

PRESENTATION TO THE PORTFOLIO COMMITTEE ON TOURISM

ORGANISATIONAL PERFORMANCE RESULTS QUARTER 1: 2016/17

02 September 2016



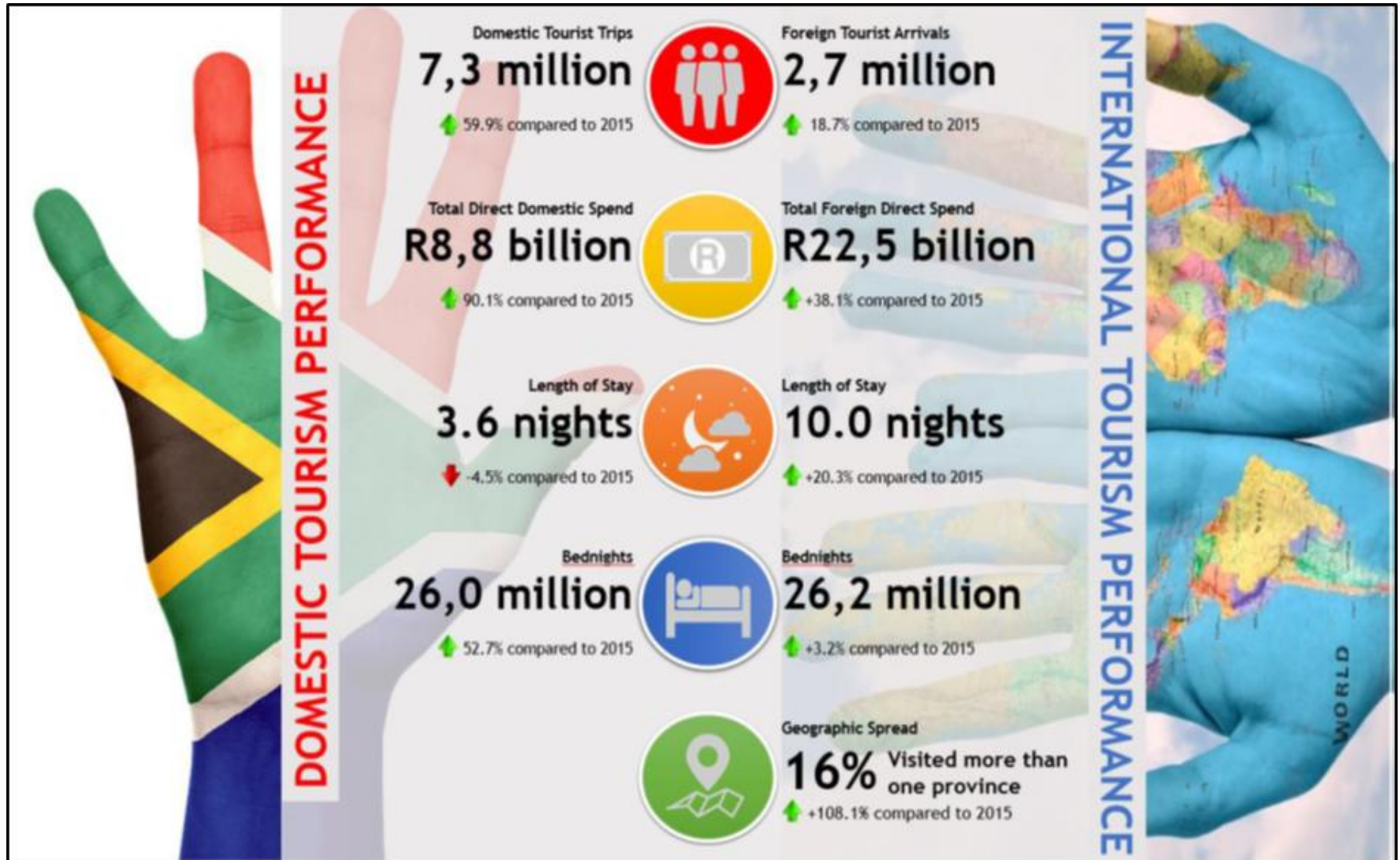
SOUTH AFRICAN TOURISM

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Leisure Tourism Performance Overview



