Tourism
Dreams or nightmares?

Richard Davies

Overview

- Historical perspective
- Costs
- Private and state

Historical

- Wildlife tourism ONLY
- 80's
  - State, SANParks, KZN, NWP&TB
  - Limited private mostly in 4 to 5 star in lowveld
- 90 and 2000's
  - Wildlife estate expanded
  - Proliferation on private and state land

Lodge industry characteristics

- Usually family owned/operated
- Often in remote areas – challenges
- Motivation
  - Emotional not financial decisions
  - Ego-tourism

Lodge development indicative costs

Type	Indicative capex per bed	Approx min number of beds
2 star	R 250,000	75 - 150
3 star	R 350,000	50 - 75
4 star	R 500,000	30 - 50
5 star	>750 000	4 - 24

Costs

- Capex includes
  - Accommodation, guests and staff
  - Support infrastructure, local services etc
  - Equipment incl vehicles, F&F
- Capex excludes
  - Game farm
  - Game
  - Roads, entrances gates etc
  - Water and electricity?

Income

Type	Rack rates per bed
2 star	R 250 - R 500
3 star	R500 - R 750
4 star	R 750 – R1 000
5 star	>1 500

Operating costs

- Rack rate vs achieved rate
- Commissions >20% of gross revenue
- Marketing
- Staff ~ 40%
- Breakeven on lodge 40% to 55%
- Excl game and property

Reality

- Empty lodge haemorrhages cash
- Marketing expensive and specialised
- Volume is critical

Indicative numbers

Type	Overheads per month	Overheads per bed	Breakeven no of guests per month
2 star	R 739,125	R 6,159	1,643
3 star	R 667,266	R 8,897	1,027
4 star	R 468,113	R 13,003	493
5 star	R 410,625	R 20,531	274

Lodge industry

- Poor sector specific info
- Estimate supply
  - Total lodge beds ~28 000
  - 3 mil bed nights sold pa (2003 to 2005)
  - Ave occupancy ~30%

State sector

- Beds
  - SANParks 6 000 to 7 000
  - KZN 2 000
  - Other provinces 500 to 1 000
- Supply nearly 30% of beds
- Info suggests subsidy
  - ‘Free’ capital, marketing, best sites
- Game management not included

State vs Private

Item	SANParks	Wilderness Botswana
Profit before tax	122 mil	111 mil
Tax	nil	18 mil
Profit after tax	122 mil	92 mil
Fixed assets	4,8 BILLION	441 mil
Return on Assets	2.54%	25%

Types

- Private
  - Commercial (Mala Mala, Shamwari etc)
  - Syndicate (Welgevonden, Thornybush)
  - Time share (Mabula)
- State
  - Rest Camps (Skukuza, Hilltop etc)
  - PPP’s (Madikwe, KNP, Addo, TM Cableway)

PPP's

- Early
- Pilanesberg (KwaMaritane, Bakubung)
  - 99 year 50:50 partnership, low fees
  - Commercial and timeshare
- Madikwe
  - 45 years, fixed and % of T/O, incl syndicates
- KNP, Addo
  - 20 years, only commercial

PPP's

- Treasury Regulation 16 (1999)
  - Provided a regulatory framework
- Toolkit introduced 2005
- CapeNature initiated PPP process
  - Two bids offered, one secured
  - Risks to private party increased
- PPP's virtually ceased

Advantages

PPP

- No capital for land
- No cons mgmt
- Potentially big areas
- Possible brand association

Private land

- Free hold
- Fewer restrictions
  - Environmental
  - BEE
  - Economic
- Capture capital gain
- More flexible

Disadvantages

PPP

- Process prescriptive
- Little flexibility
- Risk

Private land

- Higher capital requirements
- Branding

Summary

- Tourism is expensive
- Increasingly being sold to communities
- Risks are high
- Know your reasons
- Market now maturing
- There are specialist niches
- PPP’s in current form not attractive