

# SOUTH AFRICAN TOURISM: 2011/12 ANNUAL REPORT

Presentation by Thulani Nzima  
CEO, SA Tourism  
16 October 2012



# Contents

1. Global Trends in Tourism
2. Current SAT Portfolio Markets
3. 2011/12 Performance Overview
4. Foreign vs Tourist Arrivals
5. Tourism Spend
6. Arrivals, Regional Distribution and Accommodation
7. Domestic Performance
8. Brand Performance
9. Audit Performance

# Global Trends in Tourism

Reported growth is against the backdrop of the following global tourism trends:

- Positive global outbound tourism forecast by UNWTO
- Increasing demand for short haul instead of long haul travel
- Reduced length of stay
- Recession in Europe - some countries in fourth (4<sup>th</sup>) recession
- Increasing austerity measures in some European countries
- Decline in disposable income
- Glaring unemployment in Europe
- Emerging markets still buoyant
- Fragile recovery of the American economy linked to Europe

# Current SAT Portfolio Markets

**2011 - 2013/4**

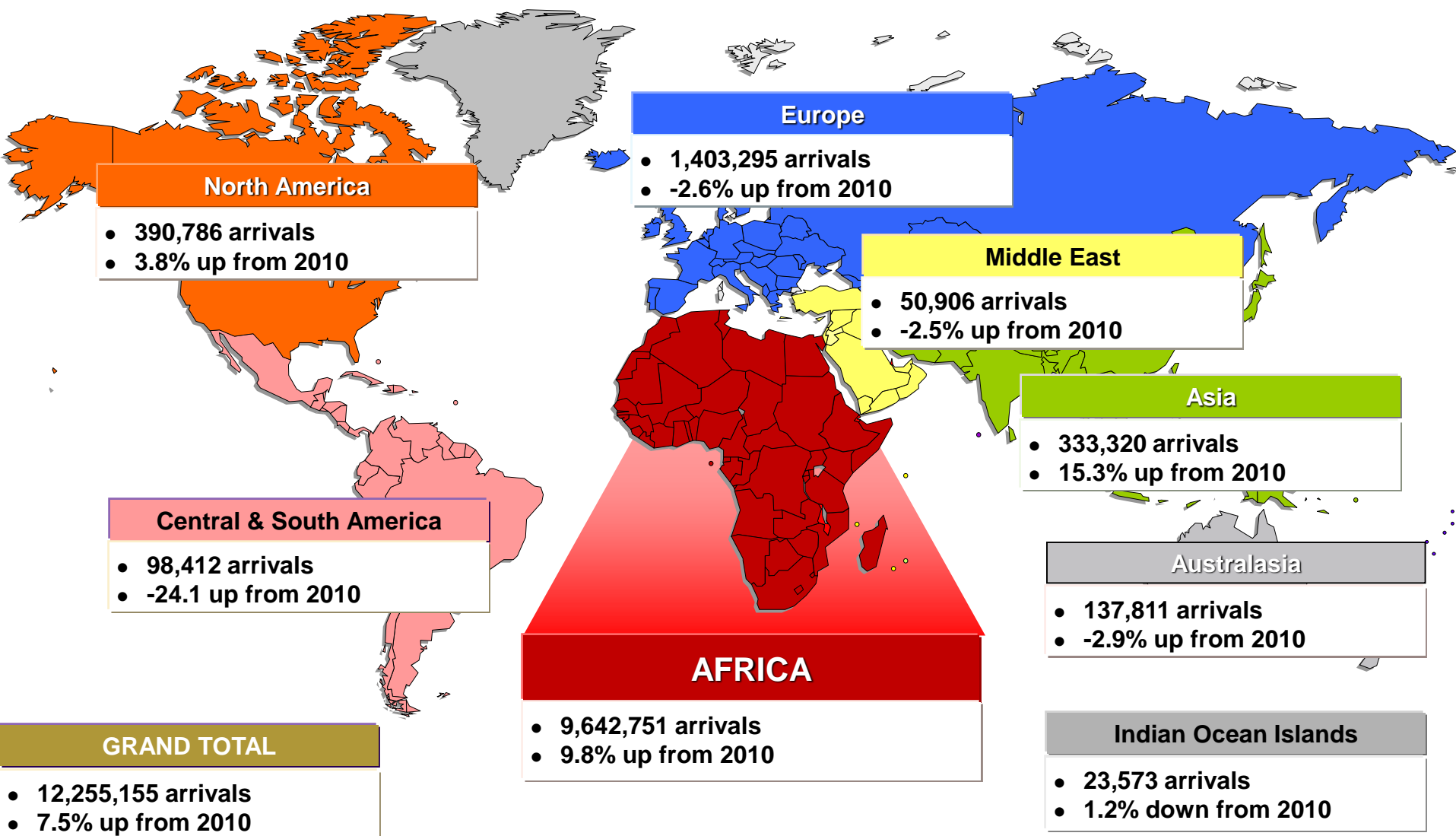
		AFRICA	AMERICAS & the UK	ASIA & AUSTRALASIA	EUROPE
Regional Director	Country Manager	<b>CORE MARKETS</b> Angola Botswana Kenya Nigeria South Africa*	<b>USA</b>	<b>Australia India</b>	<b>France Germany Netherlands UK*</b>
		<b>INVESTMENT MARKETS</b> DRC Mozambique	<b>Brazil Canada</b>	<b>China (including Hong Kong) Japan</b>	<b>Belgium Italy Sweden</b>
		<b>TACTICAL MARKETS</b> Lesotho Swaziland		<b>New Zealand</b>	<b>Ireland</b>
		<b>WATCH-LIST MARKETS</b> Malawi Namibia Zambia Zimbabwe	<b>Argentina</b>	<b>Republic of Korea</b>	<b>Austria Denmark Portugal Spain Switzerland</b>
Stakeholder Manager		<b>STRATEGIC IMPORTANCE</b> Bahrain, Oman, Qatar, Saudi Arabia			
		<b>STRATEGIC AIR LINKS/HUBS</b> Egypt, Ethiopia, Ghana, Mauritius, Senegal, Tanzania, UAE		<b>Malaysia Singapore</b>	
Global Channel Manager					

