

# Western Cape tourism remains undeterred by water crisis impact

On 17 January 2018, Cape Town mayor, Patricia de Lille announced that the city of Cape Town had reached a 'point of no return' in its water supplies and that Day Zero was virtually guaranteed in a matter of weeks. Since then, questions have been raised as to the impact on visitor numbers to the city and its effects on the tourism industry, which is considered a 'bright spot' of the South African economy.



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HTI Consulting's Wayne Troughton had this to say on last year's tourism numbers: "According to Cape Town Tourism and WTCC, tourism accounted for an estimated 9% of South Africa's economic output last year, contributing R412bn (\$35bn) to the national economy, with approximately 1.5 million foreign tourists visiting Cape Town last year alone.

"As one of the mainstays of the Western Cape economy, tourism supports over 300,000 jobs across the province. In recent years, the domestic tourism industry has also grown considerably. A larger number of local visitors have made their way to the Western Cape over the festive season – 250,000, in fact, according to advisory firm Grant Thornton. But, with around 290,000 Capetonians leaving the city over the same period, the impact – on Cape Town – is not as severe as it could potentially be."

## Considering the impact of tourism on water

In February, Cape Town Tourism CEO, Enver Duminy admitted the city's water crisis was deterring international tourism to the city: "There have been many queries around the water crisis, people considering cancelling their future trips, events and conferences. We have aligned our messages convey that we are open for business, as tourism. We are mindful of the impact tourism has on water but also that we've found augmented solutions that address that."

At the time of the statement, no official data had yet been able to quantify the impact water shortages were having on numbers, but Duminy said there had already been cancellations.

However, Troughton said that there have been two occurrences of red-letter days since then.

"On 7 March, DA leader, Mmusi Maimane broke the news that Day Zero has been pushed out to 2019. On 13 March, the government finally declared a National State of Disaster to deal with the country's drought and water crisis, with the minister of cooperative governance and traditional affairs, Zweli Mkhize making the announcement on behalf of the inter-ministerial task team on drought and water scarcity during a media briefing," added Duminy.

This came after ratings firm, Moody's Investors Service warned that Cape Town would need up to spend up to R12.7bn (\$1bn) over the next five years on water and sanitation infrastructure to deal with its water crisis.

## **Assessing water and sanitation infrastructures**

"Whilst the city's drought crisis will undoubtedly remain an ongoing concern for both citizens and all industries, it's interesting to look at how it has impacted hotel occupancies and tourism up until this point," said Troughton.

"In speaking to a number of hotel operators, feedback is that demand has not been severely impacted, although concern amongst international guests who have already affected hotel bookings has certainly risen. This concern was heightened when Level 6b water restrictions were implemented in the first week of February.

"When comparing Cape Town hotels' Occupancy Rates and Average Daily Rate (ADR) data analysis for season 2015/16 with 2016/17, it shows that the city's hotel occupancy rates did, in fact, decrease year-on-year. However, this can largely be attributed to new supply in the market (approximately 1,000 rooms) and therefore be considered 'normal'," added Troughton.

"A positive sign is the increase in ADR which increased by a healthy 7.2%. Although STR statistics indicate a decline in room nights sold, it is important to note that several new properties entered the Cape Town market towards the end of 2017 and that none of these properties was included in the STR survey sample in 2017. Therefore, by conducting a high-level calculation we'd estimate that room nights sold in Cape Town grew by between 1%-2% in 2017," explained Troughton.

## **Maintaining tourism growth amid water crisis**

Wesgro insists that Cape Town keeps its doors open for tourists to ensure the industry is not crippled as a result of the drought. "One of the key concerns noted by potential tourists who are considering Cape Town is that they would make the water situation worse if they visited our region. We believe that this is incorrect. During peak season, international tourists only add 1% to the population," said Russel Brueton, Wesgro spokesperson.

In speaking to several hotels, HTI Consulting established that several forward business cancellations (notably incentives and local corporate meetings) have occurred in several instances as corporates opt, amongst other reasons, for the moral decision not to put further strain on the city's municipal water system. The majority of Cape Town hotels, however, currently state that they ask guests not to use baths and to limit showers to two minutes or less.

Many, such as Tsogo Sun (who are building a desalination plant to help supply its Cape Town hotels with their own water) and the Vineyard Hotel and Table Bay, amongst others, are implementing innovative water saving measures and say that,

on the whole, guests are responding positively, and are aware of the city's challenges and act mindfully when visiting.

Economic opportunities MEC, Alan Winde recently said that the Western Cape has worked hard to develop the Cape Town tourism industry into the award-winning sector it is. He urged visitors to not cancel their trips, but to join Capetonians by using water responsibly while they were visiting: "Saving water in Cape Town means saving jobs in Cape Town."

Cape Town Tourism and Wesgro are still actively promoting the city of Cape Town to international tourists. "A city twinning agreement between New York City and Cape Town Tourism has recently kicked off and these types of efforts, combined with national government crisis funding and the alternative water source projects planned to augment the City's water supply, should keep demand high for Cape Town's hotel industry for the foreseeable future," concluded Troughton.

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