

**PROJECT REPORT**  
**SKYWALK AT GOD'S WINDOW**

**PREPARED FOR**  
**IDC**  
**SANDTON, SOUTH AFRICA**

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**SUBMITTED BY**  
**ECONOMICS AT AECOM**  
**AECOM PROJECT NO. 60288248**



5<sup>th</sup> Floor, MidCity Place  
71 High Holborn  
London WC1V 6QS  
44.20.7645.2000 FAX 44.20.3009.2199  
[www.aecom.com/economics](http://www.aecom.com/economics)

AECOM Ltd. Registered in England No: 1846493  
Registered office: AECOM House, 63-77 Victoria Street,  
St Albans, Hertfordshire AL1 3ER, UK

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## 1 INTRODUCTION

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- 1.1 The IDC is currently assessing the possibility of creating a new visitor attraction at God's Window, located in Blyde River Canyon, Mpumalanga. The Skywalk concept, which has been proposed by Campbell Scott and designed by Quinton Snaith, will incorporate a cantilevered glass walkway protruding from the Canyon's edge, as well as a main building which will house a cafeteria and gift shop. The Skywalk will form part of a larger redevelopment of God's Window, including an enhancement of the existing walkways, viewpoints and car park.
- 1.2 AECOM has been commissioned by the IDC to conduct a feasibility study to identify the potential market for the proposed attraction, and to determine the financial viability of the project.
- 1.3 This report summarises the findings of the study. Work undertaken included the following:
- A review of the potential site and concept.
  - Analysis of trends and characteristics of the tourist and resident market base.
  - Analysis of selected comparable visitor attractions in the local area and South Africa.
  - Identification of comparable international developments and analysis of lessons learnt.
  - Projections of attendance to God's Window and the Skywalk, as well as an assessment of the capacity of the attraction.
  - Creation of flexible pro-forma model to assess the financial potential of the attraction.
  - Estimated profit and loss projections and cash flow assessment.
- 1.4 This report was completed under the direction of David Camp (Director of D & J International Consulting) and Neels Heunis (Executive), by Robert Sykes (Consultant) and Natalia Bakhlina (Associate Director) in AECOM's London office. Further assistance was provided by Christiaan Meyer (Principle) and Nu-all Benting (Senior Analyst) in Durban and Johannesburg.



## 2 EXECUTIVE SUMMARY

### SITE AND CONCEPT

- 2.1 God’s Window is located on the ridge of the Blyde River Canyon, Mpumalanga. Blyde River Canyon National Park is a unique natural environment, with dramatic views across the world’s deepest green canyon and dramatic rock formations. Views from God’s Window extend down to the lowveld, across to the distant Kruger National Park. The viewpoint is already a popular part of the Panorama Route which comprises a small number of relatively undeveloped, but highly impressive beauty spots.
- 2.2 The concept for God’s Window is similar to the Grand Canyon Skywalk in Nevada, US. The Skywalk at God’s Window is envisaged to be a cantilevered glass walkway, extending some 12 metres from the Canyon’s edge, with a 700 metre vertical drop below.

### AVAILABLE MARKETS

- 2.3 The total resident market available to the proposed attraction at God’s Window is modest in size at 1.0 million in 2011, with 80 percent of the market being concentrated in the secondary catchment area. The total market is projected to grow to 1.3 million by 2023 at a relatively modest rate of 1.78 percent per annum.

**FIGURE 2.1: AVAILABLE RESIDENT MARKET, 2011 - 2023**

Market Segment	2011	2013	2018	2023	CAGR <sup>1</sup> (%)
Primary Market	219,494	227,288	248,006	270,613	1.76
Secondary Market	<u>810,497</u>	<u>839,608</u>	<u>917,041</u>	<u>1,001,615</u>	<u>1.78</u>
<b>Total Resident Market</b>	<b>1,029,991</b>	<b>1,066,896</b>	<b>1,165,047</b>	<b>1,272,228</b>	<b>1.78</b>

Note: <sup>1</sup>CAGR = Compound Annual Growth Rate

Source: AECOM

- 2.4 The international tourist market is projected to grow at an average rate of 2.5 percent, from 1.3 million in 2011 to 1.8 million by 2023. The qualified domestic market is projected to grow at a slightly slower rate, averaging 2.0 percent annual growth, rising from 2.1 million in 2011 to 2.7 million by 2023.

**FIGURE 2.2: FUTURE TOURIST MARKET PROJECTIONS, 2011 - 2023**

	2011	2013	2018	2023	CAGR <sup>1</sup> (%)
International Tourist Market	1,316,869	1,400,323	1,593,097	1,760,806	2.5
Domestic Tourist Market	<u>2,095,805</u>	<u>2,203,409</u>	<u>2,447,466</u>	<u>2,655,227</u>	<u>2.0</u>
<b>Total Tourist Market</b>	<b>3,412,674</b>	<b>3,603,731</b>	<b>4,040,563</b>	<b>4,416,034</b>	<b>2.2</b>

Note: <sup>1</sup>CAGR = Compound Annual Growth Rate

Source: AECOM

### NATIONAL & LOCAL ATTRACTION MARKET OVERVIEW

- 2.5 Kruger National Park is the primary reason for visiting Mpumalanga and reports 1.4 million gate entries per annum. Interestingly, we understand that between 175,000 and 225,000 people visit the Panorama Route in Blyde River Canyon each year.



- 2.6 The Mpumalanga attraction market is underdeveloped and the existing attractions are not of an international scale and quality. The Blyde River Canyon is one of the most revered beauty spots in Africa, though it is severely lacking in terms of tourist infrastructure.
- 2.7 There is a significant opportunity to formalise visitation to the Panorama Route by enhancing existing view points and introducing exciting projects such as that envisaged at God's Window.
- 2.8 Admission prices at the reviewed local attractions are modest in an international context, suggesting an element of price sensitivity among the local resident market. In a national context, the Table Mountain Cableway is the most expensive viewing attraction at ZAR 205 for an adult ticket.
- 2.9 The majority of South African attractions reviewed are driven by visitation from their local resident markets and domestic tourist markets. Given the price sensitivity of these markets, this will have an implication on the pricing strategy at God's Window.

### LESSONS FROM INTERNATIONAL DEVELOPMENTS

- 2.10 AECOM has reviewed a selection of comparable viewing attractions and destinations around the world. Analysis has shown attraction attendance typically relies heavily on the domestic and international tourist markets. A strong international marketing strategy can have a significant impact on visitation levels from overseas tourists.
- 2.11 Attractions with glass floors are becoming an ever more popular concept with visitors willing to pay a price premium for a product of this nature. The local context of the attraction is still an important factor with the price of individual attractions strongly reflecting their local market conditions. At attractions where the glass floor concept is sold as a separate or premium product uptake has ranged between 30 and 55 percent. The uptake has been higher at attractions where the glass floor concept is an independent attraction as opposed to an upgrade or premium product.

### ATTENDANCE PROJECTIONS

- 2.12 Estimates of attendance for the Skywalk at God's Window are produced through a market penetration rate analysis which measures the propensity of available market segments to visit the viewpoint. In essence, this approach can be defined as the ratio of attendees per market segment, to total market size. We then apply an appropriate uptake rate for the Skywalk itself which will reflect the proportion of people visiting the renewed God's Window viewpoint that we expect to do the Skywalk too.
- 2.13 The attraction attendance potential takes into account the size of the resident and tourist markets and characteristics, quality and scale of the attraction, proximity and level of competition, pricing, market spending power, market acceptance/behavioural characteristics, level of investment, and numerous other factors. Market penetration rates were applied to the total population of each of the defined market segments to estimate attendance potential at the proposed attraction. We project an attendance of 332,000 to God's Window in 2016, rising to 386,000 by 2026.
- 2.14 While we expect the enhanced God's Window to draw increased numbers of guests due to the improved general quality of walkways and viewpoints, provision of a F&B outlet and the fact that God's Window could well become a hub for touring groups along the Panorama Route, there will be those that do not wish to partake in the Skywalk activity itself. We consider the proportion of 'thrill-seekers' to be a relatively moderate fraction of the general visitor numbers to God's Window.

- 2.15 We have arrived at a total uptake rate of 29 percent for the Skywalk at God’s Window. This modest uptake allows for a general lower spending power amongst the local resident and domestic tourist markets than at comparable attractions in the US and Western Europe. We project a Skywalk attendance of 96,000 in 2016, growing to 113,000 by 2026.

### CAPACITY ASSESSMENT

- 2.16 Following discussions with the client team, we understand that the Skywalk at God’s Window is likely to protrude 39 ft (12m) from the canyon’s edge, though this will require clarification once designs are modified. Therefore, at 56 percent the size of the Grand Canyon Skywalk, and assuming the average walk duration remains consistent despite the shorter platform, we suggest the Skywalk at God’s Window will have a maximum hourly capacity of 215 guests (or 45 at one time).
- 2.17 Our analysis results in a peak on-site attendance for God’s Window of 453 people in 2016, 487 people in 2021 and 527 people in 2026. We suggest that there will be smaller peaks in demand around mid-morning and mid-afternoon and this will be dictated by the itinerary of the tour coach operators, amongst other factors.
- 2.18 For the Skywalk itself, the same process indicates a peak hourly attendance of 132 in 2016, rising to 155 by 2026. The proposed opening hours (10.00am to 18.00pm) and large Skywalk capacity (215 per hour) will allow the attraction to comfortably satisfy projected levels of demand, though there will be peak periods where the attraction will be relatively congested. If the operation of the Skywalk is managed effectively, there should be no demand constraints or serious issues with guest flow.

### FINANCIAL ASSESSMENT

- 2.19 The EBITDA (earnings before interest, tax, depreciation and amortisation) projections for God’s Window suggests an operating profit of ZAR 10.0 million in 2016, growing to around ZAR 12.7 million in 2026 (ZAR 11.6 million to ZAR 24.3 million in inflated values). This equates to 32 percent of gross revenues in 2016 and is projected to increase to around 35 percent by 2026.
- 2.20 **Internal Rate of Return (IRR):** 18.6 percent
- 2.21 **Debt Service Cover Ratio:** 1.24 in launch year (2016), rising to 3.33 by year 8 (2024) at which point the debt is repaid.

### PROJECT IMPACT

- 2.22 The proposed Skywalk and the wider scheme at God’s Window is likely to make a relatively strong impact on the local economy encouraging direct and indirect employment both on the construction stage (via construction employment and procurement of services and materials) and during its operation (via spend on payroll and other operational expenditure on maintenance, insurance, utilities etc). We have projected a total construction impact of God’s Window at 191 temporary jobs, of which 114 will come through direct impact and the remaining 77 through indirect and induced impacts. Additionally, God’s Window is estimated to generate 111 FTE jobs via its operations by providing 49 additional direct FTE jobs and 62 FTE jobs via indirect and induced impacts.

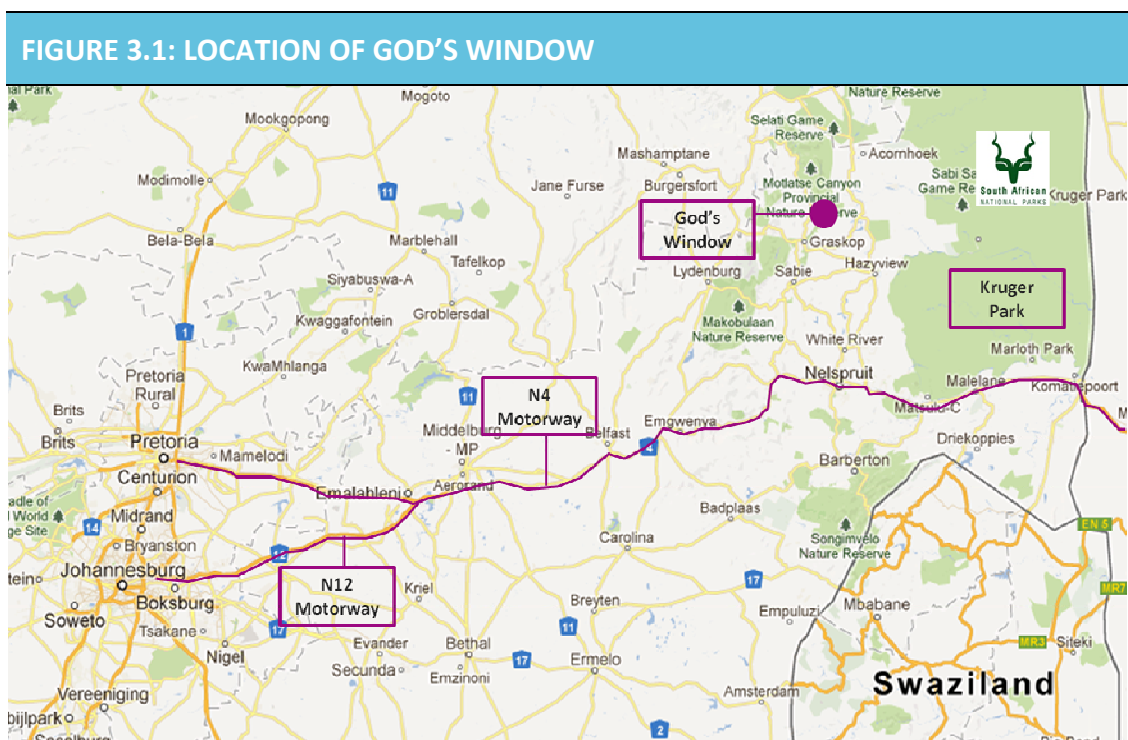
### 3 SITE AND AREA OVERVIEW

#### INTRODUCTION

- 3.1 God’s Window is located on the Panorama Route in the Blyde River Canyon in Mpumalanga, in Northeast South Africa. The site is situated around 95km (1hr 15min) north of Nelspruit which is the largest town in the area. The project site lies 5km north of Graskop, which together with Sabie and Hazyview, forms a triangle of key towns along the tourist route.

#### SITE LOCATION AND ACCESS

- 3.2 As shown in Figure 3.1, the study site is located to the east of Johannesburg (400km) and Pretoria (360km), near to Kruger National Park. The N4 motorway links both cities to Mpumalanga.



Source: AECOM

#### REGIONAL OVERVIEW

##### Mpumalanga Region

- 3.3 Mpumalanga is the eighth largest of South Africa’s states in terms of size, has the sixth largest population and is the third most popular destination for international tourist arrivals. A major factor in this latter figure is the presence of the Kruger National Park.

##### Kruger National Park

- 3.4 The Kruger National Park is the jewel in the crown of the South Africa National Parks Service (SANParks) and one of the world’s most important nature reserves. Established in 1898, the park encompasses almost two million hectares. There are also a number of private game reserves adjacent to Kruger National Park that attract a more affluent clientele.

3.5 The park attracts some 1.4 million visits per year and is the second most visited national park in South Africa behind Table Mountain. Kruger National Park is the main reason that tourists visit Mpumalanga and therefore has a significant role in the economy of the province.

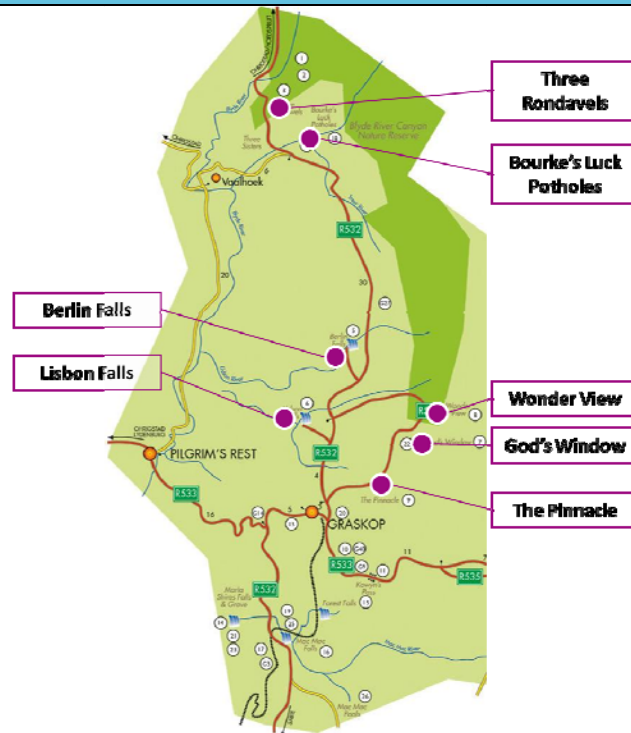
**The Blyde River Canyon**

3.6 The second biggest attraction in Mpumalanga is Blyde River Canyon. Blyde River is the world’s largest green canyon and the third largest overall. The canyon currently encompasses 28,000 hectares and there are proposals to expand the designated area to 55,000 hectares. The canyon, and many of the attractions within it, is operated by the Mpumalanga Tourism & Parks Authority (MTPA) in association with the many communities along the edges of the canyon.

3.7 Blyde River Canyon is part of the Panorama Route. This route starts at the town Graskop and includes God’s Window, the Pinnacle, Bourke’s Luck Potholes and the Three Rondavels, as shown in Figure 3.2. Close to God’s Window are several waterfalls, including Berlin Falls and Lisbon Falls.

3.8 The canyon viewing points are accessible from the R532 by driving north from Graskop. The southernmost observation points, including God’s Window, are accessible from the R534, a spur loop road off the R532 that provides some of the most spectacular views of the canyon.

**FIGURE 3.2: BLYDE RIVER CANYON VIEWING POINTS**



Source: AECOM

3.9 The quality of the visitor offer is mixed with the best maintained sites being God’s Window, Bourke’s Luck Potholes and the Three Rondavels. At these locations there are a range of managed craft stands, a tarmac parking area and ablution facilities. Bourke’s Luck Potholes has the largest guest area although the offer is somewhat dated and in need of upgrading.

- 3.10 A major issue is the tired state of existing facilities and the limited funding available to the MTPA to invest in improvements. Admission prices are modest, and not enough revenue is generated from visitors to fund enhancements so the attractions have continued to deteriorate over the years. The plans for improvements at God's Window are therefore considered timely.

### Development Proposals

- 3.11 In addition to the proposed redevelopment of God's Window, the IDC is promoting the development of a cableway linking a site at the Forever Resort Blyde Canyon, close to the Three Rondavels, across the Blyderiverspoort Reservoir to the Forever Resort Swadini in the Lowveld.
- 3.12 This route would provide visitors with a 4.3km observation ride across the canyon providing unparalleled views. The scheme has been talked about for some 30 years but has been given fresh impetus by the involvement of IDC and is subject to a forthcoming feasibility study that will evaluate the commercial viability of the proposal.
- 3.13 The promoter of the God's Window skywalk, Campbell Scott, is also proposing to develop an adventure centre at Graskop. This will provide a number of suspended walkways, including a cliff walk and treetop walkway with a zip line, big swing and children's play area along with observation deck and food & beverage offers.
- 3.14 There are plans for investment at Bourke's Luck Potholes to deliver a five-star lodge and restaurant. Though initial consent was given, this project has stalled and it is unclear whether it will happen in the near future.
- 3.15 The MTPA has a long-term vision to upgrade all of the major attractions along the Panorama Route. In order to market the area as a major tourism destination, there is an opportunity to package the route as a whole, with an entry pass providing admission to all of the attractions along the ridge of the Blyde River Canyon. Further to this, there may be an option to align the attraction with Kruger National Park, with SANParks acting as the operator.

## SKYWALK AT GOD'S WINDOW

### Site Aspects

- 3.16 The site of God's Window sits on land owned by a collection of local communities. These communities are therefore considered a key stakeholder in the project.
- 3.17 The site itself does not have clearly defined boundaries, however we estimate the main area of the God's Window site (carpark, ablution facility and area up to the ridge) to be around 25,000sqm in size. The area between the existing carpark and the ridge is considered as a 'disturbed area' due to prior environmental degradation. There is an additional area of some 50,000sqm (forested zone) that leads up to the highest viewpoint.
- 3.18 The views from God's Window are extremely impressive, with a dramatic drop to the base of the canyon and to the lowveld below. On a clear day, it is possible to see over Kruger National Park and to Mozambique beyond. In Figure 4.4 we provide some images of the site which demonstrate the strong potential for a viewing attraction such as the proposed Skywalk at God's Window.
- 3.19 Due to the altitude, the climate at God's Window is markedly different to that at the lowveld. Temperatures are generally several degrees lower, and the ridge is often shrouded in heavy fog (estimated at 15 percent of days per year).



## Concept

- 3.20 The vision for the Skywalk at God's Window is to create a cantilevered glass walkway that protrudes from the ridge of the canyon, offering 360° panoramic views and a sheer drop below. The redevelopment of the wider site would significantly enhance the existing observation areas and guest services and create a new visitor building containing F&B and possibly a cultural element.
- 3.21 Based on initial ideas from Campbell Scott, architectural plans were drawn up and preliminary development costs were prepared for the scheme. While they are useful starting points, the plans and costs are indicative and will need to be amended to reflect demand levels and the economics of the project.
- 3.22 The initial designs depict an improved car parking and service area, new visitor centre and enhanced retail area for local craftspeople that currently trade from stalls at God's Window. An impression of the proposed scheme is shown in Figure 3.3.

**FIGURE 3.3: SKYWALK AT GOD'S WINDOW**



Source: Skyway Trails (Pty) Ltd

- 3.23 The Skywalk project represents the core component of the development at God's Window. However, in the future there could be potential to supplement this attraction with the addition of a 'Skylift' and/or an observation tower. The Skylift concept would involve a vertical drop by a hoisting system into a series of suspended walkways in the forest below.

**FIGURE 3.4: IMAGES OF GOD'S WINDOW**

**Car park and curios**



**View of proposed Skywalk position**



**God's Window**



**View onto development site**



**Ridge off which the Skywalk would protrude**



**Route to the uppermost viewpoint**



Source: AECOM



## IMPLICATIONS FOR THE PROJECT

- 3.24 The Blyde River Canyon is the world's largest green canyon and a notable beauty spot that provides a popular half-day attraction for people visiting the area. While there are a number of viewpoints in the area, these have become somewhat dilapidated and are in need of investment to bring them to an appropriate standard.
- 3.25 The Skywalk concept is one that would bring the local area to international prominence. The development will significantly enhance the tourism product offer in the area, as well as creating an attraction with appeal to both domestic and international visitors. The proposed Blyde River Canyon cableway development, amongst other enhancement schemes, would further improve the perception of the area as a destination in its own right.

## 4 RESIDENT MARKET OVERVIEW

### INTRODUCTION

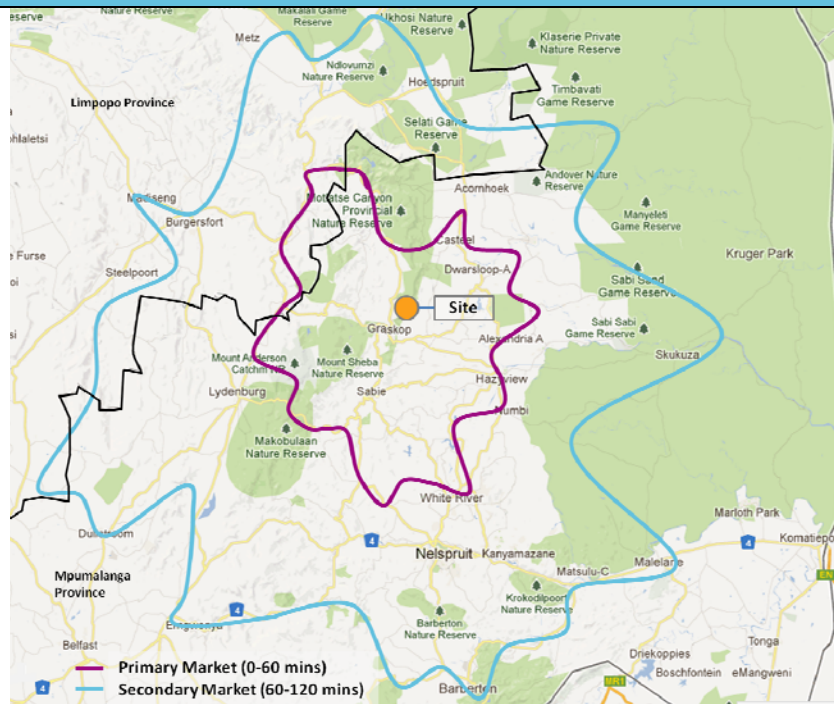
4.1 In order to assess the operational potential of the Skywalk at God’s Window in Blyde River Canyon, there is a requirement to understand the markets that drive visitation, namely the resident market and the tourist market. In this section we will estimate the current and future size of the resident market available to the proposed project, and set out the characteristics of local population including factors such as age profile, unemployment, and income distribution.

### MARKET DEFINITION

4.2 We have examined the resident catchment market for the proposed Skywalk at God’s Window using a methodology of drive-time catchment analysis. In general, visitor attractions draw residents living up to two hours away. Those people visiting the attraction who live beyond the two-hour drive-time catchment area are deemed likely to stay in the area overnight and are therefore considered domestic tourists (discussed in the following section of this report).

4.3 We have defined the resident market as those people living within two hours travel time of God’s Window, and have considered two isochrones: 0-60 minutes drive time from the site (Primary Market) and 60-120 minutes drive time from the site (Secondary Market). We have consequently undertaken an analysis of the available markets within these isochrones. Catchment areas are presented in Figure 4.1. As shown, both the one-hour and the two-hour isochrones are predominantly in the province of Mpumalanga, as well as a small area of Limpopo.

**FIGURE 4.1: GOD’S WINDOW DRIVE-TIME ISOCHRONES**



Source: Google Maps & AECOM

- 4.4 Figure 4.2 displays the size of the primary and secondary resident markets available to the proposed attraction, based on official statistics. The primary resident market contained around 220,000 people in 2011 (latest available data), whilst the secondary resident market captured almost four times as many (810,000). The primary market encompasses the small conurbations of Graskop, Sabie and Hazyview, whilst the secondary market includes the larger settlements of Nelspruit and White River, and at the periphery are the conurbations of Barberton and Malelane.

