

**Cape Town International Convention Centre:
The Projected Economic Contribution**

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Abstract

Towards the end of 2000, a study was commissioned into the projected economic impact of the new Cape Town International Convention Centre. The study set out to measure the macroeconomic impact of the Convention Centre as well as identify industries that could be promoted by the existence of the Centre. This paper focuses on the first part of the study and reports on the projected macroeconomic impact of the CTICC and the methodology that was used to determine this impact.

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Executive Summary

Convention centres are big business for any city. For some cities tourism is also big business. By using convention centres to promote a city's tourist attractions by tying convention centres and tourism together is even bigger business. This is what the Cape Town International Convention Centre (CTICC) sets out to do.

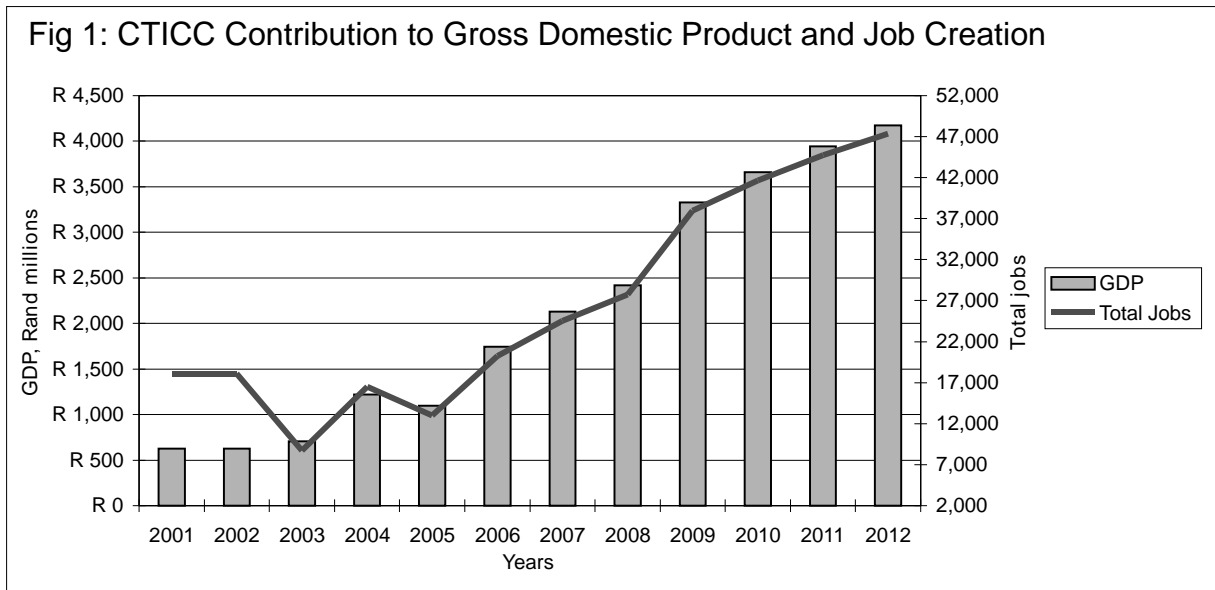
Cape Town's V&A Waterfront is already an important tourist draw card. The existing constraint on the Waterfront is that it is largely cut off from the foreshore, the city centre and therefore parliament, the Gardens, and the grandeur of the old town under the slopes of Table Mountain. The development of the Roggebaai Canal is aimed at addressing this constraint. Acting as a green lung along the foreshore, the Roggebaai Canal will link the CTICC to the Waterfront. In turn, it will also link the Waterfront to the rest of the city centre. Together, the Waterfront, the Canal and the convention centre should provide sufficient critical mass to be a major boost to tourism. It goes without saying that it will also make the convention centre a very attractive place to visit and as a result will make the CTICC a very competitive convention centre.

The Cape Town International Convention Centre (CTICC) will have at least three different types of economic effects.

- It will transform the physical area, where the convention centre will be located from a dirty, dusty and unsafe environment to a place that is clean, friendly and attractive. While these economic effects are recognised, these impacts are difficult to quantify.
- There are clear macroeconomic advantages and benefits. These are to be found in job creation and increases in income, as well as the generation of foreign exchange, tourist visitor nights, increase in income tax, indirect household incomes, etc.
- There is the possibility that the convention centre will generate a synergy between conventions and exhibitions, on the one hand, and emergent industry and business on the other. The convention centre can be used to showcase the Western Cape and its industrial base. If this is handled sensitively, it will have the potential to grow these industries at a rate that will be far greater than in the absence of showcasing. Such industries that have been identified in this study include film making, financial services, business services, phyto-medicinal products and boat building.

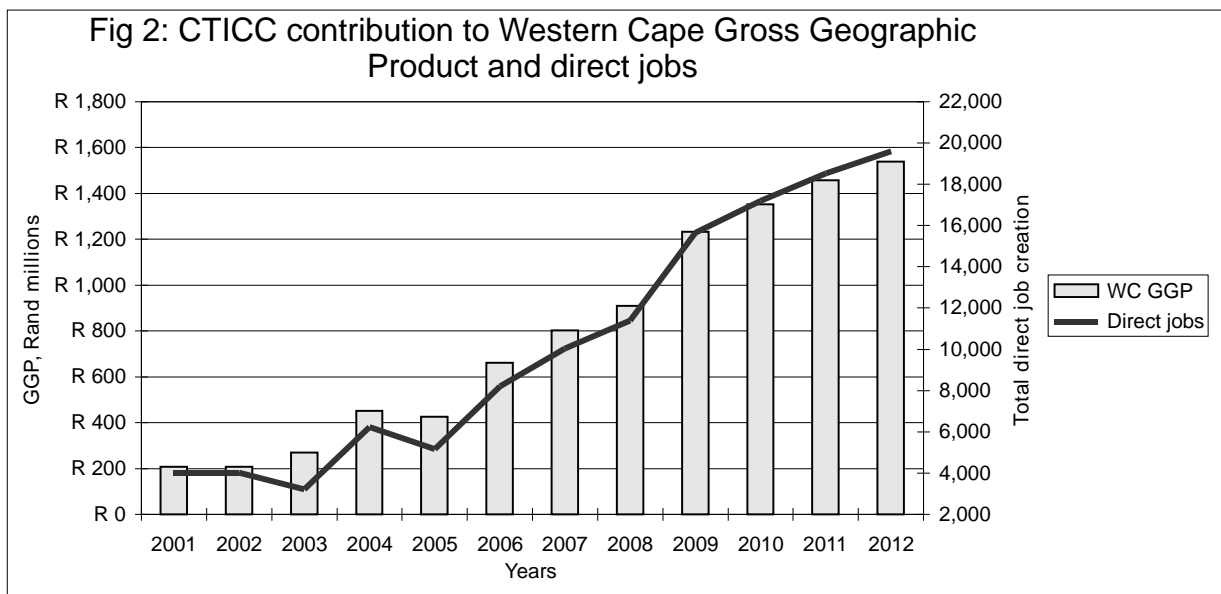
From an economic perspective the most important and measurable economic impacts of the CTICC are evident in the contribution to Gross Domestic Product (GDP) and job creation. These impacts are illustrated in Figure 1 below. The building of the convention centre, hotel and offices, including multiplier effects, will add over R1.2 billion to GDP. As construction will take place over two years, this is the equivalent of over R600m a year. In addition, the building of the convention centre will generate over 4,000 direct jobs and 14,000 indirect jobs.

Within the first year after opening (in 2003) the CTICC will make a direct and indirect contribution to GDP of R709m. This increases to R4,175m by 2012 (i.e. ten years after opening). By that time the convention centre will have made a cumulative contribution to GDP of R25 billion. At the same time a total of over 8,700 sustainable direct and indirect jobs will be created in the first year after opening. This will increase to over 47,000 jobs by 2012.



Furthermore, it is shown that, for each rand of capital expenditure, the centre will make a R1.90 contribution to GDP in 2012. By the same time the centre will generate 67 direct and indirect jobs per million rand of capital expenditure.

The convention centre will also make a very important impact on the Western Cape itself. The direct economic impact is the contribution to provincial incomes (the so-called gross geographic product (GGP) and direct job creation. It will be recognised that the economic impact on the province, while substantial in itself, will necessarily be less than the total national impact. This follows from the fact that while most of the initial delegate and other spending will occur within the Western Cape, not all products consumed in the province are produced in the province. Some are produced in other provinces and some in other countries. Hence certain types of spending will impact on other provinces and, to a lesser extent, on other countries. The convention centre contribution to incomes and jobs in the Western Cape is illustrated in Figure 2.



The building phase will add an estimated R400m to provincial GGP R200m a year over two years and result in over 4,000 jobs within the province. In the first year of operation the centre will add a further R270m to GGP. This rises to an estimated R1.5 billion by the year 2012. At the same time over 3,000 jobs will be created in the province in first year after opening. This increases to over 19,000 by 2012.

The convention centre is relatively small when compared to the overall economy of the Western Cape. Nevertheless the centre has the capacity to add nearly 0.6 percent to provincial GGP by the year 2012.

One of the most dramatic impacts of the convention centre is the contribution to the number of foreign visitor nights. The convention centre has the capacity to increase total foreign visitor nights by 1.86 percent in 2003 rising to over 12 percent by the year 2012. This in turn has the capacity to generate significant increases in foreign exchange. By 2012 the centre will generate annual foreign exchange earnings of R1.5 billion with a cumulative total of R7.4 billion. The centre recoups its foreign exchange costs (imports of sound equipment, lifts and escalators, for example) by 2005.

