

Tourism Competitiveness Study

*Executive summary from the Tourism Industry Performance
Assessment*

September 2010

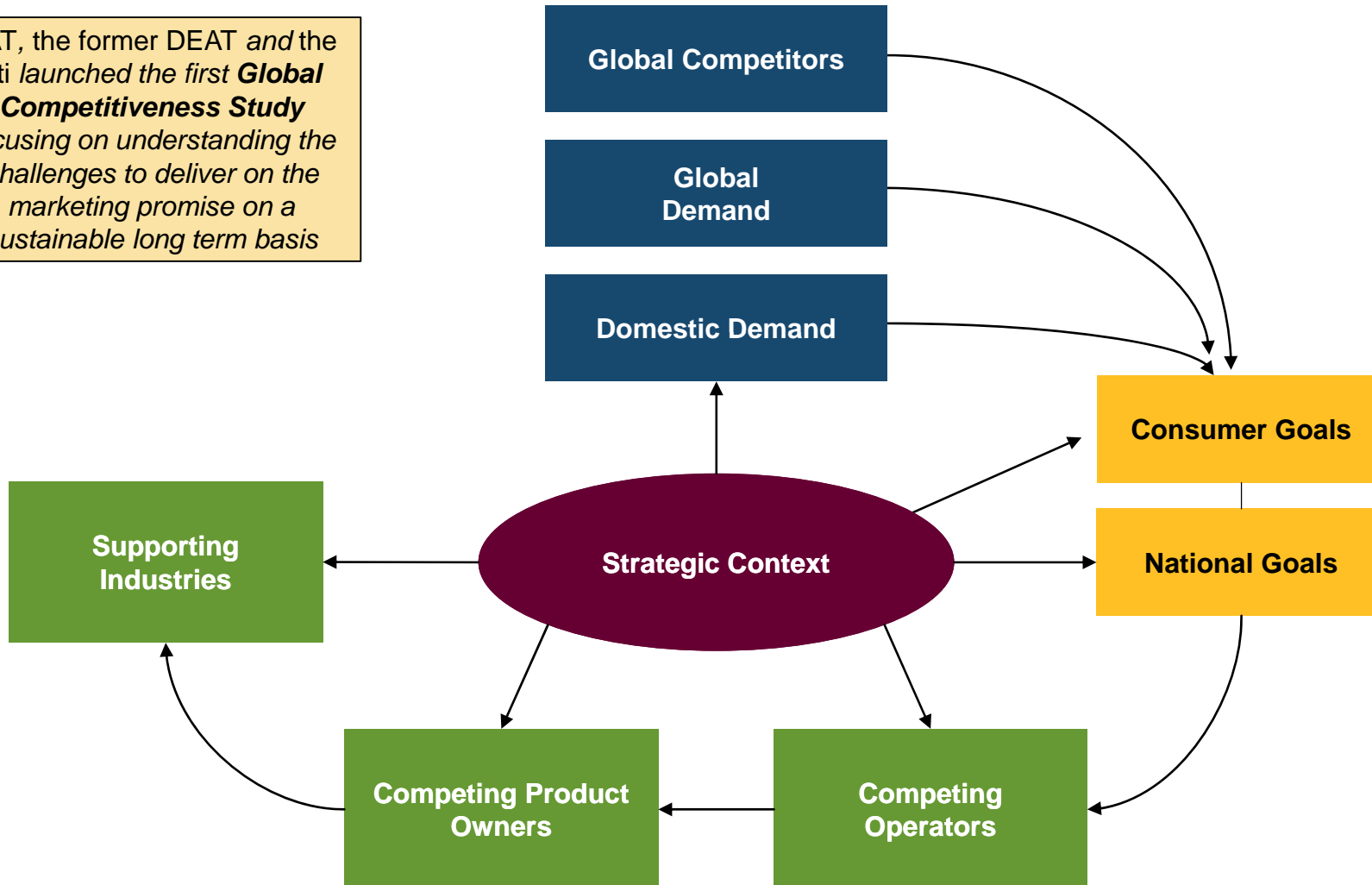


It's Possible

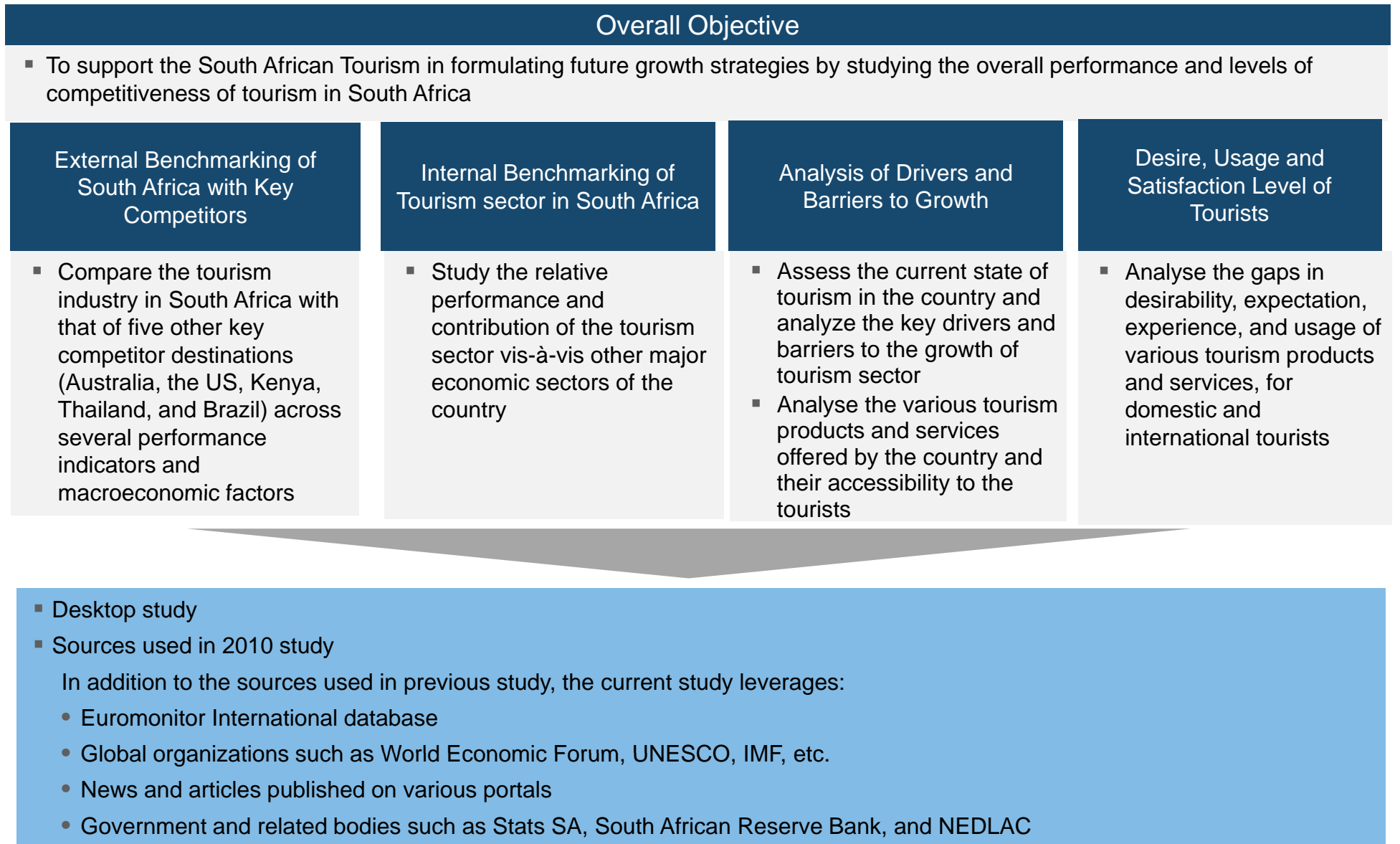
The original 2003 / 2004 Global Competitiveness Programme (GCP) was part of a larger initiative to forge and manage strategic alignment across the sector

Sustainable competitiveness is not an accident - it is created through the deliberate development of the context within which firms compete

SAT, the former DEAT and the dti launched the first **Global Competitiveness Study** focusing on understanding the challenges to deliver on the marketing promise on a sustainable long term basis









The 2010 study reviewed four modules of the original GCP study for the period 2003 – 2008 in order assess progress that the industry has made over this period



Five competitor countries were reviewed. These countries were identified as competitors through consumer research conducted since 2001

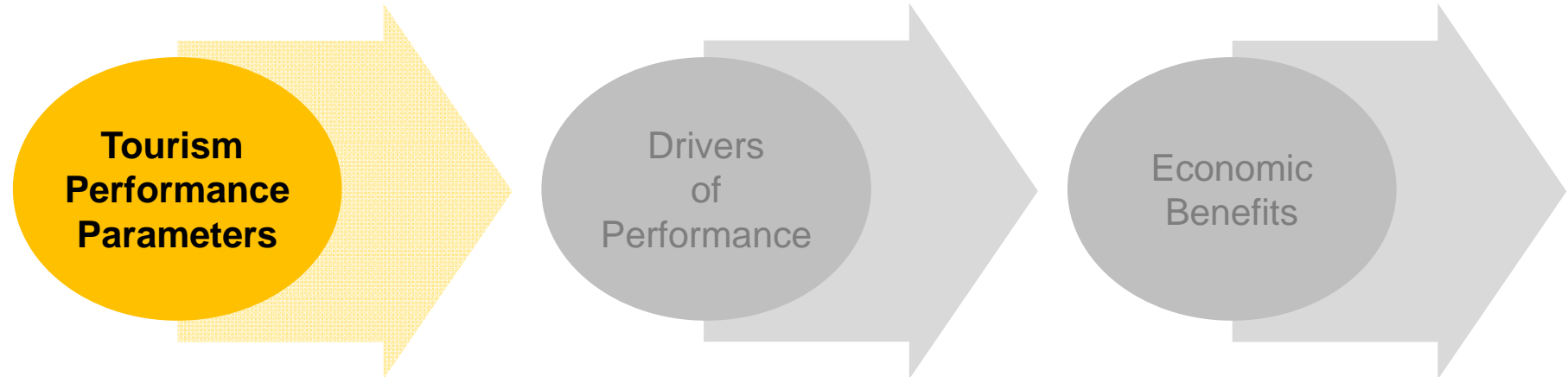
Brazil has seen jobs grew in line with tourist arrivals, while Australia has seen jobless growth

Travel and Tourism Parameters	 South Africa	 Australia	 USA	 Thailand	 Brazil	 Kenya
Tourism Employment in '000s (2008)	Direct: 439 Total: 1,042	Direct: 499 Total: 1,176	Direct: 5,477 Total: 14,488	Direct: 1,900 Total: 4,178	Direct: 2,222 Total: 5,507	Direct: 168 Total: 406
Growth (03-08)	4%	0%	-1%	2%	4%	1%
Tourist Arrivals in '000s (2008)	7,087 ²	5,586.0	58,029.8	14,243.2	5,156.5	1,363.0
Growth (03-08)	9%	3%	7%	6%	5%	4%
Tourism Contribution to GDP in USD Bn ¹ (2008)	23.5	104.7	1,388.7	41.3	99.0	3.2
Growth (03-08)	13%	12%	5%	14%	24%	16%
Direct Contribution to GDP in USD Bn (2008)	8.8	41.8	678.9	16.6	40.8	1.2
% contribution	3%	4.4%	3.5%	6.8%	2.2%	4.8%
Indirect Contribution to GDP in USD Bn (2008)	14.7	62.8	709.7	24.7	58.2	2.0
% contribution	8%	11.2%	10%	15.6%	5.7%	10.3%
Recent Developments	Host to 2010 FIFA World Cup, which is expected to boost foreign arrivals	Current year has remained the worst year for Australian tourism since 1989, with 4.1% decline in tourist arrivals	Faith tourism is emerging as a popular tourism sector in the US	Tourism has suffered in recent years due to the economic crisis, breakout of H1N1, & internal political unrest	Host to major sports events in 2014 (FIFA World Cup) and 2016 (Olympics)	Tourism industry has suffered in recent years due to political unrest

Note: ¹Direct and Indirect contribution of tourism industry to GDP. Numbers have been validated from respective tourism websites of various countries; ²This number is calculated after removing 'day tourists' from the overall number of arrivals

Source: The Travel & Tourism Competitiveness Report 2009', World Economic Forum, February 2009; 'Managing Tourism at World Heritage Sites', UNESCO, 2002; 'Travel And Tourism in the US', Euromonitor, September 09; Bangkok Post; BBC; CNN; Tourism Research Australia; WTTC; Stats SA; 'The Impact of Tourism on the Economy of South Africa – 2007', SAT, August 2008

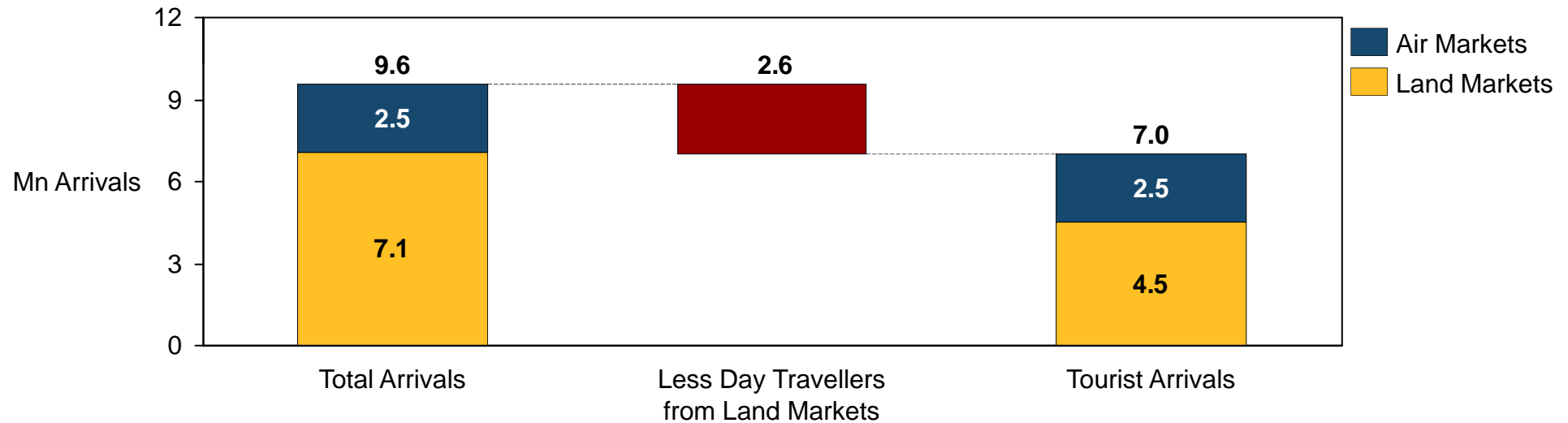
Tourism performance parameters



- The total number of **international tourists to South Africa** has witnessed a **strong growth** – significantly higher than many the other key competitors
- **South Africa** has witnessed a **decline in the average length of stay** over 2003–2008 while in countries such as Australia, the average length of stay has grown by 3.9%
 - Within South Africa, air arrivals tend to stay for longer duration than land arrivals
- **Australia**, by far, captures **more nights per tourist** than any other tourist destination
- Overall, about **three-quarters** of the visits to South Africa are for **leisure purposes**
 - During the last five years South Africa has outpaced the growth of all the other competitor locations in the leisure arrivals category

Tourism statistics were adjusted in order to measure only the economic effects of tourist arrivals – This improves comparability with other countries

Total Arrivals and Tourist Arrivals, 2008

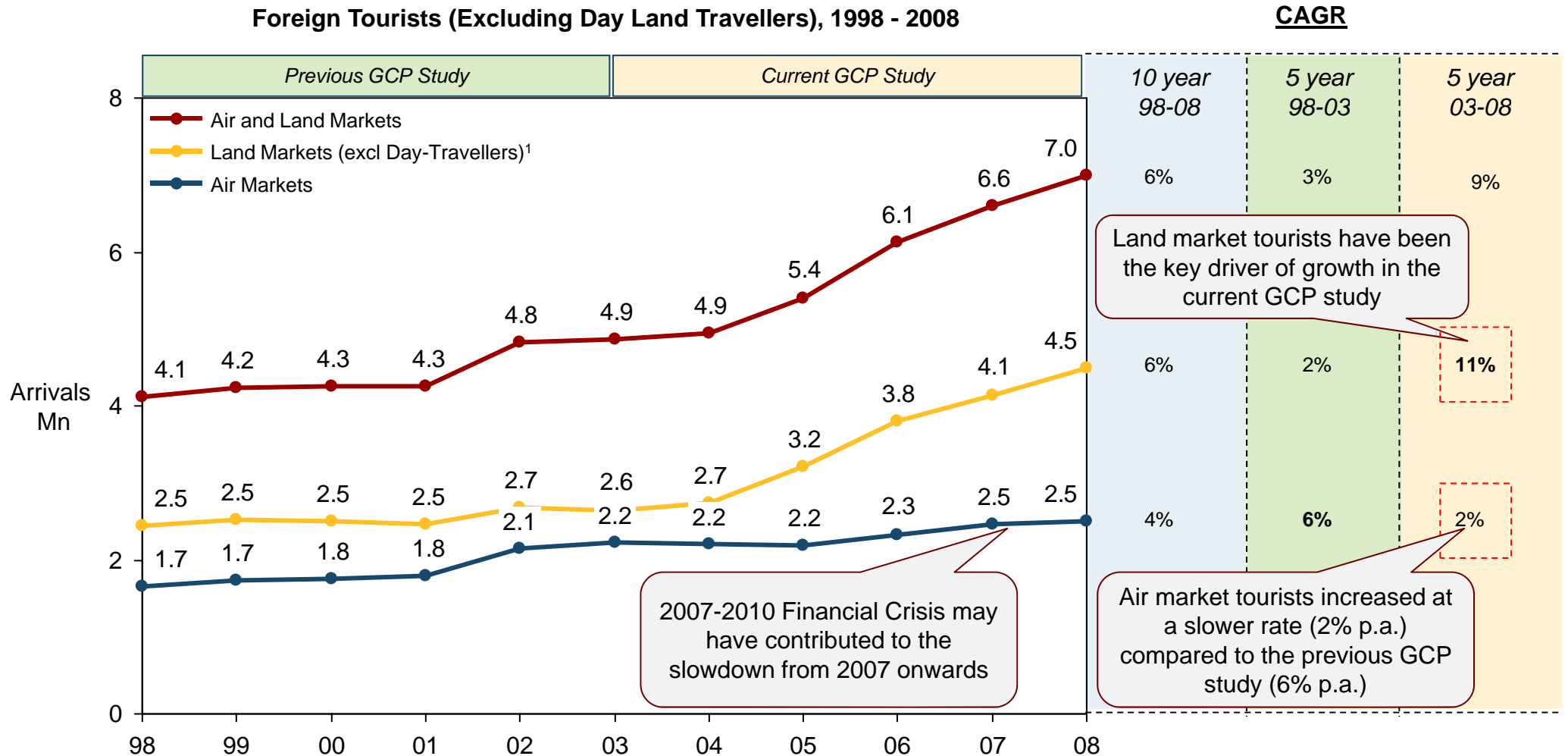


- For the purposes of this study, **tourist arrivals** are defined as arrivals that stay at least one night in a collective or private accommodation in the country visited
- This eliminates the effects of day travellers from Land Markets whose primary trip purpose is to stock up goods for resale in their home country
 - Their spend is primarily focused on the retail sector and does not benefit tourism-related sectors of the economy (e.g., accommodation industry)
- Most air markets arrivals stay at least one night and are classified as tourists
- Arrivals and Spend data used in this section therefore differs from the SA Tourism Annual Reports as it measures the effect of *tourists* instead of *all arrivals*
- This increases the comparability of tourism economic results with other countries

Note: ¹ Land markets include those countries where at least 60% of arrivals are by land. These include Lesotho, Botswana, Mozambique, Malawi, Namibia, Swaziland, Zambia and Zimbabwe.

Source: SA Tourism Annual Reports and Monthly Reports; Monitor Analysis

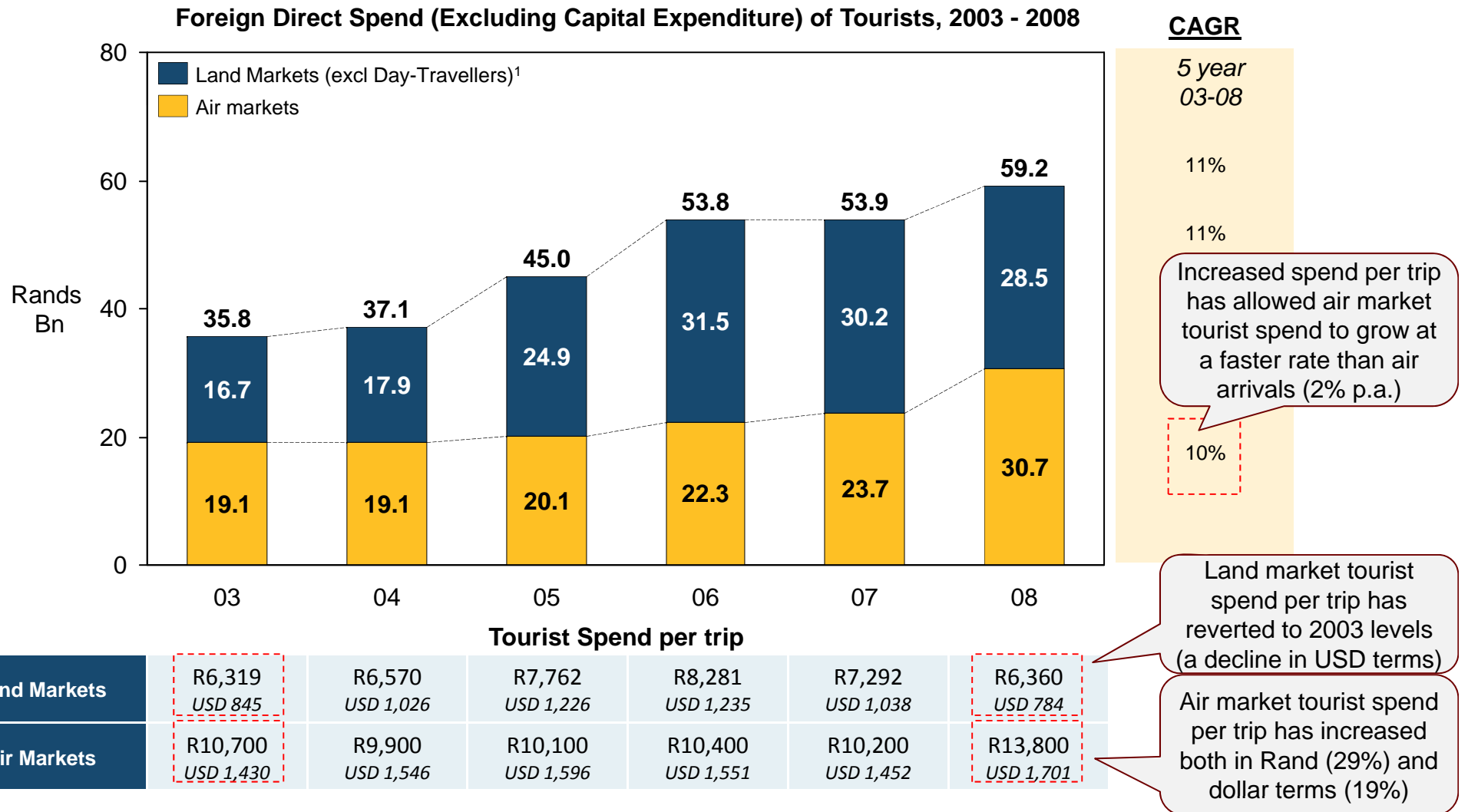
Tourist arrivals have grown at 6% p.a. between 1998 and 2008 of which a 9% p.a. growth rate was achieved during the 5-year period of interest to the current GCP study



Note: ¹ Land markets include those countries where at least 60% of arrivals are by land. Arrival numbers exclude day travellers most of whom visit SA to stock their inventory for resale and are not tourists. Percentage of arrivals that are tourists are estimated to be 50% for Lesotho, 57% for Botswana, 72% for Mozambique, 91% for Malawi, 81% for Namibia, 57% for Swaziland, 89% for Zambia and 77% for Zimbabwe. This is based on the most recent StatSA data release and is assumed to be constant for all years shown; Domestic travel data only available from 2005 onwards;

Source: StatSA; SA Tourism Annual Reports and Monthly Reports; Monitor Analysis

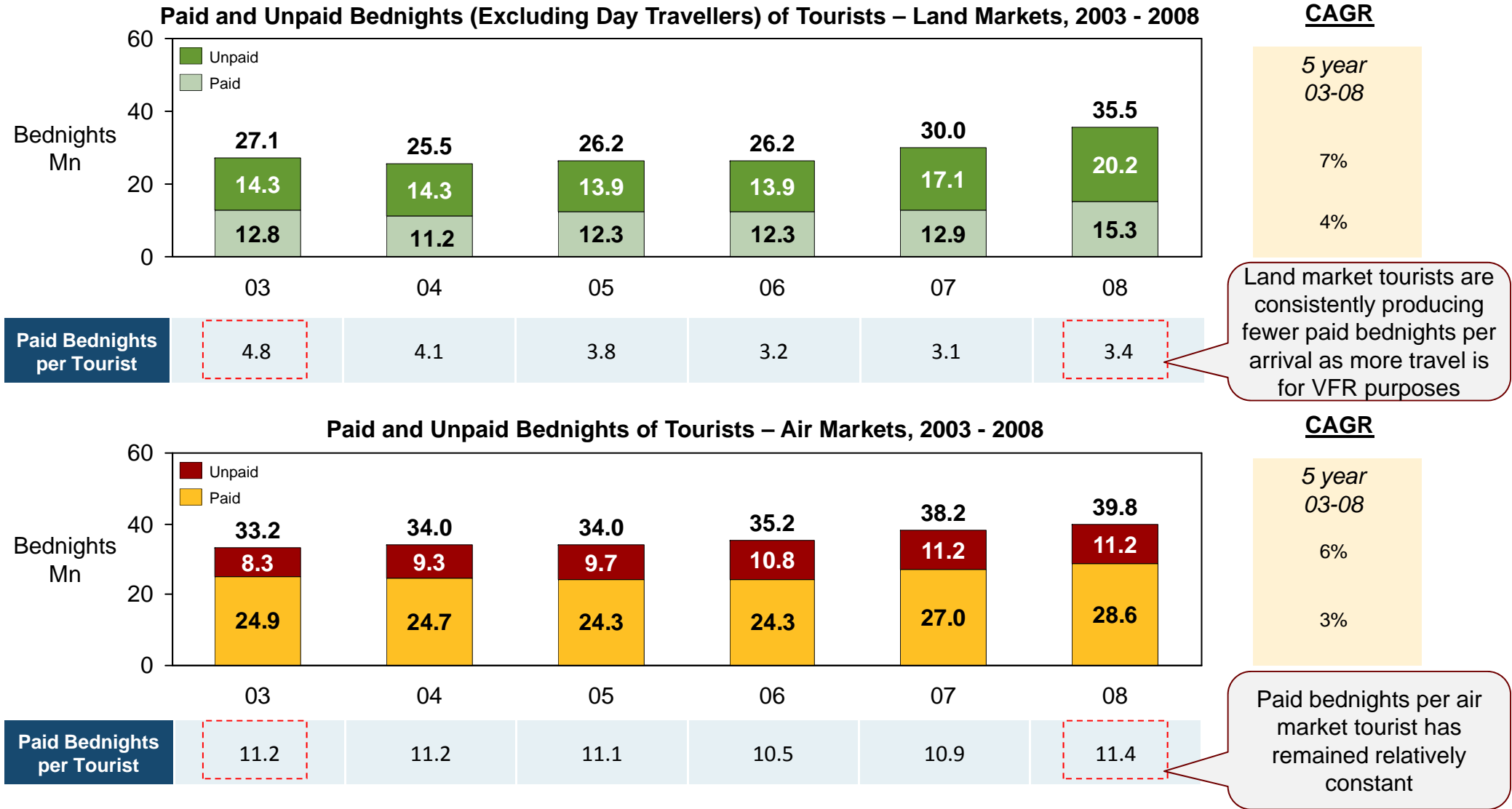
Foreign Direct Spend in Rand terms has grown faster than arrivals with a 11% p.a. growth rate over the period of interest



Note: ¹ Spend for land markets is obtained by taking the average spend per arrival in the Departure survey and multiplying by tourist arrivals from Land Markets. Tourist arrivals exclude same day visitors and is calculated as described in previous slide on foreign arrivals; Average dollar-Rand exchange rate: 2003=1:R7.48, 2004=1:R6.40, 2005=1:R6.33, 2006=1:R6.70, 2007=1:R7.02, 2008=1:R8.11

Source: StatSA; SAT Departure Survey, Monitor Analysis

However, similar growth has not been observed in paid bednights both for land markets and air markets – this suggests that VFR was a key driver of travel to SA

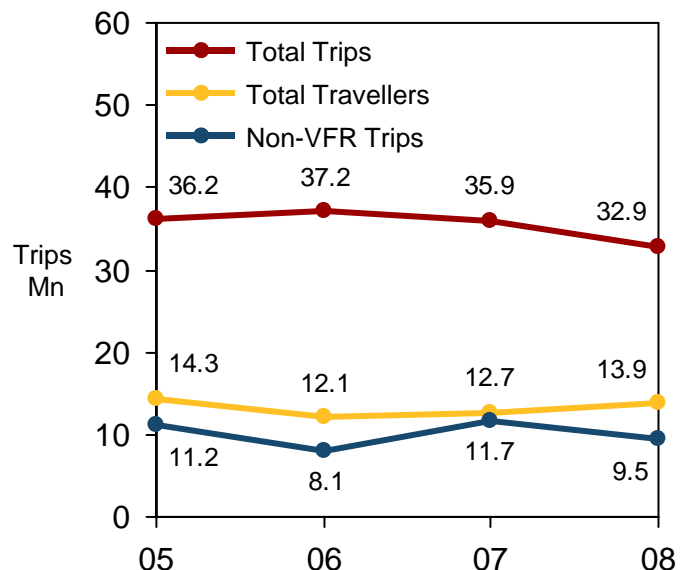


Note: Land markets include those countries where at least 60% of arrivals are by land. Paid bednights excludes VFR and other reasons for travel

Source: Departure Survey, SA Tourism

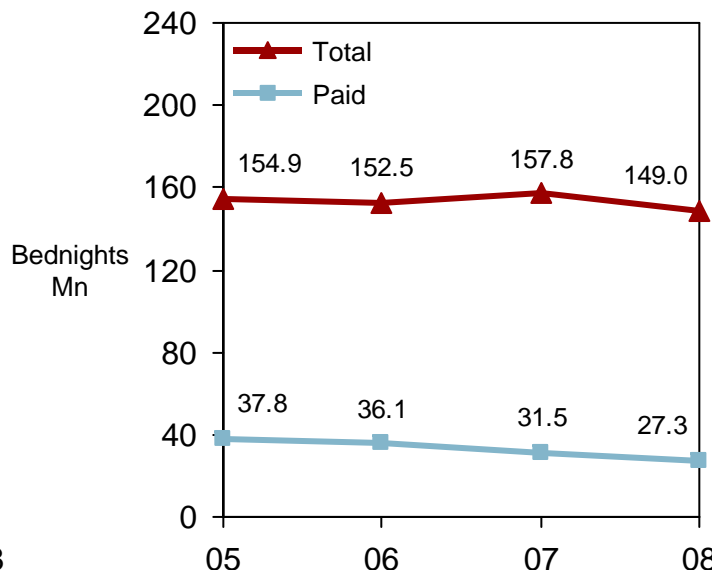
The domestic tourism market did not perform as well with both the number of domestic trips and domestic paid bednights declining between 2005 and 2008

Domestic Trips, 2005 - 2008



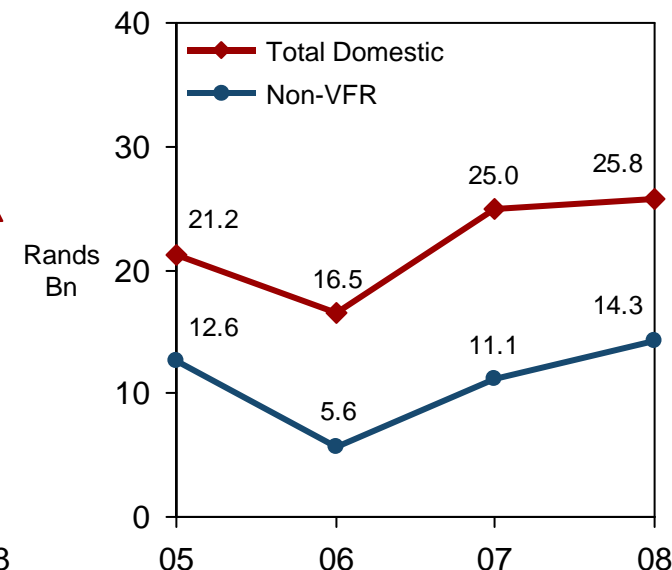
Domestic trips have declined since 2006 with more people taking fewer trips

Domestic Bednights, 2005 - 2008



Less than a quarter of total domestic bednights were income generating

Direct Spend, 2005 - 2008



Direct spend has increased at 6.7% p.a. which reflects inflation between 2005 and 2008

	2005	2006	2007	2008
Spend per Trip	R583 (USD 92)	R444 (USD 66)	R550 (USD 78)	R780 (USD 96)
Population	46.9 Mn	47.4 Mn	47.9 Mn	48.7 Mn
Number of Trips per Population	0.81	0.80	0.82	0.78
Number of Trips per Traveller	2.5	3.1	2.8	2.4

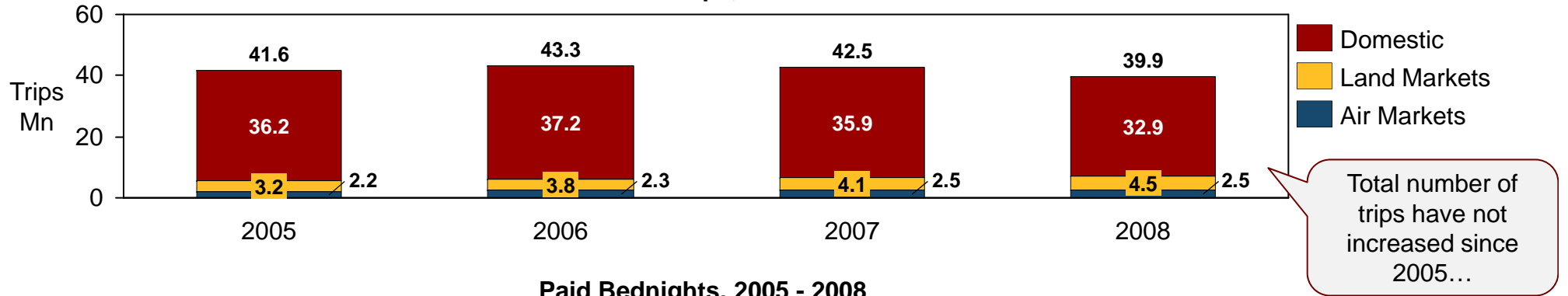
Spend per trip has increased substantially in specifically the 2008 year

