



REQUEST FOR EXPRESSION OF INTEREST

**REQUEST FOR EXPRESSION OF INTEREST 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**



IMPORTANT NOTICE

This request for Expressions of Interest (EOI) 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)**.

No representation or warranty, express or implied, is made, or responsibility of any kind is or will be accepted, by **SANParks**, with respect to the accuracy and completeness of this EOI, and any liability in connection with the use by any Interested Party of the information contained in this EOI is hereby disclaimed.

This EOI has been provided to the recipient to assist in making its own appraisal of the opportunities presented herein and in deciding whether to submit its qualifications in connection with the opportunity. However, this EOI is not intended to serve as the basis for an investment decision on the opportunities, and each recipient is expected to make such independent investigation and to obtain such independent advice, as he or she may deem necessary for a decision.

South African National Parks may amend or replace any information contained in this EOI at any time, without giving any prior notice or providing any reason.

7 December 2006

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1. Introduction

South African National Parks (SANParks) requests expressions of interest in the commercial use of Lake Darlington Concession in the Addo Elephant National Park through a public private partnership (PPP) agreement.

This request for expressions of interest (EOI) is issued by SANParks in accordance with the guidelines for PPPs contained in *National Treasury's PPP Toolkit for Tourism*, and in compliance with Treasury Regulation 16 issued in terms of the Public Finance Management Act, 1999 (PFMA).

2. Important general notes

- 2.1 SANParks makes no guarantees about and takes no responsibility for the accuracy and completeness of this request for EOI and disclaims any liability for any interested party's use of the information.
- 2.2 This request for EOI 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 for submitting an EOI.
- 2.3 SANParks may change or replace any information contained in this request for EOI at any time, without giving any prior notice or providing any reason.

3. The purpose and limits of the EOI process

- 3.1 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.
- 3.2 As part of establishing the feasibility of this PPP opportunity, particularly what scale and type of market interest there is in it, SANParks invites prospective investors or operators to submit EOI following the format in paragraph 14 below.
- 3.3 SANParks will assess the EOI and will use the information to complete its feasibility study. If the PPP opportunity is feasible, SANParks will use the

EOI information it received to compile bid documentation, and a competitive bid will follow. SANParks reserves the right to ask any investor or operator that submits EOI questions for clarity.

- 3.4 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.
- 3.5 Submitting an EOI does not constitute a bid. No investor or operator will be bound by anything contained in their EOI submission. The information in the EOI will be used solely for SANParks to complete its feasibility study and to prepare bid documentation if it decides to proceed with a PPP.
- 3.6 SANParks will acknowledge receipt of all EOI received, but reserves the right not to proceed any further with the proposed PPP.
- 3.7 If a PPP bid process follows for the opportunity at Lake Darlington Concession, all interested parties that submitted EOI will be invited to bid.
- 3.8 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.

4. SANParks' Vision, Mission and Key Strategic Objectives

4.1 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.

4.2 **SANParks' Key Strategic Objectives**

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

4.2.1 **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.

4.2.2 **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.

4.2.3 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).

5. Articulation of SANParks’ Commercialisation policy, objectives and strategy

5.1 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.

5.2 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.

6. A description of the possible tourism PPP opportunity at Lake Darlington Concession

6.1 Introduction

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 a restricted area of approximately 800 hectares immediately surrounding the Lodge and Lake.

The main output of the pre-feasibility study is to establish the indicative viability of the proposed project, and to identify specific issues that require detailed feasibility analysis.

6.2 Description of Project

Darlington Lake Lodge offers guests a choice of accommodation. True

contemporary style furnished en-suite rooms in the lodge (Double, twin or family rooms) and for the more adventurous, beautiful en-suite tents (Twin and double) situated amongst flourishing flora. The Lodge can accommodate 26 people. However, for the purpose of the pre-feasibility study, occupancy calculations will be based on the supply side of 20 beds.

