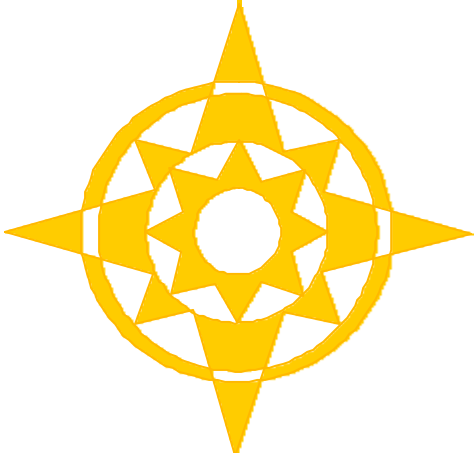


Horwath Tourism & Leisure Consulting  
Member of Horwath International



## Comparative Tourism Overview

August 2001



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## 1. Introduction

Subsequent to the first democratic elections in South Africa in 1994, the number of foreign arrivals grew substantially. In fact the number of foreign arrivals in South Africa grew by nearly 60% between 1994 and 2000.

South Africa was the most popular African destination in terms of arrivals in 2000. However, total foreign arrivals dropped by 0,3% between 1999 and 2000, down from the 3% growth that was experienced between 1998 and 1999. This drop was due to a decrease in the number of arrivals from Africa in 2000, South Africa's largest source market. Overseas arrivals to South Africa (i.e: from outside of Africa) grew in 2000 by 2,7%.

Capital expenditure in the South African tourism industry has been substantial since the democratic elections in 1994, with thousands of additional hotel rooms coming on line in major metropolitan areas and many other tourism projects including theme parks, convention centres, casinos, shopping centres, golf estates and resorts being developed.

Considerable developments in the gambling and gaming industry have come about in recent years, with a number of casino licences being awarded and a national lottery being instituted in 2000. International airports in Johannesburg and Cape Town are being upgraded and capacity has been increased. In addition, South Africa has succeeded in attracting a number of high-profile meetings and conferences to new purpose-designed convention centres and hopes to grow this market. The Rio Earth Summit is due to be held in Johannesburg in 2002 and it is estimated that the Summit will generate approximately US \$230 million for the country.

Other industry developments in South Africa include the introduction of a new and improved accommodation grading and classification system, which is due to be implemented in 2001; the creation of a new educational and training authority specifically for the tourism industry; and the reorganisation of and increased budget for the national tourism marketing organisation.

Important developments are also taking place within the eco-tourism sector with national and provincial conservation agencies undergoing a process of commercialisation. A number of trans-national eco-tourism initiatives are also in place in the Southern African region.

The tourism outlook for South Africa into the 21<sup>st</sup> Century looks positive with both government and the private sector recognising tourism's important contribution

to Gross Domestic Product and employment and supporting the development of sustainable tourism initiatives.

Horwath undertook a comparative country and city analysis in order to reach an understanding of South Africa's competitiveness as a tourist destination in the global arena. The statistical information utilised in this report is based on various sources, including the World Tourism Organisation, Horwath International offices around the world, and various tourism authorities and statistical agencies. In some cases data for the year 2000 is of a preliminary nature only or is an estimation based on historical information.

South Africa was compared as a tourist destination to Thailand, Hong Kong, Brazil, Australia and Argentina in terms of the number, growth, origin and purpose of foreign arrivals and quanta and growth of domestic arrivals. In addition, Cape Town, Durban and Johannesburg were compared to Rio de Janeiro, Buenos Aires, Sydney, Melbourne, Hong Kong and Bangkok in terms of hotel occupancies, average daily rates, revpar (revenue achieved per available room) and gross operating profit.

## **2. Foreign Tourism**

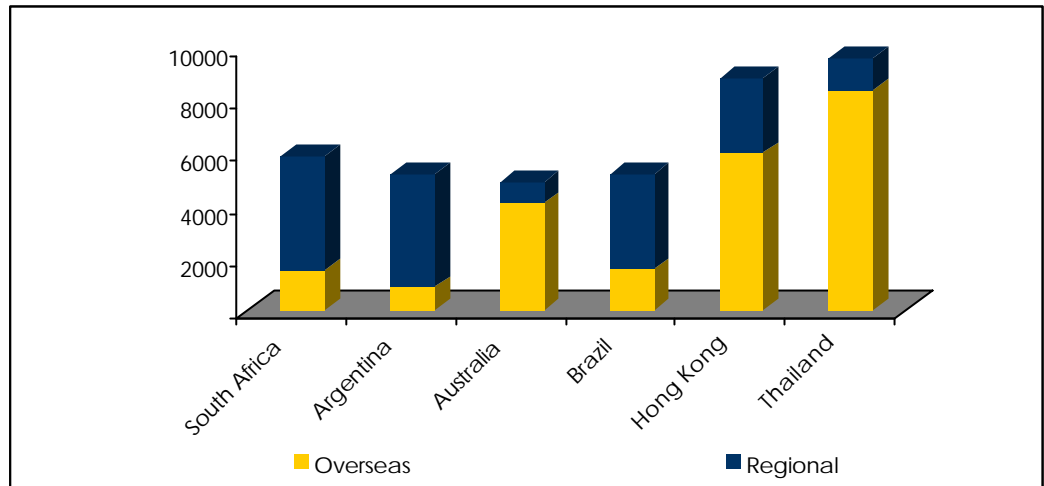
### **2.1 Overseas and Regional Arrivals**

