



INFORMATION MEMORANDUM

**INFORMATION MEMORANDUM ISSUED BY SOUTH AFRICAN
NATIONAL PARKS IN RESPECT OF THE PROPOSED PUBLIC
PRIVATE PARTNERSHIP PROJECT FOR THE LAKE
DARLINGTON CONCESSION IN THE
ADDO ELEPHANT NATIONAL PARK**



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This Information Memorandum has been produced by **South African National Parks (SANParks)**, in connection with the tourism public private partnership (PPP) opportunity available at the **Lake Darlington Concession in the Addo Elephant National Park (AENP)**.

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March 2007

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1. Introduction

- 1.1 SANParks is currently investigating the feasibility of a PPP opportunity in which it gives a selected private party right to the commercial use of the Lake Darlington Concession.
- 1.2 This Information Memorandum (“Memorandum”) is issued by South African National Parks (SANParks) in accordance with the guidelines for Public Private Partnerships (“PPPs”) contained in National Treasury's Tourism PPP Toolkit, and in compliance with Treasury Regulation 16 issued in terms of the Public Finance Management Act 1999.
- 1.3 SANParks makes no guarantees about and takes no responsibility for the accuracy and completeness of this Information Memorandum and disclaims any liability for any interested party's use of the information.
- 1.4 This Information Memorandum is not intended to serve as the basis for an investment decision. Each recipient is expected to make an independent investigation and to obtain the necessary independent advice regarding the PPP opportunity.
- 1.5 SANParks may change or replace any information contained in this Information Memorandum at any time, without giving any prior notice or providing any reason.
- 1.6 In a typical PPP agreement in this sector, the private party is granted rights to finance, design, build, and maintain operate a tourism facility on state conservation land for a period likely to provide a fair return on investment. In return, the private party will meet agreed environmental, development, operating and broad-based BEE obligations, and pay a PPP fee to SANParks. At the end of the agreement term, the facility reverts to SANParks.
- 1.7 SANParks is following the PPP feasibility and procurement processes set out in *National Treasury's PPP Toolkit for Tourism*. The toolkit can be downloaded from www.ppp.gov.za.

2. SANParks’ Vision, Mission and Key Strategic Objectives

2.1 SANParks’ Vision and Mission

South African National Parks (SANParks) was established as a parastatal through an Act of Parliament in 1927. As per the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), SANParks is a Schedule 3(a) “public entity” that functions under the ambit of the NEMA: Protected Areas Act, 2003 (Act 57 of 2003) read concurrently with the Biodiversity Act of 2004 and the Protected Areas Act. The core mandate of SANParks is the conservation and management of biodiversity and associated cultural heritage through a system of National Parks. SANParks is also involved in the promotion and management of nature-based tourism, and delivers both conservation management and tourism services through an authentic people centred approach on all its programmes.

The organisation’s operations are totally guided by its vision statement (the word picture of the future) and mission statement (depicting the purpose of its existence). As a public entity, the organisation is committed to act in pursuance of transformation of South Africa’s society in support of entrenching South Africa’s democracy. In this regard the organisation has adopted a transformation mission to guide its efforts accordingly.

VISION - National parks will be the pride and joy of all South Africans and of the world.

MISSION - To develop and manage a system of national parks that represents the biodiversity, landscapes, and associated heritage assets of South Africa for the sustainable use and benefit of all.

TRANSFORMATION MISSION - To ensure effective transformation both within SANParks and the broader society and economy, through the implementation of broad-based Black Economic Empowerment in support of the Constitution of South Africa.

2.2 SANParks’ Key Strategic Objectives

SANParks’ business operations are founded on three important core pillars:

2.2.1 **Conservation**

The primary mandate of the organisation is the conservation of South Africa's biodiversity, landscapes and associated heritage assets through a system of National Parks.

2.2.2 **Nature-based tourism**

The organisation has a significant role in the promotion of South Africa's nature-based tourism, or ecotourism business targeted at both international and domestic tourism markets. The eco-tourism pillar of the business architecture provides for the organisation's self-generated revenues from commercial operations that is necessary to supplement government funding of conservation management.

A significant element of the ecotourism pillar is the Strategic Plan for Commercialisation (which through the implementation of Public Private Partnerships) has as its objective reducing the cost of delivery, improving service levels by focusing on core business and leveraging private capital and expertise as well as the objective of expansion of tourism products and the generation of additional revenue for the funding of conservation and constituency building.

2.2.3 **Constituency building towards a people-centred conservation and tourism mandate**

SANParks is required to build constituencies at international, national and local levels, in support of the conservation of the natural and cultural heritage of South Africa. It has to ensure that a broad base of South Africans participate and get involved in biodiversity initiatives, and further that all its operations have a synergistic existence with neighbouring or surrounding communities for their socio-economic benefit.

The core mandate of the organisation derives from its biodiversity conservation role, thus the conservation pillar is regarded as the basis

upon which the other two sub-core pillars' programmes and activities are directed.

In addition to the core and sub-core business pillars that provide SANParks with a level of uniqueness, the organisation has generic support functions of Finance, Human Resources, Corporate Communications, Corporate Support Services (including Information and Communications Technology), and Legal Services. The operational component of SANParks is delivered through the current twenty one (21) national parks – these being organised under two divisions namely, Kruger National Park and the Parks Division (which entails the remaining twenty (20) national parks).

3. Articulation of SANParks' Commercialisation policy, objectives and strategy

3.1 The Motivation for Commercialisation

“Global conventions and programmes alone are not enough to ensure the continued existence of, and sufficient funding for, protected areas. In times of fiscal austerity and tightening government budgets – especially in developing countries which are home to much of the world's biodiversity – traditional funding sources are increasingly under threat. Innovative alternatives to these traditional sources are needed in order to secure the long term viability of protected areas.” (IUCN, 1998)

In order to encourage greater efficiency in the delivery of public services, the Cabinet in April 1997 approved the establishment of an interdepartmental task team chaired by the Department of Finance, to explore how public private partnerships ("PPPs") could improve infrastructure and service delivery efficiency, and make more efficient use of under-utilised state assets. The key objectives of this programme were to develop a package of cross-sectoral and inter-Institutional policies and legislative and regulatory reform.

