

**Economic Contribution of the International
Convention Centre Durban**

Financial year 2010/11



Prepared by:

Barry Standish
Antony Boting
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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 and some 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 five financial years. The report starts with the overall macroeconomic contribution made during the financial year 2010/11. (*In this report all references to years should be understood to refer to financial years. Hence 2011 is the financial year from July 2010 to June 2011*). In 2011 the ICC Durban generated a total of 1 432 866 delegate and visitor days in Durban. This resulted in the ICC Durban contributing R2.70bn to national GDP and R454m to KwaZulu-Natal GGP. From an employment perspective, 3 376 people were employed directly in the province as a result of the ICC Durban while a further 4 462 were employed indirectly throughout the country. Other macroeconomic benefits were the generation of R246m in tax revenue and the creation of R1.37bn in indirect household income. In each of the macroeconomic contributions mentioned above, the contribution of delegate expenditure accounts for between 62% and 74% of the impact, while induced tourism contributes about 23%. The ICC Durban was a net generator of R467m in foreign exchange earnings for the country.

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

- Total contribution to nominal GDP amounted to R1.94bn in 2007, R1.78bn in 2008, R2.37bn in 2009, R2.59bn in 2010 and R2.70bn in 2011.
- 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 R11.4bn over the last five financial years.

This report gives the economic contribution of the ICC Durban in nominal terms in order that the results match up with the centre's financial statements. However, the true economic performance can only really be assessed by looking at the real economic contribution.

- In real terms the contribution to GDP in 2011 is the highest it has ever been.
- One of the main reasons for this high real contribution to GDP is the role that induced tourism played in 2011. If induced tourism is excluded then the contribution in 2011 is higher than in 2008 but less than the contributions in 2007, 2009 and 2010.

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. In 2011 direct jobs totalled 3 376.
- The largest contributor to job creation is delegate expenditure. This alone sustained 2 915 jobs in 2011.
- Indirect job numbers totalled 4 145 in 2007, 3 449 in 2008, 4 289 in 2009, 4 463 in 2010 and 4 462 in 2011.

The ICC contributes to provincial GGP:

- Contribution to nominal KZN GGP totalled R327m in 2007, R299m in 2008, R399m in 2009, R450m in 2010 and R454m in 2011.
- Cumulative contribution to KZN GGP over the last five years totalled R1.93bn.

There is a significant generation of foreign exchange:

- Net foreign exchange earnings (i.e. foreign exchange generation less usage) totalled R467m in 2011. This is an increase on the R363m in 2010.
- Cumulatively, over the last five financial years the ICC Durban has generated R1.55bn 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 R181m in 2007, R163m in 2008, R215m in 2009 and R234m in 2010. In 2011 the total contribution to taxes amount to R246m.
- Cumulatively over the last five years activities associated with the ICC Durban have contributed R1.04bn to taxes.
- In 2007 the ICC Durban contributed R991m and in 2008 R905m to indirect household income. The 2009 contribution amounted to R1.2bn, while in 2010 this figure climbed to R1.31bn. In 2011 this figure climbed further to R1.37bn.
- Over the last five years the ICC Durban has contributed nearly R5.8bn to indirect household income.

Despite the tough economic conditions the ICC Durban has still managed to perform well in the 2010/11 financial year and continues to make an important contribution to the KwaZulu-Natal and South African economies.

Table of Contents

Executive Summary	i
Table of Contents.....	iv
Introduction.....	1
1 Convention Centres and Economic Benefits.....	1
2 Macroeconomic Contribution during the 2011 Financial Year.....	3
3 Delegate, Visitor and Tourist Days	6
3.1 Congresses	8
3.2 Exhibitions and Other Events.....	9
3.3 Total Days for All Events	9
3.4 International Tourists and Induced Tourism	9
4 Overall Macroeconomic Contribution of the ICC Durban since 2006/7	10
4.1 Background and Methodology	10
4.1.1 An explanation of the Multiplier Effect	11
4.1.2 Displacement Effects	11
4.2 Contribution to South African Gross Domestic Product.....	12
4.3 Job Creation	14
4.3.1 Direct Job Creation	14
4.3.2 Indirect Jobs	15
4.4 Contribution to KwaZulu-Natal Gross Geographic Product	15
4.5 Generation of Foreign Exchange	17
4.6 Other Macroeconomic Effects.....	19
4.6.1 Taxes.....	19
4.6.2 Indirect Household Income	19
5 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 third 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. The second report concentrated on the contribution of the centre during the 2009/10 financial year while this report focuses on the contribution during the 2010/11 financial year.

The report starts with the overall macroeconomic contribution during the financial year 2010/11. *(In this report all references to years should be understood to refer to financial years. Hence 2011 is the financial year from July 2010 to June 2011).* 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 five financial years.

1 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 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 is that anecdotal evidence suggests that many delegates from other countries in Africa spend large sums of money on the purchase of consumer durables.
- The second is that some delegates 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 hand-outs.

