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SOUTH AFRICAN TOURISM

Executive Summary

Presentation to Portfolio Committee on South African Tourism 2007/8 Annual Financial Statements and the road ahead

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This presentation will deal with 3 areas:

- Summary of SA Tourism's 2007/8 Annual Financial statements
- Quick recap of SA Tourism's objectives & delivery against these objectives
- Challenges for SA Tourism going forward



Part 1: Summary of SA Tourism's 2007/8 Annual Financial Statements:

- Corporate Governance & Internal control
 - SA Tourism regarded as one of the most complex Government entities by the Auditor-General because of the number of exchange rates we do business in
 - Despite this SA Tourism achieved its 7th consecutive unqualified no-emphasis-of-matter audit report from the Auditor-General and now officially holds the record in SA Government including all Government Departments, Parastatals, Public Entities and Municipalities
- Financial performance
 - SA Tourism again spent 100% of its R 657 million budget, but ended with a R 23,5 million surplus because certain expenses such as website expenses and trademarks had to be capitalized in terms of International Accounting Standards. Because of this and unrealized foreign exchange profits, Treasury agreed for all of this to be rolled over to 2008/9.



Part 2: The mandate of SA Tourism

The Tourism Act's mandate to SA Tourism is ...

Sustainable GDP Growth

Sustainable job creation

Redistribution and transformation



... through four key targets/objectives ...

Achieve targeted total arrivals to SA in 2007 - 2010

Achieve total average tourist spend inside SA in 2007 - 2010

SA to be the most preferred tourist brand by 2014

SA Tourism to be the best tourism organisation by 2010



... by focusing on doing only the following "Big 6 things" very well!

Share our vision with stakeholders

Use the trade to grow our business

Grow & nurture our staff

Improve brand traction in markets

Fine-tune internal systems and communication

Increase value-extraction in SA from all tourists

What will be our “Big 6” strategies to achieve the 4 high-level objectives?*

Strong leadership is required from all EXCO,MANCO and Country Managers for the execution of these 6 strategies:

OBJECTIVE	STRATEGY
1. Achieve total arrivals to SA 2. Achieve average spend per tourist <u>inside</u> SA	<u>Strategy 2:</u> Use the trade to grow our business <u>Strategy 6:</u> Increase value extraction in SA from all tourists
3. South Africa to be a most preferred Tourism Brand by 2014	<u>Strategy 4:</u> Improve brand traction in markets to increase positive awareness
4. SA Tourism to be the Best Tourism Organization by 2010	<u>Strategy 1:</u> Share our company’s vision with key stakeholders and influencers <u>Strategy 3:</u> Grow & nurture our staff <u>Strategy 5:</u> Develop or fine-tune and integrate yardsticks and systems to obtain operational excellence

*during the 2009/10 until 2010/11 financial years

What are SA Tourism's 4 high-level objectives?

Objective 1

Achieve total arrivals to SA

2008 calendar year target: 9 699 365 (6.7% increase over 2007)

2008 *estimated close*: 9 481 762 (4.3% increase over 2007)