# 2011/12 Performance Overview

Strategic Outcome	Objective	Indicator	Achieved?	Target	Results	Reasons for Variance
Achieve total arrivals to SA	Invest only in selected markets to deliver volume & value	# of arrivals in SA	Yes	10 295 520	12 255 155	Growth driven by Asia & Africa <ul style="list-style-type: none"> <li>• <u>ASIA</u>: Foreign arrivals +15.3% &amp; Tourists +14.6%</li> </ul>
Achieve average spend		Average spend per arrival	No	R9 222	R8 600	<ul style="list-style-type: none"> <li>• <u>AFRICA</u>: Arrivals +9.8% &amp; Tourists +6.9%</li> </ul>
		• Land Arrivals	Yes	R7 500	R7 900	Spend targets not met due to global economic recession and exchange rate fluctuations
		• Air Arrivals	No	R15 000	R11 100	
	Deliver quality visitor experiences that affirm the brand promise	Total # of graded properties	No	8 288	4 886	<ul style="list-style-type: none"> <li>• Introduction of new grading criteria and system.</li> <li>• Stakeholder revolt</li> <li>• Grading cancellations &amp;</li> <li>• Holiday season.</li> </ul>
SA to be the most preferred Tourism Brand by 2014	Convince customers that SA can be trusted to deliver memorable experiences	Average brand awareness %	Yes	78%	79%	Brand awareness is on target in core markets (79%); but not in investment markets (66%)
		Average brand positivity	No	41%	37%	<ul style="list-style-type: none"> <li>• Positivity up 1% in core markets</li> <li>• Below target in <u>Japan</u> (9%), <u>Australia</u> (28%), <u>China</u> (30%) due to negative media reporting.</li> </ul>
SAT to be the Best Tourism Organisation by 2014	Energise and empower the organisation to innovate and achieve excellence	Clean audit report	No	15	9	We achieved an unqualified audit report, but with Treasury Regulations non-compliance findings
		Ranking on Deloitte Best Company to Work for	Yes	3.5	3.5	

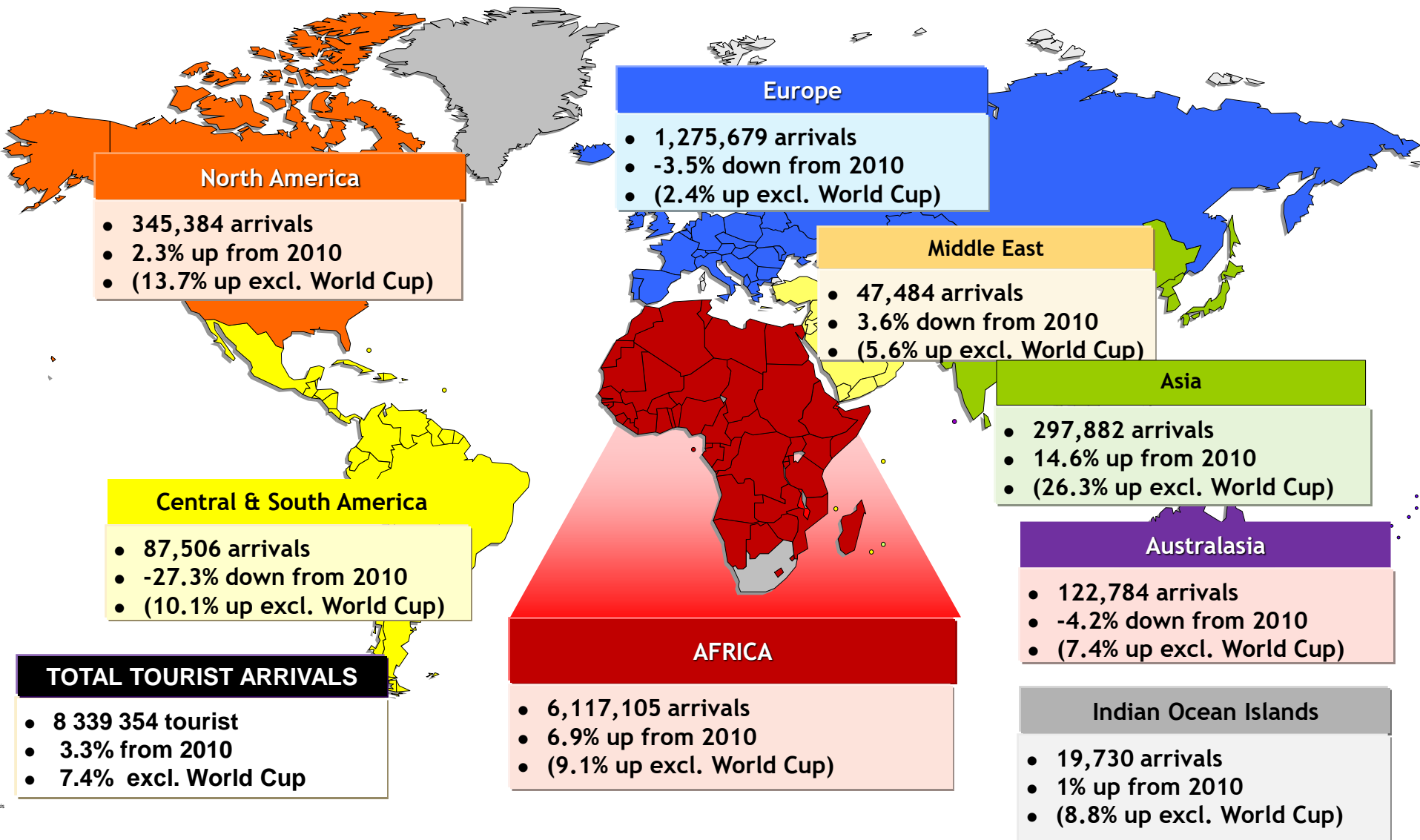
# Foreign vs Tourist Arrivals

Foreign arrivals to South Africa for Jan to Dec 2011 grew by 7.5% over 2010 to 12,255,155.



Note : Foreign Arrivals figures shown above for Jan - Dec 2012  
Source: Table A Foreign Arrivals Jan - Dec 2012