The intimate atmosphere allows guests to absorb the tranquillity and unique aura that the Nama Karoo has to offer. Amongst the many facilities is a sparkling salt-water pool and a relaxing 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.

Conference facilities can cater for up to 26 delegates providing ideal facilities for sales reviews, management meetings, team building, planning sessions and seminars. 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.

6.3 Strategic Planning Context

6.3.1 General

The key tourism reports that provide strategic direction in the Eastern Cape Province are:

- The Provincial Tourism Master Plan
- The Provincial Tourism Strategy 2003 – 2007

The Tourism Master Plan (TMP) provided a framework for an integrated tourism development and marketing plan in harmony with the environment for the Eastern Cape Province. It recognised that in a province rich in biodiversity the six districts were not all the same with regard to their natural resource assets and also that they were in different stages of development. Arising out of the TMP was an Action Plan from which the Tourism Strategy emerged via a process of stakeholder interaction and consultation. The macro goals and targets for tourism growth are provided below.

By and large provincial and district strategic tourism plans facilitate a spirit of cooperation and encourage public private partnerships between tourism stakeholders and role players. However, it should be understood and accepted that local, district and provincial tourism authorities cannot market the product for product owners. Their function is primarily to create an enabling environment in which tourism growth and development can flourish. It is up to product owners to use the enabling environment and marketing platforms to launch their products into the marketplace with generic marketing support from the responsible tourism authorities.

6.3.2 Eastern Cape Tourism Growth Targets - Macro Goals and Targets

The ECTB will measure the extent it is able to achieve core macro goals and targets in the following areas:

- GDP growth, job creation;
- Redistribution and transformation;
- Increasing tourist volumes;
- Increasing tourist spend;
- Increasing length of stay of visitors;
- Improving the geographic spread of visitors;

- Improving seasonality patterns.

| Measure | Goals and Targets |
|---|---|
| Growth in domestic urban tourist arrivals | From 7,5mn trips in 2003 to at least 7,84mn trips in 2007 |
| Growth in foreign tourism arrivals | From 500 876 in 2003 to 539 374 in 2007 |
| Growth in direct tourism spending | From R10.3bn in 2003 to R14.4bn in 2007 |
| Total impact on GGP | From R14.4bn in 2003 to R20.4bn in 2007 |
| Total impact on employment | From 130 810 in 2003 to 158 400 in 2007 |

Source: ECTB Tourism Strategy 2003 - 2007

| EASTERN CAPE BASELINE TOURISM GROWTH PROJECTIONS 2003 - 2007 | | | | | |
|--|---------|---------|---------|---------|---------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Domestic tourist trips | 7,5mn | 7,58mn | 7,66mn | 7,74mn | 7,84mn |
| Foreign tourist arrivals | 500 876 | 510 894 | 521 119 | 531 541 | 539 374 |
| Direct tourist spending | R10.3bn | R11.3bn | R12.4bn | R13.6bn | R14.4bn |
| Impact on GGP | R14.4bn | R15.8bn | R17.4bn | R19.1bn | R20.4bn |
| Impact on employment | 130 810 | 137 351 | 144 219 | 151 430 | 158 400 |

Source: NMMU Tourism Research Unit

Explanatory Notes:

- Domestic tourism trips is projected to grow at 1% per annum
- Foreign tourist growth is projected to grow at 2% per annum
- Direct tourist spending has been calculated allowing for an annual inflation rate of 10% also taking into consideration fluctuating exchange rates
- The impact of tourism growth on GGP is projected at 10% per annum
- If the tourism growth projections are achieved then this will result in nearly 7000 additional jobs per annum being created in the Eastern Cape travel & tourism industry

6.4 Value for Money Targets

The request for EOI will enable SANParks to focus the forthcoming feasibility study appropriately and in the subsequent procurement phase, to enable SANParks to draft the RFP documents with bid evaluation criteria clearly specified, to evaluate bids precisely, and to negotiate the terms of

the PPP agreement appropriately. Once the PPP agreement is signed, SANParks is thus enabled to monitor the PPP's achievements over time, benchmarked against the project's original value for money targets.

