

**Economic Contribution of the International  
Convention Centre Durban  
Financial year 2009/10**



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## **Executive Summary**

The convention and exhibition business is big business. It brings people in and boosts spending in the host province. It brings people in from other countries, boosts spending in the country and generates foreign exchange. However the business is bigger than that. Where conventions bring in delegates from other countries they showcase the city, province and country. The more attractive the city the better the showcasing. This is certainly true of a city like Durban. Where the showcasing is successful some of the delegates will return as tourists. In turn some of these tourists will become regular visitors to our shores. For some conventions and exhibitions the business is even bigger than tourism. Where conventions or exhibitions draw business to the country or where exhibitions nurture the growth of local industry – particularly small start up business – the economic benefits are spread far and wide.

Conventions and exhibitions bring about significant economic benefits. The first and most obvious benefit is the spending that is done on setting up and running conventions and exhibitions. The second lies in spending by delegates outside of the convention or exhibition. These would include accommodation, travel, sightseeing, buying meals, souvenirs, etc. Third, anecdotal evidence suggests that many delegates from other African countries spend large sums of money on the purchase of consumer durables. Fourth, some delegates return with their family as tourists. Some of these tourists will become regular visitors to South Africa. Finally, there are business to business benefits and SMME business development.

This report documents the economic benefits that the ICC Durban has brought to the country and to the province of KwaZulu-Natal over the last four financial years. The report starts with the overall macroeconomic contribution made during the financial year 2009/10. (*In this report all references to years should be understood to refer to financial years. Hence 2010 is the financial year from July 2009 to June 2010*). In 2010 the ICC Durban generated a total of 1 442 760 delegate and visitor days in Durban. This resulted in the ICC Durban contributing R2.59bn to national GDP and R450.5m to KwaZulu-Natal GGP. From an employment perspective, 3 334 people were employed directly in the province as a result of the ICC Durban while a further 4 463 were employed indirectly throughout the country. Other macroeconomic benefits are the generation of R234.4m in tax revenue and the creation of R1.3bn in indirect household income. In each of the macroeconomic contributions mentioned above, the contribution of delegate expenditure accounts for between 64% and 77% of the

impact, while induced tourism contributes about 17%. The ICC Durban was a net generator of R363.2m in foreign exchange earnings for the country.

The analysis of the macroeconomic contribution includes all multiplier and displacement effects. Over the last four years:

- Total contribution to GDP amounted to R1.94bn in 2007, R1.78bn in 2008, R2.37bn in 2009 and R2.59bn in 2010. These are all given in nominal values.
- GDP is important not just because it is income but also because income has the capacity to add to wealth. Based on this, the ICC Durban has made a cumulative contribution to GDP of R8.7bn over the last three financial years.

The ICC Durban has made a significant contribution to both direct and indirect job creation:

- 3 218 direct jobs were sustained in 2007, 2 595 in 2008, 3 147 in 2009 and 3 334 in 2010.
- The largest contributor to job creation is delegate expenditure. These job numbers totalled 2 067 in 2007, 1 968 in 2008, 2 440 in 2009 and 2 570 in 2010.
- Indirect job numbers totalled 4 145 in 2007, 3 449 in 2008, 4 289 in 2009 and 4 463 in 2010.

The ICC contributes to provincial GGP:

- Contribution to KZN GGP totalled R327.1m in 2007, R298.5m in 2008, R399.0m in 2009 and R450.5m in 2010.
- Cumulative contribution to KZN GGP over the last four years totalled R1.48bn.

There is a significant generation of foreign exchange:

- Net foreign exchange earnings (i.e. foreign exchange generation less usage) totalled R363.2m in 2010. This is a slight decrease on the R368.1m in 2009.
- Cumulatively, over the last four financial years the ICC Durban has generated R1.08bn in foreign exchange.

Apart from the key macroeconomic effects discussed above, there are many other macroeconomic effects that flow from the ICC Durban. These include the generation of tax and the impact on indirect household income:

- The contribution to taxes amounted to R180.5m in 2007, R162.8m in 2008, R214.7m in 2009 and R234.4m in 2010.
- Cumulatively over the last four years activities associated with the ICC Durban have contributed R792.5m to taxes.
- In 2007 the ICC Durban contributed R990.8m and in 2008 R905.5m to indirect household income. The 2009 contribution amounted to R1.2bn, while in 2010 this figure climbed to R1.3bn.
- Over the last four years the ICC Durban has contributed over R4.4bn to indirect household income.

## Table of Contents

Executive Summary .....	i
Table of Contents.....	iv
Introduction.....	1
Convention Centres and Economic Benefits .....	1
1 Macroeconomic Contribution during the 2010 Financial Year.....	3
2 Delegate, Visitor and Tourist Days .....	6
2.1 Congresses .....	8
2.2 Exhibitions and Other Events.....	8
2.3 Total Days for All Events .....	9
2.4 International Tourists and Induced Tourism .....	9
3 Overall Macroeconomic Contribution of the ICC Durban (since 2006/7).....	10
3.1 Background and Methodology .....	10
3.1.1 An explanation of the Multiplier Effect .....	11
3.1.2 Displacement Effects .....	11
3.2 Contribution to South African Gross Domestic Product.....	12
3.3 Job Creation .....	14
3.3.1 Direct Job Creation .....	14
3.3.2 Indirect Jobs .....	15
3.4 Contribution to KwaZulu-Natal Gross Geographic Product .....	15
3.5 Generation of Foreign Exchange .....	17
3.6 Other Macroeconomic Effects.....	19
3.6.1 Taxes.....	19
3.6.2 Indirect Household Income .....	20
4 Conclusion .....	21

## **Introduction**

The International Convention Centre Durban (ICC Durban) initially opened for business in August 1997. Since that time the Centre has proven to be a major success. It has hosted many high profile conventions including the XII Non-Aligned Movement Summit in 1998 and large international congresses including the World Congress of Surgery in 2005, the International Sociological Congress in 2006, the International Federation of Fertility Societies Conference in 2007 and the International Council of Nurses Conference in 2009. It has one of the largest exhibition spaces in the country and hosts the high profile Tourism Indaba in May every year.

This is the second macroeconomic impact report commissioned by the ICC Durban. The first report, in 2009, documented the economic benefits that the ICC Durban brought to the country and to the province of KwaZulu-Natal over the prior three financial years. This report concentrates on the contribution of the centre during the 2009/10 financial year.

The report starts with the overall macroeconomic contribution during the financial year 2009/10. *(In this report all references to years should be understood to refer to financial years. Hence 2010 is the financial year from July 2009 to June 2010).* This is followed by delegate and visitor days in that year. The report then leads on to a review of the economic contribution that has been made over the last four financial years.

## **Convention Centres and Economic Benefits**

Convention and exhibition business is big business. It brings people in and boosts spending in the host province. It brings people in from other countries, boosts spending in the country and generates foreign exchange. However the business is bigger than that. Where conventions bring in delegates from other countries they showcase the city, province and country. The more attractive the city the better is the showcasing. This is certainly true of a city like Durban. Where the showcasing is successful some of the delegates will return as tourists. In turn some of these tourists will become regular visitors to our shores. For some conventions and exhibitions the business is even bigger than tourism. Where conventions or exhibitions draw business to the country or where exhibitions nurture the growth of local industry – particularly small start up business – the economic benefits are spread far and wide.

