

# **PROFILE ON TOURIST LODGE**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
I. SUMMARY	97 - 3
II. PROJECT DESCRIPTION	97 - 3
III. MARKET STUDY AND SERVICE CAPACITY	97 - 4
A. MARKET STUDY	97 - 4
B. LODGE CAPACITY AND PROGRAMME	97 - 7
IV. UTILITIES	97 - 8
V. ENGINEERING	97 - 8
VI. MANPOWER AND TRAINING REQUIREMENT	97 - 9
A. MANPOWER REQUIREMENT	97 - 9
B. TRAINING REQUIREMENT	97 - 9
VII. FINANCIAL ANALYSIS	97 -10
A. TOTAL INITITAL INVESTMENT COST	97 -10
B. SERVICE COST	97 -11
C. FINANCIAL EVALUATION	97 -12
D. ECONOMIC BENEITS	97 -13

## **I. SUMMARY**

This profile envisages the establishment of a Tourist Lodge with 30 rooms per annum.

The present number of tourists expected to visit the region for the proposed service rendering project is estimated at 1,499 persons and it is projected to reach at 3,802 persons by the year 2015.

The project will create employment opportunities for 9 persons.

The total investment requirement is estimated at Birr 3.45 million, out of which Birr 59,000 is required for lodge equipment.

The project is financially viable with an internal rate of return (IRR) of 20% and a net present value (NPV) of Birr 2.41 million, discounted at 10.5%.

## **II. PROJECT DESCRIPTION**

Tourist lodge is a commercial establishment that provides lodging and other services to the tourist.

The tourist lodge is usually located within tourist sites specially parks and caters to tourists traveling for park visiting, sport hunting, biodiversity researches, wild life exploration, etc. It provides sleeping accommodations, including maid services, radio and television, parking space for automobiles, recreational facilities, etc.

### III. MARKET STUDY AND SERVICE CAPACITY

#### A. MARKET STUDY

##### 1. Past and Present Demand

The economic significance of tourism and the role that tourism plays in economic development is widely recognized. Development of the tourism sector creates employment opportunity, generates foreign exchange earning, increases government revenue and encourages the development of indigenous industries, handicrafts and infrastructure.

Ethiopia endowed with natural and man-made tourism attractions has been able to attract a considerable number of international tourists. Table 3.1 shows international tourist arrival in Ethiopia during 1995-2002 and revenue generated by the sector during the same period.

**Table 3.1**  
**INTERNATIONAL TOURIST ARRIVAL IN ETHIOPIA AND REVENUE**  
**GENERATED BY THE SECTOR**

<b>Year</b>	<b>Tourist Arrival</b>	<b>Revenue (in'000 Birr)</b>
1995	103,336	144,972
1996	108,885	182,665
1997	139,000	279,000
1998	112,000	225,000
1999	115,000	225,000
2000	135,954	577,800
2001	148,438	642,000
2002	156,327	666,100
<b>Total</b>	<b>1,018,940</b>	<b>2,942,537</b>
Average	127,368	367,817
Annual growth rate (%)	6	24

**Source:** *Ethiopian Tourism Commission.*

As can be seen from Table 3.1, arrival of tourists in Ethiopia during 1995-2002 has been steadily increasing, registering an annual average growth rate of 6% in numbers and 24% in value.

Benishangul Gumuz region has tremendous natural, historical, anthropological and cultural tourist attraction potential. However, there is no data available on the number of tourists that visited the region. Therefore, a previous IPS study (Afar Regional Tourism Potential Study 1998) is consulted. According to this study, the estimated share of the region out of the national total was on average 518 tourists during the period 1993-1997 (see Table 3.2).

**Table 3.2**  
**ESTIMATED NUMBER OF TOURISTS VISITED BGRS**

Year	No. of Tourists Visited
1993	465
1994	490
1995	516
1996	544
1997	573
<b>Total</b>	<b>2588</b>
Average	518
Average growth rate (%)	5

*Source: Afar Regional Tourism Potential Study, IPS 1998 No. 015 (160).89.*

Table 3.2 shows that during the period 1993-1997 a total of 2,588 tourists have visited the region, which means during the same period on average 518 foreign tourists have been visiting the region per annum. During the period under discussion, the number of foreign tourists visiting the region has shown an annual average growth rate of 5%.