Introduction

In December 2000, CONVENCO commissioned a study to determine the economic impact of the convention centre. The agreed brief was to focus on the technical measurement of the potential economic impact. This was to be structured in such a way that two sets of options were available. Firstly, the study had to allow a facility to compare the economic impact of different sized convention centres. Secondly, the study had to provide a facility so that the on-going operation of the convention centre could be compared to the initial forecasts.

To establish the overall macroeconomic impact of the convention centre, the study methodology employed a detailed and precise microeconomic measurement of each aspect of the convention centre. Very careful measurements were made of the cost of building, the cost of operation, how delegates might behave and so on. Aggregation only took place when the micro costing was complete.

This approach was dictated first by the need for accurate measurement and, as importantly, with the knowledge that the economic model has to be able to compare forecasts to actual performance as the centre is built and is operated over time. Hence it was important that the economic model reflect real world practises and had to be structured along such lines.

It will be demonstrated that the convention centre will make a difference to Cape Town and the Western Cape. Convention centres are a stimulus to a wide variety of different types of expenditure.

- The convention centre must be built, expanded and maintained. This all boosts the Western Cape construction industry.
- Conventions must be booked and organised.
- Exhibitions must be erected and the stands must have people in attendance. This will create jobs and grow incomes.
- Delegates will attend conventions. They will stay in local hotels, eat and drink local produce and take in the sights. Some of these delegates will stay on after the convention to visit other places in the Cape and the country. Captured by the beauty of Cape Town, some delegates will, in years to come, return as tourists and bring their families.

By 2012, after ten years of operation the CTICC is expected to have added a cumulative R25 billion to South African GDP. In the Western Cape the convention centre will have added nearly R10 billion to provincial gross geographic product by 2012. In that year the CTICC contribution will add 0.6% to economic growth in the province. In the same year, the centre will be responsible for the creation of over 19,000 direct jobs in the province.

This report is divided into the following sections:

- A general description of economic impacts.
- A description and report on the macroeconomic impact of the convention centre.
- A conclusion of the study.
- An appendix which gives a detailed description of the methodology and key assumptions.

1. General Description of Economic Impacts

Economic impacts range from the macro to the micro, from the measurable to the non-quantifiable. Effects can be short term or long term. They can be direct, indirect or induced. They can lead to direct increases in income and indirect accelerated increases in investment and capital expenditure.

Given all of these possible types of economic impacts, economic impact studies are usually characterised by what they do not do as much as by what they in fact do. This investigation has focussed primarily on one kind of economic impact, viz., the macroeconomic impact of the building and running of the convention centre on the provincial and national economies. This is a very detailed and precise measurement and follows the standard input-output analysis used in economic impact analysis. As a result of changes in expenditure, this approach measures the generation of income and jobs. Such an approach, because it is based on the national input output relationships, cannot, for example, attempt to measure accelerated investment changes or the distributional effects of the convention centre.

In addition to the overall macroeconomic effects, it must be appreciated that the major impact will be on the area around the convention centre. While it is an important factor, it is also one economic effect that is almost impossible to quantify in any meaningful or reliable manner. Hence, while the effects are described, no attempt is made to measure them.

The CTICC is more than just a convention centre in Cape Town. It is positioned to promote the attractions of the Waterfront. Because of the Roggebaai Canal, the convention centre will link the Waterfront to the city in a direct and meaningful way. It will overcome the unsightly and dangerous routes that pedestrians are currently forced to use.

In addition, the convention centre will transform a dirty, dusty, unsightly and generally unattractive foreshore into a clean and safe tourist attraction. This will not be due solely to the convention centre. The key to unleashing the full potential of the convention centre and the V&A Waterfront is the Roggebaai Canal. The canal is the umbilical cord between the Waterfront and the city centre. The convention centre is the natural focal point the start and end to the canal. The existence of the convention centre will provide a demand for water taxis and other waterborne traffic. This will work towards reducing traffic congestion and road pollution.

The canal could best served as a quiet and shady place that will provide tranquillity and become a green lung along the foreshore. It will help ease the wind, dampen down the dust, soften the highways and help muffle the noise of overhead traffic. Yet at the same time it will also provide quiet and vibrant nightlight in a safe indoor-outdoor environment. By night it will provide a logical transition between high-end restaurants of the Waterfront and the pulsating clubs of the city centre. By day it will provide shade, peace and respite from the sun swept Waterfront and the hard work at the convention centre.

2. The Overall Macroeconomic Impact

The CTICC will have significant macroeconomic effects on Cape Town, the Western Cape and South Africa. This section outlines these effects in a general manner, describes some of the methodology used in determining these effects and reports on specific macroeconomic impacts.

The economic impact of three convention centres of different sizes has been analysed and is reported in aggregate and comparative form. Detailed reporting is undertaken only for the preferred size convention centre.

2.1 General Description of Macroeconomic Effects

This section reports on the overall economic impact of the convention centre. This is the so-called macroeconomic effect. While there are a relatively large number of different types of macroeconomic effects, the two most important are contribution to gross domestic product (GDP) and job creation.

A detailed and multifaceted approach was used to measure the macroeconomic impact of the CTICC. It is well recognised that the simple act of spending building a convention centre, for example, - leads to other economic effects. Demand for steel and cement can lead to increased production in those industries. Increased demand for steel and cement, in turn, leads to increased demand for mining output which uses wood, water, electricity and so on.

While this process unfolds, each industry employs people and pays wages. Employees, in turn, spend their wages and cause a further ripple effect through the economy. Measuring this is further complicated by the fact that different industries demand different types of skills. This leads to different wage structures across the various industries. People earning different wages have different spending patterns. Thus, the change in overall spending patterns is dependent on which industries are affected.

The estimates that are reported take into account all of these interrelated economic forces.

It was recognised that not all of the conventions and exhibitions will be new business to Cape Town or South Africa. The CTICC will draw conventions, exhibitions, meetings and banquets away from other venues in the local area and in the country generally. These are the so-called displacement effects. It would be naïve not to make allowances for displacement effects. Hence all of the macroeconomic effects that are reported are for estimates of new business. The estimates make allowances for national displacement effects i.e. the competing away of existing business from other conference centres across the entire country. The only instance where this focus is changed and Western Cape displacement effects focused on is for the reported impact of CTICC on the Western Cape's Gross Geographical Product (GGP). Here we are concerned with the regional economic impact not the overall national impact.

It will be recognised that the total macroeconomic contribution of the CTICC is more than just the money that is spent in and on the centre itself. Delegates will stay in hotels all around Cape Town. Delegates may stay on in South Africa after the convention. Some delegates will return in later years with their families as tourists.

The components adding to the overall macroeconomic effect include:

- The construction of the convention centre and, later on, a possible phase 2 construction.
- The construction of an office block and four-star hotel. This is financed outside of the general CTICC budget.
- Revenues generated at CTICC through conventions, exhibitions and catering.
- Revenues generated by convention and exhibition organisers, as well as catering and accommodation spending by stall organisers.
- Spending by convention and exhibition delegates on hotels, travelling, gifts, etc.
- Spending in the hotel and revenues generated in the offices.
- More tourists as the Roggebaai connection between Waterfront and the convention centre give Cape Town another major “must see” attraction. Some convention delegates will return later as tourists. In turn, some of these may become regular visitors to Cape Town and generate an on-going boost to tourism.

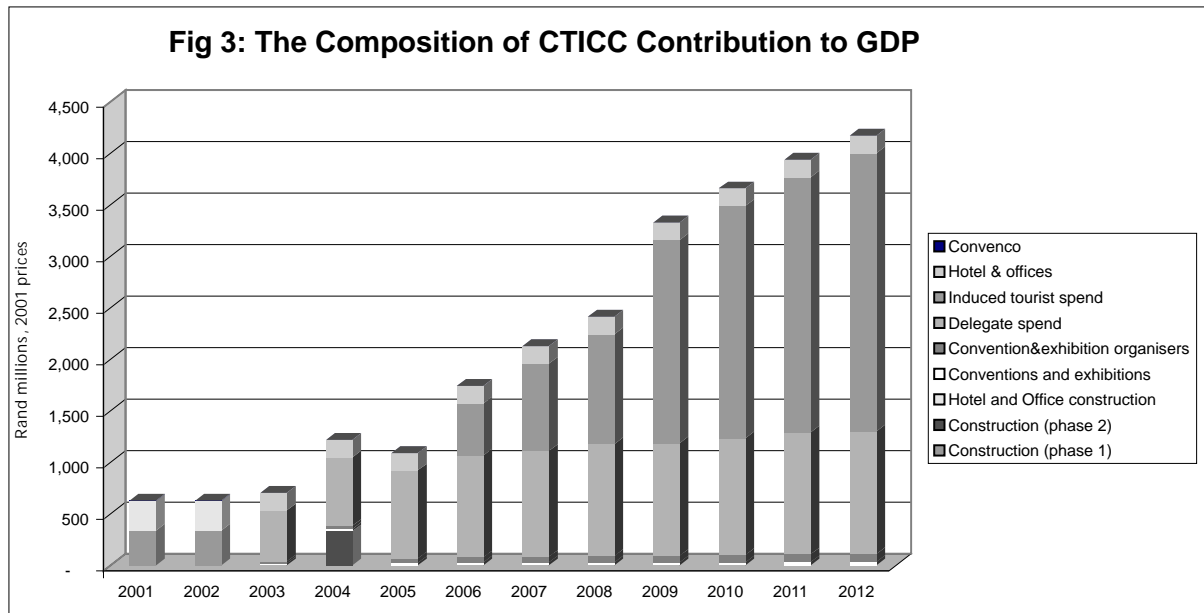
2.2 General Description of Project Size and Facilities

An analysis was made of the macroeconomic impact of three possible configurations of the CTICC. These three configurations are:

- The Preferred Option by CONVENCO and RAI (the operating company). The Preferred Option consists of a R482m convention centre itself as well as a 20,000m² office block and 480 room five-star hotel. The offices and hotel are part of the centre but will be funded by private developers and are not included in the R482m. This option also includes a possible phase 2 development in 2004.
- A small convention centre based on a capital expenditure of R320m. This option has no office block or hotel although there is a modest phase 2 development.
- A large convention centre with more exhibition space than the preferred option. This is based on a capital expenditure of R600m and includes the same office, hotel and phase 2 configurations as the preferred option.