Leisure Tourism Performance in Quarter 1 of 2016/17



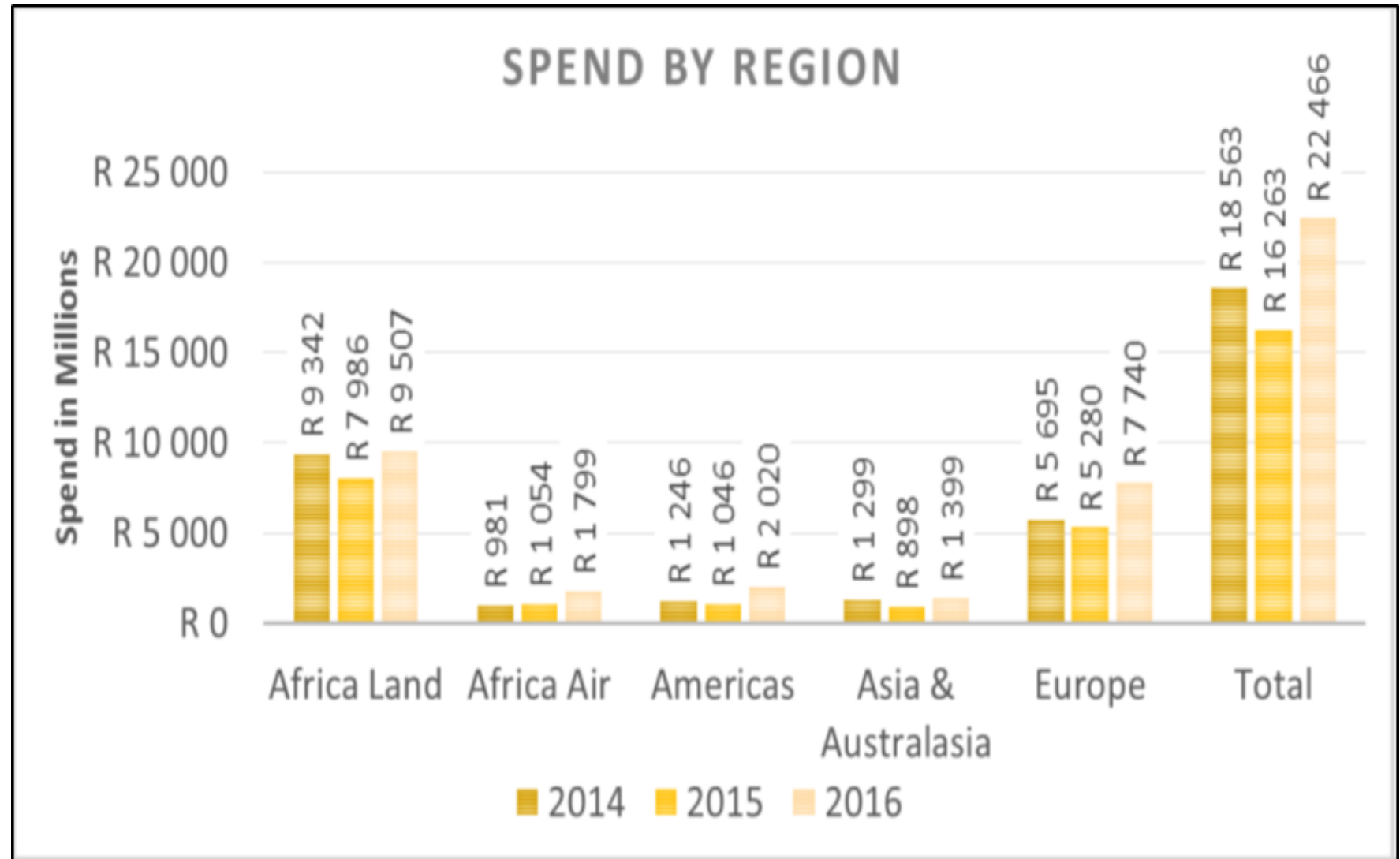
Domestic Tourism Performance

Key Metrics		Q1 2014	Q1 2015	Q1 2016	% growth ('16 vs '15)
	Total Trips	7.8 million	4.6 million	7.3 million	60%
	Trips by Purpose	VFR: 78% Holiday: 9% Business: 5%	VFR: 66% Holiday: 15% Business: 8%	VFR: 70% Holiday: 9% Business: 11%	70% -2% 116%
	Total Spend	R8.2 billion	R4.6 billion	R8.8 billion	90%
	Spend by Purpose	VFR: 61% Holiday: 22% Business: 12%	VFR: 45% Holiday: 29% Business: 21%	VFR: 46% Holiday: 24% Business: 24%	54% 93% 114%
	Average Spend	R1,040 / Trip R290 / Day	R1,020 / Trip R270 / Day	R1,210 / Trip R340 / Day	19% 24%
	Total Bednights	27.5 million	17.0 million	26.0 million	53%
	Average Nights	3.5 nights	3.7 nights	3.6 nights	-2%
	Provincial Share of Trips	Lim: 25% KZN: 19% GP: 14% MP: 14% EC: 9%	GP: 25% KZN: 22% Lim: 22% EC: 11%	GP: 25% Lim: 24% KZN: 17% WC: 10% EC: 8%	

Geographic Spread

					
	Arrivals	Spend (Millions)	Length of stay	Bednights	% Visited other provinces
Gauteng	1 155 659	R 9 830	8.7	9 770 429	29.6%
Western Cape	445 266	R 5 650	10.9	4 698 652	39.6%
Eastern Cape	95 211	R 959	8.7	802 147	74.4%
Kwazulu Natal	204 577	R 1 255	7.7	1 522 371	38.3%
Mpumalanga	425 515	R 1 605	6.6	2 726 893	45.0%
Limpopo	398 798	R 2 115	4.6	1 756 835	8.4%
North West	254 423	R 540	7.2	1 777 271	42.2%
Northern Cape	26 868	R 183	9.1	235 662	21.4%
Free State	311 030	R 324	9.7	2 923 995	8.1%

Tourism Revenue



Organisational Performance Overview

2016/17 Organisational Performance Results - Quarter 1

Strategy One: Invest in selected markets for leisure tourism to deliver volume (travellers) and value (tourism revenue)
Strategy Two: Work with trade partners to leverage resources to deliver travellers to and within South Africa.

