

Part 3: Challenges for South African Tourism

- UNWTO's initial forecast for 2009 is a growth of between 0 and 2%
 - First part of the year is expected to be complicated, while gradual recovery is expected over the course of the year
 - IPK forecasts indicate a negative outlook with growth of between 0 and -2% predicted for 2009

Prospects for 2009 - sourced from UNWTO & World Travel Trends Report

- Current downturn not expected to impact on desire to travel
 - Major concerns would be whether one can afford to travel or wants to spend on travel
- Travel to destinations closer to home, including domestic travel
- Business travel expected to suffer more than leisure travel
- VFR, repeat visitors and special interest and independent travellers expected to be more resilient
- More pronounced decrease in length of stay and expenditure compared to volume
- Destinations with favourable exchange rates and that offer value for money will have an advantage
- Asia Pacific and Latin America expected to recovery before the end of 2009
 - Sustained demand emerging markets like China and India
 - Outbound travel from Japan expected to be flat in 2009
 - Outbound travel from Latin America is predicted to be more bullish, dependent on the currency fluctuations
- 80% of Europeans claim that they will travel at least as much as before
 - Norway and Finland are more positive about future travel intentions while UK and Italy are more negative
- US outlook may not be as bad as it looks
 - US economy has already fallen and is now better place than other countries to stay on its feet
 - New government intent on providing massive support to economy and consumers
 - Strengthening US dollar expected to insure consumers against declining purchasing power abroad
 - Penalty imposed by high oil prices is shrinking faster for US consumers than for those in countries with weaker currencies

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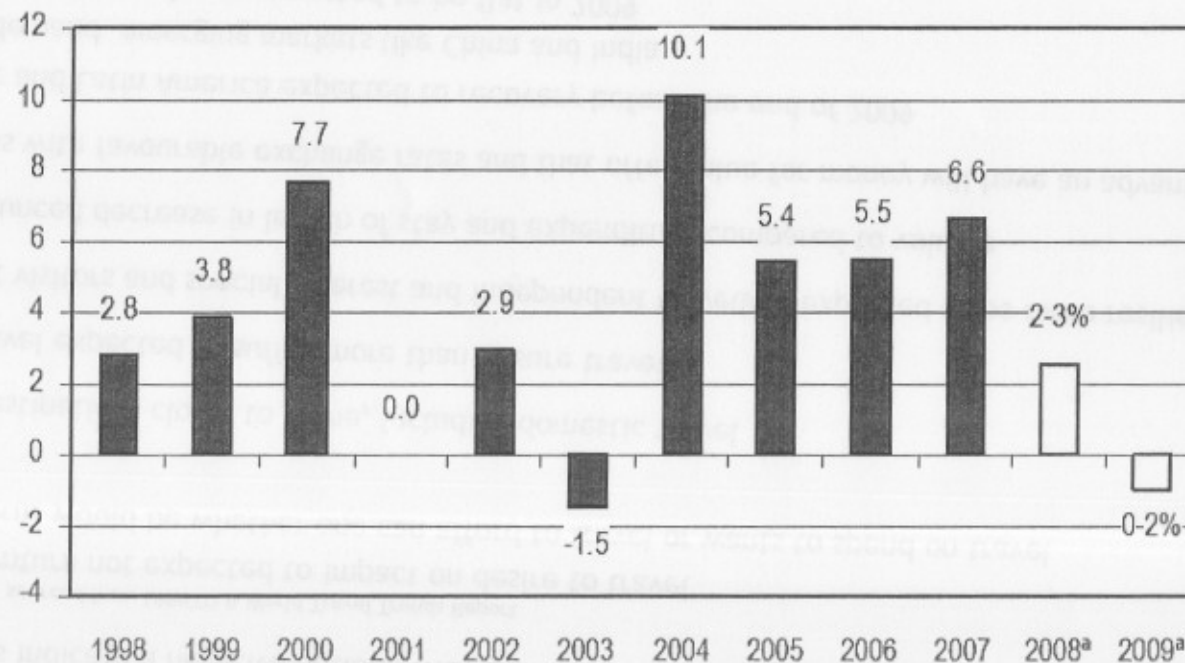
SOUTH AFRICAN TOURISM



According to the ITB World Travel Trends Report, the effects of the global economic and financial crisis, coupled with uneasiness over prices for raw materials and significant currency fluctuations, mean that no reliable forecasts can currently be made. UNWTO's forecast for 2009 is 0 to 2% growth.