Of the countries included in the survey, Thailand had the most foreign arrivals, at approximately 9,5 million, and Australia the least, at approximately 4,5 million, in 2000.

Of the 5,9 million arrivals recorded for South Africa in 2000, approximately 75% were from other African countries and some 1,5 million were overseas arrivals. Argentina and Brazil also received a high proportion of their arrivals from within the region at 83% and 70% respectively. In contrast, Thailand, Australia and Hong Kong received 88%, 84% and 68% of their estimated number of arrivals from overseas.

Regional arrivals, as defined by the World Tourism Organisation, denote arrivals originating from within the same geographic region as the destination country – the Americas, Africa, Oceania, Asia. Overseas arrivals are from outside the relevant geographic region.

**Figure 2.1: Foreign Arrivals in Thousands – 2000**



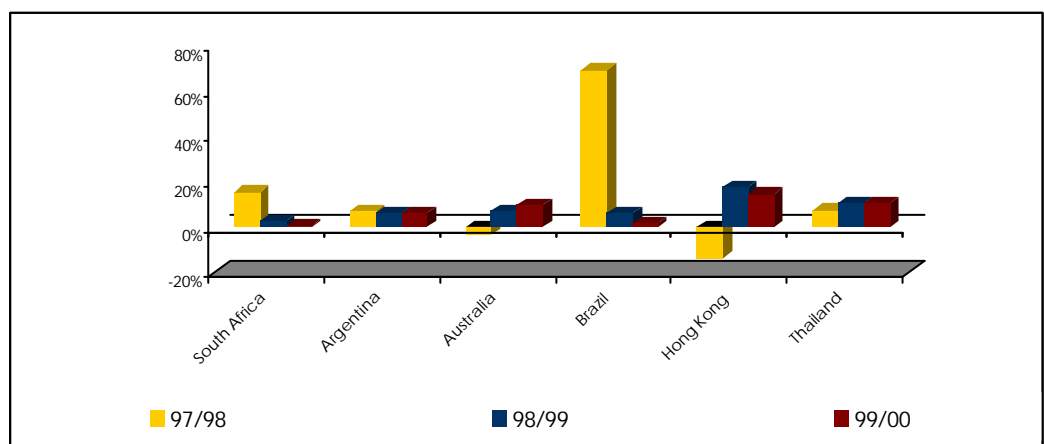
Source: Horwath; National Tourism and Statistical Agencies

## 2.2 Growth in Arrivals

While South Africa’s number of foreign arrivals grew by approximately 22% between 1994 and 1995, the number of overseas arrivals grew by over 50% in the same year. This relatively high growth rate is largely attributable to the peaceful democratic elections that took place in South Africa in 1994.

More recently, however, the growth in arrivals to South Africa has slowed considerably from 15% in 1998 to 3% in 1999. The foreign arrivals growth rate for South Africa in 2000 was -0,3%, due largely to a decrease in arrivals from Africa. Overseas arrivals to South Africa grew at 3% between 1999 and 2000.

**Figure 2.2: Arrivals Growth Rates – 1997 to 2000**



Source: Horwath; National Tourism and Statistical Agencies

Brazil experienced a growth rate of 69% between 1997 and 1998 but a substantially lower growth of 2% in 2000.

Hong Kong had a negative growth rate between 1997 and 1998, in part due to a decrease in foreign arrivals over the handover period to China that year. However between 1999 and 2000, the arrivals growth rate for Hong Kong rebounded and was the highest of the countries surveyed, at 18% in 1999 and 15% in 2000.