Strategic Objectives	Number of international arrivals achieved	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Contribute to the South African economy by increasing the number of travellers into and within South Africa.	Number of international tourist arrivals achieved	9 077 995	YTD: 2 294 078 Q1: 2 294 078 Q2: 2 053 746 Q3: 2 239 457 Q4: 2 490 713	YTD: 2 721 005 (Jan - Mar 2016) Q1: 2 721 005	<p>Target exceeded by 19%. The year on year performance in tourist arrivals increased by 18.7% from 2 292 169 in Q1 of 2015 to 2 721 005 in 2016. Significant growth has been in Asia (39.6%), Middle East (31.9%), Africa (19.6%), North America (15.1%), Europe (13.3%) as well as Central and South America (13.5%). The performance was driven by:</p> <ul style="list-style-type: none"> •Improved forward bookings following the Ebola outbreak; •Recovery by some source markets; •The opening of more visa facilitation centers across China; •The Air China direct air route; and •Various in market promotional activities.

2016/17 Organisational Performance Results - Quarter 1

Strategy One: Invest in selected markets for leisure tourism to deliver volume (travellers) and value (tourism revenue)

Strategy Two: Work with trade partners to leverage resources to deliver travellers to and within South Africa.

Strategic Objectives	Key Performance Indicator	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Contribute to the South African economy by increasing the number of travellers into and within South Africa.	Number of domestic holiday trips achieved	3 059 764	YTD: 750 474 Q1: 750 474 Q2: 603 579 Q3: 553 190 Q4: 1 152 521	YTD: 661 000 (Jan - Mar 2016) Q1: 661 000	Although the performance on domestic holiday trips is 12% below target, there was a 60% year on year increase in total trips taken in Q1 of 2016 (7.3 million) compared to Q1 in 2015 (4.6 million). These were driven by a substantial increase in the share of VFR trips as well as public holidays this quarter. From an economic perspective, the first quarter of 2016 reflected an adverse position as the economy contracted. Two negative movements in the interest rate alongside soaring prices of goods and services (food) attributed to the heavy load that consumers felt this quarter.