Conventions and exhibitions bring about significant economic benefits. The first and most obvious benefit is the spending that is done on setting up and running conventions and exhibitions. The second lies in spending by delegates outside of the convention or exhibition. These would include accommodation, travel, sightseeing, buying meals, souvenirs, etc. Typically this spending is determined through general spending surveys of delegates. However there are four potential benefits that may not be identified through such surveys.

- The first of these is that anecdotal evidence suggests that many delegates from other countries in Africa will spend large sums of money on the purchase of consumer durables.
- The second is that some delegates will return with their family as tourists. Some of these tourists become regular visitors to South Africa.
- Business to business benefits. Business to business conventions and exhibitions are a key meeting place for agreement to be reached on a wide range of different types of potential business agreements. These can be orders, cooperation agreements, foreign direct investment and so on.
- SMME business development. Small business development is a key component of any poverty alleviation policies. SMMEs offer a way out of poverty through economic empowerment that is far more efficient than reliance on handouts.

## 1 Macroeconomic Contribution during the 2010 Financial Year

This section focuses on the macroeconomic contribution made by the ICC Durban for 2010. As shown in Table 1 (and in more detail in Table 2), the ICC Durban generated a total of 1 442 760 delegate and visitor days in Durban. This resulted in the ICC Durban contributing R2.59bn to national GDP and R450.5m to KwaZulu-Natal GGP.

- Operations at the centre (which includes ICC capital expenditure, ICC operational expenditure, host / organiser expenditure, exhibitor expenditure and delegate expenditure) contributed R2.15bn to GDP and R383.0m to KwaZulu-Natal GGP. This is a 9% increase in contribution to GDP over 2009.
- Induced tourism added a further R440.9m to GDP and R67.5m to GGP. After delegate expenditure, induced tourism is the second largest contributor, followed closely by exhibitor spending.
- Total contribution to GDP for 2010, including induced tourism, was R2.59bn and total contribution to GGP was R450.5m. This represents an increase in contribution to GDP of 9% over 2009. In real terms (i.e. with inflation removed) this represents a 4% increase.

**Table 1: Macroeconomic Contribution for the 2010 Financial Year**

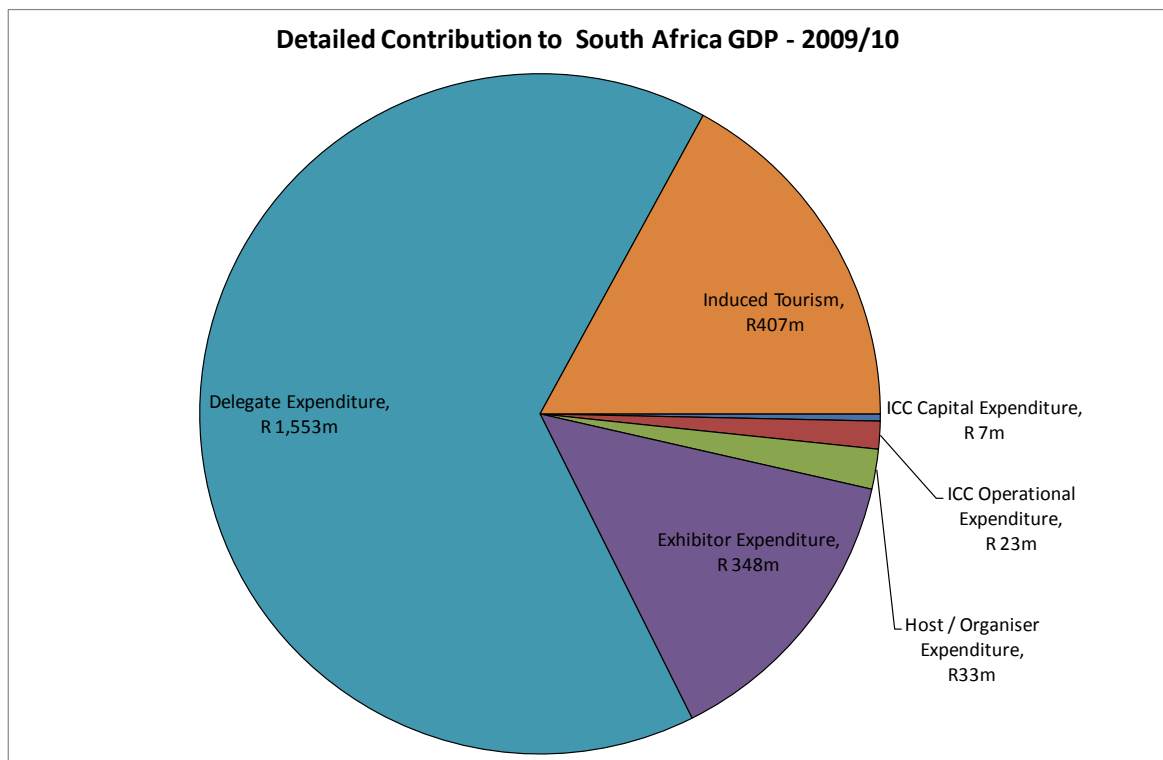
Macroeconomic Contribution for the 2010 Financial Year								
<b>Rand million, 2010 Prices</b>	GDP	KZN GGP	Direct KZN Jobs	Indirect SA Jobs	Indirect Taxes	Indirect H-hold Income	Net Forex Earnings	Delegate & Visitor Days
ICC Capital Expenditure	8.8	1.5	13	14	0.9	4.8		
ICC Operational Expenditure	34.1	7.1	26	55	3.9	17.0		
Host / Organiser Expenditure	49.1	10.5	32	83	5.2	26.3		
Exhibitor Expenditure	364.0	57.7	136	541	34.9	182.9		
Delegate Expenditure	1,690.0	306.1	2,570	3,035	148.7	856.1		
<b>Sub-Total</b>	<b>2,146.0</b>	<b>383.0</b>	<b>2,778</b>	<b>3,729</b>	<b>193.7</b>	<b>1,087.1</b>		
Induced Tourism	440.9	67.5	556	735	40.8	221.9		
<b>Total Contribution FY 2010</b>	<b>2,586.9</b>	<b>450.5</b>	<b>3,334</b>	<b>4,463</b>	<b>234.4</b>	<b>1,309.1</b>	<b>363.2</b>	<b>1,442,760</b>
<b>Total Contribution FY 2009</b>	<b>2,371.1</b>	<b>399.0</b>	<b>3,147</b>	<b>4,289</b>	<b>214.7</b>	<b>1,200.8</b>	<b>368.1</b>	<b>1,435,698</b>

- From an employment perspective, 3 334 people were employed directly in the province as a result of the ICC Durban while a further 4 463 were employed indirectly throughout the country.
- These jobs total 2 778 and 3 729 respectively if the effect of induced tourism is excluded.
- The number of direct jobs for 2010, at 3 334, is an increase of 6% on the 3 147 of 2009. Similarly, the number of indirect jobs, at 4 463, is an increase on the 4 289 of 2009.