Value for money however does not only depend on the actual monetary receipts from a PPP. It includes numerous factors some of which may well be deemed more important by SANParks e.g. creating a nursery for breeding game stock either for auctioning to private game reserves or to replenish areas where there is a need for new gene pools or where disease has increased the mortality rate. The Feasibility Study for the project needs to be completed to determine the viability from the Operator's perspective and the anticipated monetary benefits to SANParks. Value for money targets should be set for any combination of the following objectives:

- Revenue generation for SANParks
- Loss minimisation or savings on existing operations
- Optimum utilisation of under-performing assets
- Job creation
- Black economic empowerment (BEE)
- Infrastructure upgrades
- Tourism promotion
- Further biodiversity protection and conservation

The pre-feasibility study will comment on some of these objectives under specific headings further on in the report. The Demand Supply Analysis has specific reference to revenue generation, job creation and tourism promotion.

6.5 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.

6.6 Budget Review

According to the SANParks Integrated Marketing Plan for the Frontier Region, the marketing budget for AENP in 2003/2004 was R189 728. This is inadequate for effective marketing and for establishing a strong brand identity. This means that AENP has to rely on the SANParks corporate marketing budget, amounting to just over R8 million in 2004/5, for the generic marketing of the SA national parks and also on the provincial and district tourism authorities for the generic marketing of the Eastern Cape Province.

Generally in business a minimum of 3% of turnover is dedicated for marketing purposes. According to the Socio-Economic Impact Study of the AENP, the amount generated by tourists visiting the AENP in 2004 was approximately R40m. Park expenditure in the same year was R23m. This means that AENP is a very viable national park mainly because of the high occupancy rates throughout the year. The application of 3% of R40m turnover to AENP would amount to a marketing budget of R1.2m. In this regard even 1% of turnover would amount to R400 000 i.e. just over double the present marketing budget.

It could be argued that there is no justification to spend a lot of money on marketing because of the high occupancy rates. However, due consideration should be given to the increasing popularity of national parks in the neighbouring SADC countries i.e. Zambia, Mozambique, Tanzania and Kenya. Tourism is growing at a phenomenal rate in these countries and SANParks could face increasing competition from the tourist appeal of protected areas and eco-tourism destinations that still offer a real 'Wild Africa' tourist experience.

6.7 Market Review

6.7.1 Demand Supply Analysis

Tourism is composed of both **supply** (an industry) and **demand** (an activity). Supply and demand are linked through marketing, research, distribution, global and national tourism organisations and transportation. The environment affects supply and demand because the environment reflects historical, current and future legislative, technological, social and economic trends. These activities should all operate within a **functioning tourism system**.

6.7.2 **Supply Side**

The supply side of tourism focuses on the most fundamental resources that attract tourists to regions: the natural and cultural resources of a country or region. These resources need to be sustained and managed for the benefit of all on this planet. Tourism supply is made up essentially of what the tourism industry brings to the tourist. The destination and those that 'package' it to meet the needs of tourists is the foundation of what makes it attractive to potential tourists.

6.7.3 **Demand Side**

The demand side of tourism focuses on those needs and motivations that drive individuals to become tourists and are shared by other people. This becomes the basis for defining tourist segments and markets that ultimately drive the movements of tourists from one country and region to the next. Tourists take holidays to satisfy either partially or wholly various needs and desires. It is the task of the marketer to transform needs into desires by making the individual aware of the various ways in which his or her needs can be satisfied. Simply stated, travel motivation has two components that interact. On the one hand, there are individual needs, an awareness of which provides the impetus for seeking satisfaction (termed 'motives' or 'push factors'). On the other hand, there are travel destinations, products or services that are perceived to have the ability to satisfy those needs (these are called 'pull factors').