2.3 Contribution to Gross Domestic Product

Gross Domestic Product is the total value of all final goods and services produced in the country. It is also the most important and all encompassing measure of the macroeconomic effect of the CTICC. Figure 3 and Table 1 report on the contribution to GDP of the preferred size of convention centre. Both the table and figure indicate the composition of the contribution that is made to GDP.



After taking account of all multiplier and displacement effects it is estimated that the CTICC will make an annual contribution to GDP of R1,255m during the two years it is under construction. In the first year of opening, the centre will add over R700m to GDP. This contribution is expected to continue to increase yearly such that the centre contributes more than R4,700m by 2012.

GDP is important not just because it is income but also because income has the capacity to add to wealth. Based on these projections, the CTICC will have added a total of R25 billion to South African GDP by 2012.

Table 1

Contribution to Gross Domestic Product - South Africa								
Rand million, 2001 prices								
	2001-2 years -1, 0	2,003 year 1	2,004 year 2	2,005 year 3	2,006 year 4	2,007 year 5	2,008 year 6	2,012 year 10
Construction (phase 1)	681							
Construction (phase 2)			333					
Construction: Hotel & Offices	571							
Conventions and Exhibitions		19	22	26	29	30	31	34
Conv. & Exhibit. Organisers		21	31	44	51	55	62	77
Delegate spend		494	664	854	990	1,027	1,085	1,191
Induced tourist spend		-	-	-	502	845	1,069	2,702
Hotel & Offices		171	171	171	171	171	171	171
Convento	4	3	-	-	-	-	-	-
Annual contribution to GDP	1,255	709	1,221	1,095	1,744	2,129	2,419	4,175
Cumulative total	1,255	1,964	3,186	4,280	6,024	8,153	10,572	25,683

Table 1 substantiates the numbers in Figure 3. There will be a total R1,255m contribution to GDP as a result of the initial construction phase. This is spread over the years 2001 and 2002. The construction of the convention centre itself contributes R681m to GDP while the construction and offices add a further R571m. Phase 2 of construction adds a further R333m in 2004.

Table 2

The Economic Impact of three possible configurations of CTICC

	Construction		Phase 1		Phase 2							
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of conventions												
RAI Business Plan			331	432	505	571	581	581	581	581	581	581
Small Centre			321	412	431	439	439	439	439	439	439	439
Large Centre			331	432	505	571	581	581	581	581	581	581
Number of exhibitions												
RAI Business Plan			10	12	16	16	18	19	19	20	22	22
Small Centre			4	5	7	8	8	8	9	9	9	10
Large Centre			12	14	18	19	23	24	27	27	28	28
Number of Visitor days												
RAI Business Plan			234,463	315,352	409,175	478,049	490,831	512,505	514,957	530,856	549,112	552,055
Small Centre			123,167	177,186	218,179	245,125	245,995	253,322	259,671	264,433	267,119	274,600
Large Centre			239,652	321,878	416,887	490,537	512,188	538,441	557,488	571,774	585,976	589,721
Contribution to GDP												
RAI Business Plan	628	628	712	1,225	1,099	1,749	2,134	2,424	3,336	3,668	3,948	4,181
Small Centre	229	229	307	572	527	826	1,033	1,171	1,580	1,772	1,881	1,965
Large Centre	713	713	721	1,236	1,112	1,772	2,181	2,483	3,439	3,767	4,036	4,271
Contribution to GGP												
RAI Business Plan	207	207	228	396	354	559	680	772	1,058	1,163	1,252	1,325
Small Centre	76	76	99	186	171	265	330	374	502	563	597	624
Large Centre	235	235	231	400	358	566	696	792	1,092	1,196	1,281	1,355
Job Creation												
RAI Business Plan	18,096	18,096	8,766	16,571	13,027	20,289	24,590	27,800	38,034	41,735	44,847	47,458
Small Centre	6,621	6,621	3,458	7,346	5,924	9,269	11,600	13,140	17,716	19,884	21,109	22,037
Large Centre	20,558	20,558	8,857	16,682	13,146	20,514	25,053	28,385	39,074	42,728	45,725	48,358

In the first year after opening, direct income to CTICC and event organisers will contribute R19m and R21m respectively. Overall delegate spending will contribute R494m to GDP while the revenues earned by the hotel and office block will contribute R171m. By 2012 the major contributors to GDP are delegate spending, induced tourist spending and hotel and office revenues. These contribute R1,191m, R2,702m and R171m respectively to GDP.

Table 2 reports on the relative differing overall economic impacts of a centre that is smaller than the preferred option and one that is larger than the preferred option. The small convention centre will generate a total contribution to GDP of R1,965m by 2012. This is 47percent of the preferred option. Alternatively a relatively larger centre will generate R4,271m of GDP. This is only 2percent greater than the preferred option.

Estimates were made on the economic return to the three different levels of capital expenditures and the results are reported in Table 4 . The estimates are made on the basis of capital expenditure in both phase 1 and phase 2 although maintenance and refurbishment has not been included. Of relevance here is the generation of GDP per rand of capital expenditure. The preferred option generates a total of R1.5 for each R1 of capital expenditure in the first year of opening. By the end of phase 2 in 2012 each rand of phase 1 and 2 capital expenditure will be generating GDP to the value of R5.9.

These returns on capital stand in contrast to both the smaller and larger centres, both of which produce projected returns on capital that are less than the preferred option. For the small centre contribution to GDP by 2012 is R4.7 per rand of capital expenditure while the larger centre generates returns of R5.0 per rand of capital expenditure.

2.4 Job Creation

The CTICC has the capacity to make a significant contribution to the creation of jobs. The measurements of direct jobs in Table 2 reports on the total number of direct jobs that will be created in the Western Cape. Note that this is the first instance where the estimates take account of displacement effects within the Western Cape without considering the displacement effects in the rest of the country. This follows from the simple fact that the direct jobs will be created in the Western Cape, notwithstanding the impact of displacement effects on other provinces.

Table 3

Total number of direct jobs in the Western Cape								
	2001-2 years -1, 0	2,003 year 1	2,004 year 2	2,005 year 3	2,006 year 4	2,007 year 5	2,008 year 6	2,012 year 10
Construction (phase 1)	2,217							
Construction (phase 2)			2,099					
Construction: Hotel & Offices	1,800							
Conventions and Exhibitions		84	84	99	99	99	99	99
Conv. & Exhibit. Organisers		103	150	213	245	268	302	376
Delegate spend		2,493	3,351	4,313	4,985	5,184	5,481	6,021
Induced tourist spend		-	-	-	2,344	3,939	4,977	12,570
Hotel & Offices		540	540	540	540	540	540	540
Convenco	4	4						
Annual no. of Direct Jobs	4,021	3,224	6,224	5,165	8,213	10,029	11,398	19,606

Over 2,200 direct jobs will be created while the convention centre is under construction. At the same time the building of the hotel and offices will add a further 1,800 direct jobs to the Western Cape construction industry. More than 3,220 sustainable and direct jobs will be created after the CTICC opens in 2003. By far the largest generator of direct jobs is in the accommodation and catering sector as a result of general convention delegate spending and, in later years, induced tourist spending. By 2012 the CTICC will be responsible for creating more than 19,000 jobs in the Western Cape.

As with the GDP multipliers, both direct and indirect jobs will be created from the CTICC initiative. We caution that the measurement of indirect jobs is closer to potential maximum rather than the actual impact. The calculations of indirect jobs are based on the South African input-output tables and related multipliers. These, in turn, are based on the 1993 technical coefficients. As we have experienced a decade of so-called 'jobless' growth (since 1993) the actual number of indirect jobs will lie somewhere between zero and the numbers reported in table 4.

Table 5 and Figure 4 report on the estimated totals of direct and indirect jobs. In contrast to Table 3, these estimates make allowances for national, rather than regional, displacement effects. The building process of the convention centre, hotels and offices will be responsible for the generation of over 18,000 direct and indirect jobs in South Africa. In the first year after opening 8,700 jobs will be created. This rises to 47,000 sustainable direct and indirect jobs by 2012.