Note: ¹ Paid Domestic trips exclude all accommodation types where traveller stayed with friends or relatives; Average dollar-Rand exchange rate: 2003=1:R7.48, 2004=1:R6.40, 2005=1:R6.33, 2006=1:R6.70, 2007=1:R7.02, 2008=1:R8.11

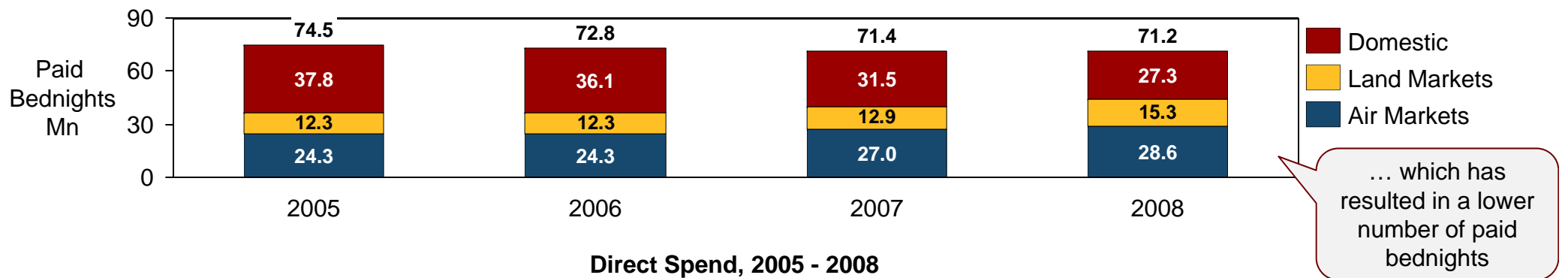
Source: SAT Domestic Survey, World Bank Development Indicators, Monitor Analysis

If domestic and foreign tourism are aggregated, foreign tourism is found to account for very few trips, but generates the majority of paid bednights and spend

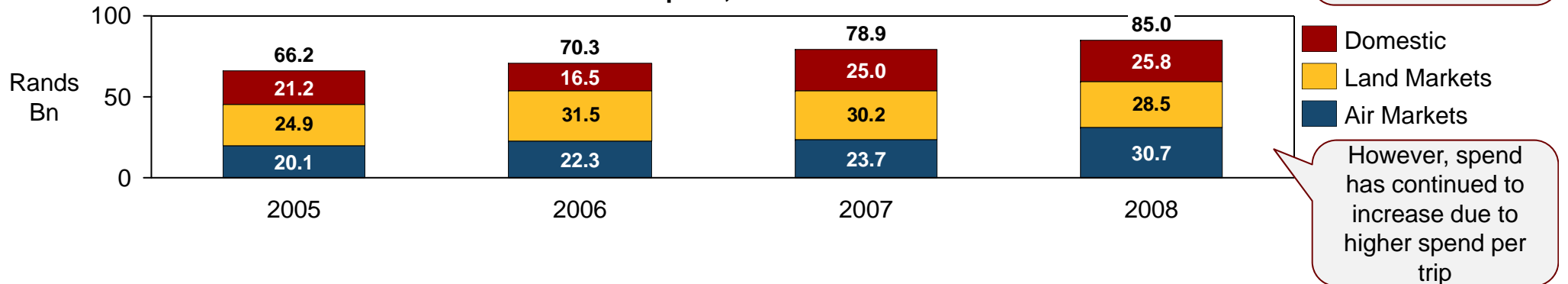
Number of Trips, 2005- 2008



Paid Bednights, 2005 - 2008



Direct Spend, 2005 - 2008

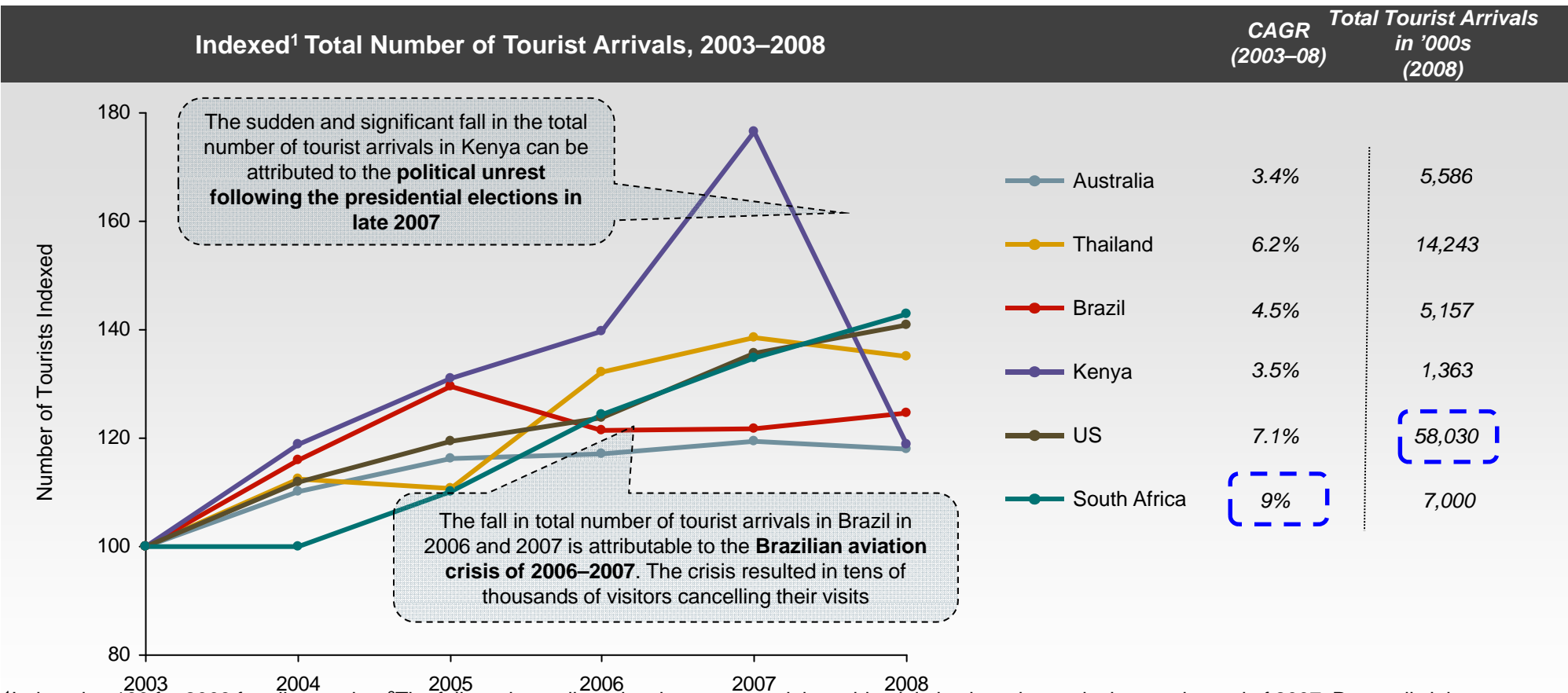


External Benchmarking

Tourist Arrivals (2/2)



Tourist arrivals to South Africa and the US have shown consistent growth patterns over the last six years unlike other destinations that have struggled for varying reasons



Note: ¹Indexed to 100 for 2003 for all countries; ²The fall can be attributed to the controversial presidential elections that took place at the end of 2007. Post-poll violence resulted in the suspension of trips to Kenya by foreign tour-operators, and a significant fall in tourism-related revenues; Argentina went through an energy crisis in 2004. However, our research suggests that this does not seem to have a connection with the fall in arrivals in Brazil in 2006; Numbers have been validated from respective tourism websites of all the countries

Source: Euromonitor; 'Post-poll violence halves Kenya Q1 tourism revenues', Reuters, March 2008; 'Travel And Tourism in Kenya', Euromonitor, January 2009; 'Brazil Tourism Report Q4 2008', BMI, November 2008; 'Argentine Energy Crisis', Frost & Sullivan, February 2008

External Benchmarking

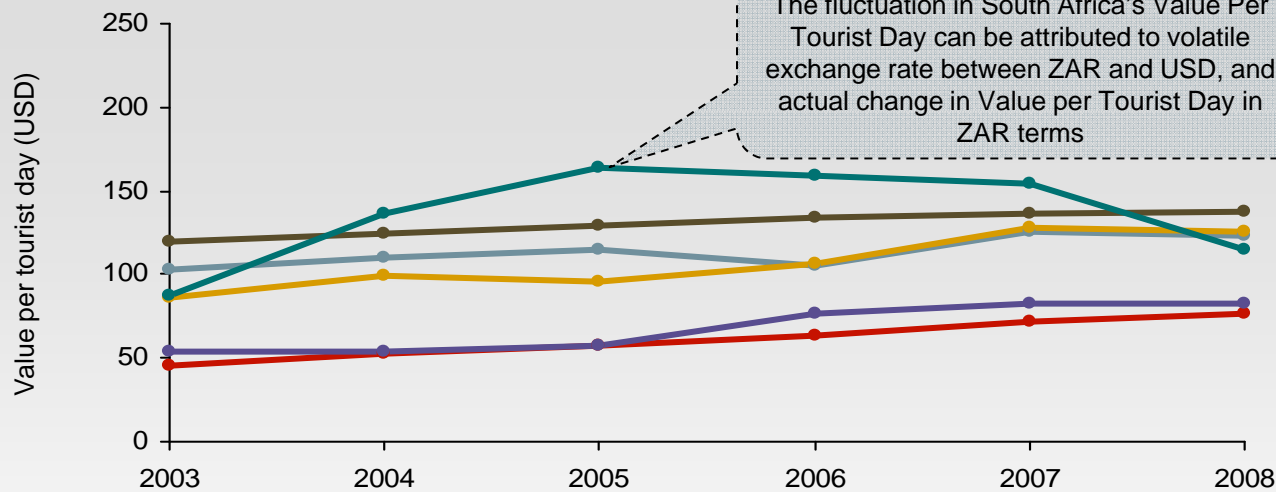
Value per Tourist Day (1/2)



South Africa has shown a higher growth in value per tourist day as compared to countries such as Australia and the US

Value per International Tourist Day^{1, 2, 3} in USD, 2003–2008

CAGR
(2003–08)



Australia	3.6%
Thailand	7.7%
Brazil	11.1%
Kenya	9.0%
US	2.8%
South Africa	5.6%

Exchange Rate	2003	2004	2005	2006	2007	2008
1 USD to Local Currency	AUD 0.65249	AUD 0.73712	AUD 0.76280	AUD 0.75356	AUD 0.83898	AUD 0.85296
	BRL 0.33138	BRL 0.34256	BRL 0.41308	BRL 0.46072	BRL 0.51630	BRL 0.55716
	KES 0.01326	KES 0.01270	KES 0.01329	KES 0.01398	KES 0.01499	KES 0.01506
	ZAR 0.13365	ZAR 0.15621	ZAR 0.15800	ZAR 0.14916	ZAR 0.14236	ZAR 0.12327
	THB 0.02413	THB 0.02489	THB 0.02489	THB 0.02644	THB 0.03126	THB 0.03064

Note: ¹Value per tourist day has been calculated as follows: Total Spending by International Visitor in Country/(Total number of foreign tourists*Average length of stay); Average Length of Stay for a country is the average of duration of stay for all tourists to the country; ²Average length of Stay data for Thailand, Brazil, and Kenya taken from Euromonitor since latest data was not available for these countries in their tourism bodies. For Australia, South Africa and the US, data from their respective tourism bodies have been used; ³Total Spending by International Visitor' has been converted from local currencies to USD by using the conversion ratio for each respective year from Oanda.com as shown above

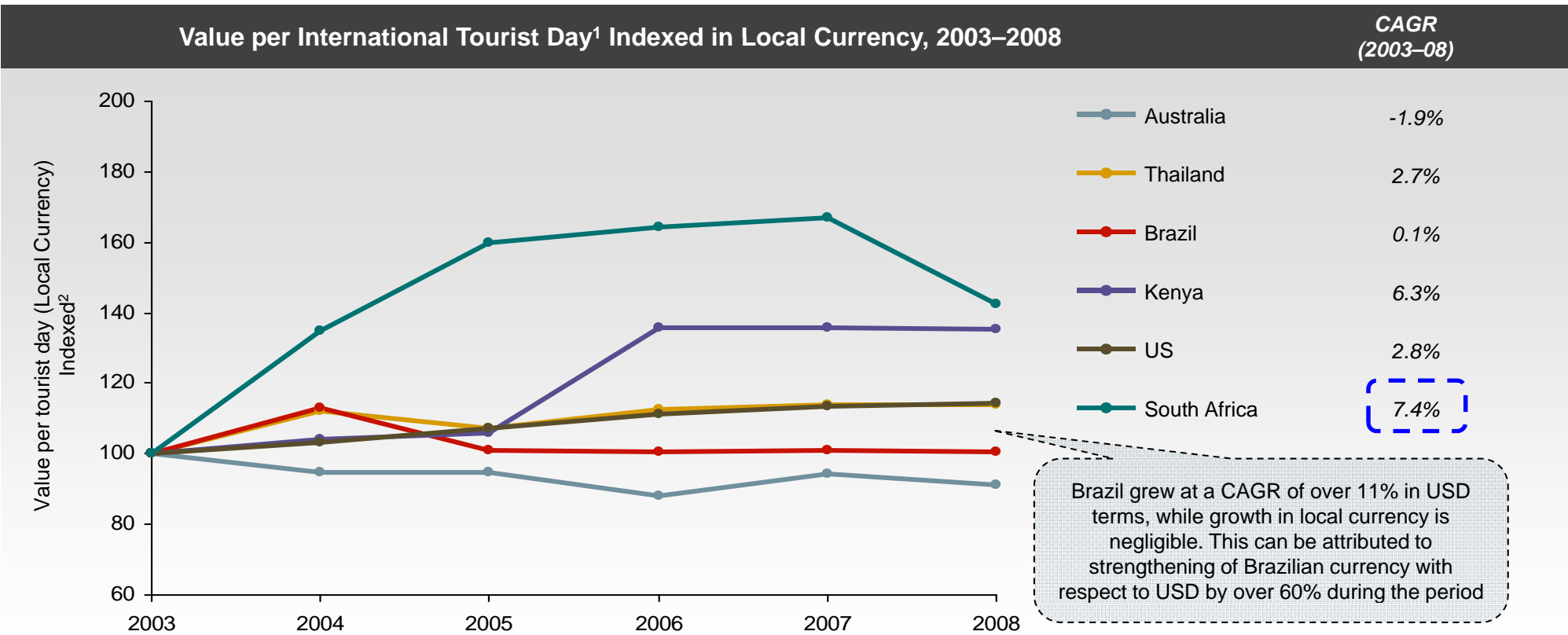
Source: Tourism Impact Data and Forecast Tool, WTTC; Bureau of Tourism Research – Australia, ITA Office of Travel and Tourism Industries, 'Highlights of Tourism's Performance in 2008', May 2009, SAT; Euromonitor

External Benchmarking

Value per Tourist Day (2/2)



Also, for the period 2003–2008, South Africa fared better than its key competitors in growth of value earned per tourist day



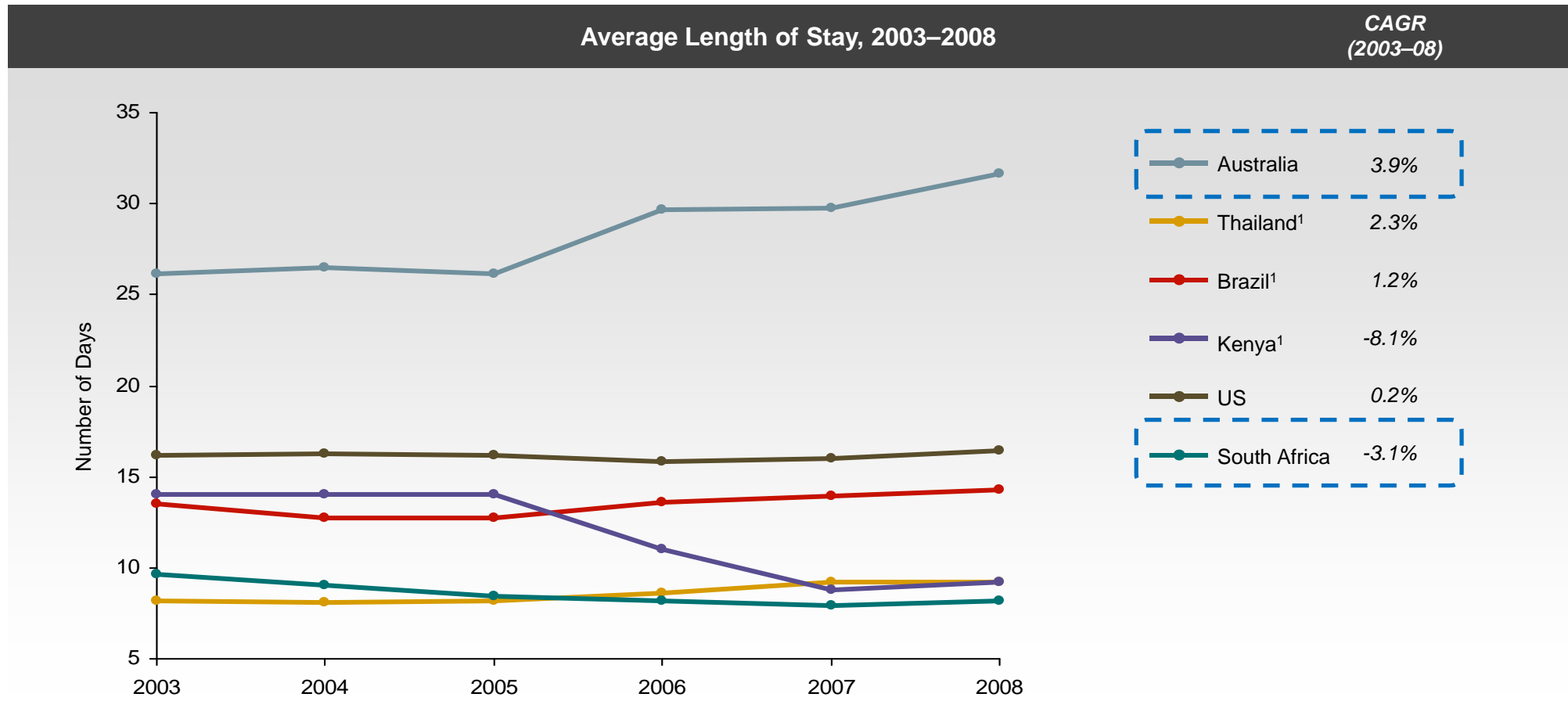
Note: ¹Value per tourist day has been calculated as follows: Total Spending by International Visitor in Country/(Total number of foreign tourists * Average length of stay);
²Indexed to 100 for 2003 for all countries; Numbers have been validated from respective tourism websites of all the countries. Spending numbers for Australia are off by USD 0–2 Bn across all the years, possibly suggesting that Euromonitor might not have considered a certain portion of spending according to definition. Also, numbers for Kenya do not match. However, for consistency of definition and maintaining the comparability of the numbers across countries, Euromonitor numbers have been used
 Source: Country reports for all countries 2009, WTTC; WTTC Forecast tool; 'Highlights of Tourism's Performance in 2008', May 2009, SAT; Office of Tourism Development, Thailand; Tourism Research Australia; Kenya National Bureau of Statistics; 'Profile of Overseas Travellers to the United States: 2008 Inbound', U.S. Department of Commerce, International Trade Administration

External Benchmarking

Length of Stay (1/4)



South Africa is not well placed when compared on the average length of stay, and has been witnessing a continuous decline over the last six years



Note: ¹Length of Stay data for Thailand, Brazil, and Kenya taken from Euromonitor since latest data was not available for these countries in their tourism bodies. For Australia, South Africa and the US, data from their respective tourism bodies has been used

Source: Bureau of Tourism Research – Australia, ITA Office of Travel and Tourism Industries, 'Highlights of Tourism's Performance in 2008', SAT, May 2009; Euromonitor

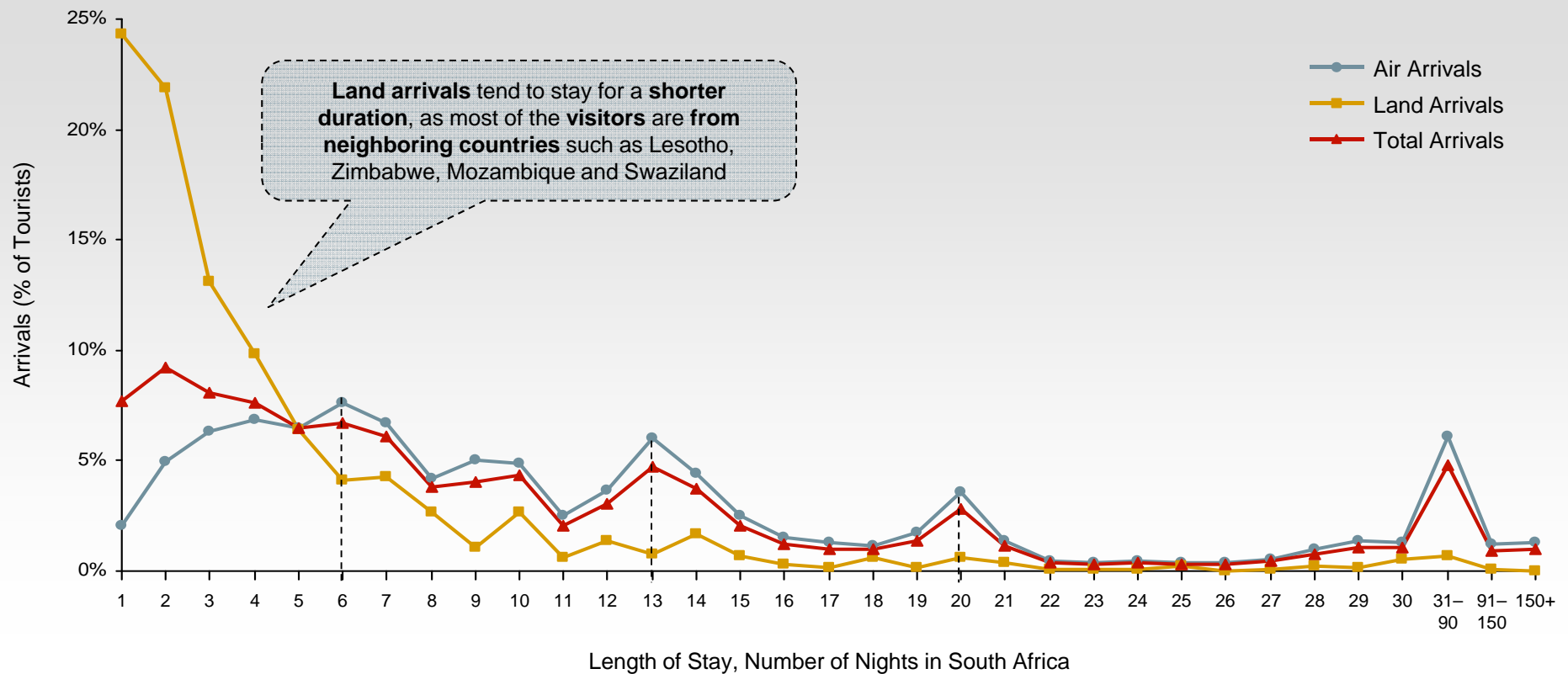
External Benchmarking

Length of Stay (4/4) – South Africa



Also, ~87% of the total travellers visiting South Africa tend to stay for less than three weeks. Air travellers tend to stay for a longer duration than land travellers

Distribution of South African Arrivals by Length of Stay, 2008



Source: SAT Departure Survey, 2008

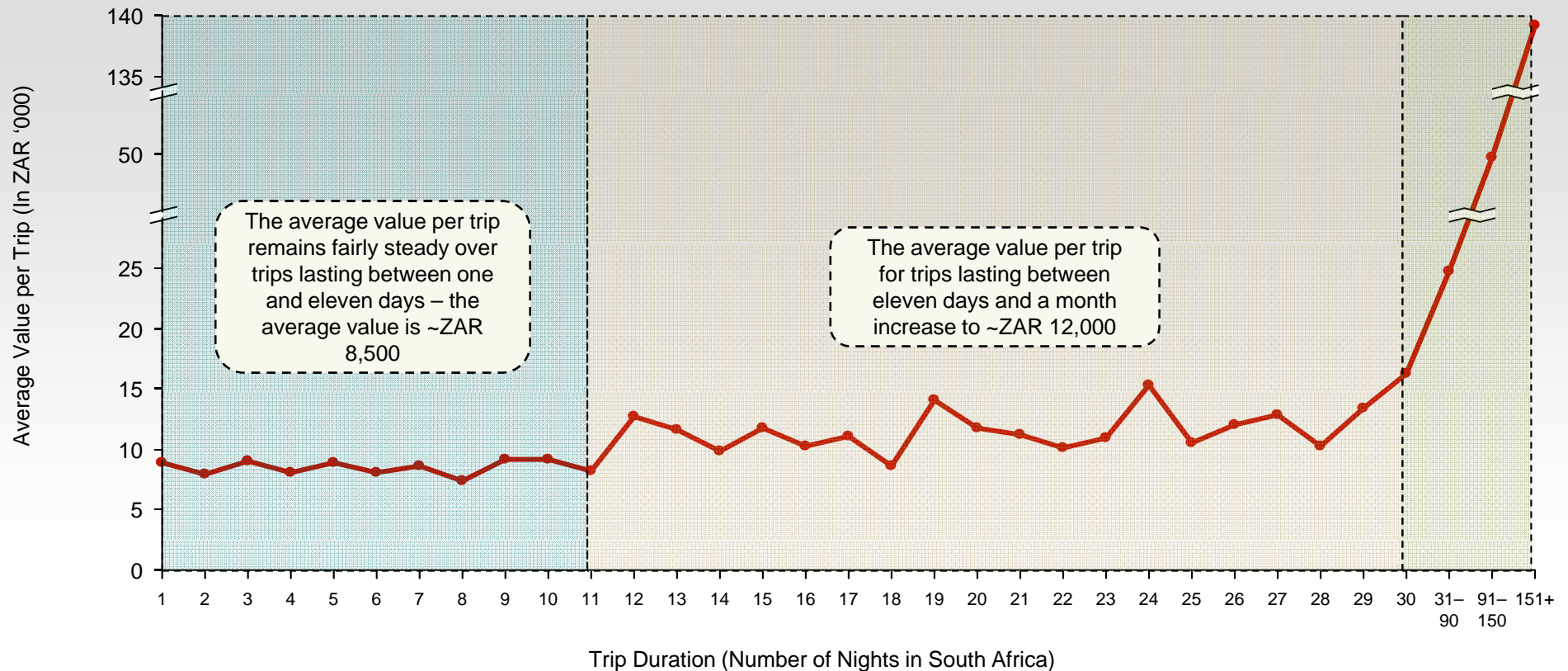
External Benchmarking

Average Value Per Trip vs. Trip Duration



Additionally, for travellers visiting South Africa, the average value per trip remains fairly consistent for trips lasting between one to 11 days

Average Value Per Trip vs. Trip Duration, 2008



Source: SAT Departure Survey, 2008

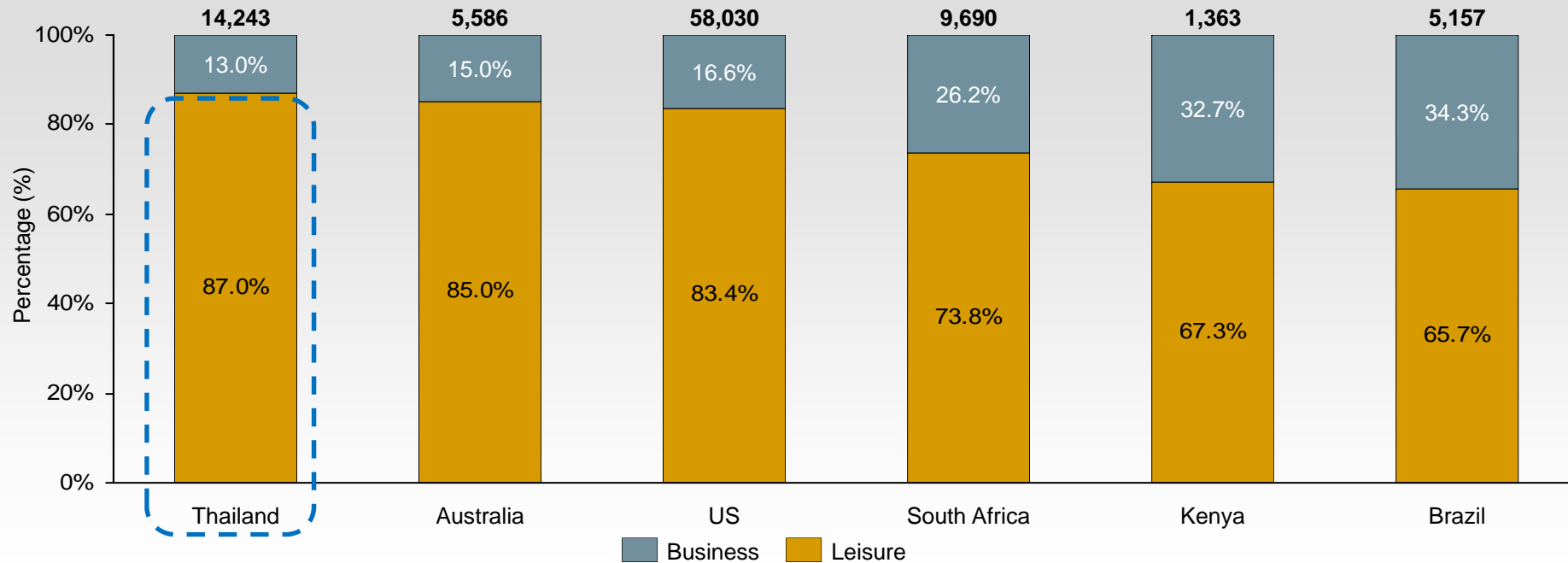
External Benchmarking

Arrivals by Purpose of Visit (1/3)



Across all the target countries, the number of arrivals for business purposes were significantly lower than the number of arrivals for leisure purposes

Total Arrivals by Purpose of Visit ('000), 2008



Among South Africa's global tourism competitors, Thailand stands out in terms of maximum percentage of leisure arrivals (~87% of all arrivals in the country), followed closely by Australia and the US

Note: Leisure Tourism for leisure purposes includes leisure, visiting friends and relatives and other (such as sports, education, medical reasons etc). Business Tourism for business purposes includes all business trips which are taken primarily for business purposes including unmanaged and managed.

