



TANZANIA TOURISM VALUE CHAIN STUDY

FINAL REPORT

JUNE 2009



in association with

SERENGETI
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Acronyms

ITO	International Tour Operator
GDP	Gross Domestic Product
MNRT	Ministry of Natural Resources and Tourism
ODI	Overseas Development Institute
SBA	Strategic Business Advisors
SADC	Southern Africa Development Community
TAHOA	Tanzania Hunting Operators Association
TANROADS	Tanzania Roads Agency
TAWICO	Tanzania Wildlife Corporation
TAZARA	Tanzania Zambia Railways
TCT	Tourism Confederation of Tanzania
UNWTO	United Nation World Tourism Organisation
WTTC	World Travel and Tourism Council
ZATI	Zanzibar Association of Tourism Investors

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While we acknowledge receipt of inputs from a wide range of sources, the consultants accept full responsibility for the contents therein.

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Executive Summary

1.0 Introduction and Background

In order to help understand better the current competitive framework of the industry, the Tourism Confederation of Tanzania (TCT) has commissioned a detailed value chain study of the sector. The study is intended to be used as a private sector input into a recently constituted forum for private-public dialogue chaired by the Permanent Secretary, Ministry of Natural Resources and Tourism (MNRT). The Executive Secretary of TCT and the Director of Tourism are joint secretaries to the forum.

Based on a competitive tendering process, Strategic Business Advisors (Africa) Ltd. (SBA) was selected to undertake the value chain study in association with Serengeti Advisers. TCT's Terms of Reference for the assignment are attached at Annex 1.

1.1 Objectives of the Study

The overall objective of the study is to help identify key constraints, and their possible solutions, to the development of tourism in Tanzania. In combination with other studies this information will be used as important private sector input to the new Tourism Growth Strategy in Tanzania.

More specifically the study objectives are as follows:

- To identify and increase understanding of, the characteristics, strengths and weaknesses of the tourism sector.
- To identify key public and private sector players and their roles at different points during the main tourism value chains.
- To identify specific opportunities and priority constraints within tourism value chains, which when addressed will facilitate growth.
- To identify practical and priority options for addressing these constraints so as to realize the government's ambitious growth targets.
- In light of the above findings, assess ongoing public and private sector initiatives aimed at delivering sustainable economic growth and comment on their likely success.

- To build consensus amongst the main public and private stakeholders as to the strategic direction for the tourism sector and priority actions required for achieving growth
- To prove or disprove important ‘tourism myths’ which exist in Tanzania, such as that:
 - the benefits from the tourism sector are felt by only a few;
 - a large proportion of the revenues from the tourism sector are collected and retained overseas; or
 - Package holidays don’t benefit the Tanzanian economy.

The study thus aims to identify key opportunities and bottlenecks that need to be addressed in tourism. The report is broken down as follows:

- Section 2 provides a review of the Tourism sector in Tanzania;
- Section 3 provides an assessment of the selected value chains; and
- Section 4 offers specific conclusions and recommendations on the way forward.

1.2 Approach and Methodology

The approach and methodology used in conducting this study was to draw on existing work already done on the industry supplemented by information received from consultations with key informants in the industry and the consultants’ observations based on international best practise. The approach included a literature review, consultations with key informants and an analysis of specific value chain itineraries. Key approaches are outlined below:

- Review of Relevant Documentation: data from secondary sources were used and additional information collected to build on past research conducted in this area. The relevant information was drawn from Tanzania and global sources.
- Key Informant Interviews: Interviews with key informants were performed. The key informants were carefully selected for their extensive knowledge of the sector and to represent diverse views. The key players from mainland and Zanzibar included government officials, key players along the value chain – hotel managers, local and international travel agents and tour operators and other industry players who have

heavy business interests in Tanzania. A full list of consultees is provided in the Annex.

- Analysis of Specific Value Chain Itineraries: three specific value chain itineraries were analyzed to better understand the constraints and opportunities and where value is being appropriated within the sector. These itineraries were i.) Beach Package Holiday – UK (London) – Zanzibar, ii.) Safari Package Holiday – UK (London) – Arusha – Northern Circuit and iii.) High-end Exclusive 21-day Hunting Safari – Houston, Texas – Arusha. See section three for a full analysis of each itinerary and section 4.1 for an overall assessment of the value chain.

1.3 The Way Forward: Tourism Institutions and Stakeholder Cooperation

As TCT has stated, tourism in Tanzania is at a cross-roads. Addressing tourism-specific issues such as access, targeted destination marketing, investment and deregulation will open up the country's natural potential for tourism and reduce the likelihood of government targets not being achieved.

1.3.1 Value Creation- Addressing Tourism Myths

There are a number of myths about the industry that have been put forward by several stakeholders on the existing state of value creation in the tourism industry in Tanzania. These include:

- The benefits of the tourism sector, in particular the “up market” and hunting segments are felt only by a few
- A large proportion of the revenues from the tourism sector are collected and retained overseas
- Package holidays don't benefit the Tanzanian economy

The following Table provides a summary of the value creation in the industry based on the three analyzed itineraries beach, safari and hunting.

Retention of Value Created in Tanzania's Tourism sector			
Travel Segment	Value Retained in Tanzania (% of total tourist spend)	Retention by Foreign Tour Operator (FTO)	Potential Areas to Add Value
8-day safari package	41%	15%	Increase discretionary spending; increase bed capacity; reduce cost structure; build capacity of local agents; improve airport competitiveness
Zanzibar 7-day package beach extension	42%	8%	Enhance capacity utilisation; increase ancillary expenditure, more use of local inputs, building capacity of local agents; effective positioning of island; improve airport competitiveness;
21-day hunting safari	67%	5%	Maintain product quality; build skills of professional hunters;

Based on the findings of the value chain assessment, the myths outlined earlier are not accurate: the Tanzanian economy benefits significantly from the tourism industry. Hunting for example retains significant value for Tanzanians. The largest beneficiary is the Government (Treasury) which should benefit ordinary Tanzanians. The segment also provides employment and contributes significantly to conservation in the country. Package tours (either for safaris or beach) also provide significant benefit to the economy with at least 40% of total spending by the tourist being retained in the country. Foreign Tour Operators retain only between 5-15% of total tourist spend which is significantly less than what is spent in country. The rest is paid out in ticket prices and airport taxes which cannot be avoided as travel is an essential component of the value chain.

A key element moving forward is to try to build on existing value creation by adding value in key areas.

1.3.2 Key Strengths of Tanzanian Tourism

- Tanzania's Remarkable Natural Endowment: Tanzania's superb endowment of nature emerges as by far its key competitive strength. Wildlife, diving, beaches and trekking can give the destination competitive advantage.
- The Zanzibar Mystique: Zanzibar is already a brand with strong market recognition. Cultural heritage, beaches and diving are key product strengths
- Good Political Stability and Personal Security: Tanzania remains one of the most politically stable countries in Africa, and although there have been difficulties in Zanzibar and Pemba, this is a key destination strength.

1.3.3 Key Weaknesses/Challenges to be Addressed

- Limited market penetration: Tanzanian tourism is constrained by dependence on few markets. The natural strengths of its products are not being sufficiently communicated to segments that have a growing interest in them, and that are prepared to pay for them.
- Poor Access and Transport Links: Limited demand results in limited access, and good access is fundamental to tourism development.
- Tourism's potential to reduce poverty is not being maximised: In a heavily regulated business environment the potential for SME development is constrained. For pro-poor focused initiatives at present (such as the Government's Cultural Tourism Programme), it is difficult to see many linkages with the mainstream tourism value chain, or to find assessments of the real effects on poverty.
- Hotel rates are uncompetitive: High hotel room rates compared to competitor destinations can become an issue if the product is not significantly differentiated.
- Expensive national park entry fees are not matched by quality of service and interpretation: Expensive national park fees can only be justified if the standards of service and interpretation match the high quality of the wildlife viewing opportunities and other natural features on offer. The same comment applies to high trophy fees for hunting.

- Inadequate human resource skills: Although there has been an extensive on-going EU tourism training initiative in Tanzania, and the industry is paying a specific levy towards tourism training, much remains to be done to improve tourism quality through training in Tanzania and that this is a critical issue
- Excessive regulation and taxation: The enterprise sector (i.e. sole proprietors, SME's, community cooperatives, and registered companies) faces many complex bureaucratic procedures in Tanzania.
- Limited Access to and High cost of finance: Although this issue was not examined in detail during this study, other assessments have identified that less than 30% of businesses in Tanzania have access to finance¹. One of the key obstacles facing tourism enterprises in Tanzania is finding access to finance locally and the cost of the financing tends to be a major obstacle.

1.3.4 Addressing Issues: Key Public and Private Sector Players

HIGH PRIORITY ISSUES	ACTIONS
1. Marketing <ul style="list-style-type: none"> ▪ Limited market penetration, limited awareness (Acorn 2008), limited accommodation supply, and high destination prices. ▪ Converted marketing effort involving relevant private sector and relevant government agencies ▪ favourable policy environment for enterprise and investment 	<ul style="list-style-type: none"> ▪ A thorough review of tourism branding, tourism marketing planning and market research capabilities. ▪ Destination awareness and image building as a unique and essential holiday experience, centred on nature, with Zanzibar as a separate sub-brand. ▪ Developing a broadened marketing mix, targeting specific growth segments. ▪ Helping the industry to source and interact with special interest tour operators in existing and new markets. ▪ Providing a framework for a co-ordinated and effective marketing partnership with the industry, market by market and product by product. ▪ Promotional activities required include; <ul style="list-style-type: none"> ○ brand development and control; ○ branded internet marketing capability; ○ public relations and familiarisations, ○ branded advertising, ○ branded publications; ○ branded exhibitions; ○ maximising coordinated private sector marketing activity; ○ permanent in-market representation (preferably through contracted fixed-term professional representatives); ○ market research; and ○ Institutional strengthening (marketing skills).
2. Access	

¹ CTI Survey of members, Investment Climate Assessment (2004), Finscope Access to Finance Survey 2006/7

HIGH PRIORITY ISSUES	ACTIONS
i.) Visas	<ul style="list-style-type: none"> ▪ A review of entry point arrangements and training of visa staff in customer care take place immediately. ▪ Avail of the proposed UNIVISA which will allow visitors to move between Southern Africa Development Community (SADC) countries without purchasing additional visas. ▪ Introduce mechanisms to allow online purchase or pre-approval of visas (such as have been introduced by Rwanda)
ii.) Quality of Airport Service	<ul style="list-style-type: none"> ▪ Review Transport Sector Improvement Programme to ensure it is addressing tourism transport issues ▪ Update the 2002 Tourism Master Plan proposals for transport development ▪ Review the use of user fees needs such that income from busy airports like Zanzibar is used to improve its facilities ▪ Creates linkage between private sector tourism operators (who can see market opportunities) and airport marketing representatives would be useful and this is something TATO could pursue ▪ Government to set targets for air access growth, related to improved facilities for airports to achieve ▪ Review and put in a strategic context the subsidies and incentives for inbound charter operations through; <ul style="list-style-type: none"> ○ Work closely with Tanzanian ground handlers and TATO to identify and target overseas travel trade with charter operation links. ○ Enhance collaboration with TTB with respect to subsidies and incentives ○ Devise and review annually an equitable Incentive Scheme based on bed nights delivered rather than flights landing. ▪ Target group charter operators or scheduled group service providers for airport marketing
iii.) Ground Transport	<ul style="list-style-type: none"> ▪ TCT to make specific submissions to the Tanzania Roads Agency (TANROADS), TANAPA and the National Road Board concerning its members' transportation difficulties ▪ TCT to encourage the MNRT to update The National Tourism Master Plan address the development of potential public tourism sites private-public partnerships established to develop access to larger private facilities, and to seek funding for Master Plan implementation ▪ Encourage the upgrading of Tanzania Railways Corporation (TRC) and Tanzania Zambia Railways Authority (TAZARA) rail services ▪ Encourage and promote the local investment in the operation of luxury train services ▪ Through PPP process promote investment in potential waterways with unexploited tourism potential such as the Ruvuma River, boat cruising for site-seeing from Dar es Salaam to Unguja, Pemba and Mafia islands as well as at Bagamoyo, and passenger transport services on Lake Victoria (linking Tanzania, Kenya, Uganda),

HIGH PRIORITY ISSUES	ACTIONS
	Lake Tanganyika (linking Tanzania, Burundi, Democratic Republic of Congo and Zambia), and on Lake Nyasa (linking Tanzania, Malawi and Mozambique), and also the Mtwara Corridor
3. Poverty Alleviation	<ul style="list-style-type: none"> ▪ The MNRT needs to remove restrictions on enterprise creation (such as unrealistic thresholds for small tourism enterprises like guesthouses). ▪ A system for fair trade labelling in tourism, similar to that in South Africa, might be initiated by TCT to highlight its members' contribution to poverty reduction. ▪ Greater use of marketing initiatives by responsible tourism tour operators and websites (such as <http://www.responsible tourism.com>) should be encouraged. ▪ A review of government initiatives in the area of handicrafts should be called for and a plan for upgrading facilities should be included in national and regional tourism development plans. ▪ The Zanzibar Ministry of Tourism has a particular role to play in working with ZATI and others to bring about more responsible tourism in Zanzibar. ▪ Many areas outside Parks and Game Reserves, will have potential for pro-poor tourism development if proper planning and co-ordination with tourism authorities can be put in place. <ul style="list-style-type: none"> ○ A review of the role of the Wildlife Department in tourism, clearly separating its policy role from implementation, which could be delegated to an agency or privatised, should be considered. ○ There is a need to ensure 25% community contributions from Parks and Game Reserves are being spent strategically, although this can be difficult to achieve with competing local political agendas. The review should make recommendations for furthering good government and accountability in implementation activities.
4. Accommodation	<ul style="list-style-type: none"> ▪ Update Tourism Master Plan to balance accommodation supply with projected future tourism demand and indicate where accommodation gaps are likely to arise that will be opportunities for the private sector. ▪ Review concession fees and concession locations in state-owned lands where Zoned, regional tourism development plans are designed to accommodate growth whilst respecting nature reserves. ▪ Incentives for investment in areas of lower occupancy may be required if new destinations within Tanzania (such as Bagamoyo, mainland potential beach destinations and centres in the South such as tourism nodes like Lake Nyasa, the Selous Nyasa Trans-frontier Conservation Areas, the Indian Ocean at Kilwa, Mikindani and Mnazi Bay Marine Park. ▪ Fast track mechanisms may also need to be put in place to encourage quality accommodation expansion in the

HIGH PRIORITY ISSUES	ACTIONS
	<p>Northern circuit.</p> <ul style="list-style-type: none"> Improve the quality of accommodation can be improved through grading and hotel benchmarking surveys. ZATT's initiative to encourage local sourcing from within Zanzibar should be studied and replicated elsewhere if successful
<p>5. National Park and Wildlife Fees: National Park entry fees are high in Tanzania, but are used to fund important tourism activities such as conservation, marketing and education.</p>	<ul style="list-style-type: none"> Increase and encourage transparency in showing how community contributions, including the 25% hunting trophy community contributions are spent. Encourage participation by TANAPA within TCT, as an associate member or an observer. Also develop synergies with the Wildlife Department Enhance communication regarding planned increases in National Park fees, non-consumptive wildlife licenses, hunting trophy fees, so that tour operators can adjust programmes in time. Also lobby for legislation requiring National Park entry fees and other government regulations regarding tourism to be fixed each year for two years in advance
<p>6. Human Resource</p>	<ul style="list-style-type: none"> TCT should lobby the government for greater use of temporary work permits for HR expertise to fill service gaps when clearly tied into to skills transfer training programmes for local tourism employees. Training programmes need to be reviewed, possibly through the updated Tourism Master Plan. An up-scaling of donor support in this area should be also sought by government, supported by TCT.
<p>7. Regulation and Taxation</p>	
<p>i.) Regulation</p>	<ul style="list-style-type: none"> It is recommended that TCT should, through its constituent organizations, document particular examples to illustrate these problems where regulation hinders growth of tourism sector, and using this, lobby for reform of the current Tourism Bill and other excessively bureaucratic instruments. <ul style="list-style-type: none"> TCT needs to bring to the attention of government regulations which are anti-enterprise creation (such as controls on guesthouses and Homestay), and propose alternative ways of developing and controlling the sector in a responsible and pro-poor way. TCT should encourage the MNRT to concentrate on growing the sector and increasing revenues for all.
<p>ii.) Taxation</p>	<ul style="list-style-type: none"> TCT could lobby for a turnover tax to replace licensing, and seek to see this tax used as a means of funding tourism development and marketing. The taxation system currently penalises in-kind support for journalists and travel trade visits to Tanzania, which is highly uncompetitive for the destination. This is also an issue which TCT should also take forward. Encourage a simple flat taxation for those communities engaging in wildlife tourism rather than the current charging license fees on each single item in wildlife tourism, with high collection costs and many

HIGH PRIORITY ISSUES	ACTIONS
	opportunities for corruption
8. Private Sector Capacity Constraints	<ul style="list-style-type: none"> Undertake a detailed assessment of private sector associations representing the tourism sector, hotelkeepers association, the tour operators association, tour guides association among others, to identify, and develop strategies to address the capacity and resource constraints that hinder their ability to provide effective services to their members
9. Data Availability	<ul style="list-style-type: none"> Develop a more robust public/private sector system to collect and analyse information on the industry in a timely fashion.

1.4 Key Issues Arising

Key issues arising and primary intuitions with a role to play are as follows:

- Marketing, which requires thorough review and is the primary responsibility of TTB. A consensus approach involving TCT, TANAPA and others is needed and greater emphasis on market research, marketing planning and branding. A detailed national tourism marketing strategy should be drafted jointly by the industry and the tourist board, and funded from tourism taxes, licenses and entry fees.
- Access, which requires multi-agency action and stronger lobbying by TCT.
- Accommodation supply and standards need attention through measures including grading and benchmarking. It is important that the private sector itself take a lead in addressing these issues.
- A review of government initiatives in the area of handicrafts should be called for and a plan for upgrading facilities should be included in national and regional tourism development plans.
- The Zanzibar Ministry of Tourism has a particular role to play in linking growing tourism prosperity with poverty alleviation and eventual wealth creation for Zanzibaris.
- The National Parks Authority is one of the key stakeholders in tourism and one of the major funders of marketing. A closer working relationship with TCT and its members is essential. Similarly better engagement with the Wildlife Department is needed.

- As a major stakeholder in community lands, the role of the Wildlife Department should be reviewed to ensure a 'joined up government' approach to tourism development.
- Human resource issues are central to successful tourism development. TCT itself has a training role. Funds available for training need to be reviewed to ensure they are being effectively channelled and more donor support needed.
- The tourism sector is burdened by excessive regulations, licensing and quite heavy taxation. All of these issues need to be addressed if the industry is to thrive.

1.5 Conclusion/Recommendation

Based on the issues arising, there are multiple activities and roles for different players to effectively engage in enhancing tourism development in Tanzania. It is strongly recommended that the existing Tourism Masterplan be updated taking into account the issues raised in this report related to: infrastructure, human resource development, regulation and taxation, access to finance, marketing and branding, information and other related issues. The Masterplan can then be the basis for concerted public/private action to enhance value in the Industry for all players.

1. Introduction and Background

In order to help understand better the current competitive framework of the industry, the Tourism Confederation of Tanzania (TCT) has commissioned a detailed value chain study of the sector. The study is intended to be used as a private sector input into a recently constituted forum for private-public dialogue chaired by the Permanent Secretary, Ministry of Natural Resources and Tourism (MNRT). The Executive Secretary of TCT and the Director of Tourism are joint secretaries to the forum.

Based on a competitive tendering process, Strategic Business Advisors (Africa) Ltd. (SBA) was selected to undertake the value chain study in association with Serengeti Advisers. TCT's Terms of Reference for the assignment are attached at Annex 1.

The experts wish to thank the directors and executive of the TCT, and the members of its constituent representative organizations, for their extensive inputs to the study. The list of the main people interviewed is attached at Annex 2 and of businesses visited at Annex 3.

The overall objective of the study is to help identify key constraints, and their possible solutions, to the development of tourism in Tanzania. In combination with other studies this information will be used as important private sector input to the new Tourism Growth Strategy in Tanzania.

More specifically the study objectives are as follows:

- To identify and increase understanding of, the characteristics, strengths and weaknesses of the tourism sector.
- To identify key public and private sector players and their roles at different points during the main tourism value chains.
- To identify specific opportunities and priority constraints within tourism value chains, which when addressed will facilitate growth.

- To identify practical and priority options for addressing these constraints so as to realize the government's ambitious growth targets.
- In light of the above findings, assess ongoing public and private sector initiatives aimed at delivering sustainable economic growth and comment on their likely success.
- To build consensus amongst the main public and private stakeholders as to the strategic direction for the tourism sector and priority actions required for achieving growth
- To prove or disprove important 'tourism myths' which exist in Tanzania, such as that:
 - the benefits from the tourism sector are felt by only a few;
 - a large proportion of the revenues from the tourism sector are collected and retained overseas; or
 - Package holidays don't benefit the Tanzanian economy.

The study thus aims to identify key opportunities and bottlenecks that need to be addressed in tourism. The report is broken down as follows:

- Section 2 provides a review of the Tourism sector in Tanzania;
- Section 3 provides an assessment of the selected value chains; and
- Section 4 offers specific conclusions and recommendations on the way forward.

The approach and methodology used in conducting this study was to draw on existing work already done on the industry supplemented by information received from consultations with key informants in the industry and the consultants' observations based on international best practise. The approach included a literature review, consultations with key informants and an analysis of specific value chain itineraries. Key approaches are outlined below:

- Review of Relevant Documentation: data from secondary sources were used and additional information collected to build on past research conducted in this area. The relevant information was drawn from Tanzania and global sources.

- Key Informant Interviews: Interviews with key informants were performed. The key informants were carefully selected for their extensive knowledge of the sector and to represent diverse views. The key players from mainland and Zanzibar included government officials, key players along the value chain, including hotel and restaurant owners, transporters, travel agents and tour operators who have heavy business interests in Tanzania. A full list of consultees is provided in the Annex.
- Analysis of Specific Value Chain Itineraries: three specific value chain itineraries were analyzed to better understand the constraints and opportunities and where value is being appropriated within the sector. These itineraries were i.) Beach Package Holiday – UK (London) – Zanzibar, ii.) Safari Package Holiday – UK (London) – Arusha – Northern Circuit and iii.) High-end Exclusive 21-day Hunting Safari – Houston, Texas – Arusha. See section three for a full analysis of each itinerary and section 4.1 for an overall assessment of the value chain.

2. Tourism Trends in Tanzania

The analysis presented draws from latest secondary data produced by the United Nations World Tourism Organisation (UNWTO), the World Travel and Tourism Council, the 2008 World Economic Forum, the Tanzanian National Bureau of Statistics, research conducted for TCT member organizations and other sources.² References are noted throughout using the Harvard system, referring the reader to the bibliography, rather than to footnotes. Trends identified were verified through primary research amongst consultees. Many issues emerge from the analysis and these are considered further in chapter 4.

2.1. International Background

2.1.1. Arrivals, Receipts and Employment

International tourism arrivals exceeded 924 million in 2008, an increase of 2 per cent on 2007. In the first four months of 2008 good growth was evident, but a rapidly deteriorating global economic situation saw a decline in international arrivals in the latter part of the year (UNWTO 2009). The outlook for 2009 is uncertain, although once economic recovery gets underway tourism is forecast to have good long term growth prospects as the vast markets of China and India gain more propensity to travel. By 2020 international arrivals are predicted to reach 1.6 billion (UNWTO 2003). The fastest growing tourism regions in the world in 2008 were the Middle East (+5%) and Africa (+4%). North Africa in particular has grown in 2008. Africa's market share is illustrated in Table 1.

Table 1: International Tourism Arrivals to Africa

	1990	2000	2005	2020 forecast
International arrivals Africa (million)	15.0	29.0	37.3	77.3
Africa as % of total	3.3%	4.2%	4.6%	5.0%

Source: UNWTO

² Please note that although the report is for 2008, much of the comparator data is for earlier years (2006). Where possible we have made an effort to update this information from other sources, however much of the available data on Tanzania is also for the years 2005-6. We believe however that the analysis and conclusions drawn from this data are still relevant for the present situation.

International tourism receipts grew to US\$856 billion in 2007³, a 5.6 per cent increase on 2006. African growth is also positive at 3 per cent. Africa's receipts totalled US\$22 billion in 2005. In 2007, the top African inbound destinations were Mauritius, Mozambique, South Africa and Kenya (UNWTO 2009).

World tourism and travel currently accounts for 238 million jobs, or 8.4 per cent of total employment. By 2018 the World Travel and Tourism Council has forecast that one in every 10.8 jobs worldwide will be in tourism (WTTC 2008).

2.1.2. International Trends

WORLD TOURISM OUTLOOK FOR 2009

International commentators such as UNWTO and WTTC agree that the outlook for 2009 is very uncertain and that the short term prospects for tourism recovery are poor, with business tourism likely to recover before leisure tourism does. Lower oil prices will however help to keep long haul destinations like Tanzania competitive provided access capacity does not shrink too much. The anticipated 'Obama effect' on Kenya's tourism may have some positive repercussions for its neighbour, Tanzania.

Overall the following predictions have been made by UNWTO's panel of experts (UNWTO 2009):

- Increase in short haul over long haul traffic.
- Increase in visiting friends and relations (VFR) over leisure traffic.
- Decline in length of stay more significant than declines in volumes.
- Late booking will increase (a marketing opportunity for those able to promote 'special offers').
- Volatile exchange rates will require fast market positioning to capture business.
- Competitive deflation putting downward pressure on prices will require strong cooperation right through the tourism value chain.

³ Data for 2008 is not yet available.

2.1.2.1 Access

Faster air travel, easier access and more destinations are significant features of worldwide tourism development. The low cost carrier phenomenon has not yet touched East Africa., but elsewhere it is making significant inroads into scheduled carriers' business and is transforming many sub-sectors of the tourism industry. It has also opened up new avenues for those lesser known regions and areas that otherwise would not be visited by tourists.

2.1.2.2 Internet

The rapid development in information technology is offering powerful new opportunities to reach consumers more easily and cost effectively. New emerging technology has triggered new consumer trends, like the rise of last minute bookings in mature markets and the shift away from traditional packages to “do it yourself-products”.

2.1.2.3 Ageing Populations

In many large, industrialised countries, the rising average age means a growing market of people with more discretionary income and time to travel. By 2020 a third of the population of Japan and Germany will be over sixty years of age; more than a quarter of the population of France and the United Kingdom will fall into the same age category. Responding to the shifting demographics will require changes in existing travel products and marketing. Tourists aged 55 and over travel farther away from home, stay away longer, include two or more destinations in a trip, engage in more activities, travel with only one other household member and spend more per trip than tourists on average.

2.1.2.4 Increasing Wealth⁴

Rapid economic growth and more disposable income have created more affluent populations with resources for outbound travel. Three of the strongest emerging markets are China, India and Russia.

⁴ In spite of the recent economic downturn, the general trend has been positive and is likely to remain so in the future.

UNWTO predicts that China will become the prime destination in the world by 2020 (UNWTO 2003), and one of the largest outbound source markets. There is every indication that this target will be achieved earlier than expected taking into consideration that China is already sending some 31 million travellers abroad every year and that in 2006 it overtook Italy to become the world's sixth in rank of international tourism expenditure close behind Japan. With one billion people, India has great potential as a growing market for consumer goods, including outbound travel. About 25 million people in India can afford to travel abroad. Russia has emerged as a country with good tourism potential. The Russian consumer market doubled in the past ten years and commentators believe it will double again in the next five.