2016/17 Organisational Performance Results - Quarter 1

Strategy One: Invest in selected markets for leisure tourism to deliver volume (travellers) and value (tourism revenue)
Strategy Two: Work with trade partners to leverage resources to deliver travellers to and within South Africa.

Strategic Objectives	Key Performance Indicator	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Contribute to the South African economy by increasing the number of travellers into and within South Africa.	Total tourism revenue achieved (in billions)	R95.7	YTD: R22.8	YTD: R31.3 (Jan-Mar 2016)	<p>The target was exceeded by 37% due to the following:</p> <ul style="list-style-type: none"> - The increase in arrivals; - The year on year increase in average spend per arrival; - The weakened Rand; and - The promotion of packaged tours therefore resulting in more disposable spend in-country; and - Increase in VFR trips
			Q1: R22.8	Q1: R31.3	
			Q2: R21.6		
			Q3: R23.3		
			Q4: R28.0		

2016/17 Organisational Performance Results - Quarter 1

Strategy One: Invest in selected markets for leisure tourism to deliver volume (travellers) and value (tourism revenue)
Strategy Three: Position South Africa among the top ten long-haul business events destinations by 2025 while collaborating to convert business travellers to leisure tourists

Strategic Objectives	Key Performance Indicator	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Build positive awareness of the South African experience.	Percentage of brand positivity achieved	40%	N/A	38%	Target not achieved by 2%. Coupled with exchange rate loses and Global media inflation, South African tourisms declining Global media budget has also weakened considerably in the past 4 years versus the USD by just over 48%. This decline means that South African Tourism has less funds to make an impact on positivity in our Core and Investment markets. Brand positivity was below target in Australia (27%) and Japan (5%), France (38%), Nigeria (37%), Germany (39%), USA (37%), Canada (28%), Ghana (23%), and the UK (33%). Average positivity in core markets is at 39% and investment markets at 27%. Overall positivity declined in our investment markets which has declined from 41% (Feb:2015) compared to 27% (Feb:2016)

2016/17 Organisational Performance Results - Quarter 1

Strategy Three: Position South Africa among the top ten long-haul business events destinations by 2025 while collaborating to convert business travellers to leisure tourists

Strategic Objectives	Key Performance Indicator	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Contribute to the South African economy by increasing the number of travellers into and within South Africa.	Number of business events hosted in South Africa	138	N/A	Annual target - not due for reporting.	No deviation
	Number of business delegates hosted in South Africa	77 567	N/A	Annual target - not due for reporting.	No deviation

2016/17 Organisational Performance Results - Quarter 1

Strategy Four: Revamp the value proposition of tourism grading to inspire partners and stakeholders to deliver on the brand promise and quality visitor experience.

Strategic Objectives	Key Performance Indicator	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Improve visitor experience in line with the brand promise.	Number of graded establishments	5 650	YTD: 1 273	YTD: 1 251 (Apr-Jun 2016)	Although the performance on graded establishments was 2% below target, 75 of the 307 establishments (24%) who had cancelled their membership re-applied for grading. A less than optimal value proposition as well as property closures were a large contributor to cancellations.
			Q1: 1 273 Q2: 1 362 Q3: 1 457 Q4: 1 558	Q1: 1 251	
	Number of graded rooms		YTD: 27 631	YTD: 24 933 (Apr-Jun 2016)	The underperformance of 10% on graded rooms was mainly due to cancellations by hotels.
			Q1: 27 631 Q2: 29 567 Q3: 31 637 Q4: 33 851	Q1: 24 933	

2016/17 Organisational Performance Results - Quarter 1

Strategy Five: Revamp the value proposition of tourism grading to inspire partners and stakeholders to deliver on the brand promise and quality visitor experience.

Strategic Objectives	Key Performance Indicator	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Collaborate with stakeholders and partners to deliver on SA Tourism's mandate.	Stakeholder satisfaction score	Set baseline	N/A	Annual target - not due for reporting.	No deviation
	Stakeholder engagement matrix in consultation with stakeholders	Approved stakeholder engagement matrix in consultation with stakeholders	N/A	Annual target - not due for reporting.	No Deviation

2016/17 Organisational Performance Results - Quarter 1

Strategy Six: Create a culture of excellence and innovation to improve effectiveness and operational efficiency.