Source: Euromonitor

External Benchmarking

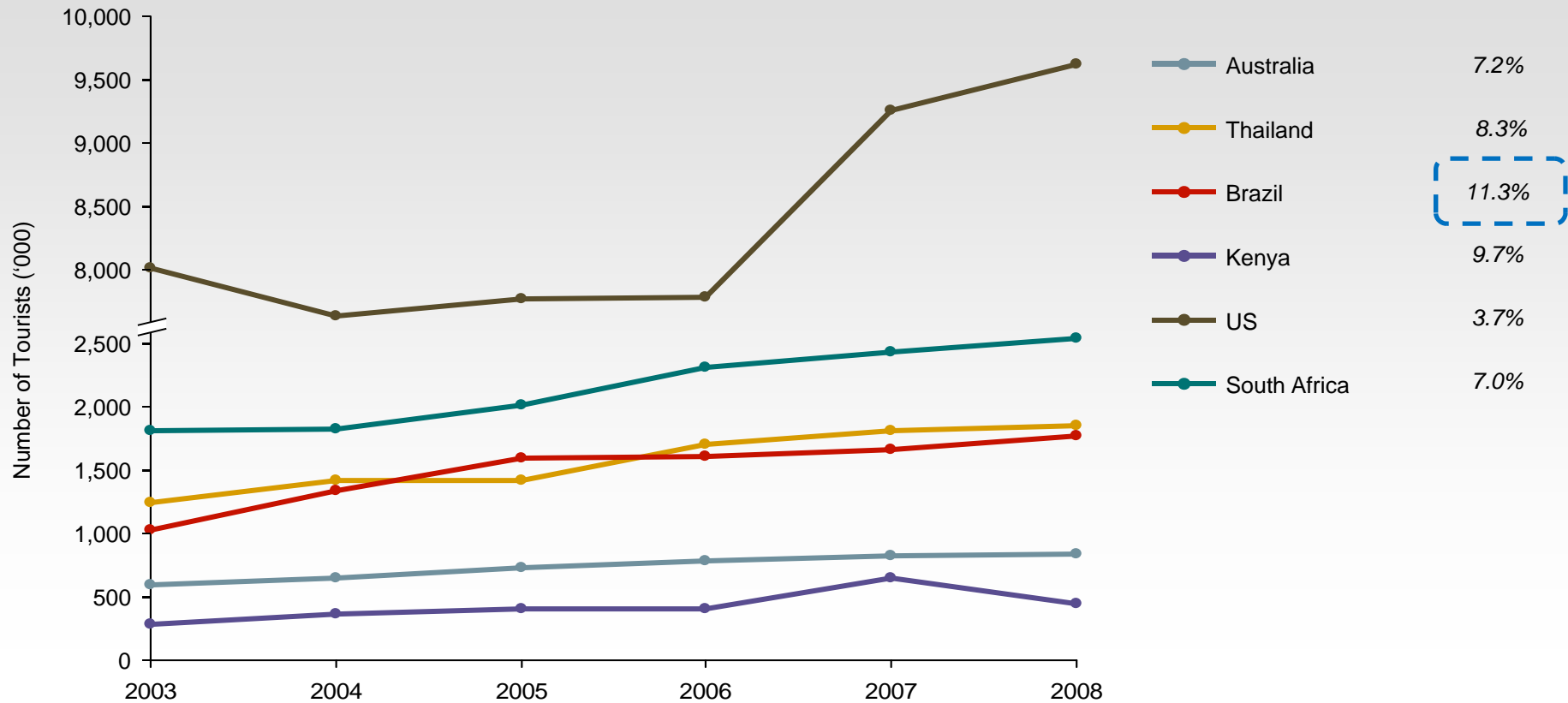
Arrivals by Purpose of Visit (2/3)



In Brazil, the arrivals for business purposes has increased at a rate of ~11% (2003–2008), indicating that the country is fast emerging as an attractive destination for business activities

Total Business Arrivals ('000), 2003–2008

CAGR
(2003–2008)



Note: Business Tourism for business purposes includes all business trips which are taken primarily for business purposes including unmanaged and managed.
Source: Euromonitor

External Benchmarking

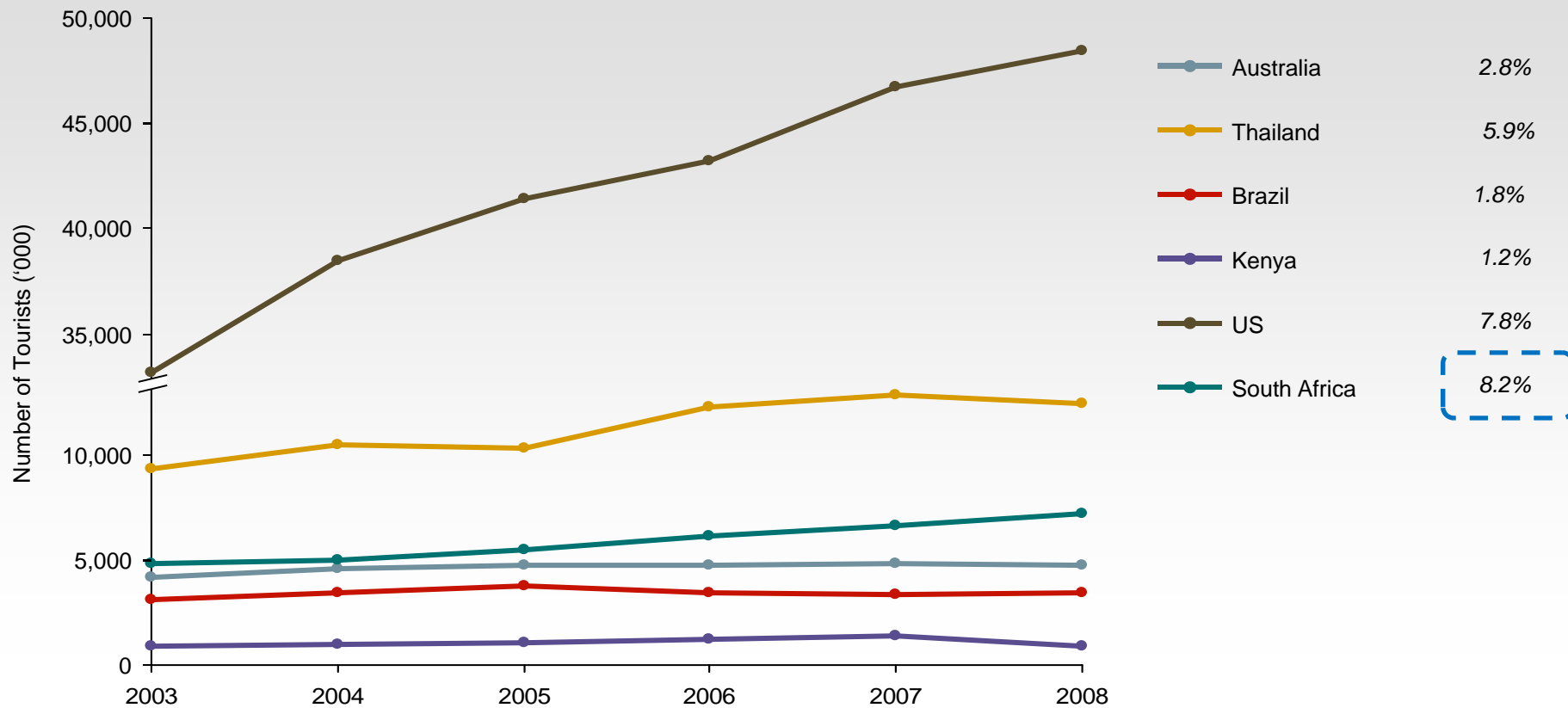
Arrivals by Purpose of Visit (3/3)



Outpacing all the other competitor locations, South Africa has seen rapid growth in the leisure arrivals category in the last 5 years

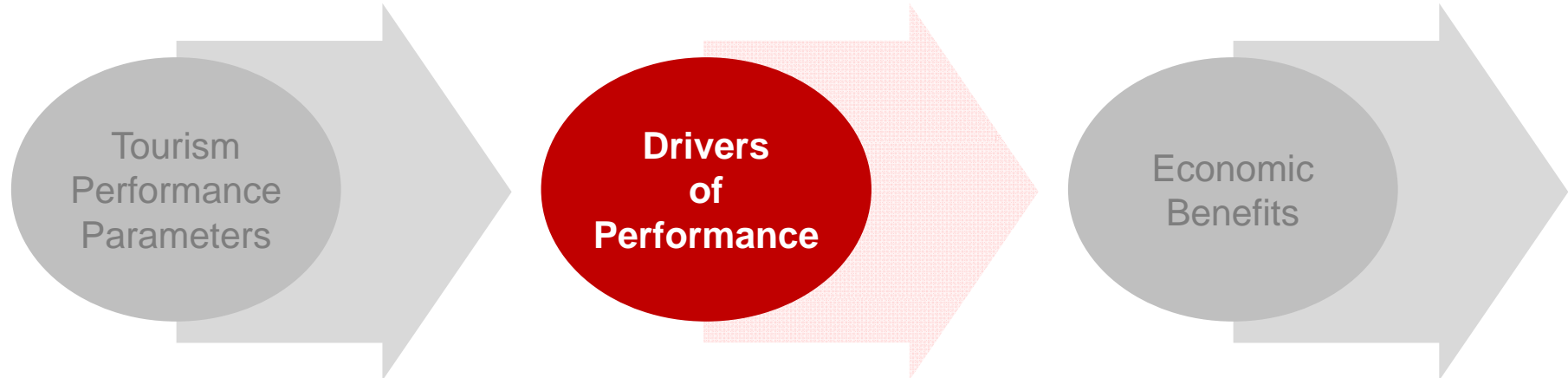
Total Leisure Arrivals ('000), 2003–2008

CAGR
(2003–2008)



Note: Leisure Tourism for leisure purposes includes leisure, visiting friends and relatives and other (such as sports, education, medical reasons etc).
Source: Euromonitor

Drivers of Performance



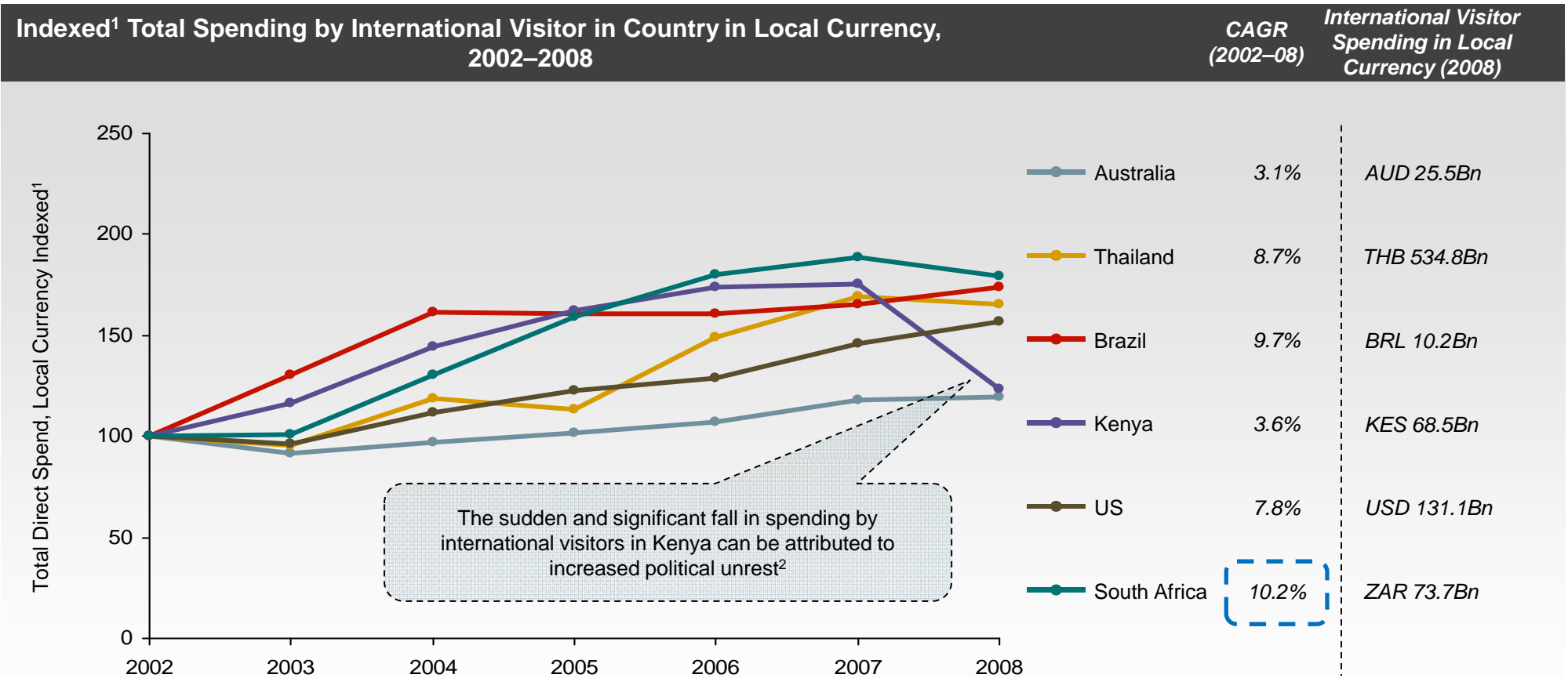
- During the period 2002–2008, **South Africa** witnessed the **highest growth in spend by international visitors** (in local currency) as compared to other competitors
- **South Africa's** travel and tourism sector witnessed a steady **growth of ~3.2% in employment** over the period of 2002–2008
 - Employment count for the US witnessed a decline (primarily due to the global recession and reduced outbound/domestic tourism) over 2003–2008
 - Other key competitor countries – Brazil, Kenya and Thailand – witnessed a positive growth in employment in the travel and tourism sector over 2003–2008
- The government of **Australia spends ~1.8 times more than South Africa** on travel and tourism

External Benchmarking

Tourism Spend (1/2)



Among all its key competitor nations, South Africa witnessed the highest growth (in local currency) in total spending by international tourists over the period 2002–2008



Note: ¹Indexed to 100 for 2002; ²The fall can be attributed to the controversial presidential elections that took place at the end of 2007. Post-poll violence resulted in the suspension of trips to Kenya by foreign tour-operators, and a significant fall in tourism-related revenues; Numbers have been validated from respective tourism websites of all the countries. Spending numbers for Australia are off by USD 0–2 Bn across all the years, possibly suggesting that Euromonitor might not have considered a certain portion of spending according to definition. Also, numbers for Kenya do not match. However, for consistency of definition and maintaining the comparability of the numbers across countries, Euromonitor numbers have been used

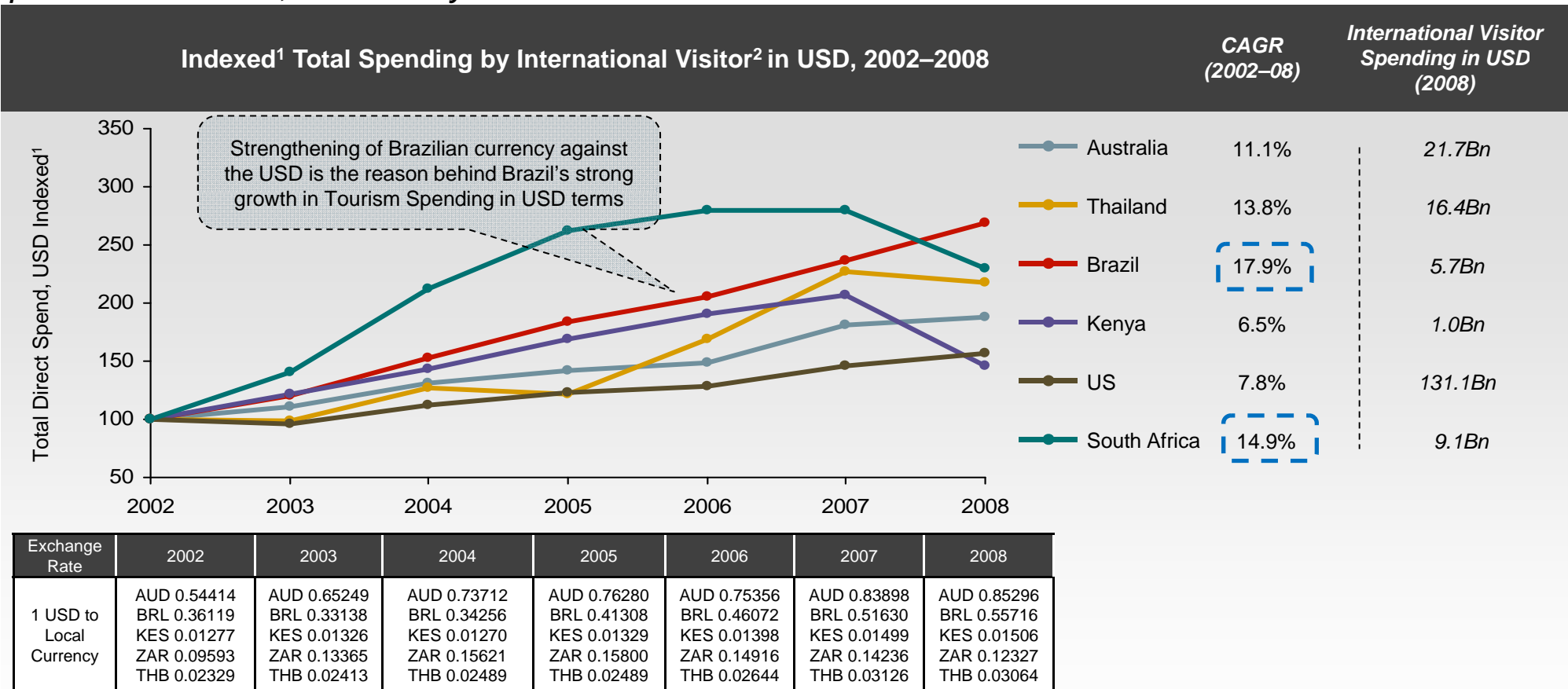
Source: Euromonitor; Grail Research Analysis; Reuters

External Benchmarking

Tourism Spend (2/2)



In US Dollar terms, Brazil exhibited the highest growth in international visitor spending over the period 2002–2008, followed by South Africa and Thailand



Note: ¹Indexed to 100 for 2002; ²'Total Spending by International Visitor' converted from local currencies to USD by using the conversion ratio for respective years from Oanda.com as shown above; Numbers have been validated from respective tourism websites of all the countries. Spending numbers for Australia are off by USD 0–2 Bn across all the years, possibly suggesting that Euromonitor might not have considered a certain portion of spending according to definition. Also, numbers for Kenya do not match. However, for consistency of definition and maintaining the comparability of the numbers across countries, Euromonitor numbers have been used

Source: Euromonitor; Grail Research Analysis

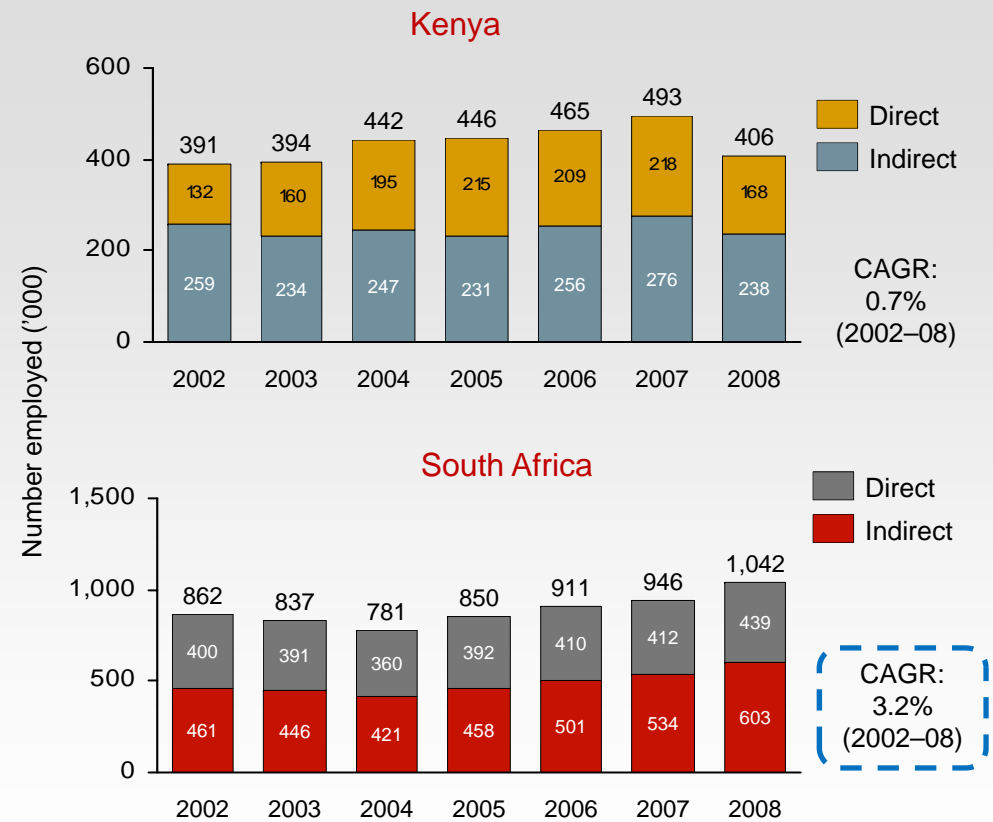
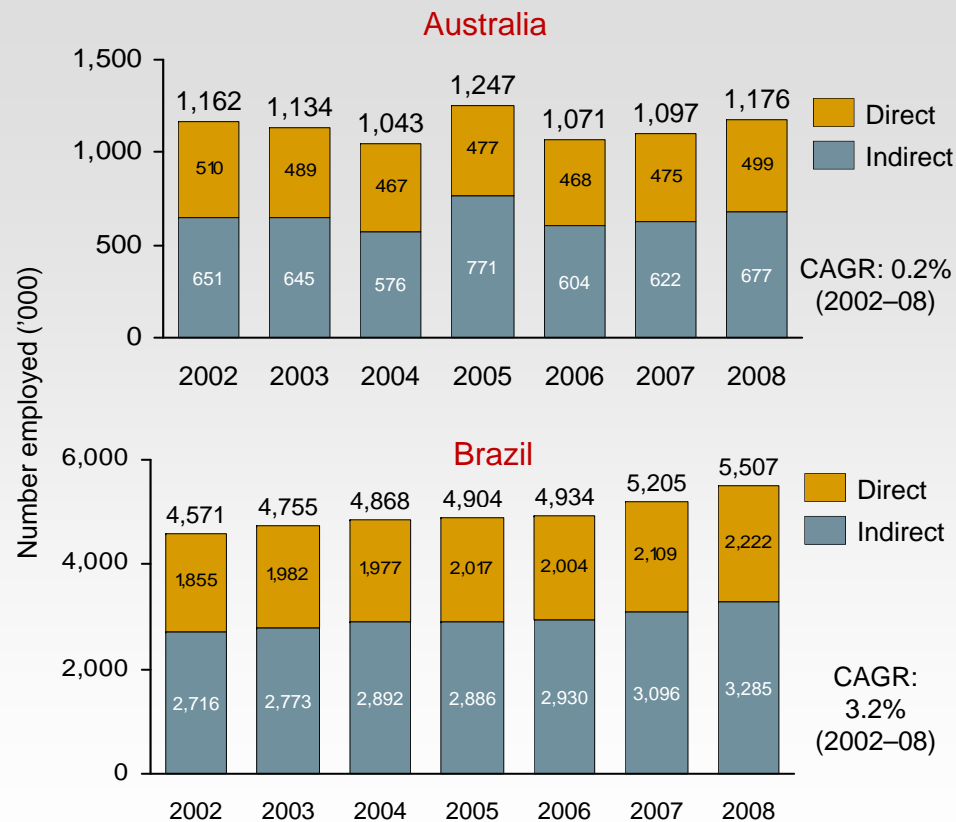
External Benchmarking

Employment (1/2)



Employment in South Africa's tourism and related sectors witnessed a growth of ~3.2%, over 2002–2008 – one of the highest growth rates among its competitors

Number of People Employed in Tourism and Related Sectors, 2002–2008



Note: Economy wide direct employment is computed by taking into account the GDP contribution of the tourism sector. Economy indirect employment considers employees engaged in intermediate sectors such as suppliers of intermediate inputs to tourism industry as well as suppliers of investment goods to the tourism industry and of goods to tourists overseas such as construction firms building hotels. GDP contribution of respective sector (in which the intermediate supplier falls into) is used to derive this number
 Source: Tourism Impact Data and Forecast Tool, WTTC

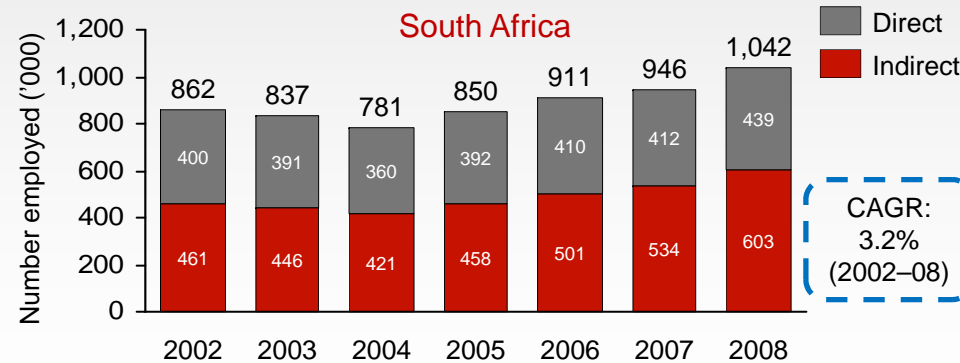
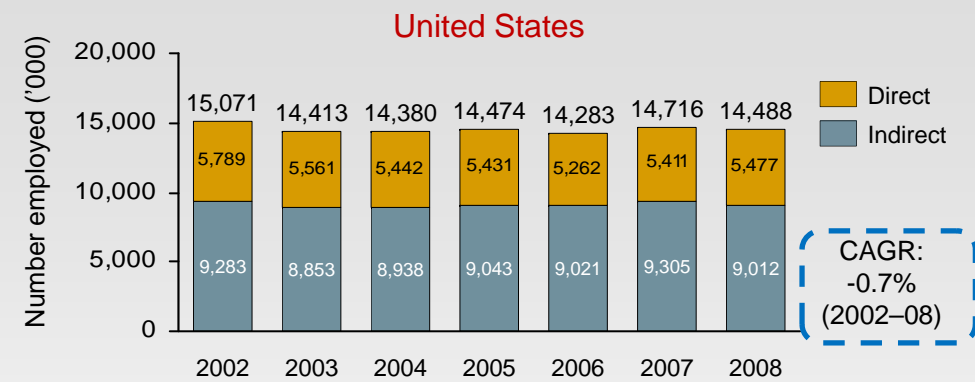
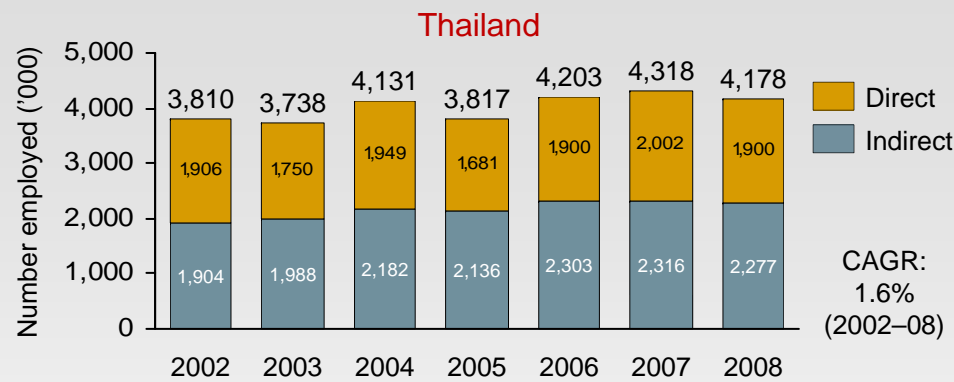
External Benchmarking

Employment (2/2)



The US is the only competitor destination where employment in Tourism and related sectors witnessed a decline over 2002–2008

Number of People Employed in Tourism and Related Sectors, 2002–2008



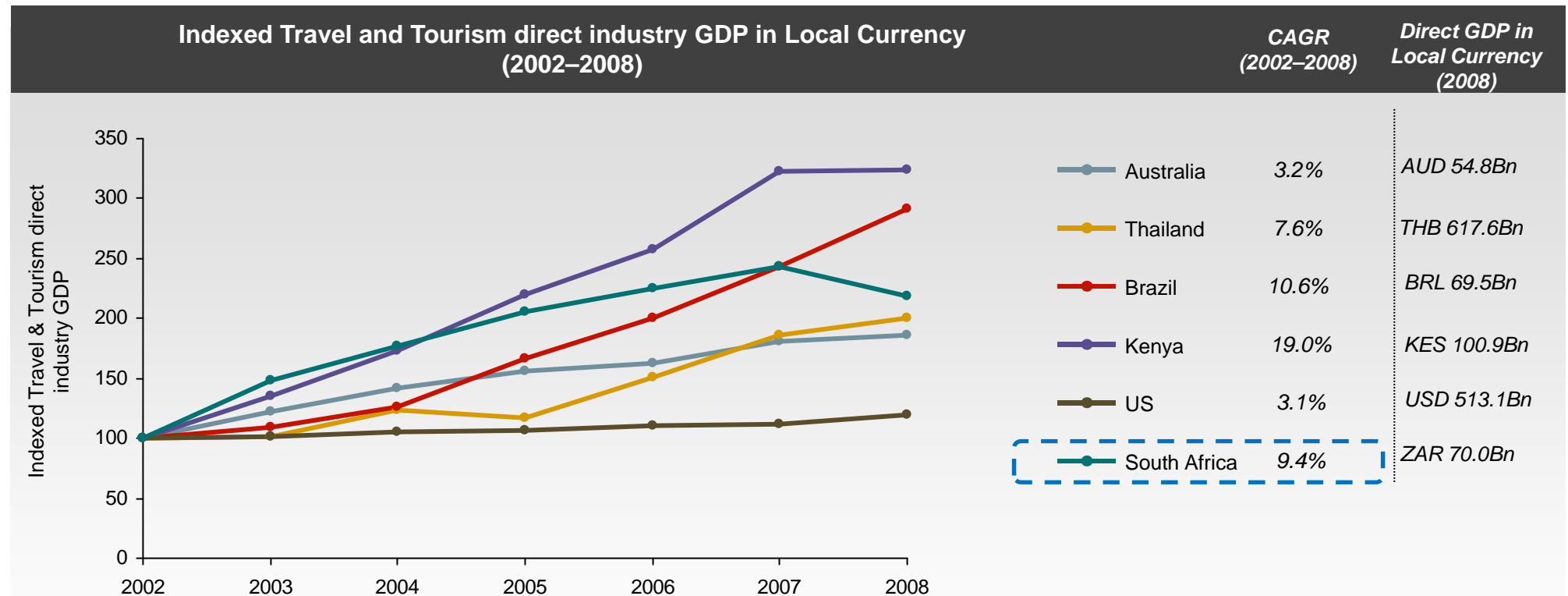
Note: Economy wide direct employment is computed by taking into account the GDP contribution of the tourism sector. Economy indirect employment considers employees engaged in intermediate sectors such as suppliers of intermediate inputs to tourism industry as well as suppliers of investment goods to the tourism industry and of goods to tourists overseas such as construction firms building hotels. GDP contribution of respective sector (in which the intermediate supplier falls into) is used to derive this number
 Source: Tourism Impact Data and Forecast Tool, WTTC

External Benchmarking

Direct industry GDP



Kenya seen the largest growth in direct contribution to GDP followed by Brazil



Note: Travel & Tourism Direct Industry GDP is the narrowest concept which measures the value added of the traditional Travel & Tourism industries, excluding any indirect effects generated throughout the supply chain and all tourism-related investment, collective public spending and export of tourism-related goods. The values for 2002, have been indexed to 100

Source: WTTC; SRU Analysis

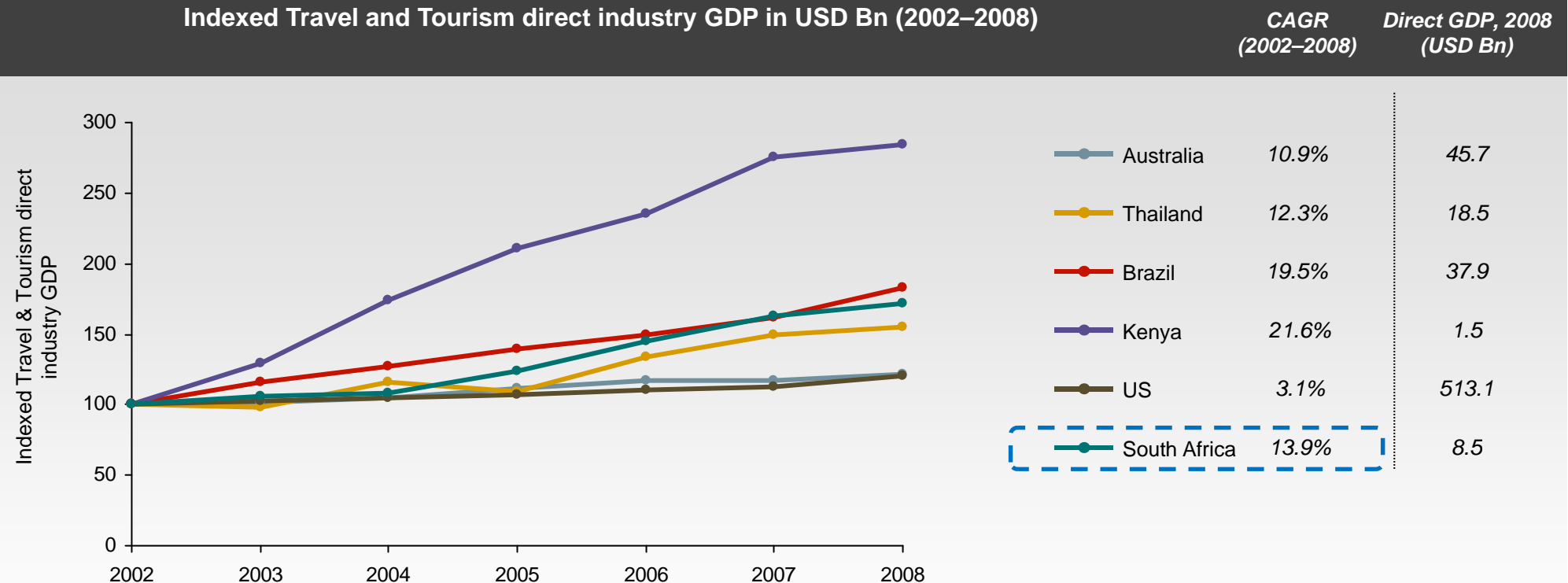
External Benchmarking

Direct industry GDP(2/2)



The growth in direct contribution to GDP increased in US dollar terms due to the depreciation of that currency

Indexed Travel and Tourism direct industry GDP in USD Bn (2002–2008)



Note: Travel & Tourism Direct Industry GDP is the narrowest concept which measures the value added of the traditional Travel & Tourism industries, excluding any indirect effects generated throughout the supply chain and all tourism-related investment, collective public spending and export of tourism-related goods. The values for 2002, have been indexed to 100

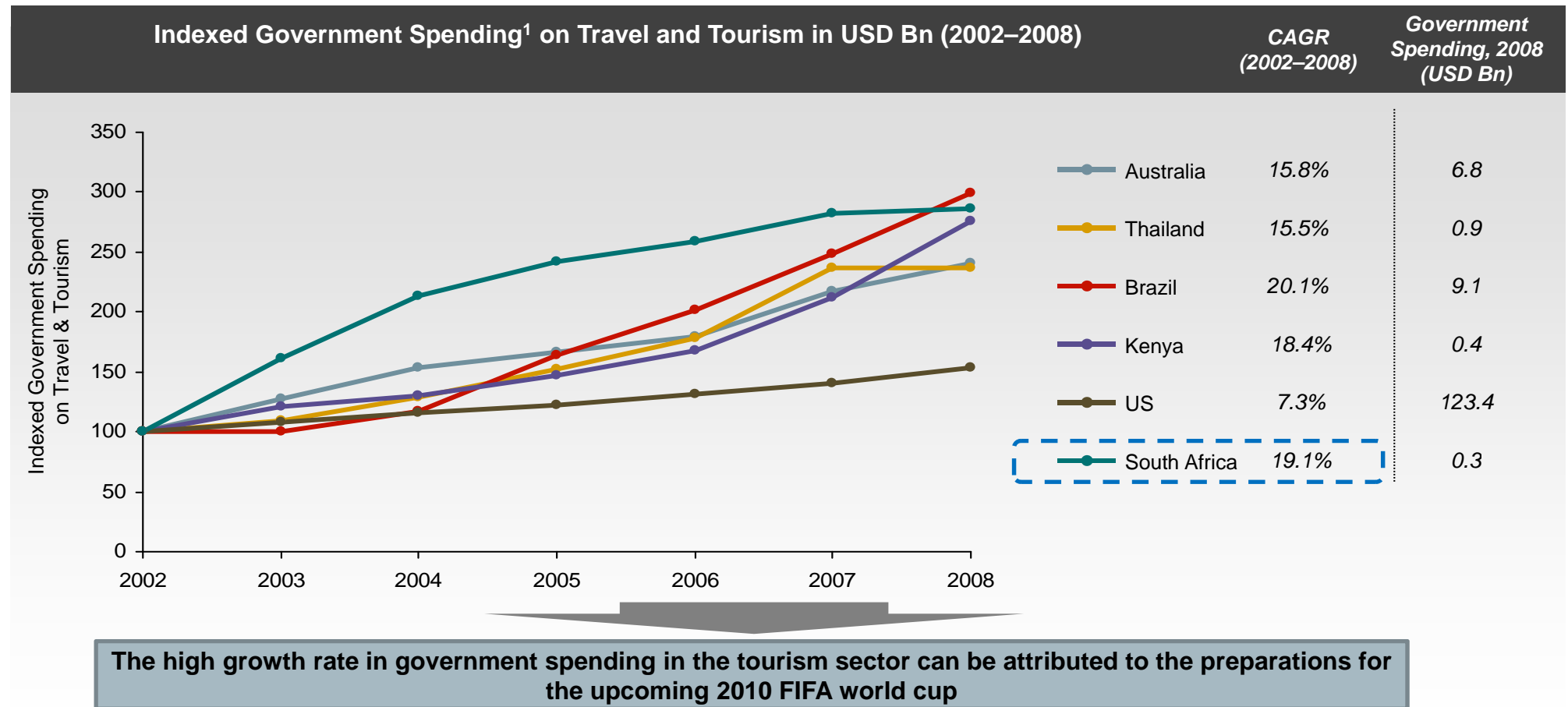
Source: WTTC; SRU Analysis

External Benchmarking

Government Spend (1/3)



South African government's 'overall' spend on travel and tourism activities has witnessed a high growth between 2002 and 2008



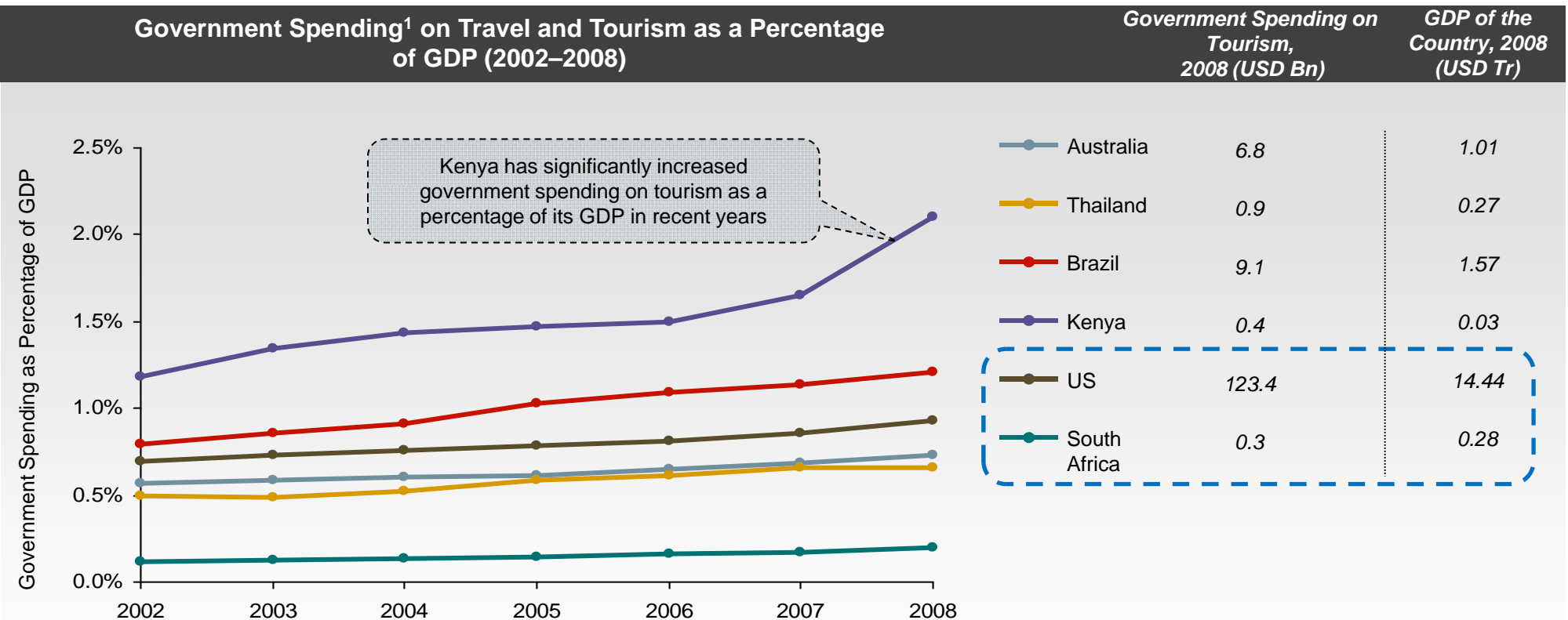
Note: ¹Expenditure by the government to support Travel & Tourism industry in the country. Government expenditure includes individual (directly linked to visitors, e. g., spending on cultural and recreational facilities) and collective (made for common purposes such as tourism promotion, aviation, and sanitation services). Spending on public-employee travel is excluded (this expense is included in the Travel and Tourism investment spending). The values for 2002, have been indexed to 100
 Source: WTTC; Grail Research Analysis

External Benchmarking

Government Spend (2/3)



Also, South African government's 'overall' spend on travel and tourism activities is lower than that of all the key competitor destinations both in absolute as well as proportionate terms...