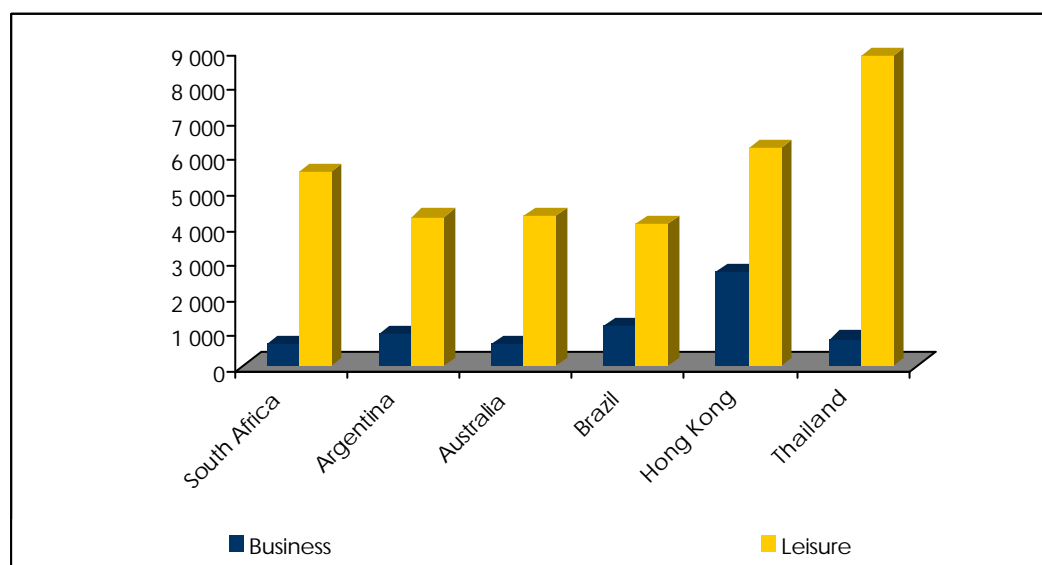
Subsequent to a negative growth rate of 3% between 1997 and 1998, Australia's growth rate increased to 7% in 1999 and 9% in 2000.

Thailand experienced a steady growth rate of between 8% and 10% from 1997 to 2000. Argentina was able to maintain a steady growth rate of around 6% between 1997 and 2000.

### 2.3 Purpose of Visit

An estimated 10% of South Africa's foreign arrivals visited the country for business purposes in 2000. Although this percentage has been slightly higher in the past, the number of business arrivals has grown at a slower rate than that of leisure arrivals.

**Figure 2.3: Business Arrivals as a Percentage of Total Foreign Arrivals – 2000**



Source: Horwath; National Tourism and Statistical Agencies

South Africa's business to leisure arrivals mix is roughly equivalent to that of Thailand and Australia, which have 8% and 13% business arrivals of total foreign arrivals respectively.

Of the countries surveyed, Hong Kong had the greatest number of business arrivals as a percentage of total foreign arrivals, at approximately 30%. 22% of Brazil's total foreign arrivals and 18% of Argentina's total foreign arrivals visited the countries for business purposes.

## **2.4 Average Length of Stay and Daily Expenditure**

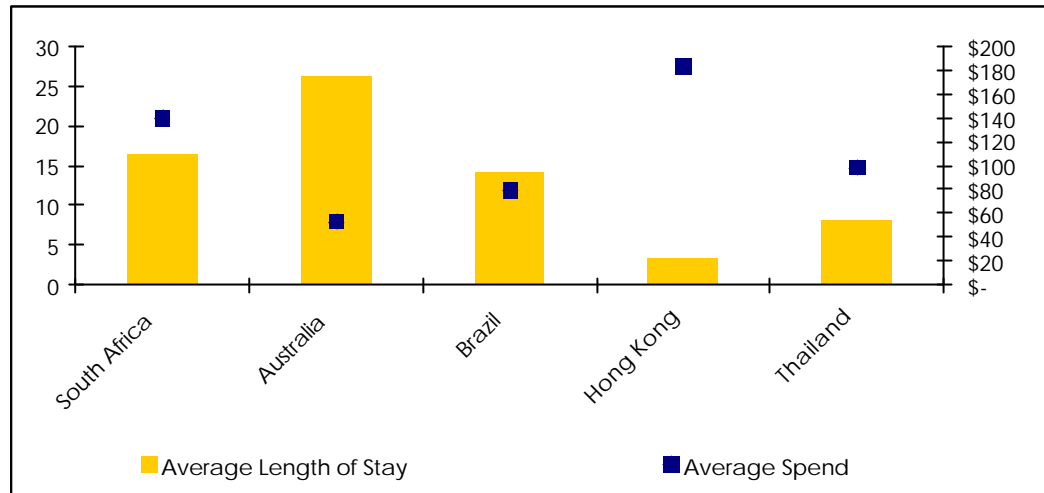
The average estimated length of stay for air arrivals to South Africa was approximately 16 nights. Although the average length of stay of foreign air arrivals has decreased slightly in recent years, it has been in the range of 15 to 19 nights for many years.