In September 1998, the Department of Environmental Affairs and Tourism articulated the need for SANParks to prepare for a lesser dependence on state funding, which would increasingly be aimed at funding the essential

conservation requirements. This formed the basis of the Commercialisation Strategy adopted by SANParks in 2000 with its foundation in the economic theory which defines the State's responsibility as one of performing a regulatory function and intervening in the market-place only where there is market failure. The objective was to reduce the dependence on state funding and improve existing operational efficiencies. This does not imply that SANParks has to be independent of the State but rather that the collective funding sources (i.e. state funding, private donations, NGO and international donations, SANParks' tourism activities and commercialisation) must be able to "sustain" the total business of SANParks. Sustainable tourism development depends on a partnership and balance between the social, technological, economical, the environment and political values and benefits. Hence, should one source of funding be threatened, SANParks must be able to absorb such withdrawal without compromising its sustainability.

The implementation of the Commercialisation Strategy 2000, resulted in the awarding of 11 (eleven) concession sites to private operators, seven of which are in Kruger National Park, two in Addo Elephant National Park, and one in Cape Peninsula National Park.

In addition to the concessions, the Commercialisation Strategy 2000 also resulted in the awarding of 21 shops and 17 restaurants across all national parks to private operators. Facilities were upgraded by the operators and SANParks receives a PPP Fee from these operators.

3.2 The Strategic Plan for Commercialisation 2006

Following the implementation of the Commercialisation Strategy 2000, there have been significant developments in SANParks' approach to PPP initiatives. SANParks accordingly developed the Strategic Plan for Commercialisation 2006 to accommodate and benefit from:

- (i) The experience and specialist skills acquired;
- (ii) The lessons learnt from implementation and management of PPPs;
- (iii) Legislative requirements; and

- (iv) The extended scope of projects identified to enable SANParks to improve its infrastructure towards 2010 and beyond, generate revenues, promote BEE and create employment.

The objective of the strategy is to ensure that SANParks has the fundamentals including capacity in place for managing existing, and for entering into new PPPs successfully. In addition, SANParks has a responsibility towards creating tourism infrastructure on a longer term as compared to a tourism organisation run by a private company. Such infrastructure will enable South Africa to compete with global tourism destinations like Brazil, Thailand etc. Commercialisation through Public Private Partnerships provides SANParks the opportunity to achieve this goal.

High-level commercialisation objectives for SANParks include any or all of the following:

- Revenue Generation;
- Loss minimisation or savings on existing operations;
- Optimal use of under-performing assets;
- Job creation;
- Broad based Black Economic Empowerment;
- Infrastructure upgrades;
- Upgrade/development of historical and/or cultural sites;
- Tourism promotion; and
- Further biodiversity protection and conservation.

For more background on SANParks please visit www.sanparks.org.

4. A description of the PPP opportunity at Lake Darlington Concession

4.1 Introduction

The Darlington Lake Lodge as it currently exists are situated 225 kilometres from Port Elizabeth in the Darlington Section of the Addo Elephant National Park (AENP) – north of the Kabouga Section of the AENP.

This section is relatively new and minimum tourism activity has taken place

within the Darlington and Kabouga Sections of the Park. Main activities that currently exist are the following:

1. A 4x4 trail that starts close to Kirkwood ends in the Darlington section of the park;
2. Fisherman Cottages exist below the dam walls and can be booked through SANParks central reservations. These cottages are mainly used by fisherman as controlled fishing is still allowed in the Darlington dam;
3. An existing farm house was converted into the Darlington Lake Lodge and consists of 6 on-suite rooms. The Lodge is tastefully decorated and offers guests and opportunity to experience the Nama Karoo vegetation and offerings. Various activities are undertaken from the Lodge and includes but are not limited to game viewing, sundowners on the house boat, birding and mountain biking.

4.2 **Outline of the existing Lodge**

The Lodge is situated within visible distance of the scenic 3 000 hectare Darlington Lake silhouetted against the backdrop of the Zuurberg Mountains and contained in a 43 200 hectare nature conservation area consisting mainly of the Nama Karoo biome. The main tourist activities of the Lodge generally take place in an area of approximately 800 hectares (which is currently restricted) immediately surrounding the Lodge and Lake.

4.3 **Description of Project**

Currently Darlington Lake Lodge consists only of 6 bedrooms with 2 of these interlinked which could be combined to form a family room.

The lodge also used to offer on-suite tents (twin and double) as accommodation offering, but the design does not allow air flow which results in the tents becoming too hot. In light of this and in light of the fact that correct procedures were not followed when the tents were erected, the newly appointed operator will be expected to demolish these tents.

The intimate atmosphere allows guests to absorb the tranquillity and unique aura that the Nama Karoo has to offer. Amongst the facilities are a sparkling

salt-water pool and a sauna. The Lodge also boasts a lovely lounge equipped with DSTV and a library with a log fire in winter. There is also a bar area with pool table and darts.

Conferences have been presented at the lodge – hence it could be assumed that a conference market could be targeted.

The Lodge offers a wide variety of game that includes Gemsbok, Black Wildebeest, Kudu, Impala and Springbok. A unique viewing experience is offered at the Black Rhino camp nearby. Owners of 4 x 4 vehicles can enjoy an exciting self-drive tour through the Addo Elephant National Park.