- Other macroeconomic benefits are the generation of R234.4m in tax revenue and the creation of R1.31bn in indirect household income.

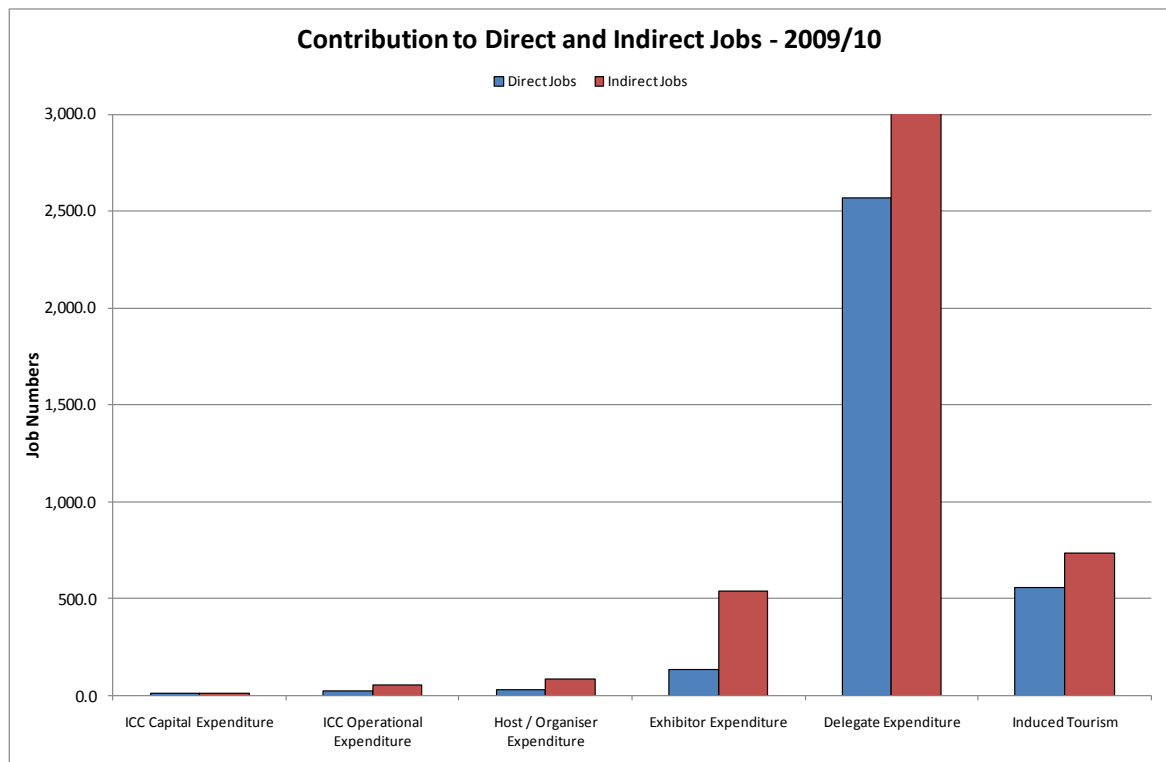
In each of the macroeconomic contributions mentioned above, the contribution of delegate expenditure accounts for between 63% and 77% of the impact, while induced tourism contributes 17%. The delegate expenditure includes expenditure on accommodation while in the province, meals at restaurants, travel expenses, tours and souvenirs. The dominance of delegate expenditure over other forms of expenditure in the contribution to GDP is illustrated in Figure 1, while the contribution to direct and indirect jobs is illustrated in Figure 2.

**Figure 1: Detailed contribution to South Africa GDP**



The ICC Durban was a net generator of R363.2m in foreign exchange earnings. This takes into account foreign exchange brought into the country by international delegates and returning visitors, as well as the purchase of imports. (Refer to Table 7 in section 3.5 for more detail).

**Figure 2: Detailed contribution to direct and indirect jobs**



Thus, it can be seen that the ICC Durban has made a significant contribution to the South African and particularly the KwaZulu-Natal economy in both increased economic output and job creation.

## 2 Delegate, Visitor and Tourist Days

The ICC Durban contributes in part to the provincial and national economies by attracting local and foreign delegates and visitors to Durban. Some delegates and visitors are expected to return to Durban as tourists at a later stage and some are likely to become repeat visitors. This phenomenon is called induced tourism and is a function of the success of the centre in attracting international delegates in prior years. Although this report concentrates on the results from 2007 onwards, the events from 2004 to 2006 have been included in the analysis to incorporate the effect of the induced tourism. This represented somewhat of a challenge because the events before 2007 are not captured electronically and a manual categorisation of the events had to take place. Induced tourism is understated because induced tourism from international delegates who attended events between 1997 and 2003 could not be included.

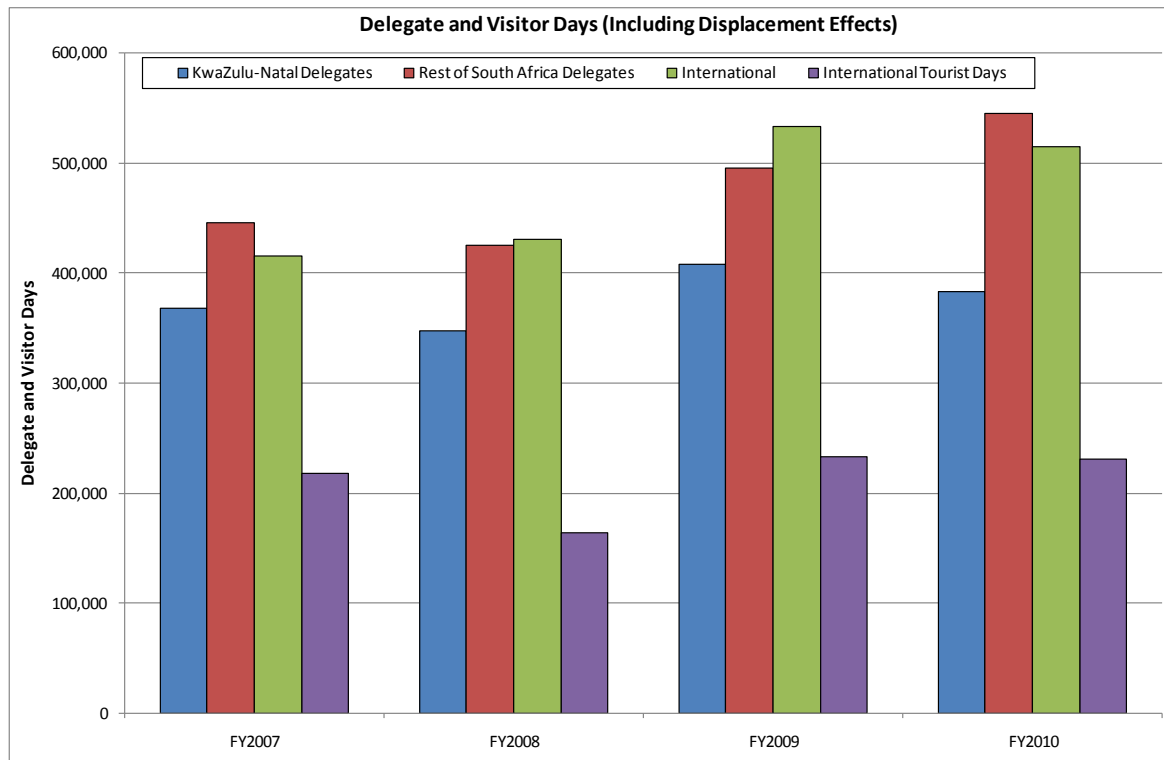
**Table 2: Delegate, Visitor and Tourist Days**

