

**The Business Trust / SAT**  
**Public Private Partnership:**  
**A Case Study**

*For*

**BUSINESS TRUST**  
Together, we will.

*By*



**Resolve**  
Group

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# Contents

1. Introduction.....	1
2. The context of the PPP.....	2
3. The Establishment of the PPP.....	7
4. Assessing the PPP.....	8
4.1. Outputs and objectives.....	8
4.2. The Tourism Growth Strategy.....	12
4.3. Role players.....	17
4.4.1 The Department of Environmental Affairs and Tourism (DEAT).....	18
4.4.2 SAT.....	19
4.4.3 Business Trust.....	21
4.4.4 Industry.....	23
4.4. Reporting and Accountability.....	25
5. The future: sustainability and risks.....	26
6. Conclusion.....	27

## 1. INTRODUCTION

In 1999 the Business Trust and South African Tourism (SAT) established a public private partnership (PPP) with the primary objective of developing a marketing strategy for South African tourism.

The South African National Treasury (Reg 16) definition of a PPP **states**:

“it is a commercial transaction between a private party and a public institution in terms of which the private party:

- Performs an institutional function on behalf of the institution and/or
- acquires the use of state property for its own commercial purposes; and
- assumes substantial financial, technical and operational risk in connection with the performance of the function or from utilising the state’s property; and
- receives the benefit for performing the function or utilising the property;
- It is further defined as follows:

”A contractual arrangement between a public sector institution and a private institution where the private sector performs an institutional function or uses state property in accordance with output specifications for a significant period of time in return for a benefit.”

Clearly, the PPP entered into between the Business Trust and South African Tourism would not fit exactly within the definition of the National Treasury. Notwithstanding this, the PPP under consideration should be viewed as a vehicle for the achievement of specific objectives and is founded on the notion that the parties share a common desire and will collude for the achievement thereof.

This document explores this PPP as a case study of how shared goals between private and public sector stakeholders that can be translated into meaningful, mutually beneficial outcomes, not only for the immediate parties to the partnership, but also for other stakeholders.

SAT, with the support of the Business Trust, produced a Tourism Growth Strategy that seeks to promote tourism and concurrently, economic growth and employment in South Africa. This PPP case study illustrates the challenges and complexities such partnerships face and will focus primarily on the following;

- the obligations of the parties to the PPP and the mandated roles; and
- the practicalities associated with bringing a PPP to a successful result.

This case study also reflects on the broader outcomes of the PPP and considers these in relation to the objectives of the partnership and its value as an illustration of the benefits of “social contract” partnerships. In addition, this case study will highlight key learnings and critical success factors in this process.

## **2. THE CONTEXT OF THE PPP**

After the 1994 elections, South Africa entered into a phase of substantial change. The Government of National Unity was established, which had, as one of its primary objectives, the redressing of past inequities and current inequalities in South Africa. This first period of democracy allowed the new government and business to begin to identify the critical challenges that faced the country as a whole, and to identify areas of focus required to improve the lives of South African citizens. One of the areas that was identified as a fundamental problem for the economy and for the country was that of unemployment. Extremely high unemployment figures made job creation a key challenge facing the country. In 1996, of a population of 13.8 million economically active people, only 9.1 million people were actually employed. Of these, 26% were operating in elementary (as defined by Statistics South Africa) occupations.

It was in this context that two key events occurred. The first was the publication of the White Paper on the Development and Promotion of Tourism in South Africa, in May 1996. The White Paper stated that as tourism represented \$4.3 trillion in world gross output and employed 212 million people world wide, it represented a significant opportunity for South Africa as a mechanism which could be utilised to address high unemployment and

stimulate growth in the economy. The White Paper stated that the World Travel and Tourism Council:

“estimates that travel and tourism is now the world’s largest generator of jobs. In 1995, the industry provided direct and indirect employment for 212 million people, accounted for 10.7% of the global work force and provided one in every nine jobs. Between 1995 and the year 2000 travel and tourism will add one new job every 2.5 seconds and create 125 million new direct and indirect jobs. Tourism already creates 480 000 jobs in South Africa. The potential for South Africa to create 2 million jobs by the year 2000 is very real.”

Furthermore, the White Paper suggested that the tourism industry has the lowest ratio of investment to job creation, that it draws on a variety of skills, that it encourages entrepreneurship, furthers development in rural areas, allows for the least impact on the environment, builds cross-cultural relations and finally, the value added in the final stages of production is created in South Africa.

Leading up to the Job Summit, the second of the two events referred to earlier, both Business and Government had established task teams that began initial discussions about the establishment of a partnership with the objective of creating employment in South Africa.

There had also been substantial discussions amongst business leaders regarding the need to construct a relationship between business and government. Challenges which had been ignored during the apartheid years were coming to the fore. These included socio-economic issues, high unemployment, lack of housing, health provision, a welfare crisis and a number of other areas that required focussed attention. The business community debate centred around how to address these challenges.