2.1.2.5 Special Interest Tourism

Increasingly tourism will be driven by a desire to learn, to discover new experiences and to add meaning to people's lives. This trend will supplement the traditional purpose of travel as an opportunity to rest, relax and rejuvenate. Ultimately it may become a primary determinant in making a travel decision-making. Increased interest in wildlife tourism, for example, is likely.

2.1.2.6 Responsible Tourism

Travel will become responsible, meaning that greater account will be taken of the congestion tourism generates and of the negative effects on resources and host communities that can come with it. There are calls in Western countries for a greater share of tourism revenues to be left in poorer destination countries, while global warming and the environment are increasingly on the agenda.

2.1.2.7 Safety

Safety and security are important to tourism's continued growth. Tourism does however show increased resilience: Travellers are better informed; they have acquired a more balanced perspective; they now include security concerns as just another consideration when selecting their destinations.

2.1.2.8 Value for Money

While there will always be ultra-deluxe products catering for growing numbers of wealthy clients and for special occasions, value-for-money has become critical in most travel decisions. Consumers now have much better cost-comparison tools, particularly through the internet.

2.1.2.9 Globalisation

The giants of the hotel sector will continue to expand, mainly through the franchising route. The major European tour operators, already a very concentrated sector, have just taken another massive step towards integration with the merger of Thomas Cook and My travel, and of TUI and First Choice. The new TUI alone is predicted to handle a massive 27 million customers per annum. The buying power of these major players will continue to put pressure on smaller suppliers.

The evolution of Global Distribution Systems and open system platforms will make the travel industry truly global as travel service providers and intermediaries sell capacity electronically anywhere in the world. Coupled with expanding internet access, consumers will be able to link with any supplier in real time and to mix and match products to their taste. Increased access to the internet is shifting the focus of power from the industry to the consumer.

2.1.2.10 Marketing

Competition amongst destinations seeking to attract visitors will intensify dramatically in the years ahead. The competitive goal is jobs and sustained economic growth. Those countries which remain market-driven will be the most successful.

The importance of destination brands will increase in an increasing myriad of competing websites. Investment in marketing will continue to grow, with an increasingly sophisticated marketing mix of both 'above the line' and 'below the line' techniques.

A trend toward public-private partnerships in tourism promotion is evident worldwide and will become more prevalent in the next decade, particularly in more developed countries with strong civil societies. The result of these public-private partnerships is almost always a more effective and efficient expenditure of public funds: a better vehicle to attract private sector funds, in-kind contributions and active participation by industry. Partnership also helps ensure continued availability of government funds for sustained marketing.

2.2. Tourism's Role in Tanzania's Economy

2.2.1. Background

Tanzania remains one of the poorest countries in the world. Most Tanzanians depend on agriculture, which accounts for more than 25 per cent of gross domestic production (GDP) and employs 75 per cent of the work force. For various reasons, agriculture's share of the economy and employment has been shrinking. The industrial sector traditionally featured the processing of agricultural products and light consumer goods. Buffeted by domestic constraints and stiff competition from Asia, it has not been growing fast enough to absorb the growing workforce.

Tanzania's long-term economic growth has been driven by the service sector (finance, transport and communications) and mining. Recent banking reforms have helped increase private-sector growth and investment. Continued donor support and solid macroeconomic policies supported real GDP growth of 7.3 per cent in 2007.

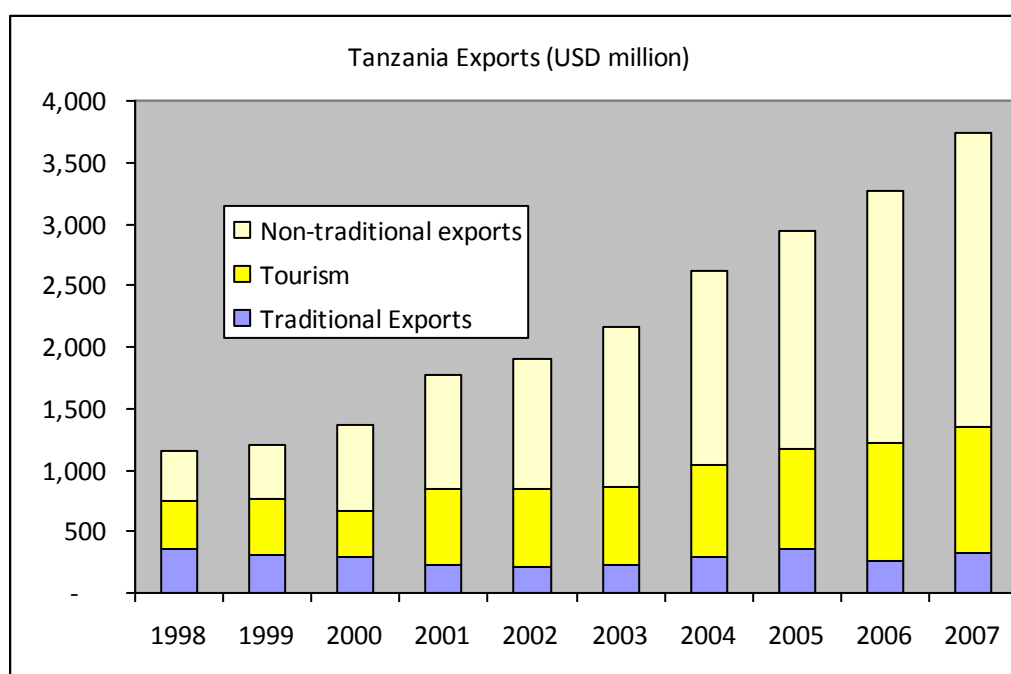
Tourism is one of Tanzania's most important economic sectors, contributing 17% of GDP between 2003 and 2005, second only to agriculture's 46% (MLYED 2007). While tourism's growth rate is difficult to separate out from the trade, hotels and restaurants sector in which it is classified, one estimate places its growth at 5.5% per year between 1998 and 2002 (World

Bank/MIGA 2006), and a second at 7.4% per year between 2001 and 2006 (PHDR 2007). This contrasts to the agricultural sector whose growth rate has been declining as has its share of employment (from 84% in 2001 to 76% in 2006) and GDP (from 30% in 1998 to 25% in 2006).

2.2.2. Exchange Earnings from Tourism

Total foreign exchange receipts from tourism have consistently been the largest single item in Tanzania's export of goods and services since 1998 to 2007. While the growth in gold exports has challenged tourism's prominence, in 2007 tourism generated over US\$ 1.0 billion in export earnings (Bank of Tanzania) and maintained a 28% share of total export earnings.

Figure 1. Composition of Tanzania's Export Revenues



Source: Bank of Tanzania

2.2.3. Tourism Arrivals

Tanzania has seen a steady increase in international arrivals in the present decade. Visitor numbers have increased from half a million arrivals in 2000,

to 644,124⁵ in 2006. Of these, 137,000 went to Zanzibar (Acorn 2008). This represents an annual average growth rate of 4.3 per cent in 2006 (5.2% 2000-2005), lower than the growth rate for East Africa to 2005 (6%) (UNWTO 2008). However, more recent unpublished data from the Ministry of Natural Resources and Tourism (MNRT) shows international arrivals of 719,031 in 2007, up 11.6% from 2006.

The main short-haul sources of international arrivals are Kenya (127,016 arrivals in 2006) and Uganda (35,521). The main long haul sources are the UK (69,160), the USA (55,521) and Italy (50,285). Other important regional markets are Zambia, South Africa and Malawi. Further afield Germany and France supply relatively small numbers of tourists (each less than 20,000 in 2006). The relatively low number of German arrivals is surprising, given the country's former colonial connection (albeit short) and the fact that for both Kenya and South Africa, Germany is a much more important source market (Kenya had 180,156 German arrivals in 2006 and South Africa had 258,517).

Table 2 below outlines Tanzania's top ten source markets, which account for more than two thirds of all arrivals.

Table 2. Tourist Arrivals to Tanzania by Nationality

Rank	Country	Numbers	Percentage Share
1	Kenya	127,016	19.7
2	UK	69,160	10.7
3	USA	55,687	8.6
4	Italy	50,287	7.8
5	Uganda	35,521	5.5
6	Zambia	31,132	4.8
7	South Africa	28,961	4.5
8	Germany	19,651	3.1
9	France	19,643	3.0
10	Malawi	17,247	2.7
Others		198,819	29.5
Total		644,124	100

Source: MNRT 2006

⁵ UNWTO has increased Tanzania's estimated arrivals for 2006 from 644,000 (as reported by the National Bureau of Statistics) to 692,000. For the remaining analysis the more conservative figure is used.

Considering the figures above, it is clear that apart from its neighbours, Tanzania is dependent on relatively few international markets: the UK, the USA and Italy. This presents both a challenge and an opportunity, in that market interest in Tanzania's product might be stimulated in other markets and deepened in the current ones.

2.2.3 Types of Tourist in Tanzania

The vast majority of arrivals come for leisure purposes: business visitors are a smaller percentage than for Africa generally, but on a par with Kenya in percentage terms. Kenya however receives 2.5 times more visitors. Table 3 illustrates 2006 performance.

Table 3. Tanzania Tourist Arrivals by Purpose of Visit

Purpose of Visit	Leisure		Business	Other	Total
2006 Tanzania	523,966		70,940	49,218	644,124
% Tanzania	81%		11%	8%	100%
2006 Kenya	1,328,498		256,096	16,006	1,600,600
% Kenya	83%		16%	1%	100%
% to Africa (2005)	54% Leisure	27% VFR	15%	4%	100%

Sources: MNRT, UNWTO. Kenya National Bureau of Statistics , 2006

2.2.4. Employment in tourism

Tourism in Tanzania was estimated to formally employ 200,000 people in 2004 (World Bank/MIGA 2006) and 291,000 in 2007 (World Economic Forum 2008). The World Economic Forum estimates the number of jobs in the travel and tourism economy, which include indirect employment, at 680,000 in 2007. By contrast the Kenyan National Bureau of Statistics reports that tourism in Kenya employs one million people (400,000 in the formal sector and 600,000 in the informal sector).

2.2.5. Potential to address poverty and improve livelihoods

Tanzania's national strategy for growth and poverty reduction does not make an explicit reference to tourism's contribution to addressing poverty, focusing as it does on 'ensuring sound economic management' (Goal 1) and 'promoting sustainable and broad-based growth' (Goal 2).

Tourism is however a significant mechanism to reduce poverty in Tanzania, and its potential to improve livelihoods has considerable scope for expansion. These are important messages for TCT to highlight to government. The National Employment Creation Programme suggests that 100,000 new jobs could be created in the tourism sector between 2006 and 2010 as a result of promoting investments, improving marketing and enhancing the capacity of SMEs in tourism (MLEYD 2007:2).

The United Nations World Tourism Organization (UNWTO) identifies seven mechanisms to reduce poverty levels through tourism. These are as follows:

1. Employment of the poor in tourism enterprises
2. Supply of goods and services to tourism enterprises by the poor or by enterprises employing the poor
3. Direct sales of goods and services to visitors by the poor (informal economy)
4. Establishment and running of MSMEs or community-based enterprises (formal economy)
5. Tax or levy on tourism income or profits with proceeds benefiting the poor
6. Voluntary giving/support by tourism enterprises and tourists;
7. Investment in infrastructure stimulated by tourism also benefiting the poor directly or through support to other sectors.

These are considered further in section 4, in the context of the value chains examined at section 3.

Tourism in Tanzania is also presently concentrated in key areas (the North, Dar es Salaam and Zanzibar), but there is also potential to spread tourism wider, if investment in key infrastructure takes place. The Tanzania Tourism Master Plan (CHL 2002) identified new areas with tourism potential development. The following section outlines Tanzania's main tourism assets.

2.2.6. Main Tourism Assets

2.2.6.1 Tourism Products

Tanzania is rich in natural resources, particularly natural resources for tourism. Tanzania is primarily a wildlife tourism destination at present, with some of the world's most renowned national parks. Secondly, Tanzania (in particular Zanzibar) is emerging as an exotic beach holiday destination, also offering superb scuba diving.

Hunting is an important source of high-end tourism earning high foreign exchange from relatively small numbers. Trekking and mountain climbing are also popular, in particular in the Kilimanjaro National Park. Cultural tourism attracts relatively small numbers, although there has been a lot of emphasis on ethnic and community initiatives, and Zanzibar in particular has a potentially unique cultural tourism product.

The richness of natural resources contrasts with poor performance in terms of price, services and facilities. These issues emerge strongly from benchmark analysis at section 2.3 below.

2.2.6.2 North

The pleasant town of Arusha set in a fertile green landscape is one of the country's main tourism centres, offering a wide range of accommodation, tour operators, taxis, banks and internet cafes. It is the country's main safari base. A major weakness however is Arusha airport, with Kilimanjaro International Airport also offering a level of service which is not up to international standards.

The Northern region contains some of the country's most famous attractions including the Serengeti, Manyara, Tarangire, the Arusha and Kilimanjaro National Parks, and the Ngorongoro Crater.

The Serengeti is Tanzania's largest and most famous National Park. It covers over 15,000 sq km and holds tens of thousands of herbivores. Giraffes, zebras, gazelles, elands, impalas and warthogs are hunted by lion, leopards, cheetahs and hyenas. More than a million wildebeest cross the vast plain during their annual migration.

The Ngorongoro Conservation Area includes the spectacular Ngorongoro Crater, a 20km wide basin with abundant wildlife, including Africa's big five: buffalo, elephant, leopard, lion and rhinoceros. The Olduvai Gorge, like the Crater, is a World Heritage Site.

Kilimanjaro is the highest single-standing mountain the world, rising from the equator to its 5,895 m snow-capped peak. Climbing the mountain is an increasingly popular tourist activity requiring several days.

The Rubondo Island National Park lies in the South Western corner of Lake Victoria. Lake Manyara reserve includes lions, hippos, elephants, rich birdlife and vast flocks of flamingos. Other attractions include Mount Meru, Oldoinyo Lengai Mountain and Lakes Natron and Eyasi.

Moshi at the foot of Mount Kilimanjaro is a developing tourism centres in the Northern region.

According to the recent market research study on Tanzania (Acorn 2008), the Northern circuit attracts first time safari tourists, first time Africa visitors, and 'once in a lifetime' visitors. Arusha is also an important conference and incentive destination.

2.2.6.3 South

The Selous Game Reserve is the largest in Africa and larger in size than Switzerland. It is also a World Heritage Site. The reserve is home to black rhino, elephant, cheetah, leopards, hippos and a wide range of riverine and bush bird life. The 250km Rufiji River is one of the most impressive in Africa, teeming with wildlife. Its delta has a unique ecosystem.

The Mikumi National Park lies between the Uluguru Mountains and the Lumango range. It is rich in animal and bird life, and is an important centre for the study of primates including the yellow baboon.

The Udzungwa Mountains National Park is one of the world's biodiversity hot spots and has been described as the Galapagos of Africa.

Kilwa ruins are a World Heritage Site and considered to be the most historically significant Swahili buildings and date from the 12th to the 19th century.

Ruaha National Park is Tanzania's second largest. It is a vast upland plateau with elephant, kudus, gazelles, ostriches, cheetahs and antelopes, as well as crocodiles, hippos and a wide variety of bird life on the Ruaha River.

Iringa is the southern region's capital and is also the gateway to Isimila historical site, the Kalega village and Chief Mkwawa's museum.

Further south lies Lake Nyasa, Africa's third largest water body, the border between Tanzania, Malawi and Mozambique. The Kitulo National Park is a botanist's paradise set in breathtaking scenery.

Mbeya is the administrative centre for this region, and offers interesting hiking in the Mbeya range of hills.

According to the recent market research study on Tanzania (Acorn 2008), the Southern region attracts repeat visitors to Tanzania and first timers

wishing to avoid the crowds. It also offers shorter and less expensive options.

2.2.6.4 East

The Usambara mountain chain is rich in biodiversity. The Amani Nature Reserve is in the centre of the range and accessed from Sigi or Tanga on the shores of the Indian Ocean. Tanga is the main northern seaport and is close to the large Amboni Caves complex. From Tanga the Ras Kazone peninsula, Jamhuri Park and Toten Island can also be visited.

Pangani and Bagamoyo are historical towns famous for exporting ivory and slaves, and as safe harbours for *dhows*. Bagamoyo is rich in history, having been an important slaving centre, the capital of German East Africa and the place to which Dr Livingston's body was brought. The Saadani and Mkomazi Game Reserves are seen as emerging tourism destinations.

Dar es Salaam is the commercial capital of the country and the main business tourism destination. It has a significant port (an emerging cruise liner destination) and a rich heritage of surviving colonial buildings. Attractions include the Museum and Culture House, the Village Museum and busy markets. An MNRT hotel inventory study carried out in 2006 estimated the number of hotels in Dar es Salaam at 109 and rooms at 4,472.

2.2.6.5 West

Gombe Stream National Park is the home of the world's longest running chimpanzee study programme, which has been running for almost 50 years, or five chimpanzee generations.

The Katavi National Park is one of the few remaining savannah reserves in Africa.

Ujiji was the terminus of the slave routes linking Lake Tanganyika with the sea. It was also the meeting place of HM Stanley and Dr Livingston. Tabora was another important slave trade centre.

The Mahale National Reserve on Lake Tanganyika, one of the world's least polluted freshwater bodies, has a very diverse flora and fauna including red colobus monkeys and a large troupe of chimpanzees.

Acorn (2008) has noted that the West attracts higher spending safari visitors and 'Africa addicts'.

2.2.6.6 Zanzibar and the Spice Islands

Zanzibar's historic capital Stone Town (a threatened world heritage city) offers an eclectic mix of luxury, boutique and budget accommodation in historic palaces and town houses. In addition to fascinating architecture, musical traditions, rich Muslim culture and history, Zanzibar offers excellent water sports (including some 30 scuba dive centres) and superb beaches with extensive resort development.

Pemba and Mafia islands offer an even more laid back spice island experience, and the Mafia archipelago hosts Tanzania's first Marine Park.

Whilst Zanzibar has a strong tourism offer, some excellent hotels and an evocative international image, there are many product weaknesses to be addressed including completely inadequate airport and ferry port facilities, extreme poverty beside luxury hotels (and very weak links to address poverty), potential loss of World Heritage Site status and possible over-development of coastal locations without sufficient infrastructure development.

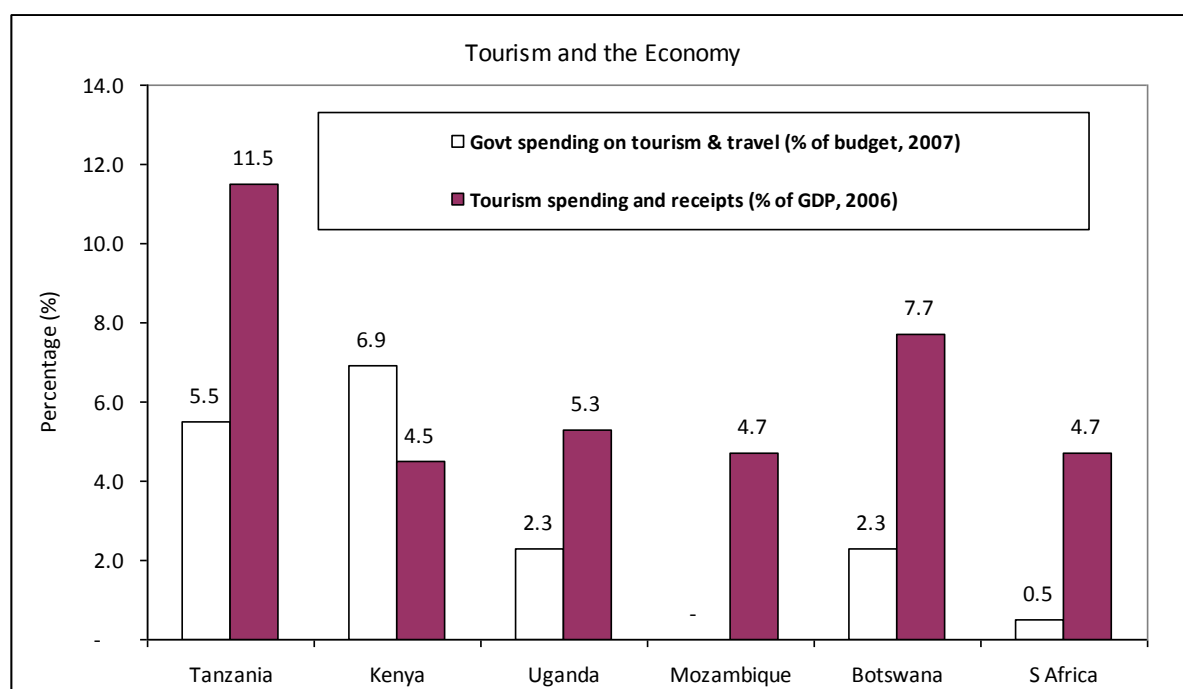
2.3. Benchmarking Tanzania's Tourism Performance

The comparisons of Tanzania with its key African competitors in the tourism industry are drawn firstly from the Travel and Tourism Competitiveness Report 2008 (World Economic Forum 2008). Drawing comparison from this source has the major advantage that the indicators are defined and measured in the same manner across countries, ensuring consistency. Secondly,

Tanzania is compared in terms of key performance indicators with other African destinations based on UNWTO figures.

2.3.1. Tourism and Tanzania's economy

Figure 2. Tourism and the economy

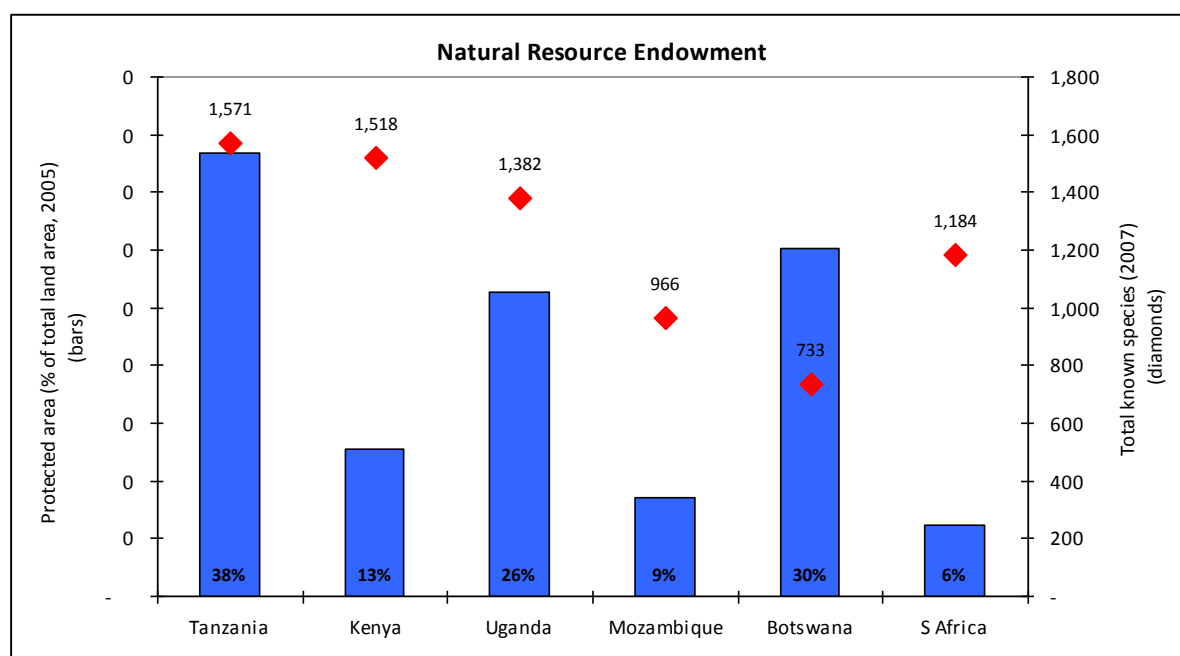


Source: World Economic Forum (2008)

The relative importance of the travel and tourism industry to Tanzania is illustrated in the chart above. Tourism spending and receipts accounted for 11.5% of GDP in 2006, the highest by a significant margin compared to the comparator countries. It also absorbed 5.5% of government spending, second only to Kenya's but ahead of Uganda, Botswana and South Africa.

2.3.1.1. Natural Resource Endowment

Figure 3. Comparing natural resource endowments



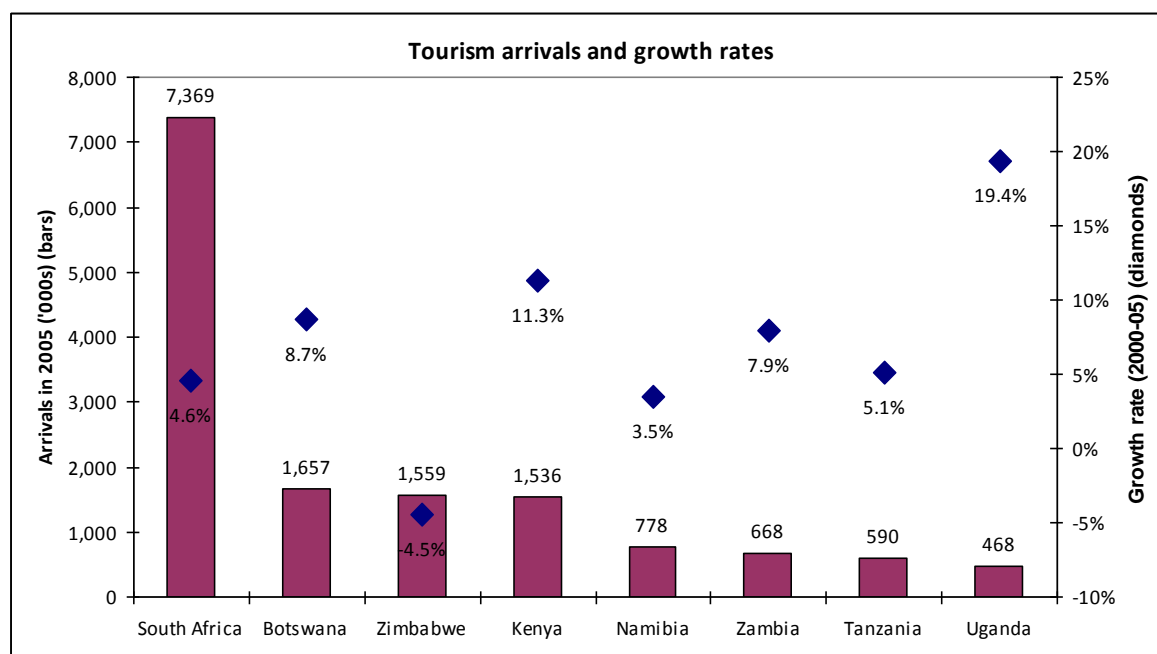
Source: World Economic Forum (2008)

Tanzania's natural resource endowment is significantly richer than that of its competitors. The country has protected the largest proportion (38%) of its total land area than any other country in the world. Among its competitors, only Botswana comes close having protected 30% of its land area. Tanzania also leads its competitors in terms of the total known species in the country (1,571), followed closely by Kenya's 1,518 species.

2.3.2. Arrivals

Arrivals to Tanzania are still relatively small, reflecting weaker demand and less air lift than competitor destinations. As indicated in Table 2 earlier, Tanzania is dependent on relatively few source markets (Kenya, the UK, the USA, Italy and Uganda). By contrast Kenya's top inbound market is Germany, and Germany is also important to South Africa. A relatively bleak picture emerges when Tanzania's recent performance in terms of arrivals when compared to African competitors: Tanzania has had slower growth than all its competitors other than Namibia and Zimbabwe. Figure 4 below illustrates this.