Current global arrivals forecasts indicate a significant slowdown in growth in 2008 and 2009. But experts say 2009 is difficult to forecast

**International tourist arrivals worldwide, 1998-2007 and forecasts 2008-09
(% annual change)**



^a Forecasts from IPK International (historical data from UNWTO)

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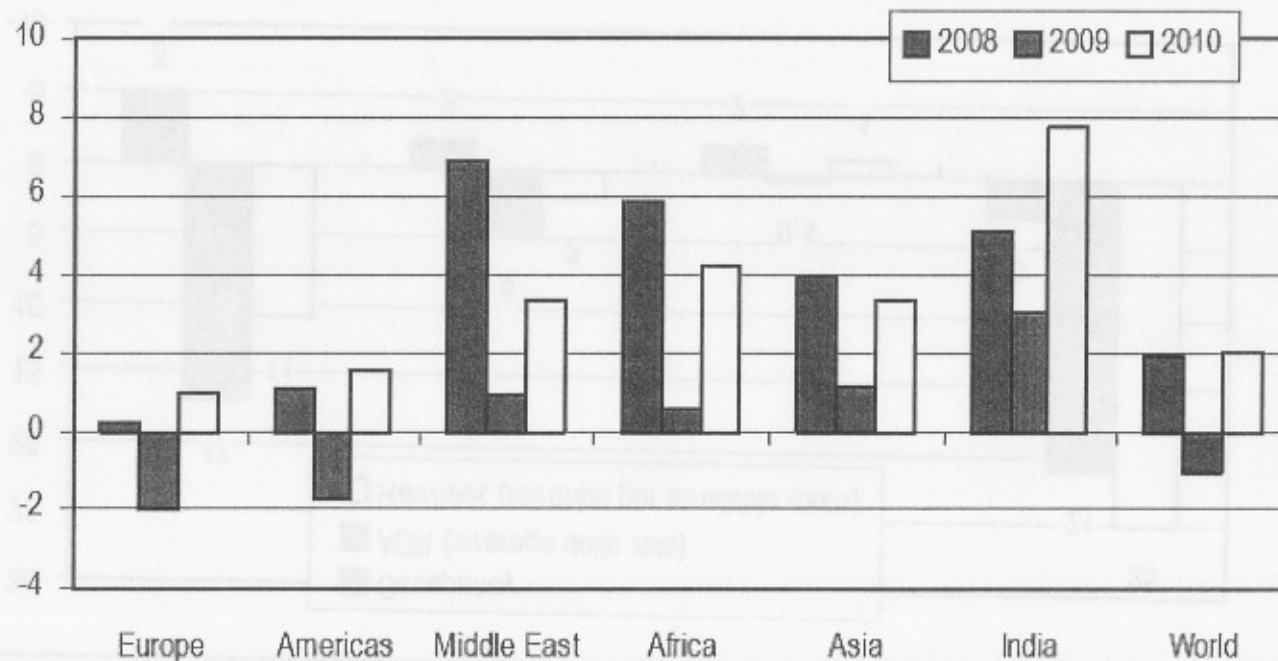
Source: World Tourism Organization (UNWTO) and IPK International

TOURISM



WTTC predicts that the economic crises will have a greater impact on tourism in the coming year with global tourism GDP forecast to decrease by 1% in 2009