**FIGURE 4.2: AVAILABLE RESIDENT MARKET, 2001 & 2011**

Market Segment	2001	2011	CAGR <sup>1</sup> (%)
Primary Market	184,497	219,494	1.76
Secondary Market	<u>679,090</u>	<u>810,497</u>	<u>1.78</u>
<b>Total Resident Market</b>	<b>863,587</b>	<b>1,029,991</b>	<b>1.78</b>

Note: <sup>1</sup> CAGR = Compound Annual Growth Rate

Source: Statistics South Africa and AECOM

### Future Market Size

- 4.5 Using the historic growth rates, we have estimated the future size of the primary and secondary resident markets for the Skywalk at God’s Window. These projections are set out in Figure 4.3.

**FIGURE 4.3: AVAILABLE RESIDENT MARKET, 2011 - 2023**

Market Segment	2011	2013	2018	2023	CAGR <sup>1</sup> (%)
Primary Market	219,494	227,288	248,006	270,613	1.76
Secondary Market	<u>810,497</u>	<u>839,608</u>	<u>917,041</u>	<u>1,001,615</u>	<u>1.78</u>
<b>Total Resident Market</b>	<b>1,029,991</b>	<b>1,066,896</b>	<b>1,165,047</b>	<b>1,272,228</b>	<b>1.78</b>

Note: <sup>1</sup> CAGR = Compound Annual Growth Rate

Source: AECOM

- 4.6 The size of the primary resident market is envisaged to grow at an annual growth rate of 1.76 percent from 2011, in line with historic trends, reaching 227,000 residents by 2013, 248,000 by 2018 and 271,000 by 2023. The secondary resident market is anticipated to grow at a marginally higher rate of 1.78 percent per annum reaching 840,000 people by 2013, 917,000 by 2018 and 1.0 million by 2023. As such, the total resident market is estimated to have grown to 1.1 million by 2013, increasing to 1.2 million by 2018 and 1.3 million by 2023. Of these markets, 78.7 percent are projected to reside within the 60-120 minute drivetime catchment.

### Income Qualification

- 4.7 Low income levels have a considerable impact on the size the resident population in Mpumalanga that can afford to participate in leisure activities. As such, we have income qualified the resident market as there is expected to be a certain proportion of the population that will not be able to afford to visit the proposed attraction. We have used information on the proportion of people who fall below the poverty line, as provided by Statistics South Africa. This is a measure used by the South African Government to define the amount of income required to attain a basic minimum standard of living (enough to purchase adequate food supply and other essentials).

- 4.8 We have excluded the population who live in poverty, which in South Africa is defined as those living on less than ZAR 430 per month. For Mpumalanga province, 50.5 percent of the population fell into this category in 2008 using the latest available data from Statistics South Africa. The size of the income qualified resident markets are presented in Figure 4.4. The total income qualified resident market is modest at just 510,000 people in 2011, rising to 630,000 by 2023.

**FIGURE 4.4: INCOME QUALIFIED RESIDENT MARKET, 2011 - 2023**

Market Segment	2011	2013	2018	2023	CAGR <sup>1</sup> (%)
Primary Market	108,6501	112,508	122,763	133,953	1.76
Secondary Market	<u>401,196</u>	<u>415,606</u>	<u>453,935</u>	<u>495,799</u>	<u>1.78</u>
<b>Total Resident Market</b>	<b>509,846</b>	<b>528,114</b>	<b>576,698</b>	<b>629,753</b>	<b>1.76</b>

Note: <sup>1</sup> CAGR = Compound Annual Growth Rate

Source: AECOM

## RESIDENT MARKET CHARACTERISTICS

### Age Profile

- 4.9 Figure 4.5 sets out the age profile for the Mpumalanga and Limpopo provinces compared to the age demographic of South Africa as a whole. As shown, the populations of Mpumalanga and Limpopo are to some extent younger than the rest of South Africa with around 54 percent and 56 percent of the population being under 25 years of age respectively, compared to 51 percent for South Africa overall. The age profile of South Africa is very young in international terms, but similar to many African countries.

**FIGURE 4.5: AGE PROFILE, RESIDENT MARKET, 2011**

Age Group	Mpumalanga (%)	Limpopo (%)	South Africa (%)
0-14	32.3	34.0	30.2
15-24	21.6	21.7	20.4
25-34	17.1	14.5	17.3
35-44	11.5	10.3	12.5
45-54	7.6	7.9	8.4
55-64	5.2	5.3	6.1
65+	<u>4.6</u>	<u>6.3</u>	<u>5.2</u>
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

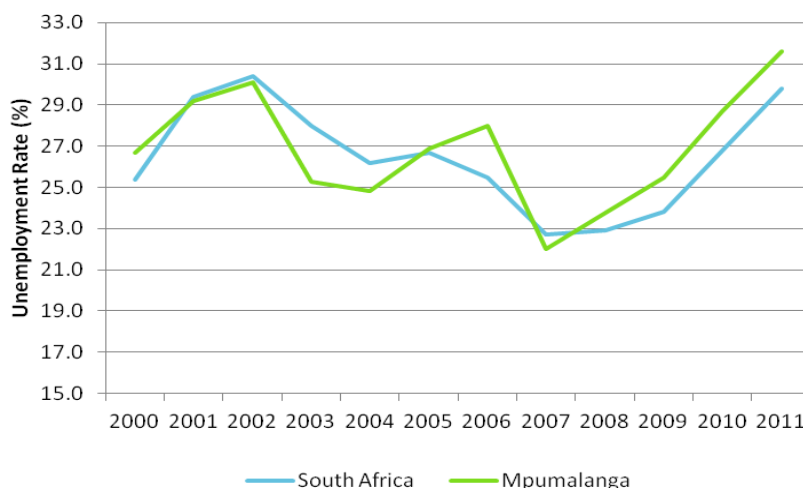
Source: Statistics South Africa

### Unemployment

- 4.10 As demonstrated in Figure 4.6, Mpumalanga, similar to South Africa as a whole, has a high unemployment rate of 31.6 percent according to 2011 Census data. The unemployment rate in the region fluctuated heavily between 2000 and 2011, but has been continuously rising since 2007. High unemployment would suggest lower disposable incomes and a concurrent lower spend on leisure.
- 4.11 The New Growth Path, a government initiative to create five million new jobs between 2011 and 2020, and the Mpumalanga Economic Growth and Development Plan, an economic growth plan for the province focusing on job creation and the reduction of poverty, have

outlined key employment targets, which are, from the government’s point of view, deemed achievable. As a result of these initiatives, Mpumalanga is envisioned to benefit from the creation of extra 720,000 jobs by 2020. The development of successful tourist projects should assist in this, both directly and indirectly.

**FIGURE 4.6: UNEMPLOYMENT RATES, 2000-2011**



Source: Statistics South Africa

### Household Incomes and Monthly Earnings

4.12 The dynamics of household incomes show a substantial increase between the two Census data sets of 2001 and 2011. This augmentation is highlighted in Figure 4.7 where it can be seen that household income doubled over the 10-year period. We note, however, that inflation in South Africa has been relatively high, fluctuating roughly between 2.0 and 9.0 percent over the same time period.

**FIGURE 4.7: ANNUAL HOUSEHOLD INCOME, 2001 & 2011**

Province	2001 (ZAR)	2011 (ZAR)	CAGR <sup>1</sup> (%)
Mpumalanga	30,189	77,609	9.9
Limpopo	22,985	56,844	9.5
South Africa	48,385	103,204	7.9

Note: <sup>1</sup> CAGR = Compound Annual Growth Rate

Source: Statistics South Africa

4.13 The average annual income of a household in Mpumalanga was ZAR 77,600 in 2011, compared to ZAR 103,200 for South Africa as a whole. Limpopo, encompassed by God’s Window captured resident market, has the lowest average household income of all South African provinces at just ZAR 56,800 per annum.

4.14 In Figure 4.8 we set out the distribution of monthly earnings for workers living in both Mpumalanga and across South Africa. As shown, of the 733,000 employees in Mpumalanga, the bottom five percent had monthly earnings of ZAR 600 or less. In contrast, the top five percent had monthly earnings that exceeded ZAR 18,000. Median monthly earnings are

similar in Mpumalanga to South Africa as a whole. The province recorded the third highest median earnings after Gauteng and North West.

**FIGURE 4.8: MONTHLY EARNINGS IN MPUMALANGA AND SOUTH AFRICA, 2011**

Income Bracket	Mpumalanga (ZAR)	South Africa (ZAR)
Bottom 5%	Less than 600	Less than 570
Bottom 10%	Less than 800	Less than 845
Bottom 25%	Less than 1,300	Less than 1,500
Median	2,777	2,800
Top 25%	More than 7,500	More than 6,500
Top 10%	More than 13,000	More than 12,000
Top 5%	More than 18,000	More than 17,000
No. Employees	733,000	11,058,000

Source: Statistics South Africa

- 4.15 However, we note that since the unemployment rate is very high and a large proportion of people fall out of the labour force for other reasons such as age or illness, the average monthly earnings is not reflective of the income levels of Mpumalanga’s residents as a whole, merely of those who have a regular monthly income through employment.

### IMPLICATIONS FOR THE PROJECT

- 4.16 The primary resident catchment market available to God’s Window Skywalk amounts to 220,000 people in 2011, rising to 270,000 people by 2023. The secondary resident catchment market contained approximately 810,000 people in 2011, increasing to 1.0 million by 2023.
- 4.17 The total resident market available to the proposed attraction at God’s Window is modest in size at 1.0 million in 2011, with 80 percent of the market being concentrated in the secondary catchment area. The total market is projected to grow to 1.3 million by 2023 at a relatively modest rate of 1.78 percent per annum.
- 4.18 By income qualifying the resident market, we remove approximately 50.5 percent of people living within a two-hour drive-time of the Skywalk at God’s Window and as a result the available resident market becomes modest in size. In 2011, just 510,000 people are accounted for in the qualified resident market. This figure increases by 120,000 to reach 630,000 by 2023.
- 4.19 Mpumalanga province is a low-income region with unemployment sitting around two percentage points above South Africa as a whole. This, combined with the modest size of the resident market, suggests that the tourist market is likely to be a particularly important source of visitors to the proposed Skywalk at God’s Window.

## 5 TOURIST MARKET OVERVIEW

### INTRODUCTION

- 5.1 In this section we analyse the size and scale of the tourist market in Mpumalanga, as well as review a number of key market characteristics, such as visitor origin, average length of stay, tourism expenditure and seasonality. Our conclusions draw upon information collected from Statistics South Africa, Tourism South Africa, MTPA and Kruger National Park.

### HISTORIC AND CURRENT MARKET SIZE

#### International Tourists

- 5.2 The size of the international tourist market available to the proposed Skywalk at God’s Window is presented in Figure 5.1. As shown, the market fluctuated considerably between 2006 and 2011, largely as a result of ongoing global economic uncertainty. We understand that there were 1.3 million international tourists to Mpumalanga in 2011, a substantial increase of 16 percent on the number recorded in 2010. As a proportion of total international visitation to South Africa, this is 15.8 percent, third only to Gauteng (46.3%) and the Western Cape (16.7%).

**FIGURE 5.1: INTERNATIONAL TOURIST ARRIVALS TO MPUMALANGA, 2006 – 2011**

Tourist Arrivals	2006	2007	2008	2009	2010	2011	CAGR <sup>1</sup> (%)
International Tourists	1,175,419	1,163,632	1,285,305	1,035,328	1,135,697	1,316,869	2.30

Note: CAGR = Compound Annual Growth Rate

Source: South African Tourism

- 5.3 When looking at the difference between the figures recorded in 2006 and the latest published data from 2011, we can see that the number of international tourists increased by 142,000 over the six year period. The average annual growth rate in international tourist arrivals to Mpumalanga between 2006 and 2011 was 2.3 percent which is a positive indicator looking forward. Indeed, data from the first three quarters of 2012 shows that there were 1,030,208 international visitors to Mpumalanga compared to 974,000 in the same period of 2011.

#### Domestic Tourist Market

- 5.4 The size of the total domestic tourist market to Mpumalanga is presented in Figure 5.2. As shown, the size of the market has fluctuated significantly in recent years, falling to a low of just 1.4 million in 2007 before increasing to 2.5 million in 2010. For the most recent year available, 2011, we understand that there were 2.2 million domestic tourist arrivals.

**FIGURE 5.2: DOMESTIC TOURIST ARRIVALS TO MPUMALANGA, 2006 – 2011**

Tourist Arrivals	2006	2007	2008	2009	2010	2011	CAGR <sup>1</sup> (%)
Domestic Tourists	2,019,810	1,400,000	2,200,000	1,700,000	2,500,000	2,200,000	1.72

Note: <sup>1</sup> CAGR = Compound Annual Growth Rate

Source: South African Tourism



5.5 The average annual growth rate in domestic tourist arrivals to Mpumalanga between 2006 and 2011 was 1.7 percent. The uncertain economic climate and a lack of investment in tourism infrastructure go some way to explain the lack of growth experienced in the domestic tourist market. South African Tourism has acknowledged this problem and are seeking to address the issue through their Tourism Strategy, which covers the period 2007-2016 and is explored in more detail at the end of this section.

**Qualified Domestic Tourist Market**

5.6 We have qualified the domestic tourist market to exclude those people visiting the area who are already counted as residents within the two-hour catchment market. To do this, we used data from the Domestic Tourism Survey 2012, as produced by Statistics South Africa and based on 2011 data which specified the visitor origin of domestic tourists to Mpumalanga. We found that 490,000 domestic overnight tourists staying in Mpumalanga came from the same province, and 91,000 were visiting Mpumalanga from Limpopo. Upon calculating the proportion of residents from each province contained within a two-hour drive time catchment of God’s Window, we are able to remove these people from the domestic tourist market, hence arriving at a figure for the qualified domestic tourist market in 2011. We applied this proportion to each of the years from 2008 through to 2011.

5.7 As shown in Figure 5.3, the qualified domestic tourist market fluctuates around 2.0 million people, with the 2011 figure of 2.1 million remaining relatively unchanged from the figure recorded in 2006. However, in-between these two years, the market contracted and then grew dramatically, falling to a low point of 1.3 million in 2007 and reaching a high point of almost 2.4 million in 2010 as a result of Nelspruit hosting a number of FIFA World Cup games.

**FIGURE 5.3: QUALIFIED DOMESTIC TOURIST ARRIVALS, 2006 – 2011**

Tourist Arrivals	2006	2007	2008	2009	2010	2011
Domestic Tourists	2,019,810	1,400,000	2,200,000	1,700,000	2,500,000	2,200,000
<b>Qualified Domestic Tourists</b>	<b>1,924,149</b>	<b>1,333,694</b>	<b>2,095,805</b>	<b>1,619,486</b>	<b>2,381,597</b>	<b>2,095,805</b>

Source: South African Tourism & AECOM

**Total Market**

5.8 We consider historical size of the international tourist market and the qualified domestic tourist market to Mpumalanga in Figure 5.4

5.9 By combining the international tourist markets and the qualified domestic tourist market, we arrive at a total tourist market size of 3.4 million in 2011. As a result of annual fluctuations in both the domestic and the international tourist market, the total tourist market also exhibited varying rates of growth and decline in recent years, dropping by 19 percent in 2007 and 21 percent in 2009, but recovering to around 3.4 million in 2011.

**FIGURE 5.4: TOTAL TOURIST ARRIVALS TO MPUMALANGA, 2006 – 2011**

Tourist Arrivals	2006	2007	2008	2009	2010	2011
<b>International Tourists</b>	<b>1,175,419</b>	<b>1,163,632</b>	<b>1,285,305</b>	<b>1,035,328</b>	<b>1,135,697</b>	<b>1,316,869</b>
Domestic Tourists	2,019,810	1,400,000	2,200,000	1,700,000	2,500,000	2,200,000
<b>Qualified Domestic Tourists</b>	<b>1,924,149</b>	<b>1,333,694</b>	<b>2,095,805</b>	<b>1,619,486</b>	<b>2,381,597</b>	<b>2,095,805</b>
<b>Total Tourist Market</b>	<b>3,099,568</b>	<b>2,497,326</b>	<b>3,381,110</b>	<b>2,654,814</b>	<b>3,517,294</b>	<b>3,412,674</b>

Source: South African Tourism & AECOM

**Airlift**

- 5.10 Kruger Mpumalanga International Airport (KMIA) is Mpumalanga’s main airport, although there are few international services at present. It is located 23km outside the town of Nelspruit, which falls within a two-hour drive time of God’s Window, and is still relatively new having opened in 2002.
- 5.11 The airport tends to service scheduled passenger flights from Johannesburg, as well as a number of other African cities. It is served by South African Airways and SA Airlink, receiving daily flights from Johannesburg, Cape Town and Durban. An overview of arrivals into the airport over the past decade is presented in Figure 5.5.

**FIGURE 5.5: ARRIVALS INTO KMIA, 2003 - 2012**



Source: KMIA

- 5.12 While the volume of arrivals has grown strongly as the airport has established itself over the last decade since its inauguration in 2002, the number of passengers remains modest. During the first full year of operation (2003), 67,000 arrivals into KMIA were recorded. This figure peaked at 131,000 in 2011.
- 5.13 The pattern of annual arrivals into KMIA is broadly in line with the tourism figures published by South African Tourism, with a distinct decline in arrivals being experienced in 2009 and clear fluctuations recorded in recent years.

## FUTURE MARKET SIZE

- 5.14 For the purpose of this study, it is important to understand how the regional tourism market is expected to change in the coming years. There are no official projections so we have therefore projected future growth in the international and domestic arrivals based on historic growth rates.

### International Tourist Market

- 5.15 Despite fluctuations over the last decade, the size of the international tourist market to Mpumalanga has remained relatively flat. However, this market has exhibited solid growth since 2009, with significant uplifts in 2010 and 2011. In addition, the market grew by almost 6.0 percent in the first three quarters of 2012. This strong growth represents a recovery period from the sharp fall in arrivals in the midst of the global economic downturn (2009).
- 5.16 Taking this into account, we have applied a positive, but declining growth rate (falling incrementally each year) as it is considered unsustainable to attain consistently high growth rates in the long term as the region’s tourism market matures. We deem 3.2 percent to be a good base from which to project the future size of the international tourist market, with an average growth rate across the period of 2.5 percent.
- 5.17 We project the international tourist market to increase by approximately 450,000 people over the time period, as presented in Figure 5.8, rising from 1.32 million in 2011 to 1.76 million by 2023.

**FIGURE 5.6: INTERNATIONAL TOURIST MARKET PROJECTIONS, 2011 - 2023**

	2011	2013	2018	2023	CAGR <sup>1</sup> (%)
International Tourist Market	1,316,869	1,400,323	1,593,097	1,760,806	2.5

Note: <sup>1</sup>CAGR = Compound Annual Growth Rate

Source: AECOM

### Qualified Domestic Tourist Market

- 5.18 Data from South African Tourism tells us that the average growth rate in domestic tourism to Mpumalanga between 2002 and 2011 was 1.72 percent. However, the tourism strategy (outlined below) aims to boost the industry over the period through to 2016, and the average growth rate in the number of tourists visiting KNP lies above this at 3.4 percent.
- 5.19 As in the case of the international tourist market, our projections use a growth rate that grows at a decreasing rate over time as the market matures. This growth rate begins at 2.6 percent, flattening to 1.4 percent growth by 2023 with an average of 2.0 percent.
- 5.20 Between 2011 and 2023, the qualified domestic tourist market available to the God’s Window project increases by approximately 550,000, from 2.10 million up to 2.66 million. This information is displayed in Figure 5.7.

**FIGURE 5.7: QUALIFIED DOMESTIC TOURIST MARKET PROJECTIONS, 2011 - 2023**

	2011	2013	2018	2023	CAGR <sup>1</sup> (%)
Domestic Tourist Market	2,095,805	2,203,409	2,447,466	2,655,227	2.0

Note: <sup>1</sup>CAGR = Compound Annual Growth Rate

Source: AECOM

## Tourist Market Projections

- 5.21 In Figure 5.8 we present our tourist market forecasts for the time period 2011 through to 2023. As shown, the international tourism market increases by 34 percent over this time period, and the qualified domestic tourist market increases by approximately 27 percent. The total tourist market increases by 1.2 million between the years of 2011 and 2023, from 3.4 million up to 4.4 million. We believe these levels of growth to be realistic given plans to enhance the tourist offer in the region, thus enhancing the appeal of the destination to both domestic and international visitors.

**FIGURE 5.8: FUTURE TOURIST MARKET PROJECTIONS, 2011 - 2023**

	2011	2013	2018	2023	CAGR <sup>1</sup> (%)
International Tourist Market	1,316,869	1,400,323	1,593,097	1,760,806	2.5
Domestic Tourist Market	<u>2,095,805</u>	<u>2,203,409</u>	<u>2,447,466</u>	<u>2,655,227</u>	<u>2.0</u>
<b>Total Tourist Market</b>	<b>3,412,674</b>	<b>3,603,731</b>	<b>4,040,563</b>	<b>4,416,034</b>	<b>2.2</b>

Note: <sup>1</sup>CAGR = Compound Annual Growth Rate

Source: AECOM

## MARKET CHARACTERISTICS

### Visitor Origin

#### Domestic Tourists

- 5.22 Statistics South Africa publishes data on the source province of domestic overnight tourists to Mpumalanga. This figure is lower than the total domestic market size, since it accounts only for those staying in overnight accommodation, thus excluding day trippers and those staying in alternative forms of accommodation. We display this information in Figure 5.9.
- 5.23 As shown, the majority of domestic tourists to Mpumalanga do indeed come from the province itself, with a total of 490,000 locally-based visitors (45 percent of the total domestic visitors). The second major source province is Gauteng, which is situated on the Western provincial boundary of Mpumalanga. With the proportion of domestic tourists originating from Gauteng settling at 40 percent, the two provinces together make up some 85 percent of total domestic tourists to Mpumalanga, leaving the minor source markets of the rest of the country to account for the difference.

**FIGURE 5.9: ORIGIN OF DOMESTIC OVERNIGHT VISITORS TO MPUMALANGA, 2011**

Province	Market Share (%)
Mpumalanga	44.9
Gauteng	40.0
Limpopo	8.3
KwaZulu-Natal	2.6
North West	2.1
Free State	0.9
Western Cape	0.7
Eastern Cape	0.4
Northern Cape	<u>0.1</u>
<b>South Africa</b>	<b>100.0</b>

Source: Statistics South Africa

*International Tourists*

5.24 In Figure 5.10 we display the breakdown of international tourists by nationality for the major source markets to Mpumalanga, comparing 2009 to 2010. Mozambique represents the largest international source market, with strong growth in 2010. A substantial fall in arrivals was experienced by tourists visiting the province from the UK and France, largely as a result of ongoing economic challenges in Western Europe.

**FIGURE 5.10: VISITOR ORIGIN TO MPUMALANGA, 2009 - 2010**

Source Market	2009		2010		% Change 2009/10
	Arrivals	% of Total	Arrivals	% of Total	
Mozambique	510,561	49.3	583,584	51.4	14.3
Swaziland	113,060	10.9	118,908	10.5	5.2
USA	51,132	4.9	57,323	5.0	12.1
UK	62,938	6.1	54,364	4.8	-13.6
France	45,961	4.4	39,467	3.5	-14.1
Other	<u>252,104</u>	<u>24.3</u>	<u>282,697</u>	<u>24.9</u>	<u>11.9</u>
<b>Total</b>	<b>1,035,756</b>	<b>100.0</b>	<b>1,135,697</b>	<b>100.0</b>	<b>9.6</b>

Source: Statistics South Africa

5.25 Despite Germany being the fifth largest international source market in South Africa, it does not feature among Mpumalanga’s five most prominent international markets. At a national level, Germany has been outperforming most other source markets when it comes to growth rates, with the number of arrivals increasing by 9.3 percent between 2010 and 2011, compared to 3.3 percent across all source markets. Data obtained from Kruger National Park shows there were over 80,000 German gate entries to the park in 2011/2012 (although this figure may include those entering the park more than once during their stay).

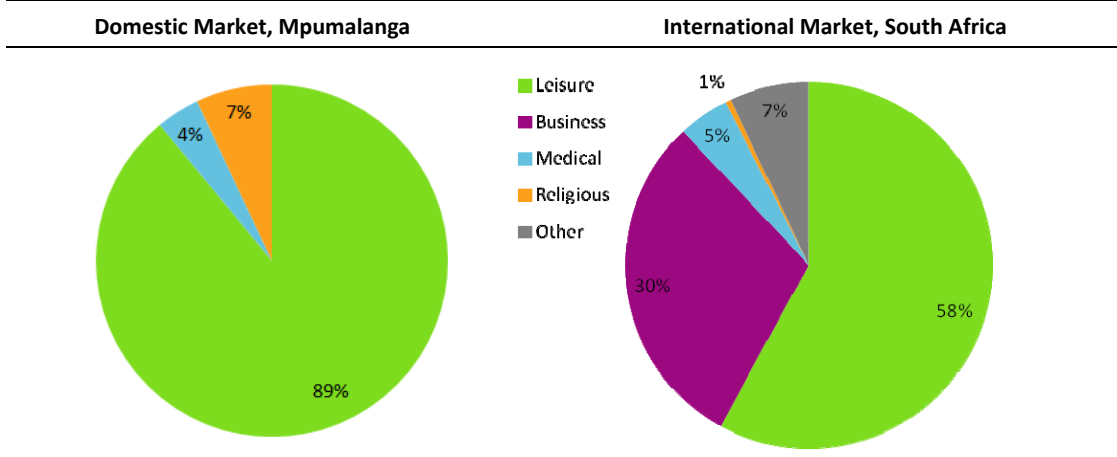
**Purpose of Visit**

*Domestic Tourists*

5.26 The latest data from South African Tourism, as published in 2011, tells us that the majority of visitors to Mpumalanga (64 percent) come to the province to visit friends and relatives (VFRs). One quarter of domestic tourists visit the area for a holiday, and a small proportion visit for business or religious purposes. The purpose of visit to Mpumalanga for international tourists is not collected on a provincial level, although the vast majority would be for leisure holidays. We have sourced data from South African Tourism for South Africa as a whole. This information is shown in Figure 5.11.

5.27 This information confirms the fact that the region is a leisure-orientated destination which is a positive indicator for the proposed Skywalk development. Indeed, of leisure visitors to Mpumalanga, 64 percent are classified as VFR. In general terms, the VFR market is a strong source of demand for visitor attractions as people look to make excursions whilst staying in the region.