2 Macroeconomic Contribution during the 2011 Financial Year

This section focuses on the macroeconomic contribution made by the ICC Durban for 2011. As shown in Table 1 (and in more detail in Table 2), the ICC Durban generated a total of 1 432 866 delegate and visitor days in Durban. This resulted in the ICC Durban contributing R2.70bn to national GDP and R454m 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 R2.05bn to GDP and R363m to KwaZulu-Natal GGP. This is a 4% decrease in contribution to GDP over 2010.
- Induced tourism added a further R654m to GDP and R92m to GGP. After delegate expenditure, induced tourism is the second largest contributor, followed by exhibitor spending.
- Total contribution to GDP for 2011, including induced tourism, was R2.70bn and total contribution to GGP was R454m. This represents an increase in contribution to GDP of 4.6% over 2010. In real terms (i.e. with inflation removed) this represents a 0.4% increase.

Table 1: Macroeconomic Contribution for the 2010 Financial Year

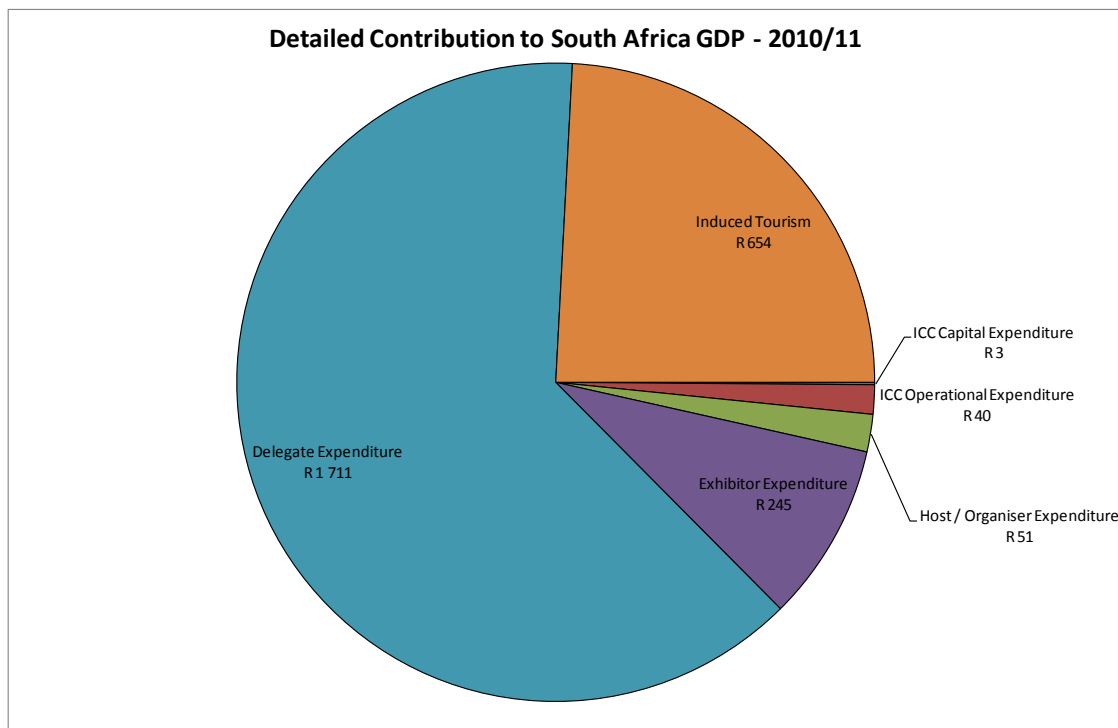
Macroeconomic Contribution for the 2011 Financial Year								
Rand million, 2011 Prices	GDP	KZN GGP	Direct KZN Jobs	Indirect SA Jobs	Indirect Taxes	Indirect H-hold Income	Net Forex Earnings	Delegate & Visitor Days
ICC Capital Expenditure	3	0	5	5	0	0		
ICC Operational Expenditure	40	9	32	62	5	20		
Host / Organiser Expenditure	51	11	33	84	5	28		
Exhibitor Expenditure	245	39	88	350	23	123		
Delegate Expenditure	1 711	304	2 492	2 915	151	867		
Sub-Total	2 051	363	2 650	3 416	185	1 038		
Induced Tourism	654	92	727	1 046	60	329		
Total Contribution FY 2011	2 705	454	3 376	4 462	246	1 367	467	1 432 866
Total Contribution FY 2010	2 587	450	3 334	4 463	234	1 309	363	1 442 760

- From an employment perspective, 3 376 people were employed directly in the province as a result of the ICC Durban while a further 4 462 were employed indirectly throughout the country.
- These jobs total 2 650 and 3 416 respectively without the contribution of induced tourism.
- The number of direct jobs for 2011, at 3 376, is an increase of 1.3% on the 3 334 of 2010. The number of indirect jobs, at 4 462, is one less than the previous year.

- Other macroeconomic benefits are the generation of R246m in tax revenue and the creation of R1.37bn in indirect household income.