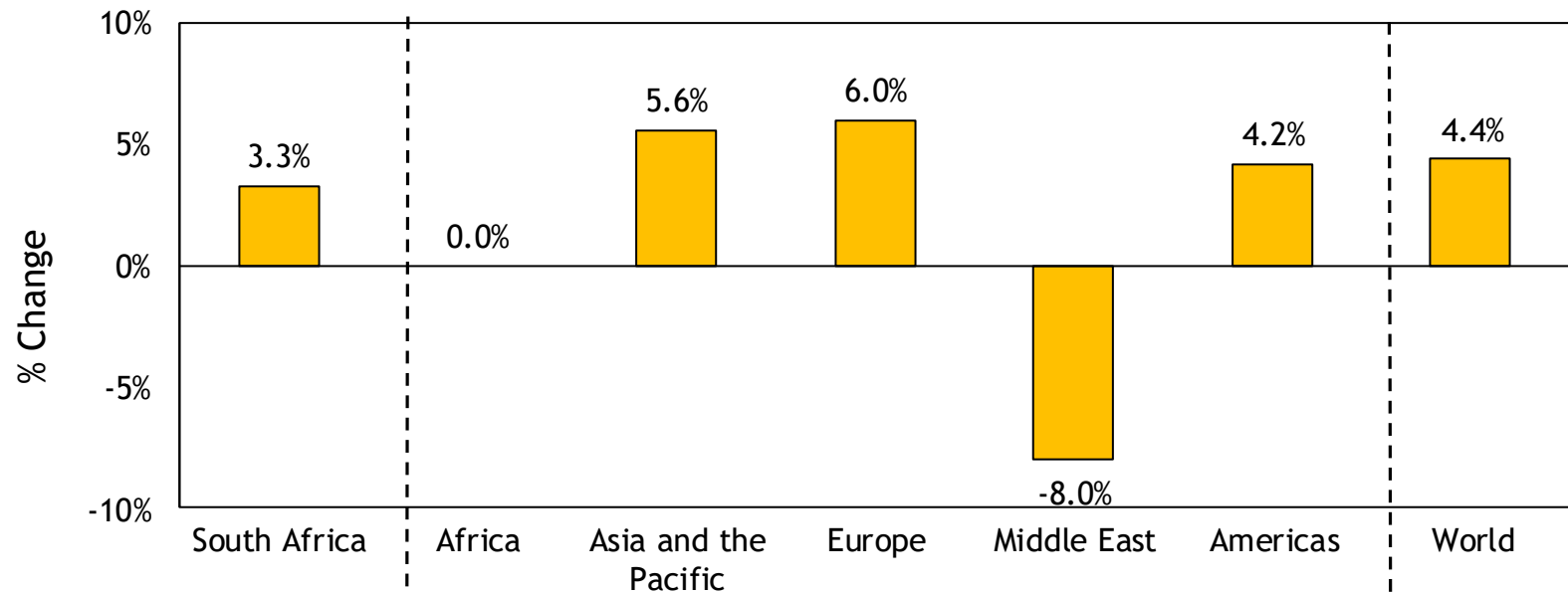
# Tourist arrivals to South Africa grew 3.3% to 8,339,354 in 2011, largely driven by emerging markets





# Highlights of 2011/12: Tourist arrivals to South Africa grew by 3.3% in 2011 compared to the global growth of 4.4% for the same period

Year-on-Year Change in Tourist Arrivals to each region

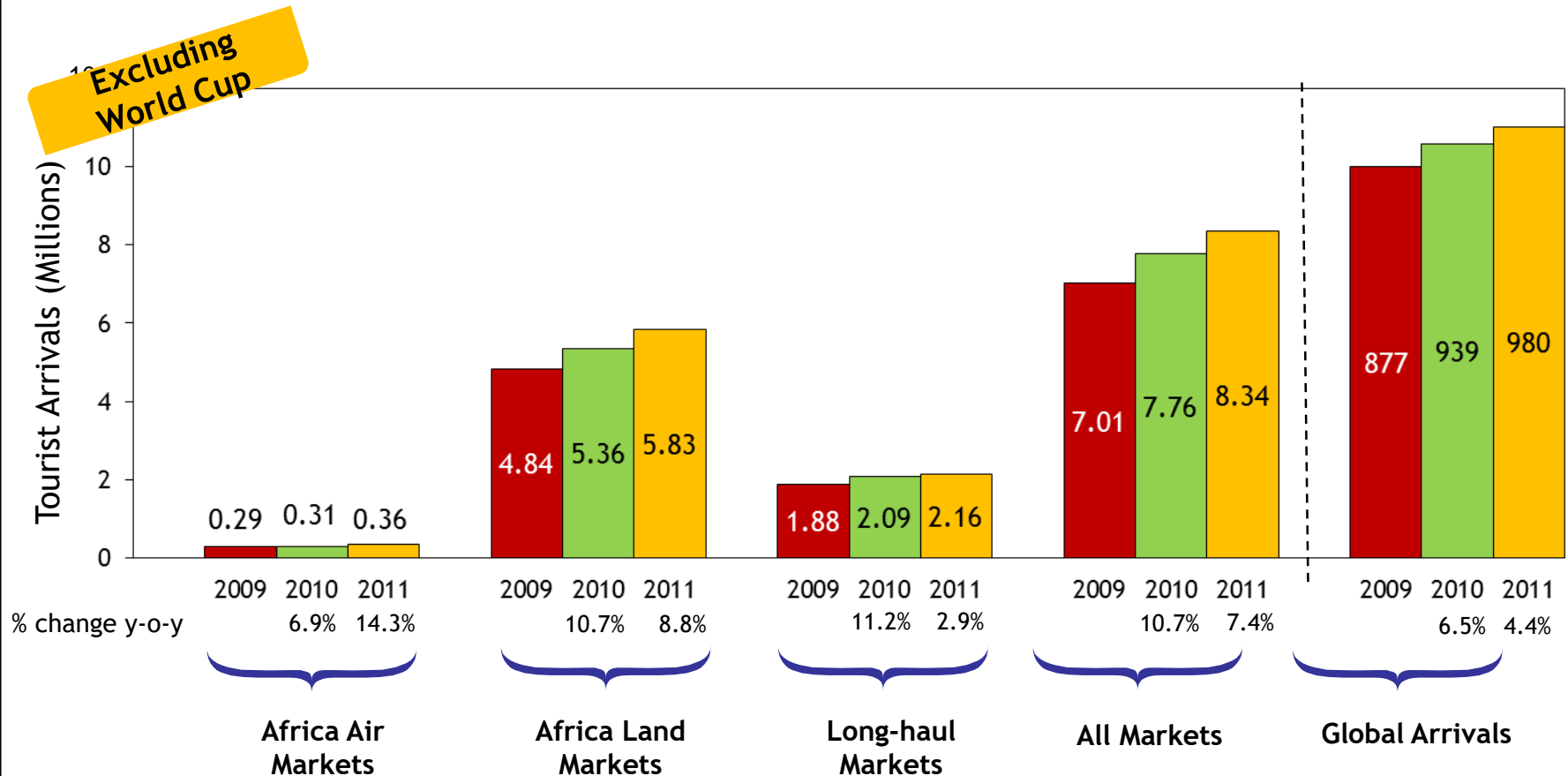


2010 Tourist arrivals (Millions)	8.1	50	205	475	60	150	939
2011 Tourist arrivals (Millions)	8.3	50	216	503	55	156	980

# Excluding the effects of the World Cup, tourist arrivals to South Africa in 2011 grew by 7.4%, outpacing global growth of 4.4%

*Tourist arrivals to South Africa from long-haul markets, excluding the World Cup effect, grew by 2.9% in 2011*