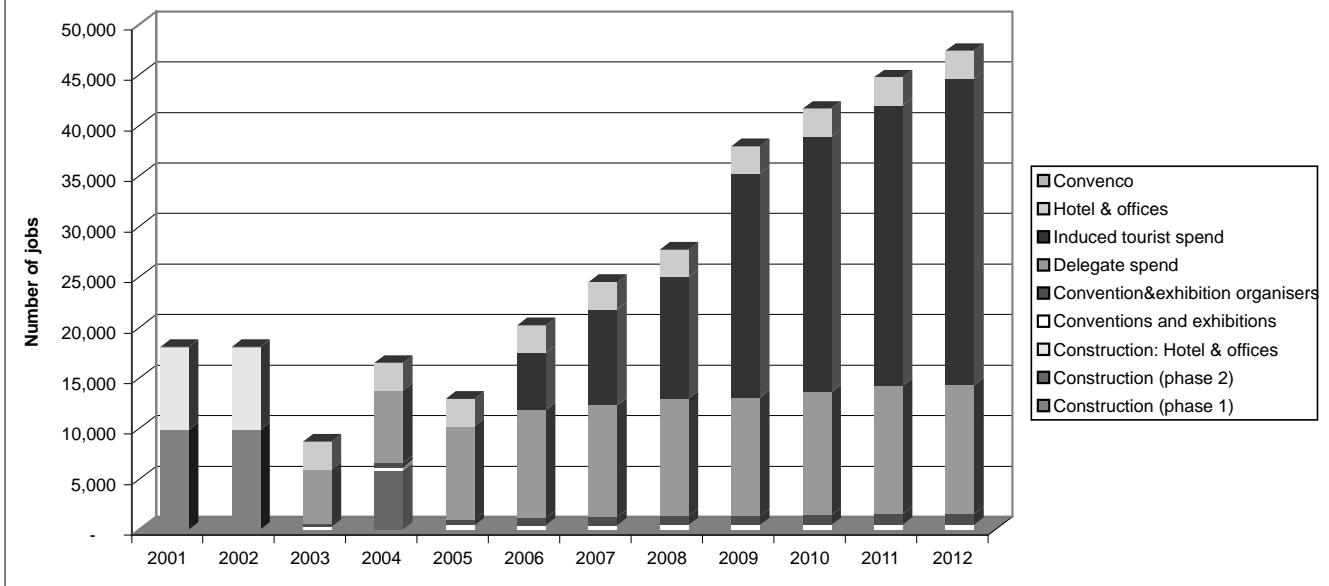
Table 4

Return on Capital Expenditure										
Total Capital Expenditure	Rm									
	Phase 1	Phase 2								
RAI Business Plan	480	227								
Small Centre	320	100								
Large Centre	600	250								
	Phase 1		Phase 2							
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of Visitor days per Rm Capex										
RAI Business Plan	488	657	578	676	694	724	728	750	776	780
Small Centre	385	554	519	584	586	603	618	630	636	654
Large Centre	399	536	490	577	603	633	656	673	689	694
Rand contribution to GDP per rand of capital expenditure										
RAI Business Plan	1.5	2.6	1.6	2.5	3.0	3.4	4.7	5.2	5.6	5.9
Small Centre	1.0	1.8	1.3	2.0	2.5	2.8	3.8	4.2	4.5	4.7
Large Centre	1.2	2.1	1.3	2.1	2.6	2.9	4.0	4.4	4.7	5.0
Contribution to GGP										
RAI Business Plan	0.5	0.8	0.5	0.8	1.0	1.1	1.5	1.6	1.8	1.9
Small Centre	0.3	0.6	0.4	0.6	0.8	0.9	1.2	1.3	1.4	1.5
Large Centre	0.4	0.7	0.4	0.7	0.8	0.9	1.3	1.4	1.5	1.6
Number of jobs per Rm Capex										
RAI Business Plan	18	35	18	29	35	39	54	59	63	67
Small Centre	11	23	14	22	28	31	42	47	50	52
Large Centre	15	28	15	24	29	33	46	50	54	57

Table 5

Total number of direct and indirect jobs in South Africa								
	2001-2 years -1, 0	2,003 year 1	2,004 year 2	2,005 year 3	2,006 year 4	2,007 year 5	2,008 year 6	2,012 year 10
Construction (phase 1)	9,848							
Construction (phase 2)			5,834					
Construction: Hotel & Offices	8,205							
Conventions and Exhibitions		312	342	410	445	457	462	493
Conv. & Exhibit. Organisers		304	440	623	716	781	878	1,088
Delegate spend		5,329	7,162	9,190	10,676	11,053	11,647	12,732
Induced tourist spend		-	-	-	5,639	9,486	11,997	30,325
Hotel & Offices		2,747	2,747	2,747	2,747	2,747	2,747	2,747
Convenco	42	40	-	-	-	-	-	-
Total Jobs	18,096	8,732	16,526	12,970	20,224	24,523	27,731	47,385

Fig 4: Contribution to Job Creation (direct and indirect jobs)



Finally we comment on the relative contribution to job creation of three differently sized convention centres (Tables 2 and 4). The preferred option will generate a total of 8,700 jobs in the first year of opening, rising to 47,000 by 2012. This is the equivalent of 18 jobs per million rand of capital expenditure in 2003 and 67 by 2012. A small centre will generate 3,400 jobs in the first year after opening with this rising to 22,000 by 2012. This amounts to 11 jobs and 52 jobs respectively per million rand of capital expenditure. In contrast, a much larger centre will generate 8,800 jobs in 2003 and 48,000 in 2012. This amounts to 15 jobs and 57 jobs per million rand of capital expenditure.

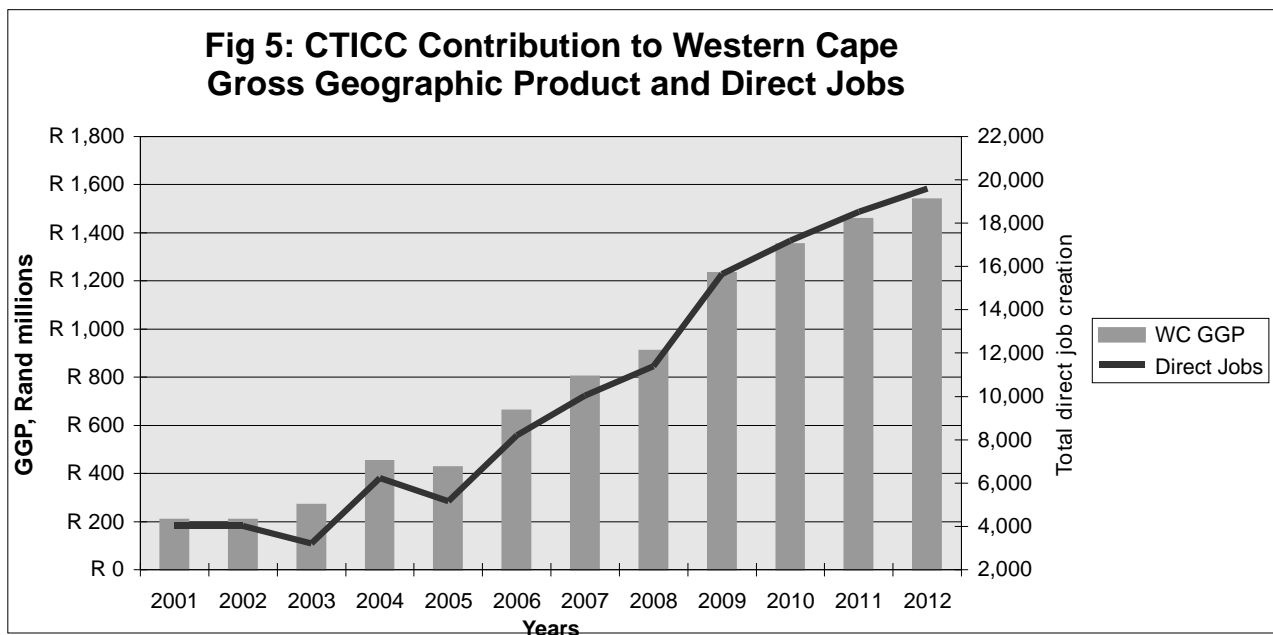
2.5 Contribution to Gross Geographic Product

Gross Geographic Product (GGP) is the provincial equivalent of national GDP. Naturally while many of the direct benefits will be felt within the province there will be indirect effects on other provinces. For example: Hotels use materials from all over the country and from other countries and tourists spend money in hotels. Although the Western Cape can boast about producing the best wine and some of the best food in the country, other products such as paper tissues, toilet soaps and cleaning materials are often brought in from other provinces. Hence a project's contribution to provincial GGP, in the province that the project is located, can often be much less than its contribution to GDP. The CTICC contribution to provincial GGP is reported in Table 6 and Figure 5.

Table 6

Contribution to Gross Geographic Product - Western Cape								
Rand million, 2001 prices								
	2001-2 years -1, 0	2,003 year 1	2,004 year 2	2,005 year 3	2,006 year 4	2,007 year 5	2,008 year 6	2,012 year 10
Construction (phase 1)	224							
Construction (phase 2)			110					
Construction: Hotel & Offices	188							
Conventions and Exhibitions		7	8	10	11	11	12	13
Conv. & Exhibit. Organisers		10	15	21	24	26	30	37
Delegate spend		197	265	341	394	411	435	480
Induced tourist spend		-	-	-	178	299	378	956
Hotel & Offices		54	54	54	54	54	54	54
Convenco	1	1	-	-	-	-	-	-
Annual contribution to GGP	414	269	451	426	661	802	909	1,540
Cumulative Total	414	683	1,134	1,560	2,221	3,023	3,932	9,514

After taking account of all multiplier and displacement effects it is estimated that the CTICC will make an annual contribution to GGP of R414m during the two years it is under construction. In the first year of opening the centre will add R269m to GGP. This contribution is expected to continue to increase yearly such that the centre contributes R1,540m by 2012. GGP is important not just because it is income but also because income has the capacity to add to wealth. Based on these projections, the CTICC will have added a cumulative R9,514m to provincial GGP by 2012.



In the first year after opening, direct income to CTICC and event organisers will contribute R84m and R103m respectively to GGP. Overall delegate spending will contribute R2,500m to GGP while the revenues earned by the hotel and office block will contribute R540m. By 2012 the major contributors to GGP will be delegate spending, induced tourist spending and hotel and office revenues. These contribute R6 billion, R12 billion and R540m respectively to GGP.

2.6 Foreign Exchange Earnings

One of the key macroeconomic benefits of the CTICC is that while it draws in visitors and creates jobs, it will also make an important contribution to earning foreign exchange. On the other hand it will be realised that the CTICC will also use up foreign exchange, particularly during construction as much of the proposed electronic fittings, lifts, escalators, etc, are imported. However, there will be some use of foreign exchange as tourists and delegates eat some imported food and wine and are moved around in buses running on imported fuels. Table 7 indicates the estimated foreign exchange use and earnings. The final row in the table is a cumulative total of foreign exchange use and earnings.