Strategic Objectives	Key Performance Indicator	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Create an organisational culture of work satisfaction, excellence and innovation to improve effectiveness and operational efficiency.	Staff satisfaction score	3.7	N/A	Annual target - not due for reporting.	No deviation
	Unqualified audit	Unqualified annual report	N/A	Annual target - not due for reporting.	No deviation
	Percentage of staff turnover	7%	N/A	Annual target - not due for reporting.	No deviation

Workforce Profile

SA Tourism's workforce profile is as follows:

Status	No	%
Permanent Employees	154	88%
Temporary employees	8	4%
Internship	4	2%
Fixed Term Contracts (Country Managers & EXCO)	11	6%

Vacancy and Occupancy Report per Business Area

The organisation is operating at 86.14% occupancy rate against the approved staff establishment of 202. A detailed analysis on occupancy and vacancy rate has been provided below:

Business Unit	Approved positions	Occupied positions	Vacant positions	Temporary staff
Office of the CEO	6	5	1	-
Operations	30	28	2	2
Finance	23	22	1	3
SANCB	15	12	3	2
Marketing	114	93	21	4
TGCSA	14	14	-	-
Total	202	174	28	11

Employment Equity Update

OVERALL ORGANISATION									
Population Group	Economically Active Population			South African Tourism Actuals					
	% Targets								
	Male	Female	Total	Male	%	Female	%	Total	Total %
African	41,70%	34,60%	76,30%	26	21,14%	49	42,28%	75	64%
Coloured	5,70%	4,90%	10,60%	3	2,44%	9	7,32%	12	10%
Indian	1,80%	1,00%	2,80%	2	1,63%	7	6,50%	9	8%
White	5,80%	4,50%	10,30%	9	8,13%	13	10,57%	22	19%
Total	55,00%	45,00%	100,00%	40	33.33%	78	66.67%	118	100%

2016/17 Organisational Performance Results - Quarter 1

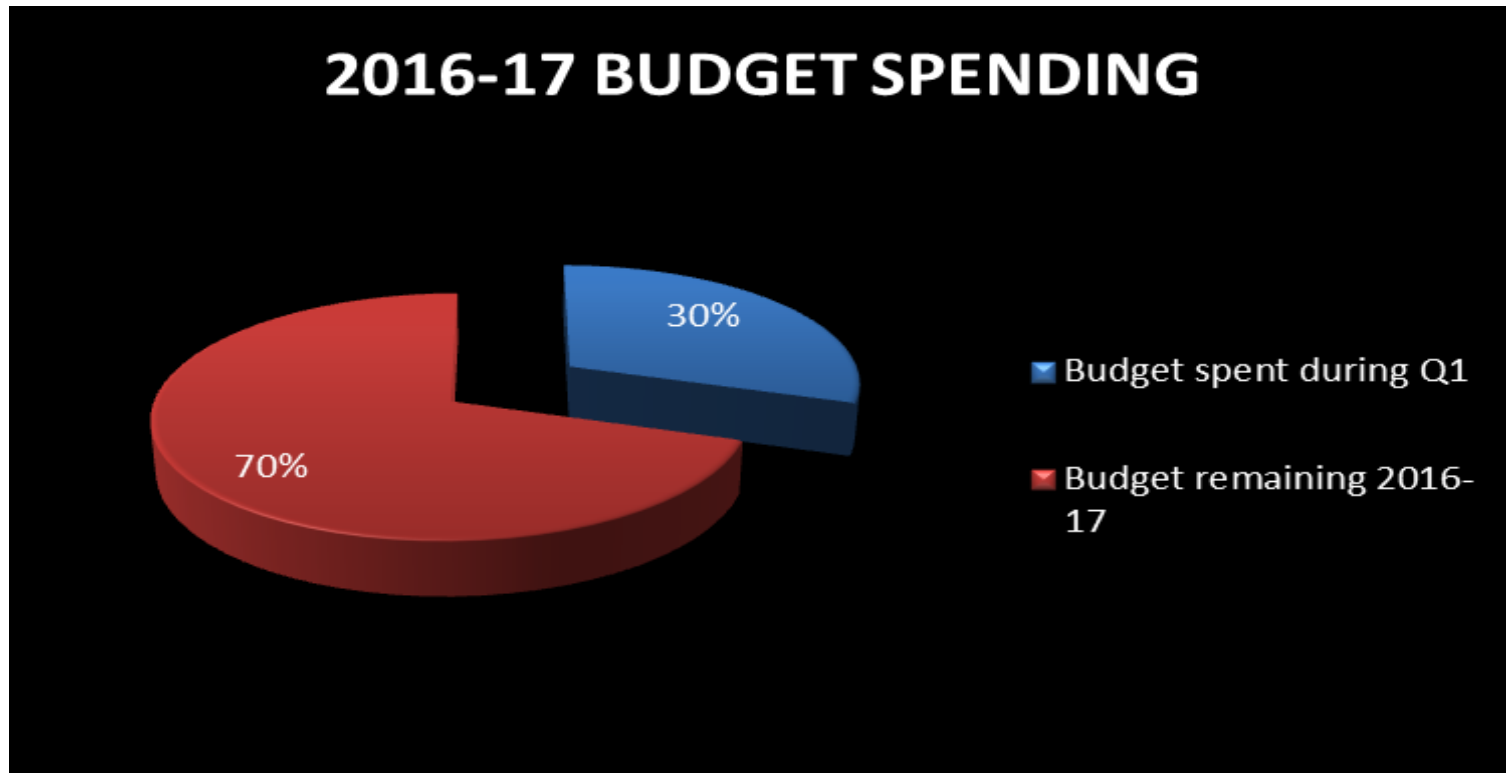
Strategy Seven: Position SA Tourism as the foremost authority in tourism and business events, underpinned by quality assurance.