## Tourist Arrivals to South Africa and the World, 2009 to 2011



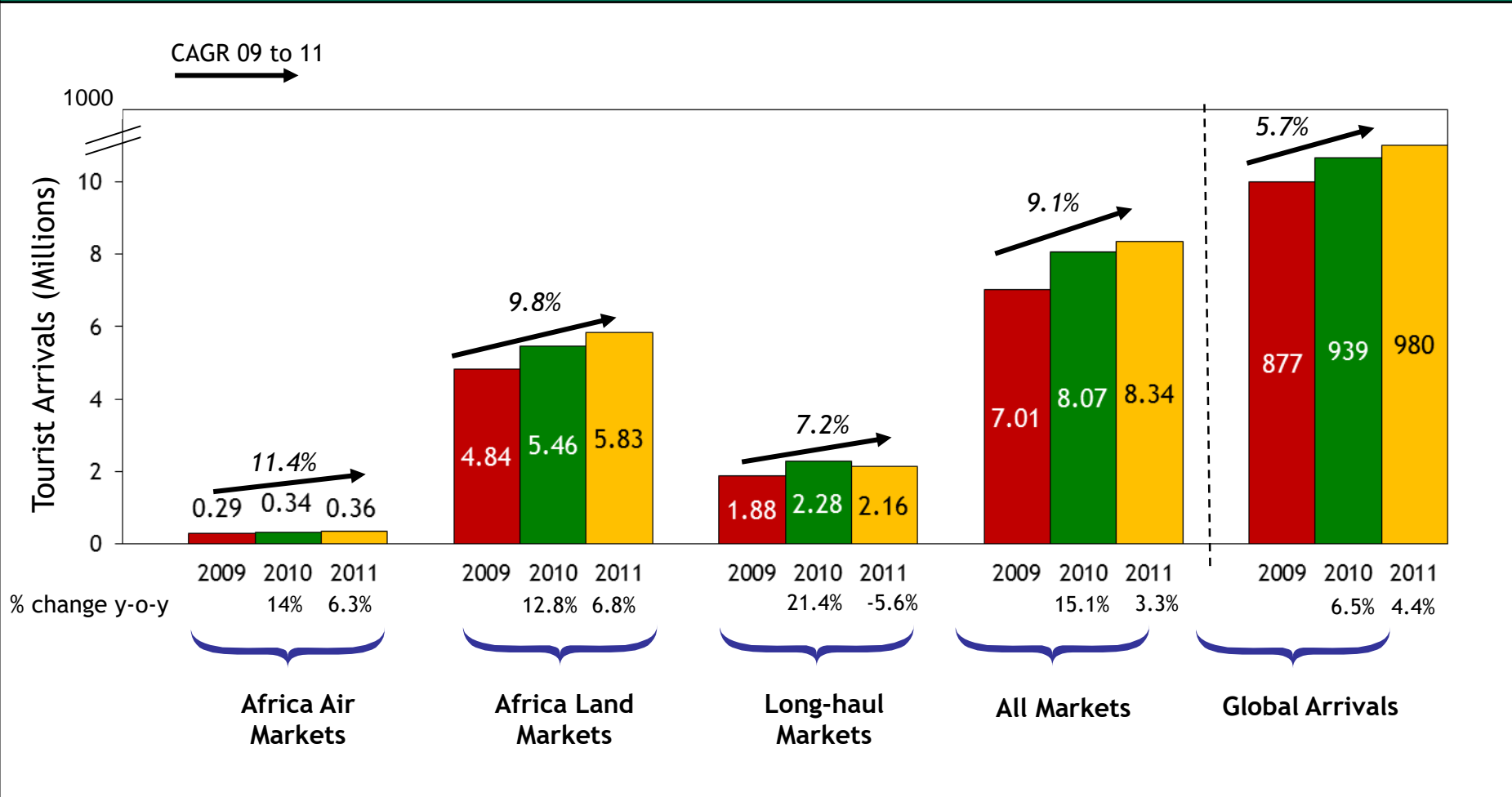
Note: Africa Air Markets are markets where at least 60% arrives to SA use air transport; Africa Land Markets are markets where at least 60% of arrivals to SA use road transport. Long-haul markets include all countries outside of Africa

Source: StatsSA, Tourism & Migration release, SAT analysis UNWTO Tourism Barometer Jan 2012

**There has been strong growth in all markets between 2009 and 2011, much faster than the global growth rate for the same period**

*Tourist arrivals to South Africa from long-haul markets decreased in 2011 following the strong growth in 2010 as a result of the World Cup*

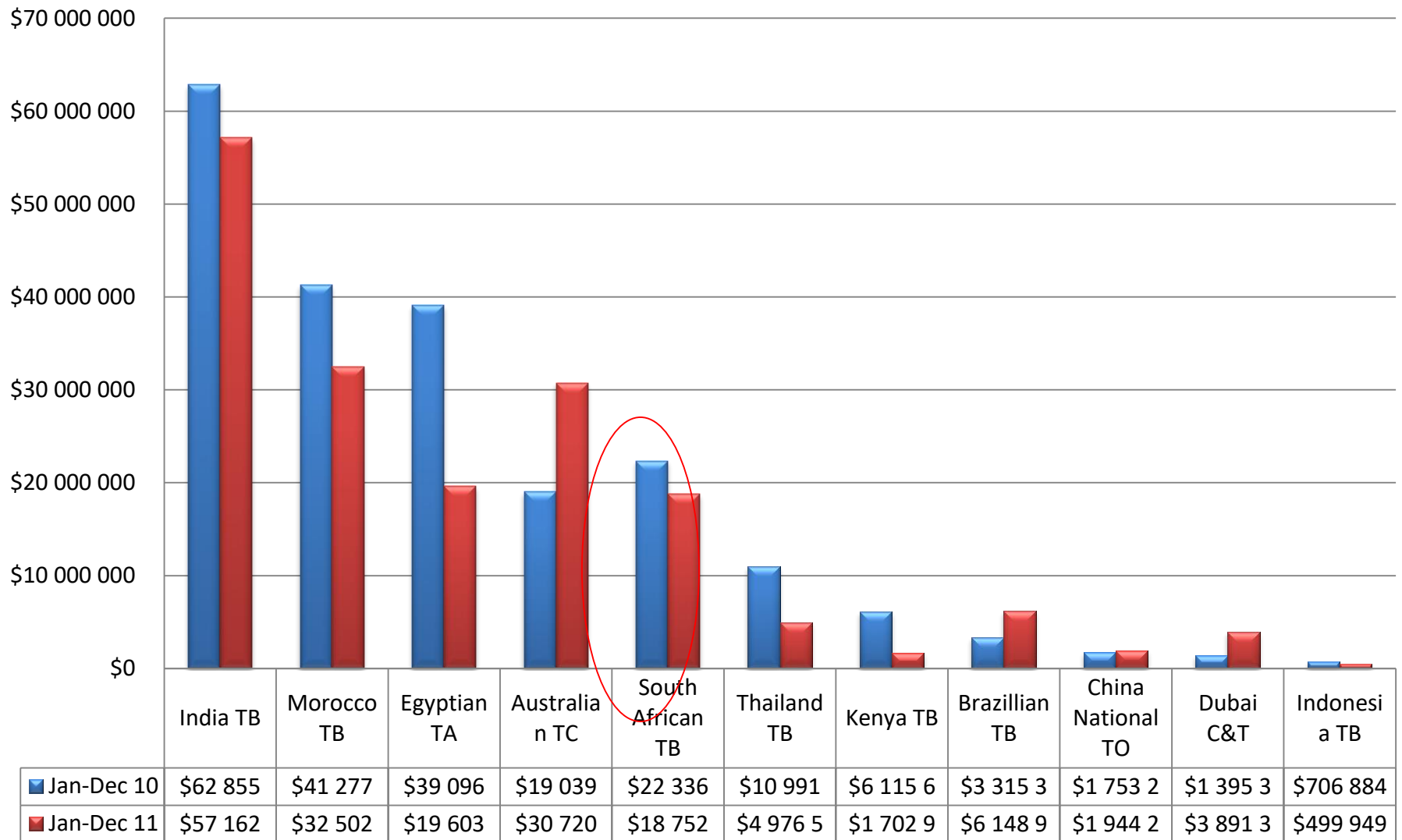
## Tourist Arrivals to South Africa and the World, 2009 to 2011