**FIGURE 5.11: PURPOSE OF VISIT, 2011**



Source: South African Tourism

**Average Length of Stay**

5.28 The average length of stay (ALOS) of domestic tourists visiting Mpumalanga was 4.6 nights in 2011 and has remained relatively stable over the last few years, according to South African Tourism. This information is presented in Figure 5.12. Encouragingly, the domestic ALOS of Mpumalanga lies above the average for South Africa when comparing provincial data. The only three provinces where ALOS was higher in 2011 were: Northern Cape (5.7 nights); Eastern Cape (5.5 nights) and; Western Cape (4.8 nights).

**FIGURE 5.12: AVERAGE LENGTH OF STAY IN MPUMALANGA, 2009 – 2011**

Market	2009 (days)	2010 (days)	2011 (days)
Domestic Market	4.4	4.8	4.6
International Market	3.6	3.5	3.4

Source: South African Tourism

5.29 The ALOS for international tourists showed a slight decline, and is slightly shorter in comparison, at 3.4 nights in 2011. However, the international ALOS for Mpumalanga is less than half of South Africa’s as a whole, which stood at 8.3 nights in 2011. We understand that international visitors to South Africa have a tendency to travel between provinces when visiting the country, with many combining their trip to Kruger National Park with the Garden Route and Cape Town in the South.

**Tourism Expenditure**

5.30 In 2011, average tourism expenditure per person per trip to Mpumalanga was ZAR 560 for domestic tourists and ZAR 3,569 for international tourists. For domestic tourists, this average spend increased by ZAR 100 between 2010 and 2011. Using an average length of stay of 4.6 nights, as reported by South African Tourism in 2011, this equates to average domestic tourism expenditure per day of approximately ZAR 120 for each individual domestic visitor to the province. Since 64 percent of domestic tourists are VFR, average accommodation spend is much reduced, which goes some way to explain this low average

expenditure figure. For international tourists, the average spend per day is calculated at ZAR 1,050.

- 5.31 In Figure 5.13 we outline the average expenditure per person for both the domestic and the international market. It is evident that international visitors typically exhibit higher spending power when visiting Mpumalanga province. We can also see that domestic visitors to Mpumalanga spend far less money per day than the national average while the equivalent data for the international tourist market is broadly in line with the national average.

**FIGURE 5.13: AVERAGE DAILY EXPENDITURE, 2011**

Region	Expenditure/Person/Trip (ZAR)	ALOS (Days)	Expenditure/Day/Person (ZAR)
<b>Domestic Tourists</b>			
To Mpumalanga	560	4.6	122
To South Africa	780	4.4	177
<b>International Tourists</b>			
To Mpumalanga	3,569	3.4	1,050
To South Africa	8,964	8.3	1,080

Source: South Africa Tourism

- 5.32 In Figure 5.14 we outline how domestic tourists to Mpumalanga spend their money whilst visiting the region. We have compared day trippers to overnight visitors, and provincial data to national data. A large proportion of expenditure falls on shopping and transportation which includes organised coach tours, popular with many visitors to the region.

**FIGURE 5.14: DOMESTIC TOURISM EXPENDITURE CATEGORIES, 2011**

Category	Overnight Domestic Tourists		Domestic Day Trippers	
	Spend per Person	Proportion (%)	Spend per Person	Proportion (%)
Accommodation	144	14.9	n/a	n/a
F&B	196	20.2	91	16.1
Transport	290	29.9	160	28.4
Recreation & Culture	28	2.9	10	1.8
Shopping	286	29.5	290	51.3
Other	25	2.6	14	2.4
<b>Total</b>	<b>969</b>	<b>100.0</b>	<b>565</b>	<b>100.0</b>

Source: South African Tourism

### Method of Arrival

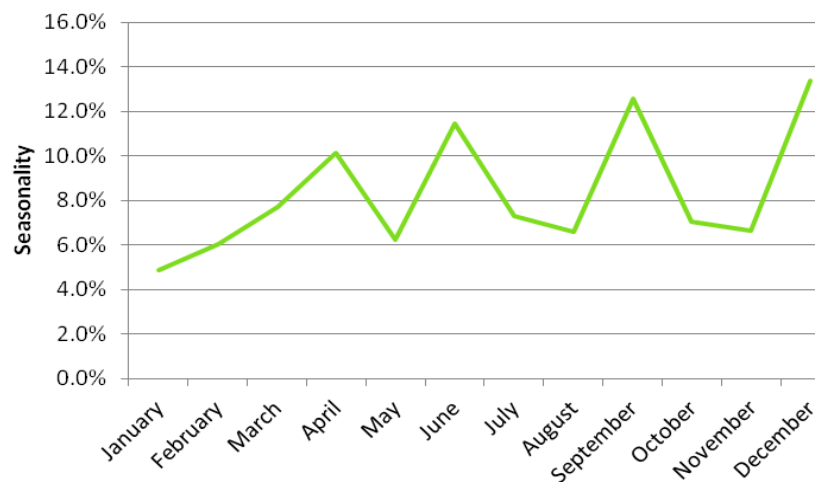
- 5.34 According to South African Tourism, the majority of domestic overnight visitors to Mpumalanga arrived via private or hired vehicles (91 percent). A similar pattern in terms of popular modes of transport can be seen for domestic day trippers to the region. Information relating to method of arrival is not collated for international tourists but we understand that many travellers book onto an organised tour coach from Johannesburg. Few arrive by air because only 120,000 passengers arrived into KMIA in 2011 compared to the 3.4 million tourists recorded.



**Seasonality**

- 5.35 In Figure 5.15 we display the seasonality of domestic visitors to Mpumalanga in 2011. In terms of domestic overnight trips, small peaks are experienced in April, June, September and December in which public holidays fall. As shown, 13.4 percent of domestic overnight trips are taken in December, with September being the second most popular month, accounting for 12.6 percent of visits.
- 5.36 The seasonality of international tourists is not reported at a provincial level by official data sources. However, we have obtained the monthly visitor patterns of total gate entries at Kruger National Park. Visitation at Kruger National Park peaks over the summer months of July and August, as well as in both April and December, in line with school holidays and the festive period. Just over 11 percent of gate entries fall in December, with just under 11 percent being recorded in both July and August.

**FIGURE 5.15: SEASONALITY OF DOMESTIC TRIPS TO MPUMALANGA, 2011**



Source: South African Tourism

**Accommodation**

- 5.37 In Figure 5.16 we set out the proportion of domestic arrivals to hotel establishments and other types of accommodation for Mpumalanga and South Africa as a whole. As shown, almost three-quarters of visitors to Mpumalanga stay with friends and relatives, a slightly higher proportion than across the country as a whole.
- 5.38 Few domestic tourists stay in hotels, with the proportion doing so in Mpumalanga lying below the national average. Following VFR, the second largest accommodation type used by domestic visitors to Mpumalanga was Guesthouse / B&B / Lodge, accounting for just 6.1 percent. The majority of lodging accommodation in the region is found in Nelspruit and Hazyview, while there are a number of upmarket lodges in private game parks such as Sabi Sand.

**FIGURE 5.16: DOMESTIC TOURIST ACCOMMODATION IN MPUMALANGA, 2011**

Accommodation Type	Mpumalanga	South Africa
	(%)	(%)
VFR	73.4	71.8
Guesthouse / B&B / Lodge	6.1	5.2
Self-Catering	5.5	5.5
Other	4.8	6.0
Holiday Home	4.0	3.0
Hotel	3.8	4.5
Caravan	1.1	1.2
Campsite	1.0	2.4
Hostel	<u>0.2</u>	<u>0.4</u>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: South African Tourism

## TOURISM STRATEGY

- 5.39 The provincial government of Mpumalanga recognised that the province’s share of international tourism to South Africa had fallen in the years preceeding 2007. A further observation was made regarding domestic tourists; fewer were visiting Mpumalanga year on year. As a result, the Tourism Growth Strategy was developed in 2007 as part of the Mpumalanga Provincial Growth & Development Strategy in order to guide tourism initiatives and the sector’s development over a 10-year horizon.
- 5.40 The strategy recognises that, despite an abundance of natural and cultural attractions across the province, there is a lack of adequate supporting facilities and services available, meaning that these key attractions cannot thrive. Other major problems relating to the sector include a lack of mid-to-high end accommodation and insufficient new investment.
- 5.41 Some of the key goals outlined by the PGDS were:
- Increase the contribution of tourism to GDP by 10 percent per annum
  - Increase total tourism expenditure from ZAR 3.8bn in 2006 to ZAR 10bn by 2016
  - Diversify the tourism product on offer to include: golf; eco-resorts; festivals; medical tourism; conference and; nature tourism etc.
  - Formal training for those wishing to enter the hospitality and leisure sector
  - Improved air access
  - A better regulated tourism sector
- 5.42 Some progress has already been made with regards to achieving these goals. A system of formal certified training is now in place for persons wishing to enter the hospitality sector, and on-the-job training for existing staff within the industry. A tourism business licensing system has been put in place ensuring that operators comply with health, safety and security regulations. An accommodation grading system has also been introduced to ensure that minimum standards are met across the board.

## IMPLICATIONS FOR THE PROJECT

- 5.43 There has been a general upward trend in arrivals to Mpumalanga in recent years, although strong fluctuations were experienced in the onset of the global economic downturn. The

total tourist market is of good size at 3.4 million arrivals in 2011, of which 2.1 million can be attributed to the qualified domestic market (62 percent) and 1.3 million to the international market (38 percent). As a provincial proportion of total visitation to South Africa, this is approximately 16 percent.

- 5.44 The international tourist market is projected to grow at an average rate of 2.5 percent, from 1.3 million in 2011 to 1.8 million by 2023. The qualified domestic market is projected to grow at a slightly slower rate, averaging 2.0 percent annual growth, rising from 2.1 million in 2011 to 2.7 million by 2023.
- 5.45 Since the income qualified resident market is of a minimal size (approximately 510,000 in 2011), the proposed Skywalk development will be heavily dependent on domestic and international tourist arrivals to Mpumalanga.
- 5.46 Mpumalanga is a popular leisure-orientated destination, particularly for the international market, as confirmed by purpose of visit data collated by South African tourism. This is a positive indicator for the proposed Skywalk at God's Window.
- 5.47 International visitors typically exhibit higher spending power when visiting Mpumalanga province in comparison to domestic visitors. International tourists from the Americas and Asia spend the most, as a proportion of total expenditure, on recreation and culture when visiting South Africa.
- 5.48 The seasonality of domestic visitors to Mpumalanga falls in line with school holidays and is not as pronounced as in many destinations around the world. For viewing attractions such as that envisaged at God's Window, it is important to ensure a smooth flow of guests through the facility and this will be aided by the fact that there are no dominating peaks in arrival numbers to the region.

## 6 NATIONAL AND LOCAL ATTRACTION MARKET

### INTRODUCTION

- 6.1 An important factor in the assessment of a potential visitor attraction is the scale and nature of the competitive environment in the area. In this section we review the dynamics of the attractions marketplace, in both a national and regional context.
- 6.2 In order to identify the main drivers of performance, as well as key trends in visitor behaviour patterns, we analyse attendance, visitor mix, penetration rates, pricing and spend per capita. In particular, research has been focused on the national viewing attractions such as Table Mountain Cableway, Durban SkyCar and Hartbeespoort Cableway, as well as regional attractions such as Kruger National Park (KNP), Blyde River Canyon (BRC) and various other small venues in the area.
- 6.3 Where available, we assess data regarding the volume and pattern of visitation to the existing view point at God’s Window, and draw conclusions as to how the local attraction market will impact the proposed development.

### NATIONAL MARKET OVERVIEW

#### National Parks

- 6.4 SANParks manages a large number of South Africa’s National Parks, and the attendance to the top ten is displayed in Figure 6.1. Table Mountain National Park represents a visitor destination of international recognition and welcomes around 4.2 million visitors each year. Kruger National Park in Mpumalanga is also considered a national crown jewel and is visited by around 1.4 million people annually. Other parks managed by SANParks are much smaller and provide a more modest offer and thus visitor numbers are significantly lower.

**FIGURE 6.1: VISITORS TO TOP 10 NATIONAL PARKS, 2011/12**

Rank	Park	Annual Attendance 2011/12
1	Table Mountain National Park	4,200,000
2	Kruger National Park	1,411,796
3	Tsitsikamma National Park	180,107
4	Addo Elephant National Park	141,318
5	Wilderness National Park	67,004
6	Augrabies Waterfall National Park	66,042
7	Golden Gate Highlands National Park	41,056
8	Camdeboo National Park	37,017
9	Karoo National Park	36,765
10	Kgalagadi Transfrontier Park	28,938

Source: SANParks

- 6.5 SANParks offers a membership scheme whereby ‘Wild Card’ members are granted unlimited access to the country’s leading conservation attractions. The ‘All Parks Cluster’, the most popular package (62 percent of sales), costs ZAR 360 per person per annum, or ZAR 745 for a family. There are 74,000 Wild Card members at present, and this includes individuals, couples and families. We understand that the total number of people with Wild Card access is approximately 300,000 (of which 70,000 are children). Of relevance to this study, an estimated 63 percent of Wild Card members are based in Gauteng Province, primarily due to the nearby presence of Kruger National Park.

**Viewing Attractions**

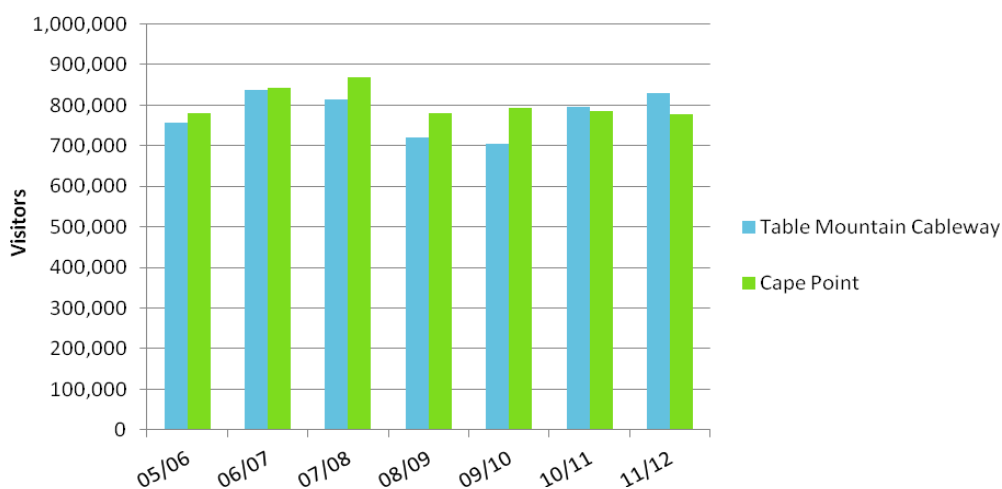
6.6 We have assessed the most prominent viewing attractions in South Africa, with a focus on cable cars in Cape Town, Durban and near Pretoria.

**Table Mountain**

6.7 In terms of the regional distribution of tourist arrivals, the Western Cape represents around 17 percent of the national market, second only to the Gauteng province where Johannesburg and Pretoria are located. As such a prominent tourist destination, the Table Mountain National Park, and the attractions within it, receive particularly high visitor numbers, as shown in Figure 6.2.

6.8 Both the Table Mountain Cableway and Cape Point are located within Table Mountain National Park and represent the two most popular individual visitor attractions in the country. Following a significant reinvestment in 1997, the cableway was relaunched with two rotating cabins, each with a capacity of 65 passengers. As tourism to South Africa was impacted by the global economic downturn, there was an inevitable impact on admission levels to both of these attractions in 2008/09. However, demand has recovered with each attraction drawing around 800,000 visitors in 2011/12. The Cableway has a lead ticket price of ZAR 205 and admission to Cape Point and its funicular costs a further ZAR 140.

**FIGURE 6.2: VISITORS TO TABLE MOUNTAIN CABLEWAY & CAPE POINT, 2005-2012**



Source: SANParks

**Hartbeespoort Cableway**

6.9 Hartbeespoort Cableway is located to the west of Pretoria and Johannesburg and following a complete refurbishment (investment of ZAR 50-60 million), reopened in 2012 to provide one of the leading viewing attractions in South Africa. The attraction comprises 12 six-seat cabins and a ride length of 1.2km up to the top of a hill overlooking Hartbeespoort Dam. At the bottom, there is a gift shop and a franchised restaurant, and at the top there are several smaller food and beverage outlets and a second gift shop. The first full month of operation for the Cableway was August 2012, with December representing the strongest attendance to-date at 30,000 guests. On the basis that the peak month will equate to around 18 percent of annual visitors (in line with market trends), this suggests an estimated annual attendance in the region of 160,000 to 170,000 visitors. Tickets are priced at ZAR 140 per adult and ZAR

70 per child. While the Cableway journey takes just three to five minutes each way, the average duration of stay at the summit is around 1.0 to 1.5 hours.

**Durban SkyCar**

6.10 The Durban SkyCar is a funicular running along the north arch at Moses Mabhida Stadium, providing not just views of the impressive stadium but of the Durban cityscape. The cabin has a maximum capacity of 20 passengers and the experience lasts for five minutes. Having launched just prior to the hosting of the 2010 World Cup, initial demand was strong with nearly 160,000 visitors in the first year. This was inflated by the large crowds visiting Durban to attend games and since 2010 visits to the SkyCar have declined to around 118,000 in 2012. However, this still represents a reasonable level of demand given the lack of an anchor team at the stadium and relatively limited number of events held there. The SkyCar is priced at ZAR 50 per adult and ZAR 30 per child.

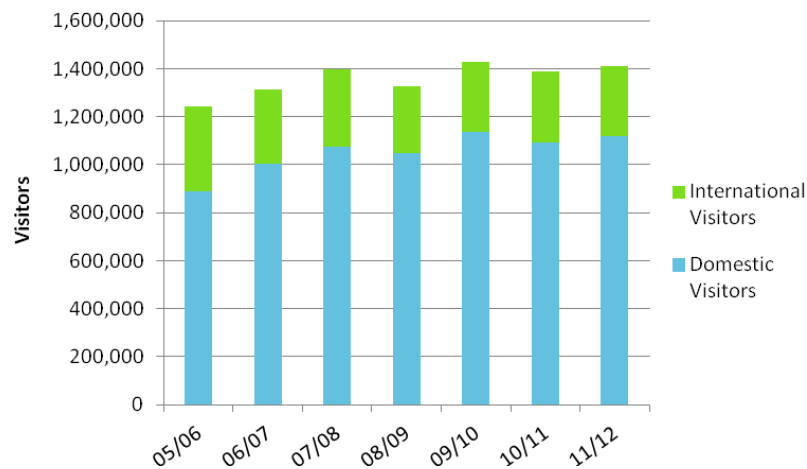
**LOCAL MARKET OVERVIEW**

**Kruger National Park**

6.11 Kruger National Park, in the provinces of Mpumalanga and Limpopo in North Eastern South Africa is one of the most prominent game reserves in the continent. The park extends 360 kilometers from north to south and 65 kilometers from east to west, and is approximately the size of Israel. The vast park is popular with local residents who are able to self-drive, as well as tourists who visit on guided game drives. There are also a number of camps and lodges located within the park ranging from basic to luxury in standard.

6.12 The number of visits to the park has grown strongly over the years, with 397,000 in 1980, rising to 697,000 in 1990 and 898,000 in the year 2000. The formalisation of a business plan and pricing strategy for Kruger in 2003 saw arrivals grow by 27 percent to 1.3 million in 2004. Since this point, admission numbers have been stable, with a reported 1.4 million visits to the park in 2012, as shown in Figure 6.3. It should be noted that SANParks limits the number of daily admissions to the park in order to constrain demand at busy periods.

**FIGURE 6.3: NUMBER OF VISITS TO KRUGER NATIONAL PARK, 2005-2012**



Source: SANParks

- 6.13 The pricing tariff at Kruger National Park is tiered with a rate of ZAR 50 for a South African Citizen, ZAR 102 for South African Development Community (SADC) nationals and ZAR 204 for foreign visitors. However, the majority of day visitors to the park are part of guided tours which cost from ZAR 500 to ZAR 800 per person.
- 6.14 There are ten gates into the park and these are predominantly located on the South West edge of the park, as shown in Figure 6.4. The main route of entry into the park is from the town of Hazyview which is proximate to Phabeni Gate, Paul Kruger Gate and Numbi Gate which have a combined 570,000 entries per year. Indeed, five of the six busiest gates are located in this part of the park, with a total of around 985,000 gate entries per annum. As a result, the towns of Nelspruit, White River, Hazyview and Sabie have become popular bases and stop-off points for those visiting Kruger National Park. This provides a positive indicator for the proposed project at God’s Window as it is clear that the majority of visitors to Kruger are likely to pass through the region of the study site.
- 6.15 We understand that there are restrictions on the number of daily guests admitted to the park through each gate. The allowance for most gates is 550, while Kruger Gate has a capacity of 750 guests. Data obtained from SANParks suggests that Phabeni Gate, Maleane Gate, Kruger Gate and Crocodile Bridge Gate are at capacity across the year. Indeed, during public holidays, significant numbers of visitors are turned away as entry to the park is on a first come first serve basis.

**FIGURE 6.4: ARRIVALS TO KRUGER BY ENTRY GATE, 2011/12**

Rank	Gate	Admissions	Southern Kruger
1	Phabeni Gate	214,000	
2	Malelane Gate	209,000	
3	Kruger Gate	203,600	
4	Crocodile Bridge Gate	203,400	
5	Phalaborwa Gate	186,000	
6	Numbi Gate	154,900	
7	Orpen Gate	125,300	
8	Punda Maria Gate	79,600	
9	Pafuri Gate	15,700	
10	Giriyondo Gate	12,500	
	<b>Rounded Total</b>	<b>1,404,000</b>	

Source: SANParks

**Other Local Attractions**

- 6.16 The prevailing quality of visitor attractions in Mpumalanga is relatively unsophisticated, and as such there remains an opportunity to expand the size of the local tourist market through the addition of high quality tourism infrastructure.
- 6.17 With the exception of Kruger National Park, the leading visitor attraction in the region is Blyde River Canyon which includes the various viewpoints of the Panorama Route. As shown in Figure 6.5, Bourke’s Luck Potholes reports the highest visitor numbers at 195,000 in 2012. The visitor volume at Three Rondavels and God’s Window is equivalent to 70 percent of the

volume at Bourke’s Luck Potholes, and only 30 percent at Pinnacle. In recent years, there has been a slight downward trend in visits to Blyde River Canyon Nature Reserve, though we understand there are doubts over the accuracy of this data. Attendance data collected by Campbell Scott suggests that in reality, God’s Window draws between 175,000 and 225,000 visitors each year. There is a ZAR 5 fee per car (ZAR 50 per bus) at each of the main locations, therefore totalling ZAR 20 per car if they visit each attraction along the route.

**FIGURE 6.5: VISITORS TO BLYDE RIVER CANYON, 2009-2012**

View Point	2009	2010	2011	2012
Bourke’s Luck Potholes	215,678	209,650	199,340	194,568
Three Rondavels	158,863	139,795	136,568	140,464
God’s Window	144,704	131,570	124,193	136,980
Pinnacle	83,904	61,423	54,127	57,853

Source: MTPA

6.18 Lowveld National Botanical Gardens is the next most visited gated attraction in the area, with 80,000 annual guests. In an international context, the park has a relatively low entry price at ZAR 22 per adult and ZAR 12 per child. Other attractions of note in the region include Chimpanzee Eden, Shangana Cultural Village and Skyway Trails, however we understand that attendance levels for these are relatively modest. From a pricing perspective, Skyway Trails is priced at the upper end in a regional context, at ZAR 480 for a 2.5 hour experience.

## PERFORMANCE CHARACTERISTICS

### Attendance and Pricing

6.19 Figure 6.6 summarises the attendance and pricing at selected national and local viewing attractions.

**FIGURE 6.6: ATTENDANCES AND PRICING AT SELECTED ATTRACTIONS, 2012**

Attraction	Type	Location	Est. Annual Attendance	Lead Price (ZAR)
<b>National</b>				
Table Mountain Cableway	Viewing	Nr. Cape Town	828,400	205
Cape Point	Viewing	Nr. Cape Town	778,400	140 <sup>2</sup>
Hartbeespoort Cableway	Viewing	Nr. Pretoria	167,000 <sup>1</sup>	140
Durban SkyCar	Viewing	Durban	118,000	55
<b>Regional</b>				
Kruger National Park	Nature/Wildlife	KNP	1,412,000	204
Bourke’s Luck Potholes	Viewing	BRC	194,568	5
Three Rondavels	Viewing	BRC	140,464	5
God’s Window	Viewing	BRC	136,980	5
Lowveld Botanical Gardens	Nature/Wildlife	Nelspruit	80,000	22
Pinnacle	Viewing	BRC	57,853	5
Shangana Cultural Village	Cultural	Hazyview	17,700 <sup>1</sup>	120
Skyway Trails	Adventure	Hazyview	7,100	480

<sup>1</sup> Estimated/Projected

<sup>2</sup> Entry (ZAR 90) and Funicular (ZAR 49) combined.

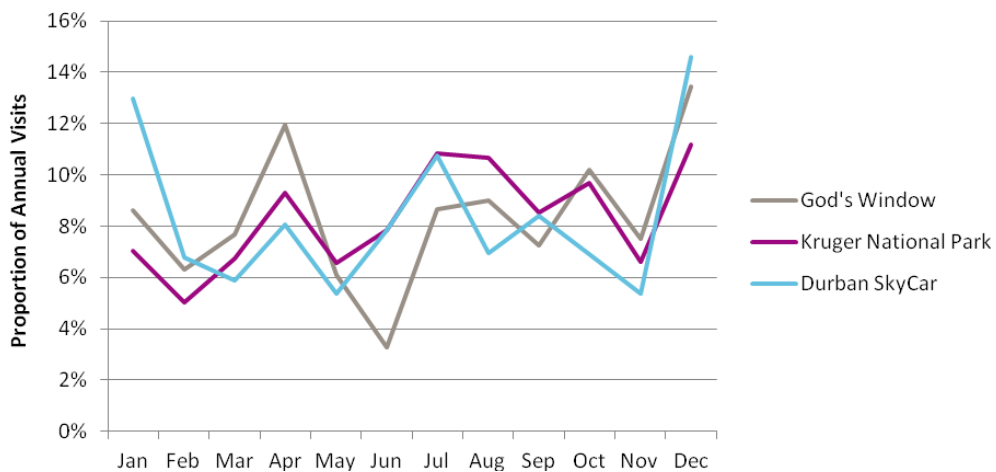
Source: AECOM & Individual Attractions



**Seasonality**

- 6.20 The seasonal pattern of demand for visitor attractions in South Africa is closely correlated to the seasonality of domestic and international tourist trips. All attractions interviewed report peak levels of demand during the traditional school holiday and public holiday periods. These fall in December/January, Easter, July and September. Table Mountain Cableway report that the holiday season in December and January boosts demand significantly from the domestic market, with these two months accounting for 35 percent of annual demand. The attraction is, however, out of operation for between 60 and 90 days each year due to cloudy and windy weather conditions.
- 6.21 Seasonality is also impacted by the profile of visitors. For an attraction of appeal to international guests, a peak in demand occurs during the winter months of July and August which is the main holiday season for European countries. However, demand for the Durban SkyCar, for example, is driven largely by domestic visitors and therefore December and January are very strong peak months, as shown in Figure 6.7. In general terms, the seasonality of visitor attractions in South Africa is relatively modest, in part aided by a consistently pleasant climate.