Strategic Objectives	Key Performance Indicator	Annual Target	Quarterly Target	Progress/ Achievements	Reasons for deviation
Reposition SA Tourism to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics.	Reviewed leisure tourism market portfolio	Approved market portfolio	Q1	Not due for reporting.	No deviation
			Q2: Approved market portfolio model	Not due for reporting.	No deviation
			Q3	Not due for reporting	No deviation
			Q4: Approved market portfolio	Not due for reporting	No deviation

Financial Performance Overview

Financial Performance

- South African Tourism spending for the period under review was 30% of annual budget (and 70% of year to date budget).
- The spending over the quarters is diagrammatically presented below:



Revenue Quarterly Analysis

REVENUE	2016/17 (R'000)				
	ANNUAL	BUDGET	ACTUAL	Variance: over/(-under) budgeted amount	Notes on variances.
	BUDGET	Q1: 2016/17	Q1: 2016/17		
Government grant	1,024,847	256,212	627,171	370,959	The variance is due to upfront allocation from NDT, to allow SA Tourism to "hedge" against negative currency movements.
TOMSA levies	99,450	24,863	35,628	10,765	The amount budgeted for was based on annual projection received from TBCSA however actual amount received was higher due to higher than expected TOMSA levies collected.
Indaba & Meetings Africa	51,323	25,662	-	25,662	Meeting Africa income will only accrue in Q4 i.e. Feb 2017. Indaba income will be recognised once final post Indaba audited revenue and expenses are received from Internal Audit.
Grading fees	20,098	5,025	4,920	-104	Variance immaterial due to cancellations.
Sundry revenue	22,934	8,568	5,623	-2,946	Lower consolidated interest income due to late receipt of SA Tourism funds.
TOTAL	1,218,652	320,329	673,342	353,013	

Expenditure Quarterly Analysis

EXPENDITURE	2016/17 (R'000)				Notes on variances.
	ANNUAL	BUDGET	ACTUAL	Variance: over/(-under) budgeted amount	
	BUDGET	Q1: 2016/17	Q1: 2016/17		
Administration	122,474	30,231	29,162	-1,070	Slight underspend due to lower overhead costs as a result of vacant key positions in Q1. Administration costs expected to increase in line with budget in Q2 due to pending new appointments.
Leisure Tourism	653,575	324,367	197,608	126,759	- Due to lower spending by domestic marketing and Africa units. Africa unit confirmed planned Media buy expenditure in Q2.
Business Events	84,103	37,418	51,136	13,718	Due to upfront payments for bid supports.
Tourism Grading	46,768	16,759	7,460	-9,299	TGCSA received strategy from FCB for all our marketing work and are in the final revert stages and work will be PO'd in Q2. Marketing is the largest chunk of our budget. The unit has also commence with tender process to acquire a supplier to conduct its research.
Tourism Marketing	311,732	150,506	177,471	26,965	Due upfront payments for research projects and media buy.
TOTAL	1,218,652	559,281	462,836	96,445	-