Note: Africa Air Markets are markets where at least 60% arrives to SA use air transport; Africa Land Markets are markets where at least 60% of arrivals to SA use road transport. Long-haul markets include all countries outside of Africa

Source: StatsSA, Tourism & Migration release, SAT analysis UNWTO Tourism Barometer Jan 2012

# Share of Spend versus competitors - Jan to Dec 2010 vs Jan to Dec 2011



**South Africa on average ranked 5th**

There was an increase in tourist arrivals across all purposes of travel. Average length of stay and number of provinces visited decreased

All Markets	Leisure	Business Travel	Business Tourism	Other	All Tourist Arrivals
Total Volume (2009) (Millions)	4.2	1.7	0.3	0.8	7.0
Total Volume (2010) (Millions)	4.7	2.1	0.4	0.9	8.1
Total Volume (2011) (Millions)	4.8	2.1	0.4	1.0	8.3
Volume Growth (10-11 % change)	2.7%	3.0%	6.2%	5.7%	3.3%
Average Length of Stay (2009) (Nights)	8.6	5.5	5.2	14.7	8.3
Average Length of Stay (2010) (Nights)	8.4	5.7	4.9	16.4	8.5
Average Length of Stay (2011) (Nights)	8.2	5.7	5.4	15.5	8.3
Average Number of Provinces Visited (2009)	1.3	1.1	1.2	1.1	1.3
Average Number of Provinces Visited (2010)	1.4	1.1	1.2	1.1	1.3
Average Number of Provinces Visited (2011)	1.3	1.1	1.2	1.1	1.2

# Tourism Spend

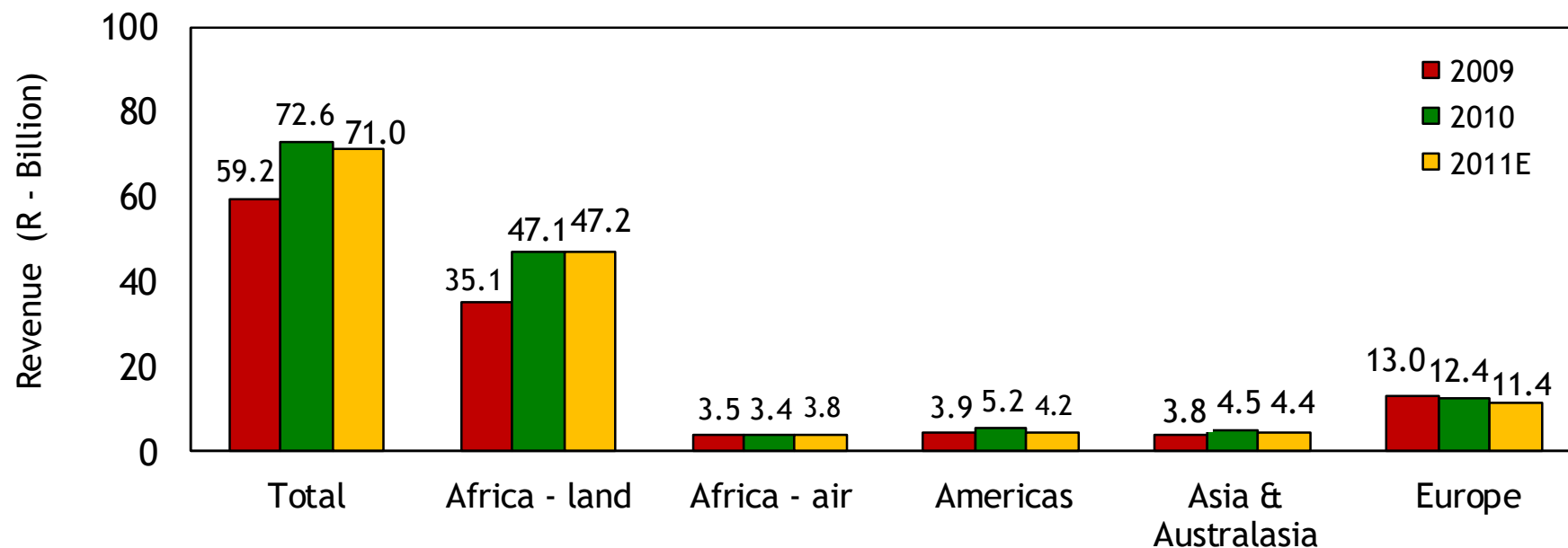


*Inspiring new ways*

# Total foreign direct spend generated from tourist arrivals decreased by -2.2% between 2010 and 2011.

*Africa - land and Africa - air were the only regions that posted an increase in revenue from 2010 to 2011*

