

RADISSON BLU SAFARI RESORT KRUGER NATIONAL PARK

1. STRATEGIC DECISION PROCESS

The vision and mission of SANParks stems from the mandate given by the Government of the Republic of South Africa to the Board of South African National Parks. It reads as follows:

Vision and Mission

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 as espoused by the sector BEE scorecard

It is vitally important to understand that the mandate extends to a SYSTEM of National Parks, 21 to be precise. Of these protected areas, only 5 are able to generate a surplus which is then used to fund the remaining Parks. The biodiversity value and threat of loss thereof in other parks particularly in the Cape Floral and Succulent Karoo regions is far greater than that of some of the other biomes, eg. Savannah as found in the Kruger National Park. Over the last 15 years the land under National Parks status has grown by over 1 Million Hectares and with this comes a significant amount of costs. Government has funded the purchase of this land. It is now up to SANParks to find sustainable methods to fund the operations and protection of the entire National Parks system and hence SANParks views Responsible Tourism as a Conservation Strategy. We also have a mandate to ensure that we are able to offer equitable access to the citizens of this country. This dictates how we set our fees. In order to make the Parks more accessible the following has been done:

- 1.1 SANParks changed the Conservation fee structure to take into account that residents of this country pay taxes and part of that tax is provided to SANParks as conservation & roads grant. This allocation from the fiscus covers about 20% of the SANParks operational costs the remaining 80% is funded through Responsible Tourism activities.
- 1.2 SANParks also introduced the Wild Card in order to provide regular visitor to the various parks with a more affordable option.
- 1.3 To provide access for poorer communities SANParks introduced SANParks week.
- 1.4 In terms of product offering SANParks also offers a very broad spectrum of accommodation types. This provides visitors with a choice of accommodation types that suit their desired experiences as well as their pockets. (From Camping through to five star full service lodges.)

The challenge that we now face is that we have been very successful and our occupancies are far higher than industry averages. Even during this difficult economic period we have performed very well when compared to the broader tourism industry.

*See table below.

We also have to ensure that we understand the demands of the emerging domestic market so that we can grow this market for future support and therefore sustainability.

Accommodation	StatsSA			SANParks		
Period (Apr-Dec)	2009	2010	Growth	2009	2010	Growth
Occupancy	50.9%	48.1%	-2.8%	76.9%	72.7%	-4.2%
Average Rate	R 620.26	R 704.96	13.7%	R 550.09	R 619.54	12.6%
RevPAR	R 315.45	R 338.78	7.4%	R 408.74	R 442.35	8.2%
Camping	StatsSA			SANParks		
Period (Apr-Dec)	2009	2010	Growth	2009	2010	Growth
Occupancy	10.1%	11.4%	1.3%	50.8%	49.9%	-0.9%
Average Rate	R 211.67	R 239.31	13.1%	R 141.54	R 156.04	10.2%
RevPAR	R 21.35	R 27.34	28.1%	R 71.22	R 77.22	8.4%

So what are the options?

- As we only have limited scope to grow occupancies should we practice ruthless yield management which would result in much higher prices? This strategy may provide a short term solution but we may also then turn away a large portion of both our current and emerging markets, which may result in a smaller support base for conservation in the future?

Or

- Do we diversify our product offering in a responsible manner to attract new markets such as the MICE (Meetings, Incentives, Conferences and exhibition) market as well as the growing black middle class market?

We believe that the second option is the most prudent.

2. RADISSON BLU SAFARI RESORT KRUGER NATIONAL PARK

2.1 After the Malelane Sun burnt down on 22 May 2007, SANParks saw this as an opportunity to provide a similar product but across the Crocodile River inside the Kruger National Park and for the following reasons:

2.1.1 Location: The facility to be built within the KNP and this could be done according to the best environmental practice, as currently applies to private operators within national parks.

2.1.2 The same water resource would be utilized, whether the facility lies south or north of the Crocodile River.

2.1.3 Guests would still essentially use the same or similar facilities in the vicinity, namely the golf facilities in the area as well as the Park for leisure, as they did at Malelane Sun.