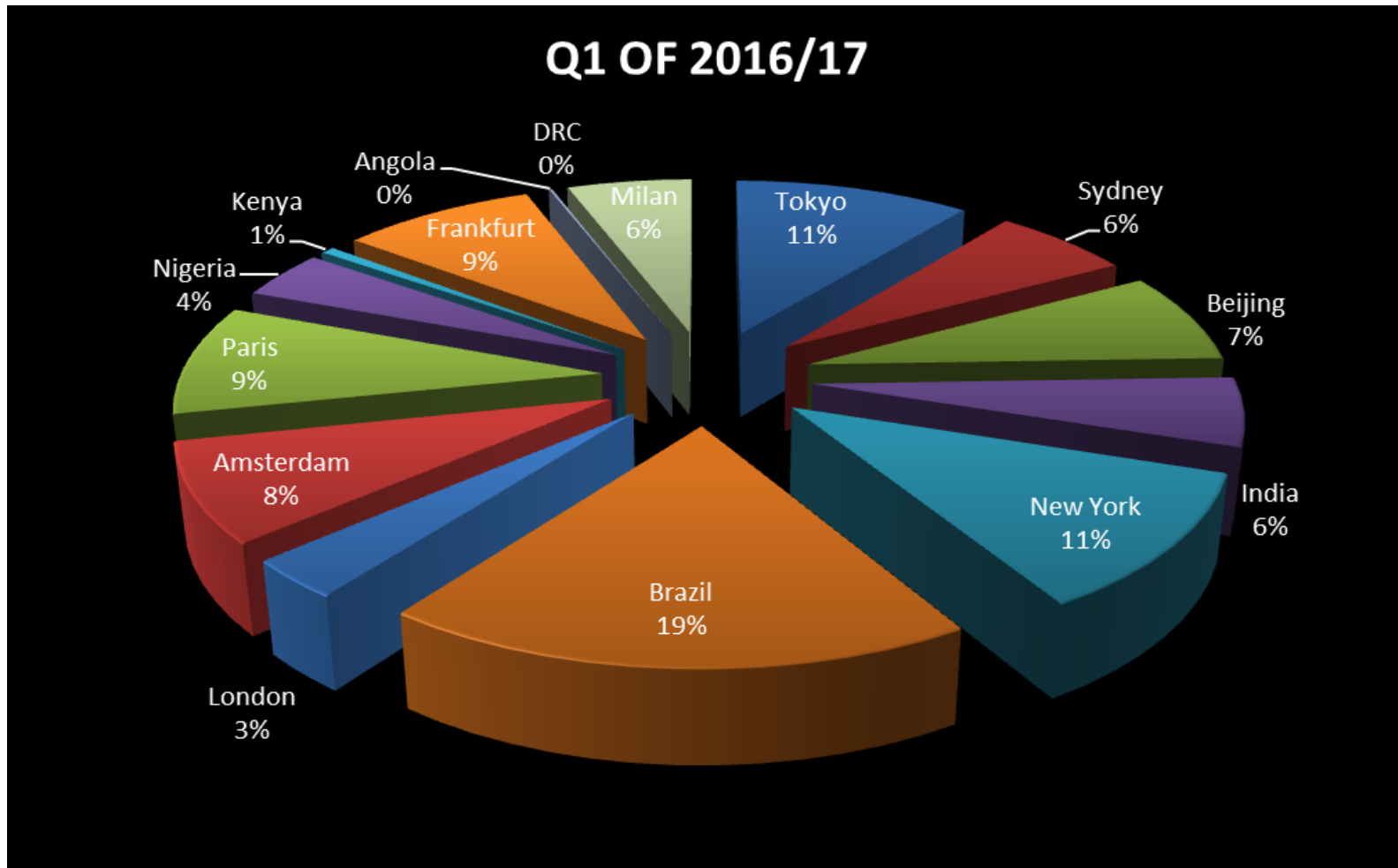
Business Unit Actual vs Budget (Q1: 2016-17)