Phase 1 construction, including indirect effects, will use foreign exchange to the value of R280m. Similarly, phase 2 will result in the direct and indirect use of foreign exchange to the value of R88m. At the same time there are other direct and indirect foreign exchange usage, particularly as a result of delegate and tourist spending. Total foreign exchange usage is an estimated R104m in 2003 increasing to R600m by 2012.

In contrast, international delegates and tourists will also bring considerable foreign exchange into the country. Starting in 2003, R199m in foreign exchange will be generated by these visitors. By 2012 this is expected to have increased to R2,155m. By 2005 CTICC will have paid for all the foreign exchange used during construction and will become a net generator of foreign exchange. By 2012 CTICC should have generated a total of over R7,435m in foreign exchange (measured at today's (real) exchange rate).

Table 7

Foreign exchange earnings								
Rand million, 2001 prices								
	2001-2 years -1, 0	2,003 year 1	2,004 year 2	2,005 year 3	2,006 year 4	2,007 year 5	2,008 year 6	2,012 year 10
Foreign exchange earnings								
Conventions & Exhibitions		11	15	20	24	24	25	26
International delegate spending		188	251	315	376	378	381	387
International tourist spending		-	-	-	324	545	689	1,741
Gross Foreign Exchange		199	266	335	724	947	1,095	2,155
Foreign Exchange use								
Construction (phase 1)	152							
Construction (phase 2)			88					
Construction: Hotel & Offices	128							
Conventions and Exhibitions		7	7	8	9	9	9	10
Conv. & Exhibit. Organisers		3	4	6	7	8	9	11
Delegate spend		69	93	120	139	145	153	168
Induced tourist spend		-	-	-	72	121	153	387
Hotel & Offices		24	24	24	24	24	24	24
Convenco	1	1	-	-	-	-	-	-
Annual Imports	280	104	216	158	251	306	348	600
Net Foreign Exchange Earnings	-280	95	50	176	473	640	747	1,555
Cumulative Total	-280	-185	-136	41	513	1,154	1,901	7,435

2.7 Other Macroeconomic Effects

Apart from the key macroeconomic effects discussed above, there are many other macroeconomic effects that will flow from CTICC. These include the generation of income tax, company tax, other capital expenditure, indirect household income, and so on. Table 8 reports on total income tax that will be generated and Table 9 does the same for the indirect generation of household income.

Table 8

Total contribution to income tax (includes Conveno, RAI and indirect income taxes)

Rand million, 2001 prices

	2001-2 years -1, 0	2,003 year 1	2,004 year 2	2,005 year 3	2,006 year 4	2,007 year 5	2,008 year 6	2,012 year 10
Construction (phase 1)	65							
Construction (phase 2)			32					
Construction: Hotel & Offices	54							
Conventions and Exhibitions		3	3	4	4	4	4	5
Conv. & Exhibit. Organisers		2	3	4	5	5	6	7
Delegate spend		45	60	77	90	93	98	108
Induced tourist spend		-	-	-	45	75	95	240
Hotel & Offices		16	16	16	16	16	16	16
Convenco	1	1	1	-	-	-	-	-
Annual Contribution to Income Tax	119	66	114	101	159	193	219	375
Cumulative Total	119	185	299	400	559	752	971	2,331

Table 9

Indirect contribution to Household Income

Rand million, 2001 prices

	2001-2 years -1, 0	2,003 year 1	2,004 year 2	2,005 year 3	2,006 year 4	2,007 year 5	2,008 year 6	2,012 year 10
Construction (phase 1)	345							
Construction (phase 2)			169					
Construction: Hotel & Offices	290							
Conventions and Exhibitions		10	11	13	14	15	15	16
Conv. & Exhibit. Organisers		10	15	21	25	27	30	37
Delegate spend		248	333	428	497	515	544	598
Induced tourist spend		-	-	-	74	160	204	539
Hotel & Offices		83	83	83	83	83	83	83
Convenco	2	2	-	-	-	-	-	-
Annual Contribution to GDP	636	353	611	546	693	800	877	1,274
Cumulative Total	636	989	1,600	2,146	2,838	3,638	4,516	9,227

2.8 Comparative Macroeconomic Effect

This final section provides some comparative data on the overall macroeconomic effect of the convention centre and ancillary developments. Here we are interested in the overall contribution of the CTICC to South African GDP, Western Cape GGP and the total number of international visitors. Table 10 and Figure 6 illustrate these comparative measures.

It will be appreciated that while the CTICC will make an economic contribution at a national level, the effect relative to the entire economy is very modest. Nevertheless there is an effect and the effect is quantifiable. The contribution to South African GDP is 0.07 percent in 2003 rising to 0.36 percent in 2012. In the case of the Western Cape (and using South African displacement effects) the CTICC will increase GGP by 0.14 percent in 2003 rising to 0.59 percent by 2012.

Possibly the most important macroeconomic impact following from the convention centre is on the total number of foreign visitor nights. In 2003 the CTICC will increase the total number of foreign visitor nights by 1.86 percent. By 2012 this will have increased to 12.5 percent of all visitor nights in South Africa.

Fig 6: CTICC contribution to GDP, Western Cape GGP and Tourism

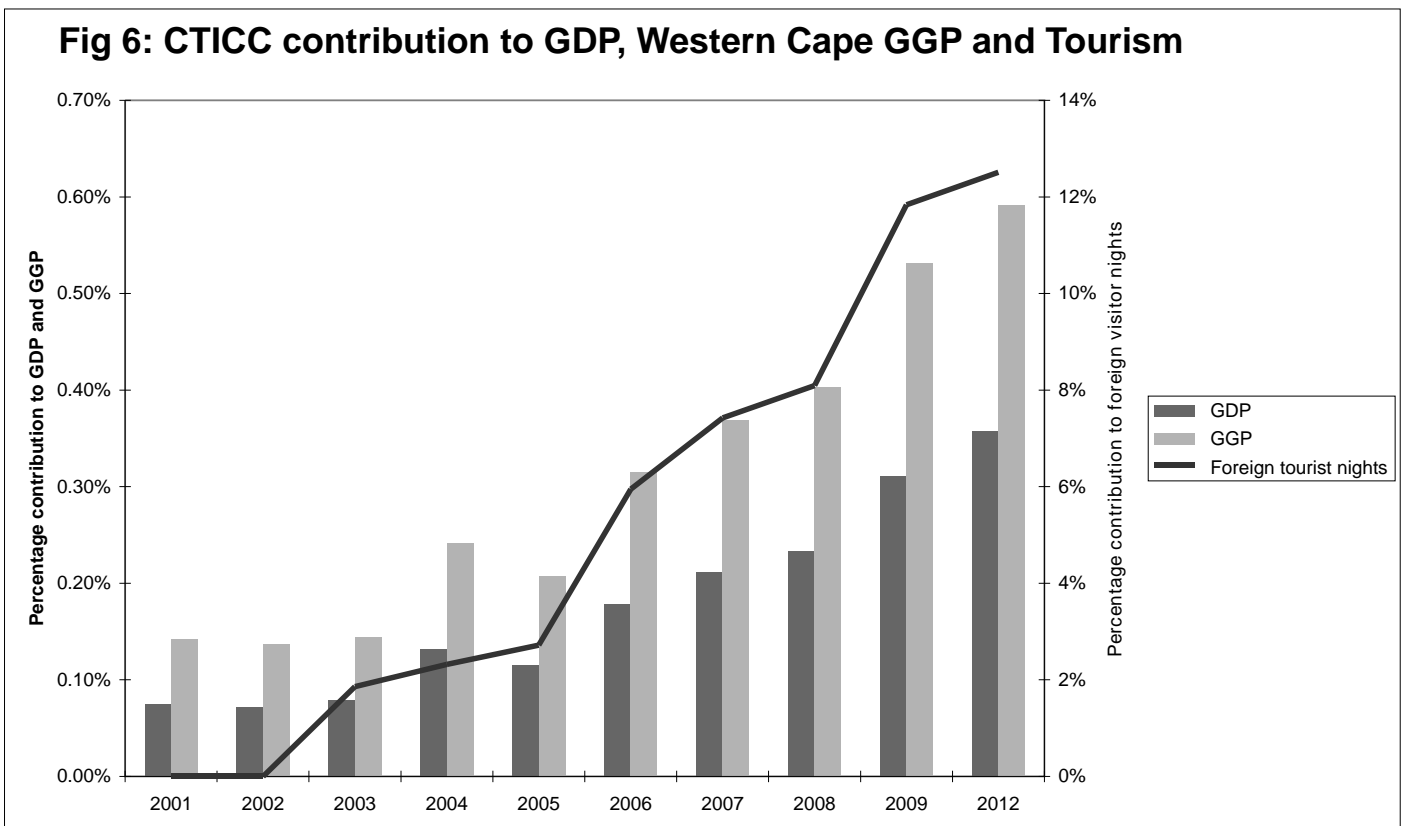


Table 10

The Contribution of CTICC to Income and Tourism

Rand millions	Construction			Phase 1			Phase 2			
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2012
South African real GDP ¹	844,026	869,346	895,427	922,289	949,958	978,457	1,007,811	1,038,045	1,069,186	1,168,329
CTICC contribution to GDP	628	628	709	1,221	1,095	1,744	2,129	2,419	3,331	4,175
Percentage contribution by CTICC	0.07%	0.07%	0.08%	0.13%	0.12%	0.18%	0.21%	0.23%	0.31%	0.36%
Western Cape real Income ²	145,172	150,979	157,018	163,299	169,831	176,624	183,689	191,037	198,678	223,486
CTICC contribution to WC GGP	207	207	227	395	352	557	678	770	1,056	1,323
Percentage contribution by CTICC	0.14%	0.14%	0.14%	0.24%	0.21%	0.32%	0.37%	0.40%	0.53%	0.59%
Number of foreign visitors										
Overseas visitor nights without CTICC	6,899,266	7,382,214	7,898,969	8,451,897	9,043,530	9,676,577	#####	11,078,713	11,854,223	14,521,933
CTICC generation of overseas visitor days (delegates and induced tourism)			147,057	196,015	246,029	575,596	768,871	896,747	1,403,357	1,816,492
CTICC as a percent of overseas visitor days			1.86%	2.32%	2.72%	5.95%	7.43%	8.09%	11.84%	12.51%

Assumptions

1. South African GDP growth 3%
2. Western Cape growth 4%
3. Western Cape share of GDP in 1996 17.2%
4. Number of foreign visitors to South Africa in 1998 6,026,086
5. Number of nights stayed by foreign visitors 17
6. Growth in tourist numbers 7%

Notes and sources:

1. South Africa Reserve Bank Quarterly Bulletin Dec. 2000 p S - 106 data is for 1999 scaled at 3% growth to 2001.
2. Western Cape share of GDP calculated using 1996 National Census. Data extracted with SuperTable
3. Central Statistical Services Report P0351, data from TSE Explorer
4. Satour "A survey of South Africa's International Tourism Market", Summer 1998, Synopsis Page.