Figure 4. East and Southern Africa tourist arrivals and growth rates

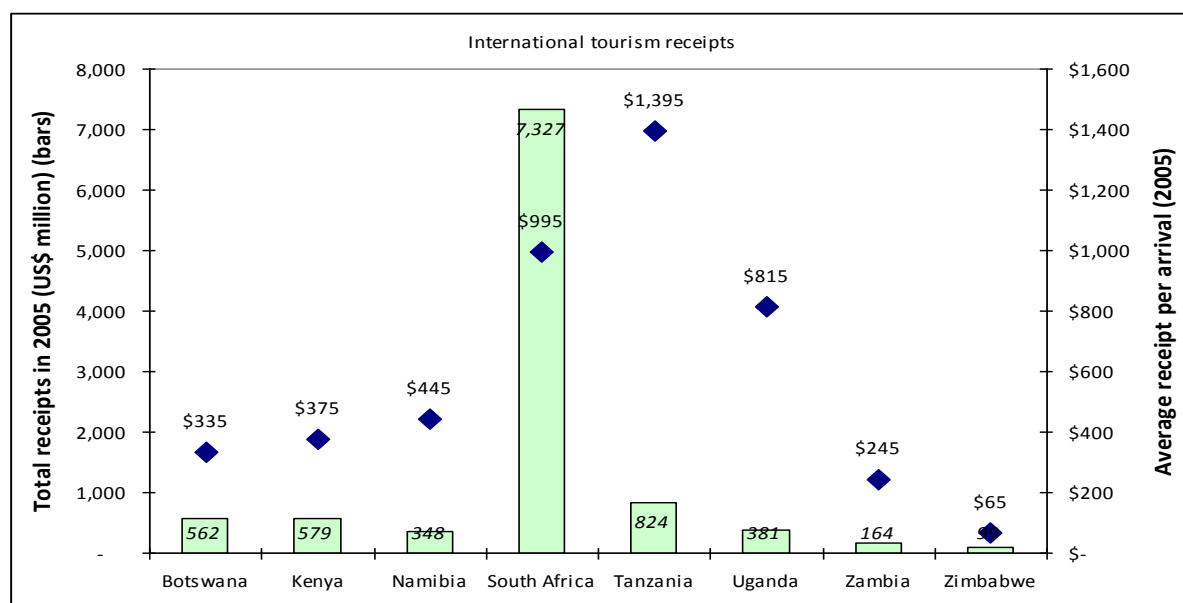


Source: UNWTO 2008

2.3.3. Receipts

By contrast, tourism receipts for Tanzania are one of the strongest in the region, due to the importance of hunting to tourism and the relative cost of the destination. This is positive, but probably has implications for competitiveness.

Figure 5. East and Southern Africa tourism receipts



Source: UNWTO 2008

A picture thus emerges of a destination with weaker demand than its neighbours and higher costs.

2.3.4. Market Share

2.3.4.1 Main Products

Acorn Consulting (2008) have undertaken an extensive market segmentation exercise for Tanzania. They have estimated that the beach, safari and trekking/climbing segments are the most important for Tanzania both in terms of volume and value, and that this situation is unlikely to change in the foreseeable future. The results of this research are summarized below.

2.3.4.2 Beach Tourism

For beach tourism it is estimated that Tanzania captures 20 to 25 per cent of the sub-Saharan beach tourism market and that Kenya, South Africa and Mozambique are the key competing destinations, although this commodity product also competes with Mauritius, the Seychelles, the Maldives and Thailand. Accommodation, infrastructure and quality of service in Tanzania (Zanzibar) are described as ‘considerably below the standard of competitors’ (Acorn 2008, p.23). Demand for beach tourism is likely to grow but massive development underway in countries closer to Europe such as Egypt, and along sub-Saharan African coasts will continue to put pressure on prices. The beach tourism value chain is examined further in Section 3.

2.3.4.3 Wildlife Safaris

In the area of wildlife tourism it is estimated that Tanzania captures around 15 per cent of the sub-Saharan wildlife safari market with Kenya, South Africa and Botswana as key competing destinations. Demand is expected to continue to grow with development opportunities at the higher end (luxury safaris). Tanzania is however already seen as an expensive destination with high park fees (almost three times higher than South Africa) and high concession fees for the operation of accommodation in parks. National park fees are considered further below and the safari tourism value chain is examined at section 3.

2.3.4.4 Mountain Climbing and Trekking

Tanzania is estimated to be the clear market leader in this area with over 90 per cent of all serious trekking tourism: There are however capacity issues arising, particularly during peak season with demand exceeding supply.

2.3.4.5 Other products

Bird-watching is identified as a segment with good potential for growth owing to Tanzania's rich natural environment. Currently, Tanzania is estimated to attract 10 per cent of sub-Saharan inbound bird-watching tourism. The main competitors are South Africa, Uganda, Kenya and Botswana but many other destinations are stepping up marketing of this product (Swaziland, Mozambique, and Madagascar).

Tanzania is estimated to account for around 20 per cent of sub-Saharan diving with key competing destinations being Kenya, South Africa and Mozambique. The reputation of Tanzanian dive sites is good.

Around 15 per cent of outbound cultural tourism demand is estimated to go to Tanzania. The main competing destinations are Ethiopia, Kenya and South Africa. Bagamoyo and Stone Town have very strong potential however significant investment is needed in conservation, interpretation, and museums and guiding. There is also potential to develop ethnic tourism more.

Hunting is an important revenue earner for Tanzania with the main competitor being South Africa, Zambia, Zimbabwe and Namibia. Tanzania has an excellent product due to its rich fauna, but demands high trophy fees.

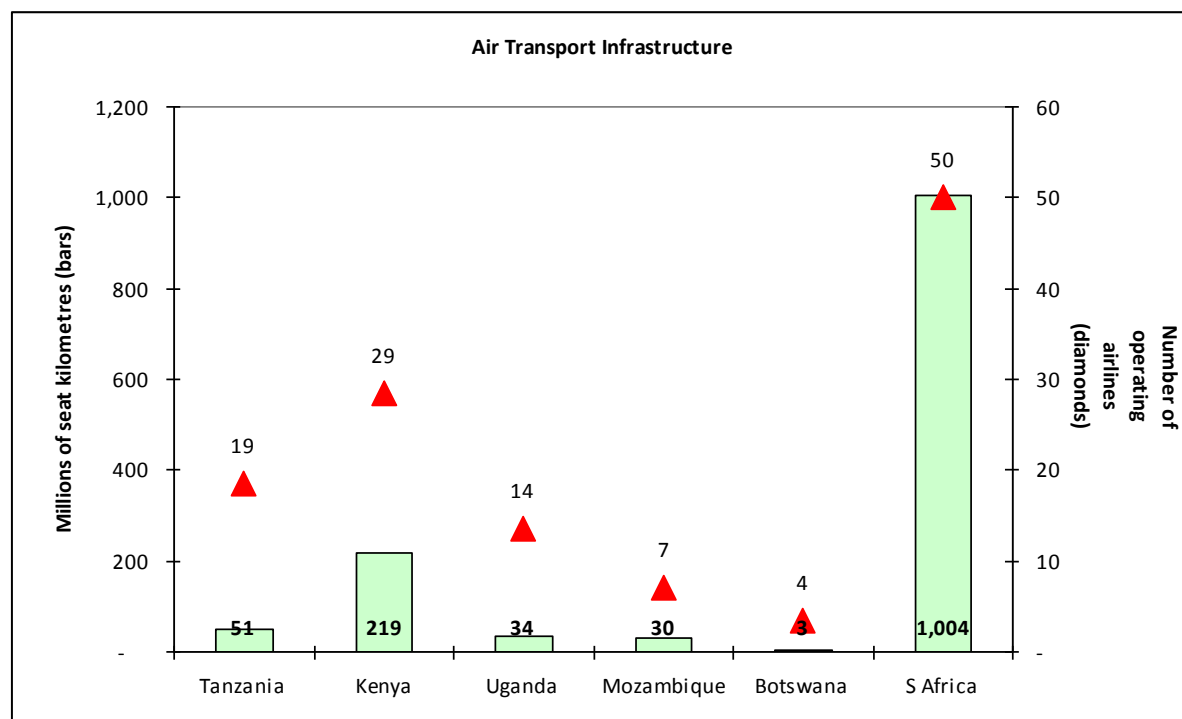
Table 4: Market Share Estimates for Selected Tourism Products

Category	Tanzania's Market Share (Estimate)	Key Competing Countries
Beach Tourism	20-25%	Kenya, S. Africa, Mozambique, Mauritius, Seychelles, Maldives, Thailand
Wildlife Safaris	15%	Kenya, S. Africa, Botswana
Trekking	90%	Limited
Bird Watching	10%	S. Africa, Uganda, Kenya, Botswana
Diving	20%	Kenya, S.Africa, Mozambique
Cultural Tourism	15%	Ethiopia, Kenya, S. Africa
Hunting	8-10%	Zimbabwe, S. Africa, Botswana

Source: Acorn Market Study of Tourism in Tanzania, 2008

Tanzania is estimated to account for 8 to 10 per cent of inbound hunting tourism to sub-Saharan Africa.

2.3.5. Air Transport Infrastructure

Figure 6. Comparing Air Transport Infrastructure

Source: World Economic Forum

Tanzania's air transport infrastructure falls short of that of two most important competitors, Kenya and South Africa. The number of available seat kilometres measures the intensity of weekly scheduled flights (combining both capacity and distance flown) to the destination during the peak July (summer) and January (winter) travel seasons. Tanzania has just 23% of

Kenya's available seat kilometres and 5% of South Africa's. Similarly, Tanzania has just 25% of Kenya's departures per 1,000 population and 6.25% of South Africa's.

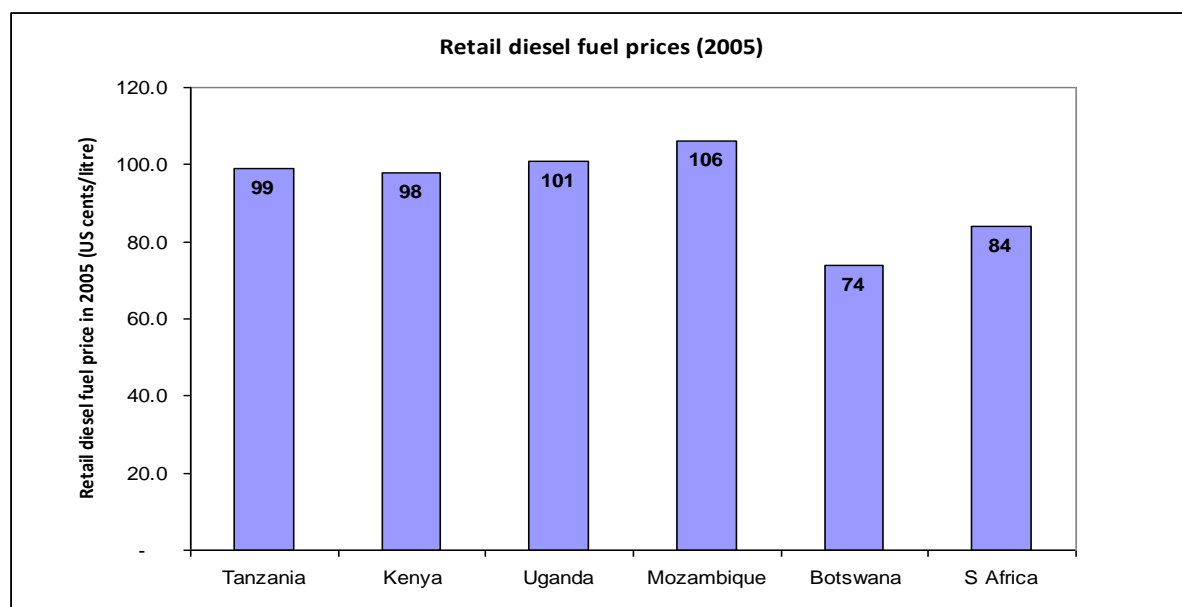
Tanzania also has fewer scheduled airlines (19) operating into and out of the country compared to Kenya (29) and South Africa (50). The implications of this combination of indicators for the pricing of airfares to Tanzania is clear and drawn out in subsequent sections of this report.

In terms of visas requirements, Tanzania requires business and tourism visas from citizens of 75% of UN countries. This is slightly higher than South African and Botswana (64% and 63% respectively), but lower than Kenya (79%), Uganda (83%) and Mozambique (98%).

2.3.6. Price Competitiveness

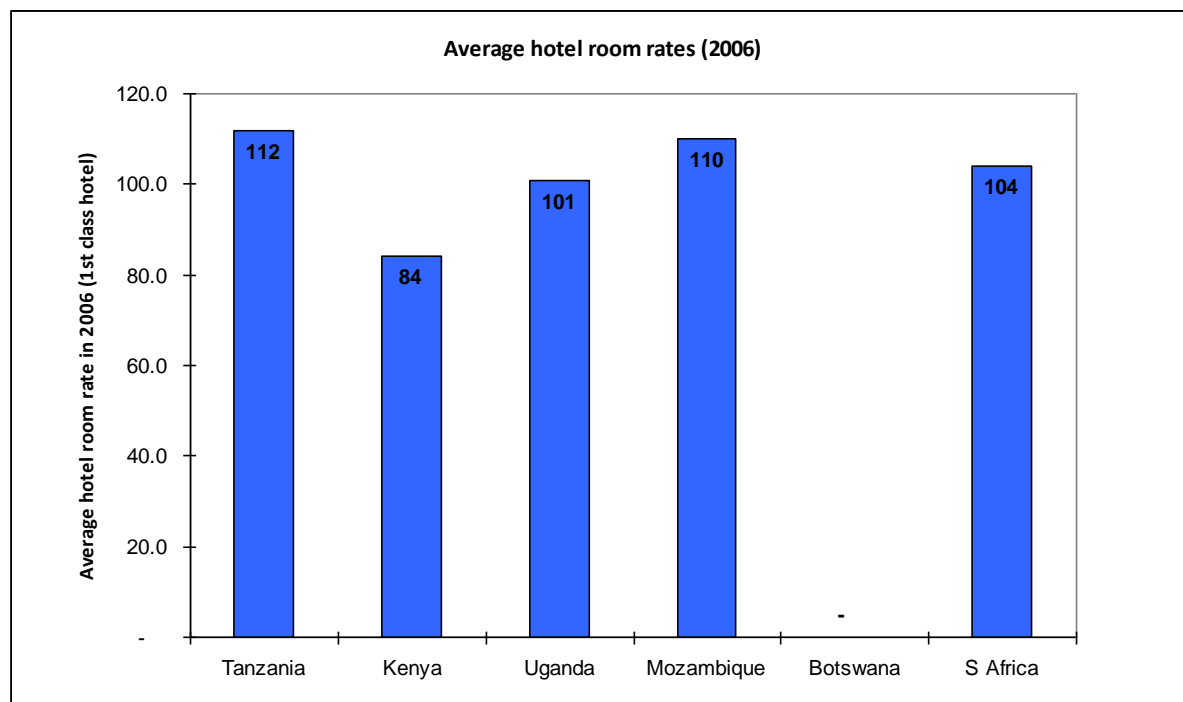
Two indicators of accommodation and ground transport price competitiveness are used: the retail price of diesel fuel in 2005 and the average hotel room rates achieved for first class hotel over a 12 month period in 2006.

Figure 7 Comparing Retail Diesel Fuel Prices (2005)



Diesel prices in Tanzania, Kenya and Uganda were broadly similar ranging between \$0.98 and \$1.01 per liter, but they were higher than those in Botswana (\$0.74) and South Africa (\$0.84).

Figure 8. Comparing Average Hotel Room Rates (2006)



Tanzania's room rates were the highest in the group at \$112, followed by Mozambique with \$110. Kenya's rate of \$84 was significantly more competitive.

National park fees are compared in the table below. It is clear that Tanzania is more expensive than competing destinations; 2.9 times more expensive than the Kruger National Park and 25% more expensive than the Maasai Mara. This is discussed further in the next section.

Table 5 Tanzania's National Park Fees

Country	Park	24 hour admission (US\$)
Tanzania	Serengeti	50
	Kilimanjaro	60
	Gombe	100
	Mahale	80
	Others	20/35
South Africa	Kruger	17 (ZAR 140)
Kenya	Maasai Mara	40
Namibia	Most parks	10 (NAD80)

Sources: http://www.tanzaniaparks.com/parkfees/Tariffs_8%20.pdf, The Mara Online, Namibia Tourism

http://www.sanparks.org/tourism/tariffs/2008/Tariffs_20082009.doc?1222385918

2.4. Issues Arising

A picture thus emerges of a destination rich in natural resources but with weaker demand than its neighbours and higher costs. The analysis in this chapter raises the following issues of relevance to tourism value chains:

- a) Tourism is a major contributor to GDP and export earnings, proportionately more important to Tanzania than in other African countries.
- b) Global trends indicate changes in source markets and the increasing use of the internet by consumers to purchase travel and tourism products.
- c) Tourism is a significant mechanism to reduce poverty in Tanzania, and its potential to improve livelihoods has considerable scope for expansion.
- d) Tanzania's natural resource endowment is significantly richer than that of its competitors, but built infrastructure is weak.
- e) Tanzania is the market leader in the area of climbing and trekking, and has a strong product for nature-based tourism (safaris, diving, bird-watching and hunting).
- f) Tanzania is currently dependent on a relatively small number of markets for 45% of its arrivals: These are Kenya, the UK, the USA, Italy and Uganda. Visitor numbers from Germany and France are particularly low.
- g) Tanzania's growth rate for international arrivals is slower than that for East Africa, and Africa as a whole.
- h) Tanzania's hotel room rates are significantly higher than competitor destinations.

- i) National park fees are higher than competing destinations.
- j) Tanzania's air transport infrastructure falls short of that of its two most important competitors, Kenya and South Africa.

3. The Tourism Value Chain⁶ in Tanzania

The full tourist experience to any country is based on a series of contact points, provided by multiple suppliers at each stage, from booking with a travel agent to airline carriers, hotel accommodation, excursions and tours. Failure to provide excellent services at each contact point will mar the tourist experience and result in lost revenue and overall country competitiveness. The sector's performance is interlinked with various other service providers, institutions, industries as well as the public sector. It is important to closely examine each section of the tourism value chain to harmonize interdependent industries and increase the country's overall competitiveness.

Understanding the nature of constraints confronting the tourism industry requires a rigorous assessment of the role of each value chain component, in the overall tourism experience, the linkages to other agents, and the performance of the service providers, industries and institutions.

3.1. The Value Chain Framework for Tourism in Tanzania

There are a number of different approaches to assessing the competitiveness of an industry value chain. The approach used in this study is drawn from other work done by the International Finance Corporation⁷ and is based on specific requirements in this assignment's terms of reference. The framework is based on concrete itineraries that are time, place and price specific. The tourism value chain – the itinerary- is mapped by way of economic organization, industrial and locational specificity within the parameters of total trip expenditure (see table below). The study then goes further to

⁶ Value Chain analysis is an analytical as well as an operational way of a production process. There are various interpretations/definitions of a value chain depending on the kind of analysis being carried out. For the purposes of this study, value chain refers to the set of economic activities that defines the provision of products and services within the tourism segment as defined by the customer experience.

⁷ See for example "The Tourism Sector in Mozambique: A Value Chain Analysis", International Finance Corporation, OECD, 2006

identify how value is appropriated among the various service providers and suppliers in the industry. To assess the performance of operators within each segment a number of metrics and indicators are compiled and consolidated with insights on the factors affecting Tanzania's competitiveness. The approach emphasizes the supply-side aspects of the tourism experience and also enables the identification of industry-specific constraints, constraints driven by the economic organization and the location specific factors that curb the growth of the tourism sector. The framework helps set priorities for targeted intervention not only at a very industry and location specific level but also more broadly in terms of country-wide policies.

Table 6. Total Tourist Expenditure on Travel Experience Value Chain Analysis

Service Group	Details	Cost	Key Indicators
Frontier Services	Visas and other entry permits	Fees/ Taxes	Visa processing times/ policy, Permits, Health checks, Airport Delays, Time to Clear Customs, Baggage Handling, Airport Taxes, Facilities
Foreign Intermediaries	International travel Agents, Tour Operators	Commissions	Negotiation power, Marketing Expenses, Tourist perceptions, Propensity to attract tourists, Quality of destination service providers Global positioning
Domestic Intermediaries	Domestic Tour Operators and Travel Agents	Commissions	Entry barriers, Reliability and service quality, Value added, Labor productivity, Propensity to attract tourists, Marketing expenses, Presence in global tourism markets, Innovation& Product development
Transport Related Services	a.) International Air Transport and Airport Services; b.) Domestic Air Transport and Airport Services; c.) Ground/Other Domestic Transport Logistics (Incl. Private charter helicopters, car rentals, dhows etc)	Negotiated with Service Providers	Entry Barriers, Reliability, safety, quality Air-service agreements/Competition policy, Cost Efficiency (e.g. Cost/Passenger Mile), Scheduling, Capacity, Fares, Coordination with intermediaries, Tariffs, taxes, Administrative barriers, Destination marketing
Accommodation Services	Hotels, Lodges, Camp Sites etc.	Negotiated with Service Providers	Entry barriers, Land access, Labor productivity, Capacity and quality, Regulations/competition policy, Input sourcing, costs driver, Spillovers to local economy, Coordination with intermediaries, Destination marketing

Service Group	Details	Cost	Key Indicators
Ancillary Service Providers	tours, activities, events, attractions, excursions, restaurants, shops, etc.	Out of Pocket expenses	
Total Tourist Expenditure		Sum of relevant costs itemized above	

3.2. Tanzania Tourism Value Chain Assessment

There are several value chains that can be considered for analysis in the context of the Tanzanian tourism experience:

- Beach excursions
- Safari excursions
- Specialised High value segments – hunting, trekking, mountain climbing, diving etc.
- Domestic tourism
- Business Tourism
- Cultural Tourism

The analysis in this section focuses on three itineraries chosen to reflect the heterogeneity of tourism products, destinations and market segments that characterizes Tanzania's tourism offer. The travel package is used as the basic unit of analysis and outlines the interactions of the customer with various economic agents along the supply chain. While the itinerary-specific nature of this analysis may not fully reflect the broader business environment it provides a sound basis for grounding the discussion regarding the business climate. It is acknowledged that there are other customer experiences which could provide additional insight into policy. These include business tourism, domestic tourism and community-based tourism. However we believe the packages selected below currently broadly reflect the main tourism experiences and contributors to revenue in Tanzania. The following itineraries were selected for the analysis:

- Beach Package Holiday – UK (London) – Zanzibar
- Safari Package Holiday – UK (London) – Arusha – Northern Circuit

(iii) High-end Exclusive 21-day Hunting Safari – Houston, Texas – Arusha

In addition, an assessment of local intermediaries was undertaken via an independent mystery tour undertaken by a member of the team. A discussion of this experience is included as an Annex to the report.

3.3. London – Nairobi - Zanzibar Beach Package

Aggregate data from the Bank of Tanzania⁸ shows that up to two thirds of visitors to Zanzibar went on a package tour and the average length of stay was about 8 days (seven nights). The itinerary selected is modelled to reflect these findings. The itinerary from London⁹ to Zanzibar connects Tanzania's intercontinental (long haul) market and the main leisure experience (the white sandy beaches of Zanzibar). The 7-night itinerary comprises of a night flight into Nairobi followed by a connecting flight to Zanzibar and seven nights at a four star beach resort.

3.3.1. Destination Analysis and Tourism Product Description

Zanzibar is well known for its combination of traditional Arab/Swahili culture, white sandy beaches, great diving locations and sense of history as a conduit in the old slave and spice trade routes. The main attractions include: beaches, diving, superb fishing, Stone Town (which is a UNESCO World Heritage site), an annual film festival, regional music festivals, spice tours, dolphin viewing among other attractions. The island can be divided into several zones –

- The **Stone Town** area largely caters to the cultural and business visitor with several five and four star hotels providing services to guests and a large number of tour operators offering local tours. This is also the administrative capital of the island and hosts most government offices, educational institutions and the main port. The airport and ferry services are also located in this area.
- The **Eastern shore** – this area, about a one hour drive from the Airport, has become a main location for four and five star beach resorts. There

⁸ See Annex 6 for detailed review of this data.

⁹ The UK is the second largest destination for tourists to Zanzibar and one of the fastest growing.

are at least 8/9 beach hotels in this area offering package tours mainly to European clients. Resorts tend to be located on the same strip within walking distance of one another. Ten years ago only one/two hotels were located in this area so the location is fast becoming a mass beach tourist destination.

- **Southern shore** – this area also has several resorts. Most however are smaller targeting backpack and independent tourists. Some locations have also tried to make their facilities relatively Eco-friendly. They also work more closely with local communities in the area.
- **Pemba** and the smaller islands such tend to be more “virgin” territory with generally smaller resorts.

Table 7 below presents the basic statistics on tourism in the destination. Tourism contributes significantly to overall GDP in Zanzibar; it also contributes almost 20% of national tourism revenues in Tanzania. Direct employment in the industry is about ten thousand although the industry supports up to sixty thousand indirectly. Given the population of the island there is scope for the industry to contribute even more to overall employment and GDP.

Table 7. Zanzibar's Destination Characteristics¹⁰

Category	Amount
Population (of which Pemba)	800,000 (150,000)
Contribution of tourism to Zanzibar's GDP	22%
Employment	10,436
No. of tourists	137,111
Tourists per 100 inhabitants	17
Share of tourism receipts (BOP)	19%
International tourism receipts per arrival	\$1,094

While the resource base is extensive (see Table.8) only some parts have been exploited so far.

Table 8. Zanzibar's Resource Base

Long sandy beaches and protected reefs that allow for recreational tourism activities – scuba diving, fishing, swimming, sand boarding, bird watching

source: ZATI, various documents including “Strategy to Attain Half a Million Tourists”. 2007 Data is for 2006

...
Scenic marine parks (lagoons, rich flora and fauna in coastal areas)
Rural villages with local forests and plantations
Spice plantations
Arts and crafts , local traditions and music, local cuisine
Stone town with its rich historic culture and landmarks

Up until recently there has been no strong collaboration across different stakeholders in Zanzibar's tourism sector. The Zanzibar Association of Tourism Investors (ZATI) has become quite active in engaging various stakeholders particularly the government on key issues affecting the industry. To manage the growth of the destination in a sustainable manner, the island must convene to deal with the issues that threaten the destination and the opportunities the destination can pursue. Specifically in order to manage the resources on the island, the growth in the number of hotels, destruction of coral and marine life, pollution, infrastructure degradation, preservation of local culture there is an institutional framework in place. One of the challenges however has been the weak enforcement capacity of the regulations of the Marine park land access and use e.g. zoning, environmental threats, transparency in charges and maintenance of common tourism assets.

3.3.2. Mapping of Suppliers and Service Providers Involved in the Zanzibar Beach Tourism Experience

The package selected comprises an overnight international return flight on a scheduled airline from London to Nairobi¹¹ followed by a regional connecting flight to Zanzibar. This is followed by a road journey of about one hour to the beach resort. Given that there are very few direct flights from Europe¹² the journey can be quite long and is made even longer if one has to take a connecting flight from another European destination. A typical itinerary would include the following:

- Leave Heathrow airport in the evening on a British Airways flight (8-9 hours)

¹¹ Another option is to fly to Dar es Salaam and then connect to Zanzibar. Based on our discussions with tour operators, as there are more connections through Nairobi at least 50% of customers use this itinerary.