Note: ¹Expenditure by the government to support Travel & Tourism industry in the country. Government expenditure includes individual (directly linked to visitors, e.g., spending on cultural and recreational facilities) and collective (made for common purposes such as tourism promotion, aviation, and sanitation services). Spending on public-employee travel is excluded (this expense is included in the Travel and Tourism investment spending)

Source: WTTC; IMF; CIA Factbook

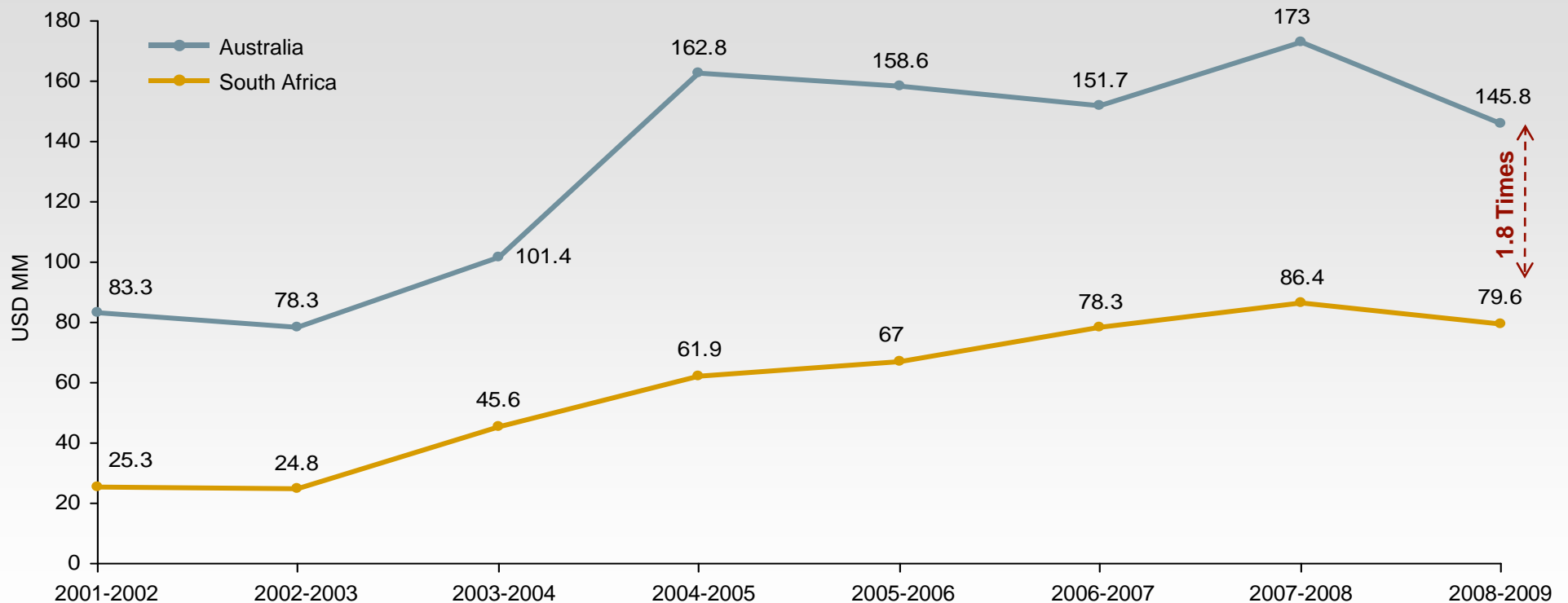
External Benchmarking

Government Spend (3/3)



'Direct' government spend on travel and tourism in South Africa is considerably lower (~1.8 times) than that of Australia (in USD, as of 2008–2009)

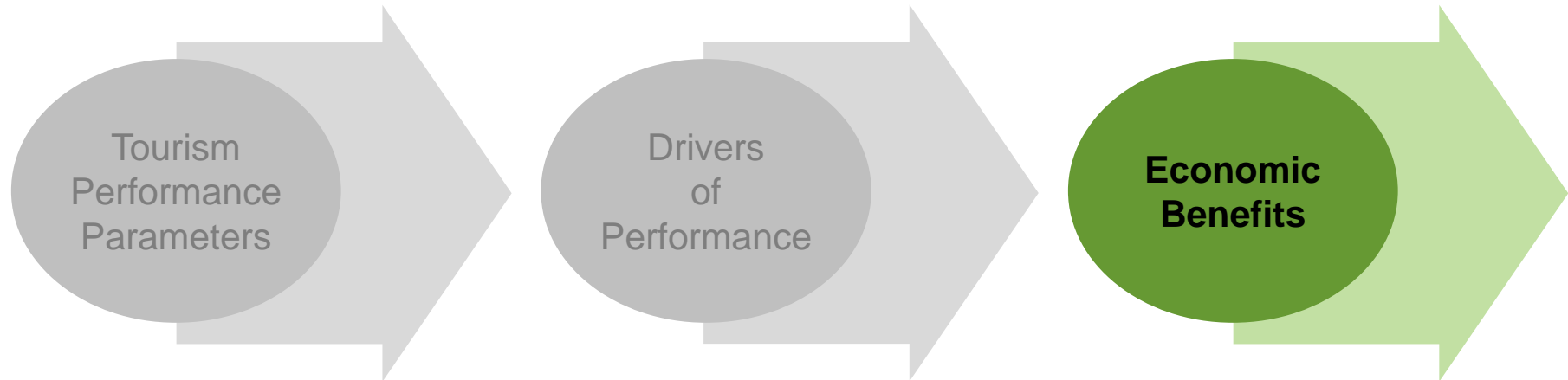
Government Spending on Tourism – Australia vs. South Africa (USD MM), 2001–2002 to 2008–2009



Note: For South Africa, the 2008–2009 figure is estimated; For South Africa, spending has been used from the budget documents. Specifically, the 'Tourism' point of the 'Audited outcome' sub-section of the Expenditure estimates of 'Environmental Affairs and Tourism' has been used; For Australia, the expenses for 'Tourism and area promotion' in the 'Other economic affairs' section have been used; Expenses in local currencies have been converted to USD using the annual average conversion rates from Oanda.com

Source: Government websites of respective countries, SA Budget Report; Grail Primary Research

Economic Benefits



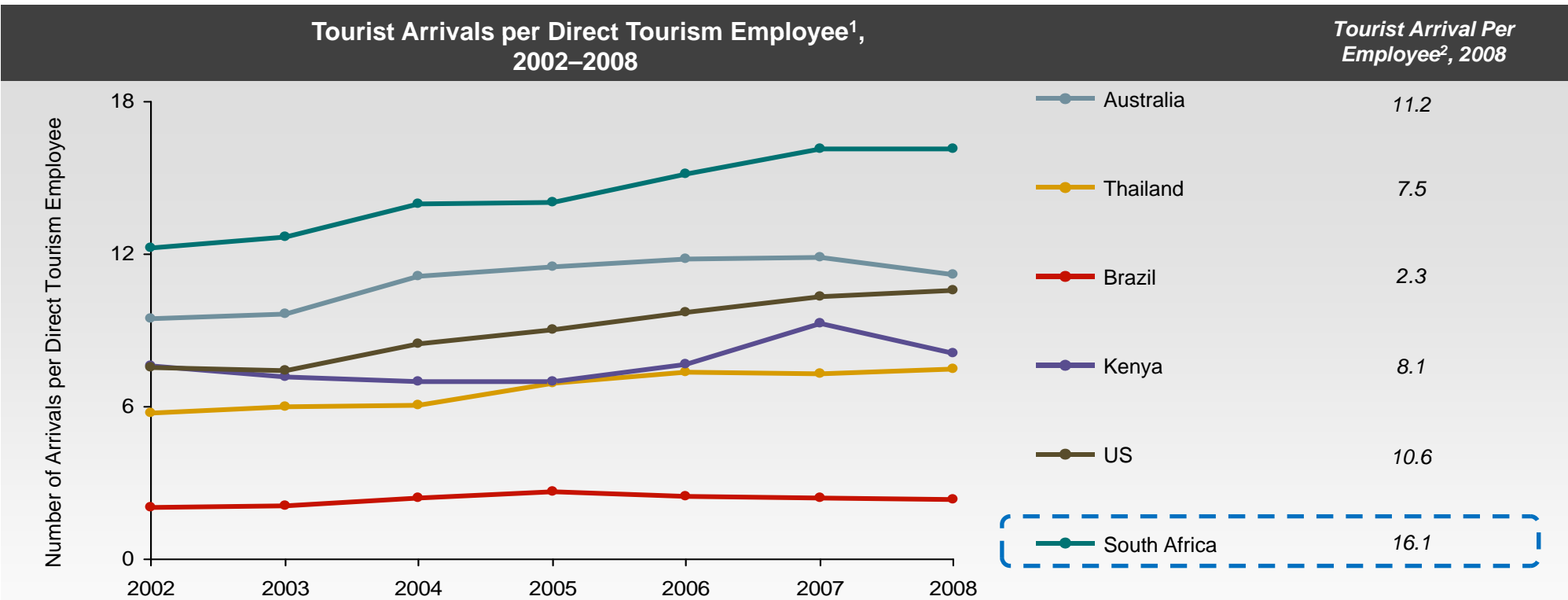
- Amongst all the key competitors, **South Africa** had the **highest number of tourists per direct employee**, ~16 tourists per employee - i.e. South Africa creates fewer jobs per tourist arrival
 - Australia, which received ~11 tourists per employee, registered the highest tourism spend per employee (~USD 43,600, in 2008)
 - Tourists to South Africa from air markets creates more jobs than their land counter-parts, ~6 tourists per employee; this compares well with competitors
- **South Africa** witnessed good **growth (~7.9%)** in **tourist spending per employee** between 2002 and 2008 and extracts **more value per tourist** than Brazil, Kenya and Thailand

External Benchmarking

Arrivals per Direct Tourism Employee (1/2)



The high ratio of tourist arrivals per direct tourism employee in South Africa can possibly be attributed to the lack of skilled labor in the sector



Note: ¹Number of foreign arrivals per direct tourism employee is calculated as follows: Total International Visitors/Number of people employed in the economy as a direct contribution of the tourism sector; ²Numbers have been validated from respective tourism websites of all the countries. Economy direct employment means employees directly engaged in the Travel and Tourism industry. The value for this parameter is computed by taking into account the GDP contribution of the tourism sector. Economy indirect employment considers employees engaged in intermediate sectors such as suppliers of intermediate inputs to tourism industry as well as suppliers of investment goods to the tourism industry and of goods to tourists overseas such as construction firms building hotels. GDP contribution of respective sector (in which the intermediate supplier falls into) is used to derive this number. For South Africa, it has been assumed, that ~50% of the travellers from Botswana, Lesotho, Mozambique and Swaziland are not tourists, and hence, are not considered for calculations

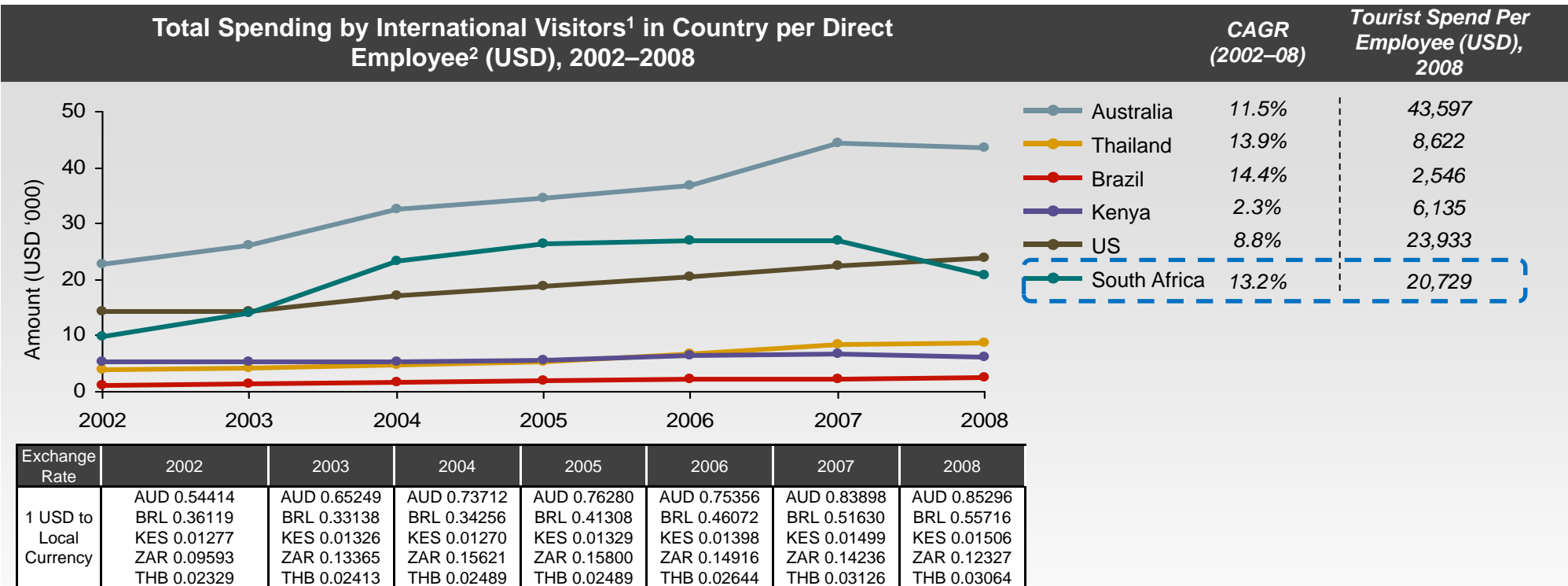
Source: Euromonitor; WTTC; Stats SA

External Benchmarking

Spend per Tourism Employee



Although the total number of tourist arrivals per employee for South Africa is the highest, it scores lower than Australia and the US on the total spend per direct tourism employee



South African Tourism should think of ways to extract more value out of the tourists

Note: ¹Total Spending by International Visitor¹ has been converted from local currencies to USD by using the conversion ratio for each respective year from Oanda.com as shown above; ²Total spending by international visitor in country per employee is calculated as follows: Total Spending by International Visitor/ Number of people directly employed in the tourism sector. The value for this parameter is computed by taking into account the GDP contribution of the tourism sector

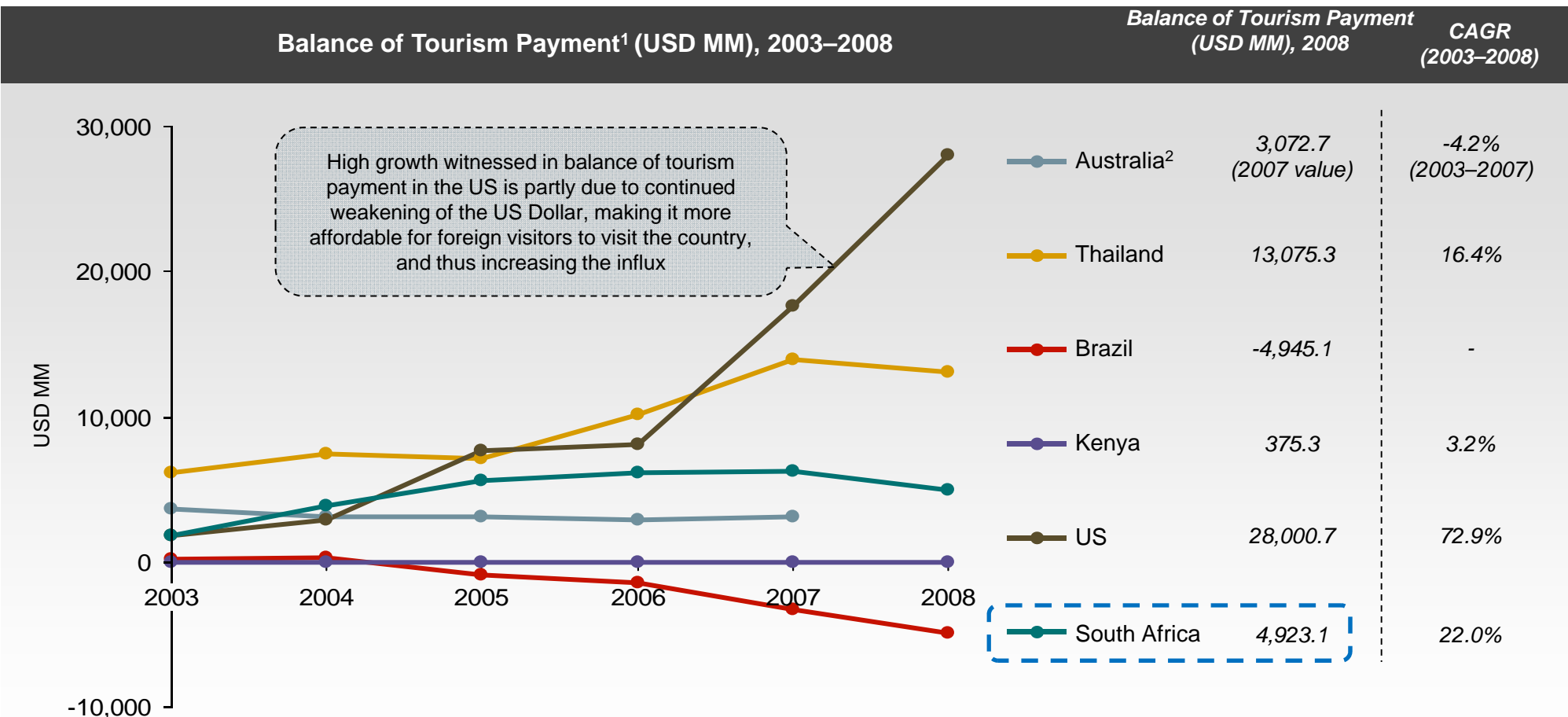
Source: Tourism Impact Data and Forecast Tool, WTTC; Euromonitor

External Benchmarking

Balance of Payments



Apart from the US that showed a robust increase, the balance of tourism payments for many competitor countries largely stayed flat during 2003–2008



Note: ¹Balance of payment is the difference between foreign currency inflow, and domestic currency outflow on tourism activities. It is calculated as: Balance of Tourism Payment = Tourism Receipt - Tourism Expenditure; ²Data for Australia not available for 2008

Source: 'Travel and Tourism' reports for Australia, Thailand, Brazil, Kenya, the US and South Africa, Euromonitor; Office of Travel and Tourism Industries, US

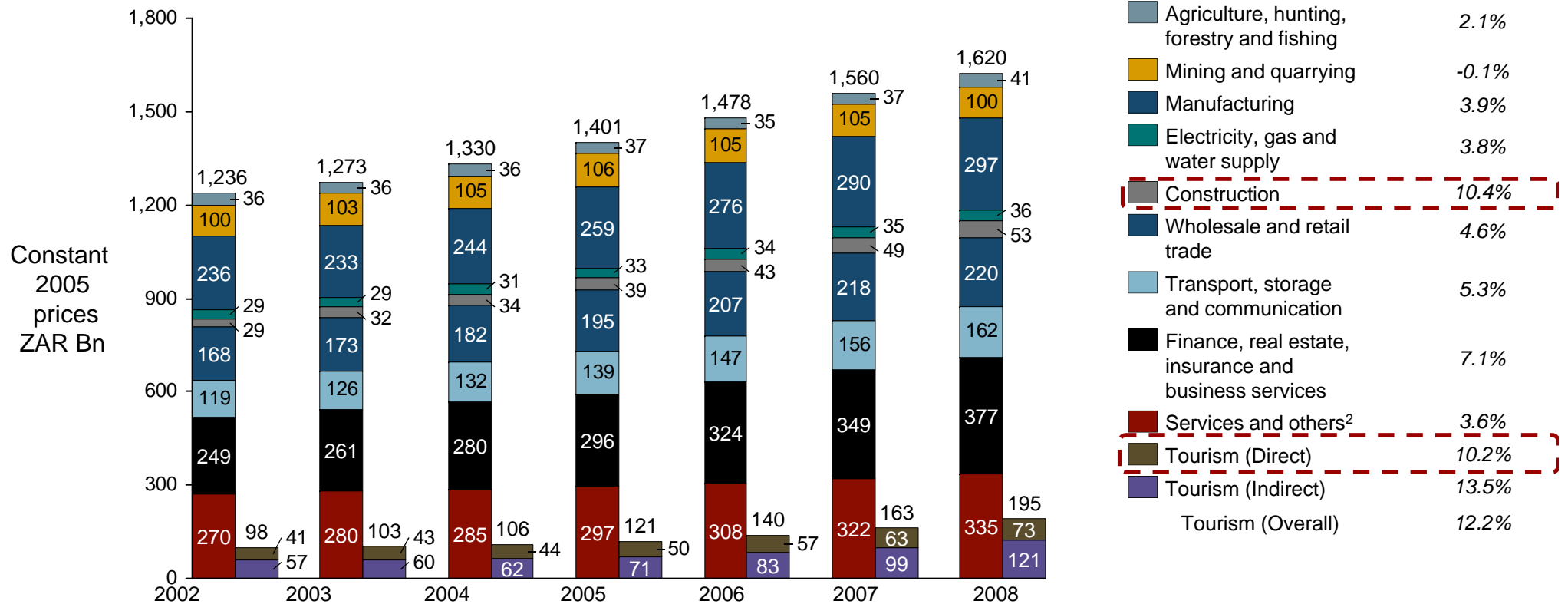
Internal benchmark – tourism's performance relative to other South African economic sectors

- South Africa's tourism industry contributes substantially to the country's economy. Driven by a growth in foreign arrivals, its contribution has been increasing in recent years
- Between 2002 and 2008, the **overall tourism industry (direct and indirect)** has grown in terms of its **contribution to GDP at a faster** rate than all sectors of the economy
 - The direct contribution has grown at **10.2% p.a. on par with the construction industry (10.4% p.a.)** which is the fastest growing sector of the economy
 - Growth in GDP contribution has not translated into a commensurate increase direct or indirect employment
 - Tourism **employment** witnessed a **3.2% CAGR** over 2002–2008
 - Employment growth was marginally behind the average growth of all sectors
- In absolute terms, the tourism industry is one of the smaller sectors of the economy both in terms of total GDP contribution and direct employment
- Also, the employees of the tourism industry **contribute substantially to the GDP** of the country
 - In 2008, tourism's GDP contribution per employee stood at ZAR ~167,000 (direct) and ZAR ~201,000 (indirect)
 - **GDP contribution per employee** has witnessed **high positive growth** over 2002–2008, with direct contribution growing at ~7% CAGR, and indirect contribution growing at ~10%

Tourism's overall contribution to GDP has grown at a faster rate than most sectors of the economy and as fast as the construction sector

GDP Contribution¹ by Sector (ZAR Bn), 2002–2008

CAGR (2002 – 2008)

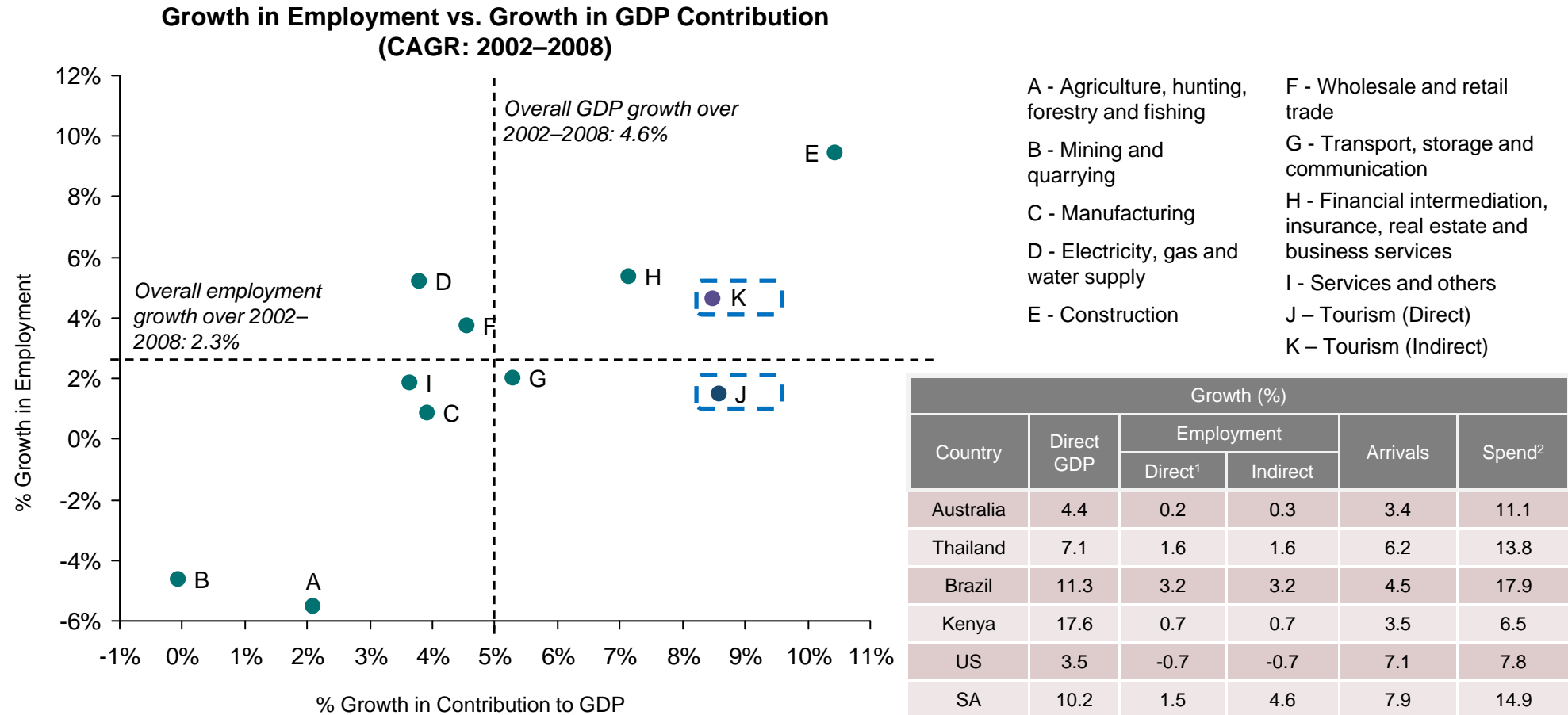


Note: ¹Quarterly value added by industry and gross domestic product at constant 2005 prices; ²For GDP figures, the 'Services and others' sector includes 'general government services' and 'personal services'

Source: 'Gross Domestic Product (GDP), 3rd Quarter 2009', Stats SA, November 2009; WTTC; Grail Research Analysis

However, this GDP growth did not lead to a commensurate growth in employment despite tourism being a labour intensive industry

The tourism sector's direct contribution to GDP experienced a strong growth between 2002 and 2008, however, the growth in direct employment was marginally below the average of all sectors



Note: For employment, 'Services and others' includes 'community, social and personal services' and 'private households'. For GDP, 'Services and others' includes 'general government services' and 'personal services'. ¹Definition of direct and indirect tourism employee is same as Module 1

Source: 'Labour Force Survey Historical Revision September Series 2000 to 2007', Stats SA, March 2009; 'Quarterly Labour Force Survey (QLFS), 3rd Quarter 2009', Stats SA, October 2009; 'Gross Domestic Product (GDP), 3rd Quarter 2009', Stats SA, November 2009; WTTC; Grail Research Analysis

The 2010 study reviewed four modules of the original GCP study for the period 2003 – 2008 in order assess progress that the industry has made over this period

Overall Objective			
<ul style="list-style-type: none"> To support the South African Tourism in formulating future growth strategies by studying the overall performance and levels of competitiveness of tourism in South Africa 			
External Benchmarking of South Africa with Key Competitors	Internal Benchmarking of Tourism sector in South Africa	Analysis of Drivers and Barriers to Growth	Desire, Usage and Satisfaction Level of Tourists
<ul style="list-style-type: none"> Compare the tourism industry in South Africa with that of five other key competitor destinations (Australia, the US, Kenya, Thailand, and Brazil) across several performance indicators and macroeconomic factors 	<ul style="list-style-type: none"> Study the relative performance and contribution of the tourism sector vis-à-vis other major economic sectors of the country 	<ul style="list-style-type: none"> Assess the current state of tourism in the country and analyze the key drivers and barriers to the growth of tourism sector Analyse the various tourism products and services offered by the country and their accessibility to the tourists 	<ul style="list-style-type: none"> Analyse the gaps in desirability, expectation, experience, and usage of various tourism products and services, for domestic and international tourists

- Desktop study
- Sources used in 2010 study
 - In addition to the sources used in previous study, the current study leverages:
 - Euromonitor International database
 - Global organizations such as World Economic Forum, UNESCO, IMF, etc.
 - News and articles published on various portals
 - Government and related bodies such as Stats SA, South African Reserve Bank, and NEDLAC

Market Access

Accessibility of South Africa as a Tourism Destination

Understanding the Accessibility of South Africa as a Tourist Destination

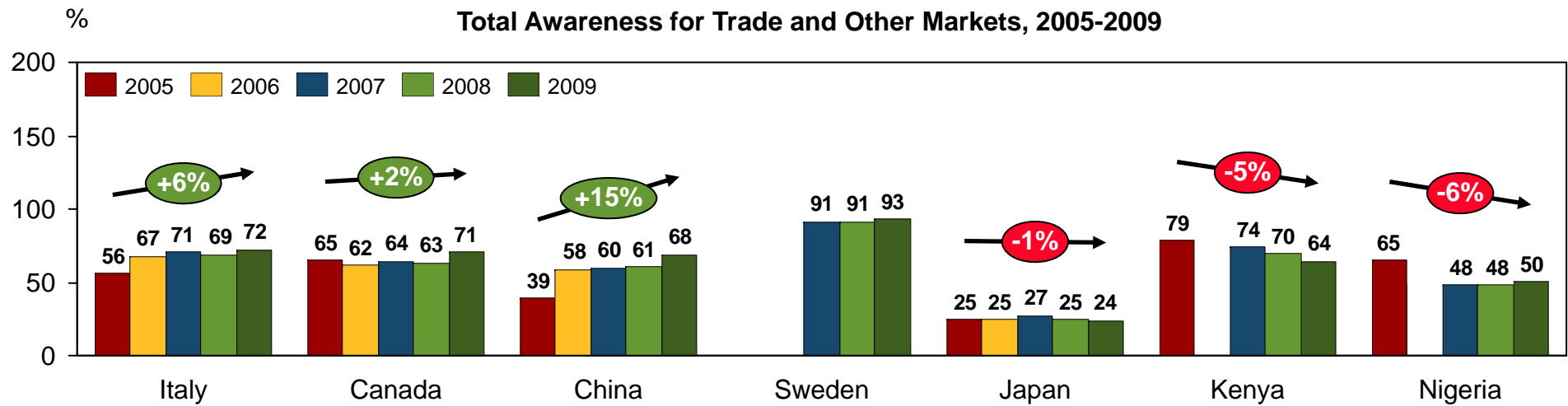
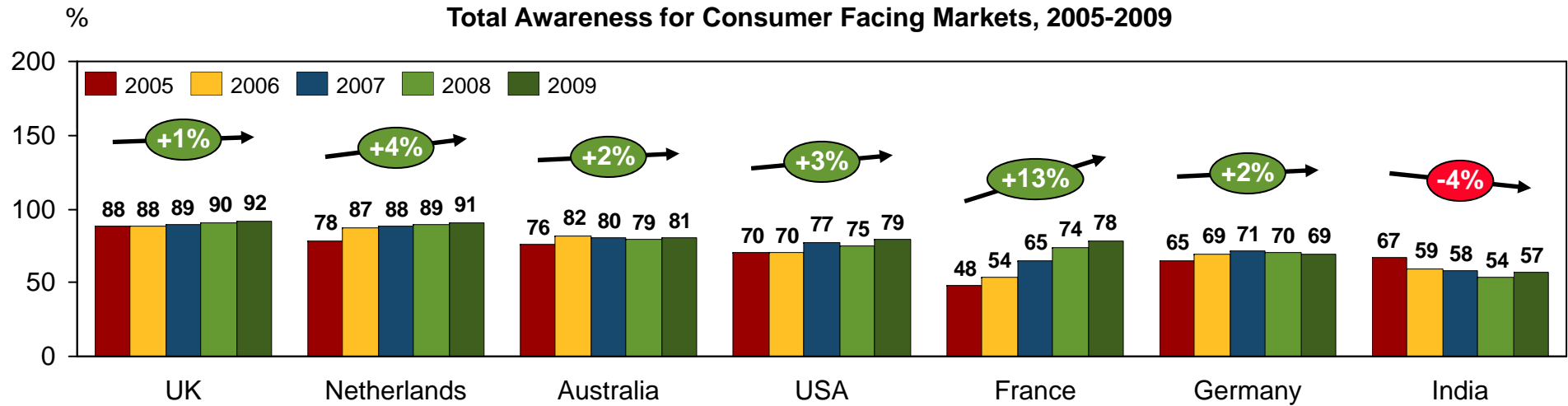
Strength of South Africa as a Brand