**FIGURE 6.7: SEASONALITY OF VISITS TO SELECTED ATTRACTIONS, 2012**



Source: MTPA, SANParks & Moses Mabhida Stadium

- 6.22 The seasonal variation of arrivals to Kruger National Park is relatively modest, with July, August and December representing peak months. This is primarily driven by the pattern of public holidays, but is also affected by the fact that the best game viewing season is in mid-winter and the restricted number of daily admissions at entry gates. Recent data collected at God’s Window suggests a varied seasonality, with strong peaks in April and December, suggesting a significant weighting towards local, rather than international visitors.

**Visitor Mix**

- 6.23 We have assessed the visitor mix at each of the most relevant attractions in South Africa. This information is displayed in Figure 6.8.
- 6.24 The Table Mountain Cableway and Cape Point are, in particular, considered a ‘must-do’ part of the domestic and international tourist itinerary in the Western Cape. In 2012, 56 percent of tickets to Table Mountain Cableway were sold to residents of the Western Cape. During the holiday seasons, approximately 80 percent of guests are South African (50/50 split

between residents and domestic tourists), with 20 percent coming from overseas. However, outside of holiday periods, the tourist market (80 percent) becomes much more prominent than the resident market (20 percent).

**FIGURE 6.8: AVERAGE MARKET MIX OF NATIONAL VIEWING ATTRACTIONS**

	Primary Resident Market (%)	Secondary Resident Market (%)	Domestic Tourist Market (%)	International Tourist Market (%)
Table Mountain Cableway	40	16	32	12
Hartbeespoort Cableway	55	25	10	10
Durban SkyCar	25	7	42	26

Source: AECOM

- 6.25 Hartbeespoort Cableway reports that demand is driven almost entirely by South African visitors (90 percent of the total). 80 percent of guests are classified as local residents, with just 10 percent of admissions being domestic tourists and 10 percent international tourists. The visitor mix at Durban SkyCar is dominated by South Africans which account for 74 percent of the total. The largest international source market is Europe at 13 percent of arrivals. Overall, around 30 percent of guests are local residents and 70 percent are classified as tourists (domestic and international).
- 6.26 At Kruger National Park demand is driven primarily by South African visitors which account for 77 percent of the total. The park is a popular outing for local residents, accounting for 327,815 visits in 2012 (29 percent of the domestic market). However, it is the Gauteng province which is the most prolific source market, representing 40 percent of domestic arrivals to the park, as shown in Figure 6.9. German tourists account for nearly 30 percent of foreign arrivals, with the UK the second most significant market at 11 percent.

**FIGURE 6.9: SOURCE MARKETS TO KRUGER NATIONAL PARK, 2011/12**

Rank	Province	Guests	% of Total
<b>Domestic</b>			
1	Gauteng	444,223	40%
2	Mpumalanga	327,815	29%
3	Limpopo	231,103	21%
4	Western Cape	33,633	3%
5	KwaZulu-Natal	24,708	2%
6	Eastern Cape	21,966	2%
7	Free State	18,155	2%
8	North West	16,771	1%
9	Northern Cape	1,587	0%
	<b>TOTAL</b>	<b>1,119,961</b>	<b>100%</b>
<b>International</b>			
1	Germany	83,969	29%
2	UK	31,067	11%
3	US	23,895	8%
4	France	23,733	8%
5	Holland	22,086	8%
	Other	107,085	37%
	<b>TOTAL</b>	<b>291,835</b>	<b>100%</b>
	<b>COMBINED TOTAL</b>	<b>1,411,796</b>	

Source: SANParks

## Market Penetration Rates

- 6.27 Market penetration rates measure the proportion of the available market segments that visit the attraction annually. The market penetration rate is defined as the number of visitors to an attraction from a particular market segment divided by the size of that market segment. A range of market factors can affect the level of penetration rates achieved such as market competition, scale and profile of markets, culture and climate as well as the quality, scale and nature of the attraction itself.
- 6.28 Figure 6.10 shows the range of penetration rates achieved at selected viewing attractions in South Africa. The ability of Table Mountain Cableway to capture both the resident market and tourist market is very strong, resulting in an overall penetration rate of 12.9 percent. In contrast, Durban SkyCar and Hartbeespoort Cableway record more modest levels of market penetration at 2.0 percent and 1.4 percent respectively.

**FIGURE 6.10: PENETRATION RATES AT SELECTED NATIONAL ATTRACTIONS, 2012**

	Primary Resident Market	Secondary Resident Market	Domestic Tourist Market	International Tourist Market	Total Market
	(%)	(%)	(%)	(%)	(%)
Table Mountain Cableway	15.8	14.7	13.1	7.0	12.9
Hartbeespoort Cableway	3.1	3.3	0.5	0.4	1.4
Durban SkyCar	1.7	1.1	2.1	3.4	2.0

Source: AECOM & individual attractions

## Per Capita Spend

- 6.29 A financially successful attraction should have several profit centres to supplement revenues generated by admissions. Figure 6.11 summarises admission yield and per capita spending at selected South African attractions. Admission yield reflects discounts offered to children, seniors and groups, and promotional discounting required to drive attendance, and is calculated by dividing net per capita admission by the net lead price (i.e. exclusive of VAT). Research suggests that local and regional attractions achieve admission yields of between 60 and 70 percent. The sample used includes Durban SkyCar, Table Mountain Cableway and Hartbeespoort Cableway – three attractions that we suggest will have a similar pattern of expenditure to the proposed development at God’s Window.

**FIGURE 6.11: PER CAPITA EXPENDITURE AT SOUTH AFRICAN CABLE CARS, 2012**

	Admission Yield	Admission Spend	Secondary Spend	Total Spend	Admission as % of Total
Cable Car Attractions	65-70%	(ZAR) 33-114	(ZAR) 13-44	(ZAR) 46-132	75%

**Notes:**

Spend is calculated net of VAT at 14%.

Admission yield is estimated based on management interviews.

Source: AECOM & individual attractions

- 6.30 Secondary spend is dictated primarily by the quality and range of the product offer at a given attraction. For instance, a good supply of well targeted food and beverage outlets, as well as

gift shops, will encourage guests to spend additional money. The Hartbeespoort Cableway reports that secondary spend equates to 50 percent of admission spend which is particularly strong.

- 6.31 The extent of secondary spend is also affected by the location of an attraction and the average length of stay. For example, an attraction based in a city will have a lower secondary spend as guests have a much greater selection of dining options in a close proximity than if they are visiting a rural attraction. Indeed, the Table Mountain Cableway has one restaurant and one gift shop and reports an average additional spend of just ZAR 20 per head.

## IMPLICATIONS FOR THE PROJECT

- 6.32 Attraction attendance is the product of both the scale of the regional resident and tourist markets and the ability of the venue to capture them. The Western Cape is the second most visited province in South Africa, and has a large resident market within a two hour catchment and therefore Table Mountain Cableway and Cape Point are able to draw around 800,000 visitors per annum. Kruger National Park is the primary reason for visiting Mpumalanga and welcomes 1.4 million gate entries per annum. Interestingly, we understand that between 175,000 and 225,000 people visit the Panorama Route in Blyde River Canyon each year (though we note that this figure may in fact be higher as some visits go unrecorded).
- 6.33 The Mpumalanga attraction market is underdeveloped and the existing attractions are not of an international scale and quality. The Blyde River Canyon is one of the most revered beauty spots in Africa, though it is severely lacking in terms of tourist infrastructure. There are limited lodging options and cafes/restaurants north of Graskop along the Panorama Route and at present visitors pay just a nominal fee to park at each of the main viewing spots. There is a significant opportunity to formalise visitation to the Panorama Route by enhancing existing view points and introducing exciting projects such as that envisaged at God's Window.
- 6.34 Admission prices at the reviewed local attractions are modest in an international context, suggesting an element of price sensitivity among the local resident market. In a national context, the Table Mountain Cableway is the most expensive viewing attraction at ZAR 205 for an adult ticket. It will be important to encourage repeat visitation through an appropriate pricing strategy. If the attraction is priced too highly, repeat visitation is likely to fall thus impacting overall attendance levels.
- 6.35 For viewing attractions such as that envisaged at God's Window, visitor flow is of crucial importance. The facility must be designed to accommodate peaks in demand, without bottle necks creating excessive waiting times and detracting from the overall visitor experience. We have assessed the seasonal distribution of visits to other comparable attractions and it is apparent that demand is closely correlated to public holidays. With a prominent local resident market and domestic tourist market (as reported by Kruger National Park) we would envisage strong levels of visitation to the Skywalk in December, as well as in January, Easter and the winter holiday period (July and August).
- 6.36 The majority of South African attractions reviewed are driven by visitation from their local resident markets and domestic tourist markets. Given the price sensitivity of these markets, this will have an implication on the pricing strategy at God's Window.
- 6.37 Of the viewing attractions analysed, Table Mountain records the strongest market penetration rates, within both the resident market and tourist market. Both the Durban SkyCar and Hartbeespoort Cableway show more modest levels of penetration and across the

sample we observe an average of 6.7 percent within the resident market and 4.5 percent within the tourist market.

- 6.38 Secondary spend is an important consideration for visitor attractions. The amount spent on other items such as memorabilia and food and beverage is dependent on a number of factors. Our sample of viewing attractions in South Africa shows an average secondary spend of ZAR 25 per person, though we note that this is higher at attractions in a more rural setting such as the Hartbeespoort Cableway.

## 7 SITE AND MARKET SWOT ANALYSIS

7.1 In Figure 7.1 we summarise the strengths and weaknesses of the proposed Skywalk at God’s Window in the context of site characteristics and market conditions.

**FIGURE 7.1: PROJECT SITE SWOT ANALYSIS**

<b>Strengths &amp; Opportunities</b>	<b>Weaknesses &amp; Threats</b>
1. Exceptional panoramic views.	1. Limited tourism infrastructure in the area.
2. Largest green canyon in the world.	2. With the exception of Kruger, other attractions in the region are of a modest scale and quality.
3. Unrivalled in the local area in terms of potential visitor appeal.	3. The existing offer at Blyde River Canyon provides only a half day activity.
4. The glass-bottomed platform will be a big draw for adventure-minded visitors.	4. The dominant coach tour market is both time and price constrained.
5. Kruger National Park draws large volumes of visitors to the province.	5. Tourists to the province exhibit a short average length of stay.
6. The type of attraction compliments, rather than contrasts against Kruger National Park.	6. Foggy conditions are likely to limit usability/appeal of the Skywalk for part of the year.
7. Good road access from Nelspruit, Hazyview and Sabie.	7. The length of time it takes to complete the Skywalk is very short and this will impact the perceived value of the attraction to guests.
8. Development land is considered a ‘disturbed area’ and therefore development constraints are diminished.	8. The concept will be considered too scary for some.
9. Severe lack of tourism product in the area provides opportunity to capitalise on interest in the region.	9. With limited accommodation in the area, Blyde River Canyon will remain a half-day trip for most.
10. With minimal food & beverage offer north of Graskop, there is potential for strong secondary spend.	10. The proposed cableway development could potentially cannibalise a small proportion of demand. However, the increased offer would grow the overall number of visitors to the area and thus the net effect would likely be positive.
11. Numerous coach tour operators bring large numbers of travellers to the area.	
12. Opportunity to package the Panorama Route under one entry pass.	
13. Potential for growth in size of domestic and international tourist markets.	
14. Future developments such as the proposed cableway would enhance the reputation of the area as a destination in its own right, thus increasing visitation.	
15. The performance of the Table Mountain Cableway indicates significant potential for a viewing attraction such as the proposed Skywalk.	

Source: AECOM



## 8 LESSONS FROM INTERNATIONAL DEVELOPMENTS

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### INTRODUCTION

- 8.1 In this section we provide performance data on a selection of comparable viewing attractions and destinations around the world to inform our assessment of potential attendance and success of the Skywalk at God's Window. We have considered factors such as attendance, pricing, penetration of available markets and per capita expenditure.

### TRENDS IN ATTRACTION DEVELOPMENT

- 8.2 Visitor attractions are important features of trips and excursions for local residents, domestic tourists and international tourists to an area. They form important considerations in the selection of destinations and in some cases the attractions are strong enough to become the main motivator for a trip. Many attractions were not designed for that purpose but have become attractions over time; this is particularly true of natural attractions and historic buildings. For these types of attractions minimising the impact of visitors on the asset while aiming to maximise its exposure are often conflicting ambitions. The admissions restriction at Kruger National Park is a prime example of this.
- 8.3 For man-made facilities that are designed with the aim of providing an attraction to draw visitors to an area, educate an audience, provide a showcase or make a commercial return the issues are different. At most of these the aim is to draw in as many visitors as possible. However, a visit to any tourist information centre reveals a plethora of different types of attractions seeking to tempt visitors to cross their threshold. The sector is a highly competitive one and each attraction seeks to differentiate itself from others through design, content or operation.
- 8.4 Technological, construction and communication advances have impacted the development of attractions, while consumers have become more aware and discerning. Yet the fundamental motivations for a visit to an attraction have not changed. People still want to experience something different and spend time with friends and family. We highlight some of the issues and trends impacting the industry.

### Planning & Design

#### *Aims, Story & Message*

- 8.5 The starting point for the creation of any attraction should be a clear understanding of what the attraction is setting out to achieve. Is it aiming to educate, inform or entertain guests? Does it want guests to leave having learned something new about an area, a technology or a natural environment, or does it just want people to leave having had a fun experience? These are not mutually exclusive ambitions but all too often attractions try to achieve too much and end up not really hitting any of their targets. Having a clear aim and developing a focused story, message and content around that are important to successful attraction development.

#### *Technology*

- 8.6 There is an increasing ambition to incorporate the latest technology within attractions. While technology has a place it needs to be appropriate to the message. It is important to realise that no matter how much investment is made at the development stage in creating cutting-edge technology or interactivity it will quickly become outdated. No attractions can afford to keep pace with the billions of dollars invested by video game and smart phone

companies so any technology included in attractions should be designed to enhance the message and not just added in because the attraction does not have any currently.

### *Aesthetics v Efficiency*

- 8.7 While there are experienced international attraction designers that understand the needs of operators, too many attractions are designed by architects that want to make an aesthetic statement or who respond to a brief to create a landmark building. For major developments such as the Guggenheim Museum in Bilbao, Spain this can form a focus for a rebranding and marketing effort for the region but this is an exception rather than a rule. Attractions should be designed with input from experienced operators to ensure that they have the best chance of realising their full potential and maximise revenue streams.

### *Operation & Marketing*

#### *Getting the Fundamentals Right*

- 8.8 Running a visitor attraction is not easy. It takes constant attention to detail and with the instant communications available to guests today any problems can be aired globally before the management is even aware of them. This places increasing pressure on an operations team to ensure that attractions (and particularly toilets and F&B areas) are clean and well maintained, staff are friendly and courteous, and any issues are communicated clearly to guests. Ongoing staff training, performance monitoring and guest research is essential if the management is to be able to provide a quality offer that meets, and hopefully exceeds, customer expectations.

#### *Tell the World*

- 8.9 Creating a new attraction is only part of the story. Unless the world knows about it people will not visit. The growth of the internet over the past decade and increasing impact of mobile communications means that it is easier than ever to get messages out. However, there are more and more messages being transmitted on increasing numbers of channels and consumers are in danger of suffering from information overload. Clear, simple messages are therefore critical and attractions need to market through a variety of channels appropriate to their audience. As with technology in attractions, there is a temptation to create complex, interactive websites for attractions when it is often better to keep them simple, clean and easy to update. Potential visitors need to know what they will experience, how to find the attraction, when it is open and how much it costs to enter. The same principles should apply to the internet as with any adverts, leaflets, posters or other marketing messages.

#### *Making Money*

- 8.10 Most visitor attractions do not make money. There are large numbers of subsidised museums, art galleries and historic buildings around the world that offer free or cheap admission to encourage maximum levels of throughput. While this is understandable it does mean that operators of these attractions often have little control over their business and are unable to generate funds for ongoing investment. This generally leads to outdated and tired-looking attractions that fail to attract visitors or achieve their ambitions. People are prepared to pay to visit quality attractions but the perception of value is impacted by the low prices and free admission to many attractions and this makes life difficult for independent attractions. For any new attraction that is aiming to make money it is therefore important to establish a position of differentiation within a marketplace that will allow for a commercial pricing structure and operating model.

## MARKET CONTEXT

- 8.11 There few directly comparable Skywalk attractions around the world, with the exception of the Skywalk at the Grand Canyon. In order to analyse attractions that are most comparable to the skywalk at God’s Window, we have considered a number of viewing points, observational attractions and towers, many of which have installed glass floors.

### Viewpoints

#### Grand Canyon Skywalk, USA

- 8.12 The Grand Canyon Skywalk in Nevada, USA, is the most directly comparable attraction to the proposed Skywalk at God’s Window. The Grand Canyon Skywalk is a horseshoe-shaped cantilever bridge with a glass floor which protrudes 21 metre over the Grand Canyon. The Grand Canyon Skywalk is located within a gated facility called Grand Canyon West (GCW) which also includes white water rafting, a lodge to stay in overnight and a number of viewpoints.
- 8.13 Construction of the Skywalk began in 2005, with an estimated construction cost of \$25 million. The Skywalk opened in 2007, with a 50/50 revenue split agreed between the local Hualapai tribe that owned the land and the developer David Jin who lead the operation. On February 10<sup>th</sup> 2012 the Hualapai tribe seized control of the entire operation of GCW, due to the tribe receiving no payment from the operators during the first five years of operation.
- 8.14 GCW operates a complex pricing structure, with four packages available:
- The Hualapai Legacy Package - \$44.05 (including tax) (ZAR 405.86) – This is the basic entry package into the area of GCW, enabling visitors to self-drive or use the hop-on-hop off shuttle service to visit the scenic viewpoints, and experience live performances and cultural activities.
  - The Silver Legacy Package - \$56.59 (including tax) (ZAR 521.40) - Supplements the aforementioned Hualapai Legacy Package, with a meal at the viewpoint, along with a \$5 voucher towards and \$25 gift shop purchase.
  - The Gold Legacy Package - \$87.92 (including tax) (ZAR 810.06) - Includes a meal and voucher as in the Silver Package and in addition includes a ticket for the Skywalk itself.
  - The Hualapai VIP Tour - \$359.75 (including tax) (ZAR 3,314.59) - Includes everything in the Gold Package, with the addition of a private tour with a Hualapai Guide.
- 8.15 Attendance levels to GCW have increased by five percent since the management was restructured in 2012, reaching 809,070 annual visitors. Official records show that attendance to the Skywalk doubled in 2012, with 440,961 annual visitors. This amounted to 54.5 percent of visitors to GCW going on the skywalk, compared to 26.9 percent in 2011. However, we understand that under previous management ticket sales had not been accurately recorded and in reality attendance levels have in fact been more positive.
- 8.16 Due to large amounts of visitors arriving in a short time period, with a maximum capacity on the skywalk of 80 people at one time, it is important to achieve a smooth flow of visitor traffic. Previously at the Grand Canyon there were waiting times of up to two hours for the Skywalk, leading to a high proportion of visitors who were unsatisfied with the experience. This has been a recent focus for management, with a new strategy to use Skywalk photographers to act as ushers, thus ensuring an even flow of guests through the Skywalk. The visitors have an average length of stay at GCW of 4 hours, but are only on the Skywalk for 10 to 15 minutes, indicating the importance of visitor flow in the whole area and not just on the Skywalk itself.

### Dachstein Skywalk, Austria

- 8.17 The Dachstein Skywalk was created in 2005, located in Austria. The viewing platform protrudes 6.5 metres over the edge of the mountain giving a panoramic view over the mountain range, with a glass floor located at the edge of the platform. The platform is reached from the local town by a Cable Car. The Dachstein Skywalk has the capacity to hold up to 150 people at one time and is used all year round, being most popular with hikers and climbers in the summer months. The length of stay on the skywalk is short, with most visitors only staying on the Skywalk for a few minutes, but there has been a considerable interest with the glass floor at the end of the Skywalk.

### Top of the Tyrol, Austria

- 8.18 The Summit Platform at Top of the Tyrol in Austria was constructed in late 2008, with construction costs estimated to be around €300,000 (ZAR 3.5 million). The 80 sqm platform is elevated six metres above the rock face providing impressive view of the Tyrol Mountains. The viewing platform was constructed to encourage year-round visitation to the glacier, specifically targeting hikers who visit the region in the summer. Although the platform can be accessed year round, it is occasionally closed in winter due to adverse weather conditions.

### Preikestolen, Norway

- 8.19 Preikestolen is a 604-metre high cliff in Ryfylke, Norway, attracting between 150,000 and 200,000 visitors annually. The cliff is reached by a 3.8km hike, and due to Norway's cold climate, visitation is extremely seasonal occurring primarily between May and September due to unsafe hiking conditions during the rest of the year. A large international marketing campaign over recent years has led to increased visitation from international source markets, largely from Europe. The number of visitors to Preikestolen has now become so large that in order to conserve nature they have been forced to make three new access routes up the mountain to relieve the main path.

### Other Viewing Attractions

- 8.20 There are a number of natural viewing attractions around the world, from which lessons can be learned for the proposed Skywalk at God's Window. The House on the Rock is a unique attraction in Wisconsin, USA, where although the main attraction is the house itself one of the rooms within it, infinity room, stretches several metres over the valley, offering both a unique experience and views. Il Binocolo is located within the gardens of Trauttmandorff castle in Italy and is a viewpoint shaped like a pair of binoculars which emerges from within the trees to give views out over the valley. Landscape Promontory, located north of Locarno, Switzerland, was created by architect Paolo Bürgi as part of the Cardada project to attract more visitors to the local area. Clingman's Dome is located in Tennessee, USA, at 2,025 metres it offers impressive 360 degree panoramic views of the Smoky Mountains
- 8.21 As these viewpoints are not the main attraction and just additional features, limited visitor information is recorded, however it interesting to view the different unique concepts and ideas that are popular with visitors to the local areas.

### Nature

#### Niagara Falls, Canada

- 8.22 Niagara Falls, Canada, was named one of the top five most popular tourist attractions in the world in 2011 by Travel + Leisure Magazine, attracting around 12.0 million visitors. 60

percent of these are day visitors, while the 40 percent of visitors who stay overnight have an average length of stay in the area of 2.3 nights. There is a large tourist offer consisting of viewpoints, a cable car, a viewing tower, a casino, aquarium, shopping and an amusement park, with the Niagara Falls Tourism Area Development Strategy introducing new ideas to maintain its status as an iconic world class destination. This helps to attract repeat visitation from a 17 million two-hour resident catchment market, contributing to its extremely strong attendance levels to the area. Despite high tourist levels visiting Niagara Falls Skylon Tower (discussed later), which is one of the largest paid attractions in the area, has an annual attendance of 2.0 million, ten percent of visitors to the area. This indicates that increased supply of attractions in the area has prevented any one attraction capturing a large proportion of the market..

#### Victoria Falls

- 8.23 Victoria Falls draws much more modest levels of visitation, with around 140,000 visitors annually. A prominent factor is the size of the available local markets which are considerably smaller for both tourists and residents. The attraction offer at Victoria Falls is also relatively modest, consisting of general viewpoints, local craft stalls, museums and national parks. Visitor numbers in the area are still growing, with the strongest demand from the local domestic market rather than the international market.

#### Blue Mountain National Park, Australia

- 8.24 Blue Mountain National Park is a World Heritage location located near Sydney Australia. It is one of the top three tourist destinations in Australia, attracting over three million visitors annually. The must see attraction in the Park is 'The Three Sisters', an unusual rock formation which has an on looking observation platform, attracting over two thirds of the visitors who go to the National Park (around 2.1 million visitors). There is no price to enter the national park or view points, although at The Three Sisters viewpoint there is a parking cost of \$4.00 for the first hour and \$4.55 per hour subsequently. Many visitors to the Park do so on organised tour coaches operated out of Sydney.

#### Cable Cars

##### Whirlpool Aero Car, Canada

- 8.25 Niagara Falls Whirlpool Aero Car crosses the Niagara River. It consists of one car which transports 35 people across the river on a 10-minute journey costing \$13.60 for an adult ticket. The Aero Car has been operating since 1916 and was upgraded in 1961, 1967 and 1984. The Aero Car attracts just over 110,000 visitors annually, less than one percent of the total visitors to Niagara Falls. This indicates the specific target audience of the Aero Car and that even in a location with substantial available markets attractions need to be constantly refurbished and updated to remain popular and in line with the competition from other attractions.

##### Ngong Ping Cable Car, Hong Kong

- 8.26 The Ngong Ping Cable Car in Hong Kong is one of the leading global tourist cable cars, with an annual attendance of 1.7 million visitors. Ngong Ping Cable Car's strong attendance is largely due to its city centre location in a tourist-centre destination, iconic status in China and a large resident market. The 5.7 km journey takes around 25 minutes each way, with an adult ticket priced at \$17.39. In 2009 cabins with a glass floor were introduced as a premium product called 'Crystal Cabins.' These cabins have an increased price of \$27.44 and account

for around 32 percent of total rides, showing that nearly a third of visitors are willing to pay a premium to experience the special glass floored cabins.