<b>Total Days Generated By:</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
<b>Congresses</b>				
KwaZulu-Natal	38,149	7,551	17,008	24,359
Rest of South Africa	56,957	24,356	20,121	85,519
International	12,480	14,335	39,511	38,753
<b>Total Days</b>	<b>107,586</b>	<b>46,242</b>	<b>76,640</b>	<b>148,630</b>
<b>Exhibitions and Other Events</b>				
KwaZulu-Natal	329,737	339,950	390,434	358,527
Rest of South Africa	388,339	400,367	475,168	459,323
International	403,286	415,777	493,456	476,281
<b>Total Days</b>	<b>1,121,362</b>	<b>1,156,094</b>	<b>1,359,058</b>	<b>1,294,130</b>
<b>Total All Events</b>				
KwaZulu-Natal Delegates	367,886	347,501	407,441	382,886
Rest of South Africa Delegates	445,296	424,723	495,289	544,841
International Delegates	415,766	430,112	532,967	515,034
<b>Total Days</b>	<b>1,228,948</b>	<b>1,202,336</b>	<b>1,435,698</b>	<b>1,442,760</b>
International Tourist Days	217,501	164,225	232,872	231,056
Total International Visitor Days	633,266	594,337	765,840	746,089

The starting point of the analysis is to estimate the number of days that visitors, delegates and tourists spend in the region. These numbers are reported in Table 2 and illustrated in Figure 3. Figure 3 shows how the KwaZulu-Natal, Rest of South Africa and International delegate days remained relatively static between 2007 and 2008, showed an increase in 2009 before dropping off slightly in 2010. The graph

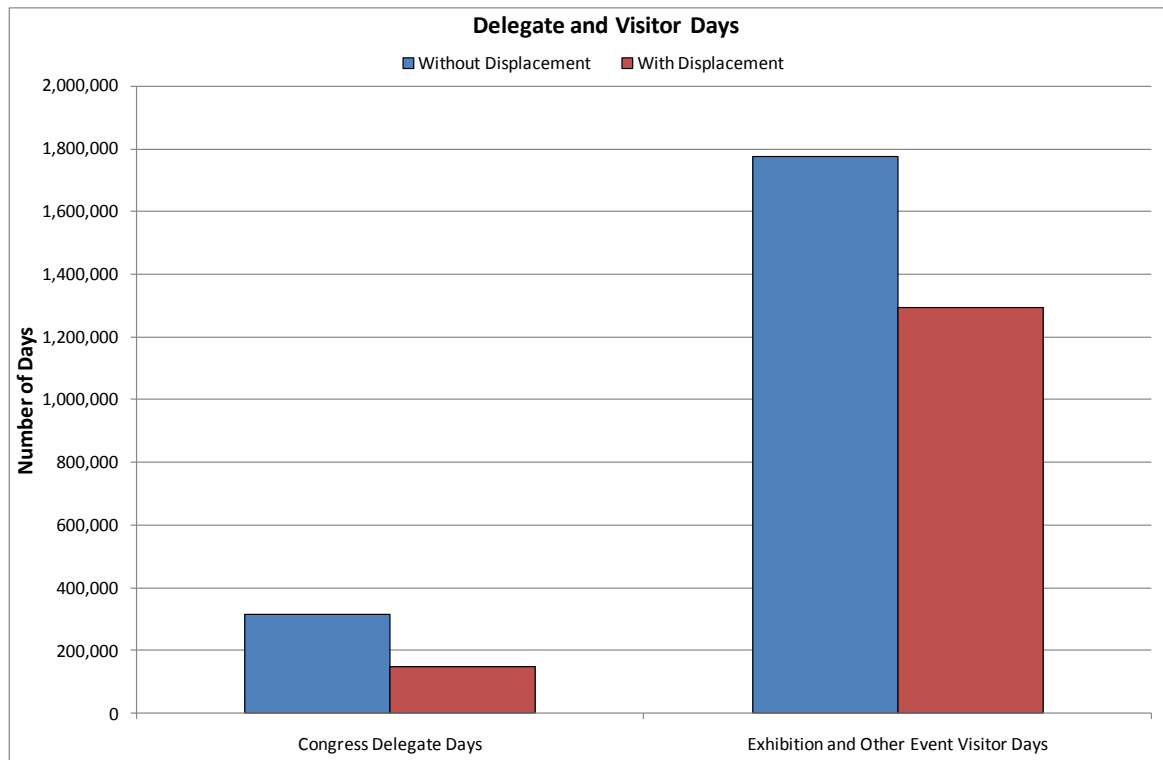
also shows how international tourist days (which are a function of induced tourism) dropped off between 2007 and 2008, before increasing in 2009. The 2010 level was little changed from the previous year.

**Figure 3: Delegate and Visitor Days**



The number of days that people attending events spend in Durban includes time outside the congress or exhibition and includes those people in the party accompanying delegates but not necessarily attending the event. These numbers allow for displacement effects which means that all those events that could have been staged elsewhere in the province or the country are excluded from the analysis. Figure 4 shows the magnitude of this displacement effect by comparing visitor days including and excluding displacement effects. It also illustrates the relative magnitude of the congress days and other event days.

It is immediately apparent that the most important economic contribution made by ICC Durban is from the hosting of exhibitions. In 2010 there were, excluding displacement effects, 314 294 congress days and 1 774 610 exhibitions days.

**Figure 4: Delegate and Visitor Days in 2010 with and without Displacement**

## 2.1 Congresses

People coming to Durban to attend congresses typically stay an additional one and a half days longer than the duration of the congress. Some congress goers are also accompanied by friends and family who do not actually attend the congress.

- A total of 148 630 days attributed to congresses were generated by the ICC Durban during 2010. This is an increase on the 76 640 days of 2009 and is the highest of the four years analysed.
- More than half of these days in 2010 were by delegates from elsewhere in South Africa (85 519). KwaZulu-Natal congress days amounted to 24 359 and international days to 38 753. This proportion is different from last year where international delegates made up half of the total congresses days.

## 2.2 Exhibitions and Other Events

As with congresses people who attend exhibitions and other types of events (such as concerts, sports events and trade fairs) also spend more time in the city than just the days at the exhibitions. Some are also accompanied by friends and family.