In order to estimate the present (2004) number of foreign tourists that will visit the region, it is assumed that taking the year 1997 as a base and applying a growth rate of 5% which is parallel to the average annual growth rate observed during 1993 –1997, is a fair approximation. Accordingly, the number of international tourists that will visit the region in 2004 are estimated to be 806.

Domestic tourists, i.e., Ethiopian visiting tourist sites in the region and foreign nationals residing in Ethiopia are also a potential users of the envisaged tourist lodge. But data on domestic visitors to BGRS is not available. However, a study by TOUR Consult Italy “ National Tourism Development plan of North, East and West regions of Ethiopia 1990 –1994” estimated that the western region of the country which include Oromia, Gambella, BGRS and some parts of southern region hosted a total of 23,093 domestic visitors. The share of BGRS out of the total domestic visitors to western regions considering the tourism resource of each regions is conservatively assumed to be 3% (693) per annum.

Accordingly, the total present (2004) number of tourists visiting the region are estimated to be 149 per annum.

## **2. Projected Demand**

The total number of tourists (both foreign and domestic) is assumed to grow at an average annual growth rate of 6% which is parallel with the average annual growth of tourists arrival in Ethiopia during the period 1995 – 2002. Accordingly, tourist arrival in BGRS is foreseen to grow from 1,499 in 2004 to 3,807 by the year 2020 (see Table 3.3).

**Table 3.3**  
**PROJECTED NUMBER OF TOURISTS IN BGRS**  
**(BOTH FOREIGN AND DOMESTIC)**

<b>Year</b>	<b>Projected No. Of Tourists</b>
2005	1589
2006	1684
2007	1785
2008	1892
2009	2006
2010	2126
2011	2254
2012	2389
2013	2532
2014	2684
2015	2845
2016	3016
2017	3197
2018	3389
2019	3592
2020	3807

### **3. Pricing**

Tourist lodges currently charge from Birr 50 to Birr 200 per night. Usually, the lodges charge lower price for local tourists and higher price for foreigners. For the purpose of financial analysis, an average price of Birr 100 per night (excluding meals) is adopted.

### **B. LODGE SERVICE CAPACITY AND PROGRAMME**

#### **1. Lodge Service Capacity**

The envisaged lodge will have upto 10 bungalows that accommodate upto 3 rooms each with fuel facilities.

The occupancy rate of rooms can reach from 60% to 85 % of the total, depending on the seasons.

## 2. Service Programme

The envisaged lodge is planned to function for about 360 days a year and upto 16 hours a day including holdings and Sundays. The rest 5 days out of a year can be reserved for maintenance and overall cleaning.

The lodge will start its service at 70% of its capacity for its first year, 80% for its second year of service and attain 100% of its capacity in the years thereafter.

## IV. UTILITIES

Major utilities required to run a lodge are cleaning materials, electric power and water. The annual estimation of these utilities is shown in Table 4.1.

**Table 4.1**  
**ANNUAL CONSUMPTION OF UTILITIES AND COST**

Sr. No.	Utilities	Cost '000 Birr
1.	Electric power 5000 (kWh)	10
2.	Water (900 m <sup>3</sup> )	1.8
3.	Cleaning materials (Lampsum)	0.2
	<b>Total</b>	<b>12</b>

## V. ENGINEERING

### 1. Lodge Equipment

The equipment required are listed in Table 5.1.



**Table 5.1**  
**EQUIPMENT REQUIREMENT AND COST**

Sr. No.	Description	Qty.	Cost '000 Birr	
			Unit Cost	Total
1.	Beds	30	600	18,000
2.	Chair and Table sets	40	1,000	40,000
3.	Utensils	Lump sum	1000	1000
4.	Others	Lump sum	500	500
	<b>Grand Total</b>			<b>59,000</b>

## 2. Land, Building and Civil Works

The overall land required is about 5,000 square meters, of which 1,000 square meter is built-up area. The total construction cost at a unit cost of Birr 1,500 per square meter is estimated to be Birr 500,000.

Land lease cost at the rate of Birr 2.5 per m<sup>2</sup> and for 70 years land holding is estimated to be Birr 360,000. Thus, the total land & construction cost assuming that the total land lease cost will be paid in advance amounts to Birr 860,000.