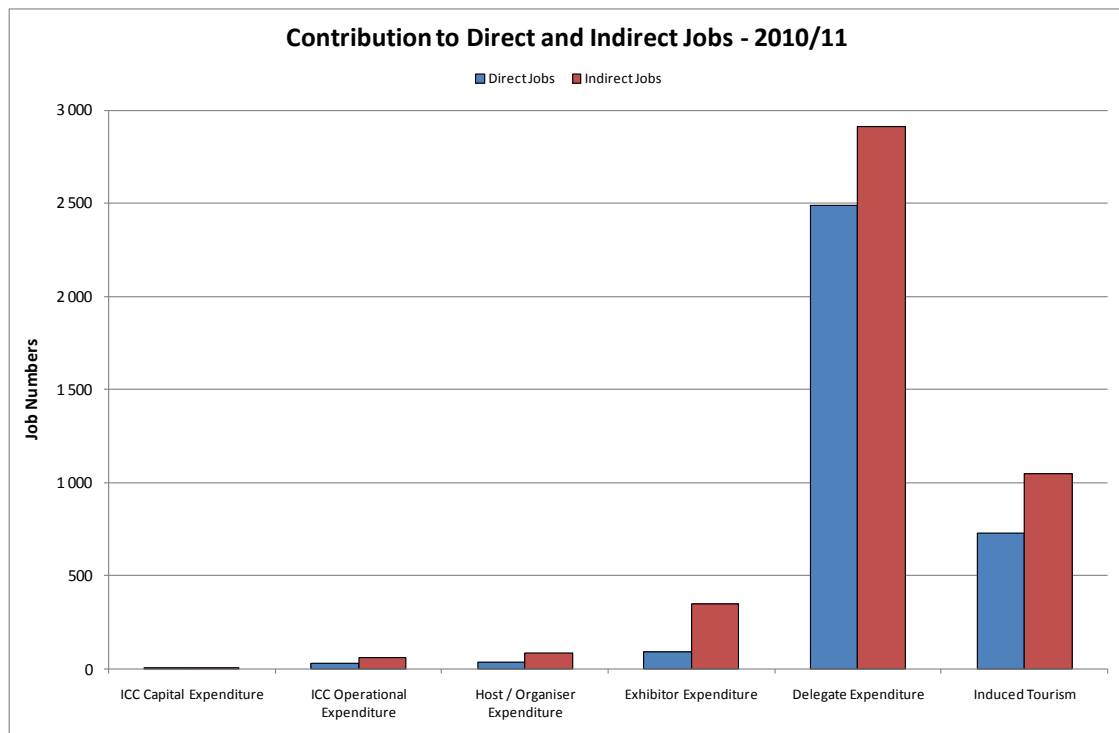
In each of the macroeconomic contributions mentioned above, the contribution of delegate expenditure accounts for between 62% and 74% of the impact, while induced tourism contributes about 23%. The delegate expenditure includes expenditure on accommodation while in the province, meals at restaurants, 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 R467m 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 4.5 for more detail).

Figure 2: Detailed contribution to direct and indirect jobs



Thus, it can be seen that although the ICC Durban has not been immune to the slow-down in the economy it has still made a significant contribution to the South African and particularly the KwaZulu-Natal economy.

3 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, events from 2004 have been included to take into account induced tourism. Induced tourism is, however, understated because induced tourism from international delegates who attended events between 1997 and 2003 could not be included in the analysis.

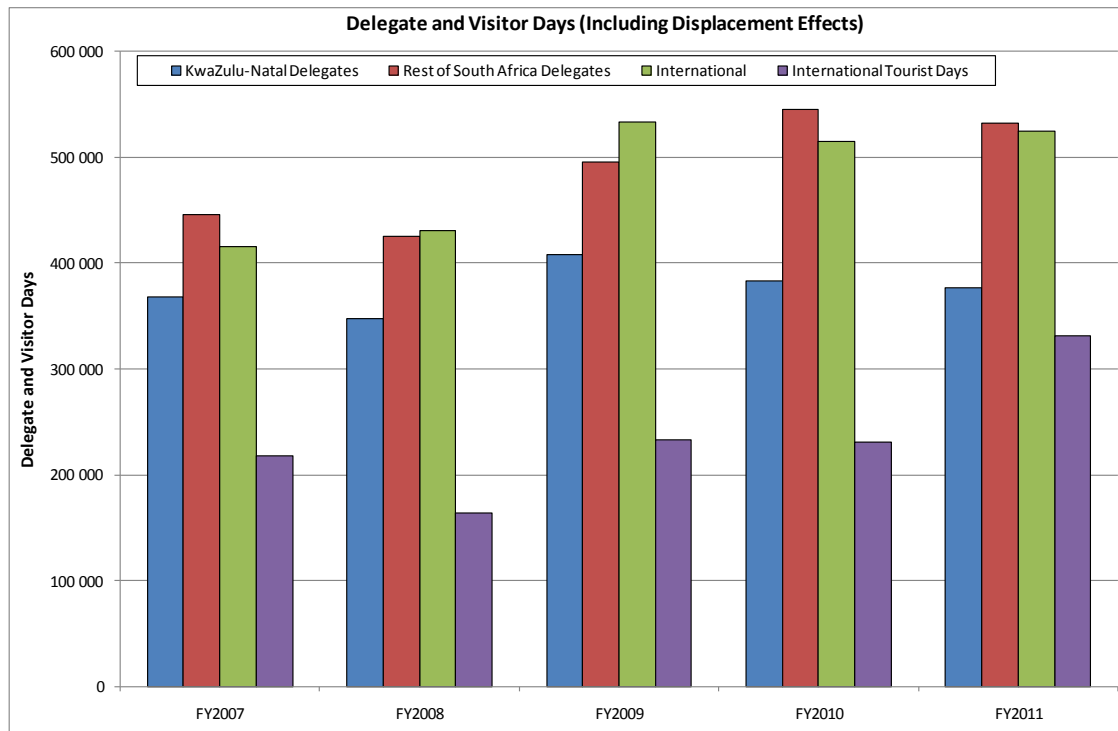
Table 2: Delegate, Visitor and Tourist Days