## Total Foreign Direct Spend (excluding capital expenditure), 2009 to 2011E



### Average spend per tourist in SA

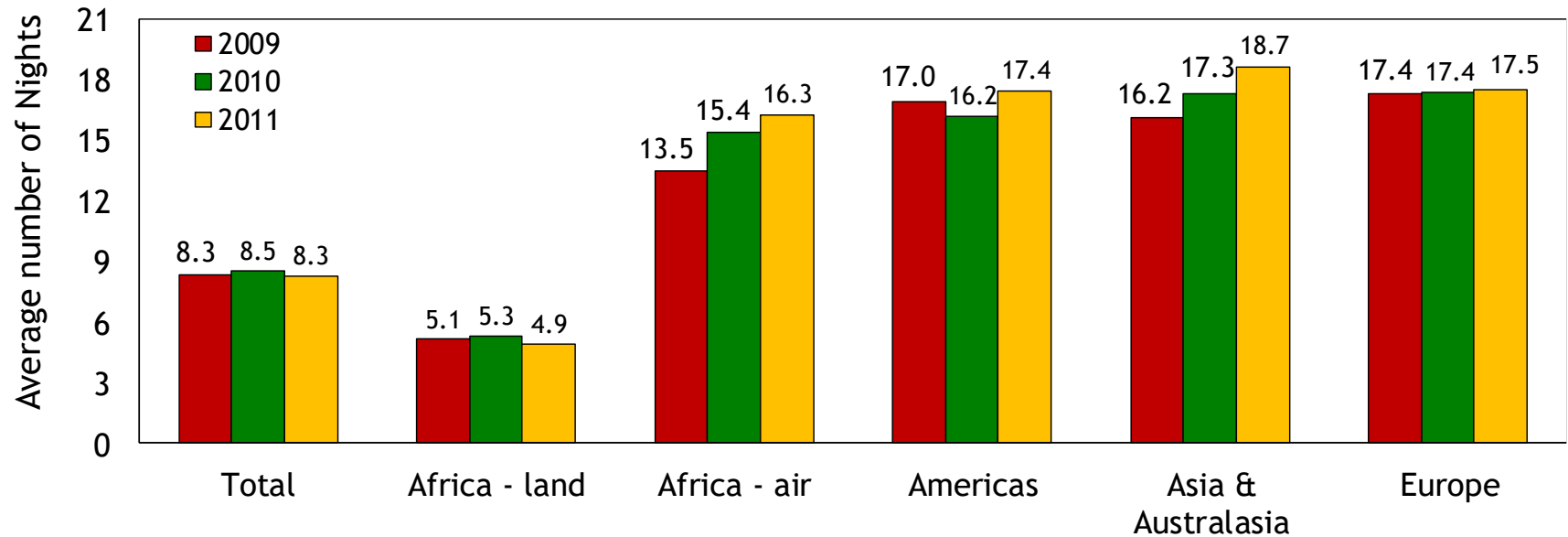
2009	R8,900	R7,300	R14,700	R13,200	R14,900	R12,100
2010	R9,300	R8,300	R12,600	R12,800	R13,400	R10,700
2011E	R8,900	R8,100	R13,300	R11,000	R12,000	R10,300

Note: In 2009, Statistics SA for the first time was able to make the distinction between tourists and day visitors and this started a new data series. As a result of this change, the results in this report are now not comparable to previous reports.

Source: SAT Departure Surveys

The average length of stay decreased slightly between 2009 and 2011 driven off shorter stays by tourists from Africa land