- A total of 1 294 130 days resulting from exhibitions and other events were generated by the ICC Durban during 2010. This number is a decrease on the 2009 number of 1 359 058 but higher than 2007 and 2008.
- In 2010 international visitor days accounted for 476 281 days, KwaZulu-Natal visitor days 358 527 and rest of South Africa for 459 323. The relative proportion of these visitors is similar for all years under review.

### **2.3 Total Days for All Events**

This is the sum of the congress, exhibition and other event days reported in sections 2.1 and 2.2.

- Total days for all events amounted to 1 442 760 days. This is a 0.5% increase on the 1 435 698 in 2009.
- International delegate and visitor days accounted for 36% of the total. This proportion is in line with that of 2007, 2008 and 2009.

### **2.4 International Tourists and Induced Tourism**

- It is estimated that, this year, international tourists spent over 230 000 days in South Africa as a result of induced tourism generated by the ICC Durban. This is probably understated because it excludes the effect of repeat tourism from events held prior to 2007.
- The number of international tourist days in 2010 is similar to 2009, but higher than 2007 and 2008.

### **3 Overall Macroeconomic Contribution of the ICC Durban (since 2006/7)**

The ICC Durban has made a significant macroeconomic contribution to Durban, KwaZulu-Natal and South Africa. This section outlines these effects, describes briefly some of the methodology used in determining these effects and reports on specific macroeconomic impacts. These include:

- Contribution to GDP
- The impact on job creation
- Contribution to KwaZulu-Natal GGP
- Foreign exchange earnings
- Other macroeconomic effects

This section highlights the contributions since 2006/7. It includes the construction of the arena and the retrofitting of various areas.

#### **3.1 Background and Methodology**

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 the creation of jobs. The importance of job creation is obvious. Increases in GDP are synonymous with increases in peoples' economic standards of living. Increased GDP – i.e. increased production – is experienced in the form of more jobs, higher wages and reduced economic hardship. It is clearly an important measure.

The components included in the analysis are:

- Capital expenditure at the ICC Durban. This includes purchases of equipment of various kinds. In 2007 there was major expenditure on construction of the Arena and refurbishment of other facilities.
- Revenues generated by convention and exhibition organisers, as well as catering and accommodation spending by exhibitors.
- Spending by convention delegates and exhibition visitors on accommodation, travel, gifts, etc.
- Increased tourism as some convention delegates return as tourists. In turn, some of these are likely to become regular visitors to Durban and the country

at large. This gives a permanent and on-going boost to tourism and is called induced tourism.

- An additional tourist component in the study consists of those international delegates who would have attended a congress elsewhere in the country but might not have returned as tourists. Now that the congress is held in Durban, the delegates might return later with their families. This additional form of tourist revenue is captured in the analysis, even though the actual convention business is seen as having being displaced from elsewhere in the country.

### **3.1.1 An explanation of the Multiplier Effect**

Calculating the macroeconomic impact of the ICC Durban demands a detailed and multifaceted approach not least because of the so-called multiplier effects. 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 here take account of these interrelated economic forces.

### **3.1.2 Displacement Effects**

It is recognised that not all of the congresses and exhibitions are new business to KwaZulu-Natal or South Africa. The ICC Durban draws congresses, exhibitions, meetings and banquets away from other venues in the province and in the country generally. These are the so-called displacement effects.

Allowance has been made for displacement effects. Hence all of the macroeconomic effects that are reported in this study are for estimates of new business. The

estimates make allowance for national displacement effects – i.e. the competing away of existing business from other conference centres across the entire country or province. The only instance where this focus is changed and KwaZulu-Natal displacement effects focused on is for the reported impact of the ICC Durban on KwaZulu-Natal's Gross Geographic Product (GGP) and direct job creation in the province. Here we are concerned with the provincial economic impact and not the overall national impact.

### **3.2 Contribution to South African Gross Domestic Product**

GDP is the total value of all final goods and services produced in the country. It is a fundamental measure of the economic quality of life of all people in the country. It is also the most important and all encompassing measure of the macroeconomic effect of the ICC Durban.

Table 3 and Figure 5 report on the ICC Durban's contribution to GDP since 2007. They indicate the composition of contribution to GDP and report all amounts in nominal prices. The contribution in real prices (i.e. by removing inflation) is given and presented in 2010 values in the bottom row of the table. Multiplier and displacement effects are taken into account.

- In 2010 the contribution to GDP amounted to R2.59bn. This exceeds the R1.94bn in 2007, R1.78bn in 2008 and R2.37bn in 2009. These are all given in nominal prices.
- In real terms (i.e. inflation removed and presented in 2010 prices) the contribution to GDP in 2010 exceeded the contributions of the previous years. This can be seen by examining the second last row in Table 3.
- The third last row in the table gives an estimate of the growth of the ICC Durban relative to the economy at large. In 2007 the contribution to GDP was the equivalent of 0.71% of KZN GGP. In 2008 this dropped to 0.57% before rising to 0.70% in 2009 and then to 0.72% in 2010. The somewhat higher value in 2007 was the result of the capital expenditure that year on the Arena. The increase in the rate over the last two years indicates that growth at the ICC Durban has been higher than for the economy as a whole.
- The real contribution to GDP excluding capital expenditure is shown in the bottom row of Table 3. This line therefore concentrates only the operating aspect of the ICC Durban and excludes the effect of inflation. From this it is

clear that the contribution in 2010 is greater than the contribution in all preceding years.