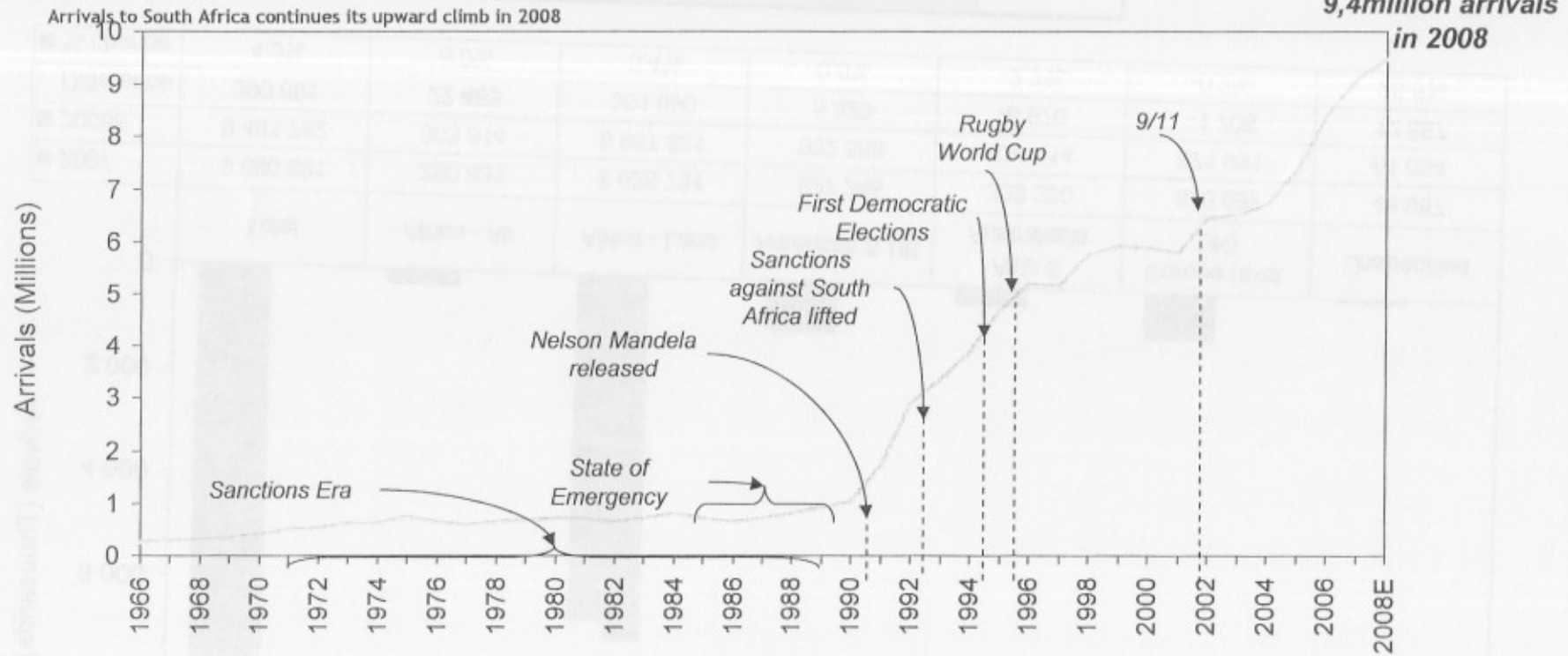
2009 calendar year target: 9 819 284 (3.6% increase over 2008)

2010 calendar year target: 10 234 328 (4.2% increase over 2009)

2011 calendar year target: 10,4 million (1.9% increase over 2010)



Foreign Arrivals to South Africa, 1966-2008E



1970s and 80s – Stagnation

- Stagnation drove low investment, focus on narrow white domestic market and costs

1990-1998 – Growth

- Initial period of short-term profit-taking followed by period of investment growth and entry of foreign players

1998-2004 – Cyclicity

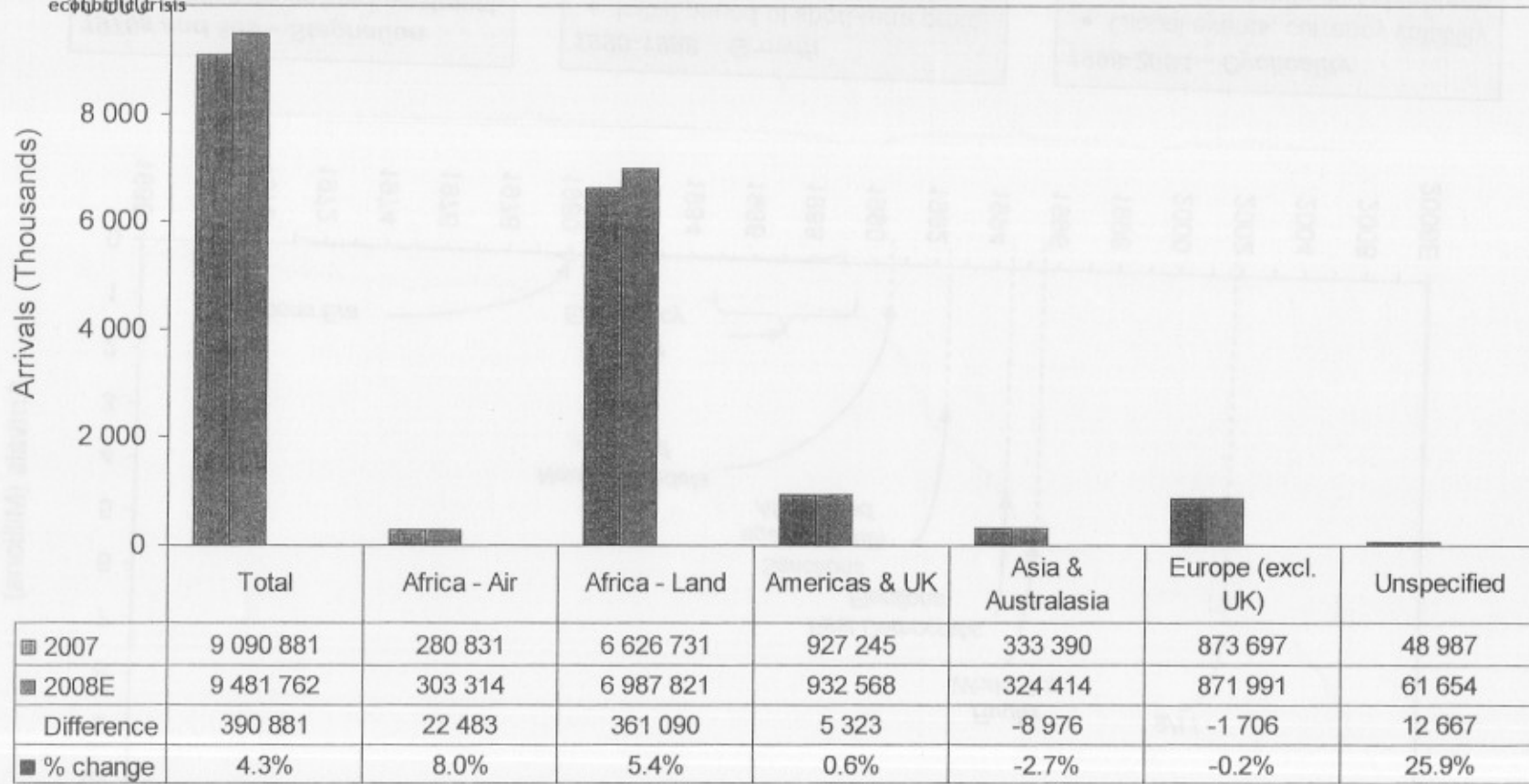
- Global events, currency volatility drove uncertainty and short-term strategy by firms
- Investment rates remain weak overall