¹² There are charter flights to Zanzibar (particularly from Italy) but a large number of tour operators work with existing carriers.

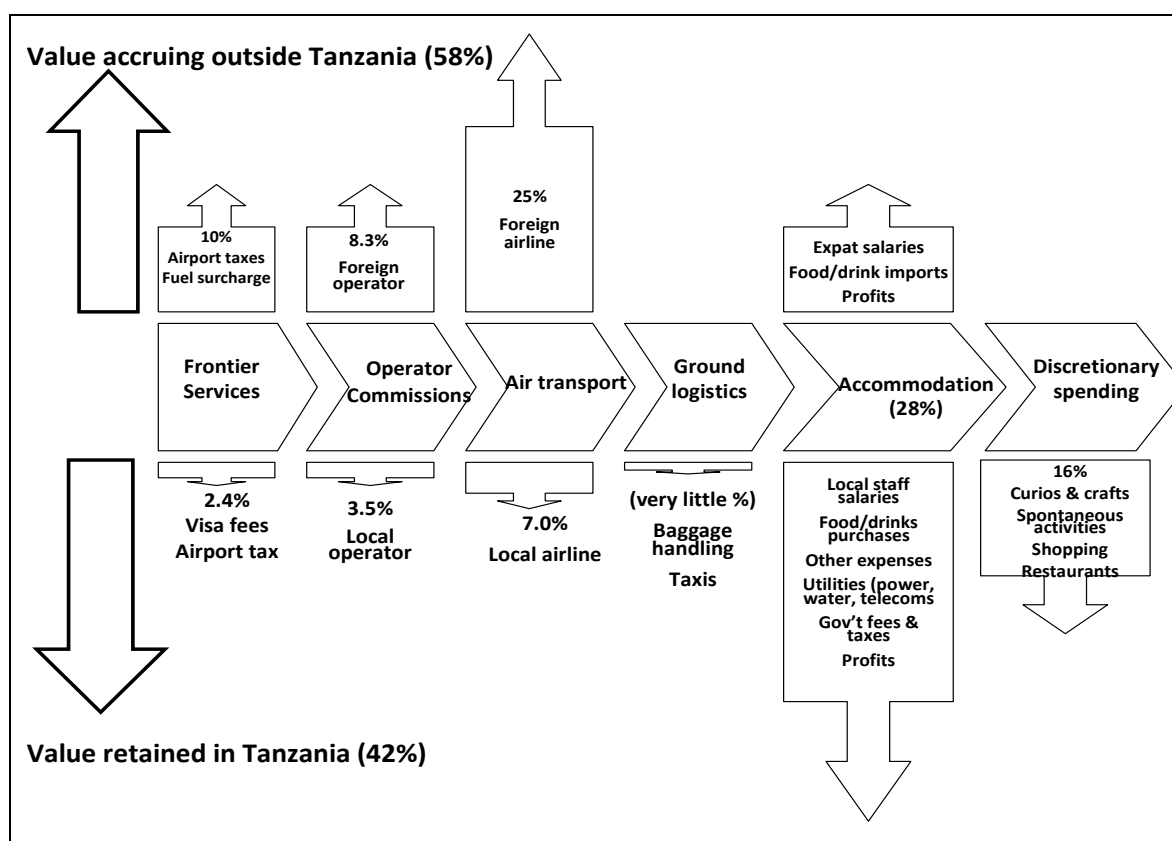
- Arrive in Nairobi in the morning, take connecting flight to Zanzibar (1 hour)
- Be met in Zanzibar by tour operator representative – take ground transport to the hotel – about 45 minutes
- Spend 7 days at the hotel. In some cases take 1-2 day safari to Serengeti or other destination
- Take day trip to Stonetown, visit cultural/historic sites
- Take day trip on the ocean – deep sea diving, snorkelling, viewing dolphins etc.

The process by which the package is assembled combines a number of different economic agents. The core agent is the “Wholesaler” or International Tour Operator (FTO) that deals directly with a wide range of travel agents scattered across Europe and other parts of the world. These Operators have developed customized tours or “packages” under contract with a variety of hotels on the island. When a customer makes a booking with a travel agent in the UK, he/she pays the published price of the tour. The Agent receives a commission from the FTO for “selling” the package. These tours include the air ticket, room (normally priced for sharing with someone else), full board and some drinks. The package also includes all ground transfers to and from the airport. It does not include extra itineraries which can be arranged either prior to departure or at the hotel for an extra cost. Tour operators or their representatives have a regular visiting schedule with all the hotels to make sure that guests are happy with the offering. During these visits they are able to organize additional activities for guests. The value chain is presented below:

Figure 9. Zanzibar Value Chain (London - Nairobi - Zanzibar, 2008)

Total Tourist Expenditure on Travel Experience - \$3,199							
Published Price of Travel Package less taxes -\$2,302							
Cost of Inputs - \$1,925							
\$397	\$264	\$113	\$800	\$225	\$0	\$900	\$500
12.4%	8.3%	3.5%	25%	7%	0%	28%	16%
Negotiated Costs with Service Providers							Out of Pocket Expenses
Fees/Taxes Frontier Services	Commissions Foreign Intermediaries	Commissions Domestic Intermediaries	Int. Air Transport	Dom./regional Air Transport	Ground/Other Domestic Logistics	Accommodation	

Figure 10. Zanzibar Value Chain Diagram (London - Nairobi - Zanzibar, 2008)



The main economic agents that influence the costs and value of this particular itinerary include:

- The international and domestic tour operators (12%)
- Airlines – international and regional (32%)
- Hotel accommodation (28%)

These agents account for 71% of the tourists travel expenditure. As mentioned earlier the service is largely offered as a “vertically integrated” service with the tour operator or domestic representative providing all the ground handling services for “wholesalers” in key source markets. Local ground transport operators (taxi cabs, car rental agents) neither play a central role, nor appropriate significant value along the value chain. Their roles are linked more closely to the provision of ancillary products and services (e.g. Day trips to Stone town, diving trips etc.)

The costs outlined in Figure 9 above are the actual expenditures paid by the traveller for these services. US\$ 264 is the commission that accrues to the UK wholesaler/tour operator; US\$ \$800 is the price of the ticket from London to Nairobi (this figure does not include taxes); US\$225 is the discounted price of the ticket from Nairobi to Zanzibar. The Tourist pays about \$900 to the hotel. These costs are also inclusive of costs of transfers from the airport to the hotel at the destination, full board and hotel entertainment activities.

Other activities that command a significant share of the tourist revenues include frontier services and out of pocket expenditure. Frontier services include visa costs and airport taxes broken down as follows:

- Airport tax for Heathrow Airport
- Security tax
- Fuel surcharge
- Airport tax Nairobi
- Visa fees for Tanzania

Airport taxes (\$30) are paid in cash at the Zanzibar airport. Apart from this tax and visa fees (\$50), the rest (over \$300) are payments that are not under the jurisdiction of the Tanzanian authorities.

The itinerary focuses on Tourists going to a resort on the Eastern strip of Zanzibar. Competing destinations for Zanzibar include Botswana, Kenya,

Seychelles, Mauritius, South Africa, Mozambique, Egypt (Red Sea) as well as Thailand and possibly Bali. Acorn Consulting (2008) identified Kenya, South Africa and Botswana as the key competing destinations for Tanzania in sub-Saharan Africa.

Beach tourism is however a commodity product where the price and quality of the accommodation and beach are the determining factors. This is illustrated in the UK website <www.rainbowtours.co.uk> which presents all East and Southern Africa beach product together, differentiating not only by country but alternatively by type of beach holiday, regardless of location. Their categories are ‘castaway beaches’, ‘marine life’, ‘lively’ and ‘diving’. Zanzibar features as a ‘castaway’ and ‘diving’ beach destination.

In order to determine Zanzibar’s position in the beach commodity market price range we have examined UK e-booking websites¹³ to determine positioning. Zanzibar does not feature as a beach holiday destination on these websites (only Kenya and Mauritius and North African destinations do) indicating that it is not a mainstream beach holiday destination for the UK market. We have further examined African tour operator programmes for 7 night options and have categories destinations as follows:

Table 9. Beach Holiday Positioning

Positioning	Price Range US\$	Competing Beach Destinations
High-end	2,000 – 5,000	Seychelles, Mauritius
Mid-range	800 - 2,500	Kenya, Mozambique, Tanzania, Thailand
Budget	Less than 800	Egypt, Tunisia. West Africa (e.g. Cape Verde)

The challenge for Zanzibar is how to add value to move ‘up’ rather than ‘down’ in this ranking. This is difficult in a commodity market. It is a matter of quality standards and visitors’ willingness to pay (perception) in addition to cost efficiency. A complex combination of issues is involved not simply basic supply (air lift and accommodation), the price of ancillary services and demand. Worldwide demand for beach holidays is buoyant, especially from

¹³ Expedia, Opodo, Lastminute

Europe in winter, but the supply and choice of destinations is rapidly expanding. Zanzibar must position itself more strongly in the higher end, invest in a quality product and service to deliver this positioning, and invest in cultivating a positive image and fashionable *cachet* to get higher prices for beach tourism packages.

3.4. Adding Value: Assessment of the Policy and Capacity Constraints along the Tourism Value Chain for Zanzibar

3.4.1. Frontier Services

These services comprise travel advisories, the convenience of obtaining visas and other expenditures relating to trip preparation and are additional to the cost of the package. The UK travel advisory for Tanzania warns of an underlying threat of terrorism, but is generally positive. Almost all negative tourism incidents reported on the UK Travel Advisory took place around Arusha. If applying in advance from a Tanzanian embassy, normally three working days should be allowed (up to ten for postal applications). A 24-hour service is available at an extra charge of £20¹⁴. The costs of obtaining a single entry visa for competitor countries are itemised in Table 10 below.

Table 10. Cost of Obtaining a Visa - Cross-country Comparison

Country	Single Entry Tourist Visa (UK)	Cost US\$
Botswana	£60	98
Egypt	US\$40	40
Kenya	£30	50
Mozambique	£40	65
South Africa	No visa required	No visa required
Tanzania	£38	62

Source: <<http://worldtravelguide.net>>

Note: In some cases waivers will have been negotiated for groups

Visa costs for Tanzania are mid range compared to competitors: For UK visitors the cost is £38 per single-entry (prices are for application at the High Commission in London). For US and Irish citizens the cost is even higher: US\$100 (single or double-entry, six months); or US\$120 (express service).

¹⁴ <<http://worldtravelguide.net>>

The main entry point for most tourists into Zanzibar is the Zanzibar airport. It is recognised now by all players including the government that the current airport is too small to meet the growing international traffic passing through it. Key elements of the experience include the following:

- For visitors that need a visa upon entry the process is straightforward; the time taken however for processing takes at least fifteen minutes but could take up to half an hour depending on the number of applicants on queue at the time.
- Service at the port of entry is mixed. The welcome and baggage retrieval service although improved, is still below international standards; the capacity of the existing machinery/conveyor belts etc to handle large volumes is extremely limited. There is also limited assistance available to handle queries about baggage etc.
- Exit services tend to be chaotic with long lines and limited information on correct queuing procedures, departure times, tax requirements etc. Passengers also tend to stay in long lines in the sun with no access to shade. Inspection services are random and at times can result in baggage being detained due to poor information on requirements.
- Overall the facilities are not adequate to cope with large volumes and present a security risk for many airlines.

The overall experience tends to be extremely negative for tourists and leaves a bad taste at the end of the holiday. Exit interviews with tourists cite this experience as a major contributor to negative impressions of the island as a destination.

What a disaster! Check in for departure involves queuing across a road and into the car park. there is one computer (kenya airlines) so it takes a long, long time. Arrive early and be prepared to wait or agree to the additional fee (;-() and use business class check in - but watch for the excess luggage fee that can be reduced by negotiation and no receipt. When we were there the luggage XRAY did not work so a further queue to get luggage very carelessly hand checked early alos involved a fee! if you have security / flight phobia's you wont like this Airport - the USD 30 departure tax is a rip-off for what is the 2nd worst airport I have ever experienced ([Kabul](#) no 1!). Tanzanian Governemnt needs a huge kick up the bum to fix this - plain and simple a disgrace.

Source : Internet Discussion Forum on Zanzibar

3.4.2. Intermediaries and Distribution Channels

Most FTOs have either their own offices or representative agencies that handle all on the ground operations. A large portion of business to the island comes as "add-on" packages to safaris. Large tour operators have a significant presence on the ground in Arusha and these agencies provide significant business to hotels in Zanzibar.¹⁵ The FTO books the London – Zanzibar flight via a global reservation system; the connecting flight from Nairobi or Dar es Salaam is done through a domestic agent. The transfers from the Zanzibar airport are handled by the local ground handler or representative. Most upscale beach resorts offer largely the room and meal at a discounted rate to the tour operator or local ground handler. Hotels tend not to add on additional services like diving, fishing etc. It is expected that these will be provided by the tour operator as additional optional packages for guests.

The larger resorts and hotel chains have good distribution channels and some are vertically integrated with air charters. Overall however Zanzibar's beach tourism product is overly dependent on a few European markets particularly the Italian market (reflecting in part Italian inward investment). Acorn (2008)

¹⁵ For example, Ranger Safaris (owned by UK company Alpha) handle a large portion of Serena Group tours; they also are the registered ground handler for Kuoni Travels, one of the largest Wholesalers, based out of the UK; Leopard Tours, handle a large beach extension package to Blue Bay hotel in Zanzibar etc.

reported that Europeans accounted for 73% of total arrivals in Zanzibar in 2007. Italy alone accounted for 36% of total arrivals to Zanzibar.

Table 11. Tourist Arrivals in Zanzibar by Country of Origin

No.	Country	Tourist Numbers
1.	Italy	49,658
2.	United Kingdom	14,180
3.	South Africa	11,769
4.	Scandinavia	8,400
5.	USA and Canada	8,100

Source: GOZ Strategy for Half a Million Tourists, 2007

Smaller hotels have limited marketing resources and limited distribution channels. There is no central internet consumer resource and booking engine for Zanzibar, for example, and this is an opportunity for the private sector. Most Tanzanian ground handlers are based in Dar es Salaam or Arusha, leaving Zanzibar a bit isolated from key controlling interests. Those that are in Zanzibar have limited capacity and skills to expand their service offerings.

Yield management skills are generally poor due to limited demand streams and limited room supply in smaller hotels.

3.4.3. International Air Transport Fares and Services

Air transport captures over 25% of the total product value and plays an important role in the competitiveness of the service offering. During high season, a ticket costs between \$800 -\$1000 exclusive of taxes on a standard carrier. The price of the ticket is on average higher than competing mass market destinations like Kenya and Thailand, but lower or comparable to up market destinations like Seychelles or Mauritius. Kenya and Thailand are able to be more competitively priced because (i) there are more direct flights from key source markets landing in the country and (ii) they are able to attract a larger number of charter airlines that can offer significant air travel discounts compared to Zanzibar due to better airport facilities. Mauritius

and Seychelles at present have a more up-market customer profile that is able to absorb higher airfares better. Over the past ten years bed-night capacity has increased significantly on the island due to the opening of many new hotels. In order to keep up with the large increase in capacity there is need to improve significantly the airport service platform to allow for more competitive pricing of this element of the value chain.

3.4.4. Domestic Air Transport Fares and Services

As mentioned earlier, in addition to direct visitors to Zanzibar for beach holidays, a significant number of visitors visit the island as an extension to a Safari or a business visit to Dar or Arusha. The extension package would normally include a domestic flight from either Dar or Arusha. The main airlines operating on these routes are Precision Airways and Air Tanzania. Pricing for a flight from Arusha to Zanzibar is about \$250 and from Dar to Zanzibar about \$70 which is reasonably competitive for the target market. The frequency and level of service of flights is ok although there have been some complaints of delays and poor quality service particularly on Air Tanzania.

3.4.5. Hotels and Other Accommodation

According to Figure 1, accommodation is the largest element of the cost. It is here that there is most opportunity to add value and improve Demand for accommodation and occupancy rates vary depending on the location of the hotel and the degree of integration with tour operators. Hotels in Stone Town rely less on tour operators as they can attract direct and repeat business: Hotels in resort locations are more dependent on agents. As a result tour operators are able to negotiate discounts of anything between 15% and 30% on rack rates. Sometimes discounts are even higher. Allotments of bed capacity are generally sought.

Data available on the structure of bed nights in Zanzibar is presented in the table below:

Table 12. Bed Capacity in Zanzibar

Accommodation Type	No.	Bed capacity	Ave. no. of rooms in the hotel	% of total
1 star	13	450	34	8%
2 star	14	511	36.5	9%
3 star	12	1,303	108	22%
4 star	12	1,004	83	17%
5 star	12	2,532	211	44%
Total	63	5,800		100%

Source: Strategy for Half a Million Tourists, 2007, GOZ

One can make some interesting observations based on the data presented:

- Four and five star accommodation accounts for over 50% of total bed capacity. This is likely to have gone up even more since the data is from 2006 and there have been some recent openings of five star establishments (e.g. Kempinski).
- In addition to the larger hotels Zanzibar has a reasonably high number of smaller lower quality hotels (2000 bed nights) that can accommodate a different kind of customer.
- Overall although there is a lack of available data on the quality and occupancy of Zanzibar hotels by location. Observations indicate a wide range of accommodation with some excellent boutique and resort properties, but also many poorer quality ones. Food and beverage options are good in Stone Town, but resort locations can lack choice.

Extrapolating the data presented to the present, overall supply terms the number of rooms available on Zanzibar is estimated to be at least 6,500 with a good mix of accommodation types available. Although little data exists on overall quality, there are at least 4,000 bed nights available for four and five star establishments. This compares favourably with Nairobi (3,228) and Seychelles (4,900) but is much less than Mauritius (19,600)¹⁶

In terms of potential to expand, the higher end (boutique hotels and 5 star resorts) is clearly more desirable if Zanzibar wishes to move 'up' the

¹⁶ IFC, The Tourism Sector in Mozambique, a Value Chain Analysis, 2006

positioning ladder referred to earlier. It is not clear that government policy actively works to encourage this. There are for example many tenement buildings in prime locations in Stone Town that could be restored for tourism purposes, but there are multiple social, compensation and conservation challenges to be overcome. In resort locations links between tourism and poverty alleviation also appears lacking. The other challenge is capacity utilization. Although definitive data was not available, in discussions with leading and other boutique hotels, capacity utilization is less than 60% throughout the year and about 70-80% for four and five star hotels during the high season – Dec, Jan, Feb and July – September¹⁷

In addition to these areas, other issues/challenges faced by hotels include the following:

- **Access to food supplies and other inputs:** In discussions with most hoteliers, source food supplies mainly from the mainland. Luxury items and some alcoholic beverages are imported. This adds to the costs and is in contrast for example to hotels on Kenya's South Coast that source all their food from the local market. ZATI is at present developing a project to link Zanzibar hotels to local food supply and other products. This is a commendable initiative which will add value in terms of the 'responsibility' of Zanzibar as a tourism destination. Obtaining materials and skilled staff for repairs in hotels is also a difficulty.
- **High costs of Electricity and other infrastructure:** Hotel expenditure on electricity and an unreliable supply are major costs for Zanzibar hotels. Hotels are forced to use diesel powered generators and there is little use of solar or wind energy. This can cost over \$1000 a week depending on the size of the hotel and is a major factor affecting profitability and competitiveness.
- **Access to skilled staff:** Although wage costs are generally low, there is a false economy in that lack of skilled staff to deliver a quality product is a major disadvantage to be overcome if Zanzibar is to become a higher quality, higher price beach tourism destination. Hotels are forced to

¹⁷ For example, one hotel chain interviewed with five star operations in Kenya and Zanzibar contrasted the occupancy rates between their hotels on the Kenyan South Coast in 2007 (85-100%) and those for their Zanzibar operation (65%).

invest quite heavily in training, however this is also a challenge as new hotels tend to poach quite a large number of the good staff. The problem is exacerbated by the fact that no quality training institution exists on island to provide good training in key areas.

- **Securing Land Use rights:** Securing land use rights and access to land is problematic and getting a good location can be difficult for both small and large hospitality establishments. The process often takes a very long time and according to some sources interviewed is not always transparent. In addition, increasing competition for land use rights for expansion of tourism to attractive coastal areas is fuelling conflict between investors and local communities (who use land for farming, fishing etc.) Mechanisms to maintain the balance of relationships between the local communities and tourist investors need to be reinforced.
- **Difficult structure for effective yield management in small hotels:** The small scale of hotels, resorts and lodges in some locations works against managing complex price structures and room inventories over multiple channels.
- **Challenges in the regulatory and tax regime:** some operators talked to felt that the licensing and tax regime was overly complicated in the tourism sector and needed simplification. For example, to open a hotel several licenses are required – general hotel license, license to operate a restaurant and bar, local authority license which includes inspection from the health authorities (sometimes both local and national). There are also requirements that need to be met with the environmental authorities, the tax authorities (VAT, social security, payroll tax, hotel levies, training levies etc.) In addition, during the construction phase, several approvals are required at each stage of construction from the local authorities.¹⁸ As there is no central regulatory body for hotels, hotels can face numerous inspections with a variety of different agencies at different times and can spend inordinate amounts of time resolving issues.

¹⁸ See Doing Business Report 2007/8; Tanzania is one of the worst global performers in terms of time taken to start a business.

3.4.6. Ground Transportation and other Transfers

Tourists arriving at the airport in Zanzibar will require taxi services to take them to the hotel. As mentioned, for most package tours, the tour operator or representative will use their own vehicles to transport tourists to their hotels¹⁹. For independent travellers, taxi services are available at the airport. Costs for transport from the airport to Stone Town are about \$20. Costs to the beach hotels can range from \$50-\$70 one way. There are at least 60 taxis at the airport, most are second hand and are of medium to low quality standards. Car rental service are also available in Stone Town though quite expensive (at least \$80-\$100) per day.

3.4.7. Image

In discussions with key informants²⁰, repeat customers in Zanzibar are not as many as one would imagine. In fact although there are positive reviews, some reviews on internet sites for Zanzibar show that some are disappointed by the product as it does not meet their original expectations²¹. There is potential to improve the marketing of Zanzibar specifically as a destination in its own right. A public-private partnership approach would help to generate common communication themes and messages. Zanzibar should be positioned more strongly as a 'castaway', 'cultural' and 'nature/diving' beach destination. An image similar to other island destinations (such as Mauritius or the Seychelles) should be sought, rather than seeing Kenyan beach product as the main competitor. Zanzibar must work to a situation where demand is always a little ahead of supply and prices can rise.

Linking beach tourism to cultural tourism (not just to safaris) is also an opportunity in terms of adding value. It will be important to address World Heritage Site issues to ensure a quality product (Stone Town was listed as a World Heritage Site in June 2002)

3.4.8. Ancillary Expenditure

There are almost no additional activities/ancillary services available in the beach areas. Out of pocket expenses are linked mainly to day trips to different locations (Stone Town, dolphin viewing, scuba diving, cultural tours etc.) Exit interview data

¹⁹ In some cases local tour operators will hire out taxis to provide this service.

²⁰ This point came up in discussions with ZATI

²¹ See sites like www.tripadvisor.co.uk; www.responsibletravel.com.

estimates that tourists staying for about 7 nights in Zanzibar spend on average \$ 500 (about \$350 for shopping and food and \$150 for sightseeing). Hotels interviewed confirmed that most tourists on packages do not spend much additional on food and drinks at the hotel as these are provided for. Ancillary expenditure only accounts for about 15% of the total package costs. There is opportunity here for interventions that will increase this share –restaurants, shopping, other cultural activities, additional sports (e.g. Golf resorts), other water sports etc.

3.4.9. Issues Arising

Based on the foregoing a number of key issues emerge:

- Based on a review of hotel profit and loss expenditure, one can assume that at least 60% of accommodation revenue is spent in Zanzibar²². Using this assumption and the value chain analysis presented earlier, then out of the total tourist expenditure one can conclude that at least 40% of the total expenditure is retained in the country. This is a positive contribution and is indicated in the overall contribution to GDP in Zanzibar; the findings also show however that more can be done to retain a higher value in Tanzania from Tourists in Zanzibar.

Table 13. Tourist Expenditure Retained in Tanzania: Zanzibar Value Chain

Value chain item	Amount spent	% Retained in Tanzania	Value Retained
Fees and Taxes	\$397	25%	\$80
Foreign Intermediaries	\$264	-	-
Domestic Intermediaries	\$113	100%	\$113
Int'l. Air Transport	\$800	-	-
Domestic/Regional Air transport	\$225	70%	\$158
Accommodation	\$900	60%	\$540
Out of pocket expenses	\$500	100%	\$500
Total	\$3,199		\$1,391 (43%)

- In line with the conclusion above, key areas that can appropriate more local value include: increasing capacity utilization in hotels, more use of local inputs, improving the presence and role of local agents/ground handlers in the value chain and identifying ways to increase tourist discretionary spending on the island.

²² This covers operating expenses, salaries, purchase of inputs, food, water, power costs, transport costs, taxes etc.

- A key ingredient for future growth and value creation in Zanzibar is the need for better positioning of the island. The product/experience being offered can be multifaceted but policy direction needs to be targeted at where greatest yield can be attained – moving up the market chain or competing with mass market destinations. The strategic direction chosen will have implications for interventions that will enhance the tourist experience on the island – improving infrastructure, conservation etc.
- The island faces capacity constraints at present which hinder appropriation of more value - these include skills deficiencies at hotels, weak SME's and limited number of institutions able to enhance skills in various sectors.
- Linkages between tourism and the local community are not as strong as they could be. This is also an area that could be strengthened significantly in order to add value to the local economy.
- The complicated regulatory, licensing and tax regime needs to be simplified to make the operating environment more friendly for both domestic and international investors.
- The quality of infrastructure, particularly the airport need immediate attention if the island is going to maintain and expand its visitor numbers. This has been mentioned in numerous reports, there is need for action on this front.

3.5. London – Arusha – Northern Circuit

The package is an 8 day 7 night package out of London to Arusha and then on to the various parks in the Northern circuit – Lake Manyara, Ngorongoro, and Serengeti. The package includes air and ground transfers, and all foods. Typically the package will start with a flight out of London using a direct flight to Arusha Kilimanjaro Airport or through Nairobi. The first night will be spent in Arusha followed by a trip to Lake Manyara national park. This will be followed by nights in Ngorongoro and Serengeti. An example of a typical itinerary is presented below:

- **Day 1 : Heathrow – Nairobi:** Fly from Heathrow on Kenya Airways overnight to Nairobi
- **Day 2: Arusha :**On arrival take connecting flight to Kilimanjaro airport, near Arusha. Transfer to a lodge just outside Arusha.

- **Day 3: Lake Manyara:** After breakfast drive to Lake Manyara National Park (150km), famous for its tree climbing lions.
- **Day 4: Serengeti:** Drive to the world famous Serengeti National Park (235km).
- **Day 5: Serengeti:** Enjoy game drives and possibly a morning balloon flight over the Serengeti.
- **Day 6: Ngorongoro:** Travel to the Ngorongoro Crater (200km) via Olduvai Gorge and check into lodge overlooking the crater.
- **Day 7 : Ngorongoro:** Drive down into the crater for a half day of game viewing. Visit a local Masai village.
- **Day 8: Extension of Heathrow:** Return to Arusha and fly to Nairobi, then proceed with possible beach extension of return to Heathrow.