Of the countries surveyed, South Africa commands the highest average daily spend, after Hong Kong, at US\$140 per person. South Africa's average expenditure is calculated for air arrivals only (i.e.: it excludes cross border arrivals) and reflects the fact that most air arrivals to South Africa are leisure visitors from the top-end of the leisure market. Backpacking and less costly package holidays to South Africa hold a small share of the market.

The average length of stay for Hong Kong was the lowest of all the countries included in the survey, at 3 nights. This is in all likelihood due to the relatively small geographical area that Hong Kong encompasses and the limited number of activities and attractions it offers as a result of its size. In addition, 30% of Hong Kong's visitors were business arrivals, whose trips are typically shorter in duration than leisure tourists. Nevertheless, Hong Kong achieved the highest average expenditure per day per foreign arrival, at approximately US\$183.

In Australia business arrivals comprised 13% of all foreign arrivals and stayed an average of 11 nights; while backpackers, who constituted approximately 10% of all foreign arrivals, stayed an average of 69 nights. The relatively long length of stay of the backpacker segment and the fact that 87% of all foreign arrivals were leisure tourists, influenced the average length of stay in Australia upwards to 26 days.

**Figure 2.4: Average Length of Stay and Daily Expenditure – 2000**



Source: Horwath; National Tourism and Statistical Agencies Average expenditure per night excludes airfare

Expenditure per person per day for Australia was the lowest, at an average of US\$53. This is a result, in part, of the longer average length of stay for all foreign arrivals and the contribution of the backpacker market, which typically spend less but stay for longer than other leisure segments.

Average expenditure per person per day in US Dollar terms decreased over the last 5 years in Thailand from US\$146 in 1996 to US\$98 in 2000. This is largely a result of the devaluation of the currency, as the expenditure in Baht has remained constant over the period.

## 2.5 Main Overseas Source Markets

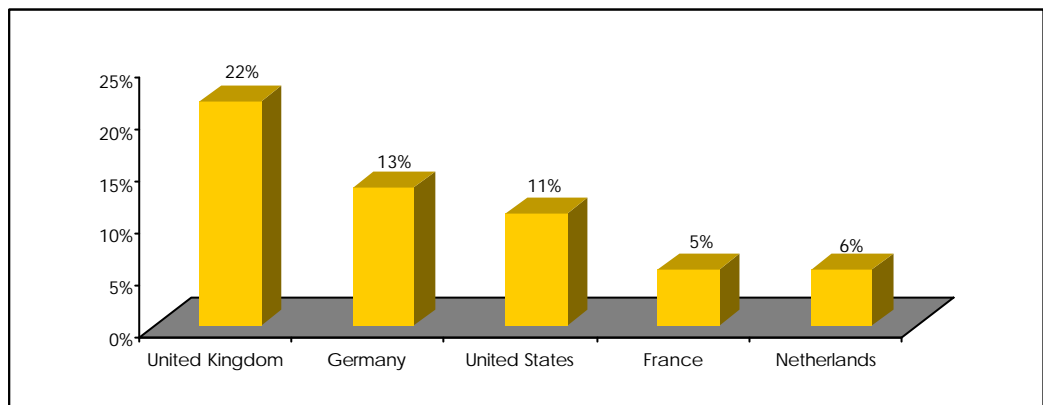
The United Kingdom and the United States were both top long-haul source markets for all the countries compared in the analysis. Other significant long-haul source markets across the sample were Germany and France.

In 2000, South Africa is estimated to have received fewer arrivals from the United Kingdom than Thailand and Australia, and almost the same number of arrivals from the United Kingdom as Hong Kong. The United States was by far the most important overseas source market for Hong Kong and Brazil.

### 2.5.1 South Africa

In South Africa, the 5 main overseas source markets together contributed an estimated 57% to the total number of overseas arrivals. The United Kingdom was by far the most important overseas market for South Africa in 2000.