Total Days Generated By:	FY2007	FY2008	FY2009	FY2010	FY2011
Congresses					
KwaZulu-Natal	38 149	7 551	17 008	24 359	16 204
Rest of South Africa	56 957	24 356	20 121	85 519	39 966
International	12 480	14 335	39 511	38 753	22 856
Total Days	107 586	46 242	76 640	148 630	79 026
Exhibitions and Other Events					
KwaZulu-Natal	329 737	339 950	390 434	358 527	360 118
Rest of South Africa	388 339	400 367	475 168	459 323	492 268
International	403 286	415 777	493 456	476 281	501 454
Total Days	1 121 362	1 156 094	1 359 058	1 294 130	1 353 840
Total All Events					
KwaZulu-Natal Delegates	367 886	347 501	407 441	382 886	376 323
Rest of South Africa Delegates	445 296	424 723	495 289	544 841	532 234
International Delegates	415 766	430 112	532 967	515 034	524 309
Total Days	1 228 948	1 202 336	1 435 698	1 442 760	1 432 866
International Tourist Days	217 501	164 225	232 872	231 056	330 873
Total International Visitor Days	633 266	594 337	765 840	746 089	855 183

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 KwaZulu-Natal, Rest of South Africa and International delegate days remained relatively static between 2007 and 2008, showed an increase in 2009. Thereafter KwaZulu-Natal delegate days have shown a decrease in each of 2010 and 2011 whereas the Rest of South Africa and International Delegates days have shown an increase over 2009 and a peak in 2010. The graph also shows how international tourist days (which are a function of induced

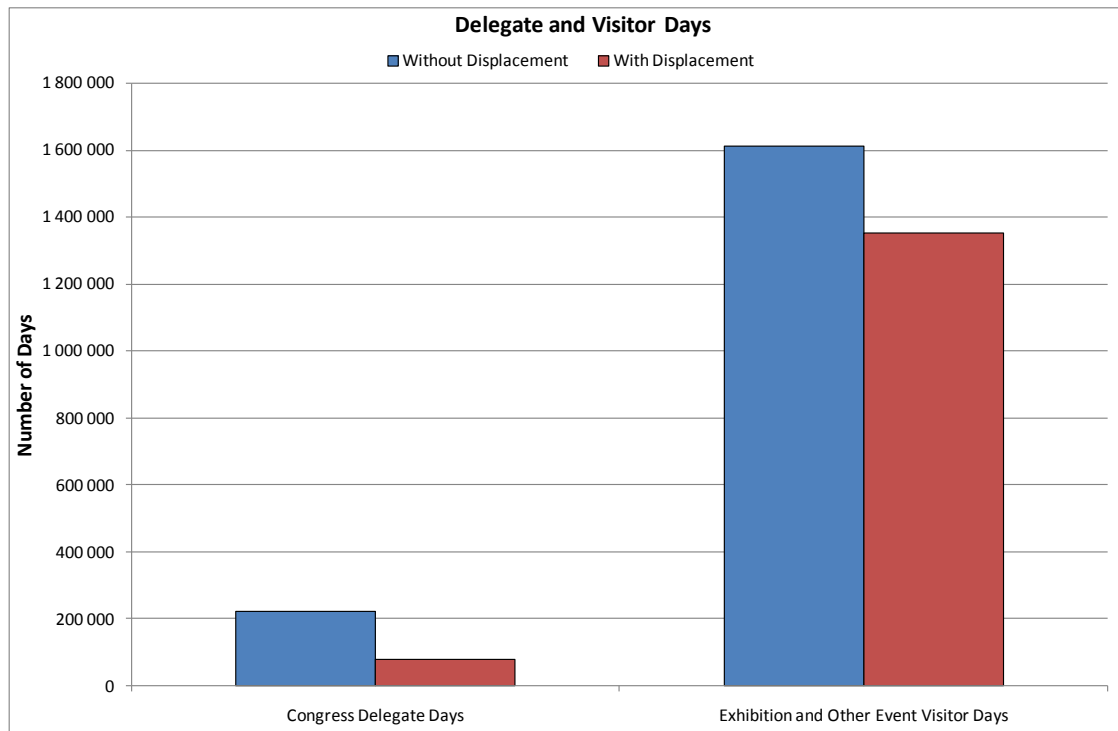
tourism) dropped off between 2007 and 2008, before increasing in 2009. The 2010 level was little changed from the previous year but there was a pleasing increase in international tourist days in 2011.

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 with and without 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 2011 there were, excluding displacement effects, 223 276 congress days and 1 611 228 exhibition days. Although there was an increase in the number of national congresses held at the ICC Durban, these have a high degree of business displacement, which means that they could have been held at other centres around the province and country.