6.7.4 **Distribution**

Tourism supply and demand is brought together via channels of distribution. Distribution focuses on how tourism is distributed from the tourism sectors to the potential tourist. Effective distribution can be achieved via technology for direct marketing e.g. the Internet, or via retail travel agents, or via wholesale tour operators, and also via specialised areas of incentive travel and inclusive travel. Tourism distribution can therefore be defined as the extension of the number of points of sale or access away from the location at which the services are performed. There are two types of gaps that separate the tourist from the destination of his or her choice. The first is the so-called **spatial gap** created by the geographical position of the place of origin and the destination.

This gap can be overcome by using appropriate means of transport. The second is the so-called **functional gap**, which is created by the complexity of information on the different characteristics, requirements, and technological and other systems unique to each destination and its tourist products and services. This gap is closed by a sub-system of the tourism system called **the tourism distribution system**. For a country, province, district, city or town to successfully grow tourism, a functioning tourism system is required as illustrated by the diagram on Page 6.

6.7.5 **Competitor Analysis**

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

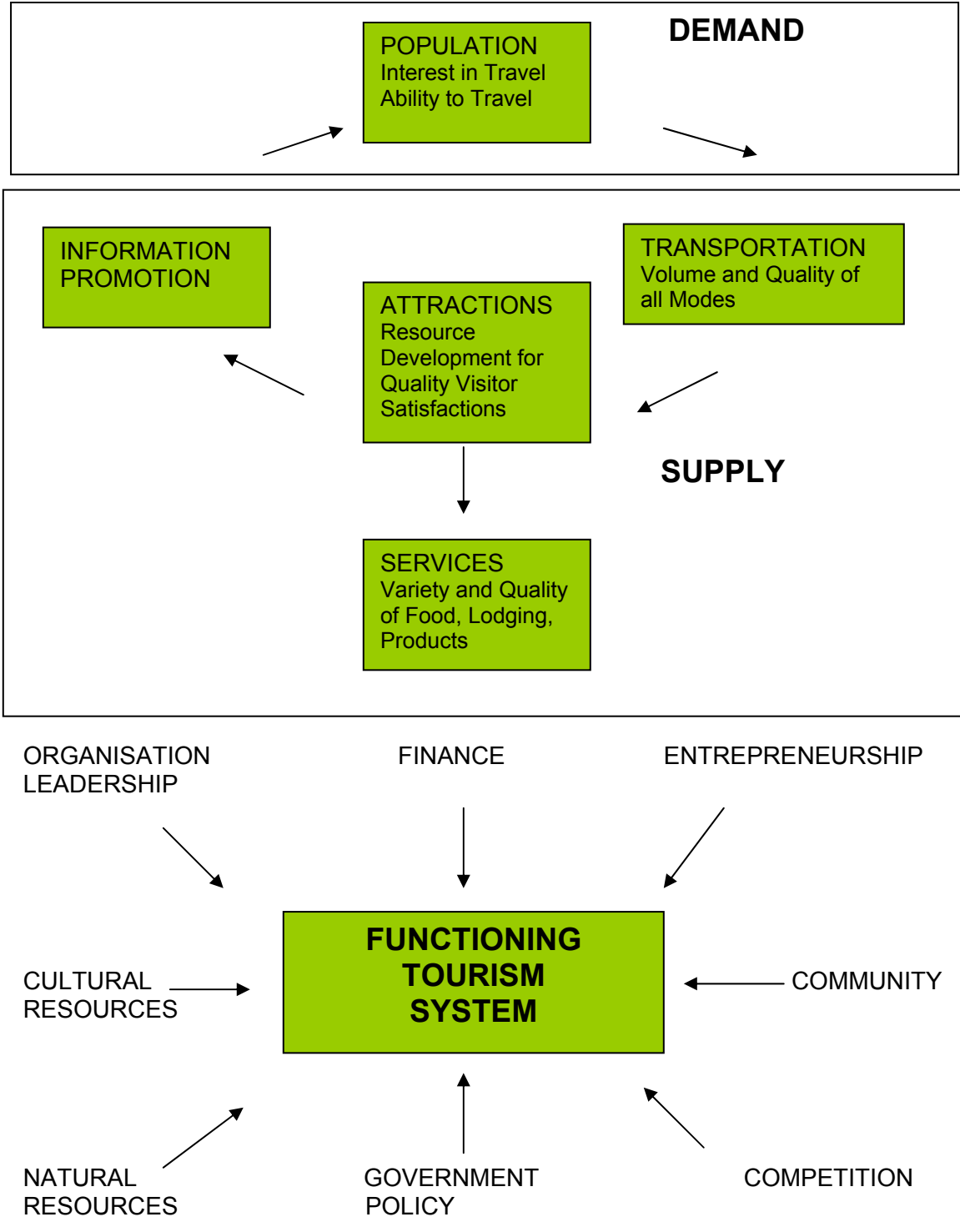
discover their competitive advantage i.e. unique selling feature (USF) or features.