### Viewing Towers

#### Skylon Tower, Canada

- 8.27 The Skylon Tower located at Niagara Falls attracts around two million visitors annually. It was originally constructed in 1964 costing around \$7 million and although the ownership of the tower has changed there has been no major reinvestment at the Skylon Tower. The observation deck is 236 metres high and is reached by a lift on the outside of the tower. There are a range of other facilities available at the Skylon Tower, including a revolving restaurant, 3D/4D movie of the falls, a family fun centre and shops.

#### Eiffel Tower, France

- 8.28 The Eiffel Tower is one of the world's most famous landmarks, welcoming over 7.0 million visitors in 2012. Renovations and re-investment are taking place on an ongoing basis, with the first floor currently under redevelopment, with an estimated cost of \$25.9 million. The redevelopment will incorporate glass barriers to the centre of the tower and a glass covering of the central area of the tower. At any point in time the total number of people on the Eiffel Tower must not exceed 5,000, a level determined by health & safety and fire requirements. In peak season visitor demand exceeds maximum capacity, with waiting times of up to 2.5 hours. The operating company has highlighted this as an issue for the visitor experience and is looking at ways to reduce this.

#### London Eye, UK

- 8.29 The London Eye in the UK has experienced consistently strong attendance of between 3.5 million and 4.0 million visitors annually over the past 10 years. In its early years of operation there was strong demand from the domestic market, however in recent years 70 percent of visitors have been international, showing a dramatic change in visitor origin. Despite no major reinvestment schemes, the London Eye closes annually for a two week period for maintenance and refurbishment. In 2012 the London Eye teamed up with Samsung to provide touch screens in each of the capsules, providing detailed information about the different parts of London which can be seen whilst on the London Eye.

#### Willis Tower Skydeck, USA

- 8.30 When completed in 1973, the Willis Tower Skydeck (formerly know as the Sears Tower) was the tallest building in the world. It remains the tallest building in the USA and the observation deck is on the 103rd floor, 412 metres above street-level. The tower was renamed the Willis Tower in 2009 and investment was made in the observation deck including the introduction of 'The Ledge' four glass boxes that extend 1.2 metres out from the building, with a maximum capacity of 300 people. The opening of The Ledge has created a renewed interest in the attraction and led to a record visitor throughput of 1.4 million people in 2011. This equates to a high utilisation of almost 60 percent of annual maximum capacity. However on busy days queues can be up to two hours, this indicates significant capacity constraints. There is a photo opportunity in one of the four glass boxes, with the photo being taken from above showing the visitors and the view below down to street level, these photos are displayed once you leave the Ledge with the option to purchase for \$22 (ZAR 203.34).



### Sky Tower, New Zealand

- 8.31 The Sky Tower is an observation and telecommunications tower located in Auckland, New Zealand. It has three viewing platforms, a general Observational Level with a glass floor and interactive displays, a Sky Lounge cafe/bar and a Sky Deck, the highest observation level. The Sky tower also has the Orbit, a revolving restaurant, the Sky Jump, a base jump by wire and the Skywalk, allowing visitors to walk round the outside of the Tower while harnessed on for safety. The Sky Tower attracts over 400,000 visitors annually, while only 3.0 percent of these visitors take part in the Skywalk.

### Spinnaker Tower, UK

- 8.32 The Spinnaker Tower located by the beach in Portsmouth, UK opened in 2005. It consists of three different viewing areas, View Deck One, featuring a viewing area with four glass panes in the centre, View Deck Two, with a cafe offering refreshments and cakes, and the Crow's Nest, an outside viewing area. The Spinnaker Tower has received over 2.0 million visitors since it opened with the glass floor attracting a lot of attention with visitors, as highlighted by the positive response in customer feedback surveys.

### Attendance and Pricing

- 8.33 Figure 8.1 shows a summary of the attendance levels at selected global attractions, as mentioned above. There is a high level of variation in the attendance levels across the attraction categories, with the attractions displaying the highest levels situated in developed countries.

**FIGURE 8.1: ATTENDANCE AT SELECTED GLOBAL ATTRACTIONS, 2012**

Attraction	Location	Est. Attendance 2012
<b><u>Viewpoints</u></b>		
Dachstein Skywalk	Austria	900,000 <sup>1</sup>
Grand Canyon West	Nevada, USA	809,070
Grand Canyon Skywalk	Nevada, USA	440,961
House on the Rock	Wisconsin, USA	500,000
Preikestolen	Norway	150,000
Top of the Tyrol	Austria	nr
Il Binocolo	Italy	nr
Landscape Promontory	Switzerland	nr
Clingmans Dome	Tennessee, USA	nr
<b><u>Nature Attractions</u></b>		
Niagara Falls	Canada	12,000,000
Blue Mountains	Australia	3,000,000
Victoria Falls	Zimbabwe & Zambia	140,000
<b><u>Cable Cars</u></b>		
Ngong Ping Cable Car	Hong Kong	1,700,000
Sugar Loaf Mountain	Brazil	1,000,000
Whirlpool Aero Car	Canada	113,000
<b><u>Viewing Towers</u></b>		
Eiffel Tower	France	7,100,000
London Eye	UK	3,900,000
Skylon Tower	Canada	2,000,000
Willis Tower Skydeck	Illinois, USA	1,400,000
Sky Tower	New Zealand	412,034
Spinnaker Tower	UK	250,000

<sup>1</sup> Attendance to adjacent Cable Car  
 nr Not Recorded

Source: AECOM & Individual Attractions

### Factors Impacting Attraction Attendance

8.34 Attendance to an attraction is the subject of a number of factors such as location and site, available markets, local and regional competition, concept and price. Since these represent a great number of variables, the evaluation of an attraction cannot be strictly quantitative and must therefore account for the following mix of quantitative and qualitative factors:

#### Location and site:

- Access routes (proximity to main motorways widens the available catchment market and increases the opportunity to attract visits to the attraction);
- Level of congestion in the area (highly congested access routes decrease the average speed on the roads thus shrinking the catchment area);
- Proximity of site to main population densities within the catchment area (it is typically more challenging to draw those who live at the edges of the catchment area than those who live closest to the site itself).

Available markets:

- Scale of 0 to 2 hour resident catchment market and 0 to 1 hour tourist catchment market (large markets represent greater potential to generate visits);
- Age profile of available markets;
- Wealth of available markets (wealthier markets make up a higher proportion of the population who can afford to visit to an attraction, and potentially a higher propensity to visit);
- Market’s understanding of what the attraction contains (there is a need to educate the market to be able to achieve strong visitation levels);
- Purpose of visit of tourist markets (leisure and VFR tourists are more likely to visit whilst business guests are challenging to attract).

Competition in the area:

- Existence of comparable attractions (lack of competition in the local market represents greater potential for visitor attendance);
- Performance of existing attractions in the area - attendance, pricing, quality.

Concept:

- Breadth of appeal of concept (appeal can be impacted if the experience becomes a learning experience as opposed to a fun experience, reducing visitation e.g. is overtly educational or religious);
- Quality and scale of attraction (assuming a concept that has broad appeal and is of international quality and of sufficient scale to provide a full days entertainment, the factor which has the greatest impact on attendance is the scale and characteristics of the available markets. Hence for successful development it is important to match the scale with the potential demand levels).

Price:

- Ability to charge an acceptable price for available market (which still allows sufficient income to be taken to achieve the required operating surplus).

**Capture of Glass Floor Experiences**

8.35 Figure 8.2 shows uptake rates for four comparable global attractions who offer a premium product, three of which contain a glass floor. The figures represent the number of upgrade tickets sold divided by the total number of admissions tickets sold at the attraction. For the four attractions, the upgrade rate ranges from 30 percent to 54 percent.

**FIGURE 8.2: GLASS FLOOR UPTAKE RATES AT COMPARABLE ATTRACTIONS**

Attraction	Country	Uptake Rate (%)
Grand Canyon Skywalk	USA	54
Ngong Ping Cable Car	Hong Kong	32
Eiffel Tower	France	30
CN Tower Skypod	Canada	30
<b>Average</b>		<b>36</b>

Source: Individual Attractions

## Price

- 8.36 Most attractions reviewed for the purpose of this study have adopted a tiered pricing structure, offering different admission prices for adults, children, senior citizens and groups, with some also charging higher admission prices during peak seasons. The admission prices vary from country to country, as well as within the different types of attractions as presented in Figure 8.3.

**FIGURE 8.3: PRICING AT SELECTED GLOBAL ATTRACTIONS, 2012**

Attraction	Est. Attendance	Adult Price <sup>1</sup>	Child Price	Child Discount	ALOS <sup>2</sup>	Price/Hour
		(US\$)	(US\$)		(mins)	(US\$)
<b>Viewpoints</b>						
Dachstein Skywalk	900,000	44.08	24.04	45%	90	29.39
Grand Canyon West	809,070	44.05	37.64	15%	90	29.37
Grand Canyon Skywalk	440,961	87.92	72.74	17%	120	43.96
House on the Rock	500,000	28.50	15.50	46%	60	28.50
Preikestolen	150,000	free	free	free	30	-
Top of the Tyrol	nr	29.78	14.96	50%	60	29.78
Il Binocolo	nr	free	free	free	15	-
Landscape Promontory	nr	30.32	15.16	50%	60	30.32
Clingmans Dome	nr	free	free	free	15	-
<b>Nature Attraction</b>						
Niagara Falls	12,000,000	free	free	free	90	-
Blue Mountains	3,000,000	free	free	free	240	-
Victoria Falls	140,000	free	free	free	60	-
<b>Cable Car</b>						
Ngong Ping Cable Car	1,700,000	17.39	8.76	50%	50	21.74
Sugar Loaf Mountain	1,000,000	26.69	13.09	51%	90	17.79
Whirlpool Aero Car	113,000	13.60	8.50	38%	20	45.33
<b>Viewing Towers</b>						
Eiffel Tower	7,100,000	19.00	13.07	31%	60	19.00
London Eye	3,900,000	29.23	18.73	36%	50	36.54
Skyron Tower	2,000,000	13.63	7.95	42%	50	17.04
Willis Tower Skydeck	1,400,000	18.00	12.00	33%	30	36.00
Sky Tower	412,034	23.33	9.17	61%	30	46.66
Spinnaker Tower	250,000	13.02	10.28	21%	60	13.02

<sup>1</sup> Exchange Rate as of March 2013

<sup>2</sup> Average Length of Stay

<sup>3</sup> Cost of Cable Car up to Point

nr Not Recorded

Source: Individual Attractions & AECOM

- 8.37 There is a wide range of admission prices at the selected attractions, varying from the natural attractions which are often free to the highest prices seen at both the Dachstein Skywalk and the Grand Canyon Skywalk. Both of these attractions include the glass floor concept, with visitors willing to pay a premium price for this experience. This is also indicated at the Ngong Ping Cable Car where around 30 percent of visitors choose to pay an increased admission price of \$27.44 (ZAR 68.43), a 37 percent uplift, to ride in a carriage with a glass floor.

- 8.38 In addition to the standard admission prices shown in Figure 8.3 many of the attractions including Ngong Ping Cable Car and Willis Tower Skydeck offer a premium product which

they can up-sell to tourists. At the Grand Canyon Skywalk there are several packages available ranging from the standard Legacy package, giving access to the site, to the Gold Legacy package, containing a Skywalk ticket, a meal and a gift shop voucher. Annually around six percent of guests choose to up-sell to the Gold Legacy package, which represents a significant increase in revenue for the Skywalk.

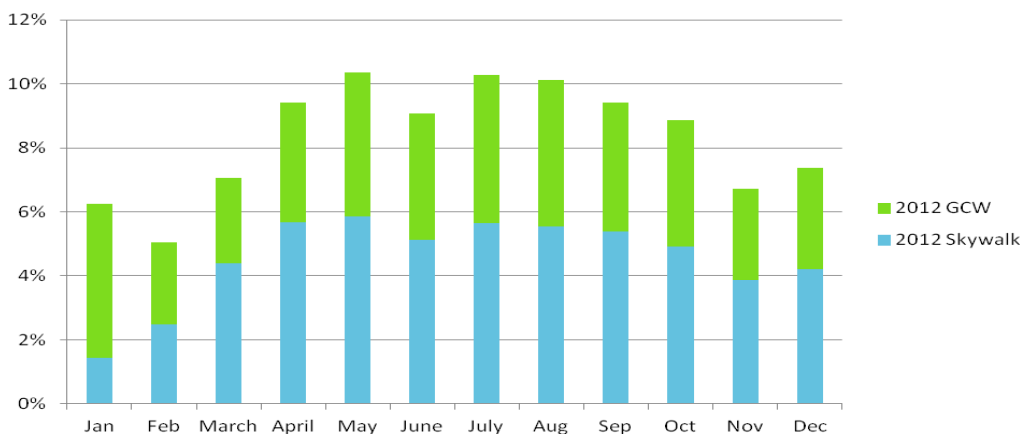
**Average length of Stay and Price Per Hour**

- 8.39 As shown in Figure 8.3 the average length of stay across selected attractions is less than two hours, with the exception of the Blue Mountains which takes into consideration the hike that many people take to reach the best viewpoint, taking four hours.
- 8.40 Consequently, the average cost per hour across the sample of attractions (derived from admission price divided by average length of stay) varies in the range between \$13.02 and \$46.66, with an average of just under \$30.00. The viewpoints display a consistent price per hour of around \$29.00.

**Seasonality**

- 8.41 The seasonality of the selected attractions is closely correlated to the seasonality of tourist arrivals to the region, both international and domestic. The majority of attractions show peaks in seasonality in the summer months and December.
- 8.42 It is important to note that attractions that are in rural settings exhibit higher levels of seasonal variation in demand compared to those in urban locations.
- 8.43 The seasonality of visitation to GCW and the Grand Canyon Skywalk can be seen in Figure 8.4. The seasonality compared to other attractions around the world is reasonably flat with the peak months of May, July and August each receiving just over 10 percent of annual visitors. This seasonality is due to high demand during not only the summer holiday period, but Chinese New Year and the American Thanksgiving, Christmas and New Year holiday periods.

**FIGURE 8.4: ANNUAL VISITORS TO GRAND CANYON SKYWALK, 2012**



Source: AECOM & Individual Attractions

**Visitor Mix**

- 8.44 Figure 8.5 shows the visitor mix at selected global attractions. The visitor mix between the different attractions is quite varied with attractions in less developed economies attracting

more domestic visitors than those in developed economies, which attract higher levels of international tourists. The size of the domestic market also has a prominent role with countries such as the USA with sizeable domestic markets, reporting strong levels of demand from this segment.

**FIGURE 8.5: AVERAGE MARKET MIX OF SELECTED ATTRACTIONS**

	Primary Resident Market (%)	Secondary Resident Market (%)	Domestic Tourist Market (%)	International Tourist Market (%)
Viewpoints	25 - 40	25 - 30	10 - 40	5 - 60
Nature Attractions	10 - 47	10 - 37	6 - 57	2 - 74
Cable Cars	10 - 30	5 - 7	10 - 50	20 - 70
Viewing Towers	6 - 35	4 - 25	5 - 80	10 - 80

Source: AECOM

- 8.45 At the Grand Canyon Skywalk the domestic US market shows strong demand accounting for around 40 percent of visitors, with the remaining 60 percent comprised of international tourists. The Asian countries represent the largest source market after the US, accounting for around 50 percent of international visitors or 30 percent of total visitors.
- 8.46 The Grand Canyon is a popular destination for the coach tour market, many of which make a day trip from Las Vegas. This has been reflected at the Skywalk with around 60 percent of total visitors arriving by coach, with the remaining 40 percent classed as individual travellers predominately self-drive. It is not uncommon for between six and 10 coaches to all arrive at the Grand Canyon Skywalk at once, thus creating bottlenecks of guest throughput and thus long waiting times.

### Market Penetration Rates

- 8.47 Figure 8.6 details the market penetration rate ranges for the attractions reviewed in this study. Due to confidentiality of information, we provide ranges and average for the attractions rather than individual performances.
- 8.48 Whilst the figures show wide ranges in performance, there are patterns within the various sub-groups. Propensity to visit an attraction increases the closer a person lives to the attraction, with attractions tending to have their highest penetration rates in the primary resident market and domestic tourist market. High penetration rates of the international tourist market typically relate to attractions that drive tourism and which are known as an icon of their respective location.
- 8.49 As shown in Figure 8.6 primary resident market penetration rates are typically significantly higher than secondary market penetration rates, as it is more challenging to attract those who live further away. Factors such as travel time and competition from other attractions reduce the attractions ability to penetrate the secondary market. Large high quality attractions typically achieve higher penetration rates in the upper end of the range and are able to draw visitors from greater distances than their smaller competitors.
- 8.50 The penetration rates at the attractions grouped under “Nature” show particularly high penetration rates. This is due to the nature of the attraction being destinations in their own right encouraging visitors to the region. The local resident market would also visit multiple times per year, contributing to the high penetration rates observed.



**FIGURE 8.6: MARKET PENETRATION RATES AT SELECTED ATTRACTIONS**

	Primary Resident Market	Secondary Resident Market	Domestic Tourist Market	International Tourist Market
	(%)	(%)	(%)	(%)
<b>Viewpoints</b>				
Range	5 - 20	2 - 20	10 - 20	10 - 30
Weighted Average	10.1	5.2	13.2	20.0
<b>Nature Attractions</b>				
Range	20 - 30	10 - 30	10 - 50	35 - 60
Weighted Average	26.3	15.9	12.2	35.7
<b>Cable Cars</b>				
Range	2 - 7	1 - 2	1 - 4	1 - 4
Weighted Average	3.9	0.7	2.7	1.9
<b>Viewing Towers</b>				
Range	3 - 8	1 - 5	2 - 10	2 - 20
Weighted Average	3.7	1.9	4.3	11.6

Source: AECOM

### Per Capita Spends

- 8.51 The achieved per capita spend varies greatly for the selected attractions, depending on the location, level of investment content, length of stay, drawing power, brand and the food & beverage and retail offering. Figure 8.7 displays the per capita expenditure at the selected global attractions.
- 8.52 Admissions typically equate to between 60 to 90 percent of revenue, while Food and Beverage range between zero and 30 percent and Merchandise between five and 20 percent, other revenue streams including photo sales can range between zero and 25 percent depending on what is on offer.

**FIGURE 8.7: PER CAPITA EXPENDITURE AT SELECTED GLOBAL ATTRACTIONS, 2012**

	Admission Yield	Admission Spend	Secondary Spend	Total Spend	Admission as % of Total
		(ZAR)	(ZAR)	(ZAR)	
Int. Viewing Attractions	50-75%	55-540	25-300	80-825	60-90%

**Notes:**

Spend is calculated net of VAT.

Admission yield is estimated based on management interviews.

Source: AECOM & individual attractions

- 8.53 While financial performance tends to be driven by admissions, food and beverage and merchandise spend can add substantial income. These, however, are associated with direct cost of sales of between 25 and 35 percent for F&B and between 45 and 55 percent for merchandise.
- 8.54 Ticket sales are an important revenue stream for the Grand Canyon Skywalk accounting for 64 percent of total revenues. The second highest revenue stream comes from the sale of photographs. Visitors are not permitted to take any items onto the Skywalk including cameras. There are a number of photographers situated on the Skywalk who take a range of pictures of your party in different locations along the platform. These photos are available to purchase priced at \$30 for a single photo, \$77 for a USB stick including all photos taken of

the party on the Skywalk and \$107 for the USB stick and four framed photos. This provides a significant source of revenues, with photo sales accounting for around 22 percent of revenues. The gift shop and food each contribute to around 6.5 percent of revenue.

### Operating Expenses

- 8.55 Operating expenses for attractions fall into two broad categories: cost of goods sold and costs for operations. The cost of goods sold is related to consumables at the attraction, typically relating to catering and merchandise. Operating expenses include staffing, marketing, repairs and maintenance, energy, administration and general, and other miscellaneous costs.
- 8.56 The ratios of cost of goods sold are relatively consistent at attractions worldwide as outlined in Figure 8.8.

**FIGURE 8.8: COSTS OF GOODS SOLD AT GLOBAL VIEWING ATTRACTIONS, 2012**

	% of Sales Revenue
Food and Beverage	30%
Merchandise	50%
DVDs	50%
Functions & Events	10%
High Value Activities (bungee, etc)	10%
<b>Total Cost of Goods Sold</b>	<b>10%</b>

Source: AECOM & individual attractions

- 8.57 A summary of operating cost ratios at comparable viewing attractions is shown in Figure 8.9. The two largest single operating cost items, payroll and marketing, typically reduce as attendance stabilises at a lower, long-term, level. As attendance and therefore revenue reach their stable level, this variable cost base will help the operation to maintain a healthy profit margin.

**FIGURE 8.9: OPERATING COSTS AT GLOBAL VIEWING ATTRACTIONS, 2012**

	% of Revenue (%)	% of Opex/Total Costs (% Opex)
<u>Operating Expenses</u>		
Payroll	16-20	35-45
Marketing	3-7	5-18
Repairs & Maint.	5-8	10-20
Utilities	1-5	1-5
Training & Recruitment	0-2	1-3
Ticket Booking Costs	0-2	2-5
Insurance	2-6	5-10
Admin, General & Other	<u>5-10</u>	<u>12-20</u>
<b>Total Operating Expenses</b>	<b>35 - 55</b>	<b>100</b>

Source: AECOM & individual attractions

### IMPLICATIONS FOR THE STUDY

- 8.58 Attraction attendance is typically stronger in developed countries, where there are larger regional resident and tourist markets, with a higher level of disposable income to spend on

leisure activities. The local market to the Skywalk at God's Window is smaller than many of the other attractions reviewed, with lower levels of wealth and the attraction will therefore need to be adapted to meet the demand and scale of the local market.

- 8.59 International tourists are often an important source of visitors, especially to the largest attractions which are viewed as iconic within their respective destinations and the primary reason that visitors will choose to holiday in that location. It typically takes a few years for a new attraction to build up a reputation within this market segment. As shown by Preikestolen, conducting a strong international marketing strategy can have a significant impact on visitation levels from overseas tourists.
- 8.60 Secondary revenues from food and beverage, retail outlets and photo merchandise are an important source of income for viewing attractions, contributing up to 40 percent of total revenues. At the Grand Canyon Skywalk, the fact that visitors are prohibited from taking any photographic equipment on to the Skywalk led to a high secondary revenue stream from photographic souvenirs. This may present an opportunity for the Skywalk at God's Window.
- 8.61 The size and scale of the attractions has an impact on both the amount of visitors that it draws and the achievable admission price. Attractions with increased supporting facilities including F&B and retail outlets draw in higher visitor volumes, with guests having an increased average length of stay. This can create a vibrant atmosphere in the area surrounding the attraction and it would be beneficial for the Skywalk at God's window to construct additional picnic facilities proximate to the Skywalk at God's Window but away from the entrance to ensure that there is a consistent and even flow of visitors at the attraction.
- 8.62 At the Grand Canyon Skywalk a large proportion of the guests arrive as part of a tour group on coaches. This is likely to be an important source of visitor demand at the Skywalk at God's Window. It is important to make provisions for these visitors, including designated parking for the coaches and a clear strategy on the flow of visitor traffic around the God's Window site in order to take into consideration the large volumes of visitors that will arrive at the same time.
- 8.63 The admission price at the Skywalk at God's Window needs to be competitive with other attractions in the local area. Viewpoints and Nature attractions are often free to enter with an admission price for additional attractions surrounding or leading up to the viewpoint. If there is a desire to increase the current admission price to the viewpoint it is important that this cost remains low so that it does not deter existing visitors to the area and that additional facilities are provided.
- 8.64 It is clear from our research that attractions with glass floors are becoming an ever more popular concept with leading attractions such as the Eiffel Tower undergoing redevelopment to incorporate glass viewing areas, with visitors willing to pay a price premium for a product of this nature. The local context of the attraction however is still an important factor with the price of individual attractions strongly reflecting their local market conditions. At attractions where the glass floor concept is sold as a separate or premium product uptake has ranged between 30 and 55 percent. The uptake has been higher at attractions where the glass floor concept is an independent attraction as opposed to an upgrade or premium product.

## 9 ATTENDANCE PROJECTIONS

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### INTRODUCTION

- 9.1 In this section we outline the attendance analysis, derived market penetration rates and attendance projections for the proposed Skywalk at God's Window. The proposed opening date for the attraction is anticipated to be 2016; we have therefore provided attendance projections for the first ten full years of operations up to and including 2026. We have projected the attendance for both God's Window – as a general viewpoint, and the Skywalk attraction itself in three scenarios (low, medium and high) derived through a market penetration rate analysis and AECOM experience with worldwide attractions.
- 9.2 With the Skywalk platform having a fixed capacity, we have considered the unconstrained market potential to derive theoretical attendance levels and then evaluated the impact of any capacity constraints on the attraction and how this may affect the annual admission levels.

### ATTENDANCE PROJECTIONS

#### Methodology

- 9.3 Market factors define the basis from which attendance potential is derived, while the scope of the attraction determines its drawing power or market penetration. The drawing power of the Skywalk attraction will be a function of numerous controllable factors such as level of investment, capital reinvestment, marketing strategy, image and brand identity, as well as external factors such as the competitive environment, economic conditions and the climate.
- 9.4 Estimates of attendance for the Skywalk at God's Window are produced through a market penetration rate analysis which measures the propensity of available market segments to visit the viewpoint. In essence, this approach can be defined as the ratio of attendees per market segment, to total market size. We then apply an appropriate uptake rate for the Skywalk itself which will reflect the proportion of people visiting the renewed God's Window viewpoint that we expect do the Skywalk too.
- 9.5 In order to derive appropriate market penetration rates for God's Window in the Blyde River Canyon we have used data from leading local attractions (particularly Kruger National Park), as well as a range of national and international viewing attractions.
- 9.6 It is important to emphasise that the proposed Skywalk at God's Window will provide a unique offer in the regional market, and there are few comparable attractions to this product. The development of penetration rates and attendance estimates reflect the following key assumptions that are integral to our analysis:
- The site will be of a suitable size and configuration to develop the Skywalk attraction.
  - It will operate year-round.
  - There will be an experienced operations team.
  - A strong pre-opening marketing campaign will be implemented, with continued strong marketing in subsequent years.
  - Regular reinvestment, enhanced by a strong marketing programme, is expected to encourage repeat visitation from the resident market and domestic tourist market, which will be an important source markets of visitors to the viewpoint.