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

3.1 Congresses

People coming to Durban to attend congresses typically stay an additional one and a half days more 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 79 026 days attributed to congresses were generated by the ICC Durban during 2011. This is a decrease on the 148 630 days of 2010 but is higher than the 76 640 of 2009.
- About half of these days in 2011 were by delegates from elsewhere in South Africa (39 966). KwaZulu-Natal congress days amounted to 16 204 and international days to 22 856. This proportion is different from 2010 where the Rest of South Africa delegates made up the majority and in 2009 where international delegates made up half of the total congress days.

3.2 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 accompanied by friends and family.

- A total of 1 353 840 days resulting from exhibitions and other events were generated by the ICC Durban during 2011. This number is an increase on the 2010 number of 1 294 130 and close to the peak of 2009.
- In 2011 international visitor days accounted for 501 454 days, KwaZulu-Natal visitor days 360 118 and the rest of South Africa for 492 268. The relative proportions are similar for all years under review.

3.3 Total Days for All Events

This is the sum of the congress, exhibition and other event days reported in sections 3.1 and 3.2.

- Total days for all events amounted to 1 432 866 days. This is only a 0.7% decrease on the 1 442 760 in 2010.
- International delegate and visitor days accounted for 37% of the total. This proportion is in line with previous years analysed.

3.4 International Tourists and Induced Tourism

- It is estimated that, this year, international tourists spent over 330 000 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 before 2004.
- In 2011 the number of international tourist days was the highest they have ever been.

4 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.

4.1 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.

4.1.1 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.

4.1.2 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.

4.2 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 2011 values in the last three rows of the table. Multiplier and displacement effects are included.

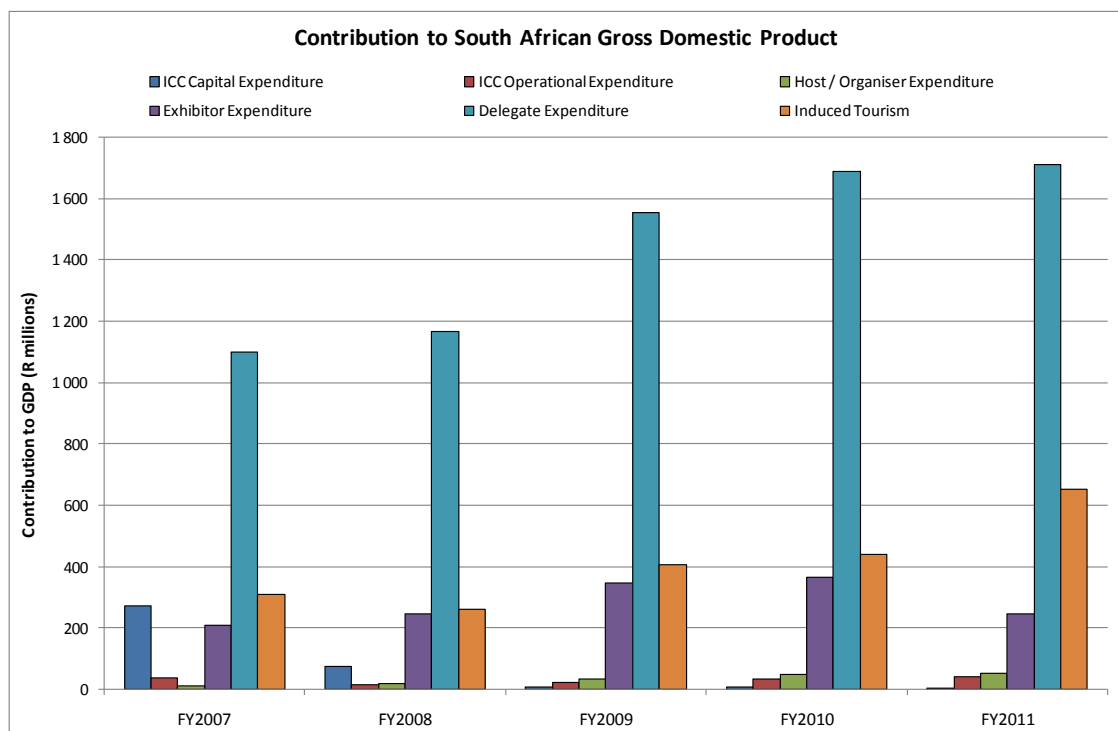
Table 3: Contribution to GDP

Contribution to Gross Domestic Product - South Africa					
Rand million, nominal prices					
Financial Year	FY2007	FY2008	FY2009	FY2010	FY2011
ICC Capital Expenditure	272	75	7	9	3
ICC Operational Expenditure	36	15	23	34	40
Host / Organiser Expenditure	12	18	33	49	51
Exhibitor Expenditure	208	248	348	364	245
Delegate Expenditure	1 100	1 167	1 553	1 690	1 711
Induced Tourism	310	260	407	441	654
Total Contribution	1 937	1 783	2 371	2 587	2 705
Cumulative Contribution	1 937	3 720	6 091	8 678	11 383
Contrib to GDP as % of KZN GGP	0.71%	0.57%	0.70%	0.71%	0.66%
Real Contribution - 2011 Prices	2 552	2 107	2 583	2 693	2 705
Real Contribution - excl Induced Tourism	2 144	1 800	2 140	2 234	2 051
Real Contribution, excl Capex	2 194	2 018	2 575	2 684	2 702

- In 2011 the contribution to GDP amounted to R2.70bn. In nominal terms (i.e. including the effect of inflation) this is 4.6% higher than the R2.59bn of 2010.
- This report gives the economic contribution of ICC Durban in nominal terms in order that the results match up with the centre's financial statements. However, the true economic performance can only really be assessed by looking at the real economic contribution. This is done by removing the effects of inflation and the results are reported in the last three rows of the table.