6.7.6 Unique Selling Features

Darlington Lake Lodge situated in a protected area has enormous 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.

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. However, the good news is that there is room for expansion at Darlington and the current carrying capacity could probably be tripled without any risk of ecological degradation. 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.



6.7.7 **Demand Side Analysis**

6.7.7.1 **A Cautionary Tale**

In 2005, a methodological error was found in the calculation of the value of the domestic tourism market. The 2003 domestic tourism report has been revised with the correct data. Quarterly domestic tourism reports were introduced in 2005 to measure and track the domestic tourism market. The report provides information on the number of domestic tourism trips, the value of the domestic market and other behavioural information on domestic tourist patterns.

SA Tourism is currently reviewing the format of the quarterly provincial foreign tourism reports in the light of improved systems and methodologies. The release of the provincial foreign tourism reports has been withheld until this process has been completed.

6.7.7.2 Foreign Tourism

A recent analysis of foreign tourism growth to South Africa by the NMMU Tourism Research Unit, confirms that overall foreign arrivals to South Africa was stagnant between 2003 and 2004. This is mainly because foreign tourism growth from within Africa had been stagnating at an average growth rate of 1.5% per annum. Real growth in international arrivals has come in the years when South Africa has hosted world-class events e.g. Rugby World Cup in 1995, WSSD in 2002 and Cricket World Cup in 2003.

However, 9 overseas tourism supply markets to South Africa have been performing well with an average growth rate of just over 8% per annum over the five-year period between 2000 and 2004. In 2004 some countries experienced negative growth when compared with 2003 e.g. Germany, United Kingdom, Netherlands and France. The following markets are ranked in order of volume supply (number of tourists): UK, Germany, USA, Netherlands, France, Nordic Countries, Australia, China and Italy.

After a period of stagnation, global tourism grew from more than 691 million international tourist arrivals in 2003 to 760 million international tourist arrivals in 2004, an increase of 10.0%. In 2005 overall, the

number of international tourist arrivals recorded worldwide grew by 5,5% and exceeded 800m for the first time.

According to the data, Africa saw the strongest increase of all the continents, with an estimated growth of 10%. Africa was the only region in the world to have performed much better in 2005 than in 2004. The continent attracted 36,7 million visitors according to the World Tourist Organisation. Of the 36,7 million visitors in 2005, 23,1 million visited sub-Saharan nations with the remaining 13,6 million visiting North African states.

South Africa's tourism industry was expected to grow by 6,5% in 2006, according to the 2006 Tourism Satellite Account (TSA) research done by the World Travel and Tourism Council (WTTC). This should translate into about US\$28bn (R170bn) and more than one million jobs. The WTTC research adds that South Africa's industry is expected to grow by 4,8% per annum between 2007 and 2016. South Africa's forecasted growth exceeds that of the worldwide expectation of 4,6% for 2006 and 4,2% annual growth between 2007 and 2016. South Africa is currently ranked 37th in the world in absolute size worldwide.