**Figure 2.5: Main Overseas Source Markets for South Africa – 2000**

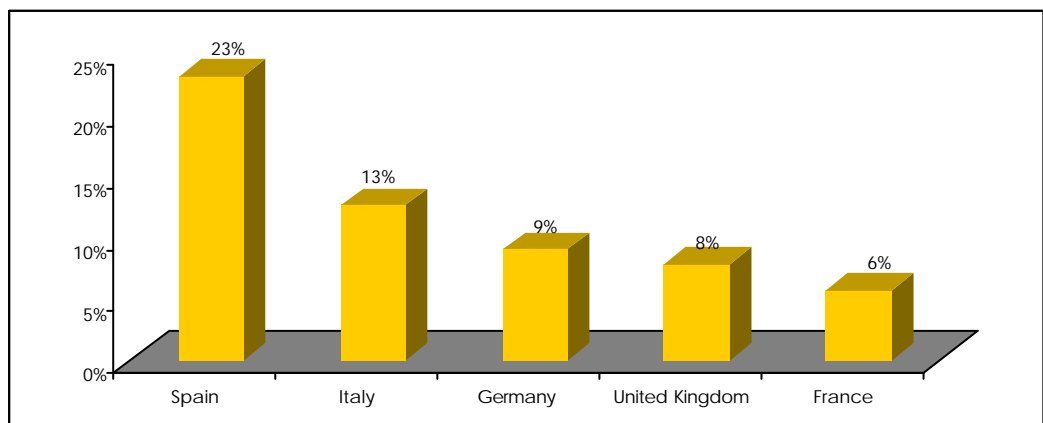


Source: Horwath; National Tourism and Statistical Agencies

### 2.5.2 Argentina

Spain was the most important overseas source market for Argentina in 2000, contributing 23% to total overseas arrivals. The other 4 top overseas source markets contributed a combined 36% to total overseas arrivals.

**Figure 2.6: Main Overseas Source Markets for Argentina – 2000**

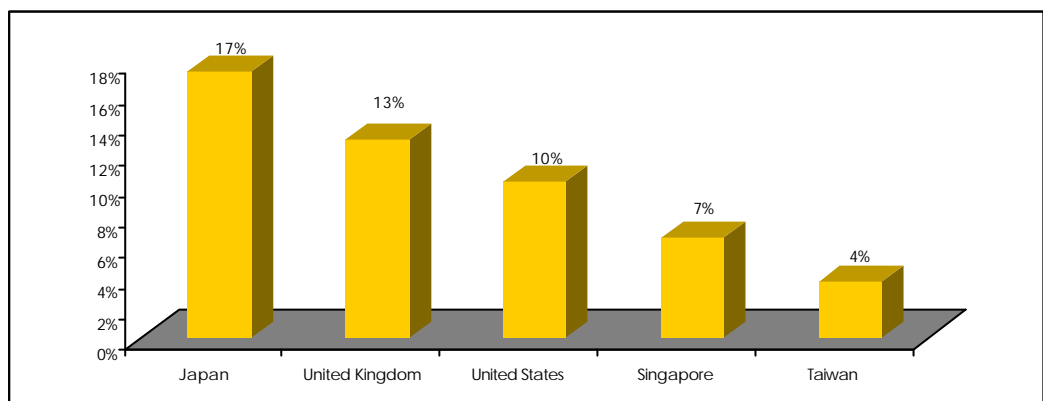


Source: Horwath; National Tourism and Statistical Agencies

### 2.5.3 Australia

Japan was Australia's most important overseas source market in 2000, contributing 17% to total overseas arrivals in the country. Arrivals from the 5 main overseas source markets contributed in the region of 51% to total overseas arrivals in 2000.

**Figure 2.7: Main Overseas Source Markets for Australia – 2000**

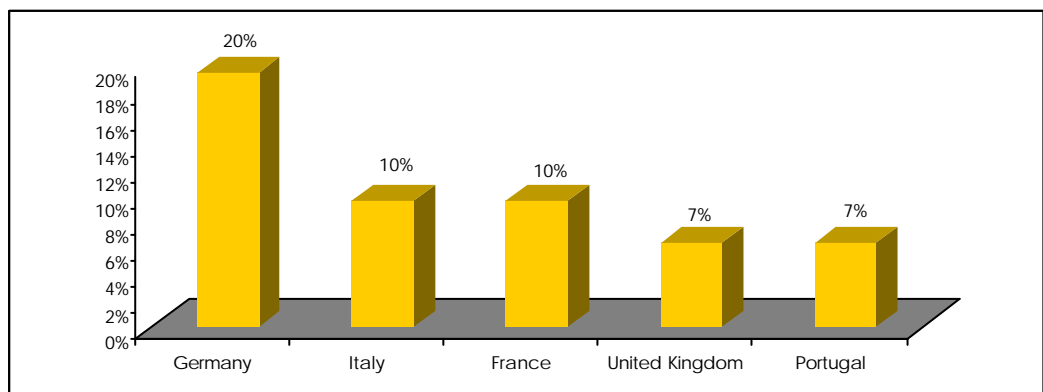


Source: Horwath; National Tourism and Statistical Agencies

### 2.5.4 Brazil

Germany was the most important overseas source market for Brazil in 2000, contributing 20% to all overseas arrivals in the country. Arrivals from the 5 main overseas source markets contributed in the region of 55% to total overseas arrivals in 2000.