Source of Information for Tourists

Constraints to Visit South Africa

- The **awareness and brand recall** of South Africa as a leisure destination is **highest across European** countries such as Sweden, the UK and the Netherlands, etc.
 - In addition to the European countries, **Kenya also shows high consideration** to visit South Africa in the future
- Although **India and Italy** have low levels of brand recall, they consider South Africa to be a very **likeable leisure destination**
- While the **majority of key leisure tourist markets** exhibit a **high short-term consideration** to visit South Africa, only a few actually view South Africa as their favorite destination
- South Africa is rated **significantly above average for its nature & wildlife offerings**, however, tourists across all key markets **unanimously** perceive **South Africa as being unsafe and offering poor value for money**
- Tourists across key markets prefer to visit a destination that is memorable, enriching, friendly and unique
 - These tourists perceive **South Africa as being adventurous, breathtaking and unique**
- Tourists primarily use **internet search engines** and **'word of mouth'** as the **key sources to gather information** on South Africa
 - Travel brochures, and television programs, have been the most successful media to promote South Africa as a tourism brand
 - Only in Africa, where the internet penetration is low, VFR is the primary reason to visit South Africa
- Even after seeking information on South Africa, tourists do not visit South Africa primarily due to **safety and security concerns** and **high costs of travelling**
 - Despite these concerns, a high percentage of tourists continue to recommend South Africa as a leisure destination to their friends and families – indicating an overall positive experience

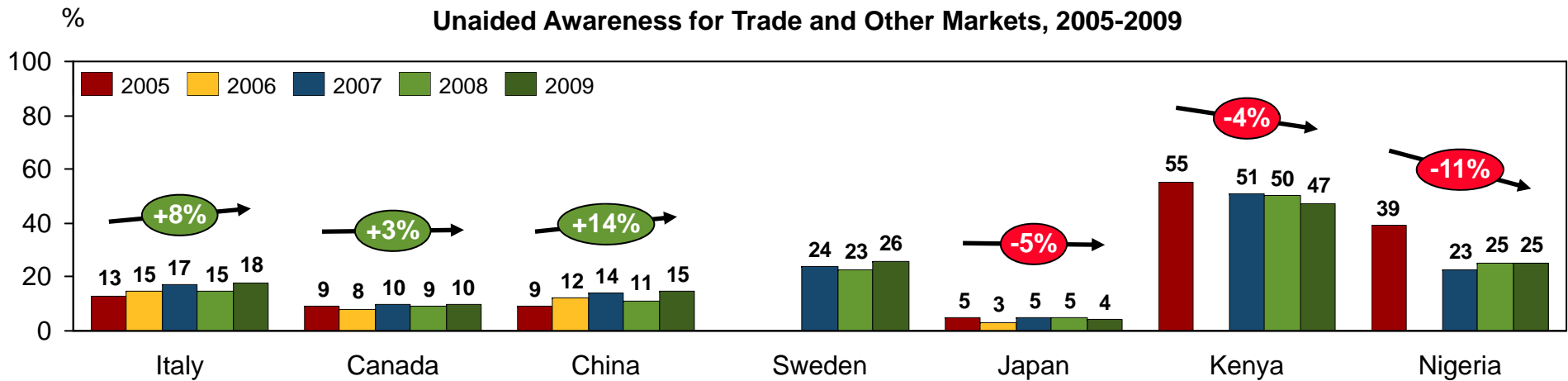
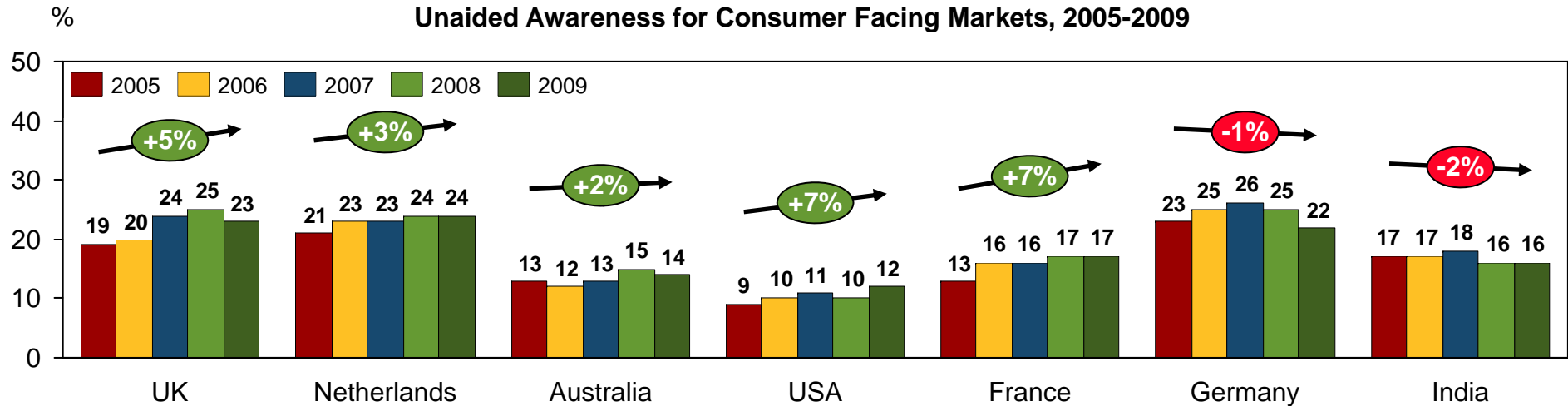
SAT has successfully built awareness in most markets especially France and China – however, we are losing ground in India, Japan, Kenya and Nigeria



Note: 2004 BrandTracker not used as sampling methodology differs considerably from 2005 – 2009 BrandTracker; Sweden was not included in BrandTracker for 2005 and 2006. Kenya and Nigeria Nov-2006 and Feb-2007 BrandTracker not used due to consistency issues.

Source: SAT BrandTracker Feb-05 through Nov-09 (merged for each year), Monitor Analysis

In terms of unaided awareness, we have also lost ground in Germany in addition to India, Japan, Kenya and Nigeria



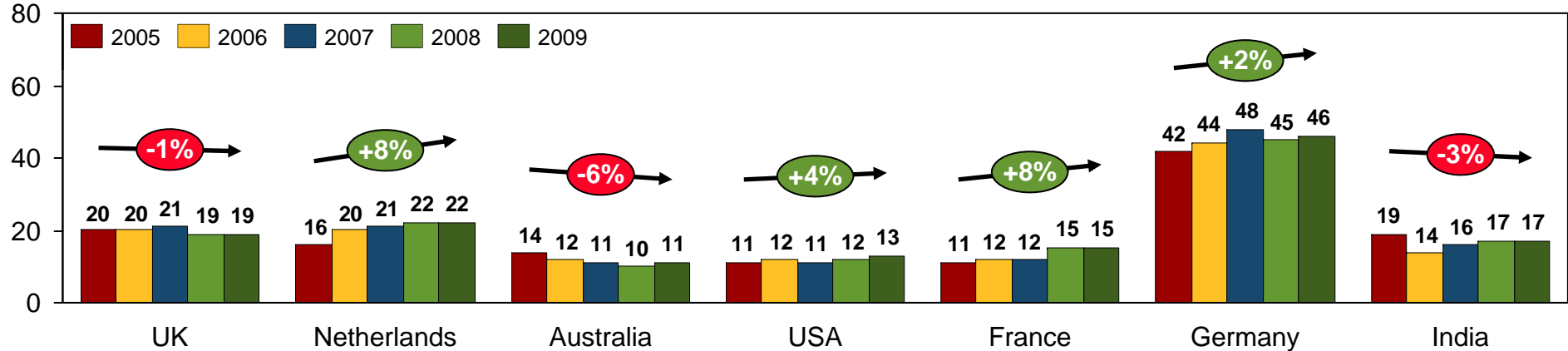
Note: 2004 BrandTracker not used as sampling methodology differs considerably from 2005 – 2009 BrandTracker; Sweden was not included in BrandTracker for 2005 and 2006. Kenya and Nigeria Nov-2006 and Feb-2007 BrandTracker not used due to consistency issues.

Source: SAT BrandTracker Feb-06 through Nov-09 (merged for each year), Monitor Analysis

However, fewer of those aware of SA in UK, Australia, Sweden, India, Kenya and Canada were also very familiar with SA

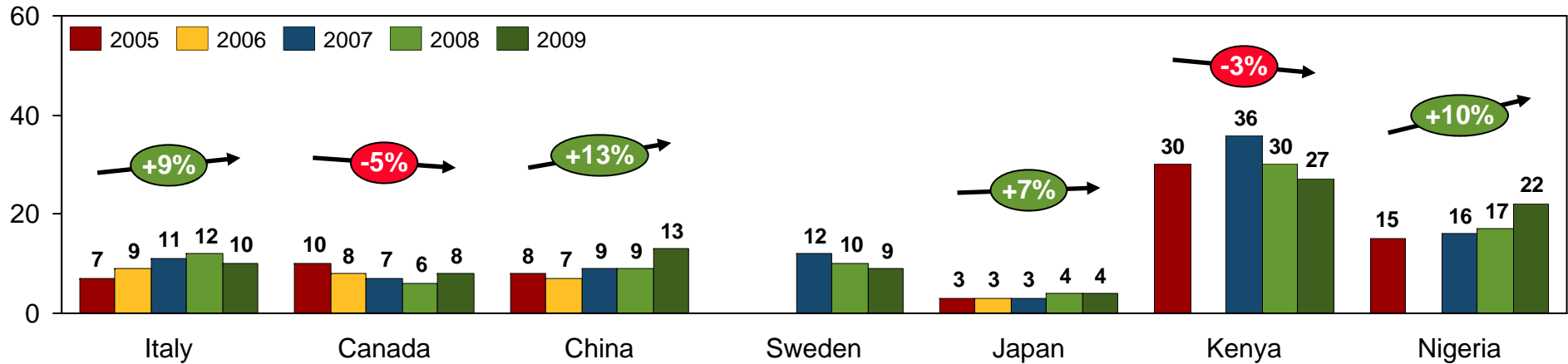
% of those aware of SA

Percent Very Familiar With SA for Consumer Facing Markets, 2005-2009



% of those aware of SA

Percent Very Familiar With SA for Trade and Other Markets, 2005-2009



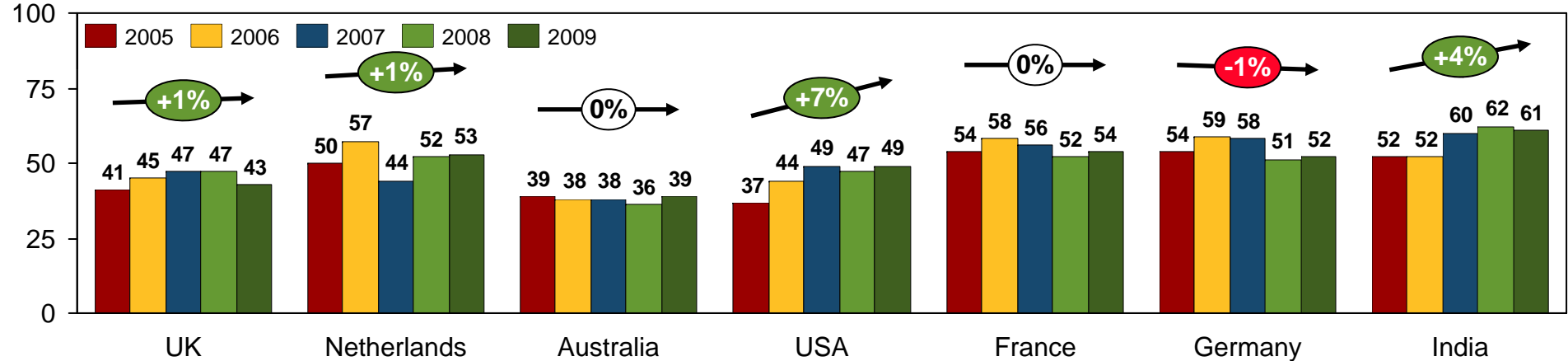
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Source: SAT BrandTracker Feb-05 through Nov-09 (merged for each year), Monitor Analysis

SAT has successfully built positivity in all major markets and notably in the USA and India— only Germany, Japan and Kenya have declined in terms of positivity

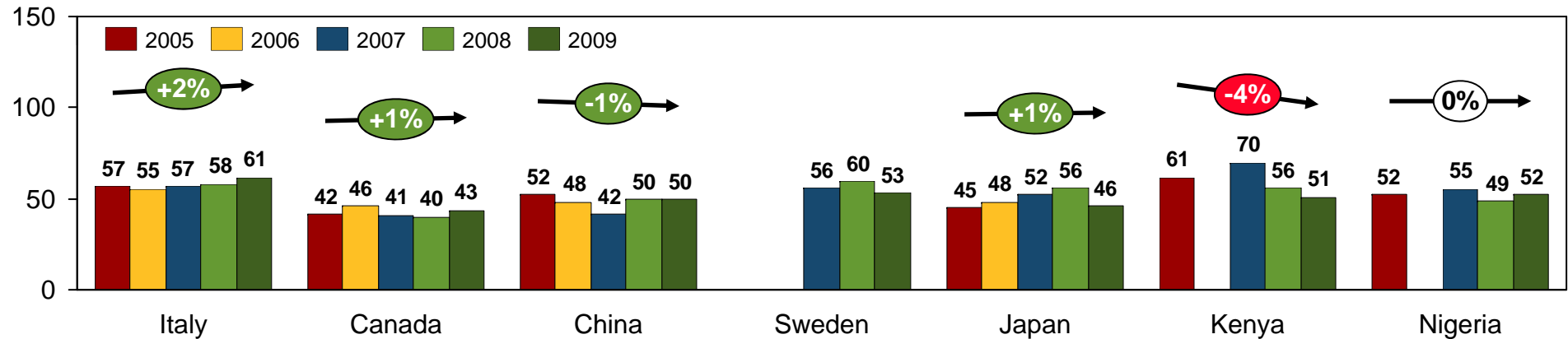
% of those aware of SA

Positivity for Consumer Facing Markets, 2005-2009



% of those aware of SA

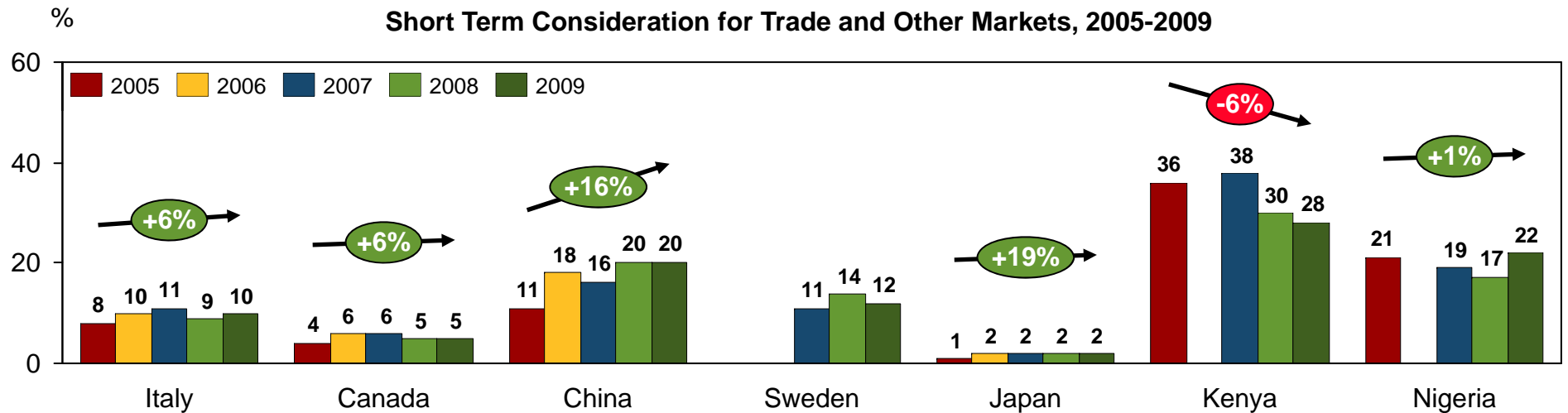
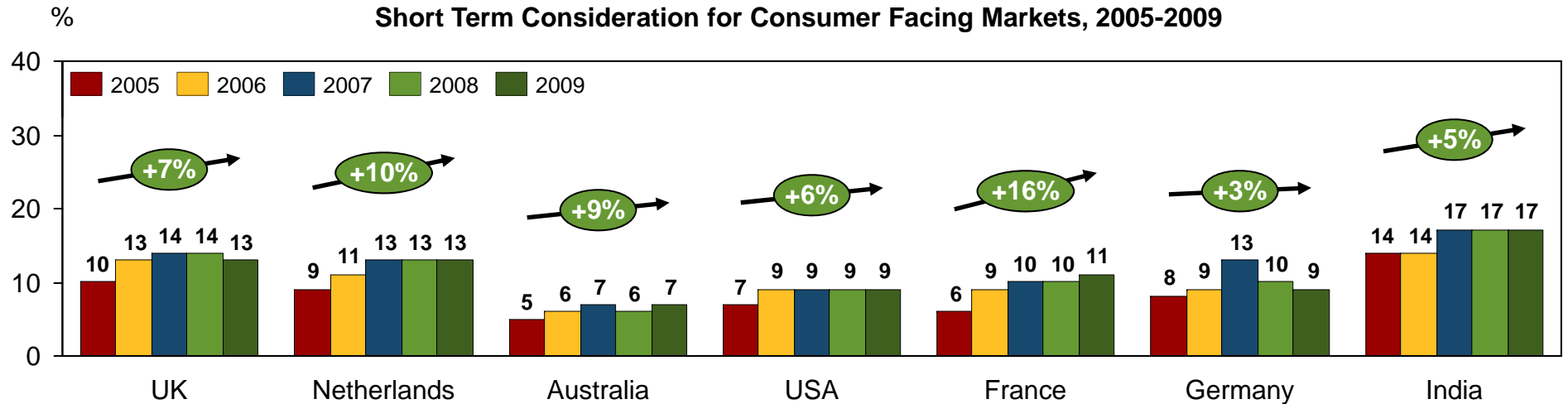
Positivity for Trade and Other Markets, 2005-2009



Note: 2004 BrandTracker not used as sampling methodology differs considerably from 2005 – 2009 BrandTracker; Sweden was not included in BrandTracker for 2005 and 2006. Kenya and Nigeria Nov-2006 and Feb-2007 BrandTracker not used due to consistency issues.

Source: SAT BrandTracker Feb-05 through Nov-09 (merged for each year), Monitor Analysis

Also, in all markets except Kenya, most tourists are strongly considering visiting SA in the short-term

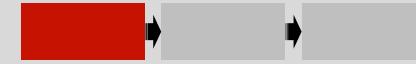


Note: 2004 BrandTracker not used as sampling methodology differs considerably from 2005 – 2009 BrandTracker; Sweden was not included in BrandTracker for 2005 and 2006. Kenya and Nigeria Nov-2006 and Feb-2007 BrandTracker not used due to consistency issues.

Source: SAT BrandTracker Feb-05 through Nov-09 (merged for each year), Monitor Analysis

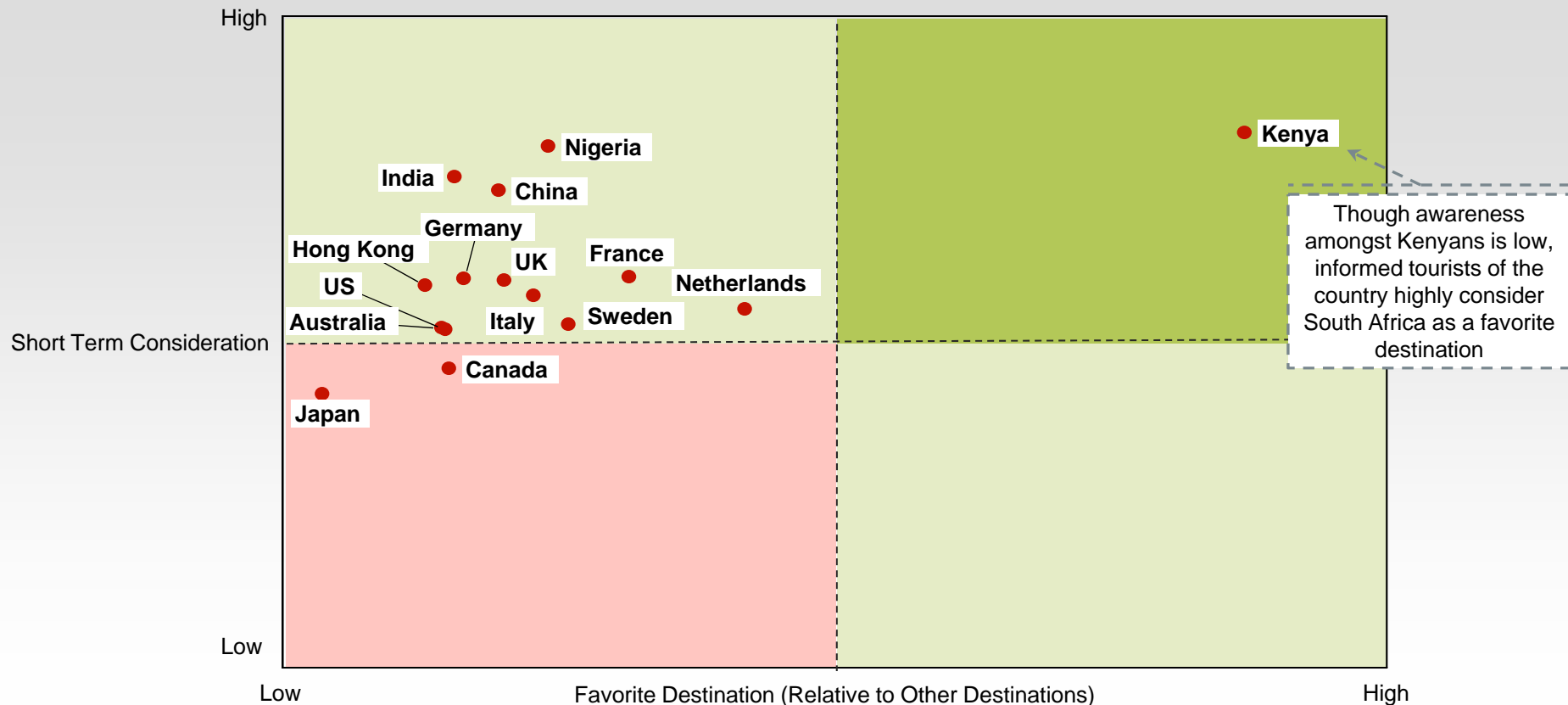
Accessibility as a Tourism Destination

Consideration vs. Favorite Destination



While most key markets exhibit high levels of short-term consideration to visit SA, most do not rate SA as their preferred (favourite) destination

Consideration vs. Favorite Destination – Perception Towards South Africa as a Leisure Destination, 2009



Note: Q. Which of the following international destinations for leisure purposes would you consider your favorite? and Q. Using a 1-7 scale, where 1 means “Very Unlikely” and 7 means “Very likely”, please rate your likelihood to visit each of the following international destinations for leisure purposes in the next 18 months?
 Source: SAT Brand Tracker (combined samples from February 2009 and November 2009 waves); Grail Research Analysis

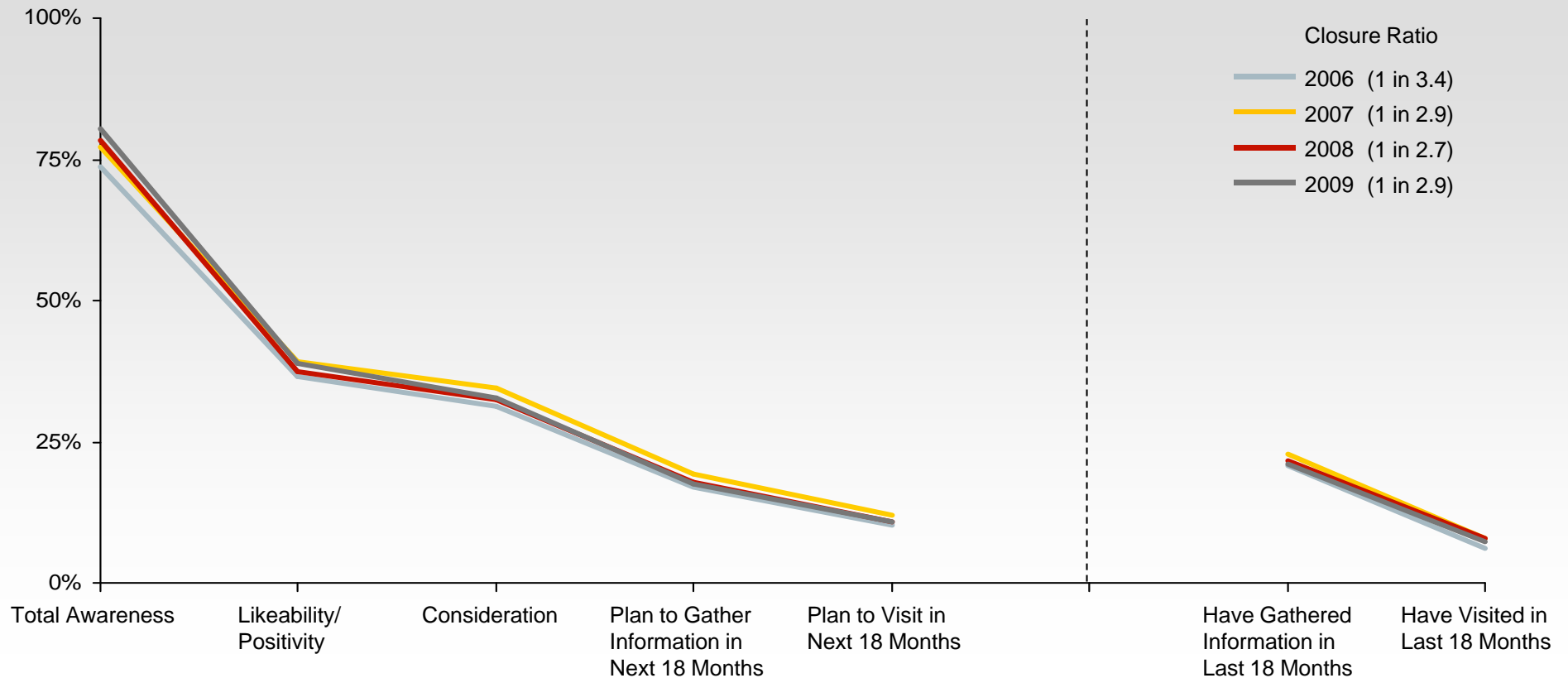
Accessibility as a Tourism Destination

South Africa Conversion Curve – Core Markets



In comparison to 2008, South Africa's performance in the Core Markets has improved on Total Awareness and Positivity; however, Information Seeking and Visitation has dropped slightly

South Africa Conversion Curve for Consumer Facing Markets, 2006–09



Note: Core Markets weighted according to relative investment spend – Australia = 6%, France = 17%, Germany = 18%, India = 6%, Netherlands = 18%, UK = 18% & USA = 17%; Closure Ratio = Visited in Past 18 Months / Sought Info in the Past. The information on this slide has been sourced from the 'Global Performance in 2009' report

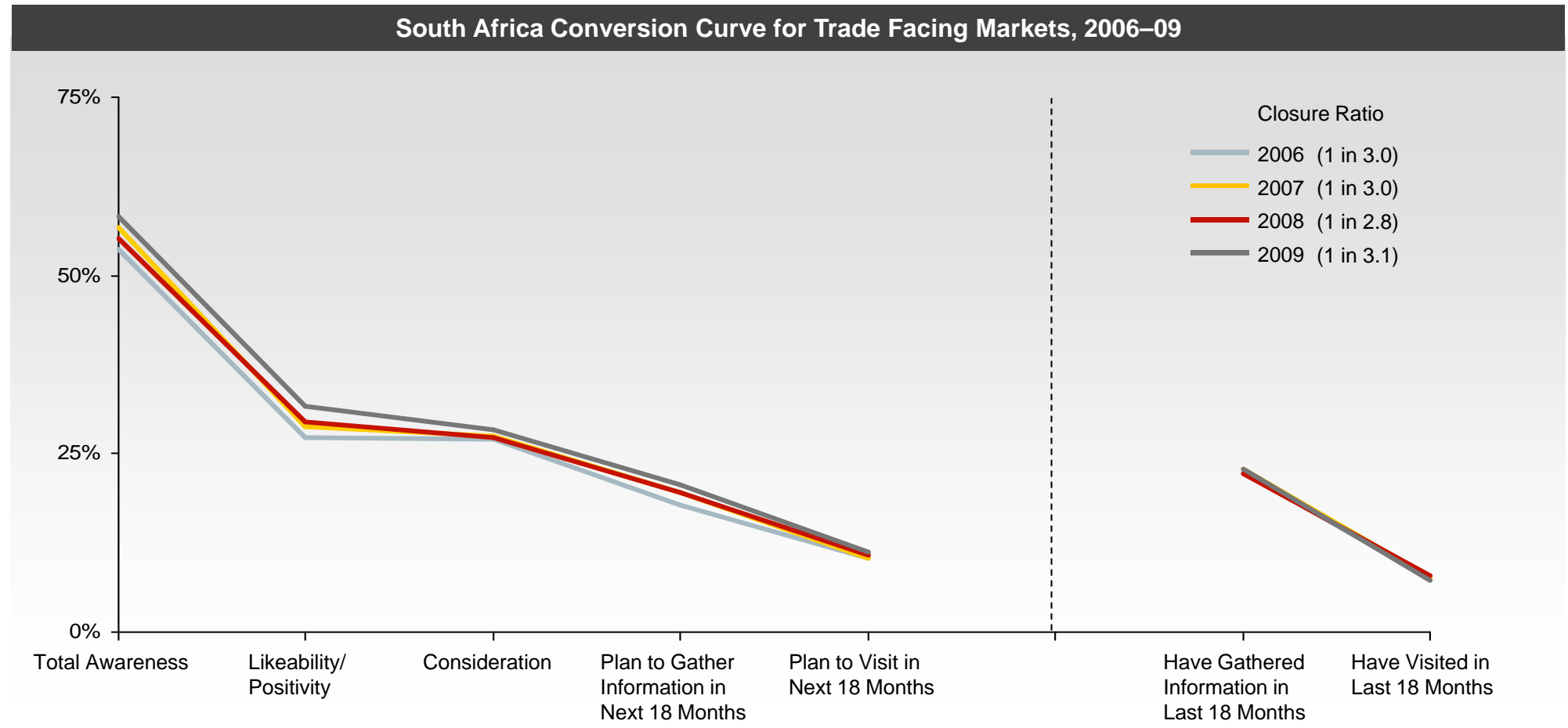
Source: SAT Brand Tracker November 2006 through November 2009 (merged for each year)

Accessibility as a Tourism Destination

South Africa Conversion Curve – Investment Markets



The Conversion Curve for the Investment Markets witnessed an upward shift in 2009; however, the Closure Ratio dropped due to a slight decline in Visitation



Note: Investment Markets weighted according to relative investment spend – China = 32%, Italy = 43% and Japan = 25%; Closure Ratio = Visited in Past 18 Months / Sought Info in the Past. The information on this slide has been sourced from the 'Global Performance in 2009' report
 Source: SAT Brand Tracker November 2006 through November 2009 (merged for each year)

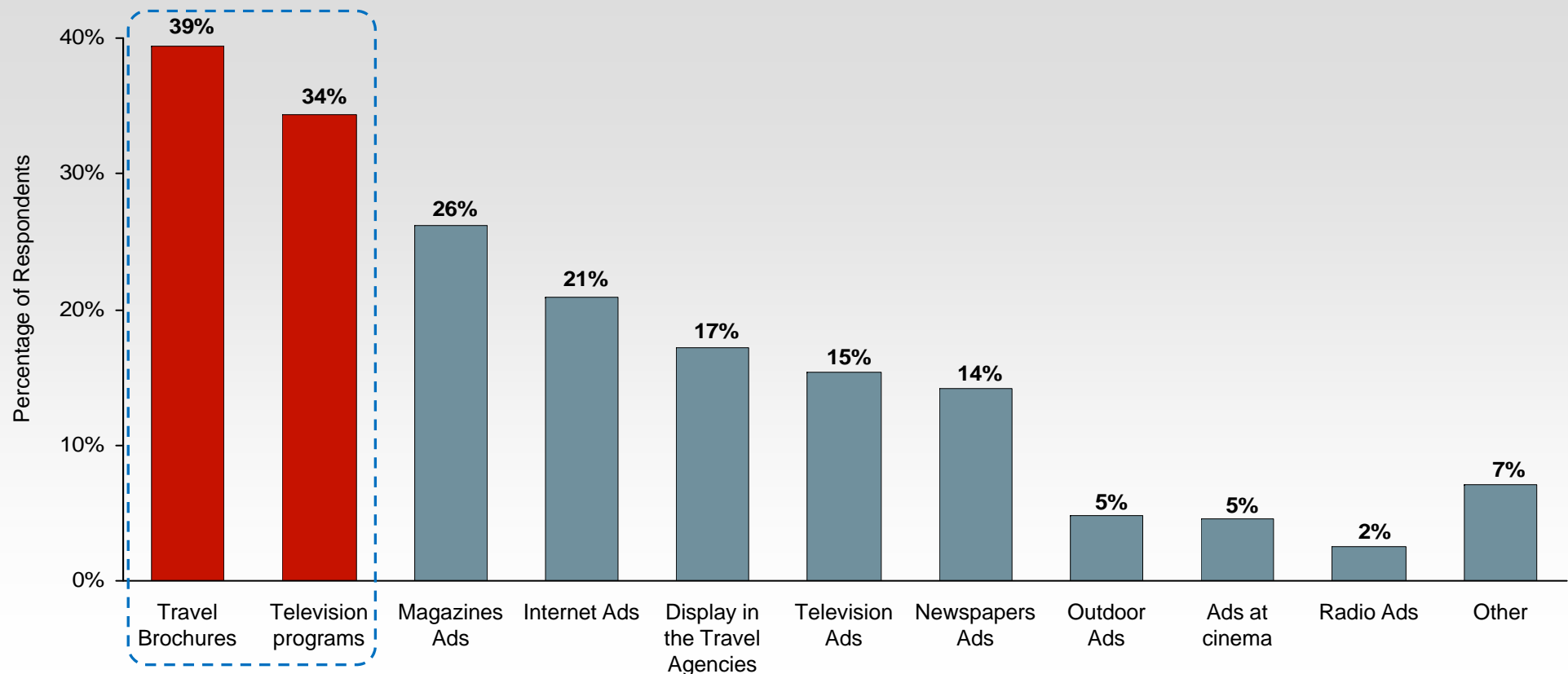
Accessibility as a Tourism Destination

Sources of Brand Recall



Travel brochures and television programs serve as the key sources for recall/ promotion of 'Brand South Africa' as a leisure destination...