3 Conclusion

It is clear that the Cape Town International Convention Centre will have a significant impact on Cape Town, the Western Cape and South Africa. This impact will be felt in various ways contribution to GGP and GDP, more jobs, more tourists and more foreign exchange.

For Cape Town the impact is decisive. The centre will be a major physical upgrading of an area of the foreshore that is currently dirty, dusty, noisy and unsafe. It may even spur the completion of the unfinished highways. More importantly the convention centre, working together with the Roggebaai Canal and the V&A Waterfront, will result in another 'must see' attraction in Cape Town. Not only will this generate direct tourist revenues, it will provide a powerful magnet to attract convention delegates back as tourists in years to come. It goes without saying that Cape Town will be a major recipient of the boost in jobs and incomes.

For South Africa as a whole the largest quantifiable impact is on tourist visitor numbers and the generation of foreign exchange. The CTICC is expected to increase total foreign visitor nights in South Africa by over 12 percent by the year 2012. In addition the centre becomes a net generator of foreign exchange by 2005. This is only the third year after opening.

Finally, based on expert advice about the potential number of conventions and exhibitions, it was shown that the so-called 'preferred option' configuration and size of the convention centre generates the highest return to GDP and job creation per rand of capital expenditure. Convention centre that are larger or smaller than the preferred option both result in less jobs and incomes per rand of capital expenditure.

Appendix A: Description of Methodology

The macroeconomic impact of the convention centre was estimated by identifying all expenditure in and around and resulting from the convention centre. This expenditure, in turn, was matched up with the Standard Industrial Classification of all Economic Activity (SIC codes). This was not always an easy and straightforward exercise. In addition, if employment is part of the expenditure then estimates were made of the likely expenditure patterns of employees. Allowances were made for the fact that workers at different income levels will have different spending patterns.

The expenditure areas that were identified are made up of:

- The construction of the convention centre and, later on, the possible construction of phase 2.
- The construction of an office block and five-star hotel. This is financed outside of the general CTICC budget.
- Revenues generated at CTICC through conventions, exhibitions and catering.
- Revenues generated by convention and exhibitions organisers, as well as catering and accommodation spending by stall organisers.
- Spending by convention and exhibition delegates on hotels, travel, gifts, etc.
- Spending in the hotel and revenues generated in the office block.
- More tourists as the Roggebaai connection between Waterfront and the convention centre give Cape Town another major “must see” attraction. Some convention delegates will return later as tourists. In turn, some of these are likely to become regular visitors to Cape Town. This gives a permanent and on-going boost to tourism.
- In addition to these expenditure items, cognisance was taken of the fact that not all of the business generated by the convention centre will be new business. It can be expected that the CTICC will compete convention and exhibition business away from other facilities in both the Western Cape and in South Africa generally. These are the so-called displacement effects. The reported estimates make allowances for displacement effects.

Furthermore, additional estimates have been made of other configurations of the convention centre. Estimates are made for a small convention centre that will not attract as much business as the preferred option and a larger centre that will attract more exhibition business. Again allowances have been made for the differences in these estimates.

This appendix outlines the detailed approach used for each area of expenditure and, where relevant, the assumptions that were used in the estimates.

Construction of the Convention Centre

Five steps are required to measure the overall economic impact of the construction phase of the convention centre:

1. To identify an appropriate bill of materials. The bill of materials that was used is the 'Elemental Estimate No. 2' as supplied by the Convensco Quantity Surveying Consortium.
2. To determine the relative proportions of profit, labour, plant and material for each line item in the bill of materials.
3. To assign each item of material and plant in the bill of quantities to a particular SIC code.
4. To decompose labour and profit into income categories and apportion the total wage bill and profits to each income category. The final assumptions for this are given in Table A1. Following from this, estimates of expenditure patterns by income category (Standish 2000) are used to determine total spending patterns.
5. Finally, all the items in the SIC coded bill of materials are brought together (a portion of this is shown in Table A2). The total multiplier effect of the construction phase is calculated as the aggregate product SIC coded spending on plant and material, as well as SIC coded spending by workers multiplied through the national multipliers. The national multipliers are known through the South African input output tables (CSS 1993).

Table A1

	Labour Value	Proportion of Workforce per Annual Income Category				
		<50K	50K-100K	100K-200K	200K-300K	>300K
a1 Site Works	R 2,616,860	50%	40%	5%	5%	
a2 External Works	R 1,043,642	50%	40%	5%	5%	
a3 Services- sewer, mains	R 499,567	50%	40%	5%	5%	
a4 Preliminaries	R 6,965,844	15%	30%	35%	20%	
a5 Contingencies	R -					
a6 Escalation	R -					
a7 Imported Specialised Industrial Machinery	R 3,070,778	30%	40%	15%	10%	5%
a8 Specialised Industrial Machinery	R 10,754,972	30%	40%	15%	10%	5%
a9 Audio Visual, communications and Electronic equipment	R 3,955,588	30%	40%	25%	2.5%	2.5%
a10 Civil engineering and other construction	R 1,542,065	30%	40%	25%	5%	
a11 Landscaping	R 1,220,783	50%	40%	10%		
a12 Legal	R -					
a13 Accounting fees	R -					
a14 Other Professional Fees	R -					
a15 Disbursements	R -					
a16 Exchange Rate Fluctuations	R -					
a17 Forward Cover	R -					
a18	R -					
a19	R -					
a20 Profit and Attendance	R -					
B 1 Foundations						
Labour	R 950,407	70%	20%	10%		
B 2 Ground floor construction						
Labour	R 1,738,228	70%	20%	10%		
B 3 Structural frame						
Labour	R 10,393,320	60%	30%	10%		
B 4 Roof						
Labour	R 2,675,220	60%	30%	10%		
B 5 External facades						
Labour	R 5,352,892	60%	30%	10%		
B 6 Internal divisions						
Labour	R 4,195,538	70%	20%	10%		
B 7 Floor finishes						
Labour	R 2,622,646	65%	25%	10%		
B 8 Internal wall finishes						
Labour	R 2,667,113	65%	25%	10%		
B 9 Ceilings						
Labour	R 1,179,281	55%	25%	20%		
B 10 Plumbing						
Labour	R 1,118,067	65%	25%	10%		
B 11 Electrical installation						
Labour	R 4,913,942	50%	40%	10%		
B 12 Fittings						
Labour	R 10,996,340	50%	40%	10%		
B 13 Balustrades						
Labour	R 864,567	60%	30%	10%		
B 14 Sundries						
Labour	R 909,567	40%	40%	5%	5%	10%

Table A2

SIC		Materials & Plant	Labour & Profit	Total
1100	Agriculture	-	4,220,553	4,220,553
2100	Coal mining	-	115,215	115,215
2400	Gold mining	-	-	-
2800	Other mining (Diamonds and other)	-	-	-
3111	Slaughtering, preparing & preserving of meat	-	7,761,604	7,761,604
3112	Dairy products	-	2,598,808	2,598,808
3113	Canning & preserving of fruits and vegetables	-	-	-
3114	Canning, preserving & processing of fish, fish oil & fish meal	-	1,182,668	1,182,668
3115	Vegetable & animal oils and fats	-	953,998	953,998
3116	Grain mill products	-	4,010,187	4,010,187
3117	Bakery products	-	-	-
3118	Sugar factories & refineries	-	1,921,301	1,921,301
3119	Cocoa, chocolate & sugar confectionary	-	234,123	234,123
3121	Other food products	-	2,455,032	2,455,032
3122	Prepared animal feeds	-	144,655	144,655
3131	Distilleries and wineries	-	556,637	556,637
3133	Malt liquors and malt	-	390,828	390,828
3134	Soft drinks & carbonated waters	-	735,135	735,135
3140	Tobacco products	-	1,591,072	1,591,072
3211	Spinning, weaving & finishing of textiles	-	111,405	111,405
3212	Made-up textile goods, except clothing	481,493	605,337	1,086,830
3213	Garment & hosiery knitting mills	-	14,840	14,840
3216	Other knitting mills	-	466,766	466,766
3214	Carpets and rugs	2,074,852	134,043	2,208,895
3215	Cordage, rope and twine	-	-	-
3219	Textiles, not elsewhere classified	-	22,306	22,306
3220	Clothing, except footwear	-	4,469,280	4,469,280
3231	Tanneries and leather finishing	-	-	-
3233	Leather products & leather substitutes	-	56,710	56,710
3240	Footwear	-	1,430,504	1,430,504
3310	Wood and wood products, except furniture	55,859,164	92,447	55,951,611
3320	Furniture	-	551,162	551,162
3411	Pulp, paper and paper board	-	113,077	113,077
3412	Paper containers	-	-	-
3419	Other pulp, paper and paper board articles	-	-	-
3420	Printing and publishing	-	827,175	827,175
3511	Industrial chemicals	101,963	4,117	106,080
3512	Fertilizers and pesticides	-	-	-
3513	Synthetic resins, plastic raw materials & man-made fibres	8,882,686	-	8,882,686
3521	Paints, varnishes and laquers	1,893,413	-	1,893,413
3522	Medicinal and pharmaceutical preparations	-	376,548	376,548
3523	Soap & cleaning preparations, perfumes, cosmetics etc.	-	261,929	261,929
3529	Other chemical products	-	35,635	35,635
3530	Petroleum refineries & products of petroleum and coal	-	2,422,573	2,422,573
3551	Tyres and tubes	-	208,508	208,508