6.7.7.3 2006 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.

6.7.7.4 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.

6.7.7.5

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. It has built an image as a safe holiday destination, with government and industry leaders acting quickly to counterbalance reports of car jackings and visitor muggings with initiatives to ensure travellers' safety.

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.

6.7.8 **Supply Side Analysis**

Currently the Darlington Lake Lodge can provide accommodation for 20 people although this can be increased to 26 guests. For the purpose of this pre-feasibility study the viability assessment will be based on 20 beds in 6 en-suite rooms and 4 luxury en-suite tents. The current rack rate is R590 per person sharing inclusive of meals, game viewing, boat cruise and other facilities. Guests pay for consumables such as beverages, snacks, room service etc.

The scenarios on the next page project the number of room nights that need to be sold at different levels of occupancies to break-even and then to make a profit.

6.7.8.1 **Viability**

Financial Year ending February 2006

Currently Darlington Lake Lodge has 3360 available room nights a year to sell. 620 room nights were sold at an average room rate of R356 in the financial year ending February 2006. This translates to an average room occupancy rate of 18%.

| <u>Basic Profit/ Loss</u> | <u>INCOME</u> | <u>EXPENDITURE</u> |
|----------------------------------|----------------------|---------------------------|
| Total Lodge Revenue | R783 880 | |
| Cost of Sales | | R 341 080 |

| | |
|------------------------|-------------------|
| Operating Expenses | R 624 280 |
| Management Fee | <u>R 57 170</u> |
| | R1 022 530 |
| Gross Loss | R238 650 |
| Plus Indirect Expenses | R 84 990 |
| NET LOSS | - R323 640 |

6.7.8.2

Marketing Strategy

At 18% room occupancy rate Darlington Lake Lodge is not viable. At least 900 additional room nights a year need to be sold at R356 to break even. This means that a total of 1520 room nights a year at R356 need to be sold to break even taking into consideration the current expenses and this translates to 45% room occupancy rate.

To increase the room occupancies from 18% to 45% and to ultimately strive for 60% room occupancy, as per the scenario plan on the next page, will require significant marketing support. Currently, the guests are mainly domestic tourists. Furthermore, the Lodge will have to target higher yield international tourists.

To attract international tourists and the more affluent domestic tourists means that the Darlington Lake product should have more appeal. This will mean increasing the variety of game species especially three of the 'big five' namely elephant, rhino and buffalo.

Serious consideration should be given to creating a unique houseboat game viewing experience whereby guests could sleep on the houseboats to view game during the day and at night especially the 'big three'. Just the introduction of elephant alone could make a huge difference.

The scenario plan on the next page illustrates the economic impact of increasing the room occupancy rate and rack rate phased over a period of time.

6.7.8.3

Scenario Plan

Goal: to strive for a 60% room occupancy rate in every phase of development starting with the status quo and thereafter expanding the accommodation and increasing the room rate phased over a period of time according to demand.

6.7.8.4 **Phase One**

Scenario One: Status Quo

10 rooms x 365 days x R350 x 20% room occupancy = R255 500
income

10 rooms x 365 days x R350 x 40% room occupancy = R511 000
income

10 rooms x 365 days x R350 x 60% room occupancy = R766 500
income

6.7.8.5 **Phase Two**

Scenario Two: At 60% room occupancy demand justifies expansion and price increase

15 rooms x 365 days x R400 x 20% room occupancy = R438 000

15 rooms x 365 days x R400 x 40% room occupancy = R876 000
income

15 rooms x 365 days x R400 x 60% room occupancy = R1 314 000
income

6.7.8.6 **Phase Three**

Scenario Three: At 60% room occupancy increasing demand justifies additional accommodation and further price increase

20 rooms x 365 days x R500 x 20% room occupancy = R730 000
income

20 rooms x 365 days x R500 x 40% room occupancy = R1 460 000
income

20 rooms x 365 days x R500 x 60% room occupancy = R 2 190 000
income

The scenarios above assume that a room night is sold for R350 in the first phase increasing to R500 a room night in the third phase of development.

