package for investing in tourism, and also consisting of mentorship assistance, access to affordable finance, market linkages and training.

However, this programme is also being developed with the following key role-players: the Industrial Development Corporation, the Development Bank of SA, the Banking Council, Business Skills SA, the National Business Initiative, and others.

Given the fact that both nature and adventure tourism are draw cards of underdeveloped rural areas, DEAT is working on a series of spatial clusters connecting under-funded regions with existing infrastructure. These tourism opportunities will create benefits in terms of jobs and economic growth to poor communities (*Annual Review 2000*).

### **Education and skills**

The following tourism projects were launched through the business trust:

During 2001, the leadership programme managed by the Tourism, Hospitality, Education and Training Authority (THETA) had its first intake of students. Bearing in mind that qualifications have been developed and submitted to both the Department of Labour and the South African Qualifications Authority (SAQA), the aim of the leadership programme is to train 5 000 unemployed people and upgrade skills of 10 000 people currently working in the hospitality industry (*Annual Review 2000*).

- In 2000, the South African Tourism Institute (SATI) was launched. It was the culmination of three years of hard work by both DEAT and the Spanish government that committed R15.7 million to the project
- SATI's aim is to build the capacity of educationists, trainees and assessors, as well as to provide a research hub for improving professionalism in the field of training in the industry (*Annual Review 2000*).

THETA concentrates on training and education in a number of industry sectors. These include:

- Travel and tourism services
- Hospitality
- Gaming and gambling
- Conservation and leisure

(*Annual Review* 2000).

### **THE IMPACTS OF TOURISM INVESTMENT ON RURAL COMMUNITIES**

As stated by Ashley, Boyd and Goodwin (2000), pro-poor tourism can be defined as an approach driven by the state, the private sector or the community which generates both the economic and non-economic net benefits to the poor. However, internationally the promotion of the tourism sector by both governments and donor organisations has typically aimed at encouraging macro-economic growth, foreign exchange earnings and private sector investments, but without particularly taking the needs of the poor into account. It was believed that the benefits of the growth in the tourism industry would ultimately filter down to the poor and would then require no specific government intervention. The pro-poor tourism strategy signifies a change in this laissez-faire approach, and also emphasises the need to initiate specific methods to make certain that these benefits of tourism growth will eventually filter to the poor (Ashley et al. 2000).

According to Wells (1996) and Roe (2001), the focus on tourism and its impact on rural communities is becoming more and more prominent worldwide. Rural communities need to play a major role in the management and conservation of natural resources, and tourism and environmental professionals realise the importance of this role. This has led to the creation of a number of models in which rural communities are acknowledged as both the custodians and the principle beneficiaries of protected areas (Wells 1996; Roe 2001).

The following case study describes the extent to which a tourism project has generated – or has the potential to generate – net benefits for the poor, and in terms of impacts of the projects measured against key policy objectives.

### **MAKULEKE TOURISM INITIATIVE**

The Makuleke Tourism Initiative is at a rather early stage of implementation, meaning that the financial benefits flowing into the communities are still limited. However, the long-term potential of the initiative is acknowledged, and a few of the potential economic and financial benefits have accrued to the community. Makuleke is located in the Northern province of South Africa and the community consists of 15 000 people.

#### **Economic and financial benefits**

##### **• Employment**

While no direct employment opportunities have resulted from the Makuleke initiative, there have been many others that are not related to tourism investment, but have emerged due to the injection of donor and state funds, as well as other activities such as conservation in the area (Rogerson 2000).

##### **• Small business development**

Most of the tourism developments at Makuleke will be structured in such a way so as to create opportunities for SMMEs, such as guest and staff transportation, building material supply, laundry services and garbage disposal. Many technical training programmes have been implemented to ensure that the local community is able to take up such SMME opportunities (Rogerson 2000).

##### **• Collective economic benefits**

Thus far the revenue generated from hunting has been the greatest economic benefit. During 2000

Makuleke had contracted out hunts and was earning up to R520 000 in hunting fees, with the meat being distributed among the local communities (Rogerson 2000).

- **Economic participation**

The Makuleke land is estimated at being worth R65 million with an addition R3 million due to infrastructure. Therefore the community has ownership of a great asset and this allows them to transact with it on a commercial basis (Rogerson 2000).

## **ECONOMIC BENEFITS OF THE 2010 FIFA WORLD CUP FOR THE CITY OF CAPE TOWN**

For the first time in history the Soccer World Cup will be coming to Africa in 2010. South Africa is the richest and most culturally diverse of the African nations and has been “chomping at the bit” to get centre stage of a worldwide event after years of isolation due to apartheid. According to Waltz (2005), whereas South Africa’s hosting of the World Cup is not likely to draw as many foreign visitors as the World Cup in 1994 in the US or in 2006 in Germany, the economic benefit will be significant due in part to the historical nature of the location and the already emerging economy of South Africa (Waltz 2005).