Key Sources of Brand Recall, 2009 (n=10,927)



Note: Q. Where did you see or hear travel information about South Africa as an international destination for leisure purposes?

Source: SAT Brand Tracker (combined samples from February 2009 and November 2009 waves)

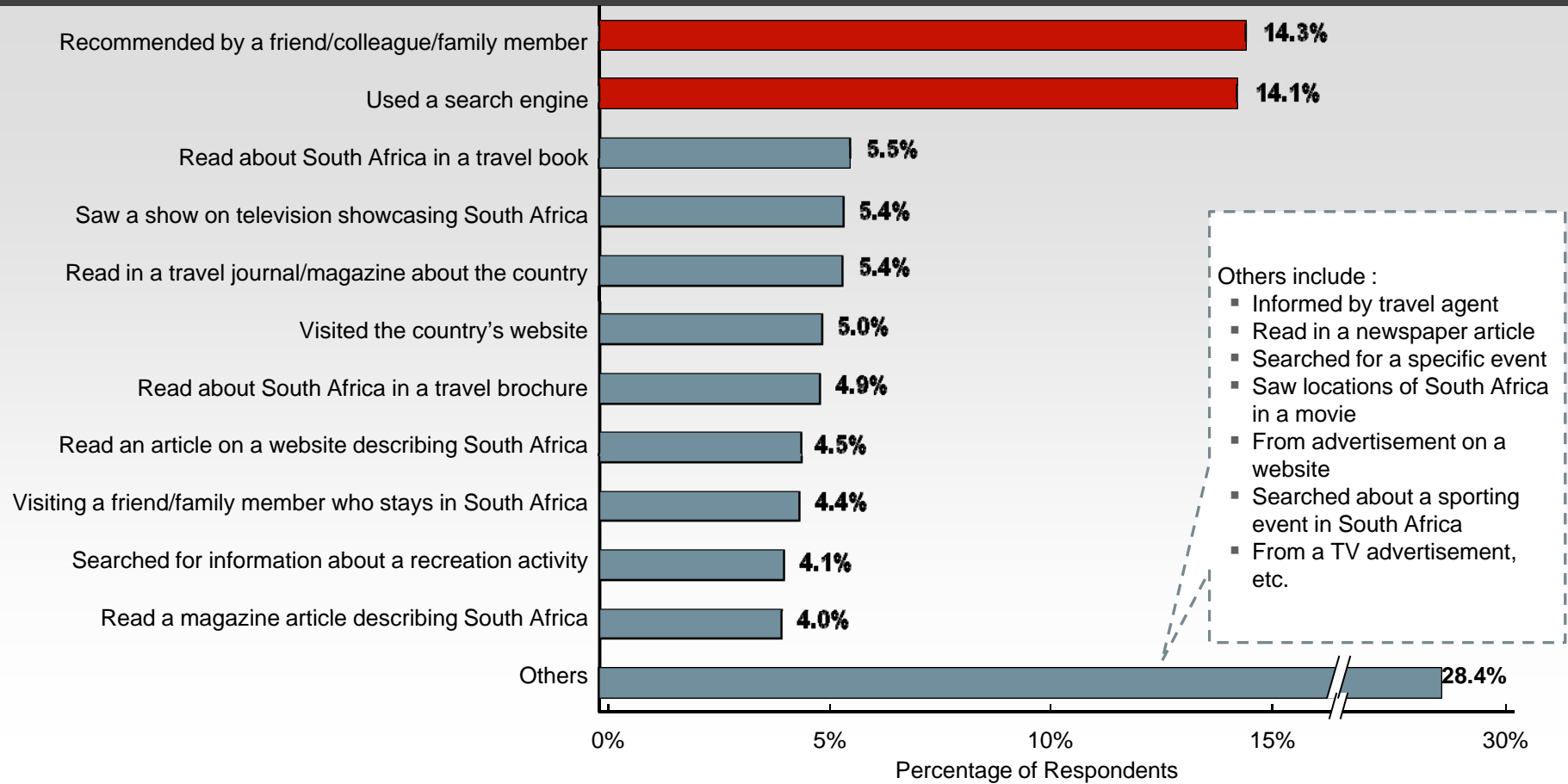
Accessibility as a Tourism Destination

Key Sources of Information (1/3)



...however, 'word of mouth' and 'search engines' are the key sources that influence tourists' travel related decisions

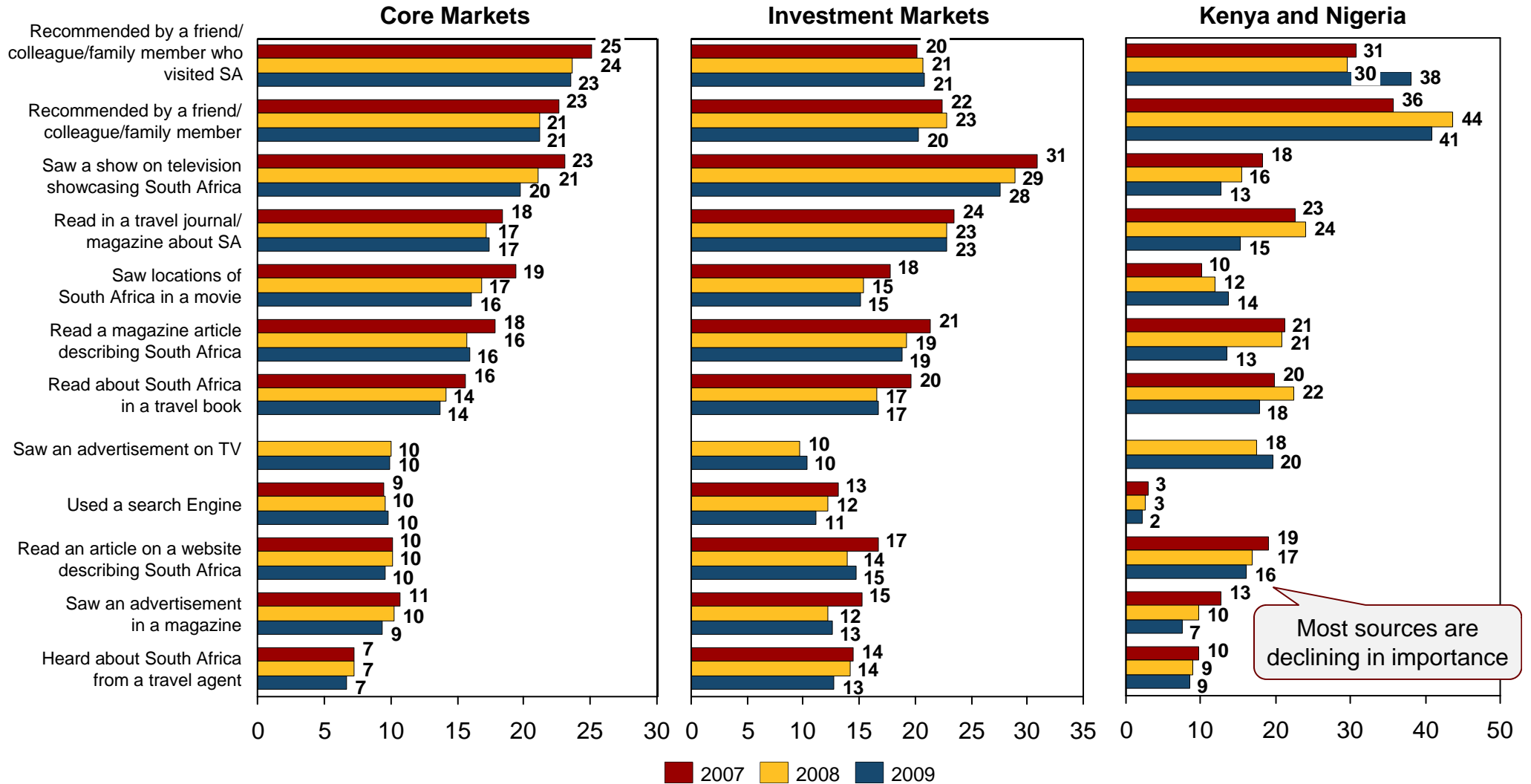
First Source of Information for South Africa, 2009 (n=4,541)



Note: Q. Which of the following was the FIRST source of information that you used when you began seeking leisure travel information about these countries?
 Source: SAT Brand Tracker (combined samples from February 2009 and November 2009 waves)

TV shows are the key source of awareness in investment markets while recommendation by friends/family are key in all other markets

Source of Awareness of South Africa as a Leisure Travel Destination



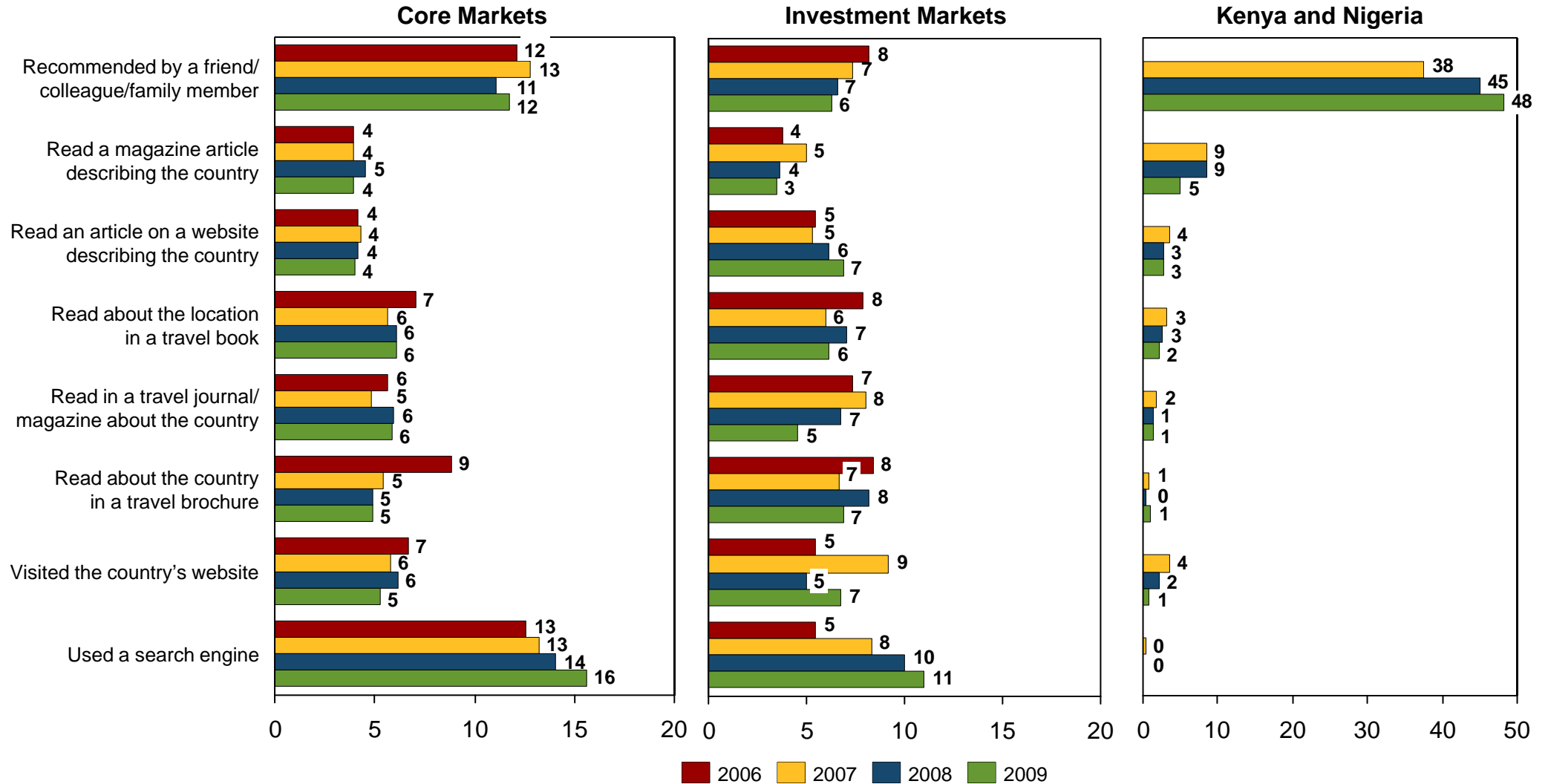
Most sources are declining in importance

Note: Based on Q33a of survey; Option for "Saw an advertisement on TV was not asked in 2007 survey

Source: SAT BrandTracker Feb-07 and Nov-09(merged for each year), Monitor Analysis

Search engines are clearly growing in popularity as an tourism information seeking tool in all markets except Kenya and Nigeria where accessibility is low

First Source of Information When Seeking Information on a SA as Leisure Travel Destination

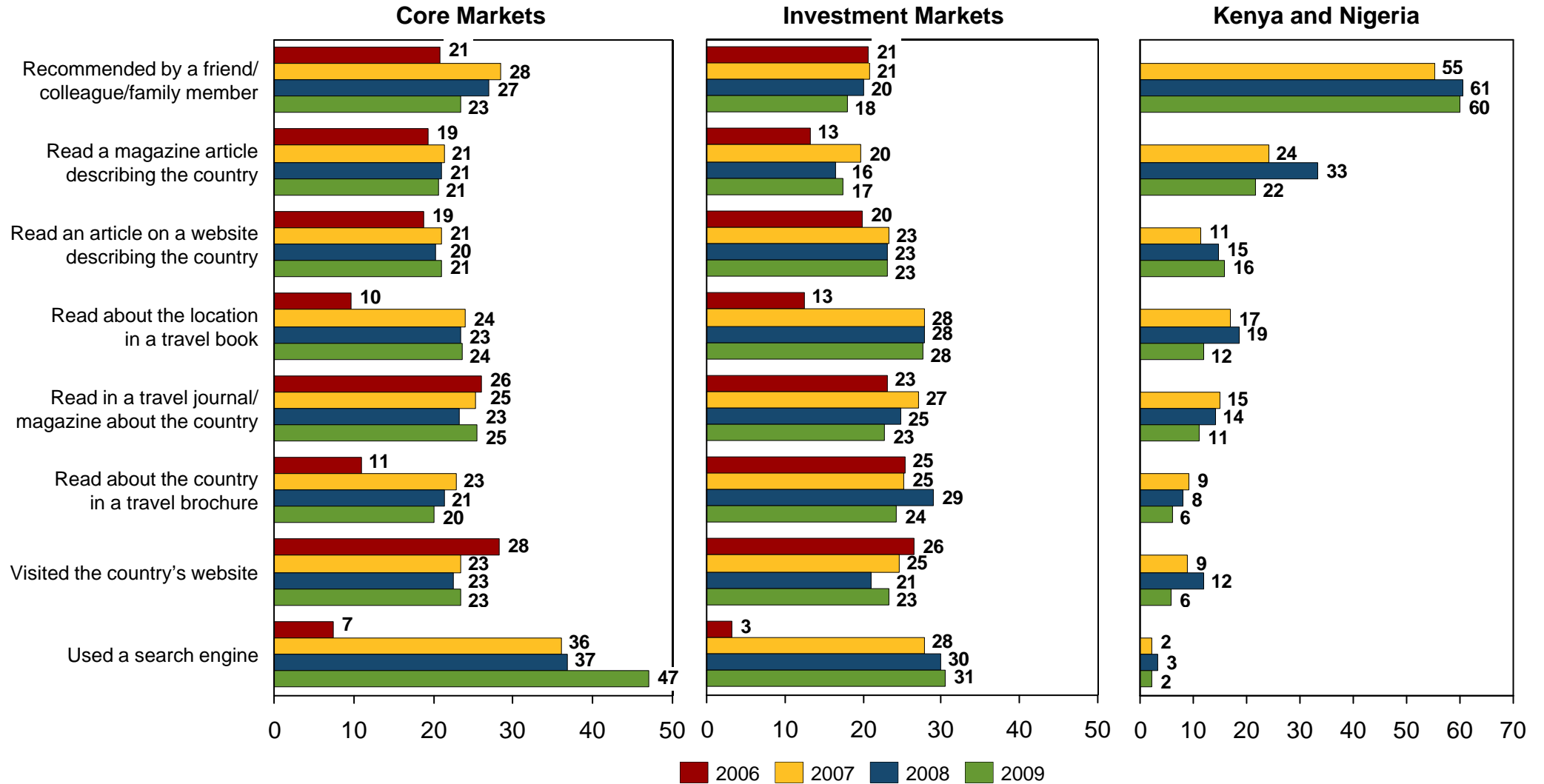


Note: Based on Q16c of survey

Source: SAT BrandTracker Feb-06 and Nov-09(merged for each year), Monitor Analysis

A similar trend exists amongst all sources of information, however, in core markets, search engines have become substantially more popular in 2009

All Sources of Information When Seeking Information on a SA as Leisure Travel Destination



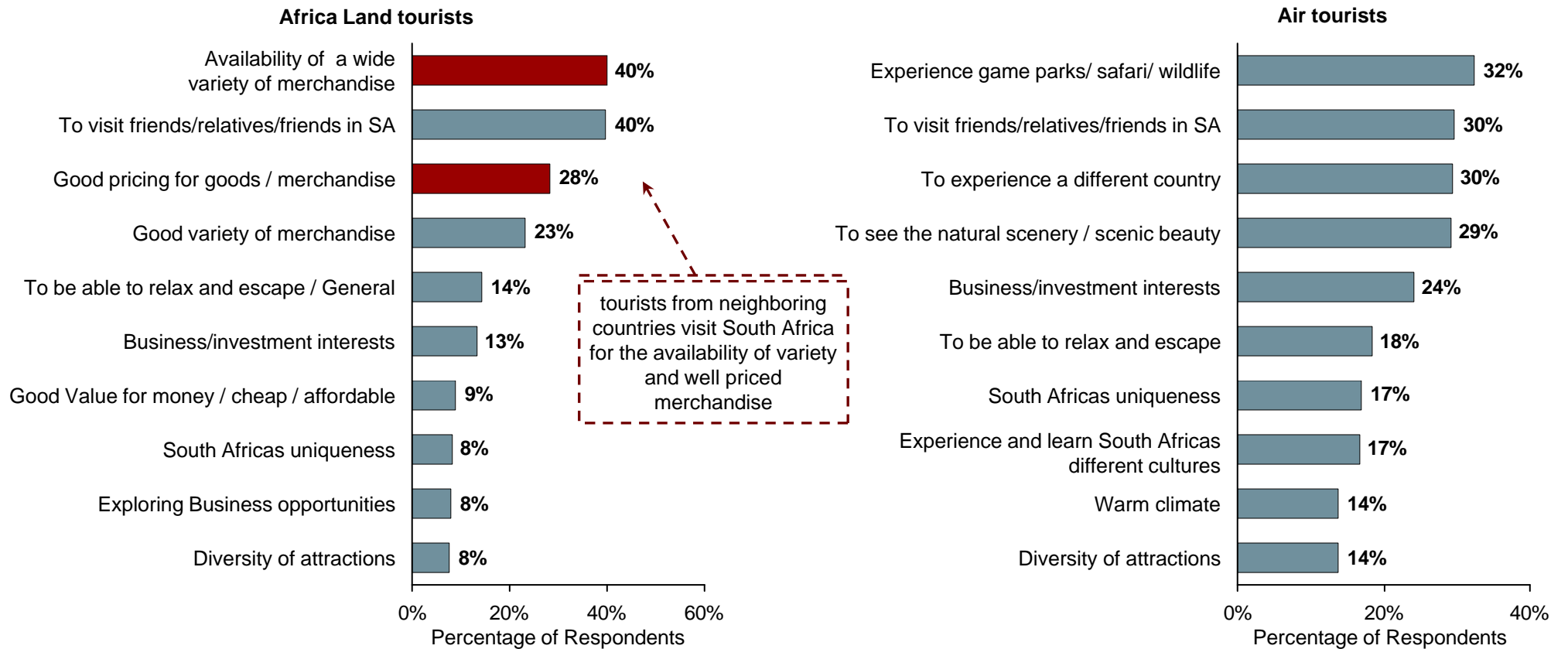
Note: Based on Q16c and Q16d of survey

Source: SAT BrandTracker Feb-06 and Nov-09(merged for each year), Monitor Analysis

This is largely a requirement of Africa Land tourists – Other tourists are attracted to safari, VFR, natural scenery and the chance to experience a different country

Most long-haul tourists visit SA for the safari/wildlife experience and VFR, while land tourists are more interested in visiting SA for shopping and business reasons

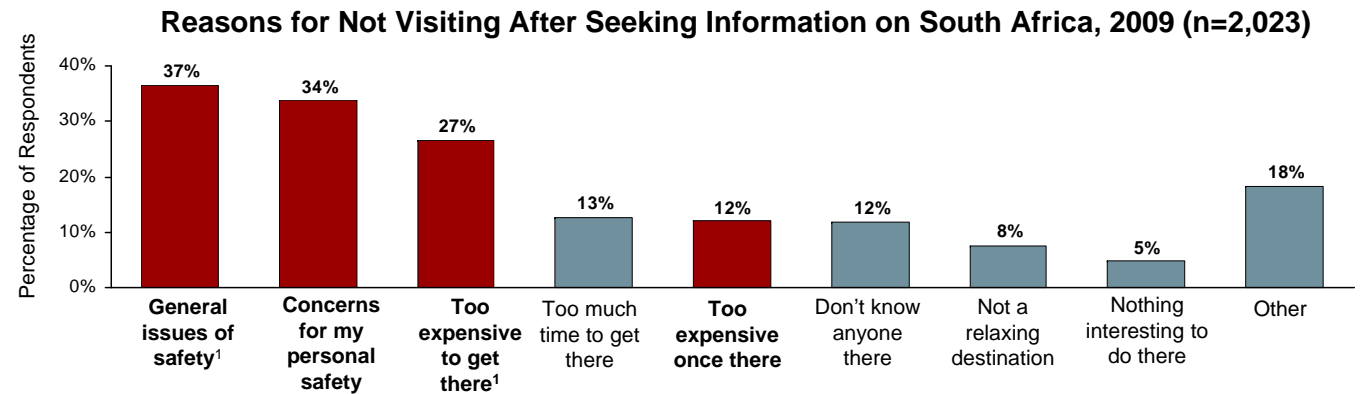
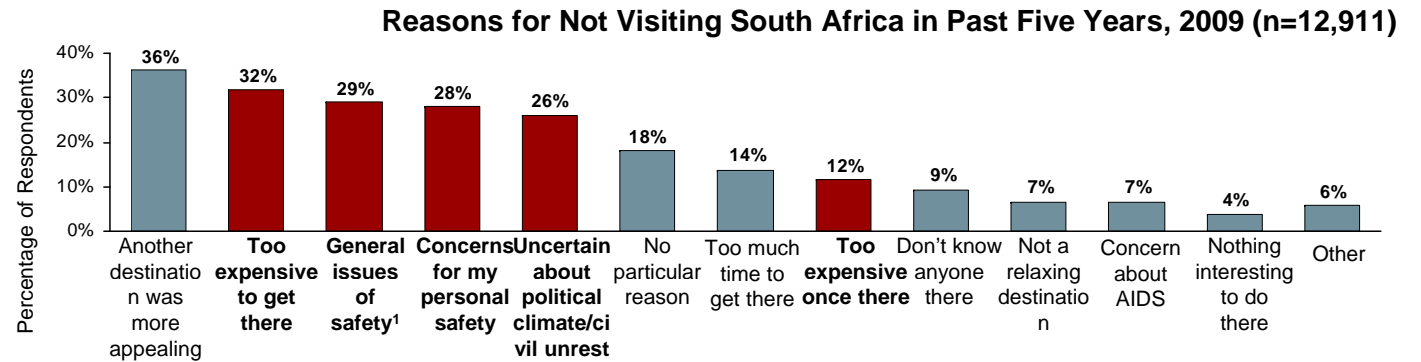
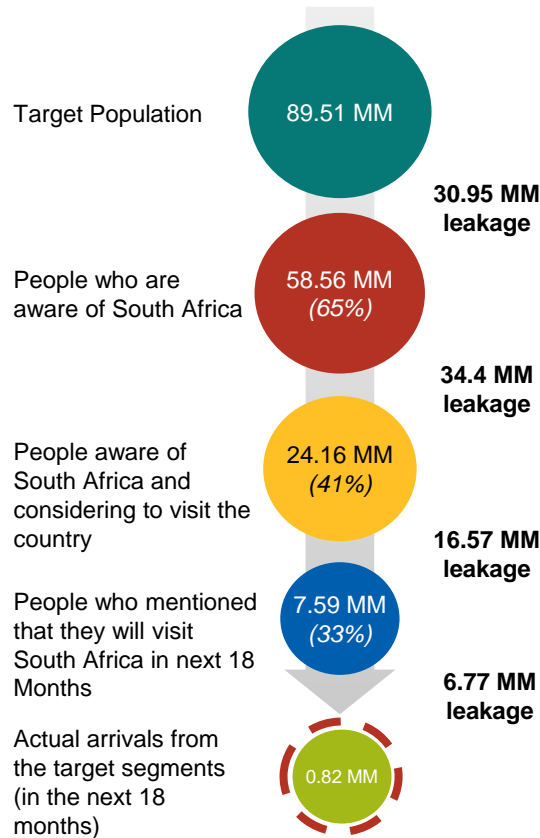
Attributes that Attract International tourists, 2008



Note: n= 9,200,626 (including land tourists) and n=2,235,259 (excluding land tourists). The survey respondents have been weighted up so that the results are representative of the actual population; Q. Before you decided to visit South Africa, what were the attributes that attracted you most to South Africa?

Source: SAT Departure Survey (International), 2008

There are a number of barriers to travel to South Africa. However, the negative perceptions of safety and security and value for money are the biggest barriers



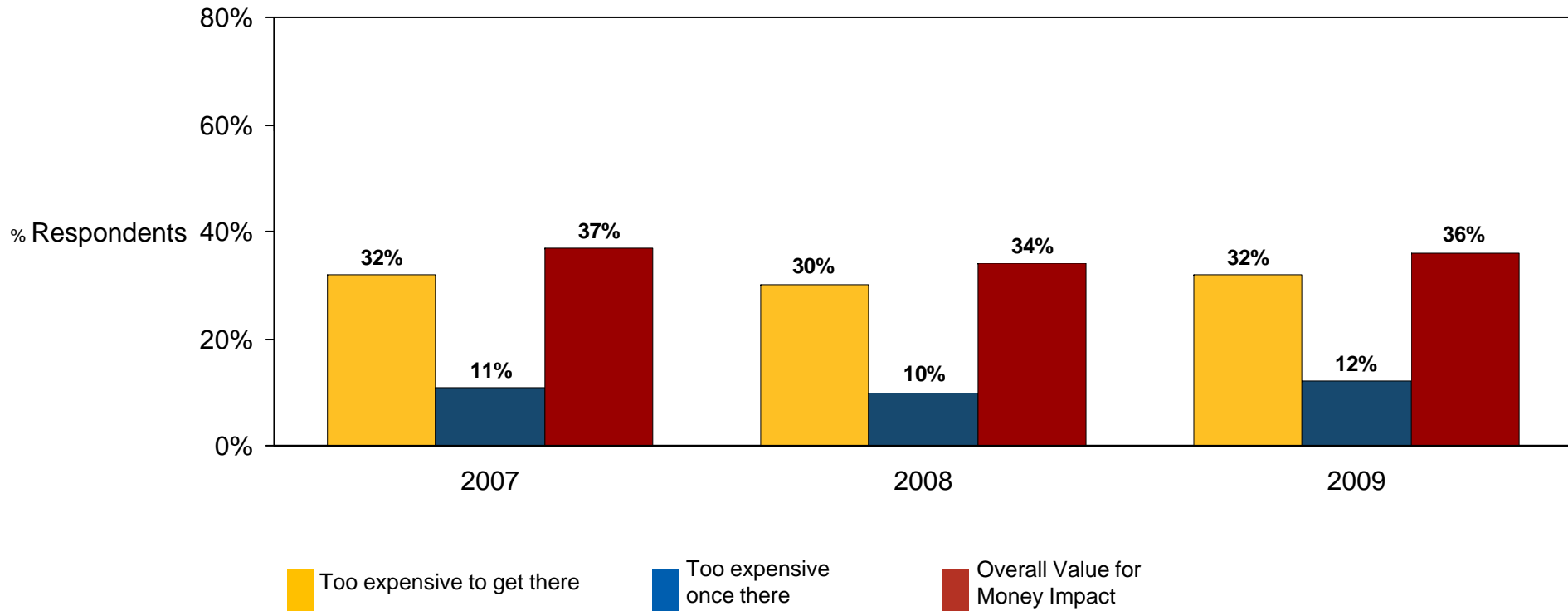
Note: Markets include 13 countries, namely Australia, Canada, China, France, Germany, India, Italy, Japan, Kenya, Netherlands, Nigeria, UK and USA

Q. Why haven't you visited South Africa for leisure purposes in the past 5 years?; ¹Include concerns over health, weather, roads, crime, etc. Q. After seeking information about South Africa, why are you no longer planning to visit it for leisure travel?; ¹Include concerns over health, weather, roads, crime, etc.