One of the main attractions at the Darlington Lake Lodge is game viewing by houseboat especially sunset and sunrise cruises. Other outdoor activities include fresh water fishing, horse riding, walks and non-motorized water sports e.g. canoeing and boating. The lake is ideally situated for bird enthusiasts and guests can view a variety of water and land birds such as Flamingos, Fish Eagles, Cari Bustards and Blue Cranes. The Lodge is just two hours drive from Port Elizabeth acknowledged as the Gateway City of the Eastern Cape. Plans include extending the runway to establish a Port Elizabeth International Airport possibly in time for the 2010 Soccer World Cup.

The main purpose of the project is to establish a lodge that compliments the surroundings. Although tastefully decorated, the existing lodge structure does not do justice to the potential of the area (Nama Karoo experience close to Port Elizabeth).

The opportunity is therefore one of the following:

- (a) Use of the existing house as a form where tourists could enjoy other activities (as is the case with the current Darlington Lake Lodge). Should the bidder decide on this option, it should be noted that the PPP period would be a maximum term of 10 years;
- (b) The construction of a new lodge (40 beds maximum) that aims to compliment the unique environment and features. The setting of the lodge can be chosen in conjunction with Park Management and the Conservation Development Framework (CDF). In this case the current

Darlington Lake Lodge structure could be used for other purposes such as staff housing. Should the bidder decide on this option, it should be noted that the PPP period would be a maximum term of 20 years (dependent on investment amount);

- (c) Investments in house boats for overnight purposes could be considered as part of the product. In terms of the offering, a house boat could be offered as an alternative to the lodge or merely as an extension to the product. Investment in a house boat/s would have an effect on the PPP term.

4.4 Future planning within the Kabouga and Darlington Sections of the AENP

An increase in tourism activity within the Kabouga and Darlington Sections are planned. The main purpose of this planning is to introduce people to these unique and beautiful areas. In terms of activities, proposals for the following will be requested in June (process from June 2007 to October 2007):

- Finding the suitable Private Partner that will operate canoe trails from the Darlington Lake Dam (2 night, 3 day trail) through the Kabouga Section; and
- Finding a suitable Private Partner that will operate various activities within the Kabouga Section of the AENP. These activities might include but are not limited to game viewing, abseiling, and hiking activities.

In terms of Darlington Lake Lodge, the following is planned:

- Building of a new Darlington Lake Lodge (should this be a viable option) that compliments the surroundings and that provides an experience that are unique to the landscape; and
- Initiating alternative options where guests could enjoy a value adding experience, i.e. sleeping on House Boats or linking the product with the canoe trail.;

In terms of game, the following introductions are considered: It should be

clear that these animals will only be introduced once the entire area is consolidated.

- Elephant; Land west of the dam to be consolidated and fenced first
- Rhino (release from the existing Rhino Camps);
- Buffalo; (Exist in buffalo camp close to the lodge)
- Cheetah; and to be introduced once the prey base is sufficiently adequate to sustain predators.
- Hippopotamus. As with the elephant the west of the dam needs to be consolidated and fenced
- Wild dog to be introduced once the prey base is sufficiently adequate to sustain predators and the western section consolidated
- Lion to be introduced once the prey base is sufficiently adequate to sustain predators. and the western section consolidated
- Predators species will be phased in once the prey base has sufficiently grown to support predators sustain ably.

4.5 Legal and Site Review

With regard to Darlington Lake Lodge, SANParks has got title and there are no legal issues of land ownership or land tenure to consider. The property was purchased from private ownership on a 'willing seller and willing buyer' basis.

4.6 Current product

Large herds of Springbok and Black wildebeest frequent the eastern shores of the Darlington dam close to the lodge. Numerous other large herbivores species such as Kudu, Gemsbok and Mountain Zebra can also be seen in this area.

One of the star attractions to this arid area is the regular sightings of Black

Rhino which can often be seen feeding in the early morning and late afternoon on the slopes of the Zuurberg.

A small herd of Buffalo also resides close to the lodge in an enclosed area adjoining the dam. These animals have been habituated to vehicles and can be viewed at close range.

Currently the only large predator in the area is the leopard which frequents the mountainous areas of Darlington. These animals are very elusive and are only herd on occasion. Spoor has also been documented regularly.

Other smaller species include the following: Bushbuck, Duiker, Grysbok, Steenbok, Jackal, Caracal, Aardwolf, Yellow mongoose and Grey mongoose.

Numerous species of water bird can be seen around the dam which includes species such as the Goliath Heron, Spoonbills, African Jacana, Fish Eagle and numerous others. A small island in the centre of the dam provides an ideal habitat for nesting birds.

It should be noted that SANParks mandate is the protection of the bio diversity and therefore the introduction of game species to specific areas will be driven by this mandate and not by contractual obligation. In light of this, some species might be re-located should the necessity arise.

4.7 Current infrastructure and staff accommodation

Currently the lodge provides its own water from a borehole within the lodge grounds. This borehole is equipped with a submersible. All electricity requirements are met by the lodge. Currently an agreement exists with the section ranger which allows for the lodge to dump there waste at an identified site. This agreement will need to be revisited and a more environmentally acceptable option adopted.

The lodge consists of the following structures:

- 5 rooms with en suite bathrooms
- 2 television lounges

- 1 bar area
- Kitchen with large Aga stove
- Conference room which seats 40
- 3 staff rooms in the main lodge with 2 bathrooms
- Swimming pool and sauna
- 3 outside braai areas
- Cool room
- Dry store
- Tool room
- Laundry room
- Linen room
- Dining room for staff
- Wood store
- Outside toilet and shower for staff
- 1 Large store
- 3 staff houses situated 1km from the lodge. In very poor state. No running water, washing facilities and make use of a long drop.

Currently the lodge can sleep 12 people sharing.