Construction of Hotel, Office Block and Phase 2 of the Convention Centre

Unlike the convention centre, no bill of materials was available for the hotel, office block or phase 2 of the convention centre. In consequence a more macro approach had to be taken in estimating the economic impact of these buildings. The challenge in this type of exercise is to estimate total job and total spending on construction and once operational. After these are established they can be applied to the national multipliers and the overall economic impact determined.

Table A3 outlines the approach that was used.

Construction cost was estimated on the basis of a known area of building and a cost per square metre of building. The square meter cost of the convention centre had already been estimated by the project quantity surveys at R7,542 per square meter (Elemental Estimate No. 2).

Construction cost for the hotel were assumed at R13,400 per square metre. This assumption was checked against the current construction cost of a five star hotel which is between R800,000 and R1m per room. Allowing for the existence of other facilities (rooms were taken to be 62 percent of the total area of the hotel), the room cost is R960,000 per room.

The overall building cost of the hotel is estimated to be R460m, the office block R150m and phase 2 R227m. (The phase 2 square metre cost is lower because it comprises largely refurbishment of existing facilities and not new construction).

In the absence of a bill of materials, the multiplied effect of the construction phase has been estimated by making use of the ratio of direct to multiplied effect for the convention centre. The overall impact of the construction of the hotel, offices and phase 2 is the direct construction cost scaled by the ratio of direct to multiplied effect for the convention centre.

		Hotel	Office Block	Convention Centre	
				Phase 1	Phase 2
General	Gross square metres of building	25,000	20,000	63,690	45,000
	Letable square metres of building as % of gross	62%	75%		
	Letable square metres	15,500	15,000		
	Property values per m2	750	1,000	1,200	800
Construction phase	Construction time (years)	2.0	2.0	2.0	1.0
	Average monthly wage	3,250	3,250	3,250	3,250
	Cost per m2	13,440	7,500	7,542	5,053
	Cost per room	700,000			
	Profit/cost ratio	10%	10%	10%	10%
	Wage/(total cost - profit) ratio	40%	40%	40%	40%
	Total cost (Rm)	336	150	480	227
	Average annual jobs	1,551	692	2,217	2,099
	Wages (Rm)	121	54	173	82
	Direct imports as a % of construction costs	5.9%	5.9%	5.9%	5.9%
	Direct imports Rm	19.8	8.8	28.3	13.4
Rentals	Rent per m2		70		
	Total potential rent (Rm)		1.4		
Accommodation income	Unit size m2				
	Total potential units	480			
	No. of people per unit	1.3			
	Occupancy rate	65%			
	Rack rate per person per day	750			
	Total room revenue	111			
	Room revenue as a % of total revenue	60%			
	Non room revenue	74			
	Annual revenue (Rm)	185			
	Profit/turnover ratio	25%			
	Wage/(total cost - profit) ratio	35%			
	Average annual jobs	729			
	Average monthly wage	5,000			
Wages (Rm)	49				
Commercial income	Rental as % of turnover		3%		
	Annual turnover per m2		2,333		
	Jobs per Rm turnover		6		
	Average monthly wage		9,000		
	Annual turnover (Rm)		35		
	Profit/turnover ratio		30%		
	Jobs		200		
Wages (Rm)		22			

Estimates of the number of jobs generated during construction are based on three assumptions. One, that wages constitute 40 percent of the cost of construction before profit (this assumption is supported by Conenco Quantity Surveying Consortium). Two, that the average construction wage in the Western Cape is R3,250 per month (this was calculated from the 1996 national census and scaled up to 2001 values). Three, that the construction of a hotel, offices and the convention centre will take two years while phase 2 will only take one year.

On the basis of these assumptions the construction of the convention centre is estimated to generate 2,217 direct jobs each year while the hotel will generate 1,108 jobs, the office block 692 and phase two 2,099 direct jobs.

Operation of Hotel and Offices

Expected hotel revenues are based on three assumptions. One, the 'rack' rate per room is R750 per day. Two, there is an occupancy rate of 65 percent. Three, room revenue is 60 percent of total hotel revenue. (Local Cape Town hospitality industry experts support these assumptions). Following from these assumptions there will be annual hotel revenue of R185m.

Furthermore, if we assume that wages constitute 35 percent of hotel costs (exclusive of profit) and that average monthly wages are R5,000, we estimate 729 direct jobs will be created and the hotel will pay annual wages of R49m.

The multiplied effects of the spending in the hotel are calculated by linking this to a single line item in the input output tables, viz. SIC 6300 'Catering and Accommodation'.

The starting point for calculating turnover and jobs in the offices was to make a verifiable assumption about the office rentals as a percentage of office turnovers and a figure of 3 percent was settled. Therefore, an office rental of R70 per m² will run in parallel with an overall office turnover of R2,333m

Office jobs are estimated on the basis of two assumptions. First, average office salaries are assumed to be R9,000 a month. Second, there is an expected 6 jobs per million rand of office turnover. On the basis of these assumptions an estimated 200 people will work in the offices and will earn wages worth R22m each year.

The multiplied effects of office revenues are calculated by linking these revenues to a single line item in the input output tables, viz. SIC 9700 'Other Services, Profit Seeking'.

Revenues Generated at CTICC through Conventions, Exhibitions and Catering The expected revenues that will be generated at CTICC through conventions, exhibitions and catering are based on the RAI business plan (RAI is the operating company for the CTICC). This information is clearly confidential and cannot be revealed here. However, Table A.4 does give the apportionment of various budgets across the SIC codes. Decisions about the spending on catering were guided by the owner of a large Cape Town based catering organisation. The allocation in office materials was based on the office budgets of a number of local service businesses.

Table A4

<u>SIC Coding of Catering and Consumables</u>		
	Catering:	% of total
1100	Agriculture	12.0%
3111	Slaughtering, preparing & preserving of meat	12.0%
3112	Dairy products	14.0%
3113	Canning & preserving of fruits and vegetables	2.0%
3114	Canning, preserving & processing of fish, fish oil & fish meal	2.0%
3115	Vegetable & animal oils and fats	5.0%
3116	Grain mill products	2.0%
3117	Bakery products	10.0%
3118	Sugar factories & refineries	5.0%
3119	Cocoa , chocolate & sugar confectionary	2.0%
3121	Other food products	5.0%
3122	Prepared animal feeds	0.0%
3131	Distilleries and wineries	10.0%
3133	Malt liquors and malt	10.0%
3134	Soft drinks & carbonated waters	8.0%
	Total	100.0%
	Electricity and Water:	% of total
4100	Electricity, gas and steam	75.0%
4200	Water supply	25.0%
	Office Materials:	% of total
3112	Dairy products	0.6%
3118	Sugar factories & refineries	0.6%
3119	Cocoa , chocolate & sugar confectionary	0.6%
3121	Other food products	0.6%
3310	Wood and wood products, except furniture	0.0%
3320	Furniture	15.6%
3411	Pulp, paper and paper board	0.0%
3412	Paper containers	0.0%
3419	Other pulp, paper and paper board articles	14.6%
3420	Printing and publishing	20.2%
3523	Soap & cleaning preparations, perfumes, cosmetics etc.	1.5%
3610	Ceramics/pottery, china and earthenware	0.0%
3620	Glass and glass products	0.0%
3811	Cutlery, hand tools and general hardware	0.0%
3812	Furniture and fixtures primarily of metal	9.8%
3824	Special industrial machinery and equipment	0.0%
3825	Office, calculating and accounting machinery	35.9%
3829	Other non-electrical machinery and equipment	0.0%
3833	Electrical appliances and housewares	0.0%
3839	Other electrical apparatus and supplies	0.0%
	Total	100.0%

Revenues Generated by Convention and Exhibition Organisers.

As with the section above, expected revenues to convention and exhibition organisers is confidential. Again, assumptions about the distribution of various budgets across the SIC codes are revealed and shown in Table A5.

Based on industry experience, it is assumed that for each rand that a convention organiser pays to CTICC a further R0.80 will be incurred in other expenses. Similarly, for exhibition organisers every one rand paid to CTICC is matched by a further R3.32 in other expenses. The reason for the large difference between convention and exhibition organiser expenses is the catering and accommodation costs incurred by exhibition attendants. (An average exhibition will have in the region of 100 exhibits with three people in attendance).