### Average Length of Stay in SA for Total Tourist Arrivals, 2009-2011



CAGR<sub>09-11</sub>

-0.2%

-2.4%

9.7%

1.5%

7.5%

0.5%

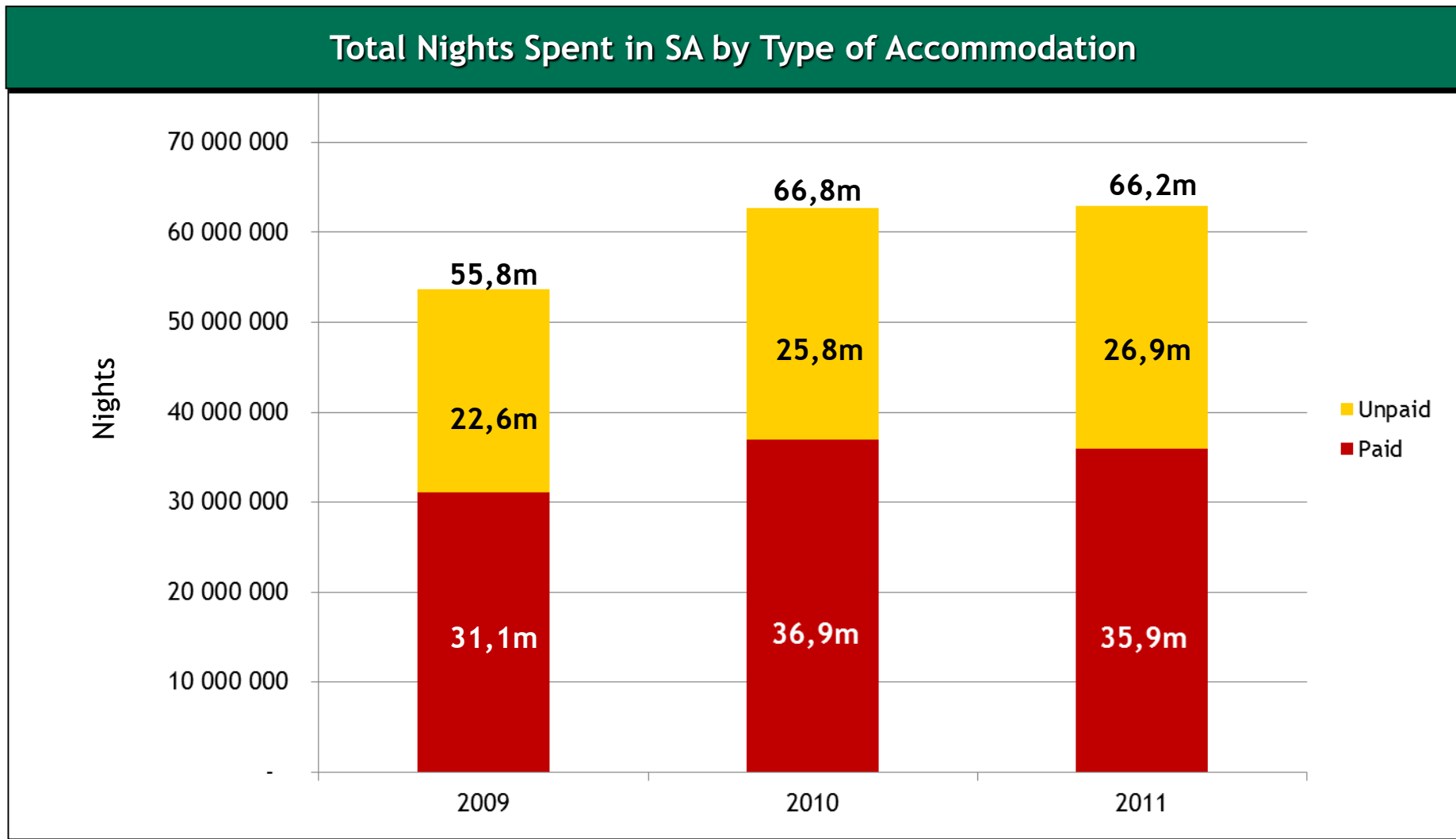


# Arrivals, Regional Distribution & Accommodation



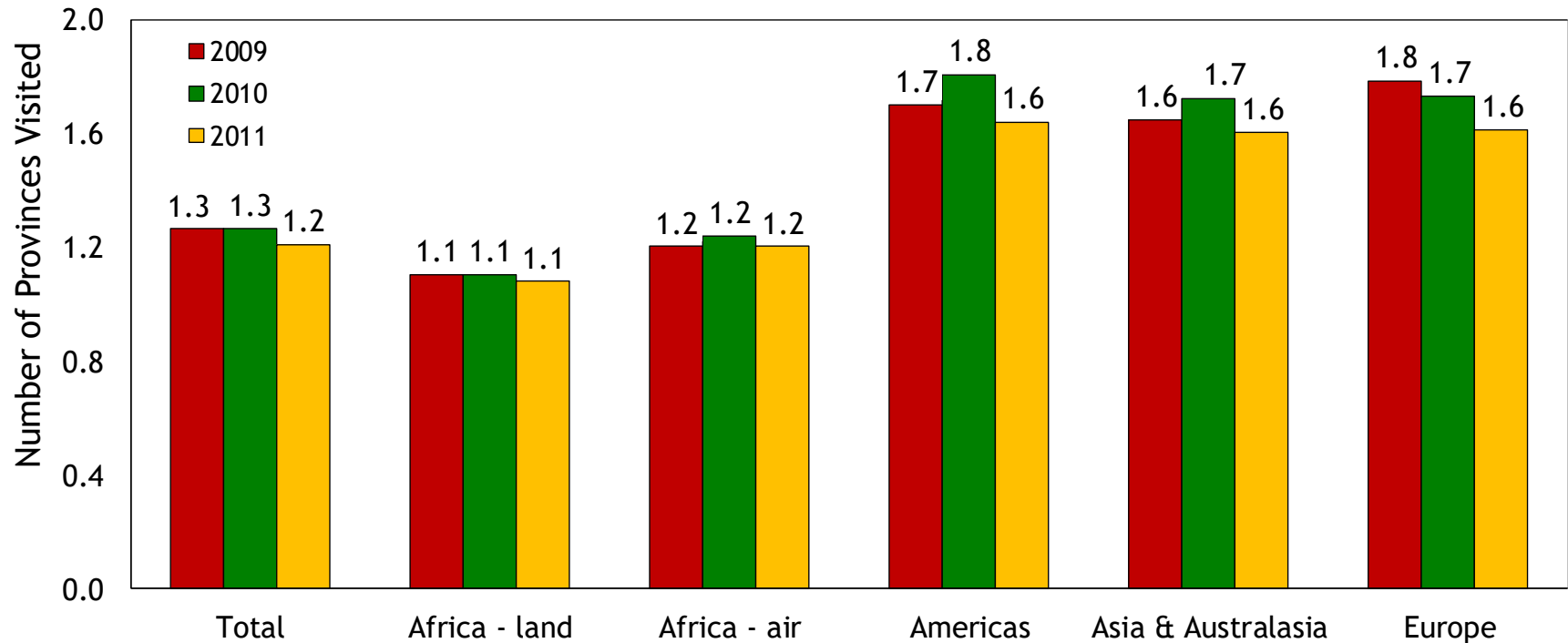
*Inspiring new ways*

The total number of bed-nights spent in South Africa by foreign tourists remained fairly flat between 2010 and 2011, but there were more nights spent in unpaid accommodation in 2011



## There has been a decrease in the number of provinces visited by all tourists

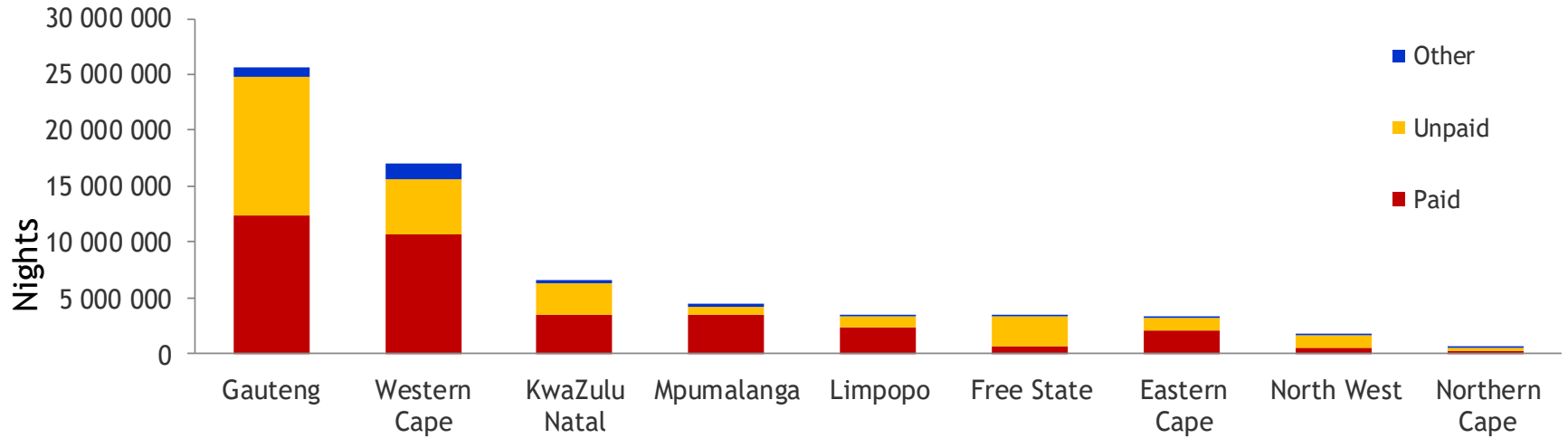
Average Number of Provinces Visited by All Tourists, 2009 - 2011



<b>CAGR<sub>09-11</sub></b>	-2.1%	-1.0%	0.0%	-1.7%	-1.3%	-5.0%
-----------------------------	-------	-------	------	-------	-------	-------

# Gauteng and Western Cape are by far the most visited provinces, and account for the bulk of the bednights spent in South Africa

Total Nights Spent in SA by Province and by Type of Accommodation, 2011



Total Nights ('000s)	25,658	16,962	3,304	6,632	4,418	3,454	1,736	544	3,445
%of Total Nights (2011)	38.8%	25.6%	5.0%	10.0%	6.7%	5.2%	2.6%	0.8%	5.2%