SANParks has an open deck boat which can accommodate 12 people which could be made available to successful bidder. Drives are currently undertaken by an external operator who has made his services available to the lodge. This operator also shuttles people back and forth to Addo Elephant National Park for the lodge.

Maintenance of the roads within the section remains the responsibility of the resident section ranger.

4.8 Market Review

4.8.1 **Competitor Analysis**

Even though various game viewing options of diverse grading exist in the area (all current products in the AENP such as Addo Main Camp, Matholweni Camp, River Bend Lodge, Gorah Elephant Camp, Nerina Bush Camp, Intsomi Lodge and Nguni River Lodge), limited products exist in the specific section of the park which has the unique Nama Karoo vegetation. The Kuzuko contractual area bordering the Darlington section on the eastern side is currently developing a concession lodge consisting of 24 units (48 beds), an admin building with restaurant lounge and entertainment areas as well as a swimming pool. Hence, Darlington Lake Lodge is not surrounded by a lot of competitive products.

Although there are other private game lodges in the area there is no evidence of a demand supply problem. In fact 2005 was a record-breaking year for tourism growth. It is the first time ever that the 800m global tourists' milestone was reached. For South Africa it is the first time that the elusive 2m overseas arrivals milestone was reached and also the first time that the 7m foreign arrivals milestone was reached. Therefore there is no shortage of tourists worldwide. It is mainly a function of the right product market fit. Product owners need to discover their competitive advantage i.e. unique selling feature (USF) or features.

4.8.2 **Unique Selling Features**

Darlington Lake Lodge situated in a protected area has potential to offer a unique eco-tourism experience i.e. game viewing from a houseboat. Currently the Lodge offers sunrise and sunset cruises by houseboat. However, on Lake Kariba, Lake Tanganyika, Lake Victoria and Lake Malawi, tourists can view the "Big Five" while staying overnight on a houseboat. These game viewing experiences by houseboat on the great lakes of Africa situated in Zimbabwe, Tanzania and Malawi have tremendous tourist appeal even with the threat of malaria. Currently such a product offering is limited or non-existing in South Africa.

If AENP released a small breeding herd of elephants into the Darlington concession area and perhaps two of the other ‘big five’ species, namely rhino and buffalo, then this would increase the tourist appeal of the Lodge by offering a greater variety of species for game viewing. The appeal would increase enormously if the Darlington experience included overnight stays on strategically situated houseboats to view the game when they come down to water both during the day and at night. The opportunity to view game at night from a houseboat could be enhanced by introducing floodlight at strategic sites.

Certainly, the introduction of ‘big five’ game species to the Darlington concession area would have to conform to the Conservation Development Framework for AENP. The combination of a typical Karoo tranquil ‘open space’ experience in a protected area for plains game viewing combined with a houseboat overnight stay to view some of the ‘big five’ game species could provide a unique positioning.

4.8.3 **Demand Side Analysis**

4.8.3.1 **2006 tourism Results**

According to the latest figures released by Stats SA, international tourism to South Africa has surged to new record levels, with 10.3% more foreigners visiting the country in 2005 than in 2004. Some 7.4-million people from other countries visited SA in 2005, up on the previous year’s figures of 6.7-million. Of these 7.4-million total foreign arrivals, just over 2.0-million were overseas tourists.

This is another milestone as South Africa has at last reached the elusive 2-million target for overseas arrivals originally set for the year 2000 in the Tourism White Paper.

4.8.3.2 **Domestic Tourism**

Growth in domestic tourism is almost impossible to measure accurately because nearly 70% of domestic tourists stay with friends and relatives. Domestic tourism surveys conducted every two or three years differ in the methodology used and some results have

been skewed in the past by confusing returning migrant workers with visiting friends and relatives.

The latest survey conducted in 2003 is perhaps one of the more reliable surveys ever undertaken even though there was a margin of error in the value calculation. According to this survey some 49,400,000 domestic tourism trips were undertaken in South Africa during 2003. Perhaps the most significant measurement was that four provinces in South Africa accounted for 70% of the total number of domestic tourism trips i.e. KZN (28%), Gauteng (17%), Eastern Cape (15%) and Western Cape (11%).

The surveys do not measure how many domestic tourism trips are made to cities. It is assumed that cities would attract the greatest number of domestic tourism trips because over 50% of South Africa's population live in cities.

4.8.3.3

SA Voted Sixth Best Destination

South Africa has been ranked number six in the top 10 world travel destinations in 2005, breaking into the top 10 for the first time ever, as determined by an annual survey by iExplore, a US-based online seller of adventure and experiential travel. South Africa moved up seven spots from 13 in 2004, beating such popular countries as France, Italy and New Zealand. South Africa is seen as one of the most diverse and enchanting countries in the world. As a holiday destination it has it all – an exotic combination of landscapes, people, history, wildlife and culture – making it increasingly popular.

There are several factors that have enabled South Africa to do so well, while the global tourist industry has experienced incredibly tough times. First, South Africa is seen as being remote from the terrorism, SARS and avian flu that have affected many other countries.

Second, despite the continuing strength of the Rand, South Africa still represents good value for money. American Express, in fact, ranked SA as the world's second most affordable destination in

2005. Third, South Africa has impressive tourism assets, including world-class beaches that enjoy year-round sunshine. Its vibrant and culturally diverse cities provide excellent shopping and dining.

4.8.4 **Supply Side Analysis**

The Darlington Lake Lodge as it exists currently does not optimally make use of the unique features of the area. The current structure is located relatively far from the dam, views from the lodge are limited and the lodge structure was converted from an old farm house into a tourism structure which is far from optimal. SANParks is therefore of the opinion that the area and its offerings could benefit by the building of a new lodge that are planned well and that focuses on / targets a specific market. Should this be considered, the existing structure could be used as staff accommodation.

It should be noted that this is not the only option – use of the existing structure could also be proposed and be backed by supporting documentation.