This group, the Business Task team, was fairly fluid over time and consisted primarily of people such as Michael Spicer, Leslie Boyd, Rick Menell, Cyril Ramaphosa, Saki Macazoma and Doug Band. The task team was supported by the National Business

Initiative (NBI), the South Africa Foundation and subsequently the Black Business Council. Theuns Eloff and Brian Whittaker provided the bulk of the logistical and strategic support. While there was no clear chairmanship of the Task Team, the NBI began to convene the meetings of the team and draw up concept papers. The Task Team also felt it imperative to establish an immediate link with government, and so initiated discussions with the Office of the Deputy President, Thabo Mbeki, who constituted a Government Task Team to liaise with the Business Task Team.

Concerning implementation, there were various levels of partnership. The first being between the appropriate Government Department and Business Trust. In this respect a Steering Committee or Board would generally oversee the project implementation. These partnerships would then be supplemented by sub-agreements at the requisite level. These sub-agreements included partnerships with parastatal bodies or at other levels of implementation, such as between an NGO and a particular institution, such as a school.

The second key event that occurred was the Presidential Job Summit which was held on 30 October 1998. The outcome of the Job Summit was a declaration that highlighted the following two key areas in relation to tourism:

#### **“F. Tourism**

1. In recognition of the great potential of the South African tourism industry for sustainable job creation over a relatively short period of time, **business and government have agreed** to:
  - A **partnership** to aggressively market South Africa as a prominent tourist destination. A **public-private marketing fund** will be established and a joint **business/government marketing committee** will preside over the initiative. It will have a budget of R180-million, with contributions by government and the private sector. (our emphasis)
  - A Tourism Enterprise Programme to promote the entry of SMMEs into the tourism sector.

The discussions and efforts of the Business Task Team led to the establishment of the **Business Trust** in early 1999, which was established for the following reasons:

- “The idea of an extraordinary business effort to address selected aspects of South Africa's socio-economic challenges in a targeted way arose out of a concern about rising unemployment and the need for human capital development.
- The need for a constructive dialogue between government and business has increased as global pressures intensify and poverty deepens for many South Africans. At the same time, there is a need to improve perceptions of the social involvement of business and correct the impression that we are not committed to transformation.
- The assessment of a wide range of business leaders was that an initiative is required in which support for practical programmes will go hand in hand with building confidence and trust between business and government.”

The Business Trust was structured on the basis of a series of partnerships in relation to identified focus areas, one of which was tourism. The composition of the Business Trust itself reflected the partnership of some 145 companies bound by a common vision and financed by an agreed formula. The Business Trust also had a strategic partnership with the President's Big Business Working Group to ensure alignment of strategic direction with that of Government. In addition to the above, other partnerships were entered into in relation to the management and implementation of projects.

The responsibility for the marketing of South Africa as a tourist destination fell to SATOUR (later to become South African Tourism (SAT)), which was established by the Tourism Act of 1973.

Between 1998 and 1999, SATOUR functioned more as an administrative organization than a marketing organization with a clear strategy. SATOUR was characterised by the following problems:

- Decentralised, uncoordinated strategy development;
- Decentralised and uncoordinated decision-making;
- Unclear roles and responsibilities;

- Little integration of learning and knowledge between Head Office and Country Offices;
- Little culture of accountability;
- No sound reporting framework and little emphasis on corporate governance;
- Insufficient management skills to manage the transition from a bureaucratic institution to a true marketing agency;
- Lack of basic management structures / systems;
- Lack of people with business expertise within the organisation; and
- No clear business / marketing targets.

Despite the issues faced by SATOUR, referred to above, tourism to South Africa in the new democratic era, often described as the “democracy dividend” had enjoyed an upsurge. However, this increase in tourism arrivals was not sustained for the following reasons:

- Marketing of South Africa had occurred on a very ad hoc basis with SATOUR not being in a position to fulfil the role as a strategic driver of marketing activities for South Africa internationally.
- The budget allocation made to SAT was spent largely on operational and administrative costs rather than on any form of targeted marketing.
- The numerous tourism role players were fragmented, acted independently, and marketing was primarily achieved through cooperative marketing agreements with inbound tour operators.
- Local tour operators and product providers marketed their own products in isolation of each other.

Accordingly, the marketing spend for tourism within South Africa was insufficient, uncoordinated and not driven by any country-wide strategy.

In essence, the decision of the parties in 1999 to form a PPP arose from the rising significance of tourism and its potential to stimulate employment and growth, together with the poor state of SATOUR and its inability to drive the international marketing strategy development and implementation process.

### 3. THE ESTABLISHMENT OF THE PPP

A PPP Contract, hereafter (referred to as The “Agreement”) was signed in November 1999 and was backdated to July 1999. In terms of this agreement, the Business Trust agreed to donate funds to SATOUR to develop a strategy for marketing South Africa internationally. SATOUR, in turn, was to develop an international marketing strategy for South Africa that would contribute to sustainable employment opportunities, increase foreign exchange earnings, and contribute to GDP growth. The Business Trust would commit funding of R150 million over three years to SAT, and the Department of Environmental Affairs (“DEAT”) and Tourism would contribute funding of R180 million to SAT over the same period. The primary partners in this endeavour were therefore the Business Trust, Department of Environmental Affairs and Tourism and the Tourism Business Council of South Africa (TBCSA). Each of these partners to SAT concluded individual partnership agreements with SAT, according to the needs and objectives of each of the partnering organisations.