# Domestic Performance



*Inspiring new ways*

# Domestic Tourism Indicators

Key Metrics		2007	2008	2009	2010	2011
Domestic Travel Incidence	Annual	43.5%	46.5%	47.6%	43.0%	44.0%
	Monthly <sup>1</sup>	9.9%	9.0%	8.2%	7.9%	7.0%
Number of Trips	Annual	35.9 Million	32.9 Million	30.3 Million	29.7 Million	26.3 Million
	By Purpose	VFR: 68%, Holiday: 16%, Business: 7%, Religious: 7%, Medical: 1%	VFR: 71%, Holiday: 16%, Business: 5%, Religious: 5%, Medical: 2%	VFR: 76%, Holiday: 12%, Business: 5%, Religious: 5%, Medical: 1%	VFR: 74%, Holiday: 13%, Business: 5%, Religious: 6%, Medical: 1%	VFR: 73%, Holiday: 15%, Business: 4%, Religious: 6%, Medical: 1%
Spend	Total Annual Spend	R20.0 Billion	R25.8 Billion	R22.4 Billion	R21.1 Billion	R20.2 Billion
	By Purpose	VFR: 45%, Holiday: 37%, Business: 14%, Religious: 3%, Medical: 0%	VFR: 45%, Holiday: 39%, Business: 12%, Religious: 3%, Medical: 2%	VFR: 59%, Holiday: 22%, Business: 17%, Religious: 2%, Medical: 1%	VFR: 51%, Holiday: 31%, Business: 14%, Religious: 3%, Medical: 0%	VFR: 53%, Holiday: 29%, Business: 12%, Religious: 3%, Medical: 1%
	Average Spend per Trip / per Day	R550 / Trip; R120 / Day	R780 / Trip; R170 / Day	R730 / Trip; R170 / Day	R710 / Trip; R160 / Day	R760 / Trip; R170 / Day
Trip Length	Total Annual Bed Nights	157.8 Million	149.0 Million	128.4 Million	130.8 Million	114.8 Million
	Average Nights per Trip	4.4	4.5	4.2	4.4	4.4

# Brand Performance



# Brand Journey - Global Performance (2009-Feb 2012)

## Global Targets

	Awareness	Positivity	Sought Info in the Past	Likely to Visit in Next 18 Months
2009 Actual	79%	38%	21%	11%
2010 Actual	79%	36%	22%	10%
2011 Actual	79%	37%	22%	12%
Feb 2012 Actual	81%	41%	24%	13%

Note: In Feb-2012, Core Markets weighted according to relative investment spend - Australia = 7.4%, France = 13%, Germany = 15.2%, India = 7.8%, Netherlands = 9.5%, UK = 20.2% , USA = 21.4%, Kenya = 2.7%, Nigeria = 2.7%; Investment Markets weighted according to - China = 38.9%, Italy = 25.8%, Japan = 11.6% and Brazil = 23.7%; Global Average, weighted according to investment spend - Core = 90%, Investment = 10%; All rating questions have been analyzed using top 2 box approach

Source: SAT BrandTracker Feb-09 through Nov-11 (merged for each year) and SAT Brand Tracker Feb-12



# **Audit Performance**

# Highlights of 2011/12: Audit performance

Audit area	Overall result in 2011/12	Overall result in 2010/11	Movement in overall result	Quality of 2011/12 result
<b>Overall financial audit report</b>	11 <sup>th</sup> consecutive unqualified no-matter of-emphasis	10 <sup>th</sup> consecutive unqualified no-matter of-emphasis	↔	★★★★★
<b>Overall Performance Information (PDO) Audit report</b>	3rd consecutive unqualified report	2nd consecutive unqualified report	↔	★★★★★
<b>Number of material misstatements identified in Annual Financial Statements</b>	1	15	↑	★★★★
<b>Number of red faces on Dashboard report</b>	Nil	6	↑	★★★★

# How well is SA Tourism doing within Government?

Achievement category	Rank in South Africa in 2010/11
Unqualified and no matters of emphasis, but with other reported matters on laws and regulations	153 <sup>rd</sup> out of 814* (we were in the top 19%)
10 consecutive unqualified no-matter-of-emphasis audit reports (with the 11 <sup>th</sup> achieved in 2011/12)	1 <sup>st</sup> out of 814**

# Highlights of 2011/12 Financial Results

## 1. NET SURPLUS OR DEFICIT FOR THE FINANCIAL YEAR

- For the 11<sup>th</sup> financial year in a row, South African Tourism managed to spend between 98% and 102% of its full annual budget despite the uncertain foreign exchange environment in which it conducts its operations..
- The accumulated surpluses of South African Tourism as at 1 April 2011 allowed it to off-set foreign exchange losses to the value of R 49 million incurred during the 2011/12 financial year (2010/11: R 7,5 million gain).
- South African Tourism recorded a net deficit of R 34,3 million for the financial year 2011/12 compared to a R 21,7 million net deficit in the previous financial year.
- While we were previously successful in getting our full annual international budget upfront in the financial year, the Department of Tourism is no longer in a position to do it. We will shortly apply to National Treasury for a special dispensation around this as it allows us to transfer most of our annual overseas budgets to our offshore bank accounts and in the process reduce foreign exchange risk.

## Highlights of 2011/12 financial results (cont.)

### 2. REVENUE

- Revenue increased by 4% from R 736.66 million in 2010/11 to R 766.78 million in 2011/12. The net increase in revenue of R 30,12 million was due to an increase in government grants.
- While Government grants received from National Treasury increased by R 36,9 million. However, it was off-set by a decline in TOMSA levies of R 6, 8 million.

### 3. OTHER INCOME

- Other income declined by 36% from R 97.7 million in financial year 2011/12 to R 62.2 million in 2010/11. This net decrease of R 35.6 million was due to the following:
  - (i) a 17% decrease in grading revenue;
  - (ii) a 34% decrease in sundry income from Indaba and Meetings Africa;
  - (ii) a 22% decrease in interest received;
  - (iv) South African Tourism incurred a foreign exchange loss of R 48.99 million in the financial year ended 2011/12 compared to a foreign exchange gain of R 7.5 million in the prior financial period.

### 4. EXPENSES

- Total expenses declined by 1% from R 862.3 million in financial year 2011/12 to R 855.3 million in 2010/11. Finance cost increased from R 797 752 in 2010/11 to R 947 312 in 2011/12.

## Highlights of 2011/12 financial results (cont.)

### 5. EQUITY

- The equity balance reduced from R 64 million on 31 March 2011 to R 29.8 million on 31 March 2012. The reasons for this decrease can be explained as follows in terms of assets and liabilities:

#### 5.1 ASSETS

- Current assets decreased from R 300.2 million in 2010/11 to R 178.8 million in 2011/12, largely as a result of a 37% reduction in cash and cash equivalent balances (from R 269.9 million on 31 March 2011 to R 170.8 million on 31 March 2012. Trade and other receivables decreased by 72% compared to the prior year.

#### 5.2 LIABILITIES

- Current liabilities decreased from R 290.12 million in 2010/11 to R 204.85 million in 2011/12. Income received in advance declined by 20% from R 50.2 million to R 39.97 million in 2011/12. Trade and other payables declined by 33% from R230.35 to R 154.12 million.
- Non-current liabilities increased from R 14.3 million in 2010/11 to R 22.27 million in 2011/12.

## Highlights of 2011/12 financial results (cont.)

- Opening of new offices in Angola, Nigeria and Brazil by 31/3/2013
- Africa Growth Strategy
- Launch of Domestic Campaign – “VayaMzansi”
- Launch of new international exhibition stand at WTM 2012
- Launch of new global brand campaign – “Meet South Africa”
- SA National Convention Bureau fully operational by 2013
- Resolving the taxation and registration status problems in China
- Finalise long-term strategy for Indaba

Thank You