The introduction of houseboats and / or bush sleeps outs as an overnight option or activity (sleep-out from main lodge) could also be considered.

The current rack rate is R590 per person sharing inclusive of meals, but excluding game viewing, boat cruise and other activities. Guests also pay for consumables such as beverages, snacks, room service etc.

4.9 **Positive Indicators for Tourism Growth**

The Eastern Cape is currently experiencing economic growth exceeding that of the other provinces. Nelson Mandela Bay is now considered to be the fastest growing metropolitan city in South Africa.

Positive indicators for tourism growth include the following projects. The key projects that should impact positively on tourism growth are highlighted:

- Nelson Mandela Bay Vision 2020 projects (various);

- **Plans to extend the Port Elizabeth Airport runway** (direct international flights into PE and charter airlines);
- **2010 Soccer World Cup** (before and after impact);
- Coega Deepwater Industrial Harbour development project (business travel);
- Port Elizabeth Commercial Harbour waterfront redevelopment project (working harbour, fisherman's wharf, leisure tourism);
- **Development of a cruise line terminal in the Port Elizabeth Harbour** (cruise tourism);
- Madiba Bay Leisure Park development project (Eastern Cape showcase). The project has recently bought shares in the world's third largest tour operating company to attract visitors from around the world. This could boost international tourism growth to the region especially if it is linked to a Port Elizabeth International Airport;
- Bayworld Oceanarium and Museum Complex redevelopment project (education and entertainment attraction);
- Port Elizabeth CBD urban renewal project (heritage tourism, theatre etc);
- **Port Elizabeth International Conference Centre (ICC) project** (conference tourism); and
- Red Location Museum project (cultural tourism)

The projects highlighted have the greatest potential to increase the volume of tourists to Nelson Mandela Bay and surrounding areas. The attached document projects tourism growth to Nelson Mandela Bay leading up to the 2010 Soccer World Cup. By 2010 the value of tourism to Nelson Mandela Bay could be worth R10-billion.

An extended runway and international airport status will provide an opportunity to develop multi-destination packages linking Nelson Mandela Bay and surrounding areas to the rest of the world and Southern Africa by

direct flights. Johannesburg International Airport (JIA) is already demonstrating some serious congestion problems. The matches hosted by Nelson Mandela Bay during the 2010 Soccer World Cup could just be the catalyst required to accelerate the extension of the Port Elizabeth Airport runway.

A substantial increase in the number of cruise-line passengers provides an opportunity for one-day on-shore excursions to AENP.

5. AN ANALYSIS OF SA TOURISM QUARTERLY REPORTS EASTERN CAPE

The following provides an overview of visitors to the Eastern Cape. It should be noted that the statistics are from the 2003 and 2004 book years and could have changed dramatically over the last couple of years (as was the case with tourism in SA). All bidders are strongly encouraged to do their own studies on trends in the Eastern Cape in order to make an informed decision on the opportunity at the Darlington Lake Lodge.

Q3 (July to September) and Q2 (April to June)

DEMOGRAPHICS OF FOREIGN ARRIVALS TO THE EASTERN CAPE Q2 AND Q3				
	Q3 2004	Q3 2003	Q2 2004	Q2 2003
Foreign arrivals	105,268	93,697	95,210	103,465
Share of visitors to province	6.4%	5.9%	6.3%	6.9%
Bed nights spent in the province	816,563	832,017	794,864	781,402
Country of residence:				
Europe	41.7%	61.9%	51.0%	49.2%
Africa & Middle East	23.0%	19.7%	30.7%	30.3%
Americas	28.1%	11.4%	13.0%	12.9%
Asia & Australasia	7.3%	7.0%	5.3%	7.7%
Cities visited in province:				
Port Elizabeth	82.4%	81.9%	69.4%	73%
East London	26.8%	25.1%	23.6%	26.3%
Mthatha	5.0%	3.8%	4.7%	5.7%
Purpose of visit:				
Holiday	63.8%	73.5%	76.1%	71.7%
VFR	16.3%	10.7%	11.1%	13.0%
Business	8.4%	4.9%	4.6%	5.6%
MICE	3.1%	4.4%	4.4%	2.4%
Accommodation usage:				
Friends & family	24.5%	22.9%	25.9%	26.1%
Hotels	17.3%	22.1%	20.9%	16.9%
Backpacker establishments	15.7%	13.5%	13.8%	14.1%
B & B	7.8%	6.7%	8.7%	10.4%
Self-catering units	4.3%	9.1%	7.7%	13.7%
Guest Houses	5.9%	8.1%	5.8%	4.0%
Game lodges	6.2%	9.0%	4.4%	6.7%
Camping sites	3.3%	3.9%	4.1%	2.4%
Landmarks visited:				
Beaches, Wild Coast	57.4%	61.8%	61.9%	57.3%
Nature reserves	59.6%	60.6%	56.2%	60.5%
Township tours	10.3%	11.1%	13.9%	9.9%
Activities undertaken in the province:				
Entertainment, nightlife, theatre, shows	61.0%	69.6%	61.5%	71.5%
Shopping, malls, flea markets	58.2%	66.1%	58.0%	56.0%

Beach, surfing, sunbathing, swimming	51.0%	48.1%	55.2%	56.8%
Visiting natural attractions, scenic drives	44.9%	47.7%	16.4%	59.8%
Wildlife, game viewing in a nature reserve	42.5%	44.0%	38.3%	51.4%
Historical, heritage, cultural village	23.8%	26.0%	20.8%	29.6%
Adventure, bungee jumping, scuba diving	11.4%	15.8%	8.7%	14.5%
Total Foreign Direct Spend (TFDS) in SA	R12.5bn	R15bn	R7.8bn	R8.6bn
Total Foreign Direct Spend (TFDS) in province	R853m	R841m	R703m	R583m