According to Philip and Donaldson (2004), the total direct economic value for the South African gross domestic product (GDP) is expected to be approximately R24.5 billion, and a total of R8.4 billion is expected to be paid directly to the government in the form of extra taxes. Another 159 000 new jobs, both permanent and temporary, are likely to be created. However, the tourism, private investment and government infrastructure investment spin-offs are not taken into account (Philip & Donaldson 2004). The government plans to spend almost R2 800 billion on upgrading stadiums, not including the associated infrastructure. These include projects already scheduled that will be fast-tracked, such as the R8.4 billion Gautrain (a high-speed rail linking Johannesburg and Pretoria), a “signature bridge” in Coega, the Statue of Freedom in Port Elizabeth (dedicated to Nelson Mandela) and a new international airport in Cape Town (Philip & Donaldson 2004).

As for tourists (and teams) coming and staying in country, there will be 36 teams with an average of 50 people per team, 10 500 media personnel, 5 000 VIPs and 500 FIFA officials. As for spectators, a total of half a million foreign visitors (located outside the continent of Africa) are expected for the tournament, staying an average of 15 days, counting knock-out stage matches. This is considerably more than the 190 000 overseas visitors that arrive in the peak season South Africa (November to March). A total of 2.72 million spectators are expected to be in attendance for the matches, counting both the foreign and domestic spectators. The revenues earned directly from spectator spending are R14.7 billion. Comparing the figures of the 2003 Cricket World Cup, there were 18 500 visitors with a direct economic value of R11.9 million, therefore the economic estimate is considered conservative (Philip & Donaldson 2004).

According to the business plan for Cape Town for the 2010 Soccer World Cup, the economic impacts costs and benefits are as follows:

- **Costs**

The rebuilding and maintaining of the Green Point stadium to FIFA standards for a semi-final is R2.4 billion. The present value (PV) of rebuilding and maintaining to the current seating capacity of the stadium is R389 million.

The PV of the precinct upgrade is R43 million and the urban park R44 million.

The PV of the operating costs of the new stadium are R179 million compared to R44 million for the existing stadium. The precinct management company has a PV cost of R43 million. Therefore the upgrading of the Green Point stadium and common to FIFA semi-final standards has a PV cost of R2.7 billion compared to R434 million for upgrading the existing stadium to its current seating

capacity. On the whole there is an overall difference of R2.3 billion (2010 FIFA World Cup Business Plan 2007).

- **Benefits**

If hosting the Confederation Cup it will, however, generate economic benefits with a PV of R4.7 million.

The new stadium will generate ticket sales to the PV of R26m compared to R14m for the do-nothing option.

The new stadium will generate visitor and tourism revenues with a PV of R482 million compared to R243 million in the do-nothing option.

Therefore overall the net present value (NPV) of the proposed project is a negative R2.2 billion compared to negative R172 million for the do-nothing case. This is an overall difference of negative R2.1 billion (2010 Soccer World Cup Business Plan 2007).

The above analysis is from Cape Town's perspective, and if it is attuned to the national perspective, the net overall negative difference reduces to R1.9 billion.

An analysis of the difference in NPVs of the costs and benefits, taking into account only likely costs to be borne by the City, indicates that if the City pays for 8.4% or less of the stadium costs, it will experience a positive net NPV (2010 Soccer World Cup Business Plan 2007).

According to a strict cost benefit analysis perspective, the planned project has a negative NPV which is by far larger. However, most of the costs linked with the planned project have been included, but not all of the benefits because some cannot be quantified and some cannot be quantified in the time available. These include possible FIFA funding, benefits from the upgrade and use of the common, showcasing the City, civic pride and integration.

On the whole the decision to rebuild the Green Point stadium needed to be a strategic and political one, rather than one based on the strict cost benefit analysis (2010 Soccer World Cup Business Plan 2007).

## **RESEARCH METHODOLOGY**

For the purpose of this research, the researcher conducted an in-depth literature review, as well as an empirical survey aimed at both domestic and international tourists. Closed-ended questions were asked as part of the questionnaire, after which data was analysed quantitatively.

## **INTERPRETATION OF FINDINGS**

In larger groups ranging from 20 to 60 members, the researcher would approach only one member of the group to complete the questionnaire, whereas if all members had to complete the questionnaire, the researcher believes that the results would be misleading or obscured.