- In real terms the contribution to GDP in is the highest it has ever been. This is shown in the third last row in Table 3.
- The same conclusion is reached if capital expenditure is excluded as shown in the last row of the table.
- One of the main reasons for this high real contribution to GDP is the role that induced tourism played in 2011. If, as shown in the second last row, induced tourism is removed then the contribution in 2011 is higher than in 2008 but less than the contributions in 2007, 2009 and 2010.
- The fourth 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. In 2011 this has dropped slightly to 0.66%.

Figure 5: Detailed contribution to Gross Domestic Product



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. Also apparent in the

figure is the decline between 2010 and 2011 in most forms of spending except for induced tourism.

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 R11.4bn since 2007.

4.3 Job Creation

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

4.3.1 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).

Table 4: Direct Jobs

Contribution to Provincial Direct Jobs - KwaZulu-Natal					
Financial Year	FY2007	FY2008	FY2009	FY2010	FY2011
ICC Capital Expenditure	526	131	11	13	5
ICC Operational Expenditure	33	13	12	26	32
Host / Organiser Expenditure	10	15	22	32	33
Exhibitor Expenditure	98	105	136	136	88
Delegate Expenditure	2 067	1 968	2 440	2 570	2 492
Induced Tourism	483	363	525	556	727
Total Direct Jobs	3 218	2 595	3 147	3 334	3 376

- At 3 376, the number of direct jobs sustained in 2011 is slightly 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, 2 570 in 2010 and 2 492 in 2011.
- If the effect of induced tourism is excluded then ICC Durban sustained 2 650 jobs in 2011.

4.3.2 Indirect Jobs

ICC Durban has also 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

Contribution to National Indirect Jobs - South Africa					
Financial Year	FY2007	FY2008	FY2009	FY2010	FY2011
ICC Capital Expenditure	554	138	12	14	5
ICC Operational Expenditure	71	28	39	55	62
Host / Organiser Expenditure	24	35	60	83	84
Exhibitor Expenditure	391	418	541	541	350
Delegate Expenditure	2 451	2 339	2 928	3 035	2 915
Induced Tourism	653	491	709	735	1 046
Total Indirect Jobs	4 145	3 449	4 289	4 463	4 462

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. In 2011 indirect jobs totalled 4 462.

The one less indirect job in 2011 when compared to 2010 is a result of differences between indirect job multipliers and GDP multipliers associated with the different forms of spending. It is possible for one form of expenditure to contribute more to GDP but less to indirect jobs than some other type of expenditure.

4.4 Contribution to KwaZulu-Natal Gross Geographic Product

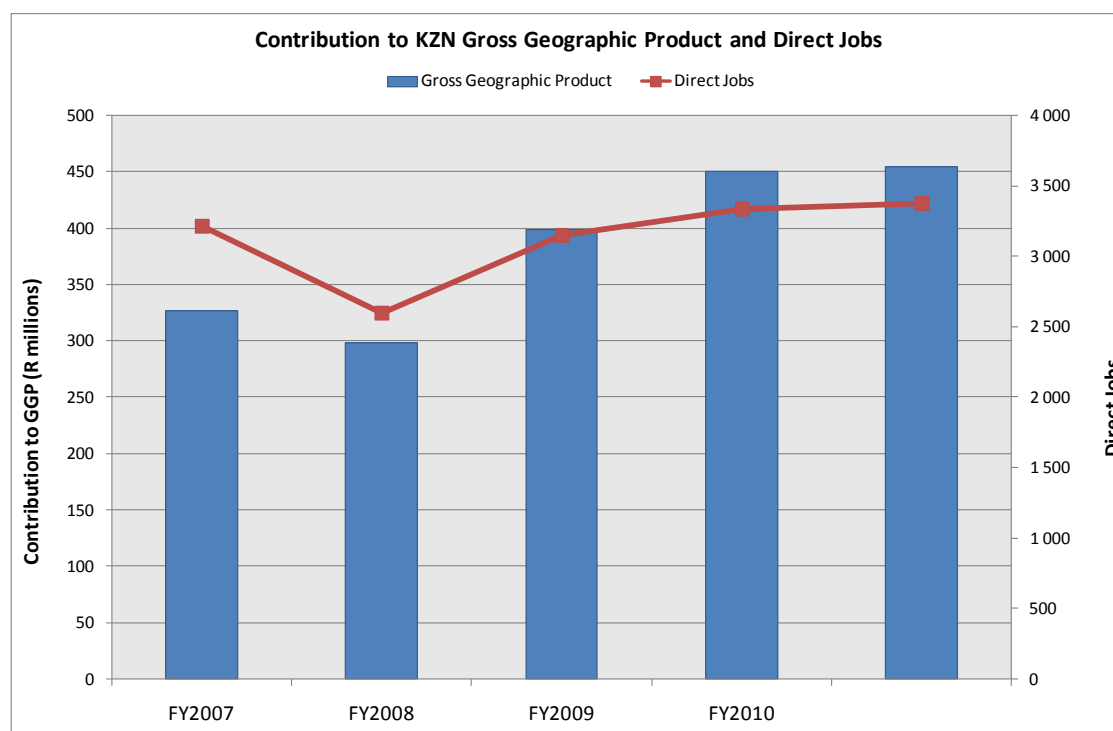
While many of the direct benefits will be felt within the province there will also be indirect effects on other provinces. For example, as tourists spend money in hotels, they in turn use materials from all over the country and from other countries. Although KwaZulu-Natal can boast about producing some 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.