Commentary on foreign arrivals to the Eastern Cape:

- 78% will visit Port Elizabeth
- 74% will come for holiday purposes
- 7% will stay in a game lodge
- 54% will visit a nature reserve / national park
- 42% will participate in nature based activities
- 44% will enjoy game viewing in a nature reserve / national park

Q3 (July to September) and Q2 (April to June)

PSYCHOGRAPHICS OF FOREIGN ARRIVALS TO THE EASTERN CAPE Q2 AND Q3				
	Q3 2004	Q3 2003	Q2 2004	Q2 2003
Gender:				
Male	56.9%	60.3%	58.2%	54.4%
Female	43.1%	39.7%	41.8%	45.6%
Respondents Age Group:				
18 – 24 years	17.6%	15.3%	14.6%	12.1%
25 – 34 years	36.7%	29.8%	30.9%	32.8%
35 – 44 years	16.5%	22.5%	17.4%	19.6%
45 – 54 years	14.7%	18.3%	14.8%	12.7%
55 – 64 years	9.9%	10.7%	10.7%	15.0%
65 + years	3.5%	3.4%	9.2%	7.6%
Life Stage:				
Single, divorced, widowed with no children	39.6%	34.6%	28.0%	31.3%
Married or living together, with no children und 18 years	17.4%	23.2%	25.0%	20.0%
Married or living together, with children und 18 years	16.9%	15.8%	21.3%	19.8%
Married or living together, with no children	20.2%	19.5%	19.8%	22.2%
Income:				
R0 – R5 000	20.5%	17.5%	17.5%	23.2%
R5 000 – R10 000	13.6%	10.5%	16.9%	10.6%
R10 000 – R20 000	20.8%	23.7%	23.9%	29.7%
R20 000 – R40 000	31.1%	32.5%	28.7%	28.5%
R40 000 +	14.0%	15.9%	13.0%	8.0%
Repeater Rate:				
First time	68.2%	68.5%	56.5%	67.3%
2 – 3 times	19.0%	14.3%	20.2%	14.6%
4 – 5 times	2.4%	3.9%	9.8%	6.8%
6 – 9 times	2.5%	2.0%	3.4%	1.8%
10 or more times	7.6%	4.5%	10.0%	6.7%
Transport used within SA:				
Rental car	43.7%	43.5%	35.4%	37.4%
Private car or van	34.1%	32.0%	39.9%	41.1%
Airplane	44.5%	38.5%	39.0%	27.3%
Tour bus	15.7%	22.8%	14.6%	19.5%
Commercial bus	7.7%	6.5%	4.4%	8.4%
Minibus taxi	9.4%	8.1%	10.3%	6.0%
Other taxi	6.3%	8.8%	7.3%	5.3%

Q3 (July to September) and Q2 (April to June)

FACTORS THAT INFLUENCED DECISION TO VISIT SOUTH AFRICA Q3 AND Q2		
	Q3 2004	Q2 2004
Friends / family in SA	26.1%	31.0%
Safari / Wildlife / Game Parks / National Parks	21.2%	
Shopping		13.7%
Scenic beauty	13.5%	13.0%
Business	10.7%	11.4%
Curiosity	11.4%	9.3%
Medical facilities / medication		8.6%
Friendly people	4.2%	6.0%
Travel agency		4.8%
General holiday / relaxing	4.7%	4.4%
Advice from friends	6.4%	
Culture and heritage	6.0%	3.8%
Studying / Education	4.2%	

FACTORS THAT INFLUENCED DECISION TO VISIT SOUTH AFRICA Q3 AND Q2		
	Q3 2003	Q2 2003
Advice from friends – relations in your country	38.4%	34.8%
Personal experience from previous visits	20.1%	24.2%
Advice from friends – relations in South Africa	19.4%	23.7%
Advertisements for South Africa in newspapers, magazines	16.6%	22.2%
Advice from travel agent	21.7%	17.2%
Internet – other computer-accessed information	20.3%	16.6%
Tourist brochures, leaflets or videos on South Africa	19.6%	16.1%
Editorial material and publicity on South Africa	7.5%	6.4%
Advice from business associates	6.6%	5.4%
Information from SA Tourism Board	11.5%	3.3%

Commentary on foreign arrivals to the Eastern Cape:

- 22% were influenced to come to South Africa for a wildlife or safari experience in a game park
- 15% were influenced to come to South Africa because of the country's scenic beauty

Q1 (January to March) and Q4 (October to December)