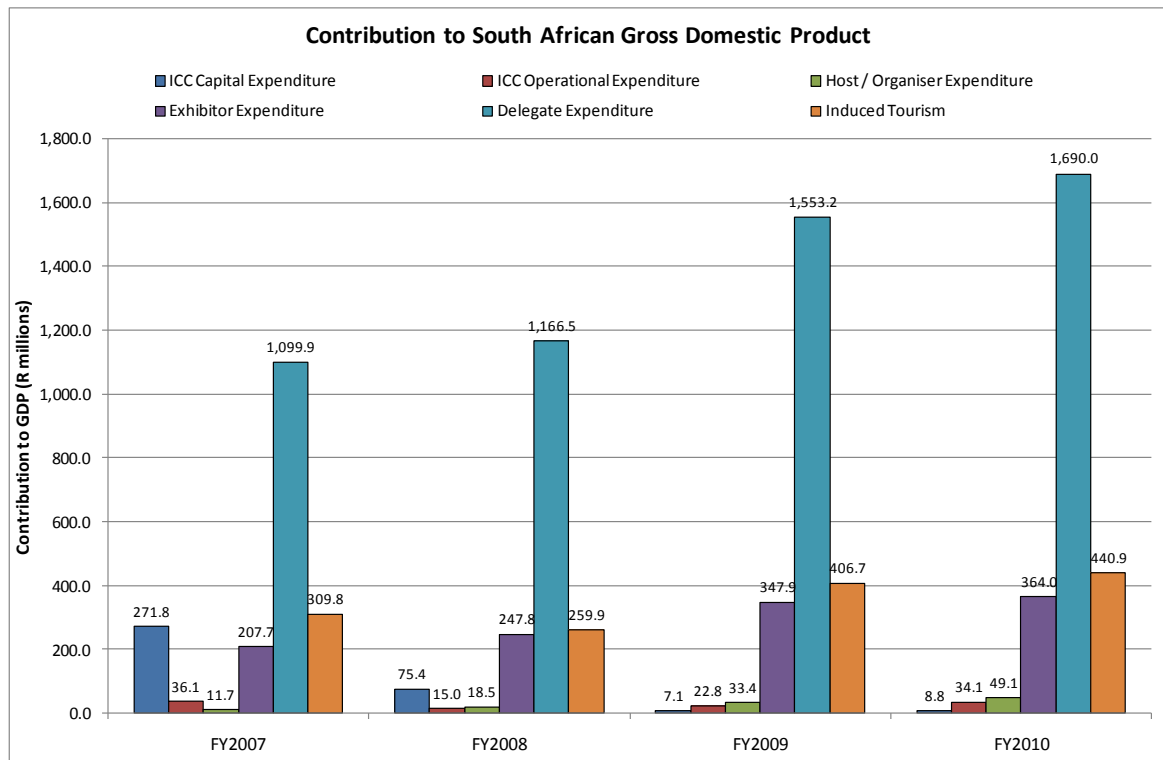
**Table 3: Contribution to GDP**

<b>Contribution to Gross Domestic Product - South Africa</b>				
<b>Rand million, nominal prices</b>				
<b>Financial Year</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
ICC Capital Expenditure	271.8	75.4	7.1	8.8
ICC Operational Expenditure	36.1	15.0	22.8	34.1
Host / Organiser Expenditure	11.7	18.5	33.4	49.1
Exhibitor Expenditure	207.7	247.8	347.9	364.0
Delegate Expenditure	1,099.9	1,166.5	1,553.2	1,690.0
Induced Tourism	309.8	259.9	406.7	440.9
<b>Total Contribution</b>	<b>1,937.0</b>	<b>1,783.1</b>	<b>2,371.1</b>	<b>2,586.9</b>
<b>Cumulative Contribution</b>	<b>1,937.0</b>	<b>3,720.1</b>	<b>6,091.1</b>	<b>8,678.1</b>
<b>Contrib to GDP as % of KZN GGP</b>	<b>0.71%</b>	<b>0.57%</b>	<b>0.70%</b>	<b>0.72%*</b>
Real Contribution - 2010 Prices	2,451.8	2,024.3	2,480.9	2,586.9
Real Contribution, excl Capex	2,107.8	1,938.7	2,473.5	2,578.1

\* Indicates Estimate

The composition of contribution to GDP is illustrated in Figure 5. It is clear that delegate expenditure is the largest contributor to GDP, followed by induced tourism and exhibitor spending. The contribution from capital expenditure can also be sizeable but these typically do not happen on a regular basis. The contribution of the 2007 construction of the Arena can be seen clearly in the figure.

GDP is important not just because it is income but also because income has the *capacity to add to wealth*. Based on this, the ICC Durban has made a cumulative contribution to GDP of R8.68bn since 2007.

**Figure 5: Detailed contribution to Gross Domestic Product**

### 3.3 Job Creation

The ICC Durban has made a significant contribution to both direct and indirect job creation.

#### 3.3.1 Direct Job Creation

Table 4 reports on the total number of direct jobs created in KwaZulu-Natal. In this instance only provincial displacement effects are taken into account rather than national displacement effects (some of these direct jobs are at the expense of other jobs outside of the province).

- At 3 334, the number of direct jobs sustained in 2010 is higher than the direct jobs sustained in any of the earlier years.
- The largest contributor to job creation is delegate expenditure. This contributed to sustaining 2 067 jobs in 2007, 1 968 in 2008, 2 440 in 2009 and 2 570 in 2010.

**Table 4: Direct Jobs**

<b>Contribution to Provincial Direct Jobs - KwaZulu-Natal</b>				
<b>Financial Year</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
ICC Capital Expenditure	526	131	11	13
ICC Operational Expenditure	33	13	12	26
Host / Organiser Expenditure	10	15	22	32
Exhibitor Expenditure	98	105	136	136
Delegate Expenditure	2,067	1,968	2,440	2,570
Induced Tourism	483	363	525	556
<b>Total Direct Jobs</b>	<b>3,218</b>	<b>2,595</b>	<b>3,147</b>	<b>3,334</b>

- If the effect of induced tourism is excluded then ICC Durban sustained 2 778 jobs in 2010.

### 3.3.2 Indirect Jobs

ICC Durban also been sustained indirect jobs country-wide. Table 5 reports on the estimated indirect jobs. In contrast to Table 4, these estimates take national, rather than provincial, displacement effects into account.

**Table 5: Indirect Job Creation**

<b>Contribution to National Indirect Jobs - South Africa</b>				
<b>Financial Year</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
ICC Capital Expenditure	554	138	12	14
ICC Operational Expenditure	71	28	39	55
Host / Organiser Expenditure	24	35	60	83
Exhibitor Expenditure	391	418	541	541
Delegate Expenditure	2,451	2,339	2,928	3,035
Induced Tourism	653	491	709	735
<b>Total Indirect Jobs</b>	<b>4,145</b>	<b>3,449</b>	<b>4,289</b>	<b>4,463</b>

It can be seen from Table 5 that a significant number of indirect jobs have been created by activities associated with the ICC Durban. Indirect job numbers totalled 4 145 in 2007, 3 449 in 2008, 4 289 in 2009 and 4 463 in 2010.

### 3.4 Contribution to KwaZulu-Natal Gross Geographic Product

While many of the direct benefits will be felt within the province there will also be indirect effects on other provinces. For example, as tourists spend money in hotels, they in turn use materials from all over the country and from other countries. Although KwaZulu-Natal can boast about producing some of the best food in the country, other products such as wine, paper tissues, soaps and cleaning materials are often brought

in from other provinces. Hence the contribution to GGP, in the home province, can often be much less than its contribution to GDP because of these leakages.

The ICC Durban's contribution to provincial GGP is reported in Table 6 and Figure 6. Both multiplier and displacement effects have been taken into account.