## VI. MANPOWER AND TRAINING REQUIREMENT

### A. MANPOWER REQUIREMENT

The manpower requirement of the envisaged project is 9 persons. The list of manpower and the corresponding labour costs are shown in Table 6.1.

### B. TRAINING REQUIREMENT

No special training arrangement is required for the envisaged project.

**Table 6.1**  
**MANPOWER REQUIREMENT AND ANNUAL LABOUR COST**

Sr. No.	Description	Required Number	Salary in Birr	
			Monthly	Annually
1	Manager	1	1500	18,000
2	House keepers	3	250	9,000
3	Accountant	1	500	6,000
4	Cashier	1	400	4,800
5	Laborers	2	150	3,600
6	Driver	1	450	5,400
	<b>Sub-total</b>			<b>46,800</b>
	25% benefits			11,700
	<b>Grand Total</b>			<b>58,500</b>

## VII. FINANCIAL ANALYSIS

The financial analysis of the tourist lodge project is based on the data presented in the previous chapters and the following assumptions:-

Construction period	2 years
Source of finance	30 % equity 70 % loan
Bank interest	10.5%
Discounted cash flow	10.5%
Repair and maintenance	5 % of the total plant and machinery
Accounts receivable	30 days
Utilities and cleaning materials	30 days
Cash in hand	5 days
Accounts payable	30 days

## A. TOTAL INITIAL INVESTMENT COST

The total initial investment cost of the project including working capital is estimated at Birr 3.45 million. The major breakdown of the total initial investment cost is shown in Table 7.1.

**Table 7.1**  
**INITIAL INVESTMENT COST ('000 BIRR)**

Sr. No.	Cost Items	Cost
1	Land	875.00
2.	Building and Civil Work	1,500.00
3.	Lodge Equipment	59.00
4.	Office Furniture and Equipment	150.00
5.	Vehicle	250.00
6.	Pre-operation Expenditure*	611.68
	<b>Total Investment cost</b>	<b>3445.68</b>
7	Working Capital	10.29
	<b>Grand Total</b>	<b>3455.97</b>

## B. SERVICE COST

The annual service cost at full operation capacity of the lodge is estimated at Birr 511,570 (see Table 7.2). The utility and cleaning material cost accounts for 2% per cent while repair and maintenance take 1.6 per cent of the production cost.

-----  
\* *Pre-operation expenditure include interest during construction (Birr 461.68), training, and costs of registration, licensing and formation of the company including legal fees, commissioning expenses, etc.*

**Table 7.2**  
**ANNUAL PRODUCTION COST ('000 BIRR)**

Items	Year			
	3	4	7	10
Labour direct	22.46	25.27	28.08	28.08
Utilities and Cleaning materials	9.60	10.80	12.00	12.00
Maintenance and repair	7.40	8.33	9.25	9.25
Labour overheads	9.36	10.53	11.70	11.70
Administration cost	14.98	16.85	18.72	18.72
<b>Total Operating Costs</b>	<b>63.80</b>	<b>71.18</b>	<b>79.75</b>	<b>79.75</b>
Depreciation	188.40	188.40	188.40	188.40
Cost of Finance	267.80	251.40	191.10	109.76
<b>Total Service Cost</b>	<b>520.0</b>	<b>511.57</b>	<b>459.25</b>	<b>297.91</b>

## C. FINANCIAL EVALUATION

### 1. Profitability

According to the projected income statement, the project will start generating profit in the first year of operation. Important ratios such as profit to total sales, net profit to equity (Return on equity) and net profit plus interest on total investment (return on total investment) show an increasing trend during the life-time of the project. The income statement and the other indicators of profitability show that the project is viable.

### 2. Break-even Analysis

The break-even point of the project is estimated by using income statement projection.

$$BE = \frac{\text{Fixed Cost}}{\text{Sales} - \text{Variable cost}} = 21\%$$

### **3. Pay-Back Period**

The investment cost and income statement projection are used to project the pay-back period. The project's initial investment will be fully recovered within 5 years.

### **4. Internal Rate of Return and Net Present Value**

Based on the cash flow statement, the calculated IRR of the project is 20 % and the net present value at 10.5% discount rate is Birr 2.41 million.

## **D. ECONOMIC BENEFITS**

The project can create employment for 9 persons. In addition to supply of the domestic needs, the project will generate Birr 3.32 million in terms of tax revenue.