The issue has been raised as to whether it may not have been more appropriate for SAT to have signed one contract with all three partner organisations to ensure consistency and alignment of both strategy and reporting and accountability. In fact, we are informed, that as the relationship matured, SAT did in fact compile one report to all three partners. On balance, however, it is suggested that as each of the partnering organisations had different needs and constituencies, the structure of the partnership and of the accountability arrangements were, under the circumstances, the most appropriate ones.

A further issue that has been raised is that the private sector players in the tourism arena benefited from the contributions made by government to SAT as well as by the contributions made by the 145 partner organisations to Business Trust. The essence of the issue simply being that a number of Tourism companies who are not contributors to the Business Trust fund stood to benefit from this PPP. This is an issue which requires consideration in relation to the future structuring of partnerships in both this and other sectors. The response of TBCSA to this issue is that the TOMSA levy is their contribution,

however, the view of Business Trust is that this levy is paid by the tourist and not by the tourism companies. It is proposed that when structuring a PPP in a sector, such as tourism, where private sector bodies are principal beneficiaries, consideration needs to be given as to how these beneficiaries of the work of SAT, and particularly the development and implementation of the international marketing strategy, should be factored into the partnership arrangement at an earlier stage. This should ensure that such groupings become structural contributors, in one form or another, rather than mere “passengers”.

The initial stated objectives of the PPP were to achieve the following by December 2002:

- Increase number of overseas visitors to 2.2 million
- Increase visitors from Africa to 6.3 million
- Increase total number of visitors to 8.5 million
- Increase number of direct tourism jobs to 426,000
- Increase total tourism related jobs to 1 million
- Increase annual contribution to total jobs by 100,000

The timeframe for achieving these targets was subsequently shifted to December 2004.

The agreement also required SAT to submit Quarterly Funders reports to the Business Trust which would outline financials, progress made and tourism statistics for that period.

## **4. ASSESSING THE PPP**

### **4.1. *Outputs and objectives***

During the course of the PPP, the following developments and achievements took place at a strategic and organisational level. The table below juxtaposes the key organisational changes that took place between 1999 and 2003, against the activities / events that informed the strategy development process:

Year	Organisational Changes / Development	Strategy Development
1999	<ul style="list-style-type: none"> <li>o Stewart Lumka is CEO of SATOUR and Executive Director of the Board until December 1999</li> <li>o SAT functioned as an administrative organization. Problems faced, included: <ul style="list-style-type: none"> <li>o Decentralised, uncoordinated strategy development;</li> <li>o Decentralised and uncoordinated decision-making;</li> <li>o Unclear roles and responsibilities;</li> <li>o Little integration of learning and knowledge between Head Office and Country Offices;</li> <li>o Little culture of accountability;</li> <li>o No sound reporting framework and little emphasis on corporate government;</li> <li>o Insufficient management skills to manage the transition from a bureaucratic institution to a true marketing agency;</li> <li>o Lack of basic management structures / systems;</li> <li>o Lack of people with business expertise within the organisation;</li> <li>o No clear business / marketing targets;</li> </ul> </li> <li>o Valli Moosa is appointed as Minister of Environmental Affairs and Tourism</li> </ul>	<ul style="list-style-type: none"> <li>o Development of Tourism Action Plan (Jack Koolen and David Frost)</li> <li>o The Action Plan indicates the following: <ul style="list-style-type: none"> <li>o Six key markets in which SA should be operating, namely USA, Germany, UK, France, Netherlands and Italy.</li> <li>o 90% of direct marketing spend would be attributed to the above “big 6” markets. This was generic marketing.</li> <li>o Three key areas of a campaign, above-the-line, below-the-line and cooperative marketing programmes.</li> <li>o Established timeframes over the years of 1999, 2000 and 2001, and set objectives for job creation.</li> </ul> </li> <li>o GTKF appointed to conduct market segmentation work</li> </ul>
2000	<ul style="list-style-type: none"> <li>o Board of SAT is substantially restructured by the Minister in March. Minister takes provincial representation off the Board and appoints new Board for three years ending 31 March 2003</li> <li>o Moss Mashishi appointed Acting CEO of SAT in January 2000</li> </ul>	<ul style="list-style-type: none"> <li>o July – GTKF presents results of study at Board Meeting and services are terminated</li> </ul>
2001	<ul style="list-style-type: none"> <li>o <b>February 2001:</b> Didi Moyle seconded to SAT to restart strategy process and develop one website for SAT</li> <li>o <b>March 2001:</b> Moss Mashishi leaves SAT to work on the WSSD</li> </ul>	<ul style="list-style-type: none"> <li>o May 2001 - Monitor is appointed to conduct market research and develop a tourism marketing strategy. The terms of reference</li> </ul>