**Table 6: Contribution to KwaZulu-Natal Gross Geographic Product**

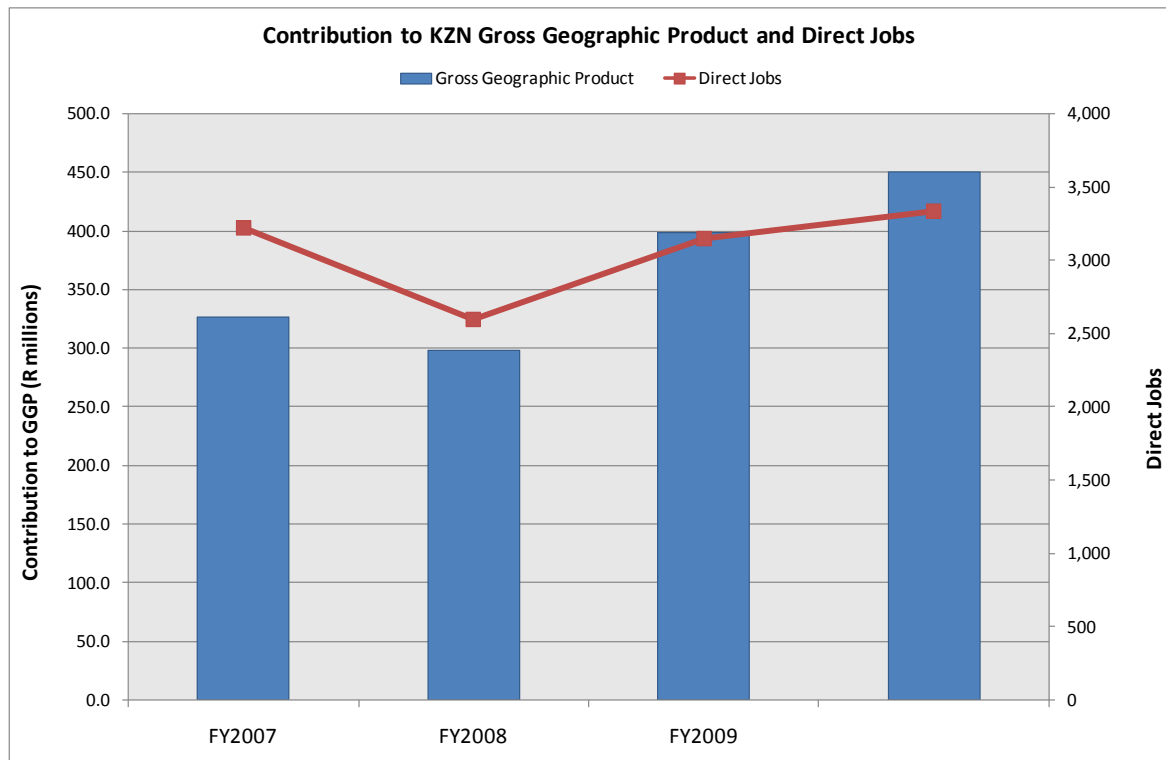
<b>Contribution to Gross Geographic Product - KwaZulu-Natal</b>				
<b>Rand million, nominal prices</b>				
<b>Financial Year</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
ICC Capital Expenditure	47.2	13.1	1.2	1.5
ICC Operational Expenditure	7.1	3.1	4.5	7.1
Host / Organiser Expenditure	2.6	4.3	6.9	10.5
Exhibitor Expenditure	32.9	39.3	55.2	57.7
Delegate Expenditure	190.9	199.9	270.3	306.1
Induced Tourism	46.3	38.8	60.9	67.5
<b>Total Contribution</b>	<b>327.1</b>	<b>298.5</b>	<b>399.0</b>	<b>450.5</b>
<b>Cumulative Contribution</b>	<b>327.1</b>	<b>625.6</b>	<b>1,024.6</b>	<b>1,475.1</b>

- Contribution to KZN GGP totalled R327.1m in 2007, R298.5m in 2008 and R399.0m in 2009. In 2010 the contribution to GGP totalled R450.5m and exceeded all previous years.
- Cumulative contribution to KZN GGP since 2007 amounted to nearly R1.5bn.

Contribution to GGP and direct job creation, are presented in Figure 6. The contribution to GGP amounted to R450.3m in 2010. This consists of:

- R1.5m from capital expenditure
- R7.1m from operations at the ICC Durban
- R10.5m from host / organiser expenditure
- R57.7m from spending by exhibitors
- R306.1m from spending by delegates
- R67.5 as a result of induced tourism.

**Figure 6: Contribution to KZN GGP and Direct Jobs**



### 3.5 Generation of Foreign Exchange

ICC Durban makes an important contribution to foreign exchange earnings through the international delegates and tourists that are attracted to the country. It will of course also be realised that the ICC Durban used foreign exchange during construction as some fittings used during construction were imported. It continues to use foreign exchange as tourists and delegates consume some imported food and are moved around in buses running on imported fuels, etc.

Table 7 indicates the estimated foreign exchange use and earnings. The final row in the table gives net foreign exchange earnings (i.e. the cumulative total of foreign exchange use and earnings).

**Table 7: Net Foreign Exchange Earnings**

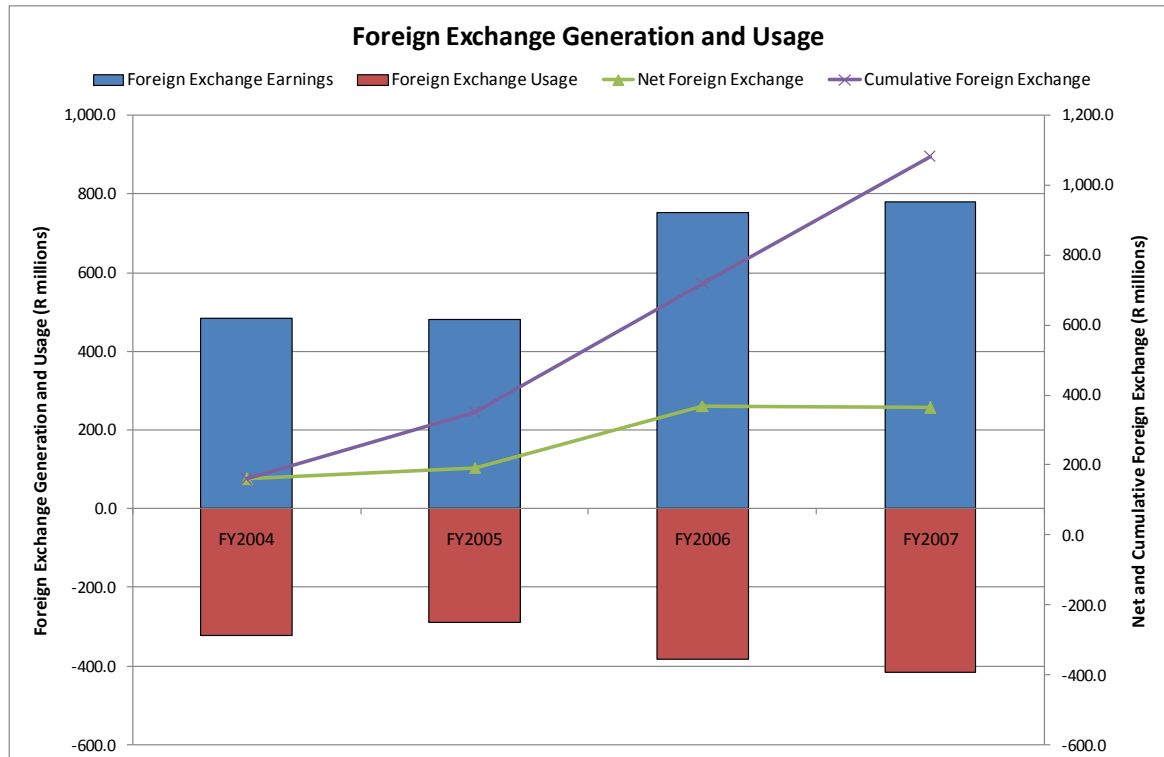
<b>Foreign Exchange Earnings - South Africa</b>				
<b>Rand million, nominal prices</b>				
<b>Financial Year</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
<b>Foreign Exchange Earnings</b>				
International Exhibitors	0.3	0.4	0.4	0.4
International Delegates	290.6	320.0	502.3	510.2
Induced Tourism	191.4	161.1	247.9	268.4
<b>Total Forex Earnings</b>	<b>482.4</b>	<b>481.5</b>	<b>750.7</b>	<b>779.0</b>
<b>Foreign Exchange Use</b>				
ICC Capital Expenditure	57.2	15.9	1.5	1.9
ICC Operational Expenditure	5.9	2.5	4.0	5.8
Host / Organiser Expenditure	1.9	3.1	5.7	8.3
Exhibitor Expenditure	31.9	38.0	53.4	55.9
All Delegate Expenditure	179.4	190.9	255.5	276.4
Induced Tourism	47.5	39.9	62.4	67.7
<b>Total Imports</b>	<b>323.8</b>	<b>290.3</b>	<b>382.5</b>	<b>415.8</b>
Net Forex Earnings	158.6	191.2	368.1	363.2
Cumulative Total	158.6	349.8	717.9	1,081.1