**Figure 2.8: Main Overseas Source Markets for Brazil – 2000**

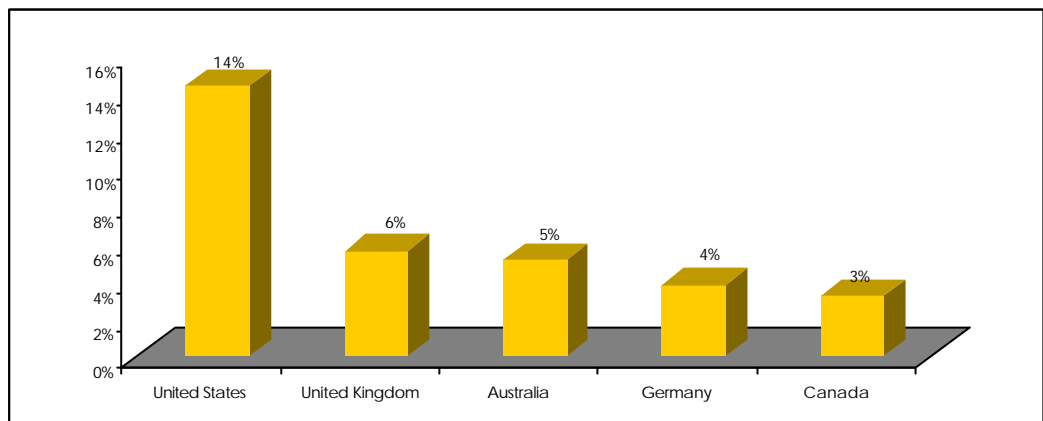


Source: Horwath; National Tourism and Statistical Agencies

### 2.5.5 Hong Kong

The United States was the most important source market for Hong Kong in 2000, contributing 14% towards total overseas arrivals. The other 4 top overseas source markets combined contributed only 18% to total overseas arrivals.

**Figure 2.9: Main Overseas Source Markets for Hong Kong – 2000**

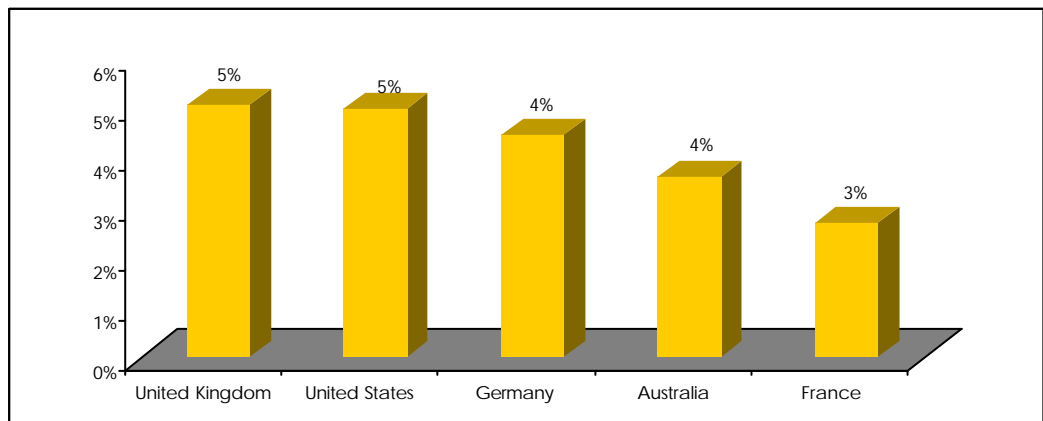


Source: Horwath; National Tourism and Statistical Agencies

### 2.5.6 Thailand

The 5 main overseas source markets for Thailand, namely the United Kingdom, the United States, Germany, Australia and France, each contributed between 3% and 5% to total overseas arrivals in the country in 2000.

**Figure 2.10: Main Overseas Source Markets for Thailand – 2000**



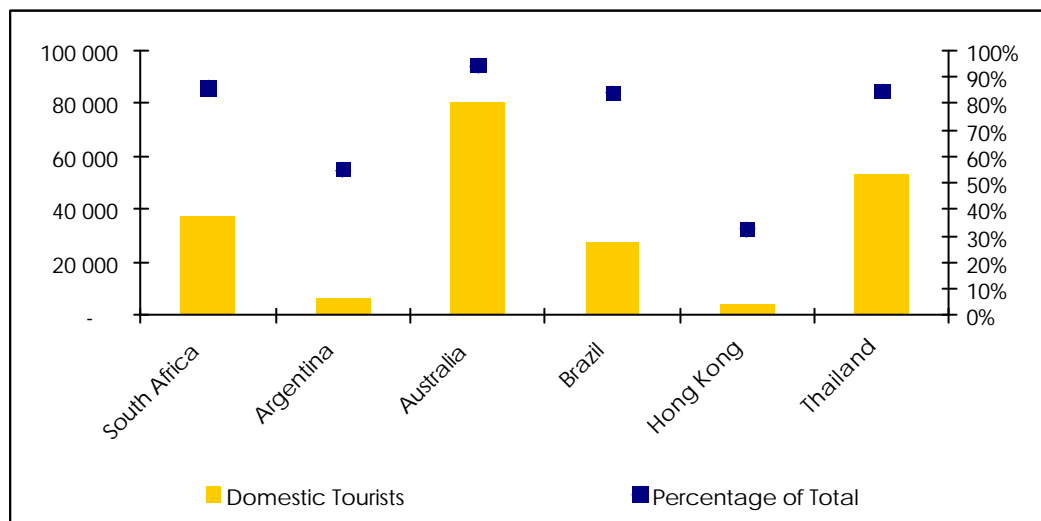
Source: Horwath; National Tourism and Statistical Agencies