Year	Organisational Changes / Development	Strategy Development
	<ul style="list-style-type: none"> <li>o <b>March 2001:</b> Saki Macozoma becomes Acting CEO of SAT from 16 March – 31 October 2001.</li> <li>o <b>August 2001:</b> Moeketsi Mosola joins South African Tourism as Chief Operating Officer</li> <li>o <b>November 2001:</b> Cheryl Carolus joins SAT as CEO</li> <li>o <b>December 2001:</b> Didi Moyle is appointed Chief Research and e-Business Manager</li> </ul>	<p>included the following:</p> <ul style="list-style-type: none"> <li>o Conduct a Global Review</li> <li>o Map global tourism</li> <li>o Map the global market</li> <li>o Conduct Country Attractiveness Analysis</li> <li>o Conduct Volume / Value analysis</li> <li>o Research MICE and other purpose markets</li> <li>o Development of portfolios</li> <li>o Seek good investments with high growth potential</li> <li>o Develop US outbound based strategy</li> <li>o Build detailed marketing strategy per segment in order to improve value of investment</li> <li>o Conduct inbound based study – based on existing tourists (UK, Germany, Italy, France, Netherlands, Aust, India, MICE and SADC.</li> </ul>
<b>2002</b>	<ul style="list-style-type: none"> <li>o <b>April 2002</b> – Saki Macozoma resigns from the Board</li> <li>o <b>April 2002</b> – Didi Moyle becomes acting Chief Marketing Officer, replacing Owen Leed.</li> <li>o <b>April 2002</b> – TGS is accepted by the Board.</li> <li>o <b>May 2002</b> – TGS is launched at Indaba</li> <li>o <b>May 2002</b> – Rick Menell becomes Chairperson of the Board</li> <li>o SAT undergoes substantial restructuring, moving from a hub system, to a portfolio system. Decision making becomes more coordinated and centralised</li> </ul>	<ul style="list-style-type: none"> <li>o Tourism Growth Strategy is published (May 2002)</li> <li>o Monitor Implementation Work</li> <li>o Develop outbound strategy for UK and Germany.</li> <li>o Second market segmentation for UK and Germany.</li> <li>o Establish Strategic Research Unit (SRU)</li> <li>o Development of Deployment Strategy</li> <li>o Translating work into action plan</li> </ul>

Year	Organisational Changes / Development	Strategy Development
		<ul style="list-style-type: none"> <li>o Conduct some structural work – capacity assessment for country offices.</li> </ul>
<b>2003</b>	<ul style="list-style-type: none"> <li>o Themba Khumalo is appointed as Chief Marketing Officer</li> <li>o Organisational Design analysis of the central marketing function within SAT.</li> <li>o Organisational strategy assessment at Head Office</li> <li>o Minister appoints new Board in April 2003 (Rick Menell remains Chairperson).</li> <li>o <b>July 2003</b> – Cabinet adopts TGS.</li> </ul>	<ul style="list-style-type: none"> <li>o Assessment of East and West Africa and the opportunities available there.</li> <li>o Segment analysis – China, Hong Kong, France, Japan.</li> <li>o Global Competitiveness study.</li> <li>o Portfolio Review.</li> <li>o SADC land-border segmentation.</li> <li>o Brand tracking.</li> </ul>

The above table clearly illustrates that the early years of the PPP (1999 to 2002) were less fruitful than the later years in terms of actual delivery on objectives, however, important and necessary foundations were built in those years towards restructuring and repositioning SAT as a professional public entity with greater focus on its mandate and core objectives. As indicated above, South African Tourism, as an organisation, was not in a position to deliver on its mandate until substantial internal changes had occurred. The fruitfulness of the early years, is therefore derived from the change that happened within SAT; the organisational restructuring, the management and leadership development and the input of representatives of the Business Trust to create a more viable and sustainable organisation. In addition to this, it was in the early years that the strategic shift towards consumer driven, rather than product driven marketing occurred. This shift was an extremely important step towards the development of an appropriate strategy.

#### **4.2. The Tourism Growth Strategy**

The defining feature relating to the TGS is not the actual delivery of the strategy, which occurred in stages, but the characteristics and nature of the strategy itself. The strategy represented a departure from previous marketing initiatives in the following ways:

<b>Pre-PPP Marketing Initiatives</b>	<b>Tourism Growth Strategy</b>
<ul style="list-style-type: none"> <li>● Driven by anecdotal experience</li> <li>● Lacking in marketing research</li> <li>● Representative of a fragmented range of interests</li> <li>● Allowed for decentralised and ad hoc implementation at a country and hub level.</li> <li>● Failed to strategically utilise marketing spend where maximum benefits could be obtained.</li> <li>● Lack of collaborative branding</li> </ul>	<ul style="list-style-type: none"> <li>● Driven and informed by data and extensive research;</li> <li>● Adopted a portfolio approach to marketing South African tourism that included an understanding of market segmentation and was therefore customer-centric and needs driven;</li> <li>● Was at its heart strategic by focusing on where maximum benefits could be obtained from the application of limited resources.</li> </ul>

In this regard, the strategy has largely been heralded for its approach and strategic content. The acknowledgment that understanding the consumer was paramount and building data to support analysis was a great step in the right direction. In assessing the PPP, there is no doubt that the strategy has significantly enabled the achievement of the objectives of the PPP. While the TGS defined its own objectives, detailed below, those objectives are supportive of the broader objectives of the PPP.

### **TGS Objectives**

- Increase tourism volume at high and sustainable rates
- Increase total spend by tourists in South Africa
- Optimise length of stay
- Improve volume and tourism spend distribution around the country, and throughout the year
- Promote transformation and black economic empowerment

The table below represents the arrival statistics between 1998 – 2003 and highlights the variance in actual arrivals relative to targets.