- During 2010, there was direct and indirect foreign exchange usage, particularly as a result of delegate and visitor spending. Total foreign exchange usage is estimated at R415.8m in the last financial year. This is an increase on the R323.8m in 2007, the R290.3m in 2008 and R382.5m of 2009.
- In contrast, international delegates, exhibitors and tourists will also bring considerable foreign exchange to the country. It is estimated that in 2010 international delegates brought R510.2m into the country, international exhibitors R0.4m and induced tourism R268.4m. Total foreign exchange earnings therefore amounted to R779.0m.
- Consequently, net foreign exchange earnings (i.e. foreign exchange generation less usage) totalled R363.2m in 2010. This is a slight decrease on the R368.1m in 2009. This decrease is attributable to two offsetting factors. First there more events staged at the ICC with their associated increase in expenditure including imports. Second there was a less than proportionate increase in the number of international delegates visiting the country and therefore a less than proportionate increase in foreign earnings.

The generation and usage of foreign exchange is illustrated in Figure 7, where the generation of foreign exchange is shown by the blue columns, the usage of foreign exchange by the red columns and the net foreign exchange is indicated by

the green line. Cumulatively, over the last four financial years the ICC Durban has generated over R1bn in foreign exchange. This is indicated by the purple line in the figure.

**Figure 7: Generation and Usage of Foreign Exchange**



### 3.6 Other Macroeconomic Effects

Apart from the key macroeconomic effects discussed above, there are many other macroeconomic effects that flow from the ICC Durban. These include the generation of tax and the impact on indirect household income.

#### 3.6.1 Taxes

The contribution to taxes is shown in Table 8.

- Contribution to taxes amounted to R234.4m in 2010.
- Cumulatively activities associated with the ICC Durban have contributed R792.5m to taxes since 2007.

**Table 8: Contribution to Indirect Taxes**

<b>Contribution to Taxes - South Africa</b>				
<b>Rand million, nominal prices</b>				
<b>Financial Year</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
ICC Capital Expenditure	28.9	8.0	0.8	0.9
ICC Operational Expenditure	4.6	1.9	2.7	3.9
Host / Organiser Expenditure	1.2	1.9	3.6	5.2
Exhibitor Expenditure	19.9	23.7	33.3	34.9
Delegate Expenditure	97.3	103.2	136.7	148.7
Induced Tourism	28.6	24.0	37.6	40.8
<b>Total Contribution</b>	<b>180.5</b>	<b>162.8</b>	<b>214.7</b>	<b>234.4</b>
<b>Cumulative Contribution</b>	<b>180.5</b>	<b>343.3</b>	<b>558.0</b>	<b>792.5</b>

Most of the taxes indicated in Table 8 are indirect taxes because the research did not have access to the amount of direct taxes paid by event organisers and exhibitors.

### 3.6.2 Indirect Household Income

Table 9 reports on the contribution of the ICC Durban to indirect household income.

**Table 9: Contribution to Indirect Household Income**

<b>Contribution to Indirect Household Income - South Africa</b>				
<b>Rand million, nominal prices</b>				
<b>Financial Year</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
ICC Capital Expenditure	149.3	41.4	3.9	4.8
ICC Operational Expenditure	17.9	7.5	11.5	17.0
Host / Organiser Expenditure	6.1	9.8	18.1	26.3
Exhibitor Expenditure	104.3	124.5	174.8	182.9
Delegate Expenditure	557.3	591.5	787.9	856.1
Induced Tourism	155.9	130.8	204.7	221.9
<b>Total Contribution</b>	<b>990.8</b>	<b>905.5</b>	<b>1,200.8</b>	<b>1,309.1</b>
<b>Cumulative Contribution</b>	<b>990.8</b>	<b>1,896.3</b>	<b>3,097.1</b>	<b>4,406.1</b>

- It is estimated that in 2010 the ICC Durban contributed over R1.3bn to indirect household income. This is an increase on the R1.2bn of 2009.
- Since 2007 ICC Durban has contributed over R4.4bn to indirect household income.

## **4 Conclusion**

This report examined the macroeconomic contribution made by the ICC Durban over the last four financial years. The ICC Durban generated a total of 1 442 760 delegate and visitor days in Durban during 2009, of which approximately 36% were generated by international visitors. This resulted in the ICC Durban contributing R2.59bn to national GDP and R450.5m to KwaZulu-Natal GGP. Cumulatively, over the last four financial years the ICC Durban has contributed R8.68bn to the national economy. This includes the effects of induced tourism. In real terms (i.e. with the effect of inflation removed) the contribution to GDP in 2010 exceeded that of 2007, 2008 and 2009.

From an employment perspective, 3 334 people were employed directly in the province as a result of the ICC Durban in 2010. A further 4 463 people were employed indirectly throughout the country as a result of spending associated with the centre.

Other macroeconomic benefits are the contribution of R234.4m in tax revenue and the creation of over R1.3bn in indirect household income over the last three financial years. Net foreign exchange earnings (i.e. the generation less the usage of foreign exchange) amounted to R363.2m in 2010. The cumulative generation of foreign exchange exceeds R1bn.

The ICC Durban showcases the city to international delegates and visitors, some of whom return to the city as tourists. Research indicates that a proportion of these tourists return on a regular basis. This is termed induced tourism. Past research on other convention centres has indicated that this has a large effect over time. Induced tourism has been included in this analysis by examining the number and type of events that took place at the ICC Durban over the last seven years.

It can be concluded that the ICC Durban is extremely beneficial to both the KwaZulu-Natal and South Africa from an economic perspective. It has also brought significant social benefits, particularly to the city of Durban.

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