3.5.1. Destination Analysis and Tourism Product Description

The Northern region contains some of the country's most famous attractions including the Serengeti, Manyara, Tarangire, the Arusha and Kilimanjaro National parks and the Ngorongoro Crater. The pleasant town of Arusha set in a fertile green landscape is the regions tourism centres, offering a wide range of accommodation, tour operators, taxis, banks and internet cafes. It is the country's main safari base.

Derived from the Maasai word 'siringet'²³, the Serengeti is Tanzania's largest and most famous National Park. It covers over 15,000 sq km and is home to an estimated three million large animals - Giraffes, zebras, gazelles, elands, impalas and warthogs are hunted by lion, leopards, cheetahs and hyenas. It is here that you can witness the annual migration that is one of nature's most awe inspiring wonders.

The Ngorongoro Conservation Area includes the spectacular Ngorongoro Crater, a 20km wide basin with abundant wildlife, including Africa's big five: buffalo, elephant, leopard, lion and rhinoceros. The Olduvai Gorge, like the Crater, is a World Heritage Site.

²³ Means "open plain".

Kilimanjaro is the highest single-standing mountain the world, rising from the equator to its 5,895 m snow-capped peak. Climbing the mountain is an increasingly popular tourist activity.

The Rubondo Island National Park lies in the South Western corner of Lake Victoria. Lake Manyara reserve includes lions, hippos, elephants, rich birdlife and vast flocks of flamingos. Other attractions include Mount Meru, Oldoinyo Lengai Mountain and Lakes Natron and Eyasi. The estimated number of hotels in the region is 89 with a total room capacity of about 2,500.

Moshi at the foot of Mount Kilimanjaro is a developing tourism centre in the Northern region. According to the recent market research study on Tanzania (Acorn 2008), the Northern circuit attracts first time safari tourists, first time Africa visitors, and 'once in a lifetime' visitors. Arusha is also an important conference and incentive destination.

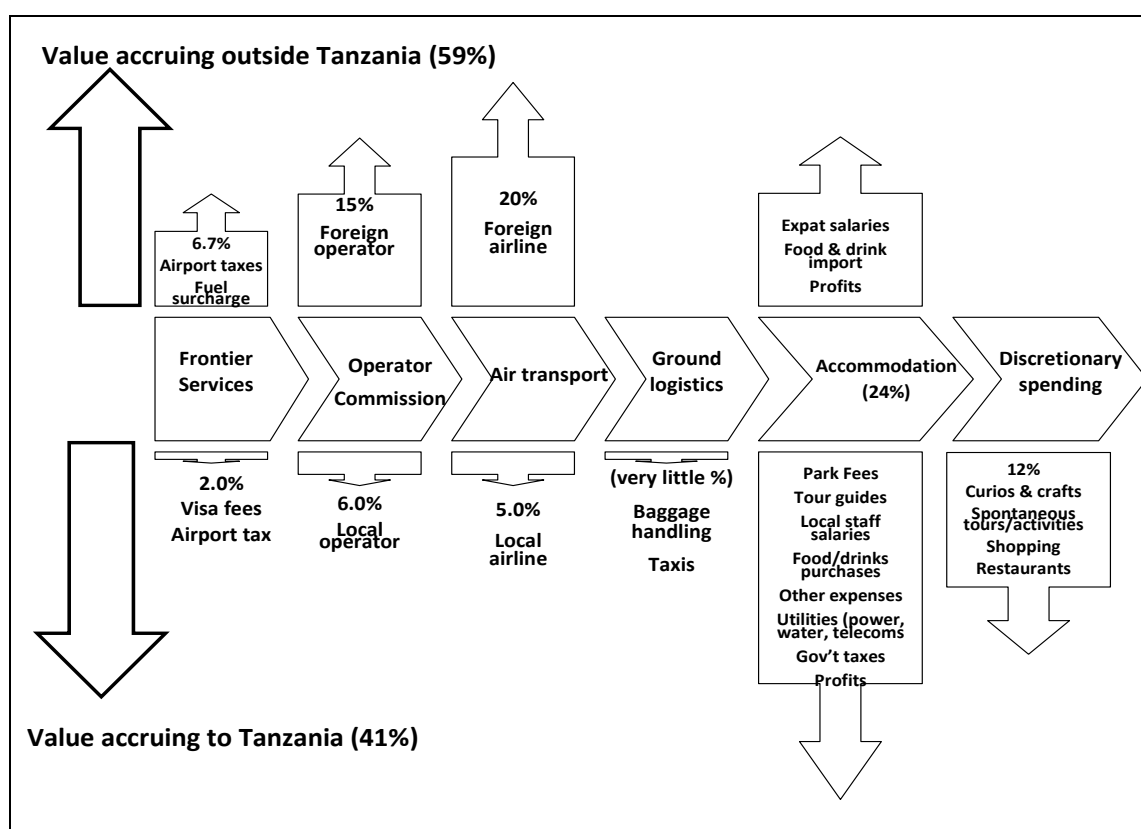
3.5.2. Value Mapping of the London – Arusha – Northern Circuit Experience

Figure 11. Northern Circuit Value Chain (London – Arusha – Northern Circuit, 2008)

Total Tourist Expenditure on Travel Experience: \$4,456							
Published Price of Travel Package less taxes: \$4,109							
\$397	\$748	\$320	\$980	\$270	\$0	\$1,690 ²⁴	\$500
8%	15%	6%	20%	5%		24%	12%
Negotiated Costs with Service Providers							Out of Pocket Expenses
Fees/Taxes	Commissions	Commissions					
Frontier Services	Foreign Intermediaries	Domestic Intermediaries	Intl. air fare	Domestic or regional air fare	Ground/Other domestic logistics	Accommodation	

²⁴ Includes park fees of \$360

Figure 12. Northern Circuit Value Chain Diagram (London–Arusha–Northern Circuit, 2008)



The main economic agents that influence the costs and value of this particular itinerary include:

- Airlines (international and domestic) – 25%
- Accommodation – 24%
- Commissions to tour operators – 21%

These agents account for seventy percent of the total tourists travel expenditure. Fees and taxes also contribute about 8%. As can be seen domestic intermediaries play a small role in the chain appropriating about 6% of total value. Local airlines also appropriate about 5% of the total value.

3.5.3. Price Comparison with other Competing Destinations

Table 14. Price Comparison across Competing Safari Destinations

	Tanzania	Kenya	Botswana	S. Africa
6 night Safari (5 star)	2,984	2,406	3,783	n.a.
5 Night Safari (4 star)	3,162	2,125	n.a.	n.a.
3 night ²⁵ Extension	1,200	950	n.a.	1,309

Sources: Somak Safaris; Serena Group

Table 14 above provides a comparison of prices across different competing destinations. Direct price comparisons are tricky because many packages are tailor made for clients. Looking however, at one international tour operators' offering for similar kinds of safaris provides some basis for comparison. Based on the data presented, Tanzania is 20% more expensive than Kenya but slightly (10%) cheaper than South Africa and significantly (30%) cheaper than Botswana. In order to provide more insights into Tanzania's price competitiveness the consultants constructed a package with a travel agent for a trip to Serengeti and Maasai Mara using a hotel chain that has similar hotels in both destinations (see

Table 15 below).

Table 15. Direct Price Comparison for 2 nights in Maasai Mara and Serengeti

Category	Kenya	Tanzania
Airport transfer	\$80 (\$40x2)	\$100 (\$50x2)
Game drives	\$210 (\$70x3)	\$360 (\$120x3)
Accommodation	\$340 (170x2)	\$542 (271x2)
Flight	\$232 (\$14 tax)	\$380 (31 tax)
Park fees	\$120	\$80
Total	\$982	\$1,462
Package offering	\$840	\$1,200

Source: Consultants research

Based on the individual pricing of specific cost items, the Tanzanian package is \$480 or about \$50% more expensive. Interestingly, the room rate is significantly more expensive, reflecting the premium given to the Tanzanian property. In addition to the room rate, the higher cost comes from most other components as well: more

²⁵ For Tanzania – Flight from Arusha to Serengeti, park fees and accommodation included; For Kenya – includes the same plus flight from Nairobi to Masai Mara ; for S. Africa includes the same plus flight from Cape Town to Kruger National park

expensive game drives (40% more), park fees (50% more) as well as a significantly more expensive flight (50% more). Since fuel costs are similar in both countries (see analysis in Chapter 2), higher transport costs for game drives and airfare are indicative of a less competitive pricing regime. For game drives, higher transport costs point to a need to examine more closely the causes of this – road infrastructure, labour costs, fuel costs, duties etc. The higher air ticket costs are likely due to the lower volumes and limited competition on the Arusha – Serengeti route, vs. the Nairobi – Mara route. Taxes on flights although higher in Tanzania are not a significant contributor to the higher airfares. Higher park fees can possibly be justified by the argument that the offering is of a higher quality in Tanzania (less congestion, more game etc.), but need to be carefully balanced to ensure competitiveness of the offering.²⁶

3.6. Assessment of the Value Chain Components of the London–Arusha– Northern Circuit Tourism Products

3.6.1. Frontier Services

The visa and tax requirements for travel to Tanzania are highlighted in the previous section on Zanzibar beach tourism. These also apply for tourists travelling to Arusha. The two main entry points for tourists are the Arusha International Airport and the border crossing between Kenya and Tanzania at Namanga. For UK tourists without a visa processed in the UK, they will require to process one at either point. At the airport, the processing time is a maximum of 30 minutes although in some cases if there are multiple flights it can take longer. At the border crossing, tourists are required to alight from the vehicle and present documents to the immigration officials. At both entry points, passports are generally processed as a “batch” of documents so one has to wait until the official confirms that the process is complete and brings back your passport²⁷. In general the process takes less than 30 minutes (including making payment) but at times it can be delayed by a problem with a member of the “batch” that delays processing of other passports. There is often no way to know the status of processing of your own document during this stage and it

²⁶ The Serengeti and Mara are considered the “same” location to international visitors so a significant pricing differential in entry charges could reduce the destinations competitiveness.

²⁷ This is different from other destinations where processing is done individually on a first come first serve basis.

can sometimes leave the traveller quite anxious. Immigration officials tend not to have the best communication skills and can turn what should be a relatively straightforward exercise into a frustrating one for the visitor.

3.6.2. Intermediaries and Distribution Channels

The Northern circuit has a mix of intermediaries and distribution channels. The destination has benefited from the earlier development of the safari market in Kenya and has been able to build on the already mature set of distribution channels established from the Kenya experience. As mentioned earlier the main source of business from hotels in the region (4-5 star hotels in Arusha and the wildlife parks) comes from established International Tour Operators that have links in the main European and US markets. Most of these operators work closely with local travel agents (ground handlers) through representation agreements. These travel agents very often co-ordinate hotel bookings, ground transport and sightseeing trips etc. and charge a commission to the International Tour Operator. There are over 100 tour operators in Arusha, however most of the international agency business is handled by a small number of large firms – Ranger Safaris, Leopard Tours, Simba Tours among others²⁸. Some of the larger travel agents are able to negotiate significant discounts from hotel rack rates (up to 20%) due to the large volumes that they handle. Discounts particularly in the high season are not as high as Zanzibar, as occupancies in the Northern circuit are generally high (close to 100%) in peak seasons.

Smaller firms suffer from a poor image of professionalism and lack of appropriate contacts to leverage their business. They have also lacked the aggressive marketing and business skills necessary to grow their client and business volumes. This is changing however and key informants noted that Tanzanian travel agents are being seen increasingly in international tourism fairs marketing themselves and the product to key markets.

The bulk of business to the parks is still the package business dominated by large tour operators and their agents. Trends are changing however and the Internet has

²⁸ For example, one of the largest hotel chains with five star hotels in each of the main parks estimates that small agents account for only 10-15% of all bookings; the rest come from the larger operators.

brought the traveller much closer to the service provider. The role of the “middle man” is changing and receding in some cases. Major hotel chains operating in the region noted that independent travellers that book online are increasing. According to a 2006 international visitors exit survey, 27% of the leisure visitors to mainland Tanzania were independent travellers. The comparable number for Zanzibar was 30%²⁹. One prominent East African hotel chain has established a separate retail department to handle the growth in independent traveller business.

3.6.3. International Air Transport Fares and Services

As highlighted above, air transport (exclusive of taxes) takes up to 25 % of the total package cost which is a significant proportion of the total. The bulk of the ticket price goes directly to the airlines although a good portion \$347 or 6 % is paid to airports in the form of taxes. As highlighted earlier though, most of these taxes are abroad and not in Tanzania. The Planes also pay significant amounts in landing charges to the local Airport Authority³⁰. International Tour Operators negotiate a price discount from the airlines based on a bulk purchase of seats agreed to in advance. According to tour operators interviewed however, discounts from airlines are becoming increasingly difficult to negotiate and are being pushed down to the point where there is only a marginal difference between the discounted price and the market price.

Based on discussions with leading tour operators and a review of flight schedules, direct flights to Arusha from Europe contribute less than half of the total tourist traffic into the Northern circuit. More than 50% come through the Nairobi Jomo Kenyatta International Airport. Unpublished government data confirms this by showing that in 2007, there were 118,046 international arrivals into Kilimanjaro Airport (47% of total arrivals into the north of Tanzania) and 134,051 arrivals (53%) by road at the Namanga border post between Tanzania and Kenya.

The benefit to Kenya includes significant revenue from landing charges, significant employment for its own carrier (KQ) and foreign exchange income to the country.

²⁹ Government of Tanzania (May 2008), The 2006 International Visitors' Exit Survey Draft Report.

³⁰ Boeing 747's for example landing at Jomo Kenyatta International Airport pay about \$2000 for landing charges. Charges at the DSM airport are similar (\$5 per metric tonne).

Tanzania benefits less as less carriers come directly into Arusha. It does share however a portion of the revenue (about 10% of total ticket price) for flights from Nairobi to Arusha as the leading carrier on this destination is Precision Air, a Tanzanian company.

Prices of a round trip ticket to Arusha on KLM from London are almost double those from London to Nairobi indicating that Arusha is actually not a competitive destination for flights from Europe. The main contributor to this price differential is largely the limited competition on the route. The fact that it has not been able to attract additional direct flights into the country needs to be examined more closely. At present Tanzania is capturing only a very small portion of income that accrues to this segment of the value chain.

3.6.4. Regional Air Transport Fares and Services

Regional air transport includes transport within Tanzania (from Dar to Arusha) or between Nairobi and Arusha. As mentioned earlier, transport from Nairobi to Arusha is provided by local/regional airlines. Precision Air, a Tanzanian Airline with affiliation with Kenya Airways provides most of the flights between Nairobi and Arusha. Prices range between \$250 and \$400 inclusive of taxes (about \$73). These prices are quite high given the distance between the two destinations and indicate the low level of competition currently on these routes.

Travel from Dar es Salaam to Arusha is also provided by several airlines but mainly Air Tanzania and Precision Airlines. All travellers who fly into Dar will use these flights to get to Arusha. The frequency of flights between these two destinations is acceptable for the level of traffic – at least 2 flights per day. Reliability of flights is sometimes a problem and needs to be improved.

3.6.5. Hotels and Accommodation

As outlined above, Hotels account for up to 24% of the total cost of a package. The Northern Circuit, as mentioned has largely been a controlled development with significantly fewer facilities than can be found in some of the main Kenyan parks for

example³¹. This has generally been positive for both the environment and for maintaining the image of the region as a premium destination. Capacity utilization is above 90% in this region compared to less than 70% in similar Kenyan destinations.³² Destinations are also able to obtain a higher price premium due to the high occupancies. Many of the facilities have been constructed recently (in the past ten years) and are in good condition. The government-owned facilities however are not perceived to be of a high standard and need to be improved. A main challenge to the efforts to constrain bed capacity is the congestion during peak periods and limited options available. This is constraining growth and income potential of the destination.

Other constraints faced by hotels are similar to those found in Zanzibar. A main constraint has been the productivity levels of staff which is cited by several hotel groups. It has necessitated a lot of in-house training and development which has been quite costly and there is no adequate training facility in Tanzania. One hotel chain interviewed noted that this training is beginning to bear fruit and is developing a strong cadre of top level managers. They were proud to note that all top managers in their hotels are now Tanzanians. Access to inputs did not seem to be a major constraint cited by hotel chains interviewed; most food is sourced domestically.

3.6.6. Ground Transport and Other Transfers

Ground transport from the Airport to the hotel in Arusha and then to the other facilities in the Northern circuit is provided by the tour operators themselves through the Arusha based travel agents. The entire operation is vertically integrated and rarely outsourced to third parties. Staff, particularly drivers and guides, are carefully trained to ensure that the customer receives the appropriate standard of service. For independent travellers there are taxi and car hire services available but they are very expensive and make the cost of an independent tour to one of the parks almost too prohibitive³³.

³¹ Three hotel chains dominate over 70% of 4 and 5 star room nights in the region – two private and one Government chain.

³² A prominent East African hotel chain for example cited annual occupancies in their northern circuit facilities to be above 90% while those for their Kenyan facility in the Mara to be less than 70%.

³³ The costs of hiring a four wheel drive vehicle would be about \$200 per day so for a six day safari it would amount to the cost of an air ticket from Europe.

3.6.7. Ancillary Expenditure

Out of pocket expenses were estimated to be about \$500 on average for package visitors to Arusha based on exit interview data available. This represents about 12% of total package costs. Out of this about 40% is spent on shopping (see table below). This is likely to be on curios which are available quite readily in Arusha. Very little is spent on other activities like sightseeing, restaurants, entertainment etc. indicating that there is not much else on offer in Arusha. In order to capture more value this could be an area that needs more attention to retain a larger proportion of tourist spend.

Table 16. Package Safari Visitor's Expenditure

Item	<i>Average Spend (\$)</i>	<i>Share</i>
Shopping	227.55	40%
Other Spending	115.62	20%
Accommodation	71.82	13%
Visas & Taxes	66.05	12%
Sightseeing	35.83	6%
Entry Fees	31.61	6%
Local Transport	16.51	3%
Total	565.00	100%

3.7. Issues Arising

Based on the foregoing one can make the following conclusions:

- a) Assuming at least 60% of accommodation revenues are retained in Tanzania³⁴, one can conclude that least 42% of the total tourist expenditure is in Tanzania. This is quite high since apart from the FTO commission (25%) a good portion of the other expenditure relates to air transport and taxes. See Table 17 below:

Table 17. Tourist Expenditure Retained in Tanzania: Safari Value Chain

Value chain item	Amount Spent	% Retained in Tanzania	Value Retained
Fees/Taxes	\$397	25%	\$80
Foreign Intermediaries	\$748	-	-
Domestic Intermediaries	\$320	100%	\$113
Int. Air Transport	\$980	-	-
Domestic/Regional air transport	\$270	80%	\$216
Accommodation	\$1,690	60%	\$1,014
Out of pocket expenses	\$500	100%	\$500
Total	\$3,199	-	\$1,723 (42%)

- b) There are still opportunities for the country to claim more value – this includes finding ways to increase tourist discretionary spend, increasing the number of hotels (if it can be done sustainably) and improving on the quality of airport infrastructure and services to attract more direct flights.
- c) Key constraints include high costs at hotels and generally in transport services, the need to improve the skills base and to create a more conducive climate for investors.³⁵
- d) Another major constraint is the high demand from Tourists to go to the Northern circuit which corresponds to marketing efforts by Tour Operators. This puts pressure on the Northern circuit during peak periods. In addition to looking at how to optimise and increase capacity in this region, there is a need

³⁴ See rationale in earlier section for Beach Tourism.

³⁵ Issues on licensing and regulation raised for Zanzibar are the same for the Tanzania Mainland.

for measures that will facilitate diversification of the tourism product to other destinations.

3.8. A 21-Day Hunting Safari (High-end Custom-made Holiday)

3.8.1. Destination Analysis and Tourism Product Description

Background. Tourist hunting for trophies in Tanzania emerged in the 1920s. After a decline during World War 2, the activity re-emerged under increasing levels of public regulation and supervision, especially after independence in 1961. Following a change in government economic policy, hunting was banned in 1973. In 1978 it was revived under the management of the Tanzania Wildlife Corporation (TAWICO) a parastatal. A decade later, in 1988, the Wildlife Department took over the responsibility for regulating the hunting industry³⁶.

Soon thereafter, private operators were permitted to conduct hunting safaris in the country. By 2008, there were 54 hunting operators registered in Tanzania, of which 63% were local, 28% were foreign-owned and 10% were joint ventures³⁷. There are approximately 158 hunting blocks in game reserves (74), open areas (44) and game-controlled areas (40). This is an increase from 132 hunting blocks in 2002. It was reported in January 2008 that Tanzania had earned \$48 million in the four years between 2004 and 2007 from game hunting, with tourist hunter numbers increasing from 1,654 to 3,233 during the same period³⁸.

It is worth noting that Kenya banned hunting in 1974. Since then it has lost 70% of its wildlife outside the national park system through habitat destruction, snaring and human-wildlife conflict as the wild animals have no value to the community, cannot be hunted for trophy and hence there is no financial incentive to protect them. In sharp contrast, Tanzania's authorities recognize the importance of hunting to wildlife conservation as noted by the Wildlife Department;

³⁶ Tourist Hunting And Its Role In Tanzania by R D Baldus & A Cauldwell ,African Indaba Volume 2 Nr 5. Full text at:
www.africanindaba.co.za/Conservation/baldus_cauldwell_2004_part1.pdf
www.africanindaba.co.za/Conservation/baldus_cauldwell_2004_part2.pdf
www.africanindaba.co.za/Conservation/baldus_cauldwell_2004_part3.pdf

³⁷ Wildlife Division publications (2002, 2007), key informant interviews, The EastAfrican January 16, 2009.

³⁸ The EastAfrican, January 16, 2009 'Tanzania earns \$48m in four years from game hunting'

‘Tanzania’s wildlife conservation depends upon hunting, among other things, for its long term survival. Revenue from hunting directly supports the efforts of the Wildlife Division in the Ministry of Natural Resources and Tourism that is responsible for the continued protection of wildlife areas.’

Wildlife Division publications, 2002 and 2007

This analysis examines the very high-end tailored holiday of a 21-day hunting safari in northern Tanzania with a premium hunting safari outfitter³⁹. While the high-end hunting safari is always tailored to the particular needs and tastes of the visitor, it includes the following features:

- Arrival and transfers to luxury accommodation in Arusha.
- Import permits for a maximum of three firearms per hunter and 200 rounds of ammunition per firearm
- 21 days of hunting plus full travel days to and from the hunting area
- Government conservation fees, hunting licenses, area fees, and local taxes
- All camp accommodations during the safari
- Professional Hunter(s) services and trained safari staff services
- 4-wheel drive vehicle with each Professional Hunter, equipped with radio communications, winch, refrigerator, medical bag and a comprehensive set of tools and spares
- Provision of all camp equipment and finest quality locally available foods, soft drinks and alcoholic beverages
- Field preparation of trophies (skinning and salting) and transfer to Arusha
- Dipping, processing, crating, packing, export documentation for trophies and transportation to the airport ready for export
- Comprehensive first-aid kits in each camp

3.8.2. Hunting Value Chain Map

At this high-end of the tourism market, the typical hunter pays over \$100,000 for a 21-day hunting experience in Tanzania. Any additional guests (observers, family) pay additional fees. Given the exclusive nature of this product, the hunting operator is

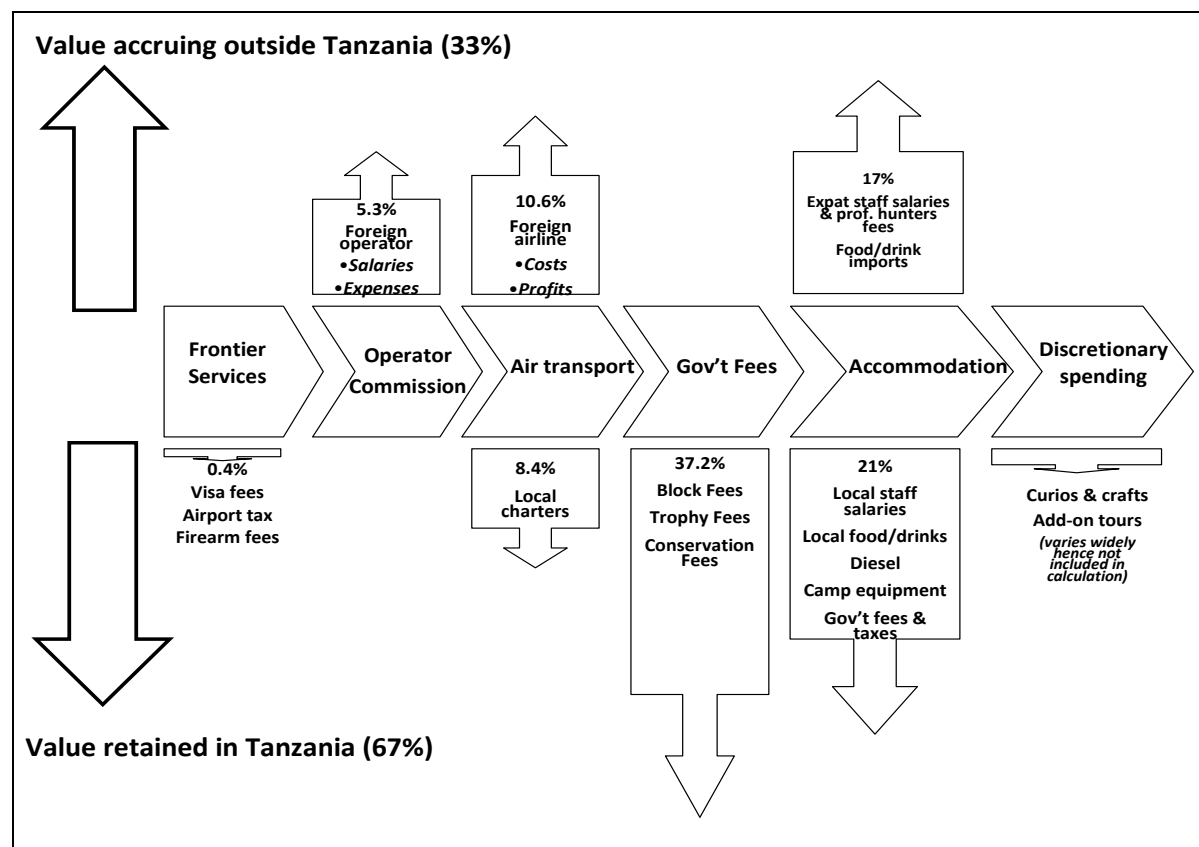
³⁹ There were 54 licensed hunting operators in 2008. This is one of the larger operators serving the high-end of the market and who was willing to provide extensive disclosure on operating costs and conditions.

vertically integrated, providing all services including ground transportation, accommodation, domestic air charters to trophy preparation, packaging and shipping. Figure 13 below shows the main components of this hunting value chain for an individual hunter.