DEMOGRAPHICS OF FOREIGN ARRIVALS TO THE EASTERN CAPE Q1 AND Q4				
	Q1 2004	Q1 2003	Q4 2004	Q4 2003
Foreign arrivals	146,522	155,864	169,761	149,335
Share of visitors to province	9.0%	9.5%	8.9%	8.4%
Bed nights spent in the province	917,681	945,430	950,072	923,670
Country of residence:				
Europe	67.4%	63.8%	72.3%	78.3%
Africa & Middle East	21.9%	22.5%	15.1%	10.0%
Americas	5.9%	7.0%	7.8%	6.4%
Asia & Australasia	4.8%	6.7%	4.8%	5.3%
Cities visited in province:				
Port Elizabeth	79.8%	78.2%	87.5%	78.0%
East London	23.5%	22.9%	20.1%	17.6%
Mthatha	7.9%	3.9%	5.1%	5.3%
Purpose of visit:				
Holiday	76.1%	74.3%	76.0%	81.5%
VFR	11.1%	8.4%	11.5%	8.5%
Business	4.6%	4.8%	5.6%	3.5%
MICE	4.4%	3.8%	1.9%	0.8%
Accommodation usage:				
Friends & family	27.5%	17.9%	21.6%	15.2%
Hotels	18.8%	27.4%	24.3%	22.2%
Backpacker establishments	14.0%	13.7%	11.9%	13.9%
B & B	9.2%	13.5%	10.7%	9.4%
Self-catering units	11.9%	5.3%	7.3%	9.6%
Guest Houses	6.1%	10.5%	8.9%	6.1%
Game lodges	5.5%	5.5%	7.5%	7.3%
Camping sites	3.0%	3.5%	2.2%	3.6%
Landmarks visited:				
Beaches, Wild Coast	66.4%	63.0%	58.4%	56.5%
Nature reserves	68.4%	62.6%	61.2%	64.3%
Township tours	12.7%	11.5%	10.2%	11.6%
Activities undertaken in the province:				
Entertainment, nightlife, theatre, shows	64.0%	68.4%	73.0%	66.0%
Shopping, malls, flea markets	58.9%	49.7%	58.0%	52.0%
Beach, surfing, sunbathing, swimming	57.6%	44.2%	47.0%	50.0%
Visiting natural attractions, scenic drives	48.3%	40.7%	57.0%	50.0%
Wildlife, game viewing in a nature reserve	45.4%	37.0%	44.0%	49.0%
Historical, heritage, cultural village			23.0%	23.0%
Adventure, bungee jumping, scuba diving	15.1%	11.6%	19.0%	8.0%
Total Foreign Direct Spend (TFDS) in SA	R10.3bn	R12.0bn	R15.8bn	R17.2bn
Total Foreign Direct Spend (TFDS) in province	R855m	R949m	R1.3bn	R1.2bn

Q1 (January to March) and Q4 (October to December)

PSYCHOGRAPHICS OF FOREIGN ARRIVALS TO THE EASTERN CAPE Q1 AND Q4				
	Q1 2004	Q1 2003	Q4 2004	Q4 2003
Gender:				
Male	50.7%	54.5%	56.9%	53.5%
Female	49.3%	45.5%	43.1%	46.5%
Respondents Age Group:				
18 – 24 years	9.7%	7.7%	8.4%	10.4%
25 – 34 years	24.3%	24.1%	30.5%	35.3%
35 – 44 years	18.2%	22.9%	21.0%	19.9%
45 – 54 years	18.8%	19.8%	13.6%	11.4%
55 – 64 years	19.9%	18.2%	18.0%	15.6%
65 + years	7.7%	7.3%	8.5%	7.2%
Life Stage:				
Single, divorced, widowed with no children	26.8%	25.3%	27.2%	35.6%
Married or living together, with no children und 18 years	32.2%	24.8%	28.5%	21.5%
Married or living together, with children und 18 years	15.4%	20.2%	15.8%	13.3%
Married or living together, with no children	18.8%	24.2%	22.3%	24.1%
Income:				
R0 – R5 000	6.8%	21.7%	11.5%	7.0%
R5 000 – R10 000	18.1%	9.0%	8.6%	7.9%
R10 000 – R20 000	24.2%	24.4%	24.6%	23.8%
R20 000 – R40 000	34.0%	28.5%	35.4%	34.5%
R40 000 +	17.0%	16.4%	19.9%	26.7%
Repeater Rate:				
First time	63.9%	64.4%	70.6%	71.3%
2 – 3 times	17.2%	17.5%	16.3%	14.4%
4 – 5 times	6.1%	6.0%	4.7%	5.0%
6 – 9 times	3.7%	3.9%	3.0%	2.8%
10 or more times	4.8%	4.1%	5.4%	3.5%
Transport used within SA:				
Rental car	48.1%	50.3%	53.0%	55.0%
Private car or van	33.8%	27.6%	23.0%	22.0%
Airplane	30.0%	25.4%	47.0%	37.0%
Tour bus	16.4%	20.9%	22.0%	25.0%
Commercial bus	4.6%	5.3%	4.0%	6.0%
Minibus taxi	4.3%	6.3%	6.0%	5.0%
Other taxi	4.1%	6.0%	3.0%	4.0%

Q1 (January to March) and Q2 (October to December)

FACTORS THAT INFLUENCED DECISION TO VISIT SOUTH AFRICA Q1 AND Q4		
	Q1 2004	Q4 2004
Friends / family in SA		20.1%
Safari / Wildlife / Game Parks / National Parks		23.6%
Shopping		
Scenic beauty		17.3%
Business		6.9%
Curiosity		11.2%
Medical facilities / medication		
Friendly people		5.0%
Travel agency		
General holiday / relaxing		
Advice from friends		11.4%
Culture and heritage		
Studying / Education		
Lovely Country		10.0%
Good Weather		4.2%
Experience from previous visits		3.7%

FACTORS THAT INFLUENCED DECISION TO VISIT SOUTH AFRICA Q3 AND Q2		
	Q1 2003	Q4 2003
Advice from friends – relations in your country	25.2%	22.8%
Personal experience from previous visits	18.8%	18.3%
Advice from friends – relations in South Africa	17.7%	16.7%
Advertisements for South Africa in newspapers, magazines	4.1%	0.9%
Advice from travel agent	10.9%	4.0%
Internet – other computer-accessed information		
Tourist brochures, leaflets or videos on South Africa	5.3%	2.0%
Editorial material and publicity on South Africa	1.7%	5.5%
Advice from business associates	2.9%	11.3%
Information from SA Tourism Board	1.6%	4.9%

5.1 Environmental pre-scoping to screen for fatal flaws

It is unlikely that there will be any fatal flaws relating to environmental issues in the Darlington concession area. Furthermore, a Conservation Development Framework (CDF) for AENP has been prepared to comply with the requirements of the Protected Areas Act (PAA) (Act 57 of 2003). A CDF is a strategic spatial plan for a national park and its surrounds and serves as a management tool.