	Measure	Source	Actual	Yr on Yr increase	Target	Over / under by:	Met target?
<b>ARRIVALS</b>							
1998	Primary	UK	321,281	13.2%			
		Germany	195,878	1.3%			
		France	72,994	12.8%			
		Italy	37,204	12.7%			
		Netherlands	83,022	23.3%			
		USA	166,071	24.6%			
	Secondary	Africa					
		Nigeria					
		Kenya	16,623				
		Brazil	18,385				
		India	20,904				
		China					
		Australia	55,559				
		Japan	22,178				
Hong Kong	14351						
1999	Primary	UK	334,226	4.0%	5%	-1.0%	No
		Germany	205,955	5.1%	5%	0.1%	Yes
		France	84,460	15.7%	10%	5.7%	Yes
		Italy	38,757	4.2%	10%	-5.8%	No
		Netherlands	85,586	3.1%	12%	-8.9%	No
		USA	166,236	0.1%	10%	-9.9%	No
	Secondary	Africa	4,272,153				
		Nigeria					
		Kenya	14,685	-11.7%			
		Brazil	14,469	-21.3%			
		India	25,212	20.6%			
		China	-	-			
		Australia	55,186	-0.7%			
		Japan	23,137	4.3%			
Hong Kong	11,959	-16.7%					
2000	Primary	UK	349,652	4.6%	10%	-5.4%	No
		Germany	210,227	2.1%	10%	-7.9%	No
		France	89,573	6.1%	20%	-13.9%	No
		Italy	38,195	-1.5%	20%	-21.5%	No
		Netherlands	91,154	6.5%	20%	-13.5%	No
		USA	174,728	5.1%	20%	-14.9%	No
	Secondary	Africa	4,221,773	-1.2%			
		Nigeria	12,682				
		Kenya	13,878	-5.5%			
		Brazil	17,311	19.6%			
		India	25,951	2.9%			
		China	18,306				
		Australia	56,040	1.5%			
		Japan	22,662	-2.1%			
Hong Kong	12,177	1.8%					

	Measure	Source	Actual	Yr on Yr increase	Target	Over / under by:	Met target?	
<b>ARRIVALS</b>								
2001	Increase <b>total number of visitors</b> by December 2004: 6.253 million	Table A December 2002	5,787,368		6,253,000	<b>-465,632</b>	No	
	Growth rate: 9.1%	Table A December 2001		-1.4%	9.1%	<b>-10.5%</b>	No	
	Aggregate growth rate for primary markets by 10%		946,745	-0.7%	10%	<b>-10.7%</b>	No	
	Primary	UK	Table A December 2002	356,759	2.0%	10%	<b>-8.0%</b>	No
		Germany		203,911	-3.0%		<b>-13.0%</b>	No
		France		82,475	-7.9%	20%	<b>-27.9%</b>	No
		Italy		36,899	-3.4%		<b>-23.4%</b>	No
		Netherlands		96,090	5.4%		<b>-14.6%</b>	No
		USA		170,611	-2.4%		<b>-22.4%</b>	No
	Secondary	Africa	Table A December 2002	4,119,422	-2.4%	10%	<b>-12.4%</b>	No
		Nigeria		18,071	42.5%		32.5%	yes
		Kenya		14,804	6.7%		<b>-3.3%</b>	No
		Brazil		17,066	-1.4%		<b>-11.4%</b>	No
		India	28,012	7.9%	<b>-2.1%</b>		No	
China		18,891	3.2%	<b>-6.8%</b>	No			
Australia		60,684	8.3%	1.7%	Yes			
Japan		24,598	8.5%	<b>-1.5%</b>	No			
Hong Kong		10,790	-11.4%	<b>-21.4%</b>	No			
2002	Increase <b>total number of visitors</b> by December 2004: 6.918 million	Table A December 2002	6,429,583	-	6,918,000	<b>-488,417</b>	No	
	Increase <b>total number of overseas visitors</b> by December 2004: 2.2 million	Table A December 2002	1,803,887	-	2,200,000	<b>-396,113</b>	No	
	Growth rate: 11%	Table A December 2002	-	11.1%	11%	0.10%	Yes	
	Primary	UK	Table A December 2002	442,910	24.1%	10%	14.10%	Yes
		Germany		248,990	22.1%		12.10%	Yes
		France		112,078	35.9%	20%	15.90%	Yes
		Italy		47,756	29.4%		9.40%	Yes
		Netherlands		110,389	14.9%		<b>-5.1%</b>	No
		USA		182,591	7.0%		<b>-13%</b>	No
	Secondary	Africa	Table A December 2002	4,435,218	7.1%	10%	<b>-2.9%</b>	No
		Nigeria		22,091	18.2%		8.2%	Yes
		Kenya		17,031	13.1%		3.1%	Yes
		Brazil		18,187	6.2%		<b>-3.8%</b>	No
		India		34,062	17.8%		7.8%	Yes
China		36,957		24.5%	14.5%		Yes	
Hong Kong								
Japan		26,239		6.7%	<b>-3.3%</b>		No	
Australia	69,832	15.1%	5.1%	Yes				