Figure 13. High-end 21-day Hunting Safari Value Chain (US – Arusha – US)

TOURISM ITINERARY: HIGH-END HUNTING TRIP						
Product: 21-Day Hunting Safari (lion, leopard, buffalo, impala, gazelle, zebra)						
Prices and costs based on 34 hunting safaris and proforma invoice for 2008						
<----- Total Tourist Expenditure of Hunting Experience = US\$ 108,000 ----->						
Share of value accruing outside Tanzania -----> \$460	10.6% \$11,417	5.3% \$5,670	<----- 'Published' price of hunting safari = US\$ 95,600 ----->			
			<----- Cost of inputs for hunting safari = US\$ 90,200 ----->			
0.4%			37.2%	8.4%		21%
Visa and firearm fees	International airlines	Commissions	GoT Fees	Negotiated costs with service providers		
Tourist visa into TZ for US citizens - <u>\$100</u> ; Firearm import fee: \$120/gun (3 allowed), Ammo - 200 rounds per gun allowed	Business class fare from Texas (US taxes included), source: www.nwa.com	Foreign Operators (tour operators and travel agents)	Block and trophy fees, excludes \$12,478 conservation fees and \$27,000 camp build and maintenance fees	Air charters provided by affiliated company	Professional hunters costs included in overall 'published' price	Accommodation (hotel and camp); includes approx. \$12,280 in employee costs per safari, 90% paid to Tanzanian staff

Figure 14. High-end 21-day Hunting Safari Value Chain diagram (US – Arusha – US)



The main components of the value chain are:

- Government fees (37%)
- Accommodation (35%), and;
- Airfares (19%)

The fees earned by the government (\$40,000) account for over a third of the visitor's total expenditure in Tanzania. However, these fees understate the direct contribution of hunting to Tanzania's economy as they do not include the contribution by this particular hunting operator to conservation and anti-poaching efforts. These efforts are necessary to maintain and upgrade the quality of the hunting concessions to which visitors are taken.

Luxury accommodation and meals are provided by the hunting operator and are charged at a daily rate of \$1,800 per person. The direct costs of providing such high-end service are approximately \$22,000 per trip and include the costs of food and drinks, employees (90% Tanzanian) and diesel for camp lighting. The additional costs of camp set-up and

maintenance can range between \$22,000 and \$27,000, but these may be defrayed across a number of itineraries. The professional hunters' fees of \$3,200 are included in the overall price quoted to the tourist. They are shown separately here to highlight the fact a majority of the professional hunters are expatriates. However, a number of Tanzanians are in training to become professional hunters.

The total air travel expenses of \$20,517 borne by the visitor include a business class airfare of \$11,417 (including \$144 in US taxes and fees) from Houston, Texas to Kilimanjaro. High-end tourists normally pay premium cabin airfares to secure the extra comfort, high-quality service and travel schedule flexibility they provide.

This hunting operator provides a dedicated internal air charter service for \$9,100 which transfers the tourists between Arusha and a game reserve in western Tanzania. Given that the operator owns the charter aircraft, the charter costs are fully internalised and passed onto the tourist.

Commissions of 15% of the \$1,800 daily rate are paid to the marketing agent. For the 21-day safari, the commission amounts to \$5,670 and accounts for 5.3% of the actual expenditures paid by the tourist. When the tourist is secured through the direct efforts of the hunting operator's own agent in the US this commission is retained. It is paid to any travel agent or tour operator who secures a tourist on behalf of the hunting operator.

Visa and firearms fees of \$460 make up 0.4% of the total expenditure and accrue to the government.

In total, an estimated 67% (over \$72,000) of the total expenditure by the high-end tourist is spent in Tanzania or accrues to Tanzanians. This includes the lion's share of the tourist's daily rate which pays for the operator's employee, food and beverage, and camp equipment costs.

3.8.3. Price comparisons with other competing destinations

Tanzania's closest competitors and comparators in hunting - both geographically and in terms of the animals available - are Zimbabwe, Mozambique and Botswana.

Zimbabwe's hunting area is very limited and over-used with high quotas and many hunters in one location at the same time. Zimbabwe sells very few 21 day full bag safaris as the country does not have Tanzania's diversity of species, numbers of game or reputation for trophy quality. The majority of Zimbabwe hunts are 10 – 14 days at a daily rate in the range of \$600 - \$1,000. Zimbabwe has less than 20 government- owned blocks (that compare with Tanzania's Game Reserves) and approximately 10 communal land hunting areas (that compare with Tanzania's open areas) where big game can be hunted. The remainder of their hunting is on farms and other private land.

Botswana has fewer species and one hunting area cantered around the Okavango Delta. Mozambique's wildlife suffered serious declines during the long civil war, and the industry is only now beginning to recover. South Africa's wildlife is mostly found in enclosed areas, and landowners often buy animals to re-stock their locations for tourists. The experiences are not comparable to Tanzania's offering of hunting 42 different species of free-roaming animals in their natural and unenclosed habitats spread over 159 different hunting areas.

Even with South Africa's product excluded, the hunting packages and experiences in Zimbabwe, Botswana and Mozambique remain quite different from those offered in Tanzania. It is possible however to compare the most common pricing elements – the daily rates and trophy fees – to get a sense of the costs of the different hunting experiences. These are shown in Table 18.

Table 18. Comparing Trophy Fees in Competing Destinations⁴⁰

Game	Tanzania	Zimbabwe	Botswana	Mozambique
Lion	3,500 - 5,640	3,500 (lioness)	7,500	n/a
Leopard	3,500 - 4,080	3,500	5,500	3,750
Buffalo	950 - 1,900	3000 - 3,500	3,750	2,800
Impala	390 - 450	450	450	n/a
Gazelle	500 - 580	n/a	n/a	n/a
Zebra	850 - 1,200	1,200 – 1,800	2,500	n/a

Tanzania's trophy fees compare to those of Zimbabwe while Botswana has the highest trophy fees of the comparator countries.

⁴⁰ Sources: <http://www.huntineurope.com>, <http://www.victorhunt.com>, <http://www.luxuryhunts.com>

Table 19. Comparing Daily Rates in Competing Destinations⁴¹

Itinerary	Tanzania	Zimbabwe	Botswana	Mozambique
21-day safari (includes lion, leopard, elephant, buffalo and plains game)	1,800 – 2,100	1,750 (uncommon itinerary for Zimbabwe)	3,300 (including trophy fees)	1,200 - 1,500
10-day safari (plains game, usually excludes lion, leopard and elephant; may include buffalo)	1,200	630 – 950	1,570	1,000

Tanzania's daily rates compare closely to those of Zimbabwe and Mozambique for the 21-day safaris. For the 10-day safari, Tanzania and Mozambique are fairly similar, while Zimbabwe's are 20% to 50% lower.

3.9. Assessment of Capacity Issues Constraints

3.9.1. Frontier Services

US citizens can obtain a Tanzanian visa from the embassy in Washington, DC. It takes a minimum of five working days to get the visa, but this can be reduced to 3 working days for an extra payment of \$20.00. Tourists can also obtain their visas at the port of entry (e.g., Kilimanjaro Airport). The visa cost is US\$ 100 for single and multiple entries can be valid for six or 12 months.

In terms of the competitor destinations, US citizens can obtain a visa on entry into Zimbabwe for US\$ 55.00 (multiple-entry).⁴² Visas to Mozambique cost \$20 for single entry and \$40 for multiple-entry with a 10-day processing time⁴³. US citizens do not require visas for entry into Botswana.

3.9.2. Intermediaries and Distribution Channels

High-end hunting is a very expensive tourist activity, with visitors paying between \$10,000 and \$100,000 for the experience. Discussions with hunting operators at this end

⁴¹ Sources: <http://www.huntineurope.com>, <http://www.victorhunt.com>, <http://www.luxuryhunts.com>

⁴² Source: <http://zimbabwe-embassy.us/subpage6.html>

⁴³ Source: <http://www.embamoc-usa.org/processing.htm>

of the market revealed that the marketing approach is a very personal one. Indeed, it is more akin to executive recruitment by head-hunting as opposed to mass marketing through advertising. Clients are visited in their homes with tailored presentations.

In the US, high-end hunting is presented to the public through three major conventions in Dallas and Houston in Texas and in Reno, Nevada. The Dallas and Houston Safari Clubs hold their annual conventions in January. In 2008, the Dallas Convention attracted over 800 exhibitors including the most prominent hunting operators offering an African experience.

‘If you're remotely considering an African hunt, this show is the best place to find the latest low-down from people who live and work there. There's only so much you can do via the Internet or telephone line. You get a better sense of outfitters and professional hunters when you meet them in person.’

All exhibition space at the January 2009 convention in Houston was sold out, where almost 40 Africa-based hunting operators were expected to be present out of the 139 who confirmed their participation as exhibitors. Participation at these events is expensive as it involved flying and accommodating the Africa-based team of professionals (hunters and staff) to meet and market to potential US clients.

3.9.3. Accommodation and Ground Transportation

Visiting hunters spend a minimum of seven days and as many as 28 days on their visit in Tanzania. During this time in the wilderness, they are accommodated in campsites which vary widely in terms of quality and comfort levels. At the very high-end, these are luxurious and cater to the client's every need, as described by one outfitter below;

‘You'll find comfortable, unique, luxury accommodation at the camps. Designed and located to minimize the impact on the environment, camps are scenic and central to the best game concentrations. You'll find the camps are uncompromising in quality, superbly equipped and very comfortable. Stocked with good food and a selection of available wines and spirits, you will appreciate the luxuries of ice cold drinks and hors d'oeuvres by the fireside after a long day in the bush. The large guest tents feature first class equipment including comfortable beds, electric light and en-suite bathrooms with hot and cold

showers. A well-trained team of chefs, waiters and tent attendants will care for your every need, from daily laundry service to three-course dinners. All camps are equipped with radios for communication with the outfitter's office in Arusha.'

By necessity, this level of service requires a significant staff complement: chefs and cooks, waiters, other camp attendants, laundry, drivers, security. Substantial investments have to be made by the hunting operators to train employees to be able to meet the very high standards of service and discretion demanded by the client base. During one season, one hunting operator estimated employing up to 1,000 Tanzanian staff to deliver the full package of services to the 40 visitor groups and individuals across 14 tented campsites, three mobile camps and one lodge. Maintaining high levels of customer quality throughout the operation remains one of the major challenges for hunting operators in Tanzania.

Ground transportation is provided using customised four-wheel drive vehicles which must also be maintained to ensure serviceability and safety in the field. This also requires a complement of well-trained and qualified mechanics to be retained by the hunting operator.

3.9.4. Assessment of Policy Constraints

Two major policy constraints emerged in key informant discussions with hunting operators and a review of the available research:

3.9.5. Uncertainty around the Policy Environment

The uncertainty of Tanzania's hunting policy environment is a major concern for hunting operators and their clients. The increase in trophy and block fees announced in June 2007, suddenly and seemingly without the mandated consultation with the hunting fraternity, dealt a major blow to the confidence that Tanzania's hunting industry had painstakingly built over the years since it was re-established. One operator characterised the announcement as a major public relations disaster. A second marketing newsletter wrote⁴⁴:

⁴⁴ Source: http://www.tanzaniaquest.com/documents/TWC_2007_Newsletter.pdf

‘Unfortunately, 2007 will probably be most remembered as a year of turmoil and uncertainty in the hunting industry of Tanzania. On 29 June, Government Notice 159 was published, and a letter notifying all hunting companies in Tanzania of a huge increase in block and trophy fees was circulated on the 11th of July; retroactive to the opening of hunting season on 1 July. This letter sent shock waves through the hunting world. In some cases clients had already completed their hunts and returned home only to find out about the increase of fees. We did not lose any clients that had already paid deposits for the 2007 season, and for this we are very thankful. The negative impact of GN 159, however, was apparent in the lack of trophies taken by clients.

The Tanzania Hunting Operators Association (TAHOA) and consolidated voice of most Tanzanian outfitters – including TWC – complained about the timing of the letter as well as the unreasonably high fees. At the time of this newsletter, the government has conceded to TAHOA’s proposal to lower the fees to a more reasonable level for 2007, and we are hoping that this policy will prevail for the 2008 season as well.

The Government’s main goal is, understandably, to increase its revenue through higher fees. We support the prosperity of this beautiful country and its people, but also must protect our clients’ interest and that of the conservation of wildlife. Without hunters who can afford to pay to hunt these animals, the income derived for conservation is lost, and inevitably it is the wildlife which suffers most. Tanzania continues to offer some of the best hunting in Africa and truly magnificent trophies can be harvested thanks to sound conservation principles. The fee increase will probably result in fewer clients coming to Tanzania in the years to come, but those that do will certainly be rewarded with incomparable hunting opportunities.

Leon Lamprecht, Managing Director, Tanzania Wildlife Company, Arusha

While the matter was temporarily resolved through the strenuous efforts of the Tanzania Hunting Operators Association (TAHOA) it left the operators’ confidence in the stability and predictability of the fiscal regime badly shaken and the actual impact on the market has yet to be fully ascertained.

A second area of policy uncertainty involves process of renewing the hunting block leases. The current agreement with the government requires the authorities to provide a year’s notice of intent to renew the leases or otherwise, to allow the operators to plan their marketing and operations in good time. With less than a year to the lease expiry

date for a number of blocks, such notice has yet to be received. One operator noted that it was unable to guarantee its clients the ability hunt in Tanzania in 2010 as it is not sure whether it will retain the block concessions it currently has.

A private member's motion was tabled in Tanzania's Parliament in early 2008 which may contain some of the reasons for the current fluidity in the policy environment around hunting. The motion contained two major arguments. First that there was an 'unfair' distribution of hunting blocks and therefore called for a more 'equitable' redistribution. The second argument was that the government of Tanzania was losing revenue, and therefore a review of fees, charges, levies and contributions to local communities in hunting areas was called for.

In a bid to uphold the commitment to consultation and avoid unilateral decisions by the government, the hunting operators' association (TAHOA) made a detailed presentation to the Parliamentary Committee on Land Natural Resources and Environment on June 5, 2008. In January 2009, parliament **reversed** an earlier decision by the government to extend the duration of the hunting block concessions by three years. The extension had been made in keeping with a 10-year agreement with TAHOA which committed the government to give concession holders at least two years notice of their intention to renew or not renew the concessions. The extension had been granted in recognition of the fact that such notice had not been given in a timely manner. The impact of the reversal of the extension on investment, hunting operations and Tanzania's tourist hunting business is likely to be significant.

3.9.6. Conservation and Client Safety

The challenge of maintaining and conserving the hunting resource (animals) remains very significant. Poachers are a major problem, and the authorities struggle to contain it. One operator reported making over 1,500 arrests of poachers in 2007, and expects this figure to rise to over 2,000 in 2008. During the current season (2008), over 30 elephants have been shot in one block in western Tanzania by well-armed poachers. All four hunting safaris that had been scheduled for that location had to be moved elsewhere.

Even more disturbing is the danger posed by poachers to the tourists. On October 2, 2008 a party of hunters was shot at by automatic weapons. It was only through strenuous

dialogue that the hunting operator was able to convince the tourists from reporting the incident to their national government or the media, action that could have had major, far-reaching consequences for the entire tourism industry should travel advisories had been circulated.

3.9.7. Issues Arising

Based on the foregoing, a number of conclusions can be made:

- Assuming at least 60% of accommodation expenditure is retained in Tanzania, total value of expenditure accruing to Tanzania is at least 50% of the total for hunting safaris. A significant portion (37.2%) is in the form of GOT fees and taxes. This does not include additional costs of camp set up and maintenance.
- A major constraint facing the industry is the current instability in the policy regime which may affect long term value creation.
- The need to maintain and conserve the hunting reserve is a critical requirement to retain value for the industry. Protection of tourists against poachers and other dangers is also of paramount importance.
- The highly specialised nature of the industry requires appropriate expertise – at this stage foreign expertise will be required, but over time the development of local expertise will create more value for the industry.

4. The Way Forward: Tourism Institutions and Stakeholder Cooperation

This chapter summarises key strengths and key constraints, and suggests possible solutions that the private sector can action or put to government for the development of tourism in Tanzania. As TCT has stated, tourism in Tanzania is at a cross-roads. Addressing tourism-specific issues such as access, targeted destination marketing, investment and deregulation will open up the country's natural potential for tourism and reduce the likelihood of government targets not being achieved.

4.1. Value Creation- Addressing Tourism Myths

There are a number of myths about the industry that have been put forward by several stakeholders on the existing state of value creation in the tourism industry in Kenya. These include:

- The benefits of the tourism sector, in particular the “up market” and hunting segments are felt only by a few
- A large proportion of the revenues from the tourism sector are collected and retained overseas
- Package holidays don’t benefit the Tanzanian economy

Table 20 below provides a summary of the value creation in the industry based on the three itineraries presented in section 3 above.

Table 20. Retention of Value Created in Tanzania's Tourism Sector

Travel Segment	Value retained in Tanzania (% of total tourist spend)	Retention by Foreign Tour Operator (FTO)	Potential Areas to Add value
8-day safari package	41%	15%	Increase discretionary spending; increase bed capacity; reduce cost structure; build capacity of local agents; improve airport competitiveness
Zanzibar 7-day package beach extension	42%	8%	Enhance capacity utilisation; increase ancillary expenditure, more use of local inputs, building capacity of local agents; effective positioning of island; improve airport competitiveness;
21-day hunting safari	67%	5%	Maintain product quality; build skills of professional hunters;

Based on the findings of the value chain assessment, the myths outlined earlier are not accurate: the Tanzanian economy benefits significantly from the tourism industry. Hunting for example retains significant value for Tanzanians. The largest beneficiary is the Government (Treasury) which should benefit ordinary Tanzanians. The segment also provides employment and contributes significantly to conservation in the country. Package tours (either for safaris or beach) also provide significant benefit to the economy with at least 40% of total spending by the tourist being retained in the country. Foreign Tour Operators retain only between 5-15% of total tourist spend which is significantly less than what is spent in country. The rest is paid out in ticket prices and

airport taxes which cannot be avoided as travel is an essential component of the value chain.

A key element moving forward is to try to build on existing value creation by adding value in key areas. The next section discusses in more detail some of the constraints and opportunities for adding value.

4.2. Key Strengths of Tanzanian Tourism

4.2.1. Tanzania's Remarkable Natural Endowment

Tanzania's superb endowment of nature emerges as by far its key competitive strength. Wildlife, diving, beaches and trekking can give the destination competitive advantage. The costs for accessing nature are generally high (especially national park fees and transport) but the opportunity in safari and adventure tourism worldwide is moving towards more up-market clients who will appreciate the quality of Tanzania's offer, and be prepared to pay for it. With major mass market competitors to the north (Kenya) and south (South Africa), Tanzania's market opportunity is to differentiate itself as a destination offering a more select, less crowded and higher quality product.

Marketing for the Tanzanian mainland should thus be more strongly associated with nature as the key product strength. A more sophisticated approach to branding is needed, to communicate more strongly and bring out nature as Tanzania's unique selling point (USP).

4.2.2. The Zanzibar Mystique

Although there are weaknesses to be addressed (4.3 below), Zanzibar is already a brand with strong market recognition. Cultural heritage, beaches and diving are key product strengths. Rather than marketing Tanzania as 'the land of Kilimanjaro and Zanzibar' consideration should be given to establishing a strong sub-brand and marketing strategy for Zanzibar specifically. The approach suggested would be similar to that successfully adopted by the Sabah Tourism Board (Borneo), which markets separately but in cooperation with Tourism Malaysia, addressing its own specific segments which differ from those for peninsular Malaysia. The advantage of having a separate sub-brand is that more focus can be placed on creating appropriate marketing messages. The

targeting of the marketing efforts can also be more effective if a separate brand is created.

4.2.3. Good Political Stability and Personal Security

Tanzania remains one of the most politically stable countries in Africa, and although there have been difficulties in Zanzibar and Pemba, this is a key destination strength.

4.3. Key Weaknesses/Challenges to be addressed ⁴⁵

4.3.1. Limited Market Penetration

Tanzanian tourism is constrained by dependence on few markets. The natural strengths of its products are not being sufficiently communicated to segments that have a growing interest in them, and that are prepared to pay for them. It is essential that demand for the destination be stimulated and this requires a thorough review of how Tanzania is being marketed, and where. At present there is a high dependence on trade shows, an unsophisticated approach to branding (illustrated by seeing a brand not as a holistic communications philosophy but as a logo for example http://www.tanzaniatouristboard.com/pages/ttb_brands.php) and differing styles of communication, not linked web presence, public relations activity and images. In addition, Tanzania has insufficient overseas in-market representation. The need for a more focused, research-based marketing strategy, and strong in-market representation, is discussed further below.

4.3.2. Poor Access and Transport Links

Limited demand results in limited access, and good access is fundamental to tourism development. Following the gradual deregulation of air transport there has been some evening out of the price of access to Tanzania. Online airfares examined for this study to Tanzania and Zanzibar are not markedly different from those to South Africa or Kenya: Weak demand and limited capacity are however related issues.

There is considerable scope to improve the competitiveness of Tanzanian air transport and air transport facilities. First and last impressions matter. Tanzania's airports generally fall far below customer expectations of a quality holiday experience. Limited

⁴⁵ This section draws from the preceding analysis, but also from insights gained through discussions with key players in the industry and a review of documentation.

facilities slow baggage handling, poor waiting areas and generally unimpressed customers also discourage new carriers from featuring the destination, and interviews indicate that they also discourage existing carriers from expanding. Poor quality runways in rural areas (and Arusha) increase wear-and-tear and hence aircraft maintenance costs.

Chaotic visa facilities (often in areas without air conditioning) and high visa costs, limited availability of flights, expensive internal transport and poor roads are all obstacles to tourism development.

Charter flights are particularly important for beach tourism development with many destinations offering incentives and discounts to charter operators from new markets. This requires strong cooperation between tourist boards, airlines, industry partners and airport authorities all of whom can benefit from increased tourism traffic.

The following specific weaknesses have been identified relating to air access:

- Poor organisation of visa procedures, and the high cost of visas from some countries.
- overcrowding and poor facilities at Dar es Salaam and Zanzibar;
- poor standard of service at Kilimanjaro;
- poor physical standards at Zanzibar, Arusha and other airports;
- need for airports marketing plans (once airports are improved) to attract more carriers;
- Need for more and cheaper domestic air services.

The transport industry overall is subject to much regulation by four lead ministries as well as other ministries and agencies. The four lead ministries are Communication and Transport, Works, Regional Administration and Local Government and Home Affairs. Numerous agencies are also involved. Financing constraints limit development and there is very high dependence on international donors. Road, rail and water-based transport standards (including ferries and ferry ports) remain poor and all limit tourism potential.

4.3.3. Tourism's Potential to Reduce Poverty is not being Maximised

In a heavily regulated business environment the potential for SME development is constrained. For pro-poor focused initiatives at present (such as the Government's Cultural Tourism Programme), it is difficult to see many linkages with the mainstream tourism value chain, or to find assessments of the real effects on poverty. Unless tourism is clearly linked not only to improving the visitor's holiday experience, but also to improving the lives of the host population, tourism development will lead to increased inequality and eventual resentment in Tanzania. Markets are becoming increasingly aware of such problems as the movement towards fair trade and responsible tourism gains ground in Tanzania's main source markets.

The area of handicrafts in particular would appear to have further potential for poorer people. Although there are some major and professional craft outlets and good quality shops in hotels, the sector as a whole does not appear coordinated with very poorly presented stalls near some tourism honey-pots which do little to maximize sales or improve visitors' experiences.

Issues of tourism and poverty alleviation are particularly acute in Zanzibar and Pemba, where luxury (and high quality) boutique and other hotels are cheek-by-jowl with extreme poverty, and luxury enclave resorts are under construction with very little apparent contribution to local infrastructure or employment, once construction ceases. Unless stronger and more visible links between the growth of tourism and the gradual improvement of ordinary people's lives are made, the long term sustainability of the industry is at risk.

4.3.4. Hotel Rates are Uncompetitive

High hotel room rates compared to competitor destinations can become an issue if the product is not significantly differentiated. Although part of the higher rates reflect a premium product and constrained supply (in the northern region), high rates of taxation and utilities costs also contribute. Costs of importing product (particularly in Zanzibar) also contribute to higher costs.

Accommodation provision has largely been privatized in Tanzania, although TANAPA controls accommodation supply in National Parks. None-the-less accommodation

suppliers face a difficult business environment including generally high utility costs, licensing regulations, and high import duties. Finding well trained staff and retaining them is also a problem. In areas away from the main tourism centres low occupancy levels affect profitability considerably. In other areas, for example Arusha, expanding hotel and lodge room supply is difficult and business can be lost during the peak season. Private investors can be put off in these circumstances.

4.3.5. Expensive National Park Entry Fees are not matched by Quality of Service and Interpretation

Expensive national park fees can only be justified if the standards of service and interpretation match the high quality of the wildlife viewing opportunities and other natural features on offer. The same comment applies to high trophy fees for hunting. Delivering quality requires a coordinated response involving park authorities, tour operators, accommodation providers, guides and other service providers who make up the supply chain. At present consensus on a future quality vision for Tanzanian tourism does not exist, nor is there a road map showing how to get there. National Parks are key tourism assets and consensus on future rates and vision is essential. Inspirational leadership is needed to move towards a commitment to quality across the industry.

4.3.6. Inadequate Human Resource Skills

Although there has been an extensive on-going EU tourism training initiative in Tanzania, and the industry is paying a specific levy towards tourism training, all sources⁴⁶ agree that much remains to be done to improve tourism quality through training in Tanzania and that this is a critical issue. Low wages result in low productivity levels and the industry has difficulty retaining staff in some areas. Management training requires particular attention.

4.3.7. Excessive Regulation and Taxation

The enterprise sector (i.e. sole proprietors, SME's, community cooperatives, and registered companies) faces many complex bureaucratic procedures in Tanzania. These include regulations at the start-up stage, in day-to-day operations and in the event of the cessation of the enterprise. Compliance with rules imposes a heavy burden on the

⁴⁶ Industry consultees and consultants working on the EU training programme

restricted financial, management and personnel resources of businesses, particularly SMEs.

4.3.8. Limited Access to and High Cost of Finance

Although this issue was not examined in detail during this study, other assessments have identified that less than 30% of businesses in Tanzania have access to finance.⁴⁷ One of the key obstacles facing tourism enterprises in Tanzania is finding access to finance locally and the cost of the financing tends to be a major obstacle. These obstacles are far more acute to the SME's and to micro-enterprises especially in rural areas. Becoming a tourism entrepreneur is thus often restricted to the better off.

4.4. Addressing Issues: Key Public and Private Sector Players

4.4.1. Issue 1 – Marketing

The MNRT has set targets for the growth of tourism in Tanzania and aims to increase tourist arrivals to one million by 2012. This ambitious target is constrained by limited market penetration, limited awareness (Acorn 2008), limited accommodation supply, and high destination prices. If progress is to be made towards rapid growth a greater consensus approach to marketing is needed, together with a more favourable policy environment for enterprise and investment.

The TTB is responsible for destination marketing and the national parks authority is a major funder of marketing activity. A thorough review of national tourism marketing is needed if targets are to be achieved and better penetration of potential market segments delivered. The whole process of reaching potential customers and how they choose and buy their holidays is undergoing dramatic change. This requires a specific and unified response from all stakeholders.

Given this scenario, the future TTB marketing approach needs involve the following:

- A thorough review of tourism branding, tourism marketing planning and market research capabilities.
- Destination awareness and image building as a unique and essential holiday experience, centred on nature, with Zanzibar as a separate sub-brand.

⁴⁷ CTI Survey of members, Investment Climate Assessment (2004), FInscope Access to Finance Survey 2006/7

- Developing a broadened marketing mix, targeting specific growth segments.
- Helping the industry to source and interact with special interest tour operators in existing and new markets.
- Providing a framework for a co-ordinated and effective marketing partnership with the industry, market by market and product by product.

The following key areas of promotional activity have been identified as critical:

- brand development and control;
- branded internet marketing capability;
- public relations and familiarisations,
- branded advertising,
- branded publications;
- branded exhibitions;
- maximising coordinated private sector marketing activity;
- permanent in-market representation (preferably through contracted fixed-term professional representatives);
- market research; and
- Institutional strengthening (marketing skills).