- The attraction will be designed, and built, to the highest standards economically attainable and will provide sufficient content and entertainment to sustain multiple visits.
  - The attraction will open in 2016.
- 9.7 Our analysis of attendance potential for the Skywalk at God’s Window takes into account the size of the resident and tourist markets, the scale and quality of the attraction, proximity to and level of competition pricing, market spending power and numerous other factors.
- 9.8 We have calculated the current size of the resident market within 0-60 minute (primary market) and 60-120 minute (secondary market) drive time isochrones, and grown these based on historic growth rates to arrive at a projected available resident market in 2016 (launch year) and for 10 years thereafter. We have also identified current domestic and international tourist arrival numbers to the region, and grown these based on historic growth trends.
- 9.9 With the proposed project being in early stages of planning and with a development budget that is expected to be modified, we have prepared a range of attendance projections for low, medium and high scenarios.

### Factors Affecting Attendance Potential

- 9.10 Evaluation of attendance cannot be strictly quantitative and must account for key qualitative factors specific to the regional market, the site, and the quality of the proposed project design. Thus, the following key factors were taken into consideration throughout our analysis as noted below.

### Strengths and Opportunities

#### Site and Concept

- 9.11 Located on the edge of Blyde River Canyon, one of the most visually impressive canyons in the world, the attraction will benefit from the high volumes of visitors (both residents and tourists) visiting the Panorama Route throughout the year. The proposed facility will have ample on-site parking to accommodate both self-drive visitors and coach tours. In the long-term, it is hoped that the other viewpoints in the area will be upgraded and packaged together to provide a truly compelling offer.
- 9.12 The glass-bottomed Skywalk concept is unique to the regional market, with just one other project of its type globally (Grand Canyon Skywalk). Other viewing concepts such as observation wheels and viewing towers are popular throughout the world, recording high levels of annual visitation. Indeed, the success of the Table Mountain Cableway, in particular, indicates that this form of viewing attraction, with an element of ‘fear factor’, is popular with South Africans. With a novel design and original experience such as that offered by the Skywalk at God’s Window, we feel the proposed concept should be considered particularly positive.

#### Resident Market

- 9.13 The primary catchment market is particularly small in size. However, the secondary market is significantly larger (though still modest) as the site is accessible to a much larger proportion of the Mpumalanga population within a two-hour drive.
- 9.14 We understand that the local resident market has a high propensity to participate in certain leisure activities in the region, as exemplified by the fact that in 2012 around 23 percent of guests (328,000) to Kruger National Park were from Mpumalanga.

### Tourist Market

- 9.15 There are substantial numbers of domestic tourists visiting the area. Visiting friends & family and holiday & leisure represent key reasons for visits by both domestic and international tourists. At the majority of viewing attractions worldwide, the tourist market tends to be the key source of visitors.
- 9.16 Whilst the international tourist market is relatively modest in size, the profile of these guests is encouraging, with relatively high levels of average daily spend, compared to domestic tourists and local residents, and a reported aspiration to visit a number of ‘must-see’ features of the region during their stay. It will be important for the proposed Skywalk attraction to draw in as many people visiting Kruger National Park as possible. This could potentially help to increase the average length of stay of tourists in the region, which is currently relatively modest (particularly among international visitors).

### Regional and Comparable Attractions

- 9.17 There are currently no significant competitor attractions in the local area. While visitors to the Blyde River Canyon invariably stop at the Three Rondavels and Bourke’s Luck Potholes, God’s Window is already a key part of the Panorama Route and other view points are considered to be complimentary rather than competitive.
- 9.18 The presence of Kruger National Park, one of the most popular game viewing parks in the world, is a highly valuable attribute of the province. Acting as the primary draw to the area, it is hoped that the proposed Skywalk will be able to capitalise on visitors to Kruger and become a central part of a typical tourist itinerary.

### Weaknesses and Threats

#### Site and Concept

- 9.19 While the redevelopment of God’s Window would have a major impact on the appeal of the Panorama Route and Blyde River Canyon, significant reinvestment is required to upgrade the standard of facilities at the other viewing points. Until this happens, the Skywalk development will be perceived as somewhat solitary and remote to certain visitors to the region.
- 9.20 Although the ‘fear-factor’ of the Skywalk concept, with a 700m drop to the canyon’s base, will appeal to certain guests, there will be those that would rather not participate in the walk itself. Discussions with Skywalk Grand Canyon in the US suggest that the profile of guests is weighted towards the younger demographic, including those that also partake in white-water rafting and helicopter tours. Anecdotal evidence collected in South Africa indicates that the typical visitor to the area of the project site is somewhat different, with a greater proportion of middle-aged and retired groups and couples. This may have an influence on the uptake rate for the Skywalk at God’s Window.
- 9.21 The climate on the escarpment can cause dense fog which restricts views from sites such as God’s Window. We understand that poor weather conditions are likely to impede views on approximately 15 percent of days and this is factored into our projections of attendance.

### Resident Market

- 9.22 The propensity of residents to visit increases the nearer to the attraction they live. Therefore, given that the primary resident market is modest in size, the attraction will not benefit from having a strong primary resident market base. Furthermore, levels of provincial

wealth are generally quite low which suggests a lower inclination to spend on leisure activities such as that at God's Window.

#### Tourist Market

- 9.23 Viewing attractions are typically popular with international visitors as the experience gives tourists a chance to get a bird's eye view of the area they are visiting. However, the international tourist market is modest in size in comparison to the domestic tourist market.
- 9.24 The domestic tourist market in South Africa has become somewhat muted in recent years. The success of the proposed development at God's Window will be closely linked to wider trends in the domestic tourism sector and it is hoped that the project itself will act as a catalyst to reinvigorate the desire for locals to travel within their own country.

#### Regional and Comparable Attractions

- 9.25 Although there are a limited number of competitive attractions in the immediate area, the provincial market is dominated by the nearby Kruger National Park. At present, the majority of international and domestic visitors tend to focus their time on safari-related activities, before leaving the province. It will be vital for the Skywalk at God's Window to capture a proportion of these individuals, thus boosting tourism related expenditure in the Blyde River Canyon and surrounding communities.
- 9.26 As we understand it, the other viewpoints along the Panorama Route will remain priced at ZAR 5. Therefore, some visitors (be it residents or tourists) will opt to stop at the cheaper beauty spots rather than the upgraded, and more expensive God's Window.

#### Attraction Management

- 9.27 God's Window will require an experienced operator in order to run the attraction professionally and efficiently. As mentioned earlier in this report, there may be an opportunity to align the attraction with SANParks. We strongly suggest that the chosen operator should be an independent team with prior experience of running prominent visitor attractions.
- 9.28 We advise that in order to boost attendance, and thus additional spend on F&B and merchandise, admission to God's Window should be offered to SANParks 'Wild Card' members. This relationship should be structured in a similar way to the link between SANParks and Table Mountain Cableway whereby Wild Card members are offered a 20 percent reduction in pricing. This association would help to enhance the marketing reach of the attraction, particularly to domestic tourists. Whilst we would anticipate that this strategy may help to boost attendance to God's Window (8 percent of guests to Table Mountain Cableway are Wild Card holders), at this stage it simply represents an operational opportunity and therefore it has not been factored into our attendance projections.

#### Derivation of Market Penetration Rates

- 9.29 Below we provide our rationale for the projected penetration rates that we consider God's Window could achieve. Please note, these are based on visitation to the viewpoint as a whole, rather than the Skywalk attraction itself. We have estimated market penetration rates based on comparable attractions, modified by the qualitative factors discussed above.
- 9.30 For reference, in Figure 9.1 we show the penetration rates currently achieved at Kruger National Park and the existing viewpoints at Blyde River Canyon. As a destination in its own right, penetration rates for Kruger National Park are far in excess of typical visitor attractions.



**FIGURE 9.1: PENETRATION RATES OF LOCAL VIEWPOINTS & KNP**

	2012 Attendance	Primary Resident Market	Secondary Resident Market	Domestic Tourist Market	International Tourist Market
	(000s)	(%)	(%)	(%)	(%)
Kruger National Park	1,412	63.8	44.9	34.3	33.7
God’s Window (C. Scott) <sup>1</sup>	200	9.0	6.4	4.8	4.9
Bourke’s Luck Potholes	195	8.8	6.2	4.6	4.7
Three Rondavels	140	6.4	4.5	3.4	3.4
God’s Window (Official) <sup>2</sup>	137	6.2	4.4	3.3	3.3
Pinnacle	58	2.6	1.8	1.4	1.4

<sup>1</sup> Data obtained from Campbell Scott (averaged).

<sup>2</sup> Data obtained from MTPA.

Source: AECOM

### *Primary Resident Market*

- 9.31 Primary resident market penetration rates at viewing attractions are generally higher than those achieved in the secondary resident market as the propensity to visit decreases the further away from the attraction a person lives.
- 9.32 The primary catchment market for God’s Window is of a modest size and is generally smaller than those seen at the majority of comparables we have reviewed and we therefore might expect a penetration rate at the higher end of the range of those assessed in this study.
- 9.33 Taking these factors into account, we estimate that God’s Window could achieve a market penetration of 10.0 percent under the medium scenario in a stable year (14.0 percent in launch year). This exceeds the top of the range for viewing towers but is towards the low end of the range of selected leading natural attractions. With a penetration rate in this segment of 6.2 percent at present (as shown in Figure 9.1 above), this shows that we would expect the new attraction at God’s Window to draw increased levels of local demand.

### *Secondary Resident Market*

- 9.34 At the majority of visitor attractions, penetration rates within the secondary resident market are often considerably lower than those of the primary market. This reflects the decreasing propensity to visit an attraction as drive time increases and the generally larger size of the secondary market.
- 9.35 In general, at viewing attractions, penetration rates in the secondary market are around half that of the primary market. However, given the prominence and appeal of the location, as well as the rural nature of the environment that will encourage people to travel, we estimate that God’s Window could achieve a medium penetration rate of 7.5 percent within this market segment in a stable year (10.0 percent in launch year), i.e. three quarters of the primary resident market penetration rate.

### *Domestic Tourist Market*

- 9.36 The domestic tourist market for God’s Window should offer a strong opportunity given its scale and nature, with a high number of leisure and VFR visitors. We expect this market to provide the dominant source of demand for the viewpoint.

9.37 We estimate that God’s Window could achieve a medium penetration rate of 6.0 percent in the domestic tourist market in a stable year (7.0 percent in launch year) and have allowed for a rate of 6.0, 7.0 and 8.0 percent under low, medium and high scenarios respectively in the first year of operation. This is towards the top end of the range for domestic and international viewing attractions and nearly twice that achieved currently at God’s Window.

### International Tourist Market

9.38 Viewing attractions typically perform strongly in the international tourist market as shown in Section 8. Despite a modest average length of stay at present in Mpumalanga, we feel that there is an opportunity for a good performance in this market. In a stable year, we estimate a penetration rate of 9.0 percent under the base-case scenario (7.0 percent in launch year), which is above other viewing attractions in South Africa, though below international comparables such as the London Eye. As shown in Figure 9.2, we have allowed for a penetration rate of 5.0 percent under a low-case scenario, increasing to 7.0 percent under a medium-case scenario and 9.0 percent under a high-case scenario in the first year of operation.

### Total Projected Attendance at God’s Window

9.39 The attraction attendance potential takes into account the size of the resident and tourist markets and characteristics, quality and scale of the attraction, proximity and level of competition, pricing, market spending power, market acceptance/behavioural characteristics, level of investment, and numerous other factors. Market penetration rates were applied to the total population of each of the defined market segments to estimate attendance potential at the proposed attraction.

9.40 Based on our analysis of local attractions and performance of selected attractions, key-market specific and site-specific factors (including occasional adverse weather conditions at the study site), as well as qualitative considerations, the market penetration rates and attendance potential in Figure 9.2 were developed for the proposed development of God’s Window. The figures presented represent the opening year performance for the proposed attraction (2016).

**FIGURE 9.2: PROJECTED ATTENDANCE FOR GOD’S WINDOW, 2016**

	Market Size	Market Penetration Rates			Projected Attendance		
	2016 (000s)	Low (%)	Mid (%)	High (%)	Low (000s)	Mid (000s)	High (000s)
<b>Resident Market</b>							
Primary Resident Market	119	12.0	14.0	16.0	14	17	19
Secondary Resident Market	438	8.0	10.0	12.0	35	44	53
<b>Subtotal Resident Market</b>	<b>557</b>	<b>8.9</b>	<b>10.9</b>	<b>12.9</b>	<b>49</b>	<b>60</b>	<b>72</b>
<b>Tourist Market</b>							
Domestic	2,354	6.0	7.0	8.0	141	165	188
International	1,519	5.0	7.0	9.0	76	106	137
<b>Subtotal Tourist Market</b>	<b>3,873</b>	<b>5.6</b>	<b>7.0</b>	<b>8.4</b>	<b>217</b>	<b>271</b>	<b>325</b>
<b>TOTAL</b>	<b>4,430</b>	<b>6.0</b>	<b>7.5</b>	<b>9.0</b>	<b>266</b>	<b>332</b>	<b>397</b>

Source: AECOM

### Ten Year Theoretical Attendance Projections

- 9.41 Modern attractions with strong marketing campaigns and high visibility achieve opening year attendance levels at or close to their maximum potential. During the first few years of operation locals tend to have a strong interest in visits to new attractions. Thus viewing attraction penetration rates in the resident market are typically significantly higher than in a stable year as the attraction is a novel experience. Tourists, on the other hand, tend to build up their awareness levels and so the penetration rate in the tourist market is not as high in the early years as the stable year as the attraction is still to establish itself within this market.
- 9.42 As such, we have incorporated a higher penetration rate in the resident markets in 2016 falling to a stable year penetration rates in 2019. Conversely, we have incorporated a lower penetration rates in the tourist markets in the earlier years of operation, rising to a stable year by 2019.
- 9.43 In locations with growing markets, this pattern results in a gradual increase in visitation beyond year four once stable penetration rates have been achieved. We have allowed for these patterns in our ten-year attendance projections by applying the medium market penetration scenario for the opening year, gradually changing to our estimated stable resident and tourist market penetration rates by 2019. The resulting ten year attendance projections from 2016 to 2026 are shown in Figure 9.3. We project an attendance of 332,000 to God's Window in 2016, rising to 386,000 by 2026.

**FIGURE 9.3: GOD'S WINDOW – MID-RANGE PROJECTED ATTENDANCE (2016, 2021, 2026)**

Market Segment	Market Size			Market Penetration			Projected Attendance		
	2016 (000s)	2021 (000s)	2026 (000s)	2016 (%)	2021 (%)	2026 (%)	2016 (000s)	2021 (000s)	2026 (000s)
<b>Resident Market</b>									
Primary (0-60 mins)	119	129	141	14.0	10.0	10.0	17	13	14
Secondary (60-120 mins)	<u>438</u>	<u>479</u>	<u>523</u>	<u>10.0</u>	<u>7.5</u>	<u>7.5</u>	<u>44</u>	<u>36</u>	<u>39</u>
<b>Subtotal Resident Market</b>	<b>557</b>	<b>608</b>	<b>664</b>	<b>10.9</b>	<b>8.0</b>	<b>8.0</b>	<b>60</b>	<b>49</b>	<b>53</b>
<b>Tourist Market</b>									
Domestic	2,354	2,576	2,763	7.0	6.0	6.0	165	155	166
International	<u>1,519</u>	<u>1,697</u>	<u>1,849</u>	<u>7.0</u>	<u>9.0</u>	<u>9.0</u>	<u>106</u>	<u>153</u>	<u>166</u>
<b>Subtotal Tourist Market</b>	<b>3,873</b>	<b>4,273</b>	<b>4,612</b>	<b>7.0</b>	<b>7.2</b>	<b>7.2</b>	<b>271</b>	<b>307</b>	<b>332</b>
<b>TOTAL</b>	<b>4,430</b>	<b>4,881</b>	<b>5,276</b>	<b>7.5</b>	<b>7.3</b>	<b>7.3</b>	<b>332</b>	<b>356</b>	<b>386</b>

Note: Figures may not add due to rounding

Source: AECOM

### Uptake of Skywalk Attraction at God’s Window

- 9.44 While we expect the enhanced God’s Window to draw increased numbers of guests due to the improved general quality of walkways and view points, provision of a F&B outlet and the fact that God’s Window could well become a hub for touring groups along the Panorama Route, there will be those that do not wish to partake in the Skywalk activity itself. We consider the proportion of ‘thrill-seekers’ to be a relatively moderate fraction of the general visitor numbers to God’s Window.
- 9.45 As explained previously, we expect penetration rates for the resident markets to decrease slightly over the first three years of operation as a result of familiarity with the product and the role of repeat visitation to God’s Window within this segment. Therefore, we have maintained a consistent uptake rate across the period as we consider the issue of repeatability to be accounted for within the penetration rate analysis.
- 9.46 Comparable international attractions report uptake rates ranging from 30 to 55 percent, and we have arrived at a total uptake rate of 29 percent for the Skywalk at God’s Window. This modest uptake allows for a general lower spending power amongst the local resident and domestic tourist markets than at comparable attractions in the US and Western Europe.
- 9.47 We have projected an uptake rate of 25 percent within both the primary and secondary resident markets based on levels of household earnings, modest repeatability of the experience, as well as existing familiarity with Blyde River Canyon.
- 9.48 Uptake rates amongst the tourist markets will be stronger than that of the resident markets. For domestic visitors, who generally speaking make only occasional visits to the province, the Skywalk will have greater novelty value than for local residents. On this basis, we suggest that an uptake rate of 30 percent within the domestic tourist market is appropriate, as shown in Figure 9.4.
- 9.49 It will take longer for the attraction to become well-known to international visitors than domestic tourists, but overall we suggest that the uptake rate in this market segment will be equal to the domestic tourist market segment. International visitors, many of whom will be unlikely to return to the area, will be keen to experience Blyde River Canyon and God’s Window to the fullest. As the most prominent attraction in the local area, we consider an uptake rate of 30 percent in this segment to be appropriate.

**FIGURE 9.4: PROJECTED ATTENDANCE FOR SKYWALK AT GOD’S WINDOW, 2016**

	<u>God’s Window Attendance</u>			<u>Uptake Rate</u>	<u>Projected Skywalk Attendance</u>		
	<u>Low</u>	<u>Mid</u>	<u>High</u>		<u>Low</u>	<u>Mid</u>	<u>High</u>
	(000s)	(000s)	(000s)	(%)	(000s)	(000s)	(000s)
<b><u>Resident Market</u></b>							
Primary Resident Market	14	17	19	25.0	4	4	5
Secondary Resident Market	<u>35</u>	<u>44</u>	<u>53</u>	<u>25.0</u>	<u>9</u>	<u>11</u>	<u>13</u>
<b>Subtotal Resident Market</b>	<b>49</b>	<b>60</b>	<b>72</b>	<b>25.0</b>	<b>12</b>	<b>15</b>	<b>18</b>
<b><u>Tourist Market</u></b>							
Domestic	141	165	188	30.0	42	49	57
International	<u>76</u>	<u>106</u>	<u>137</u>	<u>30.0</u>	<u>23</u>	<u>32</u>	<u>41</u>
<b>Subtotal Tourist Market</b>	<b>217</b>	<b>271</b>	<b>325</b>	<b>30.0</b>	<b>65</b>	<b>81</b>	<b>98</b>
<b>TOTAL</b>	<b>266</b>	<b>332</b>	<b>397</b>	<b>29.0</b>	<b>77</b>	<b>96</b>	<b>115</b>

Source: AECOM

9.50 In Figure 9.5 we show ten-year attendance projections for the Skywalk at God's Window under the medium market penetration scenario. We project an attendance of 96,000 in 2016, growing to 113,000 by 2026.

**FIGURE 9.5: SKYWALK AT GOD’S WINDOW – UPTAKE RATES & PROJECTED ATTENDANCE (2016, 2021, 2026)**

Market Segment	God’s Window Attendance – Medium			Skywalk Uptake Rates			Projected Attendance		
	2016 (000s)	2021 (000s)	2026 (000s)	2016 (%)	2021 (%)	2026 (%)	2016 (000s)	2021 (000s)	2026 (000s)
<b>Resident Market</b>									
Primary (0-60 mins)	17	13	14	25.0	25.0	25.0	4	3	4
Secondary (60-120 mins)	<u>44</u>	<u>36</u>	<u>39</u>	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>	<u>11</u>	<u>9</u>	<u>10</u>
<b>Subtotal Resident Market</b>	<b>60</b>	<b>49</b>	<b>53</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>15</b>	<b>12</b>	<b>13</b>
<b>Tourist Market</b>									
Domestic	165	155	166	30.0	30.0	30.0	49	46	50
International	<u>106</u>	<u>153</u>	<u>166</u>	<u>30.0</u>	<u>30.0</u>	<u>30.0</u>	<u>32</u>	<u>46</u>	<u>50</u>
<b>Subtotal Tourist Market</b>	<b>271</b>	<b>307</b>	<b>332</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>81</b>	<b>92</b>	<b>100</b>
<b>TOTAL</b>	<b>332</b>	<b>356</b>	<b>386</b>	<b>29.0</b>	<b>29.0</b>	<b>29.0</b>	<b>96</b>	<b>104</b>	<b>113</b>

Note: Figures may not add due to rounding

Source: AECOM



## 10 CAPACITY ASSESSMENT

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### INTRODUCTION

- 10.1 For a viewing attraction such as that envisaged at God's Window, it is important to understand the capacity of the attraction, in relation to seasonal and daily patterns of demand in order to identify potential constraints.

### SKYWALK CAPACITY AND OPERATING IMPLICATIONS

#### Skywalk Capacity

- 10.2 To ascertain the approximate carrying capacity of the proposed Skywalk at God's Window we have drawn on information provided by the Grand Canyon Skywalk. The attraction in the US protrudes 70 feet (21m) from the Canyon's edge. While the official 'fire code' suggests a maximum capacity of 120 at one time, management inform us that the realistic capacity is in the order of 80 guests. The average walk duration is 12.5 minutes, thus indicating a maximum hourly throughout of 384 people.
- 10.3 Following discussions with the client team, we understand that the Skywalk at God's Window is likely to be around 39 ft (12m), though this will require clarification once designs are modified. Therefore, at 56 percent the size of the Grand Canyon Skywalk, and assuming the average walk duration remains consistent despite the shorter platform, we suggest the Skywalk at God's Window will have a maximum hourly capacity of 215 guests.

#### Operating Hours and Average Length of Stay

- 10.4 For the purposes of this exercise, we have assumed that God's Window and the Skywalk will be open 365 days a year, operating between the hours of 10.00am and 6.00pm. We appreciate that there may be a possibility of extended opening hours in the peak season (particularly December), although suggest that this will merely disperse daily demand, rather than growing it. Therefore, whilst revenues would remain consistent, operating expenses will be increased as staff costs will rise.
- 10.5 Having spoken with numerous viewing attraction operators in South Africa and internationally, it was indicated that the likely average length of stay at God's Window will be one hour. While those partaking in the Skywalk are likely to remain on-site for a longer period, there will be those that simply admire in the view, take some photographs, and leave.

#### Seasonality of Attendance

- 10.6 Factors which may impact the seasonal distribution of attendance at the proposed attraction include domestic public holidays and school holidays, pattern of international tourist arrivals, weather and climate, current operating patterns at local attractions, and other factors.
- 10.7 In order to assess the potential seasonality of attendance we have primarily used data from Kruger National Park and God's Window, as well as information from comparable national attractions including Table Mountain Cableway. In addition, this data has been compared against historic tourism seasonality arrival data for Mpumalanga. We have used a weighted average monthly seasonality data from all these sources to provide a benchmark level of monthly visitation for the proposed attraction

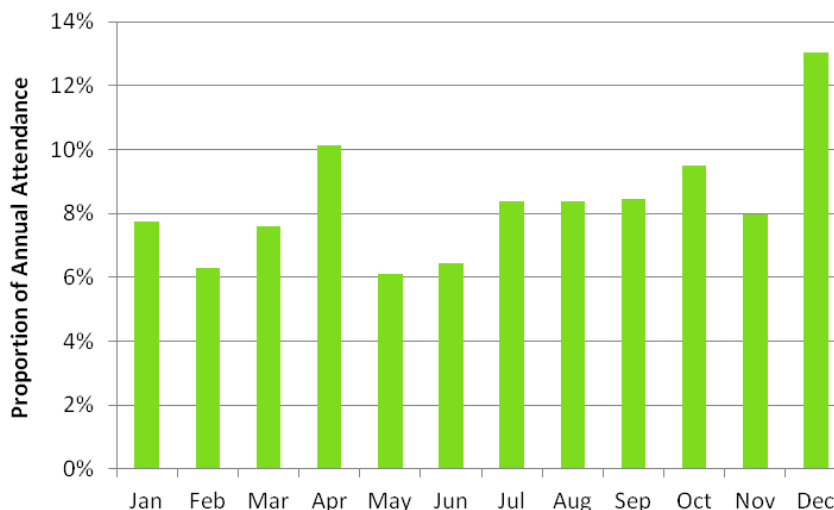
10.8 As shown in Figure 10.1 and Figure 10.2, we foresee a peak month of December, accounting for 13.0 percent of total annual visitation. By 2021, which represents a stabilised year, this equates to a peak month attendance of 46,400, of which 13,600 are expected to visit the Skywalk.