	Measure	Source	Actual	Yr on Yr increase	Target	Over / under by:	Met target?	
<b>ARRIVALS</b>								
<b>2003</b>	Volume growth of least 7% per annum							
	Increase <b>total number of visitors</b> by December 2004: 7.657 million	Table A January to October 2003 annualised	6,174,037	-4.0%	7,657,000	-1,482,963	<b>No</b>	
	Growth rate: 11%							
	Volume growth per market							
	<b>Primary</b>	UK	Table A December 2003	463,021	4.5%	505,488	-42,467	<b>No</b>
		<i>Mature Affluent Discerning Explorers</i>		47,818		5.5 - 6%		
		<i>Young Active Sunseekers</i>		20,828		5.5 - 6%		
		Germany		261,194	4.9%	281,379	-20,185	<b>No</b>
		<i>Active African Explorers</i>		39,408				
		<i>Organised African Explorers</i>		14,178				
		France		130,365	16.3%	132,252	-1,887	<b>No</b>
		Italy		50,403	5.5%	54,442	-4,039	<b>No</b>
		Netherlands		122,565	11.0%	121,688	877	Yes
		USA		192,561	10.2%			
		<i>Next stop South Africa</i>		20,927		18000	2,927	Yes
		<i>Upscale Wanderlusters</i>		13,788		2210	11,578	Yes
	<b>Secondary</b>	Africa	Table A December 2003	4,519,616	1.9%			
		Nigeria		23,477	6.3%			
		Kenya		18,780	10.3%			
		Brazil		17,883	-1.7%	18733	-850	Yes
India		42,954		26.1%				
China		45,260		22.5%				
Hong Kong								
Japan		22,741		-13.3%				
Australia		72,728		4.1%				

The PPP's performance with regard to meeting its stated quantifiable objectives by December 2004 will have been substantially successful. It should however be borne in mind that the quantitative components of the objectives of the PPP, particularly in relation to the increase in the number of visitors, are difficult to measure for the following reasons:

- The lead time in terms of the success of many of the initiatives undertaken by SAT and, in particular, the TGS, is in the region of at least 18 months and it may therefore be premature to apportion success or failure at this present stage;
- There are a range of exogenous factors, such as world events and the strength of the Rand which may significantly impact on the flow of international tourists into South Africa, thereby increasing the complexity of measuring the success of the strategy.

While certain of the objectives may not have been met as at December 2003, a comparison with 1999 suggests that much has been achieved. Furthermore, while the objectives and targets set were the basis upon which the Business Trust agreed to fund SAT, these targets were by no means data driven or scientific, and were in fact, little more than educated guesses. Nonetheless tourism numbers in South Africa continue to outperform many competitor countries and global tourism growth. It is also important to note that the Business Trust's primary objective of creating jobs has been met.

Resolve has proposed a measurement framework that focuses on both institutional and individual performance measurement by emphasising those measures over which SAT has direct control. It is suggested that this will enhance management accountability and provide the organization with a more realistic picture of their performance relative to factors outside of their control. Arrival or yield numbers alone are not a sufficiently accurate indicator of success. Hence, Resolve has proposed that interim-level marketing measures are given more status within the current measurement system.

In conclusion, there is little doubt that the detailed segmentation based marketing with specific knowledge of the consumer, including details of needs, time of travel and expenditure places the TGS at the forefront of global tourism strategies.

### **4.3. Role players**

The key participants contributed significantly to the outcomes achieved by the PPP. This can be understood in terms of two questions: what role did they play? And did they fulfil their mandate and bring what was needed to the relationship for the achievement of objectives?

It is often the case in PPPs that an unequal relationship may exist between the partners. By way of illustration, it is not unusual for a situation to exist in which the funded partner takes the money, while the funder sits back and waits for progress to take place and receive reports which can then be presented at Board meetings. It is a significant factor of this particular PPP that this has not been the case. In the five year relationship between

the Business Trust and SAT, Business Trust has played a pivotal role, providing leadership, skills and business knowledge, which assistance was, particularly in the early stages when capacity was low, eagerly accepted by SAT. One of the outcomes of this interaction, is an organisation that has become strong enough in its own right to not require this “support”, thus realising one of the fundamental objectives of any PPP, namely sustainability at an operational level.

One of the key enabling factors for the partnership was what has been described as the reservoir of ‘social capital’ from which the PPP was able to draw in terms of support. Social capital, according to the World Bank, are the “norms and networks that enable collective action.” The Business Trust itself, is the result of the reservoir of social capital that exists in South Africa. Not only did this level of social capital result in an organisation with 145 funders working towards a common goal, but it also allowed for the provision of expertise at an operational level when required. The notion of tourism and development was inclusive; it was an identified “national interest” that attracted the interest and support of both the public and private sector. The motivation of both government and the private sector was strong, and the interests of the two sectors were substantively aligned with a shared vision for South African tourism and what it could do for the economy of South Africa.

#### *4.4.1 The Department of Environmental Affairs and Tourism (DEAT)*

The fact that SAT is accountable to the Minister of DEAT, via its Board, is important as it, in effect, meant that even though DEAT was not a direct party to the PPP, it was involved as the accountable Government Department. This is borne out by the fact that many of the initial discussions around the structuring of the PPP were conducted with DEAT.