Source: SAT Brand Tracker (combined samples from February 2009 and November 2009 waves)

Overall, value for money contributes toward ~36% of tourists not visiting SA - the price of a plane ticket being the main barrier

Top reasons for not Visiting South Africa as a leisure Destination in the past 5 Years, 2007–2009



Within the focus markets of SAT, the perception of value for money has worsened over time and SA now ranks at the bottom of the list

Ranking (out of 10) of The SA Brand Relative to Competitors Along Key Brand Attributes – 2009

Value for Money	Netherlands	Germany	UK	France	USA	India	Australia	Italy	China	Japan
2007	8	8	6	9	8	5	8	9	10 ✖	9
2008	8	10 ✖	6	9	8	8	7	9	9	9
2009	8	9	7	9	8	9	7	9	8	10 ✖

■ Significantly Above Average for 10 destinations (at 95% confidence level)

★ When SA is ranked highest amongst competitors

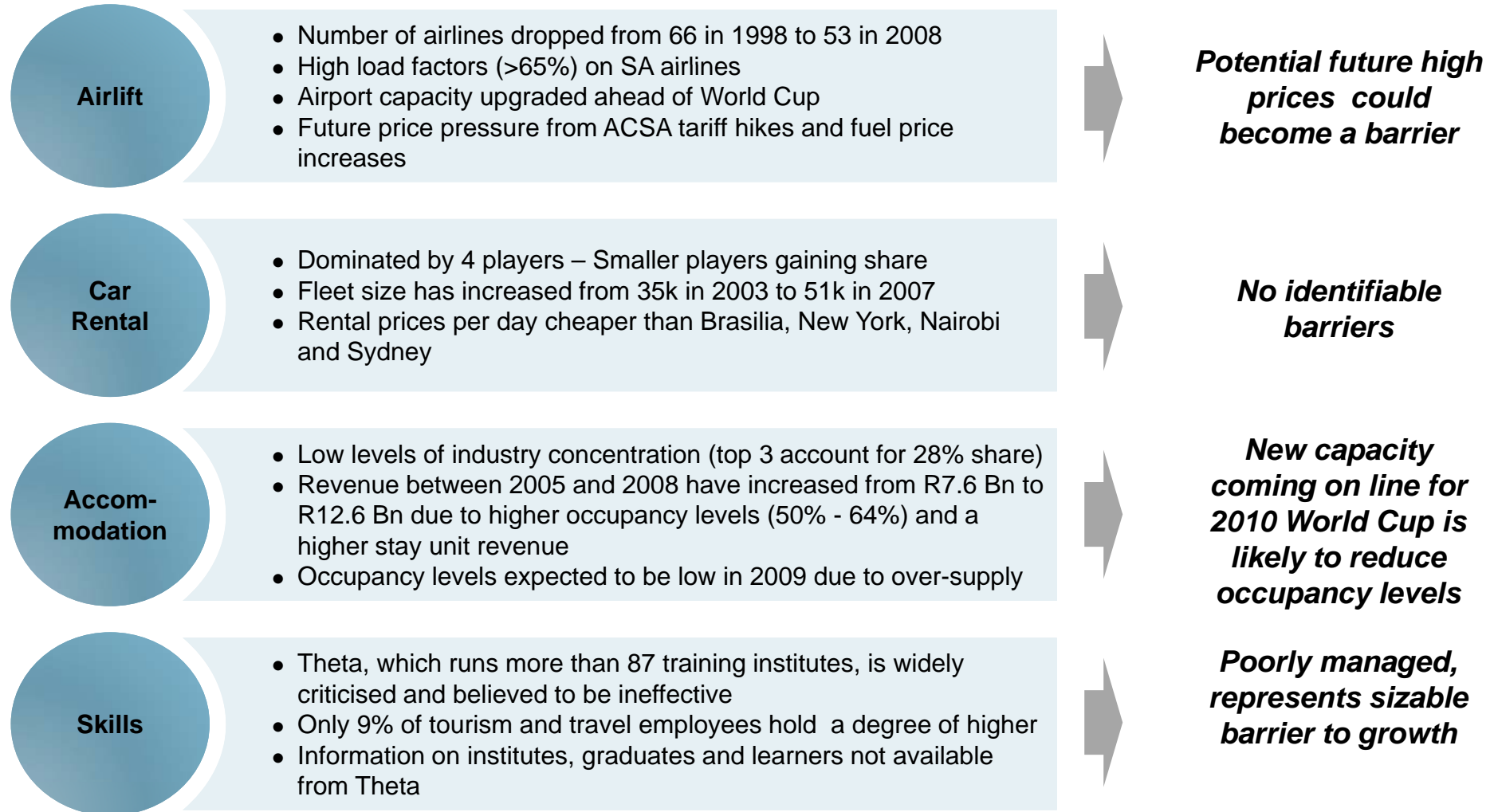
■ Significantly Below Average for 10 destinations (at 95% confidence level)

✖ When SA is ranked lowest amongst competitors

Note: For ranking purposes, if there are more than 10 destinations in survey, the following destinations are removed from rankings: USA followed by Italy and France

Source: SAT BrandTracker Feb-09 and Nov-09

Summary of Key Tourism Sub-Sectors and Barriers



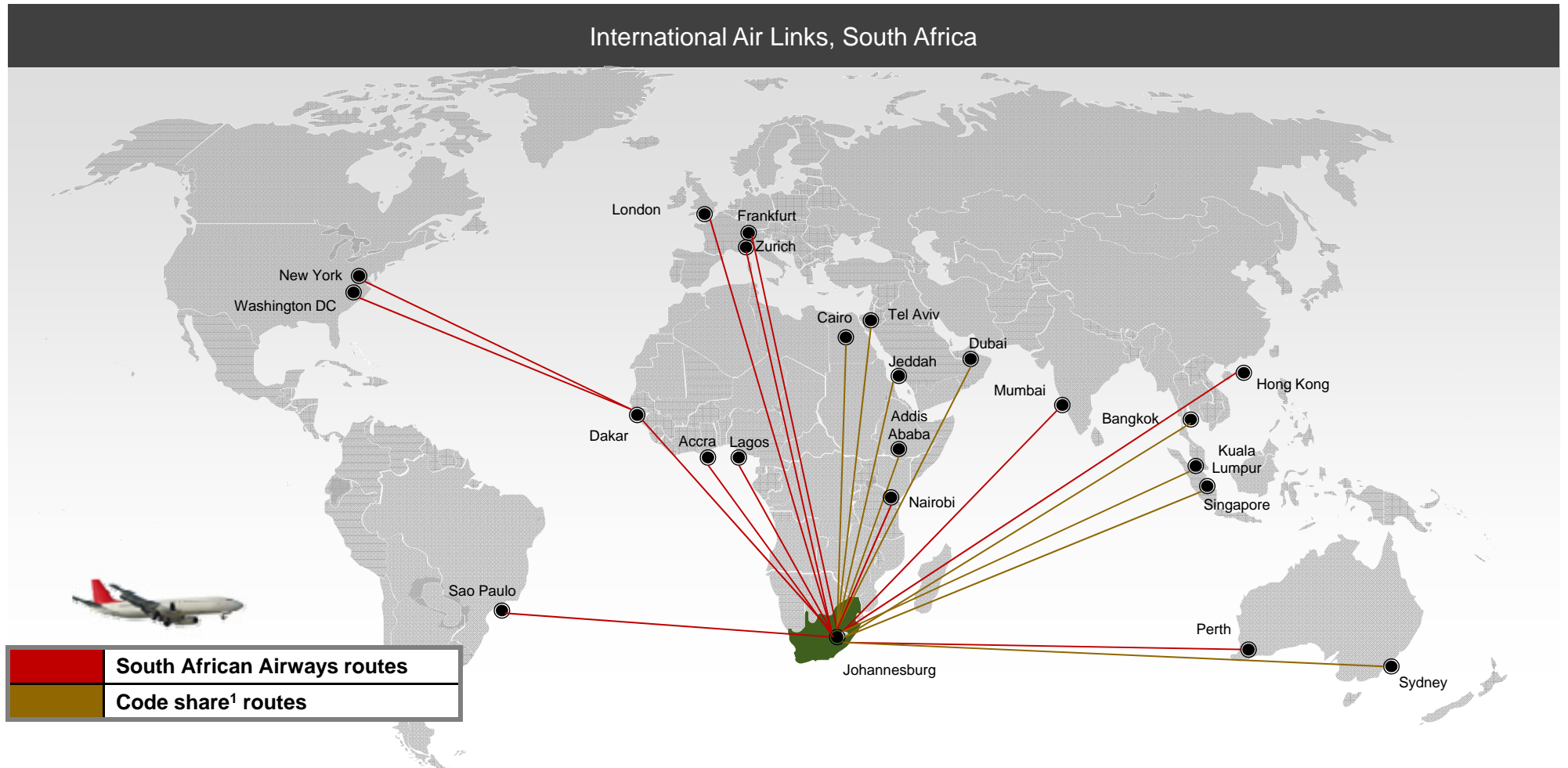
Capacity Assessment – Performance Scorecard Summary (1/2)

Capacity Assessment – Performance Scorecard				
Capacity Pillar	Parameter	2005	2009	CAGR
Airlift	Airlines serving South Africa	56	53 (2008)	-
	Total Air Passenger Movement	29.0 MM	32.2 MM	2.7% (2005–2009)
	Total Air Traffic Movement	0.46 MM	0.55 MM	4.4% (2005–2009)
	Air Arrival as Proportion of Total Arrival	32.2% (2003)	26.8% (2008)	-
Car Rental	Number of Rental Days	7.4 MM (2003)	11.5 MM (2007)	11.8% (2003–2007)
	Fleet Size	~35,000 (2003)	~51,000 (2007)	10.0% (2003–2007)
	Fleet Utilization	58% (2003)	62% (2007)	-
	Fleet Available / 1,000 Foreign Arrivals	5.3 (2003)	5.6 (2008)	-

Capacity Assessment – Performance Scorecard Summary (2/2)

Capacity Assessment – Performance Scorecard				
Capacity Pillar	Parameter	2005	2008	CAGR (2005–2008)
Accommodation	Accommodation Revenue (ZAR Bn)	7.4	12.6	19%
	Overall Occupancy Rate	45%	52%	-
	Occupancy Rate of Hotels	54%	60% ¹	-
	Available Stay Units (in '000)	108.0	109.8	0.5%
	Overall Average Stay Unit Rate (in ZAR)	422	605	13%
	Average Stay Unit Rate of Hotels (in ZAR)	527	758	13%
Skills and Service Levels	Number of People Employed in Tourism Related Sectors (in '000)	862 (2002)	1,042 (2008)	3.2% (2002–2008)
	Number of People Employed in the Accommodation Industry	68,834 (2004)	70,572 (2007)	0.8% (2004–2007)

South Africa is well connected to most key international locations across the globe, through the South African Airways and code share routes...



Note: The air links are only illustrative and indicative, and should not be considered exhaustive; ¹It is a route which is not directly served by a particular airline, but through an affiliated airline. Typically the user has to buy only one ticket. It allows an airline to serve destinations not on their route structure

Source: Airline Route Maps; Grail Research analysis

However, many of these links to key long haul source markets are primarily through indirect flights or code share routes

International Flights from Major Markets to South Africa

Country	Indicative Direct Flight Duration (Hrs)	South African Airways		Foreign Carriers	
		Direct	Indirect	Direct	Indirect
UK	11	✓	✓	✓	✓
US	15	✓	✓	✓	✓
Germany	10.5	✓	✓	✓	✓
France	10.5	✗	✓	✓	✓
Netherlands	11	✗	✓	✓	✓
Australia	15	✓	✓	✓	✓
Canada	–	✗	✓	✗	✓
Italy	–	✗	✓	✗	✓
India	9	✓	✓	✓	✓
Nigeria	5.5	✓	✓	✗	✓
Kenya	4.5	✓	✓	✓	✓
Sweden	–	✗	✓	✗	✓
Ireland	–	✗	✓	✗	✓

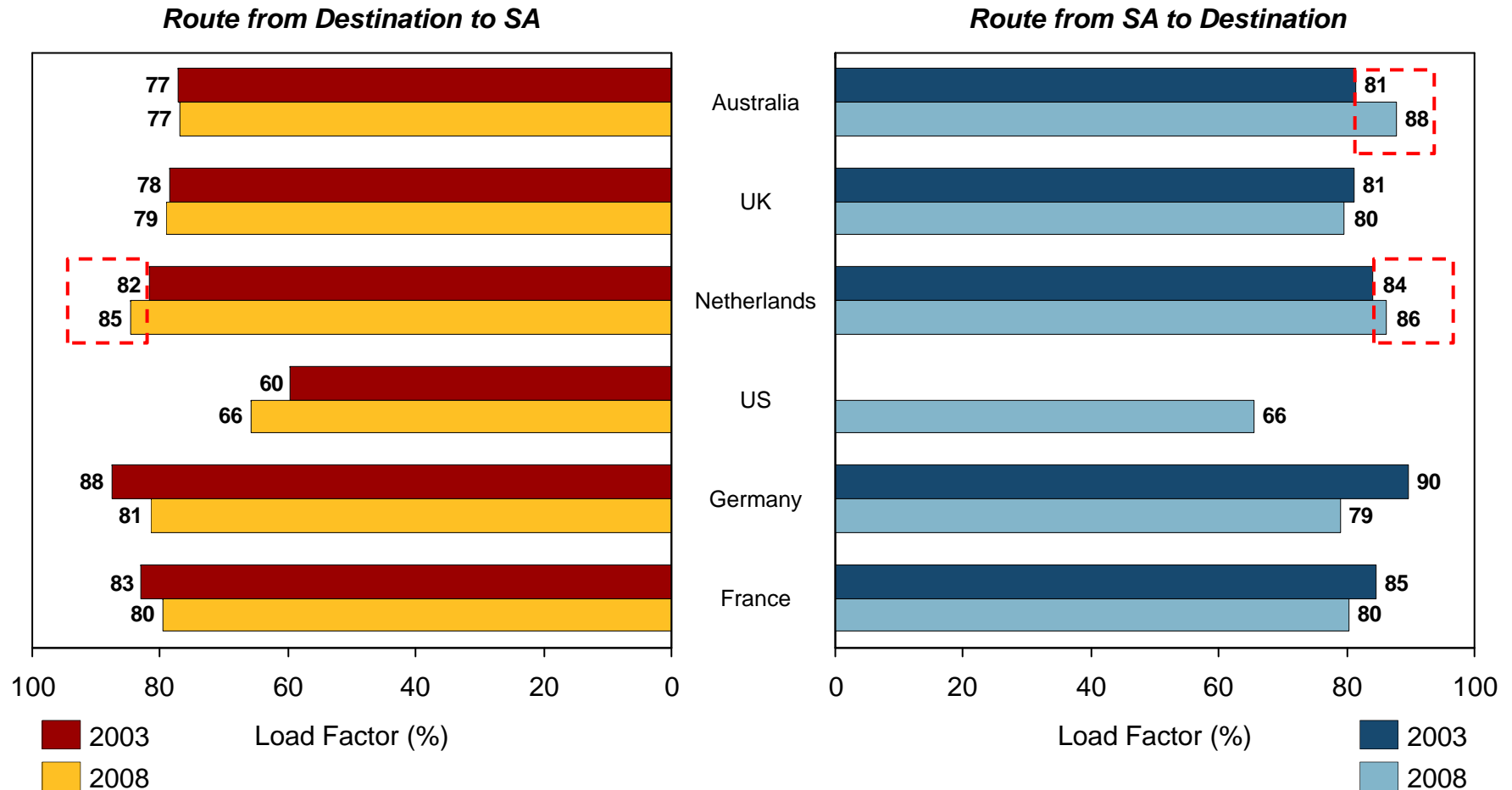
Direct flights offer convenience of travel while indirect flights charge lower fares. A combination of both the attributes will help in catering to a larger number of potential visitors

Note: Cities considered to determine the direct flight duration are UK: London, US: New York City, Germany: Frankfurt, France: Paris, Netherlands: Amsterdam, Australia: Sydney, Nigeria: Lagos, Kenya: Nairobi, South Africa: Johannesburg

Source: Travel Sites

Most load factors on major routes are high (>75%) and load factors on routes to, and from, Netherlands and the route to Australia has increased between 2003 and 2008

Load Factors, Routes Between International Locations and South Africa¹, 2003–2008

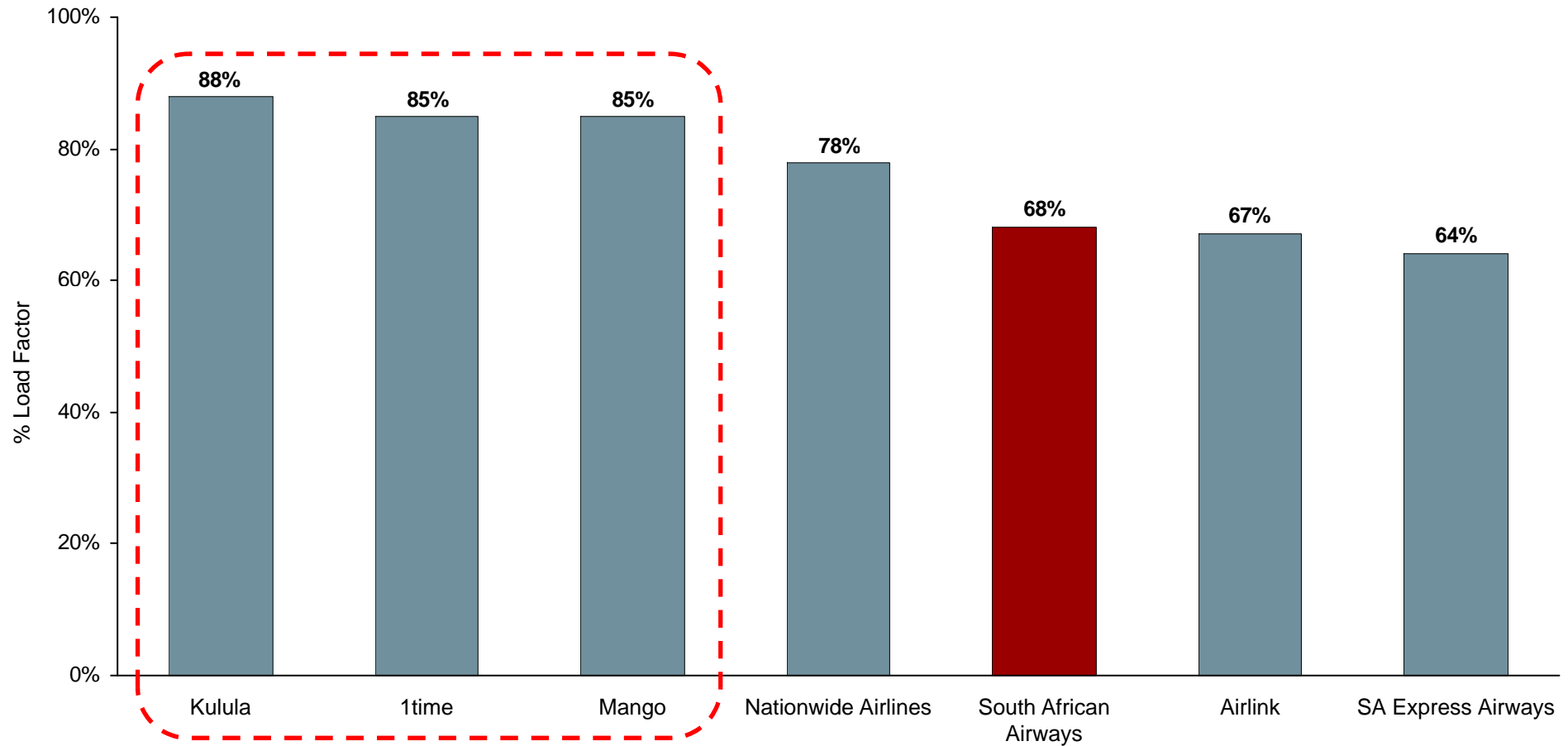


Note: ¹Above information is only for direct flights between the departing and arrival country; The six countries chosen in the analysis “International Load Factors” are the top six non-African nations which South Africa receives the maximum number of tourists (Australia, UK, Netherlands, US, Germany, and France)

Source: OAG Aviation
GCP review 2010 – SATSA Conference

Low cost domestic airlines such as Kulula, 1time, and Mango (~85%) experienced higher load factors than South African Airways (68%) in 2008

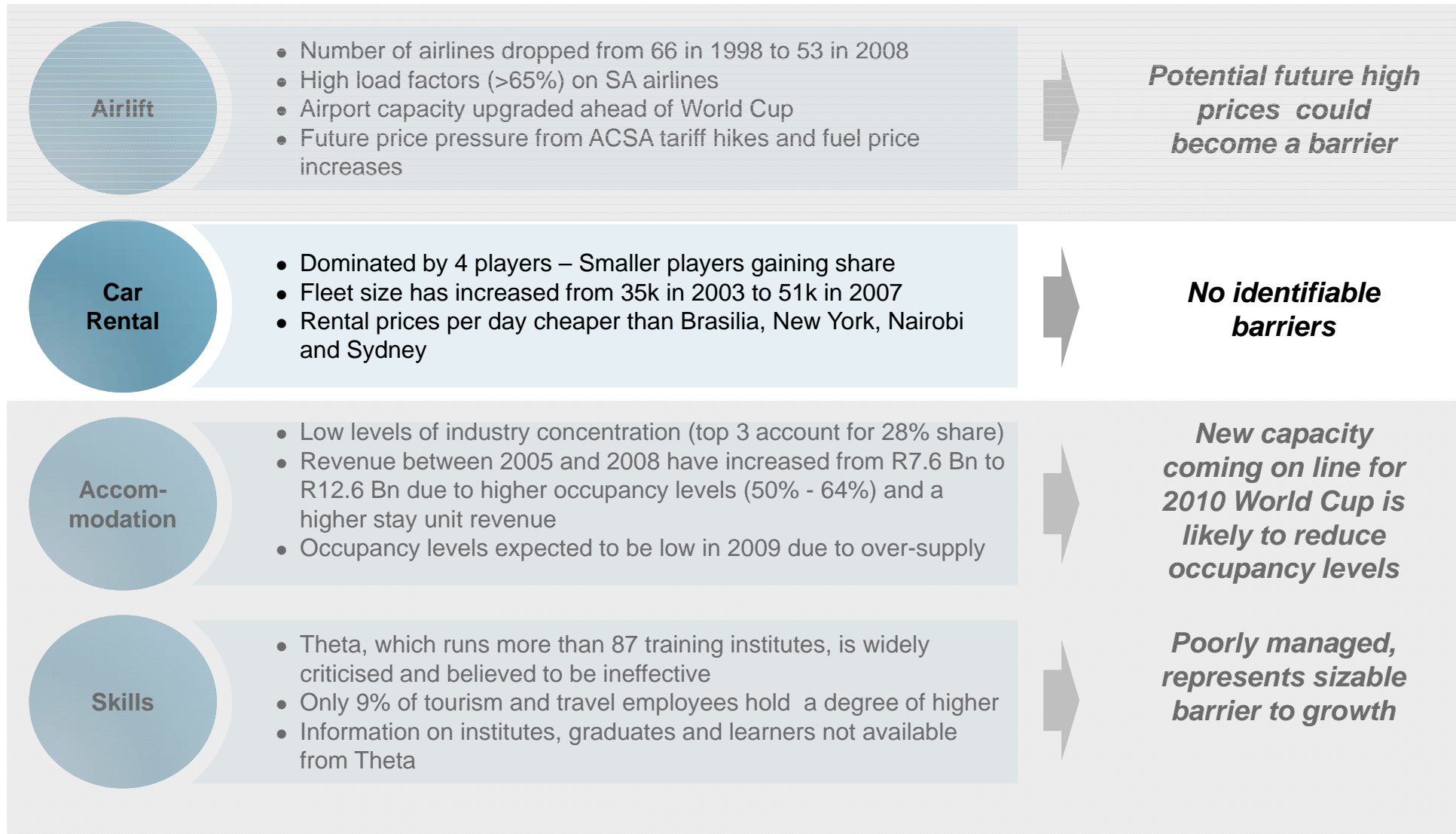
Load Factors of South African Airlines, Domestic Airlines, 2008



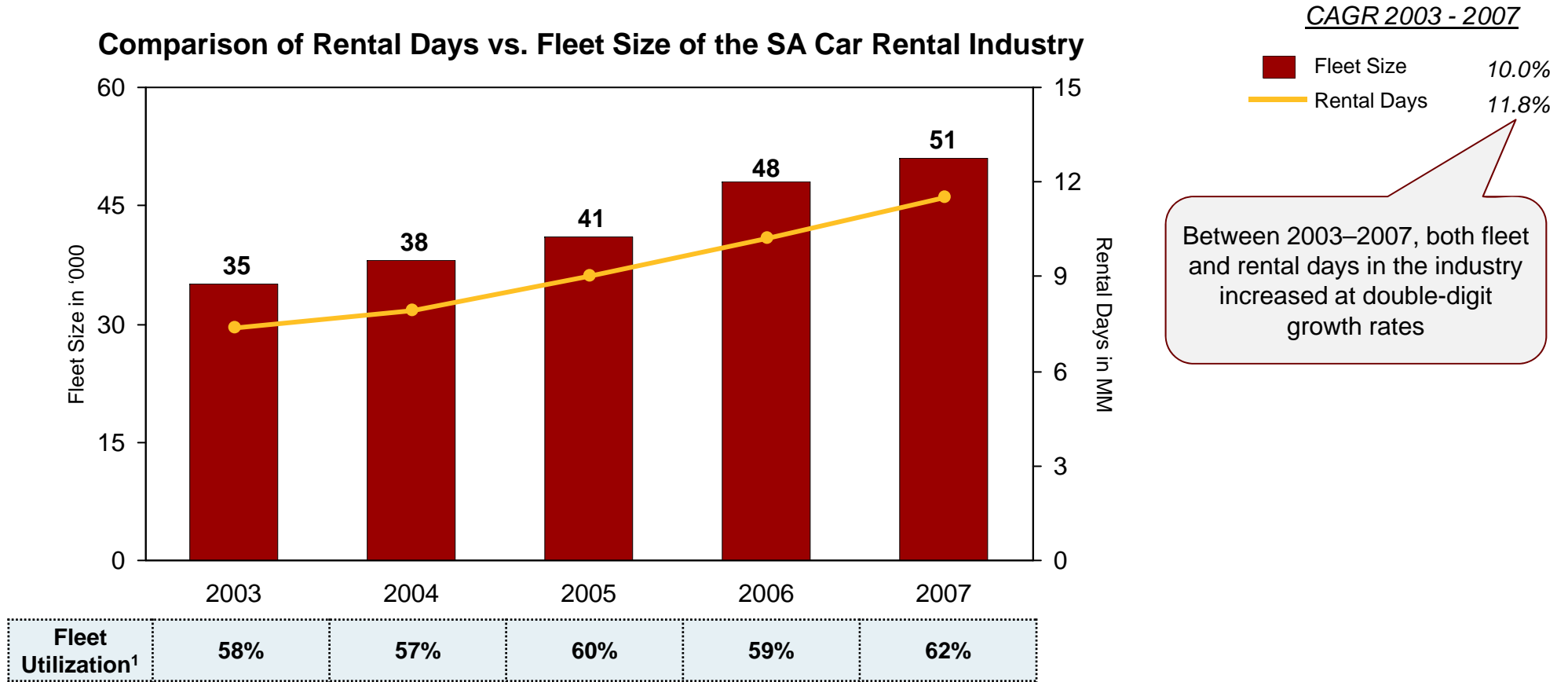
Source: 'Transportation – South Africa', Euromonitor, November 2009

GCP review 2010 – SATSA Conference

Summary of Key Tourism Sub-Sectors and Barriers



Despite an improvement in fleet utilization¹, substantial spare capacity exists in the industry to absorb any growth in demand

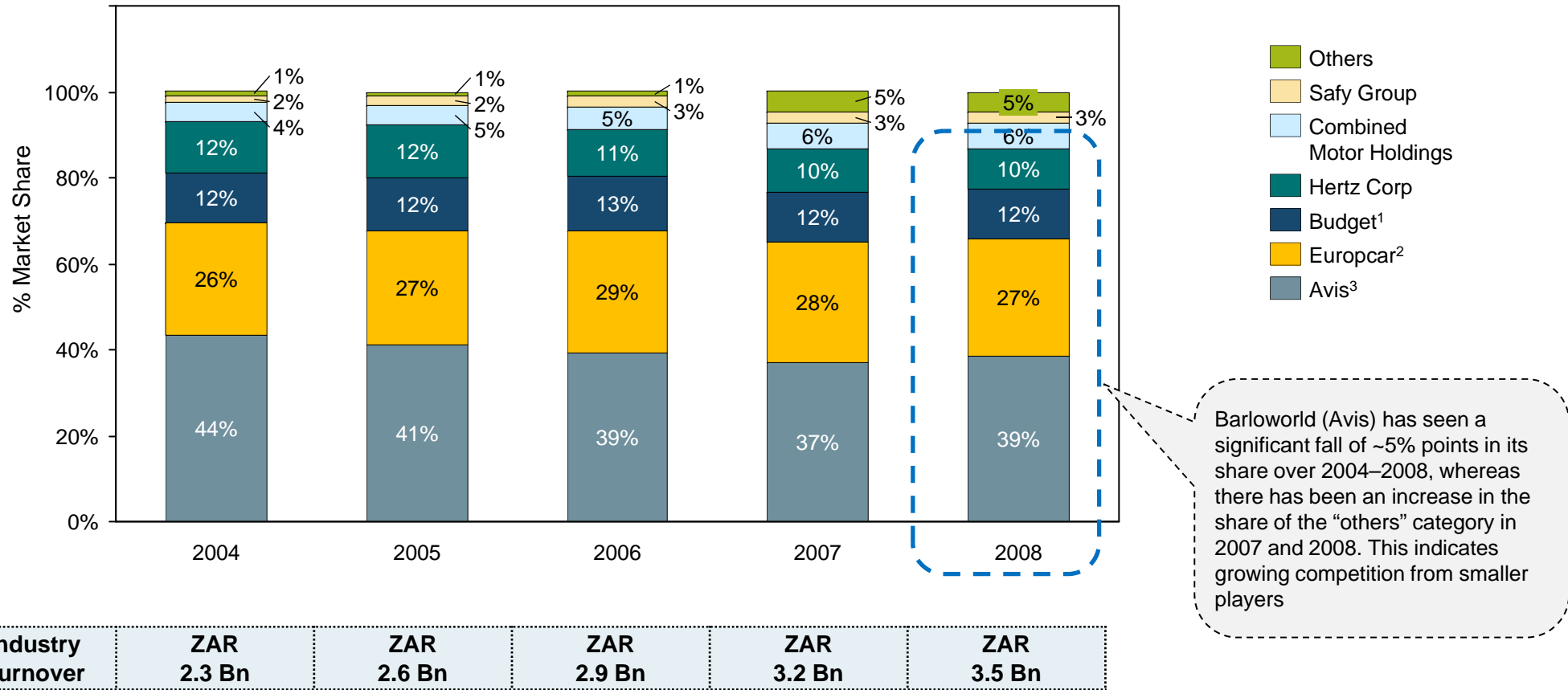


Note: ¹Fleet utilization has been calculated as $\{(Total\ number\ of\ Rental\ Days\ in\ an\ year) / (Fleet\ Size\ X\ Number\ of\ days\ in\ an\ year)\}$; For 2004, the number of days has been taken as 366; ²Information for 2008 not available from SAVRALA (Southern African Vehicle Rental and Leasing Association), which represents ~90% fleet of South African car rental industry, and ~95% of its revenue; For fleet size, year-end size has been used instead of average size due to non-availability of average data

Source: 'SAVRALA Car Rental Statistics', SAVRALA, October 2008; 'Car Rental in South Africa', Euromonitor, November 2009; Grail Research Analysis

The industry is dominated by four large players, however, smaller players are gradually gaining share which suggest greater levels of competition in the market

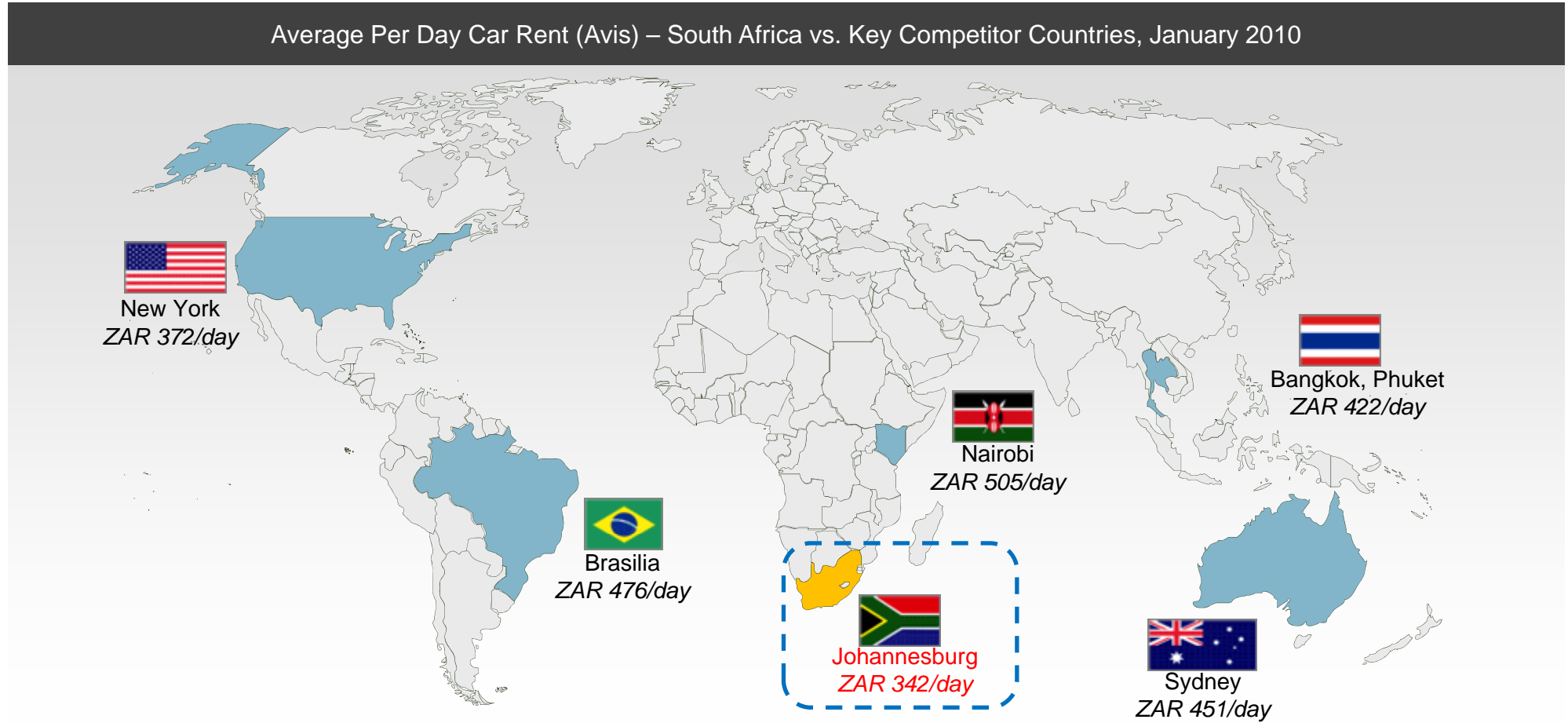
Market Share of Players in South African Car Rental Industry, 2004–2008



Note: ¹“Budget Rent a Car” brand is included in McCarthy; ²Imperial was rebranded as Europcar in June 2009; ³Barloworld includes companies such as Avis; Totals may not add up to 100% due to rounding off; Data for 2003 is not available in the source Euromonitor report

Source: ‘Car Rental in South Africa’, Euromonitor, November 2009; ‘Imperial Car Rental rebrands to Europcar’, BIZCommunity, June 2009

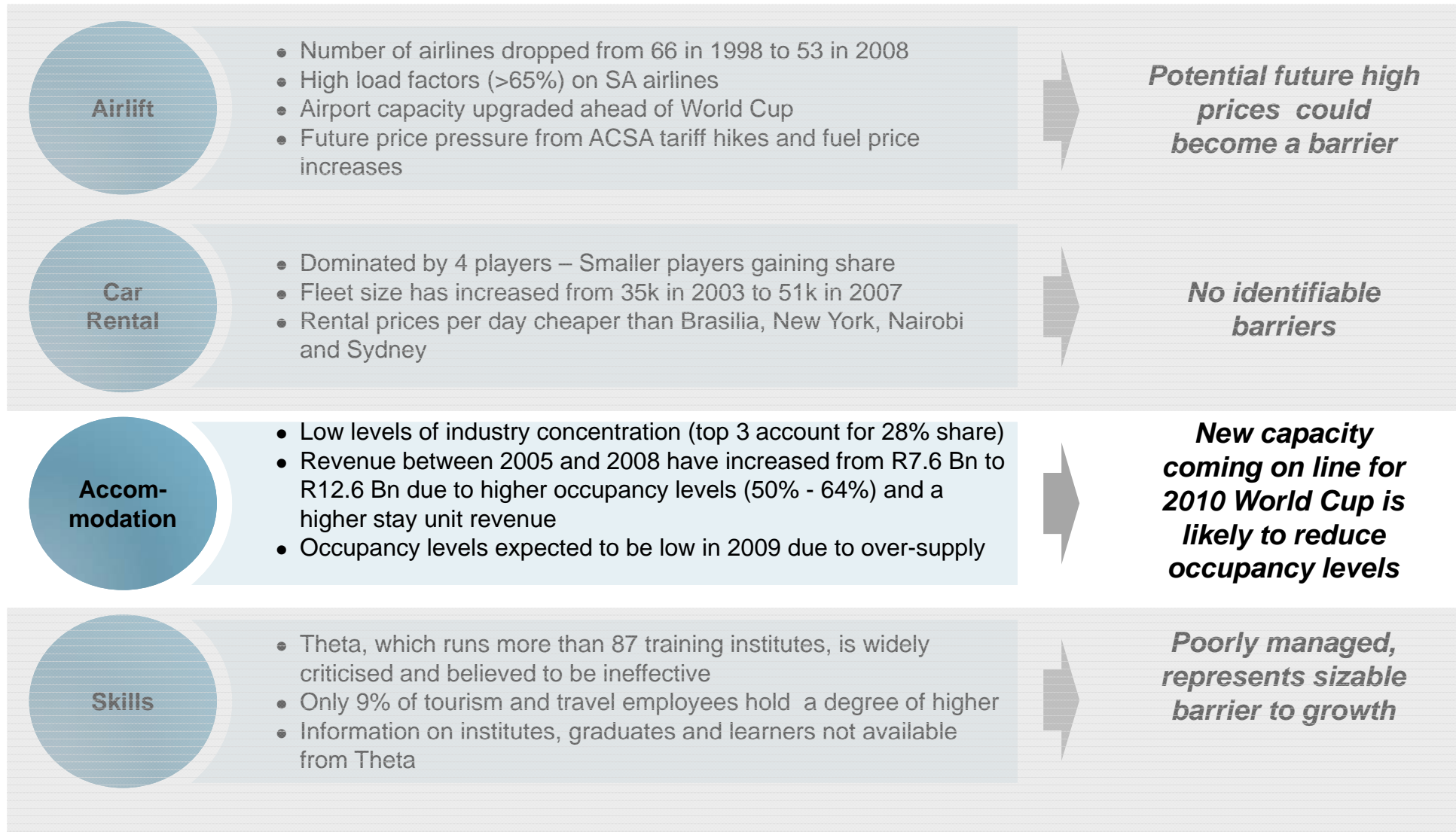
As of January 2010, the average per day car rental cost in South Africa was amongst the lowest when compared to all key competitor locations