The spatial plan indicates visitor use zones, areas requiring special management intervention, nodes where facilities are to be provided, entry points and movement routes through the park, and management of land use along the park's borders. Accompanying the spatial plan is a set of management guidelines. The AENP CDF is underpinned by a scientific assessment of the value and sensitivity of the park's environmental resources.

5.2 Stakeholder analysis

It is important that product owners operating in the concession areas support the AENP brand identity while establishing an awareness of their own products in the marketplace. Collectively the combined marketing budget of the concessionaires could amount to significantly more than the AENP budget for the generic marketing of the park. Integrated and cooperative marketing campaigns therefore make economic sense.

The main stakeholders are the adjacent communities. The vehicle for community involvement and participation is the Mayibuye Ndlovu initiative established in 1993 as a forum to plan and implement conservation-based community development projects with the active support of SANParks. The Mayibuye Ndlovu Development Programme (MNDP) is well positioned as the preferred local broad-based black economic empowerment (BEE) vehicle to optimise economic benefits to its eight community constituencies.

It was recognised that the formation of a legal trust was an essential starting point for MNDP to stabilise and forge its institutional development towards a professional entity, positioned to capitalise on future development prospects for its eight community constituencies. To this end a new legal structure with a new board of trustees was established in late 2004. The primary function of the Trust is to act for and on behalf of the Beneficiaries of the Trust to fulfil the long-term goal of the MNDP. The Trust's primary function covers the acquisition, holding and dealing of commercial rights for the economic benefit of the Beneficiaries.

In planning the expansion of the AENP and the incorporation of a marine component to the park, SANParks have consulted widely with local

stakeholders. Workshops were also held with surrounding municipalities to explore how best to align the Addo CDF with the municipal Integrated Development Plans (IDPs) and Spatial Development Frameworks (SDFs).

5.3 **Personnel and human resources issues**

The current staff complement employed at the Darlington Lake Lodge is adequate in terms of current operations. However this will logically increase as the Lodge expands over a period of time according to demand for more accommodation.

As the lease of the Darlington Lodge has been extended till such time that the tender is awarded, the current staff is appointed on a month-to-month basis.

Currently staff training and the management of the Lodge is a service provided by the Three Cities Group who are both experienced and qualified in the hospitality industry.

5.4 **Infrastructure assessment**

Five years of operating the Darlington Lake Lodge has revealed no serious infrastructure problems. Some of the access roads deteriorate after heavy rains and are inaccessible to sedan vehicles.

5.5 **Equipment assessment**

With regard to any equipment that may be required for the Darlington concession area perhaps at some stage a road grader would be a good investment for the maintenance of the AENP roads in the park. Maintenance of the roads within the section remains the responsibility of the resident section ranger.

5.6 **BEE and social development issues**

The Mayibuye Ndlovu Development Programme (MNDP) is well positioned as the preferred local broad-based black economic empowerment (BEE)

vehicle to optimise economic benefits to its eight community constituencies.

5.7 Performance standards

The key performance standard for concessionaires is the Concession Contract. This comprehensive document provides a framework for concessionaires in which they can operate at their own cost and risk for a twenty year period in accordance with the terms of the Concession Contract.

5.8 Park Management Plan

In June 2006, AENP won three national Kudu Awards for best park manager and best ranger. This reflects the quality of park management at the AENP. The Park Management Plan ensures that all AENP concessions comply with the format whereby SANParks managed the conservation aspect and concessionaires managed the hospitality aspect. The concessionaires have to comply with the SANParks management standards in terms of things like night-time and off-road driving – a concern of critics in terms of road kills and destruction of habitat. Environmental Impact Assessments have to be undertaken for the construction of any new infrastructure and it has to comply with SANParks’s conservation standards.

The Conservation Development Framework for AENP will identify zones in terms of degree of environmental sensitivity. Public participation meetings in this regard will be held to inform prospective concessionaires.

5.9 Risk allocation

Through commercialization of the lodge, SANParks aims to limit risk in term of tourism activities. In light of this, the RFP contains a matrix that will be evaluated as part of the adjudication process whereby the Private Operator undertakes to take the risk of certain activities. Apart from this, the financial payment will be the higher of a minimum rental fee (standard for all bidders) and the PPP fee which will count 20% of the adjudication.

All bidders should do their own calculations in order to determine the feasibility of the project as SANParks will minimise risk in terms of customer

numbers to this section of the park.

5.10 **Conclusion**

All the indicators are extremely positive for tourism growth in the Eastern Cape Province generally and for Nelson Mandela Bay specifically. Clearly the statistics confirm that the Eastern Cape is primarily a nature-based tourist destination and game viewing experiences are included in most tour operator itineraries.

Darlington Lake Lodge offers a different kind of game viewing experience in a Nama Karoo environment rather than typical African bushveld. The opportunity to view game from a houseboat on the lake could be a big draw-card especially if this included some of the 'big five' game species namely elephant, buffalo and rhino.

Currently the Lodge is not viable but has the potential to grow into a profit situation by increasing its tourist appeal.

The Lodge is strategically situated to benefit from tourism growth in the province. Progressive phased development over a period of time will ensure that supply keeps pace with demand. However, demand is likely to increase by introducing a greater variety of game species, including at least three of the 'big five' game species, and with a greater cooperative marketing effort preferably between the concessionaires and AENP.

Support for the expansion and upgrading of national parks is quite evident. Recent plans announced by Minister of Environmental Affairs & Tourism, Marthinus van Schalkwyk, include an investment of R394m for infrastructure in South Africa's national parks over the next three years. The funds will be used to upgrade 520 existing accommodation units, create 100 new units, upgrade and construct 320 km of tourist roads, develop five new camping sites and improve or create seven park entrances.

The minister also announced the creation of an R20m Tourism Equity Fund. This fund will provide access to much-needed support for small-and medium-sized wheel and tour operators, and will provide tourism SMMEs with a real boost for further growth.

6. Lake Darlington Concession Map