DEAT played a critical role in creating the enabling environment for the PPP to function as a joint public-private initiative. This had two features. Firstly, Minister Valli Moosa amended the Tourism Act to allow the Board of SAT to be reconstituted so that business could be better represented on the Board. This amendment meant that business was able to actively participate in driving the achievement of the PPP’s objectives beyond the provision of funding.

This was done less out of a recognition of the inability of the public sector to contribute and more with the foresight and vision of what could be achieved by both sectors acting in concert. This was the first real acknowledgement by the portfolio Minister that the marketing of South Africa as a tourism destination was intertwined with the private sector tourism players who provided the product. Five Business Trustees were invited to join the Board as representatives of the private sector. One of these representatives was made Chairperson of the Board, Saki Macozoma, while Michael Spicer was made Chairperson of the Marketing Sub-Committee. Secondly, the Minister made a number of strategic executive appointments within SAT at a leadership level that were designed to assist the organisation to engage in a turnaround and restructuring process. These appointments provided the leadership necessary to drive SAT towards achieving the objectives of the PPP, and to gear SAT for delivery.

An area of complexity that SAT has faced has been the alignment of public sector organizations behind its' initiatives. Tourism organizations in the provinces act as part of the provincial government sphere. These organizations are established differently within each province. Tourism structures in the provinces have, in the past, acted de facto independently of SAT with the consequence of non-aligned marketing initiatives existing at a provincial level. The challenge for DEAT has been to build a coordinated strategy that presents the notion that the country first, rather than the province, is a better proposition for the tourism industry of South Africa.

The responses from provinces suggest that DEAT has not been entirely successful in creating a unified platform of support behind the TGS. This issue is manifested in a degree of scepticism regarding the validity of the strategy, as well as a perception that provinces were merely "informed" of the strategy without being consulted sufficiently. This is vigorously denied by SAT which states that there were numerous consultation processes.

#### *4.4.2 SAT*

SAT had some difficulty in gearing the organisation towards the achievement of the objectives in the early phases of the partnership. This was a reflection of the lack of

capability and capacity within the organisation at the time. SAT drew on management consultancies to provide the expertise it lacked in key areas and in 1999 Grant Thornton Kessel Feinstein was appointed to assist SAT to understand potential growth areas and market opportunities. The outcome of this project was (according to SAT and its stakeholders) information lacking depth and quality. The impact of the lack of SAT capacity in the early years of the PPP was felt through delays in developing the strategy. It can only be speculated that had SAT had the capacity to deliver from the outset on the PPP, the objectives of the PPP would more likely have been met sooner and more efficiently.

The Minister's appointment of key executives and his decision for private sector representation on the Board, served to revitalise and transform SAT. The introduction of Cheryl Carolus (CEO), Moeketsi Mosola (COO), Didi Moyle (Chief e-Business and Research Officer) and a powerful management team saw the restructuring of SAT towards a centralised model that would enable a coherent and unitary approach regarding the development of a marketing strategy, as well as the introduction of professional management systems, supporting controls and procedures.

The choice of Monitor (2000) as the strategic research service provider was an important one which assisted SAT in developing a clear vision regarding the development of a tourism strategy that was complemented with committed organisational and leadership resources who were able to guide and manage the outcomes. Given the constraints and required levels of expertise, the decision to use Monitor was not an abdication of responsibility but rather a judicious, informed and strategic use of consultants to provide a level of information analysis that did not exist within SAT. Monitor was an excellent choice.

SAT's organisational gearing for designing and implementing the strategy have been a major contributor to the strength of the strategy. In addition to this, the TGS and PPP has had a real impact on SAT by driving internal transformation in terms of strategic direction and organisational development. This transformation meant that SAT had the capacity to develop, while at the same time, implementing the TGS. While this is an area in which many developing public entities stumble, basically "designing the aircraft" while flying it, SAT was able to manage, at times not without difficulty, to achieve this significant feat. This is one of the successes of the PPP: in seeking a particular objective, it transformed

the primary delivery mechanism into a more effective organisation. An additional success is the fact that the Business Trust has determined that it is no longer necessary to support SAT financially, as SAT has reached that critical point where the assistance appears to be no longer necessary.

It should be noted that SAT has received annual unqualified Auditor reports, and has provided BT with quarterly Funder Reports, however the budgets to which Resolve was given access were not sufficiently detailed to allow for any robust measurement of outcomes against expenditure.

Ideally, SAT's forward projections should be carefully examined and their profit and cost assumptions interrogated in order to comment on the organisation's future financial sustainability (or lack thereof). Unfortunately, despite numerous requests, Resolve was not given access to these forward financial projections.

#### *4.4.3 Business Trust*

The role of the Business Trust with regard to the transformation and enablement of SAT through the PPP is equally important. Business Trust was able to contribute, through its participation at a Board and operational level, a variety of capabilities and experiences such as an understanding of risk, business process skills, an understanding of markets, and an ability to trigger market responses that would have not only impacted on SAT, but would have also shaped the tourism strategy. The impact of such support and assistance can also be found in its effect on general reporting and accountability within SAT as well as substantial improvements in its corporate governance.