Unit	Currency	Total YTD Budget	Total YTD Actual	% of Budget spent	Status
Africa	ZAR	55 143 145	10 891 593	20%	☹️
Domestic	ZAR	105 064 575	14 419 267	14%	☹️
Europe & UK	ZAR	89 667 389	87 907 110	98%	😊
CentralMark	ZAR	80 990 590	101 580 464	125%	😊
PR & Comms	ZAR	2 049 864	2 026 209	99%	😊
TGCSA	ZAR	16 759 068	7 459 725	45%	☹️
Finance	ZAR	10 494 780	9 442 384	90%	😊
HR	ZAR	3 461 816	2 352 639	68%	☹️
e-Mark	ZAR	5 295 998	1 674 664	32%	☹️
Bus Systems	ZAR	6 198 385	9 014 746	145%	😊
Office of the CEO	ZAR	2 693 645	3 909 665	145%	😊
Office of the CMO	ZAR	7 420 920	8 422 574	113%	😊
Office of COO	ZAR	4 270 881	4 442 128	104%	😊
SRU	ZAR	51 520 148	60 258 479	117%	😊
Product	ZAR	3 228 664	3 508 728	109%	😊
Watchlist	ZAR	783 022	2 099 569	268%	😊

Country Office Actual vs. Budget (Q1: 2016-17)

Unit	Curr	Total YTD Budget	Total YTD Actual	% of Budget spent	Status
Tokyo	JPY	5 465 385	5 961 184	109%	😊
Sydney	AUD	567 400	363 115	64%	😞
Beijing	CNY	18 639 168	14 488 292	78%	😞
India	INR	21 064 812	12 295 628	58%	😞
New York	USD	2 005 214	2 321 056	116%	😊
Brazil	ZAR	3 875 886	7 467 218	193%	😊
London	GBP	1 289 510	426 309	33%	😞
Amsterdam	EUR	661 582	557 695	84%	😐
Paris	EUR	335 875	316 524	94%	😊
Nigeria	USD	608 902	255 413	42%	😞
Kenya	ZAR	15 980 209	965 869	6%	😞
Frankfurt	EUR	1 603 895	1 439 519	90%	😊
Angola	USD	673 596	8 552	1%	😞
DRC	ZAR	1 000 000	-	0%	😞
Milan	EUR	549 100	316 524	58%	😞

Graphical presentation of Q1_2016/17 spending BY COUNTRY OFFICE



Governance

Board and Committee Meetings in Q1

NAME	NUMBER OF MEETING(S)	DATE(S) OF MEETING	ATTENDANCE	BOARD CHARTER / TERMS OF REFERENCE (Does the Board have a Board Charter/ Does the Committee have Terms of Reference)	REMUNERATION	EXPENSES
SAT Board	1	31 May 2016	11/12	Yes	R 39712	R 47536.32
Audit & Risk Committee	1	24 May 2016	3/6	Yes	R 16752	R 8784.82
Marketing Committee	1	31 May 2016	4/5	Yes	R 21344	Same day as Board
Remuneration Committee	1	24 May 2016	3/5	Yes	R 16752	Same day as Audit & Risk
TGCSA Awards Committee	1	9 May 2016	12/14	Yes	R 53488	R 27113.6
National Convention Bureau Marketing Subcommittee		Meeting postponed to August		Yes		

Focus for Q2

Key Focus Areas for the Next Quarter

- Draft of the Strategic Plan and Annual Performance Plan due in November
- Budget Planning
- Delivering projects towards the development of the SA Tourism Strategy 2017-2021:
 - Marketing Investment Framework
 - Trade Research
- Implementation of the Organisational Review and Change Management:
 - Change Management Strategy and Plan
 - Business Process Reengineering
 - Design of a high level proposed optimal structure that will support key deliverables
- Divisional Plans 2017/18

Thank You