Table A5

For every R1 paid to CTICC, Organisers pay Rx.xx for Other Expenses		
Conventions		0.80
Exhibitions		3.32
	Spending patterns for organisers of:	
	Convention	Exhibitions
3420 Printing and publishing	5%	12%
3824 Special industrial machinery and equipment		
3825 Office, calculating and accounting machinery		
3829 Other non-electrical machinery and equipment		
3831 Electrical industrial machinery and apparatus		1%
3832 Radio, television and communication equipment	5%	1%
3833 Electrical appliances and housewares		
3839 Other electrical apparatus and supplies		
3840 Motor vehicles		
3843 Motor vehicles, parts and accessories		
3852 Railway equipment		
3859 Other transport equipment		1%
6300 Catering and accommodation services	65%	56%
7100 Transport and storage	5%	6%
7200 Communication		5%
8100 Financial institutions and insurance services		
8320 Business services	10%	
8330 Machinery and equipment renting and leasing		16%
9700 Other services, profit seeking	10%	3%
	100%	100%

Employment at CTICC, RAI Management Contract, CONVenco Budget

Estimates were made about the number of jobs at CTICC and the economic impact of the RAI management contract and the CONVenco budget. Clearly all of the primary data for these are confidential.

As in the sections above, care was taken to decompose the costs and spending into appropriate SIC codes. Jobs were sourced for different income categories and the applicable expenditure pattern was attached.

Spending by Convention and Exhibition Delegates

One of the largest economic impacts of the CTICC is through the spending by delegates to conventions and exhibitions, and by people who accompany delegates yet don't attend the conventions or exhibitions. In order to make an accurate measurement of the overall economic impact of delegate spending, careful assumptions were made about the origin of delegates, how long they would stay, what they would spend and how many non-delegates would accompany them. All these assumptions were made for each kind of exhibition and convention.

Table A6

Number of days and delegates	Average number of:			Average number of days:	
	Total days	Delegates	Participant days	at convention	before/after
Large 1 day events	2	5,000	70%	1	1.0
International conferences	6	1,000	100%	4	2.0
Multi day national congresses	4	500	70%	3	1.0
National congresses	2	300	70%	1	1.0
Meetings	5	200	50%	4	0.5
Banqueting	1	300	50%	1	0.0
Other events	2	40	70%	1	0.5
Trade Shows	5	5,000	100%	4	0.5
Consumer Shows	4	10,000	100%	4	0.2

Table A6 indicates the assumptions made about the total number of delegate days for each kind of convention and exhibition. The expected number of delegates and the percentage participant days (i.e. actual number of delegate days) are extracted from the RAI business plan. In consultation with industry experts, including RAI, time spent before and after conventions was also included. This is the right hand column of table A6. Hence total delegate days are the sum of days at convention/exhibition and days before and after.

Table A7

Mix of Delegates by Origin

	Western Cape	Rest of South Africa	Foreign
Large 1 day events	90%	10%	0%
International conferences	15%	20%	65%
Multi day national congresses	15%	80%	5%
National congresses	20%	80%	0%
Meetings	60%	40%	
Banqueting	70%	29%	1%
Other events	80%	20%	
Exhibitions	40%	50%	10%

Number of People Accompanying Delegates

	Western Cape	Rest of South Africa	Foreign
Large 1 day events	0.25	-	-
International conferences	0.30	0.20	0.45
Multi day national congresses	0.15	0.20	0.45
National congresses	0.15	0.20	0.45
Meetings	-	-	0.10
Banqueting	-	-	-
Other events	-	-	-
Exhibitions	-	0.20	0.30

Additional Visitor Days after Conference - International Delegates only

Percentage delegates who stay after convention	39%
Average length of stay after convention (days)	3.3

In Table A7 we indicate the assumptions that were made about the origin of delegates, the number of people accompanying delegates and the percentage of delegates who stay on in South Africa after the convention as well as the length of this stay.

The origin of delegates is important because delegates from different regions will have different spending patterns and different numbers of accompanying non-delegates. Hence, for example, it is expected that for large one day events 90 percent of the delegates will be from the Western Cape and one in four will have an accompanying person. The other types of events can be interpreted in a similar way.

In the table we also state the value of the assumption that 39 percent of all foreign delegates will stay on in other parts of South Africa after the convention. They will stay on average 3.3 days (Kessel Feinstein MICE report 2000).

Table A8 records the assumptions made for delegate spending for different delegates, different types of events and for people accompanying delegates. As previously indicated, these assumed values were made in consultation with experts in the convention and exhibition industries as well as with experts in the hospitality industry.

		Total spending within South Africa by Delegates and Non-delegates, 2001 Values (real values maintained throughout)					
		Large 1 day events	International conferences	Multi day national congresses	National congresses	Meetings	Banqueting
International Delegates	Hotel Accommodation	700	700	700	700	700	500
	Food & Beverage	400	400	400	400	400	250
	Car Hire	-	-	-	-	-	-
	Other Transport	150	100	100	100	100	100
International Non-delegates	Hotel Accommodation	400	-	-	-	-	-
	Food & Beverage	400	400	400	400	400	250
	Car Hire	-	-	-	-	-	-
	Other Transport	150	100	100	100	100	100
Rest of South Africa Delegates	Hotel Accommodation	400	400	400	400	400	400
	Food & Beverage	300	400	300	300	300	200
	Air Travel	1,800	600	600	1,800	1,800	1,800
	Car Hire	250	250	250	250	250	250
Rest of South Africa Non-delegates	Hotel Accommodation	50	50	50	50	50	50
	Food & Beverage	80	80	80	80	80	80
	Car Hire	2,880	1,780	1,680	2,880	2,880	2,780
	Other Transport	150	150	150	150	150	150
Western Cape Delegates	Hotel Accommodation	300	400	300	300	300	200
	Food & Beverage	1,800	600	600	1,800	1,800	1,800
	Car Hire	-	-	-	-	-	-
	Other Transport	50	50	50	50	50	50
Western Cape Non-delegates	Hotel Accommodation	200	200	200	200	200	200
	Food & Beverage	2,500	1,400	1,300	2,500	2,500	2,400
	Car Hire	-	-	-	-	-	-
	Other Transport	150	150	150	150	150	150
Western Cape Delegates	Hotel Accommodation	-	-	400	400	-	400
	Food & Beverage	150	150	150	150	150	150
	Car Hire	-	-	-	-	-	-
	Other Transport	50	50	50	50	50	50
Western Cape Non-delegates	Hotel Accommodation	200	200	600	600	200	600
	Food & Beverage	-	-	150	150	-	150
	Car Hire	150	150	150	150	150	150
	Other Transport	-	-	-	-	-	-
Western Cape Delegates	Hotel Accommodation	60	60	60	60	60	60
	Food & Beverage	210	210	360	360	210	360
	Car Hire	-	-	-	-	-	-
	Other Transport	-	-	-	-	-	-

Induced Tourism and Tourist Expenditure

One of the important objectives of the CTICC is that it will help boost tourism in Cape Town and South Africa. As delegates come to conventions in Cape Town so, we hope, they will return to Cape Town at some later date. In turn, a few of these will become regular visitors.

Turning poetry into arithmetic is more challenging. Table A9 shows the assumptions made about the number of delegates who will return to Cape Town. The assumption made is that 30 percent of delegates will visit Cape Town once within a four-year period after the initial convention/exhibition. Assumptions about how long the visitor will stay are based on the Satour findings that the typical tourist party consists of 2.5 people who stay for an average of 17 days (Satour 1998 Synopsis page).

In turn, assumptions are made of the number of returning delegates who, growing to love the Cape, will return on a regular basis. A conservative assumption of 30% was decided on. (In other words for every 100 international delegates who attend a convention at CTICC, 30 will return for a single visit some time in the future. Nine of these 30 will become regular visitors. This travel party is assumed to consist of two people who stay for 10 days.

Table A9
International Tourist Visit Assumptions

Percentage of delegates who will return as tourists at least once in four years	30%
Total number in tourist party	2.5
Length of stay (days)	17
Percentage of second time visitors who will return to Cape Town every two years	30%
Total number in regular return tourist party	2
Length of stay (days)	10

Induced Tourist Spend

Assumptions are made about the spending patterns of average tourists and based on SATOUR findings. They are given in Table A10

Table A10

Total Spending within South Africa by International Tourists 2001 Values

Daily spending, South African Rands

6300 Hotel Accommodation	700
6300 Food & Beverage	200
7100 Car Hire	100
7100 Other Transport	50
6200 Other Expenditure	100
	1,150

Displacement Effects

It was clear from the beginning of this study that all of the projected business of the CTICC would, while new business to this convention centre, not necessarily be new business to convention industry in the Western Cape or, more broadly, in South Africa. There is no doubt that CTICC will act as a major competitor in the market for convention business. Allowances were made for these displacement effects. Table A11 shows the degree of displacement effect that was finally decided on. The degree of displacement was made in consultation with experts in the convention and exhibition industries. The table is interpreted as the quantity of existing business that will be competed away from other convention and exhibition facilities. The difference is the estimated amount of new business that will be generated by the convention centre. The South African estimates are necessary to make a more accurate assessment of the overall impact on the economy. The Western Cape displacement effects are used in estimating the impact of CTICC on provincial economy.

The average estimates for convention and exhibition business are a 52 percent displacement across the entire country and 31 percent in the province. In other words 48 percent of the convention centre business will be new business to the country and 69 percent to the province.

It will be noted that hotel and office displacement is relatively low. Hotel displacement effects are expected to be low because of the fact that the hotel will most likely be filled by convention and exhibition delegates. Hence the convention centre will create new business for the hotel. Office displacement effects are low because of the current very low vacancy rates of A-grade office space in the city centre.

Table A11

Assumed displacement effects	South Africa	Western Cape
	Large 1 day events	60%
International conferences	20%	10%
Multi day national congresses	50%	20%
National congresses	50%	20%
Meetings	80%	80%
Banqueting	75%	55%
Other events	50%	50%
Exhibitions	30%	10%
Average	52%	31%
Hotels	10%	10%
Offices	5%	5%

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