**Forecasts of regional 'Travel & Tourism Economy GDP' growth, 2008-10
(% annual change)**

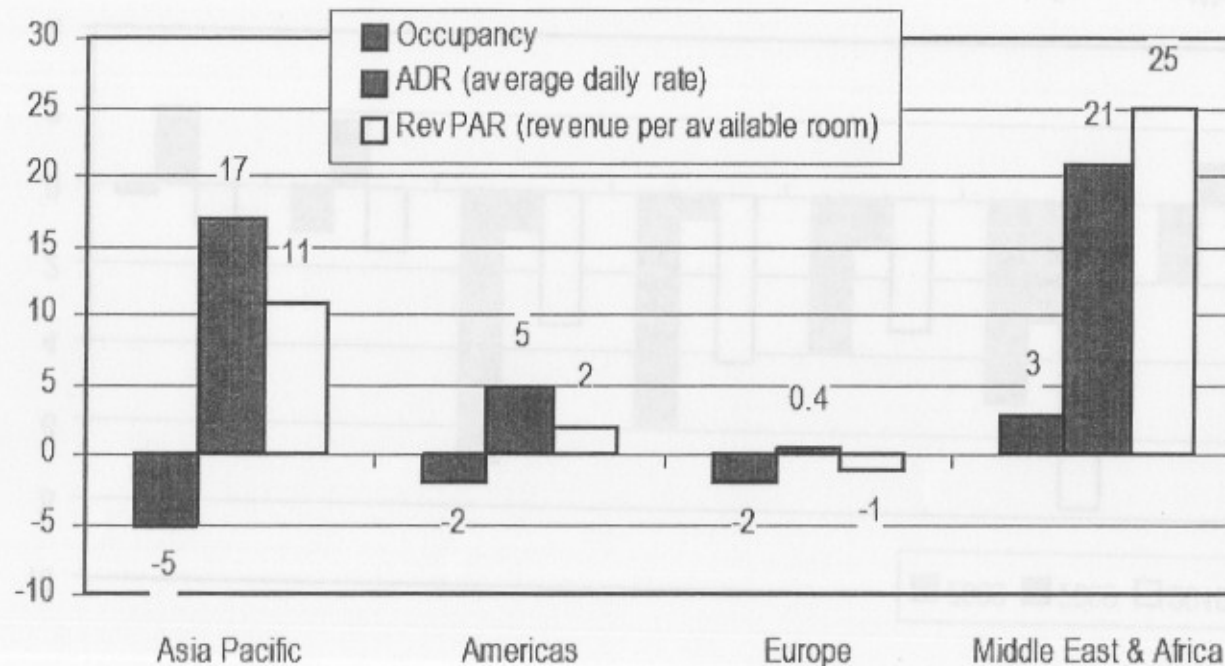


Source: Tourism Economics; WTTC



Occupancy rates across most regions dropped in 2008. Whether Africa & ME will be able to sustain the high occupancy levels is questioned as demand is not forecast to meet supply.

Global hotel performance, January through August 2008
 (% change over same period in 2007)



Note: Selected markets in each region - % changes in Asia Pacific, Americas and Middle East & Africa expressed in US dollars; Europe in euro

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Source: Ernst & Young, from Smith Travel Research

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For South Africa

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- Arrivals for 2008 will close at +4%
- Arrivals 2009 projection of +2%
- Important to note it will be driven by Africa travel
- Treasury to reduce overall budget by R17 billion- 0.7%, 1%, 1%
- Great opportunities in 2009
 - Australia
 - Elections
 - British Lions
 - Confederations



Implications For South African Tourism

- Global tourism is no longer the same, therefore, it cannot be business as usual.
- Real decline in our tourism budget of about R78 million excluding restructuring/retrenchment cost
- There will be a need to revisit SA Tourism's overall strategy and make hard choices:
 - Reduce our expenses by R 78 million because Treasury did not increase SA Tourism's MTEF allocation and the value of Rand depreciated significantly
 - Such cuts will include reducing overheads (staff retrenchments and possible close of 2 overseas offices) and international marketing activities



Challenges for South Africa Tourism and South Africa from a Tourism point of view

- Pressure on Government revenue and allocations towards Tourism promotion
- Continued crime wave, in particular attacks on foreign tourists
- Pressure from the Tourism Industry
- Implementation of the Brand alignment project

WE HAVE TO WORK SMARTER WITH LESS FINANCIAL RESOURCES TO DO MORE!



Calculation of shortfall on SAT expenses for 2009/10 (R'mil)

Detail/Financial year	Amount 2009/10
Total expected shortage	77,8
Breakdown:	
Americas Portfolio: UK gain (ZAR 15,50 = GBP 1 now vs ZAR 15,58 = GBP 1 before) & rest shortfall (ZAR 10,395 = USD 1 now vs ZAR 7,96 = USD 1 before)	18,5
Europe Portfolio (ZAR 13,80 = Eur 1 now vs ZAR 11,61 = Eur 1 before) shortfall	29,5
Asia Portfolio shortfall	13,9
Africa Portfolio shortfall	5,9
Global media deal shortfall	26,0
Shortfall Head Office overheads (2% on prev year + 3,2% to increase CPIX for 2009/10 to 8,2%)	4,5
Additional revenue (TOMSA, Indaba revenue, etc.)	(20,5)



Conclusion & discussion

Thank you

Questions/comments?