2.2 The R125m to be spent on the Safari Resort at Malelane will attract more of the growing black middle class. The annual spending power of SA's 3-million or so black middle-class citizens (up from 2-million in 2005) was estimated at R237bn last year, down from an estimated high of R250bn in 2008. The black middle class had a combined spending power of 34% of all consumers — SA's 34-million adults. Attracting more middle-class blacks was one of SANParks' three focus areas for the park. The others were continuing to serve the park's traditionally largely white domestic market — which was more attracted to self-catering accommodation — and the

international mark. About 30% (of domestic market) of the park's visitors are black, although less than 10% of overnight domestic visitor are black.. Market research showed the majority of SA's black middle class wanted full-service resort-type accommodation.

- 2.3 SANParks has no intention of harming its "impeccable" record of upholding the highest environmental ethics by planning for the Kruger National park the type of Safari Resort that would harm its ecology or ambience. This Safari Resort will bear the hallmark of environmental sensitiveness as opposed to the bling of multi-storied, neon lights of city hotels.
- 2.4 The tender to build and operate the development went to a consortium that was predominantly South African and included a 20% holding by a community trust on a 30-year concession, with 6% of turnover going to SANParks.
- 2.5 The International Union for Conservation of Nature guideline for infrastructure development in a reserve was 10% of the total area, and the park had so far developed 6285ha (0,3%) including roads and staff accommodation. SANParks had no intention to develop the park even to the 10% threshold.
- 2.6 Diversification of product - Currently, visitors can either book the self catering, very basic and affordable accommodation or the ultra luxurious private lodge accommodation. The Kruger Park does not cater for the middle ground. More and more holiday makers would like to be comfortable and catered for and this development will provide just that. SANParks had spent R1,9bn for park infrastructure over the past five years, but had not yet catered for visitors who wanted hotel-style accommodation. The park had an occupancy rate which, although seasonal, ran at an average of 79,4% in 2009-10. This was much higher than the national average of 50% to 60%.
- 2.7 Job creation & Stimulation of local economy - Local businesses will have the opportunity to supply produce and services to this Safari Resort. The development will also increase SANParks' total employment to 11000. According to estimates, this Safari Resort will provide around 230 additional jobs to two very poor neighbouring communities. This excludes the workforce needed for the construction.

- 2.8 **It is expected - The international visitors are accustomed to resort-style accommodation in national parks around the world, and expect the same when visiting the Kruger National Park.**
- 2.9 **Increased revenue will aid conservation - It is a known fact that where nature, whether it is a rock or a piece of land or an animal, is in high demand, it is protected because it has commercial value.**
- 2.10 **Possible public/scheduled transport to KNP – SANParks believes that the increased number of visitors and visitors without their own transport will initiate scheduled transport to KNP, at least to Malelane. These facilities will not be self-driving, but will be driven in safari vehicles. The new facilities are not going to add to the human footprint and congestion on the park's roads. Visitor quotas for the gates will remain the same.**
- 2.11 **Accessible and affordable scheduled safaris - According to the plans, scheduled safaris will be available to visitors, giving them the benefit of excellent local guides. They will not otherwise become aware of all the interesting facts of all the fauna, flora and history of the Kruger National Park.**
- 2.12 **What matters is not the type of accommodation provided but how it is crafted to match environmental ethos and how visitors will be managed.**
- 2.13 **The public participation stage is underway and an independent service provider is conducting the EIA in terms of the law and members of the public is invited to submit objections if they have.**

3. BIDDING PROCESS

On 31 May 2009, via national, provincial and local media, SANParks initiated a solicited transparent PPP Tender process for the Malelane Hotel Development. The following media was used:

- Sunday Times – 31 May 2009
- City Press – 31 May 2009
- Business Day – 1 June 2009
- Sowetan – 2 June 2009
- Lowvelder – 5 June 2009

This involved the Qualification of Interested Parties based on their operational experience and financial prerequisites by compliance to certain requirements and criteria as set forth in the Request for Proposals document. In addition, under the terms of the Request for Proposals document, Bidders had to submit their Technical Bids, which would be evaluated and scored by the Bid Evaluation Committees, before the opening of the Financial Offers. The Technical Bids include BEE, Business and Operational Plan, Capital and Financing, Risk Transfer and Development and Environmental Proposals.