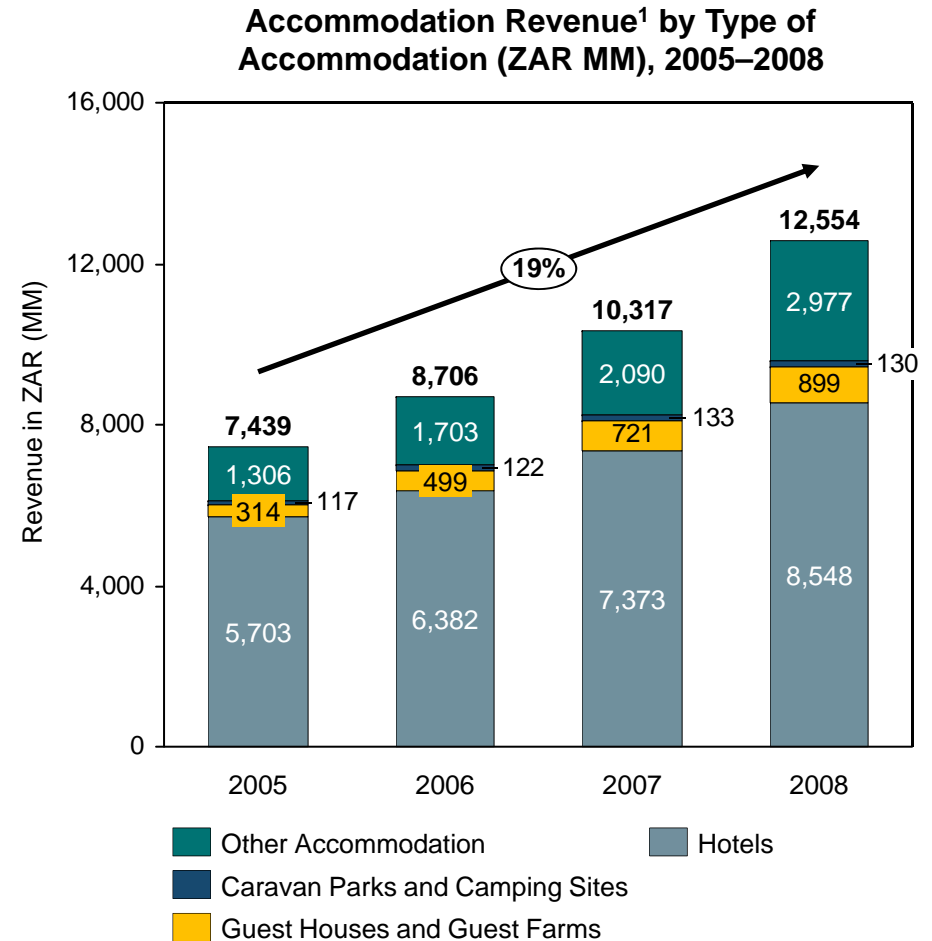
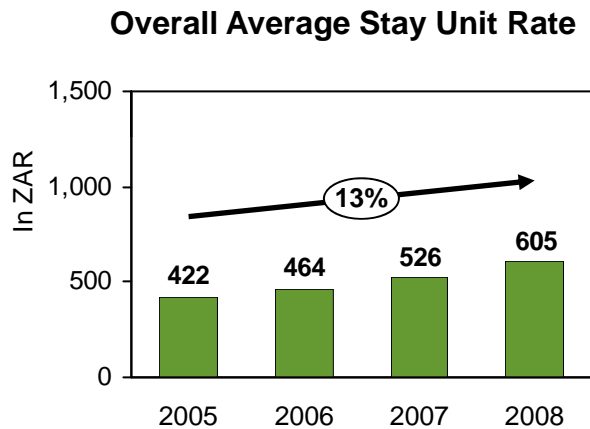
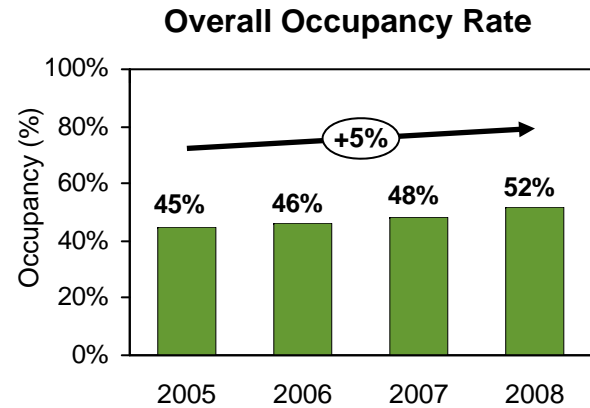
Note: Prices obtained on January 20, 2010; Average price was calculated by averaging rental charge for a Group A and Group B car (or Subcompact and Compact car – depending upon terminology used on respective countries' website) for 2 days in January 2010, for Avis, as visible on Avis' worldwide websites using default settings; Prices in local currencies were converted to ZAR using the conversion rate as of January 20, 2010

Source: Avis worldwide websites; Grail Research Analysis; Telephonic conversations with Avis

Summary of Key Tourism Sub-Sectors and Barriers



A high stay unit rate as well as higher occupancy levels have contributed towards strong revenue growth in the industry between 2005 and 2008

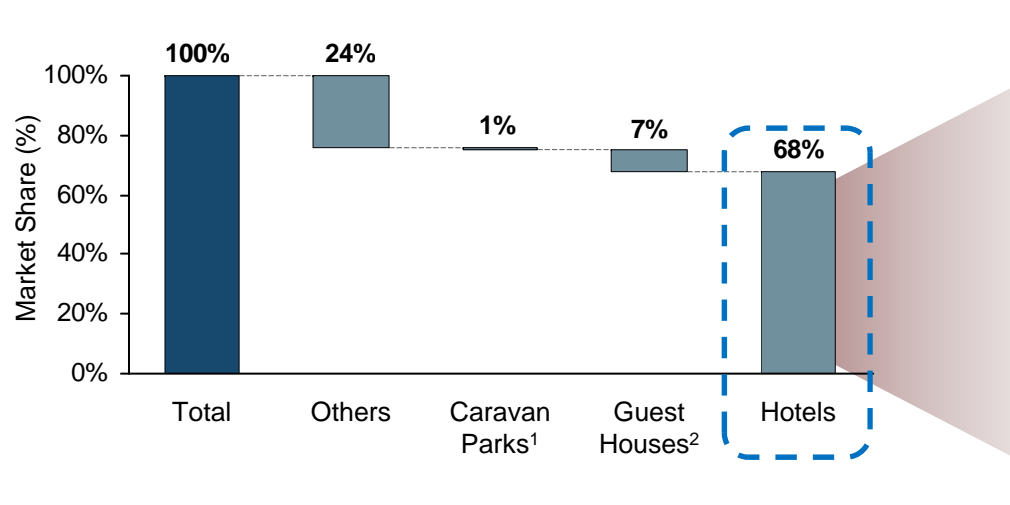


Note: ¹Accommodation revenue is the revenue earned from renting out stay units. It does not include income from other sources such as restaurant and bars; ²Other Accommodation include hostels, backpackers, old-age homes, training camps, etc.; ³Caravan Parks and Camping Sites are temporary or mobile accommodation, generally popular in nature reserve parks; ⁴Guest Houses include standalone accommodation such as cottages or apartments; Guest Farms are Guest Houses within an animal farm or animal park

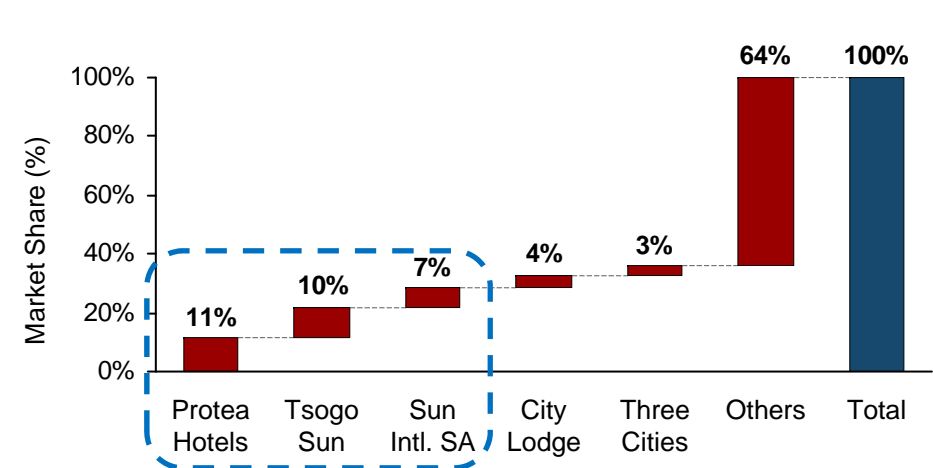
Source: Tourist accommodation time series data extracted in January 2010, Stats SA; Monitor Analysis

In 2008, the top three hotel chains i.e. Protea, Sun and Tsogo accounted for more than 25% of the overall hotel market indicating low levels of industry concentration

Composition of South Africa's Accommodation Industry, by Value (2008)



Hotel Market Share by Value (2008)



Key Trends in South African Accommodation Industry

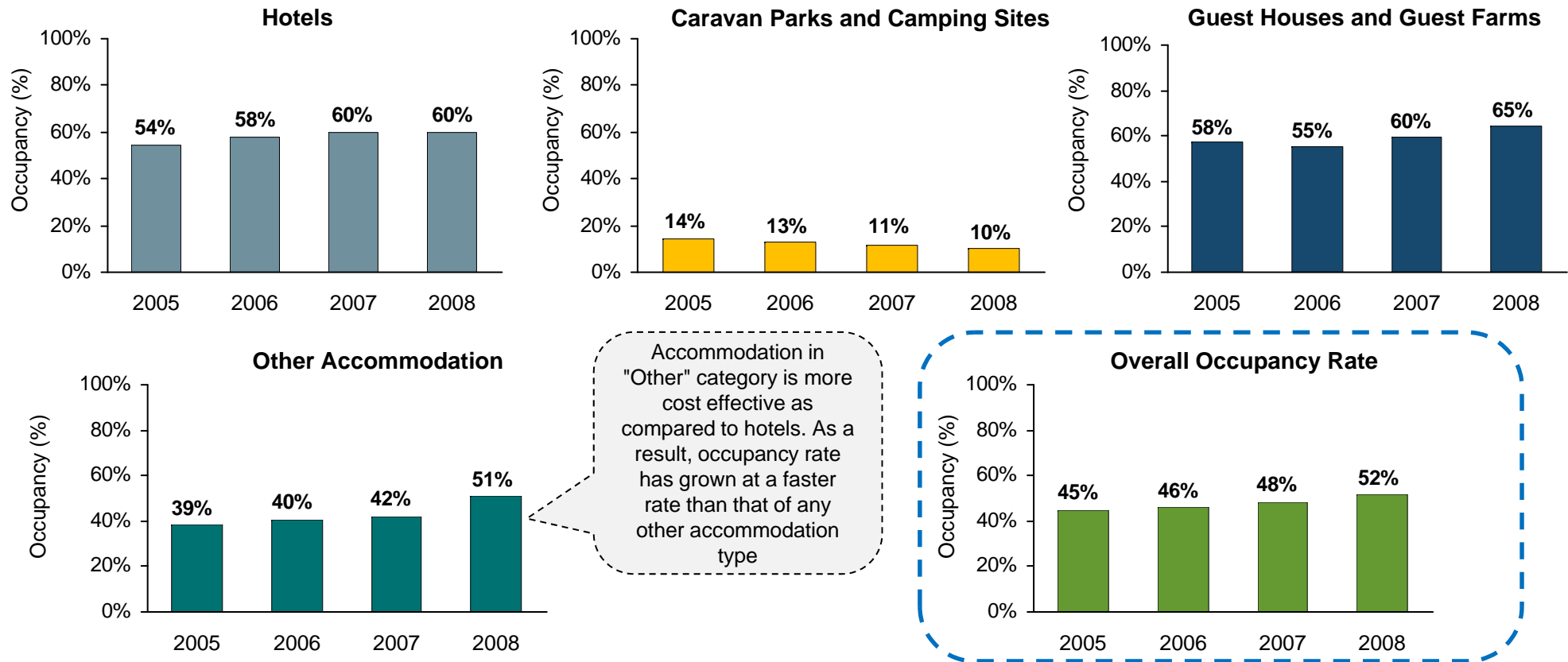
- Value of accommodation bookings through the internet has increased from ZAR 536.6 MM in 2003 to ZAR 2515.4 MM in 2008, a CAGR of over ~36%
- Government spending on hotel accommodation has increased from ZAR ~79 MM in 2006–2007 to ZAR ~138 MM in 2008–2009, a CAGR of over 32%
- The preparations of 2010 FIFA World Cup had created 80,000 jobs in South Africa's hospitality sector till 2008. An additional 116,000 jobs are expected to be created by 2012
- Some South African resorts are leveraging the favorable currency exchange rates in their marketing campaigns in an attempt to attract foreign tourists to South Africa
 - For example, currently weak value of the South African Rand (ZAR) compared to the British Pound (GBP) is expected to result in more economical trips to South Africa from Britain

Note: ¹Caravan Parks include Caravan Parks and Camping Sites; ²Guest Houses include Guest Houses and Guest Farms

Source: Tourist accommodation time series data extracted in January 2010, Stats SA; News24; Hotel News Now; 'Travel Accommodation - South Africa', Euromonitor, November 2009; Government Communication and Information System

Occupancy rates in the country witnessed an increase between 2005–2008 for all categories except caravan parks

Occupancy Rate of Stay Units¹ by Accommodation Type, 2005–2008








Note: ¹A 'Stay Unit' is 'The unit of accommodation available to be charged out to guests, for example, ...a room in a hotel', Stats SA; Tourist accommodation time series data extracted in January 2010

Source: Stats SA; Grail Research Analysis

It is likely that overall hotel occupancy rates will drop in the longer term due to additional capacity from the many new hotel openings ahead of the 2010 World Cup

Local and international accommodation providers are increasing capacity in anticipation of increased demand due to the 2010 FIFA World Cup

Recent New Hotel Openings in South Africa

Name of Hotel Chain	Location of New Hotel	Launch Period	Comments
Coral Hotels & Resorts, UAE 	Cape Town	December 2009	The 5-Star hotel Coral International Cape Town does not serve alcohol
Taj Hotels Resorts and Palaces, India 	Cape Town	December 2009	First hotel in South Africa by the Taj Group
Hyatt Regency, US 	George	December 2009	The hotel in George is Hyatt's second property in South Africa
Rezidor Hotel Group, Belgium 	Johannesburg	April 2009	Two more hotels are planned by the group in South Africa in 2010
Nakheel, Dubai 	Cape Town	June 2010	Queen Elizabeth 2, will be moved to Cape Town in South Africa to become a hotel during 2010 FIFA World Cup

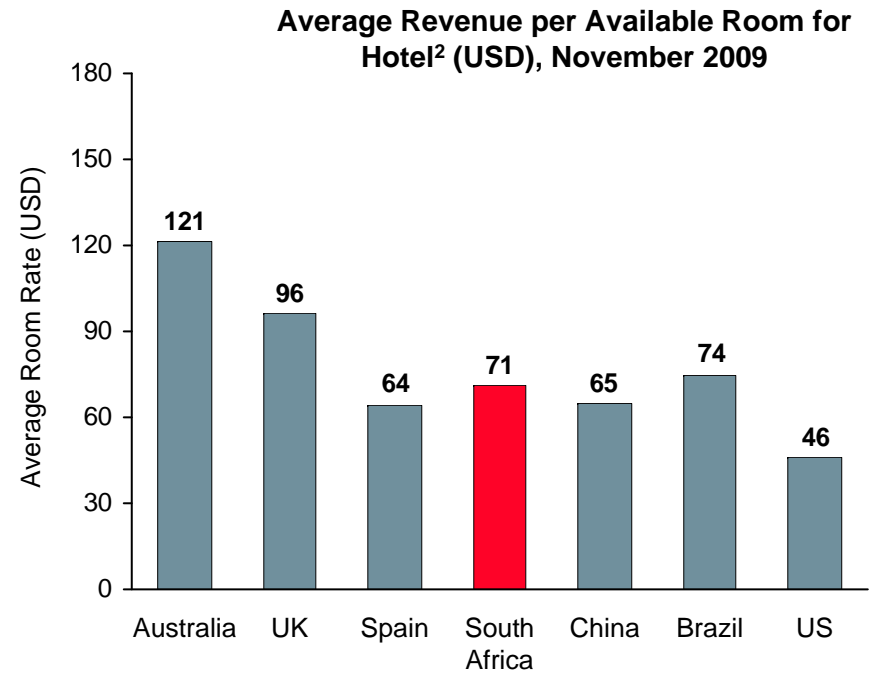
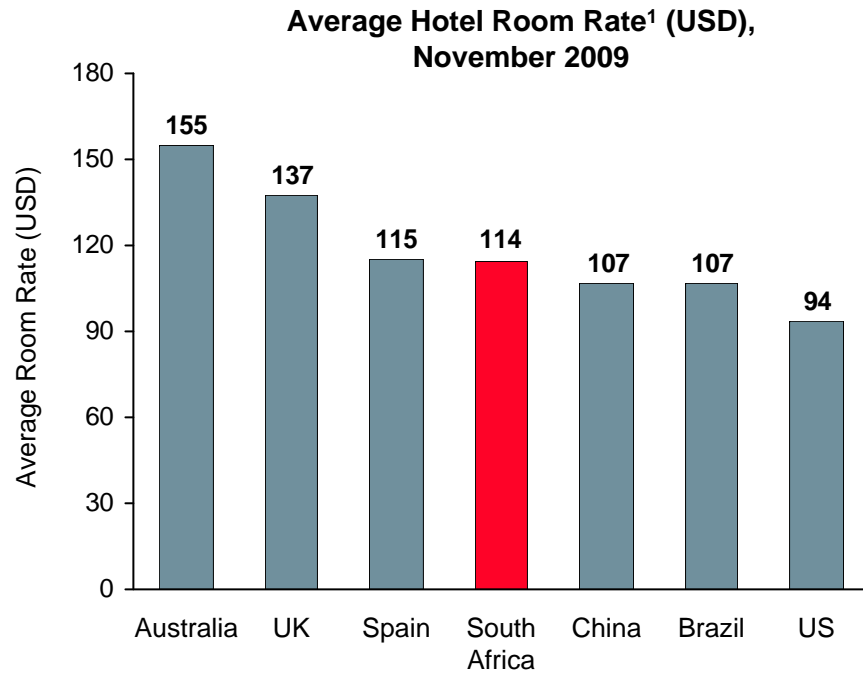
Developments in Accommodation

- About 445,000 foreign arrivals are expected in South Africa during the 2010 FIFA World Cup
- South African hotel chains are adding capacities or renovating existing facilities to cater to the additional arrivals
 - About 30 new facilities have been opened, including 10 new 5-star hotels with a total of ~1,500 rooms
- The initial worries regarding accommodation capacity in the country no longer exist
 - According to Jerome Valcke, FIFA general secretary, *"We are sure now to accommodate all the potential requests we will receive whatever the demand"*
- During previous South African sports events, only hotels were officially promoted to accommodate visitors. However, in the 2010 World Cup, the guests will be provided with accommodation in non-hotel establishments as well such as national park accommodation, lodges, guesthouses, and bed and breakfasts

Source: Islam Online; Hotel News Now; Hospitality Net; Hotel News Resource; South African Government Information; SAT; Reuters; Tourism Business Council of South Africa

The average hotel room rates in South Africa are still lower than those in competitor destinations such as Australia and the UK

Comparison of Average Room Rate and Revenue Per Available Room, November 2009

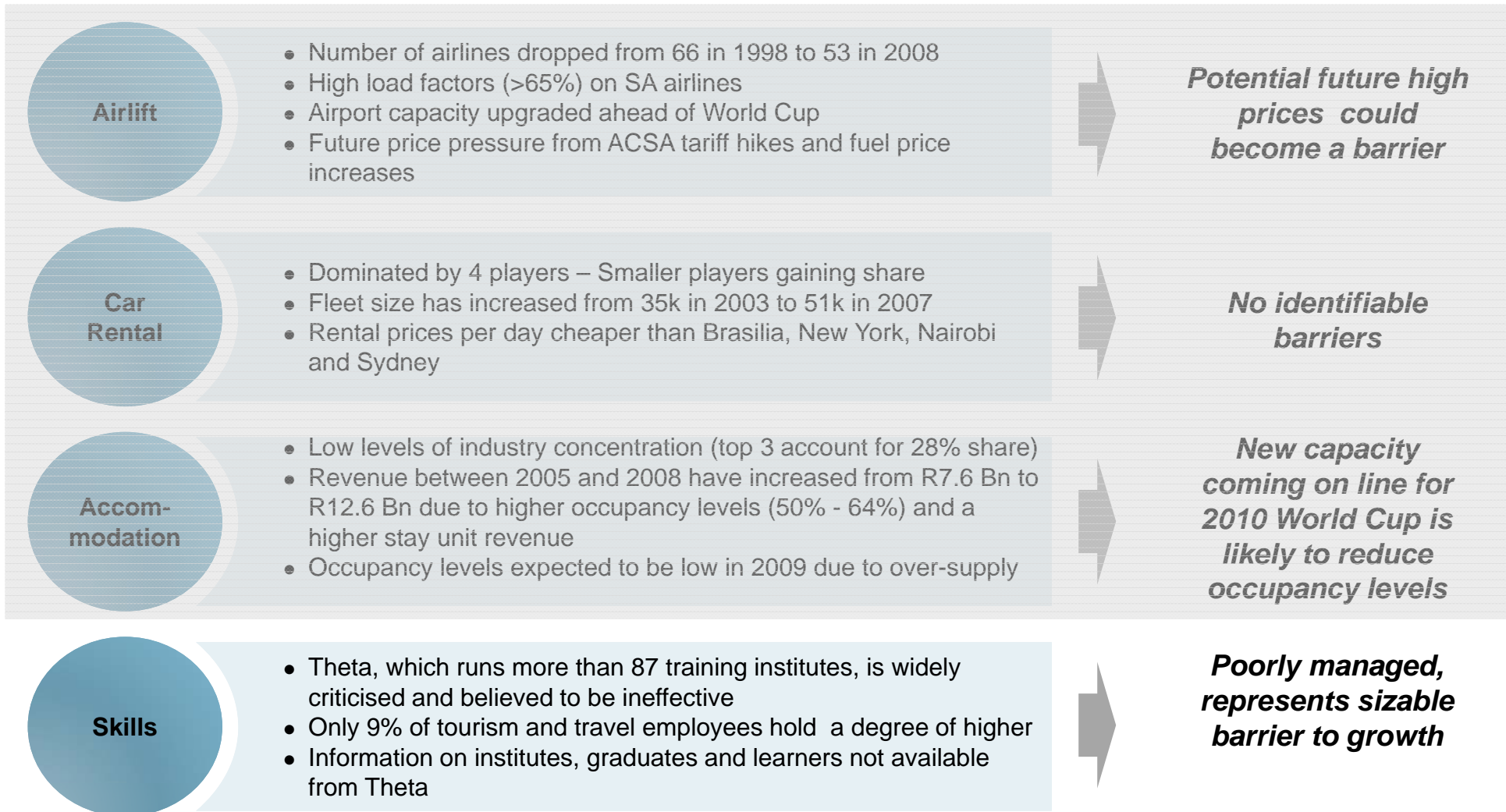


Exchange Rate	Australia	UK	Spain	South Africa	China	Brazil
1 USD to Local Currency	AUD 0.91855	GBP 1.65905	EUR 1.4899	ZAR 0.13306	CNY 0.14665	BRL 0.57942

Note: ^{1,2}Average hotel room rate and average revenue per available hotel room for Australia, UK, Spain, South Africa, China, and Brazil have been converted from the local currencies to USD by using the average conversion ratio for the month of November 2009 from Oanda.com as shown above

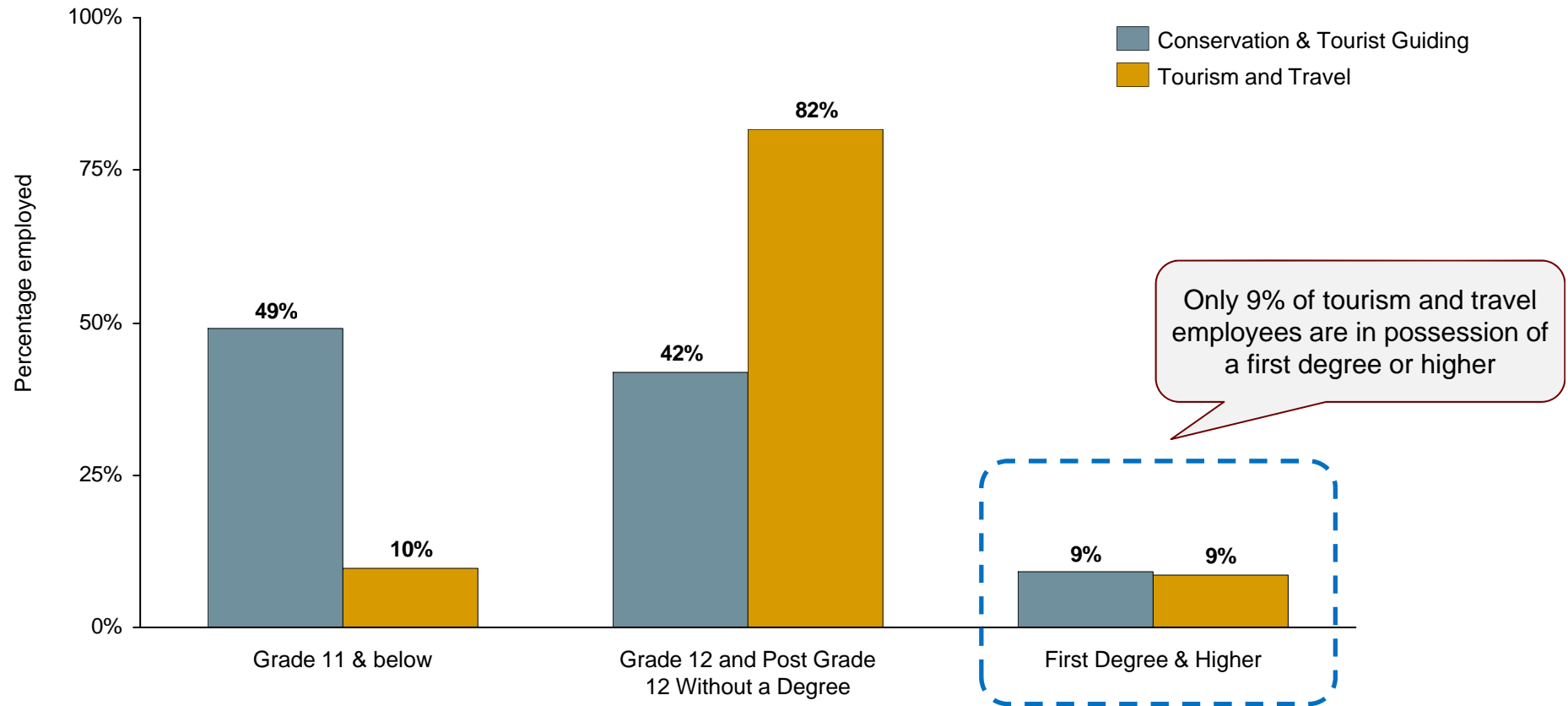
Source: STR Global

Summary of Key Tourism Sub-Sectors and Barriers



THETA has an important role to play in the industry as only a small percentage of industry workers hold an undergraduate degree or higher

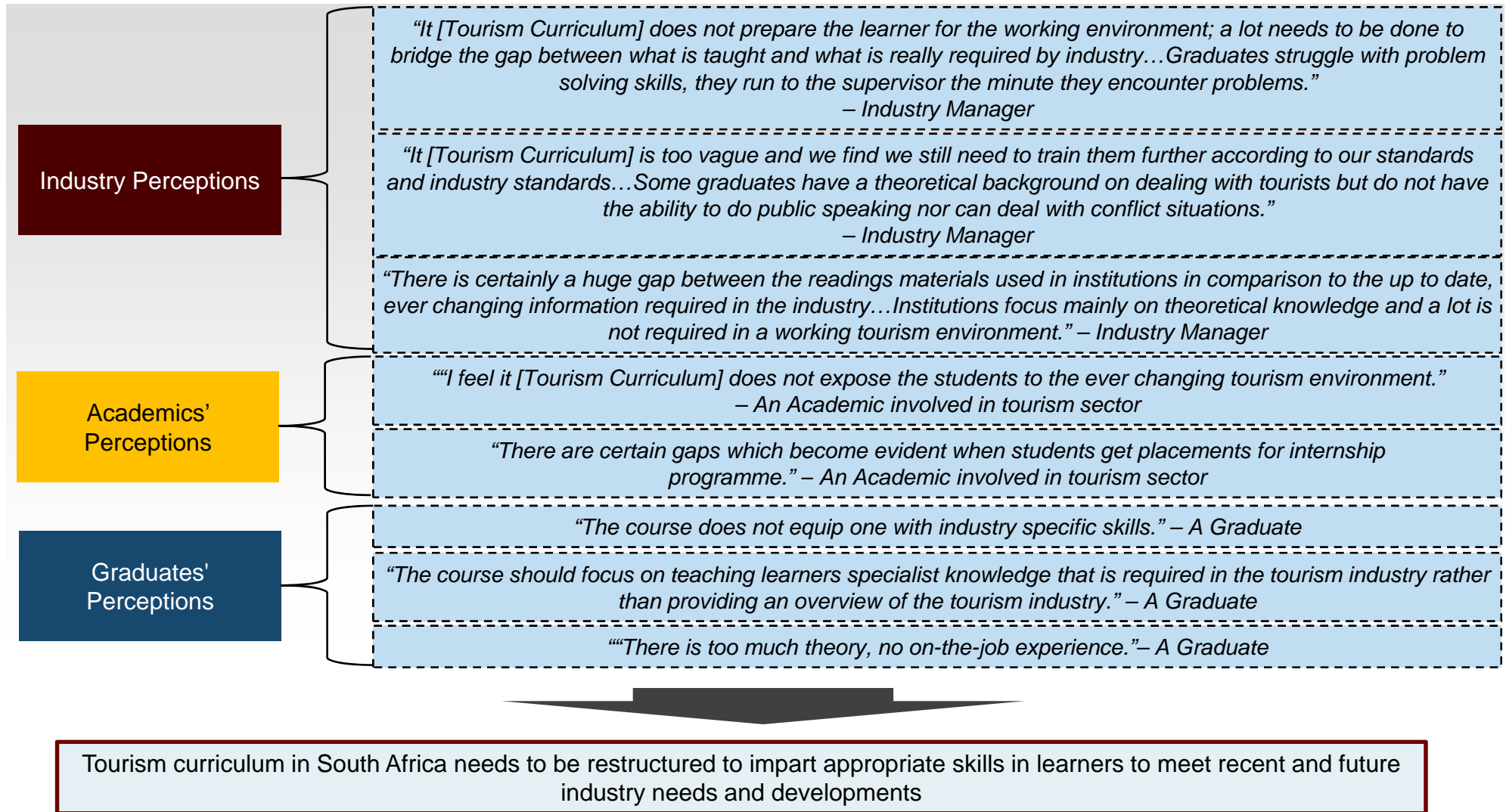
Educational Levels across Tourism and Related Sectors, 2006



Note: Data for the overall industry could not be sourced. However, THETA can be considered to be a representative of the industry and the educational levels of its employees within the tourism and related sectors will be closely related to that of the actual industry

Source: Sector Skills Plan, THETA, November 2006

Industry participants believe that the tourism training curriculum is largely theoretical and does not address to the changing trends in the industry



The opinion of the industry is that THETA is not sufficiently equipped to fulfill its critical role in improving the skill level of tourism industry workers

In addition, very little data on the industry training situation is generated and debated publicly by THETA

"THETA has not been able to impart the skills to survive in the industry. South Africa is spending ZAR 150 Bn in education. For the size of our economy, that is a lot of money. So money is not the problem, management of resources is" – Member of Executive Council of a holding company in South Africa, having interests in tourism, February, 2010

"I think there is a gap in what is desired and what is present in the skills and service levels of the people employed in the industry. THETA is a very weak body. It has not done enough." – CEO of a Tour Operator in South Africa, February, 2010

"Tourism is a dynamic and ever-changing industry. It therefore requires a skilled, specialized and professional workforce. Limitless opportunities exist in the industry for all students who graduate successfully" – Director Education and Training at a Management Academy, Nov, 2009

"It's a new training era; we are going to stop the generational trends in passing down bad habits and the wrong attitude....The massive influx of international guests in 2010 will require streamlined service delivery" – Hospitality Industry Veteran, Sept, 2009

"There is such a lack of correct mentoring/training programmes in the hospitality industry" –Managing Director at a Staffing Services Company, Sept, 2009

"South Africa simply cannot afford these high levels of unemployment, inequality and poverty and this is a main reason why government endorses this initiative of the ABET-THETA Programme, in particular and especially if we can show a direct link between skills and a job - where the industry drives training that should be possible and it is a must." – Phumzile Mlambo-Ngcuka , Deputy President South Africa, July 2008

Source: "International tourism course launched", The Skills Portal, Nov 2009; "2010 calls for enhanced hospitality training", The Skills Portal, Sept 2009; "Abet-Theta Programme to Skill 28 000 Tourism Workers", allAfrica.com, July 2008; Expert Interviews

Recommendations

- Safety & Security, in particular, is a key barrier to travel and consideration should be given to dedicated tourist policing, faster response time and other initiatives such as community programmes as measures to improve safety
- The skills and training sector of tourism present the largest and most immediate barrier for future growth
 - THETA needs to be equipped with the correct levels of capacity to more effectively plan and facilitate skills development in the industry
 - This should include initiatives to improve the relevance of current training programmes / curriculum and institutional capacity
 - In order to achieve this, THETA needs to collect in-depth data on human resources within the tourism industry
 - This will allow THETA to understand, and plan for, current and future skills gaps more effectively
- High load factors along key domestic and international routes could become a barrier to growth and needs to be monitored actively
- The effects of increased accommodation capacity as a result of the 2010 World Cup on industry occupancy levels should also be actively monitored
- Planning for the tourism industry needs to take cognisance of its broader, cross-cutting impact on many industries especially the Retail & Wholesale, Electricity & Gas and Transport industries
 - More industry collaboration, even at a provincial level, between the tourism sector and industries it influences could facilitate an increase in the total economic contribution of the cluster of industries

Thank you



It's Possible