4.4.2. Issue 2 – Access

4.4.2.1 Visas

In relation to visas, it is recommended that a review of entry point arrangements and training of visa staff in customer care take place immediately. In the longer term Tanzania should avail of the proposed UNIVISA which will allow visitors to move between Southern Africa Development Community (SADC) countries without purchasing additional visas. Mechanisms to allow online purchase or pre-approval of visas (such as have been introduced by Rwanda) should be initiated. Such developments would make Tanzania much more saleable as more multi-country options world arise, for example with new access to Mozambique the south could benefit from combined holidays.

4.4.2.2 Quality of Airport Service

There are plans to improve transport through the Transport Sector Improvement Programme. TCT should seek a review of this programme to ensure it is addressing tourism transport issues. The 2002 Tourism Master Plan proposals for transport development also need to be updated⁴⁸. The use of user fees needs to be reviewed so that income from busy airports like Zanzibar is used to improve facilities.

Tanzania has been gradually liberalizing its air transport since 1992 (AfDB, OECD 2006). The Tanzanian Airports Authority has the mandate to manage mainland airports, undertake developments, supervise competition and manages concessions. The Tanzanian Civil Aviation Authority regulates air transport, is responsible for safety and economic regulations, and provides navigation services. The international marketing of Tanzanian airports overseas appears weak (but this is not surprising given poor facilities).

A link between private sector tourism operators (who can see market opportunities) and airport marketing representatives would be useful and this is something TATO could pursue. Targets for air access growth, related to improved facilities, need to be set by government for airports to achieve.

The issue of subsidies and incentives for inbound charter operations needs to be reviewed and put in a strategic context. This will involve airport marketing agencies and tourism promotion agencies in the following:

- Working very closely with Tanzanian ground handlers and TATO in identifying and targeting the overseas travel trade with charter operation links.
- Working very closely with TTB.
- Devising an equitable Incentive Scheme based on bed nights delivered rather than flights landing. The scheme should be reviewed year by year.

In addition to charter operators (which are based around group travel), increased scheduled services also need to be a target for airport marketing.

4.4.2.3 Ground transport

⁴⁸ A new National Tourism Development Programme to 2015 is planned.

The Government established an autonomous executive agency, the Tanzania Roads Agency (TANROADS), responsible for the management of trunk road construction, rehabilitation and maintenance. A National Road Board performs its activities with representation from the private sector/road users and the Government. TANAPA is responsible for construction and maintenance of roads in National Parks. TCT should make specific submissions to these organizations concerning its members' transportation difficulties.

The National Tourism Master Plan needs to be updated so that potential public tourism development sites are given priority, and private-public partnerships established to develop access to larger private facilities. TCT should encourage the MNRT to address this, and to seek funding for Master Plan implementation.

Tanzania has more than 3,500 km of railroads. There are two railway networks which provide passenger services, a 2,600 km line linking Dar es Salaam with the Central and Northern regions operated by Tanzania Railways Corporation (TRC) and 1,860 km of which 900 km is in Tanzania linking Dar es Salaam with Kapiri Mposhi in Zambia operated by Tanzania Zambia Railways Authority (TAZARA). The upgrading of these services would be an asset for tourism. Improvement in rail services for tourists will also reduce tourism's very high carbon footprint through reducing dependence on coaches and domestic air services

Luxury train services operate from time to time, but the operators are not Tanzania-based. This may be an investment opportunity.

Tanzania has abundant waterways with largely unexploited tourism potential. The Ruvuma River area is a particularly rich potential wilderness attraction, and also has interesting historical and cultural associations. There are opportunities for establishing boat cruising for site-seeing from Dar es Salaam to Unguja, Pemba and Mafia islands as well as at Bagamoyo. There are passenger transport services on Lake Victoria (linking Tanzania, Kenya, Uganda), Lake Tanganyika (linking Tanzania, Burundi, Democratic Republic of Congo and Zambia), and on Lake Nyasa (linking Tanzania, Malawi and Mozambique), but these are not exploited for tourism. There is huge potential for Mtwara Corridor in particular. These are potential tourism assets in the longer term but all require investment, probably through PPP processes.

A review of PPP opportunities in tourism would be useful in speeding up these processes and introducing best practice. The EU has supported PPP reviews in other countries (for example for tourism in Jordan) and might be approached by MNRT or the Privatisation Commission in this regard.

4.4.3. Issue 3 – Poverty Alleviation

National Parks and Game Reserves currently set aside 25% of revenues from tourism for community initiatives. The government's Cultural Tourism Programme also has strong social aims. The industry itself needs to take responsibility for poverty alleviation initiatives and there are already examples of this happening through tour operations and representative associations. There are however some community-private sector business ventures that support village projects. The MNRT needs to remove restrictions on enterprise creation (such as unrealistic thresholds for small tourism enterprises like guesthouses). A system for fair trade labelling in tourism, similar to that in South Africa, might be initiated by TCT to highlight its members' contribution to poverty reduction. Greater use of marketing initiatives by responsible tourism tour operators and websites (such as <http://www.responsible tourism.com>) should be encouraged.

A review of government initiatives in the area of handicrafts should be called for and a plan for upgrading facilities should be included in national and regional tourism development plans.

The Zanzibar Ministry of Tourism has a particular role to play in working with ZATI and others to bring about more responsible tourism in Zanzibar.

The Wildlife Department administers Tanzania's Game Reserves outside National Parks, not only for hunting but also for photo-tourism. They are in charge of all wildlife outside National Parks and the Ngorongoro Crater. These include areas with considerable potential for tourism development, and where careful planning to ensure sustainability is essential. Areas outside Parks and Game Reserves generally belonging to local communities, but NGOs and the private sector report slow development in many areas with government red tape at any corner. Many areas will have potential for pro-poor tourism development if proper planning and co-ordination with tourism authorities can

be put in place. A review of the role of the Wildlife Department in tourism, clearly separating its policy role from implementation, which could be delegated to an agency or privatised, should be considered. There is a need to ensure 25% community contributions from Parks and Game Reserves are being spent strategically, although this can be difficult to achieve with competing local political agendas. The review should make recommendations for furthering good government and accountability in implementation activities.

SNV Netherlands Development Agency with the UK Overseas Development Institute (ODI) recently undertook a review of the effectiveness of pro-poor tourism initiatives in Tanzania, and recommended a series of action areas. This review has been published by SNV (*Tourism and Development: Agendas for Action*, SNV East and Southern Africa 2007)

4.4.4. Issue 4 – Accommodation

An updated Tourism Master Plan is now needed to balance accommodation supply with projected future tourism demand and indicate where accommodation gaps are likely to arise. Such gaps will be opportunities for the private sector.

Zoned, regional tourism development plans should be designed to accommodate growth whilst respecting nature reserves. In this context concession fees and concession locations in state-owned lands need to be reviewed. Incentives for investment in areas of lower occupancy may be required if new destinations within Tanzania (such as Bagamoyo, mainland potential beach destinations and centres in the South such as tourism nodes like Lake Nyasa, the Selous Nyasa Trans-frontier Conservation Areas, the Indian Ocean at Kilwa, Mikindani and Mnazi Bay Marine Park. Fast track mechanisms may also need to be put in place to encourage quality accommodation expansion in the Northern circuit. This must however be based on a sustainable plan designed to protect National Park areas.

The quality of accommodation can be improved through grading, but also through hotel benchmarking surveys which the industry could lead in implementing.

ZATT's initiative to encourage local sourcing from within Zanzibar should be studied and replicated elsewhere if successful. This is an area where NGO support can be forthcoming.

4.4.5. Issue 5 - National Park and wildlife fees

National Park entry fees are high in Tanzania, but are used to fund important tourism activities such as conservation, marketing and education. Transparency to show how community contributions, including the 25% hunting trophy community contributions, are spent is important.

TANAPA is the largest single player in tourism in Tanzania. At present TCT is limited to private sector interests, but without TANAPA, TCT is missing one of tourism's largest stakeholders. Other national tourism industry confederations include all main payers, private or public⁴⁹, and consideration should be given to encouraging participation by TANAPA within TCT, as an associate member or an observer at least. The Wildlife Department is also an important player with whom common agendas need to be agreed. Such a broadening of involvement would help to break down the government *versus* private sector antagonism, which is a very significant constraint on the development of Tanzanian tourism.

Clearly, better communication is needed regarding planned increases in National Park fees, non-consumptive wildlife licenses, hunting trophy fees, so that tour operators can adjust programmes in time. This problem is not unique to Tanzania (although applying increases retrospectively may be!) and is best overcome by legislation requiring National Park entry fees and other government regulations regarding tourism to be fixed each year for two years in advance.

4.4.6. Issue 6 – Human Resources

Service is at the heart of tourism and there is general agreement from all sides that human resource issues are a key constraint on tourism growth. Other countries solve this by importing HR expertise to fill service gaps and to pass on skills to local employees. Branded hotel chains are perhaps the best example of globalised labour

⁴⁹ For example the Irish Tourism Industry Confederation includes as full members the national airline (Aer Lingus), the state-owned bus company (CIE), airports authorities, state tourism promotion agencies and the national parks authority (OPW). Ref: < <http://www.itic.ie/members-list.html>>

supply being used to train local staff. This is not encouraged in Tanzania owing to high local unemployment. This is understandable, but probably not in the best interests of tourism development and competitiveness in both the short and long term. TCT should lobby the government for greater use of temporary work permits when clearly tied into to training programmes for local tourism employees.

A training levy was collected from tourism businesses but progress in improving quality of service in Tanzania but was discontinued following concerns as to its effectiveness. None the less limited skills is highlighted by ODI and others as the biggest challenge facing poorer people who wish to engage in the tourism industry in Tanzania. Training programmes need to be reviewed, possibly through the updated Tourism Master Plan. An up-scaling of donor support in this area should be also sought by government, supported by TCT.

4.4.7. Issue 7 – Regulation and Taxation

4.4.7.1 Regulation

It is essential to create favourable conditions for the tourism enterprise sector in Tanzania to become more competitive, by allowing them to operate in a simplified and safe legal environment, relying on the basic premise that laws and regulations serve to facilitate sole traders and companies and not to obstruct their work.

Based on interviews with the MNRT the consultants were impressed by their knowledge of market issues and of potential opportunities for tourism growth to Tanzania. On the other hand however there does seem to be a need to move from a regulatory mindset to one which concentrates on growing the free market economy, creating employment and encouraging more small business start-ups, rather than having a primary objective raising state revenue from the sector.

It is recommended that TCT should, through its constituent organizations, document particular examples to illustrate these problems, and using this, lobby for reform of the current Tourism Bill and other excessively bureaucratic instruments. TCT needs to bring to the attention of government regulations which are anti-enterprise creation (such as controls on guesthouses and Homestay), and propose alternative ways of developing

and controlling the sector in a responsible and pro-poor way. TCT should encourage the MNRT to concentrate on growing the sector and increasing revenues for all.

4.4.7.2 Taxation

Numerous taxes and levies are applied to tourism and it is an important source of government revenue. Government is the largest beneficiary of tourism dollars in the form of taxes, visa fees, park fees, hunting licences, income tax from tourism employees, corporation tax, VAT and the hotel levy. . Government is also the largest stakeholder (owning Tanzania's superb national parks and other assets).

Aiming to achieve a 1.0 percent increase in tourism is likely to give a better return to public funds than will concentrating resources on regulating and controlling existing tourism enterprises. Although the latter is necessary, it should not be seen as the primary source of revenue. A government system where revenues are based on licensing rather than turnover and expenditure taxes is quite inefficient (costly to administer) and susceptible to corruption. TCT could lobby for a turnover tax to replace licensing, and seek to see this tax used as a means of funding tourism development and marketing.

The taxation system currently penalises in-kind support for journalists and travel trade visits to Tanzania, which is highly uncompetitive for the destination. This is also an issue which TCT should also take forward. Instead of charging license fees on each single item in wildlife tourism, with high collection costs and many opportunities for corruption, it would have been much better to have a simple flat taxation for those communities engaging in wildlife tourism.

4.4.8 Private Sector capacity Constraints

The tourism sector is represented by several private sector associations. These include the hotelkeepers association, the tour operators association, tour guides association among others. These associations are located on both the mainland and Zanzibar. TCT is the umbrella body of all the associations. Although a detailed assessment of these associations was not undertaken, based on our discussions, many of them face capacity and resource constraints that hinder their ability to provide effective services to their members. They also face constraints in their ability to make representation to the government on key issues.

4.4.9 Data Availability

Access to information and data on the tourism industry in Tanzania is crucial to effective strategy and policy development. At present the data available is limited and outdated. This is in contrast to countries like South Africa, Kenya and even Uganda where the data on tourism arrivals, occupancies etc. is readily available and is updated quarterly. In Tanzania the most recent data is for 2006/7. There is a need for a more robust public/private sector system to collect and analyse information on the industry in a timely fashion.

4.5. Key Issues Arising

Key issues arising and primary intuitions with a role to play are as follows:

- Marketing, which requires thorough review and is the primary responsibility of TTB. A consensus approach involving TCT, TANAPA and others is needed and greater emphasis on market research, marketing planning and branding. A detailed national tourism marketing strategy should be drafted jointly by the industry and the tourist board, and funded from tourism taxes, licenses and entry fees.
- Access, which requires multi-agency action and stronger lobbying by TCT.
- Accommodation supply and standards need attention through measures including grading and benchmarking. It is important that the private sector itself take a lead in addressing these issues.
- A review of government initiatives in the area of handicrafts should be called for and a plan for upgrading facilities should be included in national and regional tourism development plans.
- The Zanzibar Ministry of Tourism has a particular role to play in linking growing tourism prosperity with poverty alleviation and eventual wealth creation for Zanzibaris.
- The National Parks Authority is one of the key stakeholders in tourism and one of the major funders of marketing. A closer working relationship with TCT and its members is essential. Similarly better engagement with the Wildlife Department is needed.
- As a major stakeholder in community lands, the role of the Wildlife Department should be reviewed to ensure a 'joined up government' approach to tourism development.

- Human resource issues are central to successful tourism development. TCT itself has a training role. Funds available for training need to be reviewed to ensure they are being effectively channelled and more donor support needed.
- The tourism sector is burdened by excessive regulations, licensing and quite heavy taxation. All of these issues need to be addressed if the industry is to thrive.

4.6 Conclusion/Recommendation

Based on the issues arising, there are multiple activities and roles for different players to effectively engage in enhancing tourism development in Tanzania. It is strongly recommended that the existing Tourism Masterplan be updated taking into account the issues raised in this report related to: infrastructure, Human resource development, regulation and taxation, access to finance, marketing and branding, information and other related issues. The Masterplan can then be the basis for concerted public/private action to enhance value in the Industry for all players.

ANNEXES

Annex 1: References

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Annex 2: Terms of Reference for the Value Chain Study

Background to the Study

Tourism is an important economic sector in Tanzania with estimated direct foreign exchange earnings of US\$862 million accounting for 25% of total export earnings.⁵⁰ In 2006, approximately 644,000 tourists visited Tanzania and there were about 250,000 people directly—and formally—employed in restaurants and hotels in 2006⁵¹. Within the domestic economy the hotel and restaurant sector (as described in the national accounts) is the second largest sector after agriculture, making up around 16% of GDP in 2003. However, this is not a complete picture of the contribution of tourism to the economy of Tanzania; tourism was selected for analysis in the 2005 Diagnostic Trade Integration Study (DTIS) not just for the direct income generating potential of tourism businesses, but also for the extensive linkages it has to the rest of the economy (it generates demand for outputs in related sectors such as retail, manufacturing, services, food processing, construction and agriculture) which are important for employment generation and poverty reduction. Though the DTIS was unable to estimate the multiplier effect of tourist dollars spent in Tanzania, it is clear from earlier studies⁵² and those conducted in other countries that tourism in developing countries like Tanzania has a multiplier of between 1.5 -1.8 for every tourist dollar spent in the country. According to analysis of the poverty profile (Chapter 1 of DTIS), households that are directly involved in tourism have lower poverty rates than food crop producers, fish producers, and mining sector households.

The challenge and the opportunity facing Tanzania is that the current economic contribution from the tourism sector is only a fraction of its potential. The threat to this potential is that the current business model for delivering tourists (consumers) to Tanzania is built on vertically integrated package-oriented supply chains that rely heavily on international tour operators and hotel chains to both drive and supply demand based on the offers in the market place. This model empowers these international operators to control prices and volumes dependent on what

⁵⁰ These figures and others quoted in this note are either sourced from the Ministry for Natural Resources and Tourism or based on a comprehensive survey of tourists' expenditure and travel behavior carried out jointly by the Bureau of Statistics, Central Bank and Ministry of Natural Resources and Tourism in 2004. Over 5,500 tourists were interviewed and the sample is considered significant and representative. The survey was carried out at four exit/entry points namely Dar es Salaam International Airport (DIA), Kilimanjaro International Airport (KIA), Namanga (NAM) and Zanzibar Airport (ZAA).

⁵¹ Integrated Labor Force Survey, 2000/01 Analytical Report, Table 3.10, p.34.

⁵² David Kweka (2001).

they are offering and the inherent seasonal demand fluctuations in the source markets; the net result (supported by occupancy and entry statistics) is that with the current products being offered, during high seasons there is unmet demand and during low seasons there is not enough demand. To understand how this model has emerged it is important to provide an historical perspective.

Tanzania was not very open to tourism during its socialist period following independence, but during the mid-1990s recognized the potential of tourism to deliver rapid economic growth. Perhaps capitalizing on Kenya's "tired" image in the market place and saturated resource base, Tanzania promoted tourism as one of its primary drivers of growth and opened its doors to FDI. In trying to differentiate itself, and learn from Kenya, Tanzania opted not to encourage high volume tourism, but to concentrate on the more lucrative low volume and high-spending exclusive safari market and to open up more of its game reserves to hunting as opposed to photographic, or non-consumptive use. Also, compared to Kenya the coastline of Tanzania (300 miles longer) is undeveloped, instead Tanzania has focused its beach tourism product in the islands of Zanzibar, Mafia and Pemba.

However, as statistics seem to show this model, built around a few iconic natural assets (e.g. Ngorongoro, Serengeti, Tarangire, Lake Manyara, Zanzibar and Kilimanjaro) concentrated in the so-called "Northern Circuit" is no longer producing the growth rates of the mid to late 1990s (1993 to 1998 averaged 19%; 2000-2005 averaged 3.8%). Indications are that the prevailing mono-culture of package tourism, which accounted for 65% of all leisure and holiday visitors surveyed in 2004, and nearly 88% of leisure and holiday visitors from Tanzania's top five source markets, is responsible for this slowed growth. The Northern Circuit is becoming saturated. It is not clear whether the issue is one of undersupply of accommodation (or other factors such as limited access to Ngorongoro Crater) or whether demand has actually tailed off. A market survey has been commissioned by the Tanzania Association of Tour Operators, which it is hoped will help answer this question⁵³.

Tanzania's Tourism Sector is at a Crossroads

⁵³ Tourism Market Survey currently being undertaken by Acorn Consulting Partnership Ltd

There are also broader and perhaps more strategic issues to consider. The GOT has expressed a desire to double tourist numbers by 2010, assuming that this will in turn contribute to greater GDP earnings and therefore impact poverty reduction.

There is data (Table 1.) to suggest that package tourists pay more per day than independent tourists (non-package). However, spreading these overall daily expenditures across the value chain shown in Figure 1 may reveal a very different picture of actual in situ spending.

Table 1: Average Holiday Visitor's Expenditure Per Day :(Top 10 Source Markets)

	Country	Average Daily Package Expenditure (US\$)	Average Daily Independent Traveler Expenditure (Non- Package) (US\$)
1	United Kingdom	213	116
2	USA	254	140
3	Netherlands	157	91
4	Germany	162	76
5	South Africa	170	169
6	France	236	74
7	Spain	207	190
8	Australia	170	116
9	Canada	210	136
10	Switzerland	265	124
	Average	187.8	118.5

Source: Ministry of Natural Resources and Tourism (Tourism Business Trends 2006)

The potential for future growth of tourism in Tanzania lies with diversifying market segments, including focusing on the domestic and regional markets, and improving the backward linkages into local economies. Considering that tourism already represents a significant share of GDP, the expectation of doubling visitors over the next five years would grow tourism in the economy by an additional 8-10%. However, for tourism to grow in Tanzania within the external context of a rejuvenating Kenya and emerging Mozambique and Zambia and a strengthening South Africa, and an internal context of limited development resources, clear and focused growth strategies are needed that identify and address the priority constraints to achieving this growth.

The Investment Climate survey data for the East Africa region indicates that investment climate is more of an overall constraint in Tanzania than in the other countries. The survey found that both macro and micro-economic issues are constraints in Tanzania although micro-economic issues seem to be of greater importance. Of particular concern are: lack of skilled labor, the poor productivity of workers, poor quality and poor service delivery of infrastructure (especially electricity and telecommunications) and the bureaucratic burden (dealing with government departments on issues like taxes, licenses, levies and inspections). Various investment climate constraints are contributing to the cost structures of organizations making them less price competitive than other countries, especially Kenya (perhaps Tanzania's biggest competitor).

Within the context of this work it is important that a range of other enabling (or disabling) conditions are considered in the final analysis. It is therefore important that the diagnostic tool chosen is able to isolate key priority constraints which affect the tourism sector and its growth potential, specifically.

The timing of this work is opportune. The Government intends to significantly increase tourist visitors (double by 2010) and is developing plans to achieve this goal. In addition a new forum for private/public dialogue has been established, Chaired by the PS, Ministry of Natural Resources and Tourism, and with representatives from across relevant Departments and agencies in Government, this provides an excellent opportunity for the private sector to have its perspectives incorporated into tourism development plans and for Government to get a better understanding of the opportunities and constraints faced by private sector players. This study will give TCT (whose Executive Secretary is Secretary to the Forum) the evidence it needs to make well grounded and persuasive arguments for priority reforms and actions.

Objectives

The overall objective of the value chain analysis is to help identify key constraints, and their possible solutions, to the development of tourism in Tanzania. In combination with other studies this information will be used as important private sector input to the new Tourism Growth strategy in Tanzania.

More specifically the objectives are:

- To identify and increase understanding of, the characteristics, strengths and weaknesses of the Tourism sector.
- To identify key public and private sector players and their roles at different points during the main tourism value chains.
- To identify specific opportunities and priority constraints within tourism value chains, which when addressed will facilitate growth.
- To identify practical and priority options for addressing these constraints so as to realize the Government's ambitious growth targets.
- In light of the above findings, assess ongoing public and private sector initiatives aimed at delivering sustainable economic growth and comment on their likely success.
- To build consensus amongst the main public and private stakeholders as to the strategic direction for the tourism sector and priority actions required for achieving growth
- To prove or disprove important 'tourism myths' which exist in Tanzania, including:
 - The benefits from the tourism sector are felt by only a few
 - A large proportion of the revenues from the tourism sector are collected and retained overseas
 - Package holidays don't benefit the Tanzanian economy.

Scope of Work

To fulfill the above objectives, the consultants will undertake the following:

1. Desk research to develop a sound understanding of the sector, its markets and its potential, using all recent studies, in particular, TATO's market study.
2. Based on the above, identify the main value chains within the tourism sector, and key player groups within each chain.
3. Prepare and present an inception report detailing the research and value chain analysis methodology to be utilized including target audiences, as well as a full work plan,
4. Undertake detailed value chain analysis of these key value chains. The research approach will involve both qualitative and quantitative methodologies (ref next section on value chain analysis)

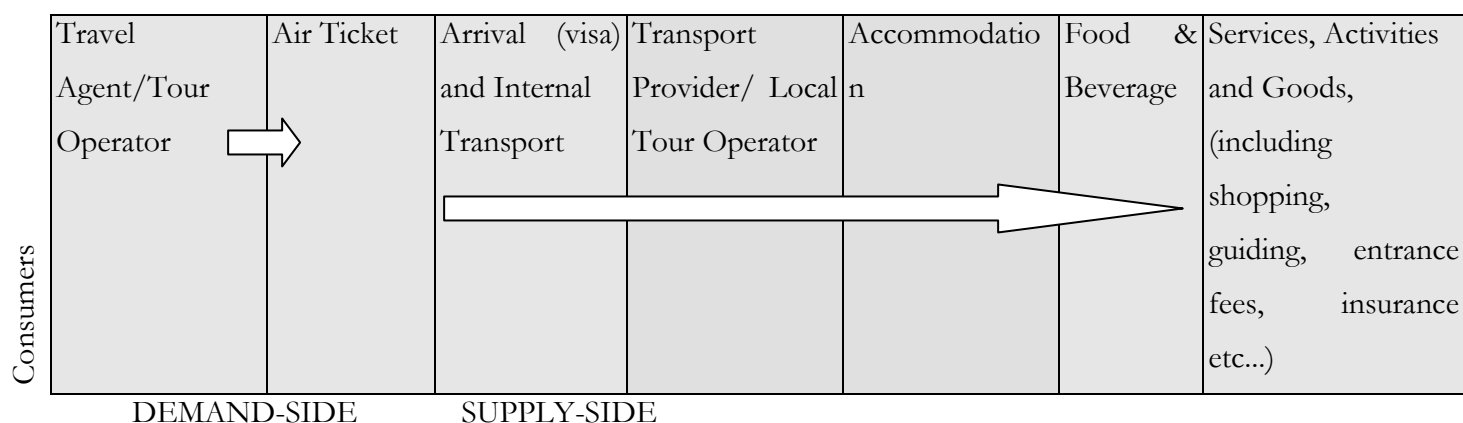
5. Identify where both opportunities and constraints exist at various points in the value chain, and where value can be added from the Tanzanian perspective. This could include developing segments of the value chain which have hitherto been based outside Tanzania.
6. As appropriate, make comparisons with international competitors to highlight areas for intervention in order to increase Tanzania's competitiveness
7. As appropriate, involve representatives from the key stakeholder groups in the analytical process, to help build up ownership of the analysis and also collaboration and understanding between different players in the value chains.
8. Based on the above analysis, and information from the market study, identify a priority set of interventions (across sectors, if appropriate) which will enable Tanzania to compete in current and potential growth markets. Improvements in a broad range of areas from health services, infrastructure services, agriculture, human resource development, etc should be considered.

Using Value Chain Analysis

The value chain analysis (VCA) will gather quantitative data on where value is being captured in the different supply chains of the various markets segments of the current tourism product offers.

The value chain – ultimately the tool that will highlight gaps for intervention – will define very specific constraints relating to infrastructure, tourism facilities (accommodations and other services), training and skills, tourism policy environment (e.g. air policy), marketing programs and potential for product enhancements (e.g. eco- and community-based tourism) and enhancements to quality of service. It will also provide rich information on the value-adding segments of the supply chain and indicate areas of poor performance where better value could be added.

Figure 1: A Typical Tourism Value Chain (the bundle of goods and services purchased by a tourist that constitutes typical expenditure by one tourist)



Value Chain Analysis Approach

Macroeconomic profile the tourism sector in Tanzania

A broad profile of the sector from existing secondary research material is necessary as a backdrop and context for the VCA. Sources of information are: published materials such as visitor expenditure surveys, WTO and WTTC statistics, government and non-government statistics; published materials from travel agents, tour operators, air carriers, hotels, and transport associations.

The profile should highlight tourism's role in the economy, including:

- An inventory of tourism assets (natural, cultural and man-made); hubs for tourism and access to and within the country; infrastructure; leisure activities and services; and potential tourist assets;
- The drivers of the demand for tourism services; its total revenues and their distribution (spatially and by season) and relationship to GDP; its role in generating foreign exchange earnings and tax revenue;
- Market structure, including emerging markets such as Asia, and the dynamics of the sector;
- Employment structure of the tourism sector.