Bidders that showed interest and attended the Bidders Conference:

- Archi-M Consortium
- Elephant Lake Hotel
- Grinaker LTA
- Guje Trading
- Guma Group
- Lidwala Consulting
- Mamepe Group
- Thuletu Trading

3 Bids were received as follows:

- Secprop Leisure Consortium
- Malelane Hotel & Resort t/a Enticron
- Buffalo Nare Consortium

The sealed Financial Offers were separated from the Technical Submissions and kept in safekeeping. The Technical Submissions were evaluated by the various Bid Evaluation Committees on the 25th November 2009.

4. BID EVALUATION COMMITTEES

The Bid Evaluation Committees were made up as follows:

4.1 Business and Operational Plan

- Giju Varghese - Head Business Development

- Lucy Nhlapo – Head Tourism KNP
- James Daniels - Project Manager Business Development

4.2 **Development and Environmental Plan**

- Blake Schraader – Head Technical Services KNP
- Antionet van Wyk – General Manager Special Infrastructure Projects

4.3 **BEE Plan**

- Edgar Neluvhalani – General Manager People & Conservation
- Chris Patton – Project Manager Business Development

4.4 **Capital and Finance Plan/Risk Transfer**

- Dirk Fourie – General Manager Finance
- Justin Daniels – Senior Manager Finance
- Annetjie Drent – Senior Manager Finance

4.5 **Process Management and Legal Compliance**

- Annemi van Jaarsveld – General Manager Business Development & Project Manager
- Ibraheem Dockrat – Credit Controller PPP Projects

5. **WINNING CONSORTIUM**

The winning consortium was Secprop Leisure Consortium. The consortium has undergone changes since the award and is now named Malelane Safari Resort Investments (Pty) Ltd. The shareholding as follows:

- 5.1 **20% - Community Trust;**
- 5.2 **10% - Siyazi Management Consultants CC (sole member, Mr. Senzo Tsabedze, a BEE businessman residing in Mbombela);**
- 5.3 **20% - RHW Joint Venture Ltd. (SA subsidiary of Rezidor – owned 74% by Rezidor Hotel Group of Brussels and 26% by Mvelaphanda Holdings Ltd);**
- 5.4 **20% - Afriliance Management Ltd (an offshore financing company); and**
- 5.5 **30% - Secprop 118 Investments (Pty) Ltd.**

6. SCOPE OF DEVELOPMENT

- 6.1 Site Selection – SANParks identified five possible sites for the Safari Resort development, all on the periphery of the Malelane Gate. Bidders were provided the opportunity to assess the different sites and select the ideal site for the development. The current site selected is a “green field” site in the southern eastern corner of the Kruger National Park (KNP). This proposed site is situated at the confluence of the Timfene Spruit and the Crocodile River on the southern boundary of the Park. The selected site will be subject to a full Environmental Impact Assessment of the proposed development.
- 6.2 Number of Beds – The carrying capacity of the development is limited to a total of 240 guest beds and essential staff on site. The remainder of staff will be housed outside of the Park.
- 6.3 Footprint – the total footprint of the development site is 13,496 m². The area of the Park and Ride facility, which includes the Welcome Centre and covered parking at the Malelane Gate is 2,149 m².



Aerial view of development site

6.7 **Environmental Guidelines – The Private Party will be required to adhere to all applicable Responsible Tourism Standards as well the “greening” principles and criteria derived from the existing standards set by SANParks for the Concessions as reflected in the SANParks Management Plan Policy Framework, the KNP Management Plan, the Concession Operations Manual as well as the following:**

- The National Responsible Tourism Guidelines DEA;
- The SANParks Responsible Guidelines;
- The Environmental Guidelines and monitoring systems as contained in the Environmental Guidelines for Private Parties for the Construction and Operation of PPP Facilities within the Kruger National Park;
- The KNP Sustainable Design Principles and Guidelines;
- The Monthly Operational Checklist for Concessions used by SANParks to audit the Concessions; and
- The Biannual Environmental Monitoring and Audit Report that is conducted on Concessionaires with the detailed criteria applicable.