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Arrivals to South Africa by Region, 2007-2008E

Arrivals are estimated to grow by 4.3% in 2008, missing the growth target due to expected poor performance in key overseas markets following the global economic crisis.



2008 Growth target	4.7%	4.4%	4.4%	5.9%	4.3%	5.2%	10.9%
2009 Growth target (revised)	3.6%	5.8%	4.3%	0.3%	1.2%	1.0%	2.0%

South African Tourism 2009

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Note: Shaded cells indicate where the growth target was not met.

What are our 4 high-level objectives?

Objective 2

Achieve average spend per tourist inside SA

2008 calendar year target: R 7 300 per person (Total R 70,8 billion)

2008 estimate: R 9 300 per person (Total R 88,2 billion)

2009 calendar year target: R 9 900 per person (Total R 97,3 billion)

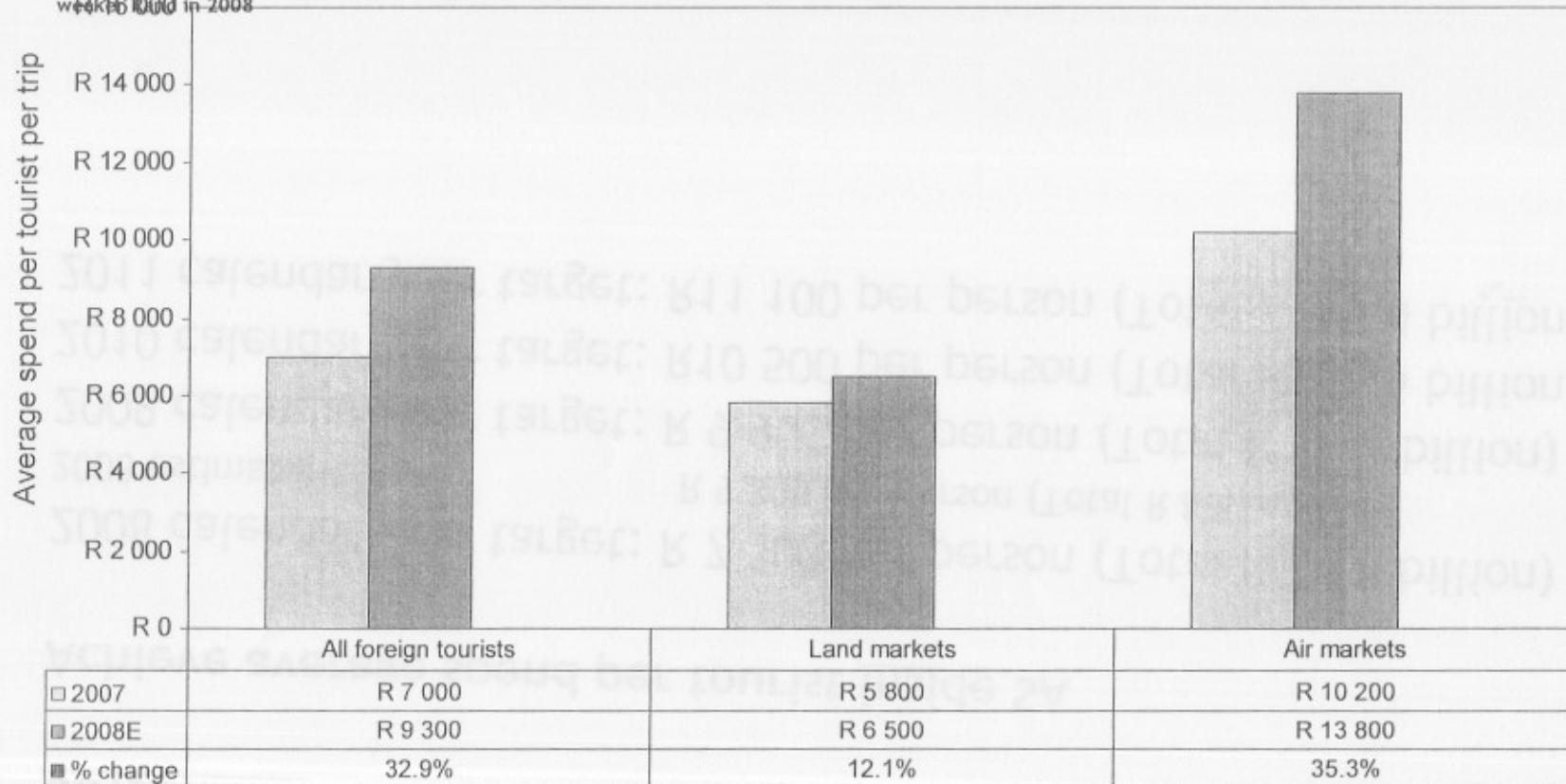
2010 calendar year target: R10 500 per person (Total R107,5 billion)