It would not make economic sense to add more rooms and significantly increase the room price until such time as the room occupancy rate has improved and the Lodge is viable.

The good news is that there are positive indicators for tourism growth in the Eastern Cape Province and this means that the critical mass of tourists should increase. This makes it easier to attract a captive market and to participate in joint venture marketing campaigns. The AENP marketing budget should also be increased to provide more marketing support. AENP and the concessionaires should consider a cooperative marketing strategy.

6.8 **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 cruiseline 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.

The ICC should provide an opportunity to develop package tours for the conference delegates.

7. AN ANALYSIS OF SA TOURISM QUARTERLY REPORTS EASTERN CAPE**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

8. AN ANALYSIS OF SA TOURISM QUARTERLY REPORTS EASTERN CAPE

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% |

9. AN ANALYSIS OF SA TOURISM QUARTERLY REPORTS SOUTH AFRICA

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

10. AN ANALYSIS OF SA TOURISM QUARTERLY REPORTS EASTERN CAPE

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 |

11. AN ANALYSIS OF SA TOURISM QUARTERLY REPORTS EASTERN CAPE

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% |
|------------|------|------|------|------|

12. AN ANALYSIS OF SA TOURISM QUARTERLY REPORTS SOUTH AFRICA

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% |

12.1 **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.

12.2 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).

12.3 Personnel and human resources issues

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

12.4 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.

12.5 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.

12.6 BEE and social development issues

SANParks will grant discounts on operators' permits if they prove their BEE status to be good or excellent. Once the Scorecard and DTI's Codes of Good Practice have been gazetted, the granting of permits will be subject to compliance with the requirements of the BEE Tourism Scorecard. In the interim, SANParks will offer operators an incentive to meet the Scorecard criteria. Operators that produce compliance certification from recognised compliance evaluators confirming their BEE status as a good or excellent

BEE contributor at the time of application, and not later than October 31st 2006, will be granted 25% discount for the permit year November 1st, 2006 to October 31st, 2007.

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.

12.7 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.

12.8 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.

12.9 Risk allocation

Following the risk matrix it does not appear that there is a need for concern. Five years operating experience of the Darlington Lake Lodge concession has not revealed any project-specific areas for concern. The pre-feasibility

study makes recommendations with regard to ensuring the viability and sustainability of Darlington Lake Lodge. This has more to do with the introduction of some of the 'big five' game species to make the Lodge more appealing to tourists. This will position the Lodge in the marketplace with its own unique selling features taking the lake into consideration. Greater tourist appeal will improve the room occupancy levels and this will generate more income over a period of time allowing for greater marketing expenditure as a percentage of sales.

12.10 **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. With 10 rooms (20 beds) the Lodge needs a room occupancy rate of 60% to be viable. The scenarios clearly indicate that phased development over a period time aimed at increasing the number of rooms, improving the room occupancy rate and ultimately justifying increasing the room rack rate will turn the current annual loss into a healthy profit situation without increasing the operating costs significantly.

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.

Other plans include the launch of South Africa’s National Register of Protected Areas by the end of November. The Department has budgeted over R175m for further land purchase and the minister will provide details of another 230 000 hectares of newly acquired protected areas during June 2006.