- Contribution to KZN GGP totalled R327m in 2007, R299m in 2008 and R399m in 2009. In 2010 and 2011 the contribution to GGP amounted to R450m and R454m respectively and exceeded all previous years.
- Cumulative contribution to KZN GGP since 2007 has exceeded R1.9bn.

Table 6: Contribution to KwaZulu-Natal Gross Geographic Product

Contribution to Gross Geographic Product - KwaZulu-Natal					
Rand million, nominal prices					
Financial Year	FY2007	FY2008	FY2009	FY2010	FY2011
ICC Capital Expenditure	47	13	1	2	0
ICC Operational Expenditure	7	3	5	7	9
Host / Organiser Expenditure	3	4	7	10	11
Exhibitor Expenditure	33	39	55	58	39
Delegate Expenditure	191	200	270	306	304
Induced Tourism	46	39	61	67	92
Total Contribution	327	299	399	450	454
Cumulative Contribution	327	626	1 025	1 475	1 929

Figure 6: Contribution to KZN GGP and Direct Jobs

Contribution to GGP and direct job creation, are presented in Figure 6. The contribution to GGP amounted to R454m in 2011. This consists of:

- R9m from operations at the ICC Durban

- R11m from host / organiser expenditure
- R39m from spending by exhibitors
- R304m from spending by delegates
- R92 as a result of induced tourism.

4.5 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 would have been 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).