**FIGURE 10.1: ESTIMATED MONTHLY ATTENDANCE FOR GOD’S WINDOW, 2021**

	Operating Days			Distribution	Monthly Attendance	
	Weekend Days	Weekdays	Total Days		God’s Window	Skywalk
				(%)		
January	10	21	31	7.7%	27,568	8,081
February	8	20	28	6.3%	22,410	6,569
March	8	23	31	7.6%	27,067	7,935
April	9	21	30	10.1%	36,085	10,578
May	9	22	31	6.1%	21,670	6,352
June	8	22	30	6.4%	22,906	6,715
July	10	21	31	8.4%	29,894	8,763
August	8	23	31	8.4%	29,833	8,745
September	8	22	30	8.4%	30,082	8,818
October	10	21	31	9.5%	33,856	9,925
November	8	22	30	8.0%	28,380	8,319
December	<u>9</u>	<u>22</u>	<u>31</u>	13.0%	<u>46,379</u>	<u>13,596</u>
<b>Total</b>	<b>105</b>	<b>260</b>	<b>365</b>	<b>100.0%</b>	<b>356,131</b>	<b>104,398</b>

Source: AECOM

**FIGURE 10.2: SEASONALITY OF VISITS TO GOD’S WINDOW**



Source: AECOM

## PEAK OPERATING HOURS AND CAPACITY CONSTRAINTS

- 10.9 The attendance on design day is dependent upon the relative propensities to attend by month and by weekday as opposed to weekend. During the busiest periods, which are typically during the school holiday/vacation periods, visitor attendance is spread more evenly through the week than at other times. However, for residents living within two hours of God’s Window, weekends are likely to be the busiest days of the week. During these peak times, each weekday is expected to account for some 12.8 percent of the total weekly attendance, while weekend days account for 18.0 percent each.
- 10.10 The peak on-site crowd is determined by estimating the patterns of arrivals and departures during the operation period of the design day. For our assessment we have based likely daily demand patterns on data obtained from other viewing operations and discussions with representatives in the local tourism industry. In general, peak daily attendances at this type of attraction are between 13.00 and 14.00 hours.
- 10.11 Given that God’s Window will have the only food and beverage outlet along this stretch of the Panorama Route (north of Graskop), we foresee demand being focussed around the lunchtime period. On this basis, we anticipate a maximum of 25 percent of peak-day attendance to be on-site at this point in time. Our analysis results in a peak on-site attendance for God’s Window of 453 people in 2016, 487 people in 2021 and 527 people in 2026. We suggest that there will be smaller peaks in demand around mid-morning and mid-afternoon and this will be dictated by the itinerary of the tour coach operators, amongst other factors.
- 10.12 For the Skywalk itself, the same process indicates a peak hourly attendance of 132 in 2016, rising to 155 by 2026, as shown in Figure 10.3. The proposed opening hours (10.00am to 17.00pm) and large Skywalk capacity (215 per hour) will allow the attraction to comfortably satisfy projected levels of demand, though there will be peak periods where the attraction will be relatively congested. If the operation of the Skywalk is managed effectively, there should be no demand constraints or serious issues with guest flow.
- 10.13 As outlined in the previous paragraphs, the design day for the Skywalk at God’s Window is based on the following assumptions:
- Peak Month Attendance: December – 13 percent of annual attendance.
  - Weekly Attendance: 23.3 percent of December attendance.
  - Design Day Attendance: Weekend day during December – 18.0 percent of weekly attendance.
  - Peak On-Site Attendance: 25 percent of design day attendance.

**FIGURE 10.3: PROJECTED DESIGN DAY ATTENDANCE, 2016-2026**

	God’s Window			Skywalk		
	2016	2021	2026	2016	2021	2026
Annual Attendance	331,533	356,131	385,523	96,439	101,443	103,194
Peak Month Attendance	43,176	46,379	50,207	12,559	13,211	13,439
Weekly Attendance	10,074	10,822	11,715	2,932	3,083	3,136
Design Day Attendance	1,813	1,948	2,109	527	555	564
Peak On-Site Attendance	453	487	527	132	139	141

Source: AECOM

- 10.14 In reality, there may be external factors which influence peaks in demand. For instance, God's Window is often shrouded in fog and therefore visitors may chose to time their visit to coincide with clear weather. Therefore, on occasion, the Skywalk may experience certain spikes in demand but we do not anticipate this being a major concern. As a commercial operation, tight monitoring of operating efficiencies will be essential. Management will need to monitor visitor numbers for the first year of operation to determine the optimum opening hours.

## PHYSICAL PLANNING

### Food and Beverage Requirements

- 10.15 We strongly recommend the provision of a comprehensive canteen-style F&B facility at God's Window. This will be an integral component of the attraction in its own right, acting as an important draw for visitors to the area. It is AECOM's view that the development at God's Window will require a central hub, and without this, the Skywalk may appear slightly isolated. We understand that Bourke's Luck Potholes is an alternative location for this F&B venue. However, the superior views offered by the proposed site at God's Window make this the preferred setting in our opinion. Furthermore, we suggest the exclusion of this facility will have a negative impact on our projections of attendance to God's Window, and potentially the Skywalk itself.
- 10.16 To understand the implications of attendance levels and peaks in demand on the physical planning of F&B facilities at God's Window, we have based our analysis on overall demand to the site, rather than the Skywalk itself.
- 10.17 The food and beverage requirements will be impacted by the fact that we anticipate a peak visitation time to be over the lunch period. As explained previously, we foresee peak on-site attendance to equate to 25 percent of design day attendance. Of these 452 visitors (in 2016) we suggest that 70 percent may utilise the cafeteria within the peak hour. Therefore, with a throughput of 317 customers per hour, and an average of 2.0 turns per seat per hour, the facility will require 159 seats (growing to 185 by 2026). Current plans are for 35 tables, and on the basis on four seats per table, this equates to 140 seats. While our recommendation is slightly higher, some of these tables will be outside of the cafeteria building.
- 10.18 We envisage the facility being a contemporary, high-quality buffet style outlet serving a combination of local cuisine and international favourites. There should be both indoor and outdoor covered seating.

### Merchandise Requirements

- 10.19 It will be important for the project to incorporate the local community groups where possible. We understand that there are plans for the redeveloped God's Window to include a collection of 'curios' selling local arts and crafts. This will add to the authenticity of the attraction and strengthen the relationship between the operation and the community – a key stakeholder in this particular project. We note that the operation will not charge a ground rent for these retail outlets.
- 10.20 Nevertheless, we suggest that the central facility should include a small retail outlet, offering God's Window and Skywalk branded memorabilia. This outlet should be positioned so as to capture guests as they enter/leave the building, as well as those waiting whilst others partake in the Skywalk. A modest kiosk-style operation in the order of 20 to 30 sqm should be sufficient.

### Parking Requirements

- 10.21 A critical factor in the planning of support facilities for attractions is to ensure that there are sufficient parking spaces to accommodate the visitors. To allow for people arriving and departing the parking needs to be designed to accommodate more than the peak on-site demand and an allowance for an extra 20 percent of visitors is generally allowed to accommodate this traffic movement. Experience shows that between 60 and 80 percent of the total visitation to major out-of-town attractions is by automobile. We are conscious that there is no public transport to God's Window, and the coach tour market is particularly prominent, and on this basis we have allowed for 70 percent of visitors travelling to God's Window by car, with 30 percent arriving by coach. We have also allowed for an additional 10 percent of the spaces to accommodate staff parking.
- 10.22 With an average of 2.5 passengers per car, we have arrived at a parking requirement of 168 cars in 2016, rising to 195 by 2026. Assuming an average of 35 passengers per coach, we recommend the need for five coach parking spaces and this is unlikely to grow by 2026.

## 11 FINANCIAL ASSESSMENT

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### INTRODUCTION

- 11.1 In this section we review the financial outcomes of our analysis as well as considering the anticipated capital costs and the implications of these. As noted in the previous section, the estimated opening year for the attraction is 2016. The financial figures therefore reflect the first full year of operations during 2016 under the medium case attendance scenario outlined in the previous section. VAT has been assumed at 14 percent throughout the analysis.

### REVENUES

#### Admissions Revenues

##### *Full Adult Admission Price*

- 11.2 Lessons learnt from viewing attractions around the world, as well as in South Africa, suggest that unique attractions of this type are able to achieve a premium on a price per hour basis. While we suggest that general admission to God's Window should be modestly priced, the Skywalk should warrant a strong lead admission price given the short duration (around 12.5 minutes) and uniqueness of the activity.
- 11.3 Following discussions with the client team, and other local and national attractions, we have arrived at a general admission price of ZAR 30 (ZAR 26 exclusive of VAT) per person to enter the God's Window site.
- 11.4 Table Mountain Cableway represents the highest price point among the comparable set of domestic viewing attractions at ZAR 205 per adult, while Durban SkyCar is at the low end at ZAR 55 per adult. We suggest that the Skywalk at God's Window should be priced between these two activities. While the concept may be considered more interesting than the Durban SkyCar, the Table Mountain Cableway represents a 'must-do' activity, providing access to the most iconic landmark in Africa and is therefore priced at a premium.
- 11.5 For the Skywalk at God's Window, we have incorporated a lead admission price of ZAR 110 including VAT (ZAR 96 exclusive of VAT). Therefore, the combined price for those visiting God's Window and doing the Skywalk will be ZAR 140 (ZAR 123 exclusive of VAT).

##### *Admission Yield & Per Capita Admission Income*

- 11.6 The admission yield measures the ratio of per capita expenditures on admission to the full adult admission price. This is affected by the level of discounting given to children, school groups or tour groups, as well as promotions during quieter periods.
- 11.7 We suggest that discounting for general admission to God's Window should be offered to tour operators, but not to individual visitors. We have therefore applied an admission yield of 70 percent for general admission. With the proposed lead general admission price at God's Window being ZAR 30, or ZAR 26 net of VAT, a yield of 70 percent on the net adult admission price would equate to a general admissions per capita income of ZAR 18 excluding VAT.
- 11.8 At most international viewing attractions, the admission yield ranges from 45 to 80 percent. We suggest that there is no need to significantly discount the Skywalk at God's Window as it

is a unique attraction. Tour operators will be offered discounts to enter God's Window, but once in the site there is no need to offer Skywalk discounts to these operators. On this basis, we feel that the Skywalk will be able to achieve a high admission yield, and suggest that 80 percent is appropriate.

- 11.9 For the Skywalk, a lead ticket price of ZAR 110, or ZAR 96 net of VAT, and a yield of 80 percent results in a Skywalk admissions per capita income of ZAR 77 excluding VAT. We suggest that the Skywalk will have several pricing options, including a published rate for children of 90 ZAR.
- 11.10 Taking into account the uptake rate of the Skywalk at God's Window, the combined average net per capita spend is ZAR 43.

### **Secondary Revenues**

- 11.11 Ancillary spend on catering, merchandise and photography can represent an important source of revenues for visitor attractions. We have included these revenues in the profit and loss statements to show the business value of the catering, merchandise and photography at God's Window.

### **Food & Beverage**

- 11.12 While there is an option to outsource this department, we have assumed that the cafeteria at God's Window will be operated by the attraction itself.
- 11.13 Catering spend tends to rise with time spent at an attraction. Attractions with 1-2 hour average stays tend to generate demand for snacks and drinks among visitors. Attractions that have an average length of stay of over three hours lead visitors to requiring a meal. As the main food & beverage outlet in the area, and as a focal point for people touring Blyde River Canyon, we expect significant lunchtime demand at the outlet.
- 11.14 We project an average per capita spend of ZAR 25 on food & beverage. While there will be those that have a full sit-down meal, we suggest that a proportion of visitors will not utilise the facility at all. Some tour groups will bring their own packed lunches and will therefore not contribute significantly to this source of revenues.
- 11.15 A net per capita spend of ZAR 25 on food & beverage is below that achieved at Hartbeespoort Cableway but slightly above that of Table Mountain Cableway. Hartbeespoort Cableway has several dining outlets, and therefore captures a higher proportion of visitors, while Table Mountain Cableway has a more limited offer in a destination with numerous external cafes and restaurants.

### **Merchandise Income**

- 11.16 Local, national and international attractions interviewed for this study consistently report that the most popular items sold by gift shops are low-value, pocket-money souvenirs. We have taken into consideration the fact that there will be a number of externally operated 'curios' and therefore applied a relatively modest net per capita merchandise spend of ZAR 15.

### **Photography**

- 11.17 Revenues from photography are a lucrative income source for visitor attractions such as God's Window. Based on information provided by the Grand Canyon Skywalk, and other viewing attractions, we have incorporated this revenue source assuming that 25 percent of



### Staffing

- 11.21 We have recommended a total management team of 11 including roles such as General Manager, Finance Manager, and two Duty Managers, amongst others. We foresee the need for 31 on-site employees per shift, thus requiring a team of 47 Full Time Equivalent employees. Therefore, the total staff count is projected to be 58.
- 11.22 Staff costs are the single largest expenditure item at attractions. We have drawn on information provided by Campbell Scott to establish a detailed staffing schedule for God's Window. The staffing costs for the medium attendance scenario are projected at ZAR 5.4 million per annum in current values and ZAR 6.3 million in inflated values.
- 11.23 Based on this, payroll accounts for approximately 38 percent of annual operating expenditure during a stable year, or around 17 percent of gross revenues.

### Marketing

- 11.24 Marketing typically equates to around between ZAR 5 and ZAR 18 per visitor at leading international visitor attractions. Based on feedback from other domestic attractions we understand marketing spend to be towards the lower end of this scale in South Africa. We have therefore assumed marketing costs equating to ZAR 8 per visitor (ZAR 2.7 million in 2016). This equates to 9.0 percent of gross revenue which is relatively high, but there may be an opportunity to reduce marketing expenditure over time as the attraction becomes established.

### Operations & Maintenance

- 11.25 Operations and maintenance charges typically account for around four to six percent of total revenues, and 10 to 15 percent of total operating costs in the sample of viewing attractions we reviewed. Based on industry norms we have projected operations & maintenance cost at 5.0 percent of gross revenue, equating to ZAR 1.5 million in 2016.

### Security

- 11.26 It will be important to ensure comprehensive security at the project site, during day and night. Based on figures provided by Campbell Scott, and taking into account the volume of visitors projected, we have applied an annual cost of ZAR 600,000.

### Other Operating Costs

- 11.27 Other operating costs include utilities, general and administrative costs, insurance, training and recruitment and other miscellaneous costs.
- 11.28 In the sample of comparable viewing attractions we examined, other operating costs equate to between 5 and 15 percent of total revenue at viewing attractions. As a percentage of operating costs, other costs account for 20 to 30 percent at viewing attractions.
- 11.29 By comparison, other operating costs at God's Window are projected to account for 9 percent of total revenues and 20 percent of total operating costs. This is slightly lower than ratios at comparable attractions, but it appears to be reasonable given the expected efficiency of the operation.

### Total Expenses

- 11.30 Based upon the above calculations, in 2016, total operating expenses are projected to be approximately ZAR 13.3 million (2013 values) and ZAR 15.3 million in inflated values.

- 11.31 Management fees have been accounted for at a rate of 5.0 percent of Net Operating Profit per annum. In 2016 this equates to ZAR 501,000 (2013 values) and ZAR 580,000 in inflated values.
- 11.32 No rent has been included in the operating costs for the attraction. The Skywalk operation is currently not anticipated to be required to pay rent for use of the land at God's Window. If this were to change, the rental charge could have a substantial impact on the attraction's operating performance.

#### EBITDA

- 11.33 The EBITDA (earnings before interest, tax, depreciation and amortisation) projections for God's Window suggests an operating profit of ZAR 9.5 million in 2016, growing to around ZAR 12.1 million in 2026 (ZAR 11.0 million to ZAR 23.1 million in inflated values) as shown on the following pages. This equates to 32 percent of gross revenues in 2016 and is projected to increase to around 35 percent by 2026.
- 11.34 A pro-forma profit and loss statement is shown below.

Skywalk ticket holders will purchase photography with an average transaction value of ZAR 75 excluding VAT. This results in net per capita photography spend of ZAR 6 per person based on all paying visitors to the attraction. A summary of visitor revenues is provided in Figure 11.1.

**FIGURE 11.1: FORECAST PER CAPITA VISITOR REVENUES (2013 VALUES)**

	Amount (inc. VAT)	Amount (exc. VAT)	% of Total
	(ZAR)	(ZAR)	(%)
Lead General Admission Price	30.00	26.32	
<i>Admission Yield Factor</i>	70%	70%	
Lead Skywalk Admission Price	110.00	96.49	
<i>Admission Yield Factor</i>	80%	80%	
<b><u>Per Capita Revenues</u></b>			
Admissions	48.71	42.73	48.3
Food & Beverage	28.50	25.00	28.1
Merchandise	17.10	15.00	16.9
Photography	<u>6.73</u>	<u>5.90</u>	<u>6.7</u>
<b>Total</b>	<b>101.04</b>	<b>88.63</b>	<b>100.0</b>

Source: AECOM

## Total Revenues

- 11.18 At the medium scenario annual attendance level of 332,000 in 2016 (to which 96,000 Skywalk tickets are sold), we estimate that God’s Window could generate annual revenues in the region of ZAR 29.4 million in 2013 values (ZAR 34.0 million in inflated values). Assuming an inflation rate of 5.0 percent per annum, in 2026 the total revenues are likely to equate to ZAR 34.3 million in 2013 values (ZAR 64.6 million in inflated values).

## COSTS OF GOODS SOLD

- 11.19 Costs of goods sold have been based on information from AECOM’s field research and experience gained from benchmark attractions including the Grand Canyon Skywalk. The following ratios have been assumed as representative of the cost of goods versus selling price:
- Food & Beverage – 45 percent of total food and beverage revenue.
  - Merchandise – 35 percent of total merchandise revenue.
  - Photography – 10 percent of photography revenue.
  - Card Handling Fees – 3.0 percent per transaction (admissions, F&B, merchandise and photography).

## OPERATING EXPENSES

- 11.20 In the following section we outline the basis for our operating expenses. The analysis takes into consideration industry norms, local market conditions and AECOM experience.

**Skywalk @ God's Window Profit & Loss Statement (no inflation)**

	<i>Pre-opening 2014</i>	<i>Pre-opening 2015</i>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Annual Attendance</b>			<b>331,533</b>	<b>347,245</b>	<b>352,283</b>	<b>343,241</b>	<b>349,768</b>	<b>356,131</b>	<b>362,330</b>	<b>368,366</b>	<b>374,243</b>	<b>379,961</b>	<b>385,523</b>
<b>REVENUES</b>													
Admissions			14,166	14,874	15,113	14,731	15,011	15,284	15,550	15,809	16,061	16,306	16,544
Food & Beverage			8,288	8,681	8,807	8,581	8,744	8,903	9,058	9,209	9,356	9,499	9,638
Visitor Merchandise			4,973	5,209	5,284	5,149	5,247	5,342	5,435	5,525	5,614	5,699	5,783
Photography			<u>1,957</u>	<u>2,059</u>	<u>2,095</u>	<u>2,042</u>	<u>2,081</u>	<u>2,119</u>	<u>2,156</u>	<u>2,192</u>	<u>2,227</u>	<u>2,260</u>	<u>2,293</u>
<b>TOTAL REVENUE</b>			<b>29,385</b>	<b>30,822</b>	<b>31,299</b>	<b>30,502</b>	<b>31,083</b>	<b>31,648</b>	<b>32,199</b>	<b>32,735</b>	<b>33,257</b>	<b>33,765</b>	<b>34,258</b>
<b>COST OF GOODS SOLD</b>													
Admissions			0	0	0	0	0	0	0	0	0	0	0
Food & Beverage			3,730	3,907	3,963	3,861	3,935	4,006	4,076	4,144	4,210	4,275	4,337
Visitor Merchandise			1,741	1,823	1,849	1,802	1,836	1,870	1,902	1,934	1,965	1,995	2,024
Photography			196	206	209	204	208	212	216	219	223	226	229
Credit Card Handling Fees			<u>441</u>	<u>462</u>	<u>469</u>	<u>458</u>	<u>466</u>	<u>475</u>	<u>483</u>	<u>491</u>	<u>499</u>	<u>506</u>	<u>514</u>
<b>Total Cost of Goods Sold</b>			<b>6,107</b>	<b>6,398</b>	<b>6,492</b>	<b>6,325</b>	<b>6,446</b>	<b>6,563</b>	<b>6,677</b>	<b>6,788</b>	<b>6,897</b>	<b>7,002</b>	<b>7,104</b>
<b>GROSS PROFIT</b>			<b>23,278</b>	<b>24,425</b>	<b>24,807</b>	<b>24,177</b>	<b>24,637</b>	<b>25,086</b>	<b>25,522</b>	<b>25,947</b>	<b>26,361</b>	<b>26,763</b>	<b>27,154</b>
<i>Gross Profit % of Total Revenue</i>			79.2%	79.2%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%
<b>OPERATING EXPENSES</b>													
Payroll	541	1,352	5,408	5,408	5,408	5,408	5,408	5,408	5,408	5,408	5,408	5,408	5,408
Marketing	663	1,989	2,652	2,778	2,818	2,746	2,798	2,849	2,899	2,947	2,994	3,040	3,084
Operations & Maintenance	0	735	1,469	1,541	1,565	1,525	1,554	1,582	1,610	1,637	1,663	1,688	1,713
Utilities	0	124	496	521	529	516	525	535	544	553	562	571	579
Insurance	0	42	425	446	453	442	450	459	467	474	482	489	496
Security & Cleaning	60	300	600	600	600	600	600	600	600	600	600	600	600
Admin, General & Other	0	<u>1,102</u>	<u>2,204</u>	<u>2,312</u>	<u>2,347</u>	<u>2,288</u>	<u>2,331</u>	<u>2,374</u>	<u>2,415</u>	<u>2,455</u>	<u>2,494</u>	<u>2,532</u>	<u>2,569</u>
<b>Total Operating Expenses</b>	<b>1,264</b>	<b>5,644</b>	<b>13,254</b>	<b>13,606</b>	<b>13,721</b>	<b>13,524</b>	<b>13,667</b>	<b>13,807</b>	<b>13,942</b>	<b>14,074</b>	<b>14,203</b>	<b>14,328</b>	<b>14,450</b>
<b>Net Operating Income</b>	<b>-1,264</b>	<b>-5,644</b>	<b>10,024</b>	<b>10,819</b>	<b>11,086</b>	<b>10,653</b>	<b>10,970</b>	<b>11,279</b>	<b>11,580</b>	<b>11,873</b>	<b>12,158</b>	<b>12,435</b>	<b>12,704</b>
Management Fee			501	541	554	533	549	564	579	594	608	622	635
<b>EBITDA</b>	<b>-1,264</b>	<b>-5,644</b>	<b>9,523</b>	<b>10,278</b>	<b>10,532</b>	<b>10,120</b>	<b>10,422</b>	<b>10,715</b>	<b>11,001</b>	<b>11,279</b>	<b>11,550</b>	<b>11,813</b>	<b>12,069</b>
<i>EBITDA as a % of Total Revenue</i>			32.4%	33.3%	33.6%	33.2%	33.5%	33.9%	34.2%	34.5%	34.7%	35.0%	35.2%

**Skywalk @ God's Window Profit & Loss Statement (Inflated)**

	<i>Pre-opening 2014</i>	<i>Pre-opening 2015</i>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Annual Attendance</b>			<b>331,533</b>	<b>347,245</b>	<b>352,283</b>	<b>343,241</b>	<b>349,768</b>	<b>356,131</b>	<b>362,330</b>	<b>368,366</b>	<b>374,243</b>	<b>379,961</b>	<b>385,523</b>
<b>REVENUES</b>													
Admissions			16,399	18,079	19,288	19,740	21,122	22,582	24,123	25,751	27,469	29,283	31,196
Food & Beverage			9,595	10,552	11,240	11,499	12,304	13,154	14,052	15,001	16,002	17,059	18,174
Visitor Merchandise			5,757	6,331	6,744	6,900	7,382	7,893	8,431	9,000	9,601	10,235	10,904
Photography			2,266	2,503	2,673	2,737	2,928	3,131	3,344	3,570	3,808	4,060	4,325
<b>TOTAL REVENUE</b>			<b>34,016</b>	<b>37,465</b>	<b>39,946</b>	<b>40,876</b>	<b>43,737</b>	<b>46,759</b>	<b>49,951</b>	<b>53,322</b>	<b>56,881</b>	<b>60,636</b>	<b>64,599</b>
<b>COST OF GOODS SOLD</b>													
Admissions			0	0	0	0	0	0	0	0	0	0	0
Food & Beverage			4,318	4,748	5,058	5,175	5,537	5,919	6,324	6,750	7,201	7,676	8,178
Visitor Merchandise			2,015	2,216	2,360	2,415	2,584	2,762	2,951	3,150	3,360	3,582	3,817
Photography			227	250	267	274	293	313	334	357	381	406	432
Credit Card Handling Fees			510	535	543	530	540	550	559	568	577	586	595
<b>Total Cost of Goods Sold</b>			<b>7,069</b>	<b>7,750</b>	<b>8,229</b>	<b>8,393</b>	<b>8,953</b>	<b>9,544</b>	<b>10,168</b>	<b>10,826</b>	<b>11,520</b>	<b>12,251</b>	<b>13,022</b>
<b>GROSS PROFIT</b>			<b>26,947</b>	<b>29,715</b>	<b>31,716</b>	<b>32,483</b>	<b>34,783</b>	<b>37,215</b>	<b>39,783</b>	<b>42,496</b>	<b>45,361</b>	<b>48,385</b>	<b>51,576</b>
<i>Gross Profit % of Total Revenue</i>			<i>79.2%</i>	<i>79.3%</i>	<i>79.4%</i>	<i>79.5%</i>	<i>79.5%</i>	<i>79.6%</i>	<i>79.6%</i>	<i>79.7%</i>	<i>79.7%</i>	<i>79.8%</i>	<i>79.8%</i>
<b>OPERATING EXPENSES</b>													
Payroll	568	1,491	6,260	6,573	6,902	7,247	7,610	7,990	8,390	8,809	9,250	9,712	10,198
Marketing	696	2,193	3,070	3,377	3,597	3,680	3,937	4,209	4,497	4,800	5,121	5,459	5,816
Operations & Maintenance	0	810	1,701	1,873	1,997	2,044	2,187	2,338	2,498	2,666	2,844	3,032	3,230
Utilities	0	137	574	633	675	691	739	790	844	901	961	1,025	1,092
Insurance	0	47	492	542	579	592	634	677	724	773	824	878	936
Security & Cleaning	63	331	695	729	766	804	844	886	931	977	1,026	1,078	1,131
Admin, General & Other	0	1,215	2,551	2,810	2,996	3,066	3,280	3,507	3,746	3,999	4,266	4,548	4,845
<b>Total Operating Expenses</b>	<b>1,327</b>	<b>6,223</b>	<b>15,343</b>	<b>16,538</b>	<b>17,512</b>	<b>18,124</b>	<b>19,231</b>	<b>20,399</b>	<b>21,629</b>	<b>22,926</b>	<b>24,292</b>	<b>25,731</b>	<b>27,247</b>
<b>Net Operating Income</b>	<b>-1,327</b>	<b>-6,223</b>	<b>11,604</b>	<b>13,177</b>	<b>14,205</b>	<b>14,360</b>	<b>15,552</b>	<b>16,816</b>	<b>18,154</b>	<b>19,571</b>	<b>21,069</b>	<b>22,654</b>	<b>24,329</b>
Management Fee			580	658	707	714	772	833	898	967	1,040	1,117	1,198
<b>EBITDA</b>	<b>-1,327</b>	<b>-6,223</b>	<b>11,024</b>	<b>12,520</b>	<b>13,497</b>	<b>13,646</b>	<b>14,781</b>	<b>15,983</b>	<b>17,256</b>	<b>18,604</b>	<b>20,030</b>	<b>21,537</b>	<b>23,131</b>
<i>EBITDA as a % of Total Revenue</i>			<i>32.4%</i>	<i>33.4%</i>	<i>33.8%</i>	<i>33.4%</i>	<i>33.8%</i>	<i>34.2%</i>	<i>34.5%</i>	<i>34.9%</i>	<i>35.2%</i>	<i>35.5%</i>	<i>35.8%</i>

**Note:**

Includes inflation at 5 percent.