The sector should be benchmarked with regional and international performance wherever possible. Measures and indices to benchmark could include but are not limited to:

- Economic indicators, including contribution to GDP, foreign exchange generation, tax generation, employment and job creation.
- Different categories of international arrivals (inbound tourism);
- Expenditure patterns for different visitor categories;
- Tourist accommodation:
 - number of rooms, by category;
 - hotel occupancy rates (by season and location);
 - average length of stay (by season and location);
 - average room/bed rates (by season and location);
- Daily expenditure per tourist and breakdown by main categories (accommodation, transport, etc.;
- Marketing and promotion efforts, including in key originating markets and through Internet presence;
- Policy environment relevant for access to the country (e.g., “open skies” air transport policy) and frequency, quality and price of domestic and international travel.
- Visa requirements and frontier formalities.

Value chain analysis of costs, time and revenues, opportunities and constraints

Consultants should propose the value chains that will be analyzed in their inception report, but likely to include the following:

Sold as mainstream tourism products in international markets as sold through international intermediaries:

- Beach package holidays (as sold in key source markets; UK, Italy, Germany)
- Safari package holidays (as sold in UK and USA)

- High-end tailored holidays; based on the handful of tour operators catering to the very high end; i.e. US\$ 400 per day + (as sold in UK and USA)

Sold through local intermediaries:

- An independent traveler choosing community-based or smaller facilities around Tanzania
- Value adding short excursions;
- safari extension to a beach package,
- beach extension to a safari package

For each of the above tourist itineraries, per day costs and expenditure (per individual) will be quantified and compared using the VCA methodology that includes:

- separation of the supply chain into major activity clusters;
- quantification of the cost and time-profile of logistics from origin to final destination (between focal tourist locations depending on itinerary) including customs, visa, immigration and ground services;
- establishing the market structure and gaps in the chain;
- quantification of the costs of delivering services for each major activity;
- assessment of the productivity of tour operators and hotels (e.g. revenue per available room, per employee, average daily rate, average occupancy rate, etc.);
- providing comparative performance indicators in order to benchmark Tanzania with competitor destinations;
- identifying links between a) policy, regulatory, institutional and other factors that constrain markets and b) costs and where applicable, time and productivity.

Outputs and Deliverables

The consultant(s) will deliver the following:

- An inception report within 1 week of starting the work.
- A draft report containing:
- The findings from the research and analysis

- A summation of compelling arguments for reform, to be made to Government
- Options for next steps for the TCT

c) If required, a presentation containing a summary of the above will be made to the TCT Board and/or the public/private forum for Tourism which was recently established.

d) The TCT Board will review these documents and provide comments. Based on these, the consultants will produce a final report.

Competency and Expertise Requirements

The consultancy team must have the following expertise/experience:

- Proven expertise of economic and social research (qualitative and quantitative) in a developing country context
- proven expertise in value chain analysis, preferably for a service sector, and in a developing country context
- Sound facilitation skills, and the ability to manage constructive group discussions amongst different players within a value chain analysis.
- In depth understanding of the international tourism industry, and preferably experience of the tourism sector in East Africa.
- Understanding of business environment issues and factors relating to the cost of doing business
- Excellent analytical skills needed to identify key factors, understand how they interrelate, and extract key findings.
- Proven ability to use research findings to identify and formulate recommendations for reform and action in order to address opportunities and constraints identified in the research.
- At least one team member, and any researchers, must be fluent in Kiswahili.

Contracting/Reporting

The consultant will report to the Board of the Tourism Confederation of Tanzania (TCT).

Background Documents

The following documents and reports will be made available to the consultants:

- *Report from TATO Market Study* (currently ongoing)
- *Tourism Master Plan, 2002*
- Tourism Exit Surveys
- TANAPA Management plans for major national parks
- Recent TCT presentations

Timing

It is anticipated that the work will take up to 8 weeks (including a minimum of 4 in the field) to complete and to commence in March 2008.

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Annex 3: Main Consultees

Name	Organization
Gurpreet Singh Chatal	Al Johari Boutique Hotel
Saada Juma	British Airways
Nicola Colangelo	Coastal, The Slipway, Great Flying Safaris
Shaun Strydom	Conservation Confederation Africa
Saifudin Khanbhai	Cultural Heritage Ltd.
Thomas Green	Emerson Green Hotel
Liam Smith	EU Tanzania Tourism training Project
Roselyne Mariki	Great African Safaris
Ernest Mwamaja	Min Natural Resources and Tourism
Vincenzo Ranaudo	Mövenpick Royal Palm Hotel
John Corse	Nomad Tanzania
Gary Greig	One Ocean, Blue Bay
Michael Shirima	Precision Air
Rudi Hanh	Selous-Niassa Wildlife Corridor
Birgit Steck	SNV
Christopher Shyers	SNV
E N Multi-Heriel	SNV
Adam Fuller	Southern Sun Hotel
Graham Skeet	Southern Sun Hotel
Tehsin Takim	Takim Holidays, STA Travel
	TANAPA
Michel Allard	Tanzania Game Tracker Safaris
Richard O Rugimbana	TCT, Chief Executive Officer
Abdulkadir L. Mohamed	TCT, Tanzania Air Operators Association
Scott Coles	TCT and Tanzania Hunting Operators Association
Yakoub Abdulkarim	Tembo House Hotel
Sameer H Mohamed	Uniglobe Skylink Travel & Tours
Mark Dieler	White Rose Hotel
Mr Tuma	Zanzibar Commission for Tourism
Norwegian Aid	Zanzibar Conservation Centre
Julia Bishop	ZATI
Polline Kanyora	Neptune Hotels
Sam Mundia	Blue Bay Zanzibar Hotels
Rosemary Mugambi	TPS Eastern Africa
Joash Olum	Somak Travel Ltd.

Annex 4: Mystery Shopping: Businesses and Facilities Visited

Organization
Africa House Hotel, Stone Town
Al Johari, Stone Town
Arusha Centre Hotel
Arusha Naaz Hotel
Beit el Ajab (House of Wonders), Stone Town
Botanical Gardens, Dar es Salaam
Cultural Heritage Centre, Arusha
Forodhani fish market, Stone Town
Heritage Motel, Dar es Salaam
House of Wonders, Stone Town
Jozani Protected Forest, Zanzibar
Julius Nyerere International Airport, Dar es Salaam
Kempinski Kilimanjaro Hotel and craft shops, Dar es Salaam
Kilimanjaro International Airport
Kidude Restaurant, Stone Town
Mercury Bar, Stone Town
Mövenpick Royal Palm Hotel and craft shops, Dar es Salaam
Mt Meru Crafts
Museum and House of Culture, Dar es Salaam
New Africa Hotel and craft shop, Dar es Salaam
Pagoda Restaurant, Stone Town
Secrets of Zanzibar, Stone Town
Southern Sun Hotel and craft shops, Dar es Salaam
Tanzania Tourism Board offices, Dar es Salaam
Tembo House Hotel, Stone Town
The Slipway Restaurant and craft shops, Dar es Salaam
Tippu Tip House, Stone Town
White Rose Hotel, Zanzibar
Zanzibar Airport
Zanzibar Airport Tourist Information Centre
Zanzibar Conservation Centre
Zanzibar ferry port
Zanzibar Gallery, Stone Town
Zanzibar Serena Inn, Stone Town

Annex 5 Community Tourism – Mystery Shopping Exercise

Itinerary: 3-day Community Tourism Safari

Background & Features

This analysis examines the itinerary of an independent visitor on a locally-sourced community-based tourism experience. The information was gathered using a mystery shopping approach: a member of the consulting team organised and went on a three-day visit to a Maasai community in Ilkorut in September 2008.

The experience included the following features:

- Flight to Arusha from Dar es Salaam
- Accommodation at a safari lodge
- Guided tour of Maasai community and interaction with community members
- Overnight camping in Maasai community
- Visit to handicraft compound.
- Transfers to safari lodge and airport for return flight to Dar

Value Chain Map

The community based tourism experience cost a total of \$870 per person including the return airfare on a domestic carrier from Dar es Salaam to Arusha. The table below shows the main components of the particular itinerary examined.

TOURISM ITINERARY: ARUSHA COMMUNITY TOURISM

Maasai Community Tour: 3 days

Prices and costs based on a mystery-shopping tour in September 2008

<----- Total Tourist Expenditure of Travel Experience -----> \$870.00				
<----- 'Published' price of the community tour (excluding airfare) -----> \$440.00				
<----- Cost of inputs for Travel Package (excluding airfare) -----> \$395.00				
\$45.00	\$380.00	\$120.00	\$225.00	\$50.00
5.5%	46.3%	14.6%	27.4%	6.1%
Commissions	Negotiated costs with service providers			
<i>Domestic Operators (5% admin and 10% commissions)</i>	<i>Domestic air transport and airport services</i>	<i>Ground transport (\$10 each for driver & tour guide per day)</i>	<i>Accommodation (\$60) & meals (\$15) per day</i>	<i>\$50 fee to village authority, costs of additional gifts not included</i>

The main components of the value chain are:

- Domestic airfare (46%).
- Accommodation and meals (27%), and;
- Ground transportation and guiding (15%).

The airfare takes up almost half of the total value of the community-based tourism experience, a significant proportion for a fairly short itinerary. Domestic air service providers (scheduled airlines and charter companies) would be the main beneficiaries of this expenditure. However, it is highly likely that ground transport would be used between Dar es Salaam and Arusha, at a much reduced cost to the traveller of between \$40 and \$60 for a bus ticket each way. Local providers would again enjoy the benefits of this expenditure.

Accommodation and meals accounted for 27% of the total expenditure. Two nights were spent at a 34-roomed lodge and one night at a campsite. Discussions with service providers revealed that room costs were priced at between \$40 and \$60 per night, while meals were priced at \$15 per person per day. The lodge was foreign-owned with one expatriate manager and over 60 Tanzanian employees. While it was not possible to determine the expatriate's salary, the wages for Tanzanians ranged between Tshs 100,000 and Tshs 200,000 per month.

Transport and tour guiding totalled \$120 for the entire 3-day itinerary, or approximately \$40 per day. Tour guides and drivers were each paid \$10 per day.

Fees to the Maasai village authority – at \$50 per tour - accounted for just 6% of the total cost while commissions amounted to 5.5%. Mention was made of an agreement between tour operators to share 20% of the community tourism revenue with the local communities where the tours took place. However it would appear that this was not being observed, although tourists were encouraged to offer in kind donations (sugar, tea bas, school books and writing implements for the children).

Assessment of capacity issues and constraints

Community-based tourism seems to be the purview of Tanzanian tour operators. The mystery-shopping found that the operator delivered ‘as advertised’ and that ultimately the experience met the ‘value-for-money’ expectations. It was noteworthy that the operator advised the tourist to reduce the tour by a day to avoid unnecessary expenses.

The main capacity constraint observed was in the quality of the tour guiding. While the guides had significant knowledge of the local communities their presentations seemed ‘canned’ and somewhat lacking in authenticity. For someone interested in ‘experiencing’ the Maasai, rather than just ‘seeing’ them, the tour may have been a disappointment. This suggests that a significant rethinking of how the community tourism is packaged and delivered could be useful in terms of enhancing the tourist’s experience, attracting more visitors and boosting revenues.

Assessment of policy constraints

At \$50 per visit, the revenues generated directly and on location by the local communities seem paltry. While visitors are encouraged to offer in-kind gifts to the host communities, the relationship between visitor and host seemed less than mutually beneficial, with the visitor deriving significantly more value from the interaction than the hosts. The question arises of whether the government can or should ‘protect’ the host communities from ‘exploitation’ by operators and visitors by encouraging the sharing of a larger slice of the community-based tourism revenues.

Annex 6: Expenditure Analysis based on Tanzania Tourism Sector Survey Data (2006)

The Bank of Tanzania, Ministry of Tourism and Natural Resources and National Bureau of Statistics carried out an exit survey of 3092 visitors to Tanzania in the final quarter of 2006.

The survey captured the average expenditures made by the visitors in Tanzania, as well as a breakdown of total expenditures by visitors on various activity clusters namely, accommodation, local transport, sightseeing, park and exhibit entry fees, visas and immigration taxes, shopping, and other expenditures. It also categorises visitors by the purpose of their visit (business, leisure and an unspecified 'other' purpose).

The questions asked revolved around where the tourist 'dollar' was actually spent in the entire tourism value chain, and which sections of that chain captured what portion of the value. The approach taken is a statistical analysis of the survey data to form a useful foundation from which to understand the allocation of tourist spending in Tanzania. It provides a statistical picture of the real allocation of tourist spending between different components, based on real data as opposed to a 'model' of a 'typical' tourist itinerary. In addition to this statistical analysis, the consultants incorporated the insights from various key informants on the overall prices and costs of a typical set of beach and safari tourism packages in order to verify the validity of the magnitudes emerging from the survey data.

Comparing the 2006 survey with the 2005 survey findings

The table below summarises the findings of the 2006 survey and compares them to the 2005 survey findings. The survey findings represent 3,092 respondents representing 6,610 visitors.

Table 21. Summary of 2006 Survey Findings

Survey Question and Details	Summary Findings 2006 data (2005 in brackets)
'Main purpose of visit to Tanzania?' - Business (B) - Leisure & Holiday (L&H) - Visiting Friends & Relatives (VFR) - Other (specify)	2006 findings (2005): Others – 3% (3%) Business – 5% (4%) VFR – 4% (5%) L & H – 88% (88%)
'Did you use package tour?' - Yes → average daily spend – \$198 (\$155.30) - No → average daily spend – \$145 (\$125.50)	Package – 60% (69%) Non-package – 40% (31%) [In 2006, 60% (69%) of total used package tours, but mostly for Leisure & Holidays 65% (76%); Other 35.3% (25%) and Business 20.5% (14%)].
'Number of nights spent in': - Mainland - Zanzibar	M/land – 11, (11 in 2005) Zanzibar – 8 (7 in 2005)
'How much in total did you spend in Tanzania during this trip?'	On aggregate: \$950m (\$824m)
'Please give a breakdown of your expenditure in Tanzania on the following:' - Accommodation (incl. food & drinks) - Internal transportation	On aggregate the results show: <u>2006 (\$950m):</u> Accommodation – 34% (\$323m) Sight-seeing – 20% (\$190m)

<ul style="list-style-type: none"> - Sight-seeing/excursion/game viewing - Access/entry/gate fees - Visa fees and taxes - Shopping - Others (specify) 	<p>Others – 20% (\$190m)</p> <p>Transport – 13% (\$123.5m)</p> <p>Shopping – 8% (\$76m)</p> <p>Visas and Taxes – 4% (\$38m)</p> <p>Access/entry/gate fees – 2% (\$19m)</p> <p><u>2005 (\$824m):</u></p> <p>Accommodation – 29% (\$239m)</p> <p>Transport – 28% (\$231m)</p> <p>Shopping – 12% (\$99m)</p> <p>Others – 31% (\$255m)</p>
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Source: Draft Report of the 2006 International Visitors Exit Survey (May 2008)

The visitors' reasons for coming to Tanzania are little changed between 2005 and 2006. However, the share of visitors on package tours fell by 9% from 69% to 60%, while that of independent visitors rose from 31% to 40%. The average number of nights spent in Mainland Tanzania stayed at 11 while Zanzibar saw an increase in average tourist nights from 7 to 8.

The total tourism expenditure in 2006 was estimated at \$950 million, up 15% from the \$824 million achieved in 2005. The average daily spend also increased by 27% from \$155.3 (2005) to \$198 in 2006 for those on package tours and by 16% from \$125 to \$145 for independent travellers.

At the aggregate level, accommodation continues to account for the largest share of total tourist spending at \$323 million or 35% (up from \$239 million or 29% in 2005). In 2006, tours and sightseeing took 20% (\$190 million) followed by transport with 13% (\$123.5 million) and shopping (\$76 million).

The table below shows a summary of the average expenditure⁵⁴ on various activity clusters and by the purpose of the visitor. On a methodological note, the spending by independent/non-package visitors is treated in this and subsequent analysis as essentially 'discretionary' in that the visitor has complete control over how and where to spend their money. This is in contrast to the package tourist who has the major items (accommodation, local transport, and entry fees) catered for by the tour operators.

Bearing this distinction in interpretation in mind, some high level observations can be made from the table:

1. The average overall package cost is higher for the leisure and holiday visitor (\$7,352), than for business (\$4,859). Surprisingly, the 'other' category produced an average package tour cost of almost \$10,000.
2. The average total spending in Tanzania is higher for non-package tourists, regardless of visitor purposes, except 'other.' This appears at variance with the findings in the Draft Report of the 2006 International Visitors' Exit Survey that tourists on package tours have a higher average daily spend. One plausible explanation is that the

⁵⁴ On averaging the expenditure, those whose responses were 'nil' were included to avoid overstating the actual expenditure which would be exaggerated by counting only those responses which supplied a non-zero answer. The total expenditure for each cluster was divided by the total number of the relevant respondents, including those who may not have spent any money on that particular cluster.

Report's statistic encompasses the number of days spent in Tanzania, which, if longer for non-package tourists, could be the reason why average daily expenditure would decline.

3. Independent leisure and holiday travellers spend most of their money on accommodation, local transport, sight-seeing and 'other' activities. Package tourists spend significantly less 'discretionary' money on average, but place their emphasis on shopping.
4. Independent business visitors were fairly substantial spenders in accommodation, sight-seeing, although this may have been boosted by a few wealthy individuals who pushed up the average to over \$2,700 and shopping (\$796).

Table 2. Summary of average expenditure on various tourist activity clusters (Mainland and Zanzibar combined).

Package or Independent	Data	Purpose of Visit			
		BUSINESS	LEISURE AND HOLIDAYS	OTHER	VISITING FRIENDS AND RELATIVES
INDEPENDENT/NON-PACKAGE TOUR	Average of Accommodation Exp	\$850	\$1,222	\$882	\$380
	Average of Local Transport	\$225	\$292	\$188	\$159
	Average of Sightseeing Exp	\$142	\$598	\$223	\$148
	Average of Entry Fees	\$17	\$116	\$47	\$212
	Average of Visas & Taxes	\$265	\$114	\$65	\$55
	Average of Shopping	\$797	\$338	\$232	\$176
	Average of Other Exp	\$127	\$144	\$352	\$481
	Average of Overall package cost	\$6	\$113	\$0	\$0
	Average of Total Spend in TZ	\$2,723	\$2,948	\$2,178	\$5,416
PACKAGE TOUR	Average of Accommodation Exp	\$70	\$189	\$1,138	\$107
	Average of Local Transport	\$26	\$26	\$278	\$43
	Average of Sightseeing Exp	\$147	\$92	\$188	\$80
	Average of Entry Fees	\$4	\$36	\$56	\$0
	Average of Visas & Taxes	\$57	\$84	\$43	\$80
	Average of Shopping	\$205	\$382	\$474	\$285
	Average of Other Exp	\$115	\$115	\$903	\$247
	Average of Overall package cost	\$4,859	\$7,352	\$9,910	\$2,028
	Average of Total Spend in TZ	\$623	\$740	\$2,972	\$827

Source: Tanzania Tourism Sector Survey 2006

Beach Tourism (Package)

The survey had 464 respondents who were visiting for purposes of leisure and holiday and who spent their visit entire visit in Tanzania only in Zanzibar. It was assumed therefore that they travelled to Zanzibar purely for a beach holiday. Of these, 137 (30%) were independent travellers and 327 (70%) were on package tours.

Table 3. Zanzibar Beach Tourism Expenditure

Package or Independent	Data	LEISURE AND HOLIDAYS
INDEPENDENT/NON-PACKAGE TOUR	Average of Accommodation Exp	1,385.74
	Average of Local Transport	169.37
	Average of Sightseeing Exp	251.84
	Average of Entry Fees	54.21
	Average of Visas & Taxes	95.77
	Average of Shopping	342.68
	Average of Other Exp	67.22
	Average of Overall package cost	87.59
	Average of Total Spend in TZ	2,413.04
PACKAGE TOUR	Average of Accommodation Exp	89.40
	Average of Local Transport	16.72
	Average of Sightseeing Exp	134.39
	Average of Entry Fees	25.86
	Average of Visas & Taxes	131.22
	Average of Shopping	331.28
	Average of Other Exp	33.36
	Average of Overall package cost	6,142.13
	Average of Total Spend in TZ	711.87

Source: Tanzania Tourism Sector Survey 2006

From the table above, the following insights emerge with respect to package tourists (327 respondents):

1. The average overall package cost for package tourists was \$6,142.00 and the average period of stay was 8.2 days. This yields an average daily expenditure of almost \$750⁵⁵.
2. The average of the total discretionary expenditure was \$712.00. This is slightly lower⁵⁶ than the \$762.00 amount spent and allocated in the rank as shown below:

Item	Average spend (\$)	Share
Shopping	331.28	43%
Sightseeing Exp	134.39	18%
Visas & Taxes	131.22	17%
Accommodation	89.40	12%
Other	33.36	4%
Entry Fees	25.86	3%
Local Transport	16.72	2%
Total	762.23	100%

⁵⁵ This is likely to include the airfare component and all of the margins of the aggregators and operator.

⁵⁶ A small margin of error of \$50.00 is assumed. We otherwise interpret these figures to represent the same thing, namely the **additional** 'on location' spending by the tourism on top of the cost of the tour package.

Beach Tourism (Independent)

From the table below, the following insights emerge with respect to independent beach tourism spending (137 respondents):

Item	<i>Average spend (\$)</i>	<i>Share</i>
Accommodation	1,385.74	59%
Shopping	342.68	14%
Sightseeing	251.84	11%
Local Transport	169.37	7%
Visas & Taxes	95.77	4%
Other Spending	67.22	3%
Entry Fees	54.21	2%
Total	2,366.83	100%

1. The average total spend was \$2,413 over a period of 9 days, yielding an average daily spend of \$268.
2. This total amount is just 2% higher than 'discretionary' spending of \$2,367 (see table above). The two amounts are therefore assumed to represent the independent traveller's entire expenditure on all components of their visit.
3. Accommodation accounted for almost 60% of the independent travellers spending, compared to just 12% for the package tourist for whom this component was already included.
4. Shopping took approximately the same cash amount (\$343 and \$330) but accounted for 43% and 14% respectively for package and independent visits.
5. The independent traveller spent almost twice as much on sightseeing than the package tourism, \$252 compared to \$134.
6. Spending on local transport was also almost 10 times higher for the independent traveller than for the package tourist at \$169 and \$17 respectively.

Wildlife Safari Tourism (Package)

The survey had 1,168 respondents who were visiting for purposes of leisure and holiday and who spent their visit entire visit in Tanzania only on the Mainland. It was therefore assumed therefore that they travelled to Tanzania primarily for a safari holiday. Of these, 315 (27%) were independent travellers and 853 (73%) were on package tours.

Table 4. Mainland Wildlife Safari Tourism Expenditure.

Package or Independent	Data	LEISURE AND HOLIDAYS
INDEPENDENT/NON-PACKAGE TOUR	Average of Accommodation Exp	988.55
	Average of Local Transport	246.38
	Average of Sightseeing Exp	413.52
	Average of Entry Fees	133.01
	Average of Visas & Taxes	97.25
	Average of Shopping	202.53
	Average of Other Exp	185.41
	Average of Overall package cost	251.11
	Average of Total Spend in TZ	2,318.56
PACKAGE TOUR	Average of Accommodation Exp	71.82
	Average of Local Transport	16.51
	Average of Sightseeing Exp	35.83
	Average of Entry Fees	31.61
	Average of Visas & Taxes	66.05
	Average of Shopping	227.55
	Average of Other Exp	115.62
	Average of Overall package cost	7,424.77
	Average of Total Spend in TZ	559.13

Source: Tanzania Tourism Sector Survey 2006

From the table above, the following insights emerge with respect to package tourists:

1. The average overall package cost for package tourists was \$7,425.00 and the average period of stay was 9½ days. This yields an average daily expenditure of almost \$782⁵⁷.
2. The average of the total discretionary expenditure was \$559. This is slightly lower⁵⁸ than the \$569 amount spent and allocated in the rank as shown below:

Item	Average Spend (\$)	Share
Shopping	227.55	40%
Other Spending	115.62	20%
Accommodation	71.82	13%
Visas & Taxes	66.05	12%
Sightseeing	35.83	6%
Entry Fees	31.61	6%
Local Transport	16.51	3%
Total	565.00	100%

⁵⁷ This is likely to include the airfare component and all of the margins of the aggregators and operator.

⁵⁸ A small margin of error of \$10.00 is assumed. We continue to interpret these figures as representing the same thing, namely the **additional** 'on location' spending by the tourism on top of the cost of the tour package.

Wildlife Safari Tourism (Independent)

From the table below, the following insights emerge with respect to independent wildlife safari tourism spending (315 respondents):

Item	Average Spend (\$)	Share
Accommodation	988.55	44%
Sightseeing	413.52	18%
Local Transport	246.38	11%
Shopping	202.53	9%
Other Spending	185.41	8%
Entry Fees	133.01	6%
Visas & Taxes	97.25	4%
Total	2,266.64	100%

1. The average total spend was \$2,318 over a period of 11½ days, yielding an average daily spend of \$201.
2. The average total expenditure amount is just 2.3% higher than ‘discretionary’ spending of \$2,266. The two amounts are therefore assumed to represent the independent traveller’s entire expenditure on all components of their mainland holiday visit.
3. Accommodation accounted for 44% of the independent travellers spending, compared to 13% for the package tourist for whom this component was already included.
4. Spending on sightseeing was on average \$414 and accounted for a significant 18% of the independent traveller’s budget. This contrasts to the package tourists discretionary spending on sightseeing of just \$36 (or 6% of total spend).
5. Local transport accounted for \$246 or 11% of spending for the independent traveller, compared again to just \$16 or 3% for the package tourist.
6. Shopping and ‘other spending’ combined accounted for 17% of the independent traveller’s budget, compared to 60% of the package tourist’s budget. In absolute terms though, the independent traveller spend of \$388 on these two components compares to the package tourist’s \$343.

Business Tourism (Independent)

The survey had 187 respondents who were visiting for business purposes and who spent their visit entire visit in Tanzania on the mainland (just 17 visitors reported going to Zanzibar for business). Of these, 161 (86%) were independent travellers and 26 (14%) were on package tours.

Item	Average Spend (\$)	Share
Shopping	862.36	39%
Accommodation	861.40	39%
Local Transport	170.43	8%
Sightseeing	152.35	7%
Other Spending	91.11	4%
Visas & Taxes	45.63	2%
Entry Fees	17.47	1%
Total	2,200.74	100%

From the table above, the following insights emerge with respect to independent business tourists:

1. The average total spend was \$2,412 over a period of 9 days, yielding an average daily spend of \$268.
2. The average total expenditure amount is almost 10% higher than ‘discretionary’ spending of \$2,266. The two amounts are close enough to represent the independent business traveller’s entire expenditure on all components of their mainland business visit.
3. Interestingly, accommodation and shopping accounted for identical shares (39%) of the business traveller’s budget.
4. Local transport and sightseeing accounted for 8% and 7% respectively of the total spend.
5. Other spending, visas and entry fees collectively made up just 7% of the business travellers’ budget.

Overall Summary Observations:

- Package tourists spend more overall and on a daily basis than do independent travellers.
- The discretionary spending by package tourists goes primarily to shopping, sightseeing and other spending.
- Independent travellers spend on average \$2,300 to \$2,400 per visit lasting between 9 and 11 days.
- The top items in the independent traveller’s budgets are accommodation, shopping, local transport and sight-seeing.