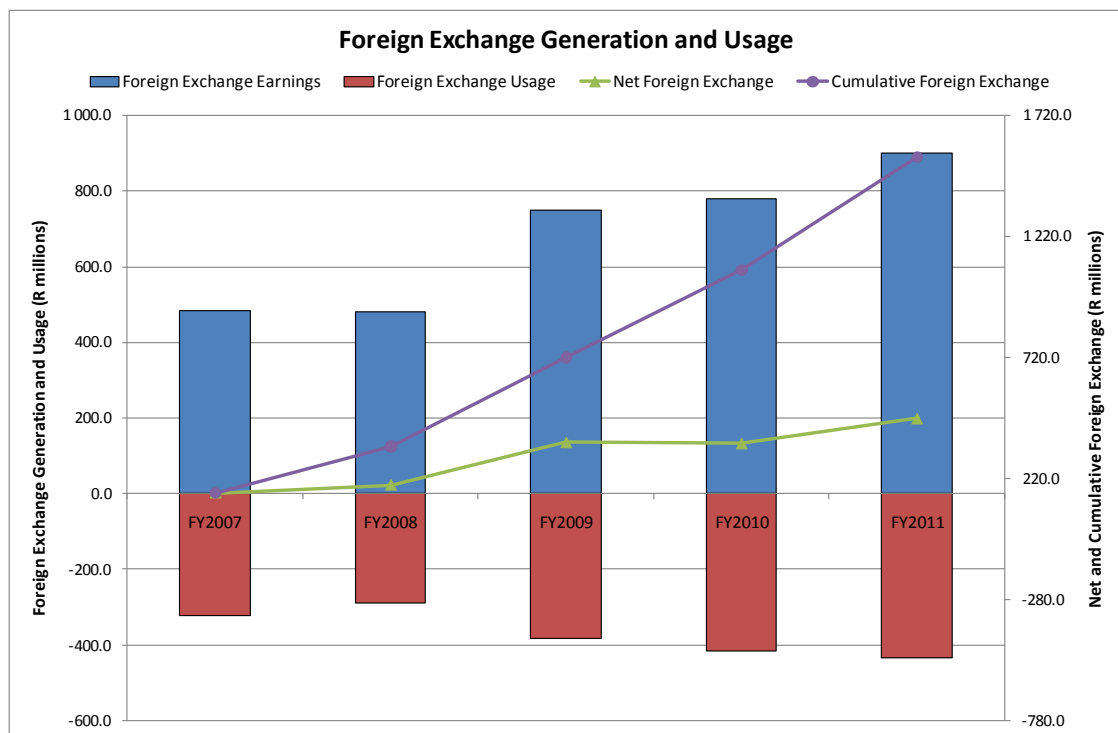
Table 7: Net Foreign Exchange Earnings

Foreign Exchange Earnings - South Africa					
Rand million, nominal prices					
Financial Year	FY2007	FY2008	FY2009	FY2010	FY2011
Foreign Exchange Earnings					
International Exhibitors	0	0	0	0	0
International Delegates	291	320	502	510	499
Induced Tourism	191	161	248	268	400
Total Forex Earnings	482	481	751	779	900
Foreign Exchange Use					
ICC Capital Expenditure	57	16	1	2	0
ICC Operational Expenditure	6	3	4	6	7
Host / Organiser Expenditure	2	3	6	8	9
Exhibitor Expenditure	32	38	53	56	38
All Delegate Expenditure	179	191	255	276	280
Induced Tourism	48	40	62	68	100
Total Imports	324	290	383	416	433
Net Forex Earnings	159	191	368	363	467
Cumulative Total	159	350	718	1 081	1 548

- During 2011, there was direct and indirect foreign exchange usage, particularly as a result of delegate and visitor spending. Total foreign exchange usage is estimated at R433m in the last financial year. This is only a slight increase on the R416m of 2010.

- In contrast, international delegates, exhibitors and tourists will also bring considerable foreign exchange to the country. It is estimated that in 2011 international delegates brought R499m into the country, international exhibitors R0.5m and induced tourism R400m. Total foreign exchange earnings therefore amounted to R900m and were up significantly on the R779m of 2010.
- Consequently, net foreign exchange earnings (i.e. foreign exchange generation less usage) totalled R467m in 2011. This is a significant increase on the R363m in 2010 and is the highest amount of all five years analysed. This increase is mainly attributed to an increase in the amount of foreign exchange estimated to have been brought into the country as a result of induced tourism.

Figure 7: Generation and Usage of Foreign Exchange



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 five financial years the ICC Durban has generated over R1.5bn in foreign exchange. This is indicated by the purple line in the figure.

4.6 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.

4.6.1 Taxes

The contribution to taxes is shown in Table 8.

- Contribution to taxes amounted to R246m in 2011.
- Cumulatively activities associated with the ICC Durban have contributed over R1.0bn to taxes since 2007.

Table 8: Contribution to Indirect Taxes

Contribution to Taxes - South Africa					
Rand million, nominal prices					
Financial Year	FY2007	FY2008	FY2009	FY2010	FY2011
ICC Capital Expenditure	29	8	1	1	0
ICC Operational Expenditure	5	2	3	4	5
Host / Organiser Expenditure	1	2	4	5	5
Exhibitor Expenditure	20	24	33	35	23
Delegate Expenditure	97	103	137	149	151
Induced Tourism	29	24	38	41	60
Total Contribution	181	163	215	234	246
Cumulative Contribution	181	343	558	792	1 038

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.

4.6.2 Indirect Household Income

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

Table 9: Contribution to Indirect Household Income

Contribution to Indirect Household Income - South Africa					
Rand million, nominal prices					
Financial Year	FY2007	FY2008	FY2009	FY2010	FY2011
ICC Capital Expenditure	149	41	4	5	0
ICC Operational Expenditure	18	7	11	17	20
Host / Organiser Expenditure	6	10	18	26	28
Exhibitor Expenditure	104	124	175	183	123
Delegate Expenditure	557	591	788	856	867
Induced Tourism	156	131	205	222	329
Total Contribution	991	905	1 201	1 309	1 367
Cumulative Contribution	991	1 896	3 097	4 406	5 773

- It is estimated that in 2011 the ICC Durban contributed R1.37bn to indirect household income. This is a slight increase on the R1.31bn of 2010.
- Since 2007 ICC Durban has contributed R5.8bn to indirect household income.

5 Conclusion

This report examined the macroeconomic contribution made by the ICC Durban over the last five financial years. The ICC Durban generated a total of 1 432 866 delegate and visitor days in Durban during 2011, of which approximately 37% were generated by international visitors. This resulted in the ICC Durban contributing R2.70bn to national GDP and R454m to KwaZulu-Natal GGP. Cumulatively, over the last five financial years the ICC Durban has contributed R11.4bn to the national economy. This includes the effects of induced tourism.

This report gives the economic contribution of ICC Durban in nominal terms in order that the results match up with the centre's financial statements. However, the true economic performance can only really be assessed by looking at the real economic contribution.

- In real terms the contribution to GDP in is the highest it has ever been.
- One of the main reasons for this high real contribution to GDP is the role that induced tourism played in 2011. If induced tourism is excluded then the contribution in 2011 is higher than in 2008 but less than the contributions in 2007, 2009 and 2010.

From an employment perspective, 3 376 people were employed directly in the province as a result of the ICC Durban in 2011. A further 4 462 people were employed indirectly throughout the country as a result of spending associated with the centre.

Other macroeconomic benefits are the contribution of R246m in tax revenue and the creation of R1.37bn in indirect household income. Net foreign exchange earnings (i.e. the generation less the usage of foreign exchange) amounted to R467m in 2011. The cumulative generation of foreign exchange since 2007 exceeds R1.5bn.

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 eight years. In 2011 it is estimated that about 23% of the macroeconomic contribution of the ICC Durban was due to induced tourism.

Despite the tough economic conditions experienced in the last year it can be concluded that the ICC Durban remains 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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