2011 calendar year target: R11 100 per person (Total R115,4 billion)



TFDS (excluding capital expenditure) by region, 2007-2008E

Average spend by all foreign tourists is expected to be above the growth target. The increase is driven largely by air markets who enjoyed the benefits of the weak Rand in 2008.



2008 Growth target	R7,300	R6,100	R10,800
2009 Growth target	R7,800	R6,500	R11,400



What are our 4 high-level objectives?

Objective 4

SA Tourism to be the Best Tourism Organization by 2010:

As decided by the Annual Tourism Awards Committee of the World Tourism Organization, and as attested to by the most credible award committees in our chosen core markets

16 accolades for the calendar year 2008!



Accolades for 2008

Hospitality India & Explore the World International Awards	Best NTO in India 2008
Today's Traveller Magazine (India)	Best International Adventure Tourism Destination (India)
European CEO Magazine Award	European CEO Magazine's Tourist Board of the Year Award for its outstanding efforts in marketing South Africa as a destination
Singita crowned Africa's number 1 in Travel + Leisure Top 500 World's Best Hotels	Singita Game Reserves, the award winning South African based operator of luxury game lodges in Southern and East Africa, entered 2008 with a triumphant start as No1 in Africa in Travel + Leisure's 500 World's Best Hotels poll.
World Travel Awards	South African Tourism (named best destination marketing organization in Africa) and on Indaba (named Africa's leading travel exhibition).
TTG Travel Awards (UK)	SA Tourism has been short-listed for the Best Tourism Board Award, with Australia, Barbados, Canada, Dubai and Jamaica.
Travel Weekly China Award	South Africa was nominated for the Best Destination (long haul) and Best Eco-tourism Destination.
International Olympic Committee	South Africa will host the International Olympic Committee's 123rd Congress in Durban in 2011.
American Society of Travel Agents	The American Society of Travel Agents (ASTA), the world's largest association of travel professionals, has chosen for the 2009 International Destination Expo (IDE), March 8 - 12, 2009.
Online poll by Travel + Leisure magazine	Singita Sabi Sands, at the Kruger National Park, has been voted the world's top hotel for 2008 in an online poll by Travel & Leisure magazine. Cape Town has been voted the third best city in the world for 2008 in an online poll by Travel & Leisure magazine.
2008 TripAdvisor Travellers' Choice award for Best Luxury -	Shamwari Game Reserve has been acknowledged the most luxurious experience on the African continent when awarded the 2008 TripAdvisor Travellers' Choice award for Best Luxury - .
Golf Resort of the year by the International Association of Golf Tour Operators (IAGTO)	Arabella Western Cape Hotel & Spa was named 2008 Golf Resort of the year by the International Association of Golf Tour Operators (IAGTO).
Great Wine Capitals Global Network	The estate Vergelegen was awarded The 2008 Best of Wine Tourism award by Great Wine Capitals Global Network.
Ten Best Ethical Travel Destinations	has been named as one of the developing world's Ten Best Ethical Travel Destinations in the 2008 Ethical Traveler Report.