It is obvious that all respondents had visited the Western Cape due to the fact that the survey was conducted within the Western Cape. It is evident that the main responses were from foreign tourists as they were the target population, which corresponds to the literature review which states as follows:

During 2004 South Africa received the largest number of foreign tourists in history, thus being nearly seven million international tourist arrivals of which more than two million came from other continents and South Africa was ranked 32nd in terms of international receipts (South African Tourism 2005).

This statement corresponds to the fieldwork, therefore it is a known fact that the majority of the tourists are international visitors.

These findings coincide with the literature review that since 2005 there has been an increase in international arrivals to the Western Cape, as shown by the following quotations:

Quarter 2 in 2005, international arrivals to the Western Cape have increased by 7.7% and the number of bed nights spent by international visitors in the Western Cape increased by 24.7%, making the total

number of bed nights spent by international visitors in the Western Cape 4.4 million (Cape Town Routes Unlimited 2006).

During 2002, international tourists had spent approximately R17.3 billion in the Western Cape, of which overseas visitors contributed mostly [R12.7 billion]. They had spent 43% on accommodation, 20% on transport, 20% on recreation and entertainment and 17% on food and beverages. During this time the Western Cape had the highest length of stay of all South African provinces and overseas visitors spent on average 9.1 days in the province, whereas African air visitors spent about 13.8 days and African land visitors spent 6.5 days. In the Western Cape the average hotel occupancy was 66%, compared to 59% for SA as a whole in 2002 (Western Cape Tourism Board 2007).

It is clearly evident that the number of bed-nights increased due to the increase of international visitors to the Western Cape, and according to the literature foreign tourists contributed greatly by spending over R12 billion in the Western Cape during 2002. According to the Western Cape Tourism Board, in the Western Cape more bed-nights are sold to international visitors than in any other province, and of the 12 million bed-nights sold to foreign tourists, 8.9 million were to overseas tourists (Western Cape Tourism Board 2003).

Therefore it was mainly foreign visitors that arrived by air to the Western Cape. As stated in the literature review, there was an increase in international direct flights to Cape Town: “During 2001 and 2002, foreign arrivals on international direct flights to Cape Town had increased by 20%, resulting in the significant seat capacity increase since September 2002” (The Western Cape Tourism Board 2007).

According to these findings, the most successful destination in South Africa is Cape Town.

On a positive note, all the respondents intend to visit the Western Cape again, and the researcher believes this is of utmost importance. As stated by the Western Cape Tourism Board (2001), by 2010 there would be an increase of three million overseas visitors (Western Cape Tourism Board 2007).

When distinguishing between domestic and international tourists to see who travels for what purpose, according to the literature review it is clear that international tourists’ main purpose for visiting the Western Cape is for holiday or leisure purposes:

When looking at the overseas market the North American and European foreign tourists mainly visit South Africa for holiday or leisure purposes. However, most regional tourists would visit South Africa mainly for business purposes rather than for leisure purposes. Therefore it is evident that this analysis corresponds to what is stated in the literature review. However, many tourists both from African and overseas countries tend to utilise the VFR factor as accommodation options are easier and more affordable, thus they can then spend more money on other activities other than accommodation such as transport, entertainment, food, etc.

South African Tourism (2005) gives a breakdown of international tourists’ use of different types of accommodation while visiting South Africa. Most tourists coming from Africa as well as overseas visitors from the UK and Australia will make use of the VFR factor. Many such tourists would also consider visiting the major cities such as Johannesburg, Durban, Cape Town and Port Elizabeth (South African Tourism 2005).

**Table 2: Amount spent on BEVERAGES**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	500	16	80.0	84.2	84.2
	1000	3	15.0	15.8	100.0
	Total	19	95.0	100.0	
Missing	system	1	5.0		
Total		20	100.0		

**Table 3: Amount spent on GIFTS**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	0	1	5.0	5.3	5.3
	500	7	35.0	36.8	42.1
	1000	10	50.0	52.6	94.7
	5000	1	5.0	5.3	100.0
	Total	19	95.0	100.0	
Missing	system	1	5.0		
Total		20	100.0		

**Table 4: Amount spent on ACCOMMODATION**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	500	4	20.0	21.1	21.1
	1000	8	40.0	42.1	63.2
	5000	7	35.0	36.8	100.0
	Total	19	95.0	100.0	
Missing	system	1	5.0		
Total		20	100.0		

**Table 5: Amount spent on OTHER**

		Frequency	Percent	Valid percent	Cumulative percent
Valid		19	95.0	95.0	95.0
	500 (entertainment)	1	5.0	5.0	100.0
Total		20	100.0	100.0	

Overall the common amount is on average R500 per day per person. As shown in table 2, 80% indicated that they spend roughly R500 on beverages per person per day, whereas 15% indicated that they spend about R1 000 on beverages (this consists of a group of tourists with more than 20 members). With reference to table 3, 50% indicated spending R1 000 on gifts, and 35% R500. In table 4, out of the 20 respondents only one did not respond to this question, Of the 90%, 40% spent up to R 1000 per day on accommodation, 35% spent R5 000, and 20% spent R500.