7. REGULATORY FRAMEWORK

7.1 **SANParks has the legal mandate in terms of the National Environmental Management: Protected Areas Act 2003 (Act No. 57 of 2003) (“NEMPAA”) as amended by the National Environmental Management: Protected Areas Amendment Act (Act No. 31 of 2004) to enter into Public Private Partnership (“PPP”) Agreements.**

7.2 **SANParks is a Schedule 3A public entity for the purposes of the Public Finance Management Act 1 of 1999 (“the PFMA”). Regulation 16 of the PFMA governs all PPP processes. National Treasury Regulation 16 first came into operation on 25 May 2002 and have applied to the business of SANParks since such date. SANParks obtained the required approvals from National Treasury for the Malelane Hotel Development.**

7.3 **SANParks is bound by a number of statutes with relevance to environmental and conservation management of Parks, including (without limitation) the National Environmental Management: Protected Areas Act, 2003 (Act no. 57**

of 2003) (NEMPAA); the National Water Act 36 of 1998; the Water Services Act, 108 of 1997; the National Environmental Management Act, 107 of 1998 (NEMA); the National Environmental Management: Air Quality Act; the Hazardous Substances Act, 15 of 1973; and the National Heritage Resources Act.

Consents in respect of any developments in a Protected Area are governed by the NEMA and the NEMPAA, and regulations promulgated under these and other acts. The process of development of a Safari Resort in the Malelane area will be undertaken as per SANParks' internal policies and procedures as well as Consents given by DEAT/DWEA (where relevant) and by SANParks.

A key component of the IEM procedure is the preparation of an EIA in respect of the proposed development. The EIA Regulations provide for an obligatory EIA in respect of "*resorts, lodges, hotels, or other tourism and hospitality facilities*" in a Protected Area, to be prepared by an independent consultant.

The EIA for the Malelane Hotel development is underway and scheduled for completion in October 2011.

8. CURRENT STATUS

The project is well underway with 100% of the funding approved for the development. The Environmental Impact Assessment is in process and will address all environmental challenges including but not limited to:

- 8.1 **Swazi Lily – A recent site study revealed the presence of a Red Data species, the Swazi Impala Lily on the selected site. However, the EIA will address the mitigating factors to prevent any impact on such lilies.**
- 8.2 **Pels Fishing Owls – The presence of the Pels Fishing Owls have been identified in the area and the EIA will address the mitigating factors required to prevent any disturbance to such owls, particularly during the construction phase of the project.**
- 8.3 **Water – The selected site has no potable water. The closest perennial river is the Crocodile River, although it may dry up during periods of extreme low rainfall. Water for the development will be either from the Crocodile River or boreholes, however the quantity and quality of underground water is not known. A permit will be required from the Department of Water Affairs and**

Forestry (DWAF) to extract water either from the Crocodile River or from boreholes. The bulk water supply lines will be installed underground and will follow the existing roads footprints to limit the environmental impact. Seeing that this development is a replacement of the Malelane Sun, destroyed in a fire, the impact on the Crocodile River will be the same as before with the Malelane Sun also having extracted water from the Crocodile River.

8.4 Electricity - There is no electricity available on the site, but ESKOM power is available at the Malelane substation directly across the Malelane Rangers Post on the southern side of the Crocodile River. The maximum load required will determine the upgrading of the overhead supply across the Crocodile River to the Malelane distribution point. The bulk electrical supply line from the Malelane distribution point will either follow the road footprint and be installed underground, or alternatively be installed under the Crocodile River. The EIA will determine the selected option and could include a hybrid-type option with a combination of solar power and generators.

8.5 Waste - Solid waste will be recycled on site and transported to an approved landfill site outside the Kruger National Park and approved re-cycling depots. Sewerage will be treated on site and grey water will be used for irrigation and or water for game. A permit will be obtained from the Department of Water Affairs and Forestry (DWAF) to operate the purification plant and dispose of the effluent. All the bulk and reticulation systems will conform to the guidelines set out in the Environmental Guidelines for Concessionaire's Operation within the South African National Parks.

The EIA is scheduled for finalization in October 2011 whereafter construction of the Safari Resort will commence. It is estimated that construction could be complete by March – June 2012.