## CASH FLOW

11.35 In the following section we review the capital costs, cash flow assumptions and the return on investment.

### Capital Costs

11.36 We have incorporated a total capital cost of ZAR 84.0 million. This figure was provided by S.M. Schneid Quantity Surveyors (Pty) Ltd.

### Development Timescale

11.37 We have assumed the development costs will be allocated in the two years prior to the opening year of 2016. One third of total costs are to be allocated during 2014, with the remainder during 2015.

### Funding

11.38 We have assumed a debt:equity mix equivalent to 60:40.

11.39 The debt loan is based on a ten year repayment term with annual interest costs equivalent to 8.5 percent.

### Reinvestment

11.40 Annual reinvestment costs have been assumed at 2.0 percent of gross revenues per annum. This is slightly below standard benchmark levels for visitor attractions due to the simplicity of the concept.

### Capitalisation

11.41 A 12 percent capitalization rate (or 8 times earnings multiple) has been used to capitalise the business after 10 years, in 2026.

### Inflation

11.42 Inflation has been assumed at 5.0 percent per annum.

### Cash Flow Projections

11.43 Inflated Cash Flow Projections are set out on the following pages.

11.44 **Internal Rate of Return (IRR):** 18.6 percent

11.45 **Debt Service Cover Ratio:** 1.24 in launch year (2016), rising to 3.33 by year 8 (2024) at which point the debt is repaid.

### Sensitivity Analysis

11.46 We understand that there is a desire to scale back capital costs from ZAR 84.0 million. We have therefore undertaken a second cash flow scenario on the basis of a capital cost of ZAR 70.0 million.

11.47 **Internal Rate of Return (IRR):** 22.2 percent

11.48 **Debt Service Cover Ratio:** 1.49 in launch year (2016), rising to 4.00 by year 8 (2024) at which point the debt is repaid.

Cashflow (Inflated)														
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Attendance		0	0	332	347	352	343	350	356	362	368	374	380	386
<b>EBITDA</b>	<b>0</b>	<b>-1,327</b>	<b>-6,223</b>	<b>11,024</b>	<b>12,520</b>	<b>13,497</b>	<b>13,646</b>	<b>14,781</b>	<b>15,983</b>	<b>17,256</b>	<b>18,604</b>	<b>20,030</b>	<b>21,537</b>	<b>23,131</b>
Less: Interest	0	1,484	4,549	4,227	3,878	3,499	3,088	2,642	2,158	1,632	1,063	445	-0	-0
Less: Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Pre-Tax Income</b>	<b>0</b>	<b>-2,811</b>	<b>-10,772</b>	<b>6,797</b>	<b>8,642</b>	<b>9,998</b>	<b>10,558</b>	<b>12,139</b>	<b>13,825</b>	<b>15,624</b>	<b>17,541</b>	<b>19,585</b>	<b>21,537</b>	<b>23,131</b>
Less: Corporate Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>After-Tax Income</b>	<b>0</b>	<b>-2,811</b>	<b>-10,772</b>	<b>6,797</b>	<b>8,642</b>	<b>9,998</b>	<b>10,558</b>	<b>12,139</b>	<b>13,825</b>	<b>15,624</b>	<b>17,541</b>	<b>19,585</b>	<b>21,537</b>	<b>23,131</b>
Add: Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Principal	0	1,177	3,787	4,109	4,458	4,837	5,248	5,694	6,178	6,703	7,273	5,230	0	-0
<b>Cash Flow Before Reinv.</b>	<b>0</b>	<b>-3,989</b>	<b>-14,558</b>	<b>2,688</b>	<b>4,184</b>	<b>5,162</b>	<b>5,310</b>	<b>6,445</b>	<b>7,647</b>	<b>8,921</b>	<b>10,268</b>	<b>14,356</b>	<b>21,537</b>	<b>23,131</b>
Less: Reinvestment	0	0	0	680	749	799	818	875	935	999	1,066	1,138	1,213	1,292
<b>Cash Flow After Reinv.</b>	<b>0</b>	<b>-3,989</b>	<b>-14,558</b>	<b>2,008</b>	<b>3,435</b>	<b>4,363</b>	<b>4,493</b>	<b>5,570</b>	<b>6,712</b>	<b>7,921</b>	<b>9,202</b>	<b>13,218</b>	<b>20,325</b>	<b>21,839</b>
<b>SOURCES</b>														
EBITDA	0	-1,327	-6,223	11,024	12,520	13,497	13,646	14,781	15,983	17,256	18,604	20,030	21,537	23,131
Borrowing	0	17,464	37,229	0	0	0	0	0	0	0	0	0	0	0
Equity	0	11,642	24,819	0	0	0	0	0	0	0	0	0	0	0
<b>Total Sources</b>	<b>0</b>	<b>27,779</b>	<b>55,826</b>	<b>11,024</b>	<b>12,520</b>	<b>13,497</b>	<b>13,646</b>	<b>14,781</b>	<b>15,983</b>	<b>17,256</b>	<b>18,604</b>	<b>20,030</b>	<b>21,537</b>	<b>23,131</b>
<b>USES</b>														
Development Costs	0	29,106	62,049	0	0	0	0	0	0	0	0	0	0	0
Interest Payments	0	1,484	4,549	4,227	3,878	3,499	3,088	2,642	2,158	1,632	1,063	445	-0	-0
Principal Payments	0	1,177	3,787	4,109	4,458	4,837	5,248	5,694	6,178	6,703	7,273	5,230	0	-0
Reinvestment	0	0	0	680	749	799	818	875	935	999	1,066	1,138	1,213	1,292
<b>Total Uses</b>	<b>0</b>	<b>31,768</b>	<b>70,384</b>	<b>9,016</b>	<b>9,085</b>	<b>9,135</b>	<b>9,153</b>	<b>9,210</b>	<b>9,271</b>	<b>9,335</b>	<b>9,402</b>	<b>6,812</b>	<b>1,213</b>	<b>1,292</b>
Pre-Tax Net Cash Flow	0	-3,989	-14,558	2,008	3,435	4,363	4,493	5,570	6,712	7,921	9,202	13,218	20,325	21,839
Less: Corporate Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>After-Tax Net Cash Flow</b>	<b>0</b>	<b>-3,989</b>	<b>-14,558</b>	<b>2,008</b>	<b>3,435</b>	<b>4,363</b>	<b>4,493</b>	<b>5,570</b>	<b>6,712</b>	<b>7,921</b>	<b>9,202</b>	<b>13,218</b>	<b>20,325</b>	<b>21,839</b>
<b>Property Sales Tax Calculation</b>														
Sale of Asset	0	0	0	0	0	0	0	0	0	0	0	0	0	192,762
Less Non-Depreciated Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	101,718
<b>Project Capital Gain</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91,043</b>
<b>Cash Flow For IRR</b>														
Pre-Tax Oper. Cash Flow	0	-3,989	-14,558	2,008	3,435	4,363	4,493	5,570	6,712	7,921	9,202	13,218	20,325	21,839
Sale of Asset	0	0	0	0	0	0	0	0	0	0	0	0	0	192,762
Less: Mortgage Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Investor Equity	0	11,642	24,819	0	0	0	0	0	0	0	0	0	0	0
<b>Pre-Tax Cash Flow</b>	<b>0</b>	<b>-15,631</b>	<b>-39,378</b>	<b>2,008</b>	<b>3,435</b>	<b>4,363</b>	<b>4,493</b>	<b>5,570</b>	<b>6,712</b>	<b>7,921</b>	<b>9,202</b>	<b>13,218</b>	<b>20,325</b>	<b>214,601</b>
Less: Corporate Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Capital Gain Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
After Tax Cash Flow	0	-15,631	-39,378	2,008	3,435	4,363	4,493	5,570	6,712	7,921	9,202	13,218	20,325	214,601
<b>Cumulative Cash Flow</b>	<b>0</b>	<b>-15,631</b>	<b>-55,009</b>	<b>-53,001</b>	<b>-49,566</b>	<b>-45,204</b>	<b>-40,711</b>	<b>-35,141</b>	<b>-28,429</b>	<b>-20,507</b>	<b>-11,306</b>	<b>1,912</b>	<b>22,237</b>	<b>236,838</b>
<b>Equity Internal Rate of Return</b>		<b>18.6%</b>												
<b>Debt Service Cover Ratio</b>				<b>1.24</b>	<b>1.41</b>	<b>1.52</b>	<b>1.54</b>	<b>1.67</b>	<b>1.81</b>	<b>1.95</b>	<b>2.10</b>	<b>3.33</b>		



Cashflow Sensitivity (Inflated)														
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Attendance		0	0	332	347	352	343	350	356	362	368	374	380	386
<b>EBITDA</b>	<b>0</b>	<b>-1,327</b>	<b>-6,223</b>	<b>11,024</b>	<b>12,520</b>	<b>13,497</b>	<b>13,646</b>	<b>14,781</b>	<b>15,983</b>	<b>17,256</b>	<b>18,604</b>	<b>20,030</b>	<b>21,537</b>	<b>23,131</b>
Less: Interest	0	1,237	3,791	3,522	3,231	2,916	2,573	2,201	1,798	1,360	886	370	-0	-0
Less: Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Pre-Tax Income</b>	<b>0</b>	<b>-2,564</b>	<b>-10,013</b>	<b>7,501</b>	<b>9,288</b>	<b>10,581</b>	<b>11,073</b>	<b>12,579</b>	<b>14,185</b>	<b>15,896</b>	<b>17,718</b>	<b>19,659</b>	<b>21,537</b>	<b>23,131</b>
Less: Corporate Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>After-Tax Income</b>	<b>0</b>	<b>-2,564</b>	<b>-10,013</b>	<b>7,501</b>	<b>9,288</b>	<b>10,581</b>	<b>11,073</b>	<b>12,579</b>	<b>14,185</b>	<b>15,896</b>	<b>17,718</b>	<b>19,659</b>	<b>21,537</b>	<b>23,131</b>
Add: Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Principal	0	981	3,156	3,424	3,715	4,031	4,373	4,745	5,148	5,586	6,061	4,358	0	-0
<b>Cash Flow Before Reinv.</b>	<b>0</b>	<b>-3,545</b>	<b>-13,169</b>	<b>4,077</b>	<b>5,573</b>	<b>6,551</b>	<b>6,699</b>	<b>7,834</b>	<b>9,037</b>	<b>10,310</b>	<b>11,657</b>	<b>15,301</b>	<b>21,537</b>	<b>23,131</b>
Less: Reinvestment	0	0	0	680	749	799	818	875	935	999	1,066	1,138	1,213	1,292
<b>Cash Flow After Reinv.</b>	<b>0</b>	<b>-3,545</b>	<b>-13,169</b>	<b>3,397</b>	<b>4,824</b>	<b>5,752</b>	<b>5,882</b>	<b>6,959</b>	<b>8,101</b>	<b>9,311</b>	<b>10,591</b>	<b>14,164</b>	<b>20,325</b>	<b>21,839</b>
<b>SOURCES</b>														
EBITDA	0	-1,327	-6,223	11,024	12,520	13,497	13,646	14,781	15,983	17,256	18,604	20,030	21,537	23,131
Borrowing	0	14,553	31,024	0	0	0	0	0	0	0	0	0	0	0
Equity	0	9,702	20,683	0	0	0	0	0	0	0	0	0	0	0
<b>Total Sources</b>	<b>0</b>	<b>22,928</b>	<b>45,485</b>	<b>11,024</b>	<b>12,520</b>	<b>13,497</b>	<b>13,646</b>	<b>14,781</b>	<b>15,983</b>	<b>17,256</b>	<b>18,604</b>	<b>20,030</b>	<b>21,537</b>	<b>23,131</b>
<b>USES</b>														
Development Costs	0	24,255	51,707	0	0	0	0	0	0	0	0	0	0	0
Interest Payments	0	1,237	3,791	3,522	3,231	2,916	2,573	2,201	1,798	1,360	886	370	-0	-0
Principal Payments	0	981	3,156	3,424	3,715	4,031	4,373	4,745	5,148	5,586	6,061	4,358	0	-0
Reinvestment	0	0	0	680	749	799	818	875	935	999	1,066	1,138	1,213	1,292
<b>Total Uses</b>	<b>0</b>	<b>26,473</b>	<b>58,654</b>	<b>7,627</b>	<b>7,696</b>	<b>7,745</b>	<b>7,764</b>	<b>7,821</b>	<b>7,882</b>	<b>7,945</b>	<b>8,013</b>	<b>5,866</b>	<b>1,213</b>	<b>1,292</b>
Pre-Tax Net Cash Flow	0	-3,545	-13,169	3,397	4,824	5,752	5,882	6,959	8,101	9,311	10,591	14,164	20,325	21,839
Less: Corporate Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>After-Tax Net Cash Flow</b>	<b>0</b>	<b>-3,545</b>	<b>-13,169</b>	<b>3,397</b>	<b>4,824</b>	<b>5,752</b>	<b>5,882</b>	<b>6,959</b>	<b>8,101</b>	<b>9,311</b>	<b>10,591</b>	<b>14,164</b>	<b>20,325</b>	<b>21,839</b>
<b>Property Sales Tax Calculation</b>														
Sale of Asset	0	0	0	0	0	0	0	0	0	0	0	0	0	192,762
Less Non-Depreciated Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	86,526
<b>Project Capital Gain</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>106,236</b>
<b>Cash Flow For IRR</b>														
Pre-Tax Oper. Cash Flow	0	-3,545	-13,169	3,397	4,824	5,752	5,882	6,959	8,101	9,311	10,591	14,164	20,325	21,839
Sale of Asset	0	0	0	0	0	0	0	0	0	0	0	0	0	192,762
Less: Mortgage Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Investor Equity	0	9,702	20,683	0	0	0	0	0	0	0	0	0	0	0
<b>Pre-Tax Cash Flow</b>	<b>0</b>	<b>-13,247</b>	<b>-33,852</b>	<b>3,397</b>	<b>4,824</b>	<b>5,752</b>	<b>5,882</b>	<b>6,959</b>	<b>8,101</b>	<b>9,311</b>	<b>10,591</b>	<b>14,164</b>	<b>20,325</b>	<b>214,601</b>
Less: Corporate Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Capital Gain Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
After Tax Cash Flow	0	-13,247	-33,852	3,397	4,824	5,752	5,882	6,959	8,101	9,311	10,591	14,164	20,325	214,601
<b>Cumulative Cash Flow</b>	<b>0</b>	<b>-13,247</b>	<b>-47,099</b>	<b>-43,702</b>	<b>-38,878</b>	<b>-33,126</b>	<b>-27,244</b>	<b>-20,285</b>	<b>-12,183</b>	<b>-2,873</b>	<b>7,718</b>	<b>21,882</b>	<b>42,207</b>	<b>256,808</b>
<b>Equity Internal Rate of Return</b>		<b>22.2%</b>												
<b>Debt Service Cover Ratio</b>				<b>1.49</b>	<b>1.69</b>	<b>1.83</b>	<b>1.85</b>	<b>2.00</b>	<b>2.17</b>	<b>2.34</b>	<b>2.52</b>	<b>4.00</b>		

## 12 PROJECT IMPACT

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### INTRODUCTION

- 12.1 This section evaluates the employment impact of the development and ongoing operation of the planned scheme at God's Window. Economic and employment impact goes beyond simply the amount spent in the area as a result of the development; it encompasses the series of events and changes that occur in an economy as a result of a particular stimulus.

### FUNDAMENTALS OF ECONOMIC IMPACT

- 12.2 The stimulus in this instance is the creation of the Skywalk and the wider project in God's Window, as well as the projected spending the project is anticipated to make as a result of its operation. The nature of a dynamic economy is such that spending reverberates through multiple sectors, and generates wages, profits and subsequent spending on other goods and services paying for further jobs.
- 12.3 Some of these impacts flow to local businesses in Mpumalanga - restaurants, hotel rooms, suppliers of goods etc - while other spending is outside the area. Of the activity that remains in the local area, some of the revenues to these companies is spent locally and some outside. This expenditure outside of the local area is known as leakage and the spending a process of money generated continues until all the spending is leaked out of the local economy.
- 12.4 Economic impacts are described by three elements: direct; indirect; and induced impacts. Direct impacts are spending by businesses to support its core activities whether it is a capital expenditure or a daily operation. Indirect impacts are the changes in inter-industry spending necessary to support the direct impacts. For example, the purchase of construction materials is a direct impact; however, those extra materials must be trucked into the supplier's warehouse, and that represents an indirect impact in the trucking industry. Similarly, workers on a construction site and those involved directly with selling/ producing materials purchased by the business represent direct impact whilst the truck drive and those involved in the delivery of the materials represent an indirect impact.
- 12.5 In addition, the income earned by employees could be recycled back into the economy in the form of additional consumer spending. Employees at the site could make retail purchases in the local area, creating even more economic benefits. These are induced impacts.
- 12.6 The indirect and induced impacts are quantified by a series of multipliers that describe the level of benefit that results from a change in final demand. A large study area (a state or a large region, for example) could have high multipliers because a greater portion of activity required to support the change in final demand could come from within the study area's boundaries. However, for a small study area like a county or town, multipliers would be lower because the local area's economy is not as diverse and large.
- 12.7 Multipliers are usually between 1.0 and 3.0. A multiplier of 1.0 means that there is 100 percent leakage at the first turnover, i.e. all the goods and services in the second turnover come from outside the area. This reflects an isolated location where there are no local suppliers or support services. By contrast a high multiplier reflects a situation where local firms are well integrated and that goods and services are closely linked to other, complementary goods and services within the area. It follows that money spent in an

industry sector or location with a high multiplier has a greater effect on the local economy than that spent where there is a low multiplier.

- 12.8 Multipliers can also be shown as gross or net. A gross multiplier combines direct, indirect and induced impacts into one overall multiplier. A net multiplier examines only the indirect and induced impacts. They provide the same result as the difference is the direct impact which is 1.0 as it reflects the total spending.

## METHODOLOGY

- 12.9 In this section, we evaluate the employment impact of construction and operational spending at God's Window. To estimate the employment impact of these three areas, AECOM used Regional Input-Output Modeling System (RIMS II) multipliers, provided by the US Bureau of Economic Analysis (BEA). RIMS multipliers are produced for States and Counties in the USA however it still provides useful guidance for the proposed project. AECOM have also drawn on an economic impact study produced by SANParks in 2008 and on a World Travel and Tourism Council (WCCT) tourism impact study issued in 2013 to determine relevant multipliers.

## CONSTRUCTION IMPACTS

- 12.10 Construction impacts are one-time impacts to the economy which are generated by the overall cost of construction. According to the client team the project will incur costs of around ZAR84 million. The SANParks economic impact study conducted in 2008 suggests that the SANParks capex of ZAR230 million created 1,586 direct jobs which suggests that the cost of a job in the industry is ZAR 145,000 per annum which we have used as a basis to cost a construction employee. We have inflated the numbers to arrive at the current value of ZAR 185,000, which we have used in this analysis.
- 12.11 Analysis of RIMS multipliers shows that construction jobs cost between 1.2 and 3.0 times as much as jobs in the tourism industry due to additional costs on insurance, accommodation etc, associated with construction and incurred by a developer. Based on the financial assessment for God's Window, provided in Section 11 of this report, an average salary across God's Window employees is estimated at ZAR 93,000 per annum in current values. Therefore the assumption for a cost of a construction worker at ZAR 185,000 suggests a factor of around 2.0 times, which is within the RIMS range. We note that this job cost represents an average across the construction industry including senior management, highly qualified specialists, project managers and consultants, and takes into account on-costs such as life and health insurance, accommodation, etc. This number also factors in the proportion of the construction costs allocated for salaries.
- 12.12 We have calculated the direct economic impact by the annual job cost of an employee in the construction industry (ZAR185,000) to estimate the number of direct jobs created in the industry by the construction at God's Window. As a result, 454 man years of employment (MYE) will be created by the project through the direct impact. This translates into 5,448 man months of employment or, factoring in the assumed construction period of 24 months, an average of 227 construction jobs per month. In order to show numbers in the format most convenient to the client group, we have calculated the number of temporary jobs using a formula provided by the client: number of temporary jobs = average number of construction jobs per month x construction period in months / 36 months. This results in 151 temporary jobs as a direct impact.

- 12.13 Direct FTE construction jobs refer to jobs that are directly generated through the investment made to develop the attraction. However, deductions must be made for leakage and displacement in order to calculate net direct employment. Definitions for leakage and displacement are as follows:
- Leakage – Deductions made for the number or proportion of outputs that benefit those outside the impact area.
  - Displacement – Deductions made for reduced activity elsewhere in the impact area as a result of the park’s development.
- 12.14 Given the high levels on unemployment in South Africa overall, and Mpumalanga in particular, as well as the large size of the impact area, there is likely to be a limited need to employ labour from outside the impact area. We therefore feel that leakage is likely to be low at around 20 percent.
- 12.15 Whilst God’s Window is likely to draw on a relatively high volume of labour, it is not anticipated that it will reduce other construction projects taking place within the impact area, especially given that the construction activity is fairly low at present. Therefore, we have allowed for a modest displacement factor at around five percent. The calculations of net direct employment are outlined in Figure 12.1.

**FIGURE 12.1: DIRECT EMPLOYMENT IMPACT OF CONSTRUCTION**

Indicator	Impact
Construction Cost (ZAR million)	83,991,365
Cost of Job (including on-costs) (ZAR)	185,000
<b>Direct Employment Impact (man-years)</b>	<b>454</b>
Direct Employment Impact (man-months)	5,448
Construction Period (months)	24
Av. Number of Construction Jobs per Month	227
<b>Temporary Jobs</b>	<b>151</b>
Less Leakage and Displacement	25%
<b>Net Direct Employment Impact</b>	<b>114</b>

Source: S.M. Schneid Quantity Surveyors, SANParks and AECOM

- 12.16 We have also assessed the indirect and induced impacts that are likely to be produced by the attraction development, by using a multiplier of 0.68. This has been sourced from the SANParks economic impact study suggesting that for every direct job created by the company’s capital expenditure there are 0.68 jobs created through indirect and induced impacts. As shown in Figure 12.2, this will generate 77 temporary jobs (an equivalent of 323 man-years of employment). The total employment impact of the construction of the proposed attraction at God’s Window is set out in Figure 12.2.

**FIGURE 12.2: EMPLOYMENT IMPACT OF CONSTRUCTION**

Indicator	Multiplier	Impact (temporary jobs)
Construction Cost (ZAR million)		83,991,365
Direct Employment Impact		114
Indirect and Induced Employment Impacts	0.68	<u>77</u>
<b>Total Employment Impact</b>		<b>191</b>

Source: S.M. Schneid Quantity Surveyors, SANParks and AECOM

## OPERATING COSTS IMPACTS

- 12.17 Operating costs for the proposed God’s Window attraction have been estimated in Section 11 of this report. We advise that it would be prudent to source as many jobs as possible from within the local resident community. In estimating impacts, we have assumed this would be the case, which allowed us to use the high multiplier. However, we suggest that management positions will need to be filled by professionals with experience managing prominent visitor attractions and it may be necessary to recruit outside of Mpumalanga, but within South Africa. Management assistant and supervisory roles should be allocated to young, educated individuals with a degree of experience working in the hospitality sector. We note that there may be an opportunity to link up with the hospitality school at Forever Resort Blyde Canyon, to the north of God’s Window, which could potentially provide a valuable source of local recruits. We recommend that bright and motivated members of the local community should assume front-of-house and service positions where qualifications and experience levels are less important.
- 12.18 As mentioned, the total operating expenses are projected at ZAR 13.9 million in 2016 growing to ZAR 15.2 million in 2026, excluding the impact of inflation. Of these, total payroll for 58 employees (FTE equivalent) is estimated at ZAR 5.4 million, suggesting an annual job cost of just over ZAR 93,000 including on-costs. We have deducted a low 15 percent for leakage and displacement, given that the majority of workforce is planned to come from the local area, and that only senior staff is likely to be ‘displaced’ from existing attraction and hotel operations. This results in a net direct employment impact of 49 FTE jobs per annum.
- 12.19 As shown in Figure 12.3 which summarises the employment impact of operating expenses at God’s Window, we have used a net multiplier of 1.26 provided by the World Travel and Tourism Council impact study for South Africa to calculate indirect and induced impacts of the payroll spend. These are estimated at 62 FTE jobs in addition to 49 direct FTE jobs, totalling 111 FTE jobs per annum.
- 12.20 We note that the multipliers used for God’s Window impact assessment are high in international context and reflect strong supply base for both goods in services, as well as the presence of required skill sets within South Africa. This allows any tourism project in the area to provide a strong impact on the local and regional community which should be regarded as a benefit of developing the proposed Skywalk and the wider God’s Window attraction.

**FIGURE 12.3: EMPLOYMENT IMPACT OF OPERATING COSTS**

Indicator	Multiplier	Indicator
Payroll (ZAR 000s)		5,408
Direct Employment (FTE jobs)		58
Leakage & Displacement		45%
Net Direct Employment Impact (FTE jobs)		49
Indirect and Induced Impact (FTE jobs)	1.26	<u>62</u>
<b>Total Impact (FTE jobs)</b>		<b>111</b>

Source: SANParks and AECOM