Unlike the other countries included in this comparative analysis, Thailand is far less dependent on its 5 main source markets. Their total contribution to overseas arrivals was in the region of 21%, or less than half the contribution made by the 5 main source markets in South Africa, Argentina, Australia and Brazil.

### 3. Domestic Tourism

In South Africa, domestic tourist arrivals made up 86% of the total, at approximately 37 million in 2000. As the last national domestic tourism survey undertaken in South Africa was conducted in 1996, estimates for 2000 have been based on a growth rate which is roughly in line with general economic growth.

**Figure 3.1: Estimated Domestic Tourists in Thousands – 2000**



Source: Horwath; National Tourism and Statistical Agencies

Of the countries surveyed, Australia recorded by far the greatest number of domestic tourist arrivals, around 80 million, representing about 94% of all arrivals in the country.

The number of domestic arrivals in Thailand is not officially recorded, although it is estimated at approximately 53 million domestic arrivals, 85% of the total in 2000.

In Brazil, domestic tourist arrivals made up 84% of the total, at 27 million, whereas in Argentina domestic arrivals made up only 55% of the total at 6 million arrivals.

In Hong Kong, domestic arrivals numbered some 4 million, making up 32% of the total.

Although domestic tourist arrivals constitute more than half of the total arrivals in most of the countries included in the survey, it must be noted that domestic tourist expenditure, particularly in developing regions of the world, such as Africa and Asia, is substantially less than foreign tourist expenditure per person per day.

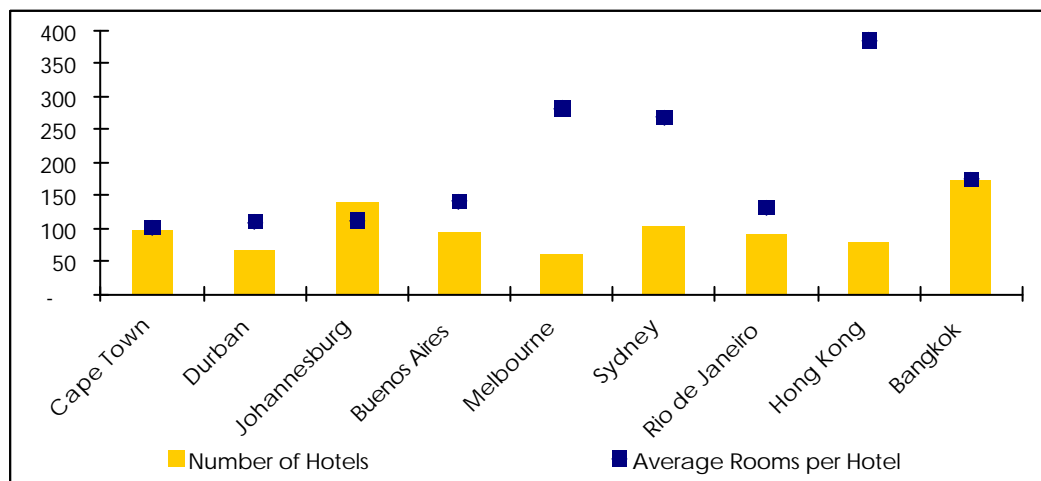
## 4. Hotels

### 4.1 Number of Hotels and Hotel Size

The average number of hotels per city in the 9 cities included in the survey was 91. There are currently some 98 hotels in Cape Town, 66 hotels in Durban and 138 hotels in Johannesburg. Bangkok has the greatest number of hotels of the cities surveyed at an estimated 172. Melbourne has the smallest number of hotels at 60.

South African hotels had the smallest average number of rooms per hotel of all the cities included in the survey. The average number of rooms per hotel is 101 in Cape Town, 110 rooms in Durban and 113 rooms in Johannesburg. Hong Kong has the greatest average number of rooms per hotel of the cities surveyed at an estimated 385 rooms. Other than the South African hotels, Rio de Janeiro has the smallest number of rooms per hotel, at 132 rooms.