The minister also announced the creation of a 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.

| CHECKLIST FOR IDENTIFYING THE TOURISM POTENTIAL OF A PROTECTED AREA | |
|---|---|
| <p>In many countries, there is a symbiotic relationship between tourism and the establishment of protected areas. When this occurs, the tourist potential of the surrounding area is then an important factor in the selection process. Statistics show that growing numbers of vacationers and holiday seekers want to see something different. They want to travel in relative comfort. And they want to mix adventure, and possible learning, with leisure activities. Consequently, the most successful tourist packages combine a number of different interests: sports and recreation, wildlife viewing, becoming acquainted with local customs, visiting historical sites, photographing or sketching spectacular scenes, shopping, eating, and, most of all, water activities. The sea, lakes, rivers, swimming pools, and waterfalls all have high value, particularly for domestic tourism.</p> | |
| <p>The following questions will help evaluate the tourist potential surrounding a protected area:</p> | |
| <p><u>Is the protected area</u></p> <ul style="list-style-type: none"> • close to an international airport or major • tourist centre • moderately close • remote | <p><u>Does the area have</u></p> <ul style="list-style-type: none"> • beach or lakeside recreation facilities • river, falls or swimming pools • no water-related recreation |

| | |
|---|--|
| <p><u>Is the journey to the area</u></p> <ul style="list-style-type: none"> • easy and comfortable • some effort • difficult or dangerous | <p><u>Is the area close enough to other sites of tourist interest to be part of a tourist circuit</u></p> <ul style="list-style-type: none"> • yes • moderate potential • low or no potential |
| <p><u>Is successful wildlife viewing</u></p> <ul style="list-style-type: none"> • guaranteed • usual • only available with luck or highly seasonal | <p><u>Is the surrounding area</u></p> <ul style="list-style-type: none"> • of high scenic beauty • moderately attractive • rather ordinary |
| <p><u>Does the area offer</u></p> <ul style="list-style-type: none"> • several distinctive features of interest • more than one feature of interest • one main feature of interest | <p><u>What standards of food are available</u></p> <ul style="list-style-type: none"> • varied and well prepared • adequate • basic |
| <p><u>Does the area offer</u></p> <ul style="list-style-type: none"> • many additional cultural interests • some additional cultural attractions • few cultural attractions | <p><u>What standards of lodging accommodations are available</u></p> <ul style="list-style-type: none"> • varied and comfortable • adequate • primitive |
| <p><u>Is the area</u></p> <ul style="list-style-type: none"> • unique in its appeal • somewhat different • similar to other/visitor reserves | |

Darlington Lake Lodge scores high according to the above checklist for identifying the tourism potential of a protected area.

13. What to submit, where and when

13.1 Tourism investors or operators interested in this PPP opportunity should submit information under the headings provided in paragraph 14. They are welcome to provide additional information.

13.2 EOI must be submitted to the contact person and details provided in paragraph 13.3 by no later than **15 January 2007**.

13.3 Enquiries can be sent to:

Dawid Momberg - Addo Elephant National Park

P. O. Box 52

Addo, 6105

Telephone: +27 42 233 0556/7

Cell: 082 902 7141

E-mail: dawidmo@sanparks.org

14. Required information for an EOI

14.1 Contact information

14.1.1 Name of person submitting EOI

14.1.2 Company name

14.1.3 Position in company

14.1.4 Contact details

- Postal address
- Telephone
- Fax
- Cell phone
- Email

14.2 Company's profile and experience in the tourism industry

14.2.1 Names and locations of current operations

14.2.2 Market segment(s)

14.2.3 Number of years in operation

14.2.4 Number of visitors per year for last three years (if possible)

14.2.5 Annual turnover per year for last three years (if possible)

- 14.2.6 Black economic empowerment profile measured by the Tourism BEE scorecard (available on www.deat.gov.za) (if possible)
- 14.2.7 Memberships/affiliations
- 14.3 **Interest in a PPP opportunity at Lake Darlington Concession**
 - 14.3.1 Fully describe the **type, scale** and **market segment** of tourism operation you would be interested in.
 - 14.3.2 Are you interested as an **investor** or as an **operator** or both?
 - 14.3.3 What (ballpark) level of **capital investment** would you be prepared to consider?
 - 14.3.4 What (ballpark) **period** of PPP agreement would you deem viable?
 - 14.3.5 What specific conditions would **encourage** you to bid?
 - 14.3.6 What specific conditions would **discourage** you from bidding?