With regard to other expenditure such as entertainment (table 5), only 5% indicated that they spent R500 on entertainment. It is clear that many tourists have different needs, wants and levels of satisfaction, and will pay for what they want. Therefore this analysis coincides with what is stated within the literature review.

**Table 6: Overview of results**

	International group size	International visits	Nights spent	Amount spent on trip	Food	Beverages	Gifts	Accommodation	Monthly income
Valid	12	18	18	19	18	19	19	19	19
Missing	8	2	2	1	2	1	1	1	1
Average	13.83	2.72	8.72	8 000	888.89	578.95	973.68	2 368.42	30 000
Standard deviation	17.17	2.8	6.9	3 214.55	1 050.98	187.317	1 020.26	2 073.93	11 055.42

Table 6 highlights the group sizes, the number of nights spent in the Western Cape, as well as the amounts spent on the trip including transport and what was spent per person on an average day. It also indicates the monthly incomes of visitors. The above analysis gives an indication of what was spent on average per tourist. It clearly indicates that more money was spent on accommodation, followed by food, gifts and beverages. According to this analysis each tourist spent about R12 809.94 on their trip from an average monthly income of R30 000.

## **CONCLUSION**

The aim of this research study was to identify what contribution tourists make to the economy, and to investigate if local communities benefit from these economic inflows.

In conclusion, it is stated in the literature review that both international and domestic tourist contribute greatly towards the economy. Research shows that the main reasons for visiting the Western Cape are for holiday purposes, and the findings of this study coincide with those of the literature. Taking into account the total expenditure of each tourist, the results show that the average tourist earns up to R30 000 per month and spends between R10 000 and R12 000 when visiting the Western Cape, contributing greatly towards the national economy. It is therefore relatively important for more and more tourists from both overseas and African countries to visit the country.

An understanding of the differences between overseas and regional tourists is of special significance in terms of policy and planning for urban tourism. The role played by urban places in terms of the tourism experience of overseas and regional African visitors must be appreciated somewhat differently. For the overseas tourist, cities comprise an important element within their general experience of South Africa as a whole, which includes the country's rural-focused, nature-based tourism products. However, the urban focus provides a number of opportunities where overseas visitors can make a valuable contribution to broadening the visitor base of various urban attractions that might not otherwise be viable if they were dependent only on domestic or regional tourists.

Tourism is a growth industry in South Africa with the prospect of creating jobs and wealth in needy communities who are guardians of bio- and cultural diversity. However, in South Africa, the public, private and community sectors have devoted considerable time, money and effort in the design, implementation and management of community-based enterprises.

Great effort has been made in order to integrate less fortunate communities. For example, the townships have been put on the map and can now be seen as tourist attractions, as the increase in foreign tourists coming to Cape Town has specifically resulted in visitors to these areas. As there are many SMMEs that are being established in these areas, they are assisted by the government, the Department of Economic Development and Tourism, and various enterprises such as the Tourism Enterprise Programme and the Department of Environment Affairs and Tourism. To take advantage of tourism opportunities, the government has assisted entrepreneurs in the Western Cape with small businesses development so that they in turn can create jobs within their communities.

There are important differences in the extent of opportunities linked to the supply chains of various forms of tourism investment and many other geographical environments. For instance the supply chain of upmarket ecotourism development has not produced the wide selection of opportunities that many observers had predicted. The greater numbers and a wider range of SMME opportunities take place under conditions of investments linked to an "African experience", or in niches in the tourism industry that are not aimed at the highest-income travellers. Certainly, the more the tourist product and supply chain are influenced by international standards, the smaller the range of opportunities for emerging SMMEs other than as bases for lowering costs (such as room cleaning through outsourcing). Therefore the most important opportunities for emerging SMMEs in the travel and tourism economy are those arising from proposals for cost reduction or most vital from government intervention.

A sustained focus on job creation is necessary by all Capetonians, especially those who have the means, to assist entrepreneurs, professionals and others to rebuild our society and to re-establish core values in order to create sustainable employment. Jobs open the doors to restoring dignity to individuals and to communities.

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