**Figure 4.1: Number of Hotels and Average Number of Rooms per Hotel**



Source: Horwath; National Tourism and Statistical Agencies

South African hotels had the lowest average daily rate<sup>‡</sup> of all hotels in the sample of comparable cities; this is probably due in part to the weakness of the South African Rand. Of the hotels in the South African cities compared, Cape Town hotels had the highest revpar (revenue per available room), at US\$38, followed by Durban and Johannesburg, at US\$29 and US\$24 respectively. Cape Town hotels also commanded the highest gross operating profit percentage (GOP), at 34%, followed by Durban and Johannesburg, at 31% and 29% respectively.

**Table 4.1: Hotel Trading Statistics**

City	Occupancy %	Average Daily Rate US\$	Revpar US\$	Gross Operating Profit %
Cape Town	64%	\$59	\$38	34%
Durban	62%	\$47	\$29	31%
Johannesburg	51%	\$47	\$24	29%
Buenos Aires	67%	\$95	\$64	34%
Melbourne	72%	\$97	\$70	32%
Sydney	72%	\$109	\$78	30%
Rio de Janeiro	62%	\$92	\$57	33%
Hong Kong	83%	\$92	\$76	29%
Bangkok	70%	\$62	\$43	40%
Weighted Average	70%	\$82	\$58	33%

*Source: Horwath; National Tourism and Statistical Agencies*

The weighted average occupancy of all hotels in the comparable cities included was 70%; the weighted average daily rate of all hotels was US\$82; the weighted average GOP was 33%. Hotels in Hong Kong commanded the highest occupancies at 83%, while hotels in Sydney commanded the highest average daily rate and revpar, at US\$109 and US\$78 respectively.

The highest GOP of all hotels in the comparable cities included was achieved by hotels in Bangkok, at 40%.

## 5. Interpretation of Survey Findings

South Africa received more foreign arrivals than Argentina, Australia and Brazil but less than Hong Kong and Thailand in 2000. Although South Africa had close to 6 million foreign arrivals in 2000, 75% of these arrivals were regional arrivals.

<sup>‡</sup> average daily rate refers to the net accommodation revenue per day, per room night sold; this excludes value added taxation, meals, other levies and items that may be included in the public tariff and accounts for discounts and multiple occupancies.

Regional tourists typically have a much lower average expenditure per day than do foreign tourists from outside the region, resulting in a reduced impact upon the tourism economy of the country.

South Africa experienced a decline of 0,3% in total foreign arrivals between 1999 and 2000. The decline in total foreign arrivals was largely due to a 1,34% decrease in regional arrivals, which was offset to a degree by a 2,73% growth in overseas arrivals.

South Africa's low foreign arrivals' growth rate of -0,3% between 1999 and 2000, compared to the other countries included in the comparative analysis as well as world-wide tourism growth of 4%, can be attributed to a variety of factors. These include lack of appropriate and focussed international marketing, the constrictive aviation environment and safety and security concerns. It is expected that the number of foreign business tourists visiting South Africa will increase in the near future from international conferences held at new and planned international convention centres. This will in turn have a favourable impact upon the foreign arrivals growth rate.

South Africa had the second highest average expenditure per person per day for foreign arrivals (based only on air arrivals to South Africa) for those countries included in the sample, at US\$140. The comparatively high average expenditure per day per foreign air arrival to South Africa is indicative of the fact that at present South Africa mainly receives the "top-end" of the foreign leisure and business tourist markets. The South African tourism industry has not as yet been able to successfully penetrate the package tourist market or the backpacker market. This is due to a number of factors including the lack of inexpensive tour group packages to the country and relatively expensive flights.

The five top overseas source markets contributed more than 50% to the total number of overseas tourist arrivals received in South Africa, Argentina, Australia and Brazil in 2000. Reliance on a few major source markets places South Africa in a precarious situation. In this connection South African Tourism is beginning to market to other potential markets, such as India and the African-American market in the United States, in order develop ties outside of those markets on which the country has traditionally relied.

There were 37 million domestic arrivals in South Africa in 2000. Current population estimates put the South African population at 43 million - this equates to less than one domestic tourist arrival per capita in South Africa in 2000. The majority of the countries compared to South Africa had 1 or less domestic arrivals per annum, except for Australia, which had 4 domestic arrivals per capita in 2000.

South African Tourism is embarking upon a domestic marketing drive during Tourism Month (September) this year in an effort to challenge and inspire all South Africans to travel domestically. Domestic tourists, although spending less than their foreign counterparts, still contribute more than 60% to total tourism revenues in South Africa.

South African hotels did not perform as well as hotels in other cities included in the sample, with low occupancies, low average daily rates and revpars. However Cape Town achieved the second highest GOP as a percentage of total revenue across all the cities in the sample, at 34%, after Bangkok (with 40%). The performance of South African hotels in 2001 has been slightly better than their performance in 2000 and it is expected that hotel performance will continue to improve in South Africa, as demand begins to meet supply.