In the earlier years of the agreement, the private sector was particularly instrumental in driving South African tourism marketing initiatives in SAT through the Marketing Sub-Committee. While elements of the Joint Marketing Agreements (JMAs) signed by members of that Committee have been criticised, it was a focussed effort which was an improvement on the previous approach and did apparently result in increased numbers of tourists as a result of the various JMAs that were struck. However, due to the

unavailability of these JMAs, no detailed assessment or measurement of the success of these JMAs was possible.

There is however no doubt that the involvement of private sector individuals from within the tourism sector in the operations of the marketing of South African Tourism has been the subject of controversy with various parties commenting on both the appropriateness and the value of the appointment of the three individuals concerned and their subsequent activities.

This issue raises questions in relation to the role of the private sector in providing assistance to public bodies and, particularly, the nature and form of that assistance. While the lack of internal capacity may often necessitate bringing in expertise to fill gaps and vital functions within a public institution, this necessity, (which in itself is cause for discussion) must be countered by the appropriate checks and balances, both in terms of management and Board control and accountability. The appropriate measures need to be in place to ensure that the exercise of such operational responsibility is clearly delineated and meets strict corporate governance requirements.

Notwithstanding the above, the Business Trust acted not only as a funder, but also gave input at a qualitative and quantitative level that impacted on what was produced. The composition of the Business Trust, deriving its financial base from 145 of South Africa's most significant companies and with a Board featuring both prominent persons in business and Cabinet Ministers, enabled the Trust to bring pressure on other stakeholders in the tourism value chain in the areas where it may have been appropriate.

It is important to note that the participation of the parties to the PPP was marked by a commitment to assist in a manner that was cooperative and mutually beneficial. In this regard, at no stage has it been stated that the Business Trust, in relation to the fulfilment of the objectives of the PPP, imposed its views on SAT or vice versa, in a manner which was inappropriate to the spirit of the partnership.

The one area that does deserve attention is the degree of continuing fragmentation in the private sector. It is suggested that this is perhaps an area in which the representatives of

the Business Trust and SAT, both at the level of the Trust and the private sector representatives on the Board of SAT, could have devoted more attention to harnessing the somewhat disjoint efforts of the industry players in order to ensure uniformity and consistency of approach from the private sector in relation to support for SAT and the TGS. While private sector players in the tourism arena stated that they are insufficiently consulted by SAT, there remains a concomitant obligation on them to communicate with and support SAT as the primary marketing body of the country in which their products are located.

The attitude of the Business Trust to the partnership has been a constructive one and is reflected in the fact that they have fully met their financial commitments and obligations to SAT and the partnership in a manner which has not been prescriptive or unnecessarily milestone orientated. A degree of flexibility has been exhibited by the Business Trust in relation to reporting requirements of the PPP and they have managed to remain focussed on the “big picture” without allowing the partnership to be threatened by many of the issues which have bedevilled so many PPPs.

#### *4.4.4 Industry*

The role played by the industry towards the attainment of the PPP goals has not been as optimal as it could have been. In particular, the industry’s relationship with SAT has been somewhat strained, characterised by the disparate views of the sector and allegations of “non-consultation” from the industry’s side, and counter allegations of a fragmented industry from SAT’s side.

Between June 2001 and December 2002, a number of consultation activities were conducted by the TGS team. Consultation sessions were convened with associations and organizations such as the TBCSA, SATSA, AASA, Fedhasa, HILG, ACSA, with tour operators, airlines (SAA), product owners and National and Provincial Government. Additional consultations were held with tour operators, product owners, and sector representatives in both South Africa and in source markets.

Comment from the industry alleges that the consultation that was undertaken with regard to the development of the strategy was inadequate. Many interviewees suggested that

although SAT did meet with them, it was to present the strategy as a *fait accompli*, to 'inform' them about the findings of the research, as opposed to obtaining their input on strategic content. Whilst the definition of consultation remains blurred in this context, the feedback from industry players interviewed was consistent in this regard.

This perceived lack of consultation is unfortunate, and has led to a degree of alienation amongst some industry players interviewed who suggested that their input would have been valuable and would have enriched the end product. It would also have meant a greater willingness, and even ability, to re-align their product and service offerings behind the TGS. The interviewees, with one exception, were consistent in their criticism of SAT as an organisation that makes little effort to engage or work with industry players. This has left many in industry with the perception (rightly or wrongly) that the TGS is poorer because of their lack of input into its development.

In fairness to SAT, the lists of consultations conducted suggest that a large number of consultation sessions were held. In addition, the fact that the industry is highly fragmented with competing interests and needing more effective internal channels of communication makes the issue of "consultation" both difficult and complex. Views have also been expressed that certain companies in the tourism sector felt aggrieved that the implementation of the strategy did not accord with their own marketing efforts. In essence, that "sour grapes" has prejudiced their view on the "consultation" issue.

Importantly, regardless of the veracity of the differing views held in this area, what this reflects is a significant disjuncture between the perceptions of SAT and those of industry in a critical area. The fact that this disjuncture of opinion and perception exists reveals the need for processes and mechanisms to be developed and implemented to address it in the future. This also applies to the provinces and local government tourism operatives.

At the same time, the continuing fragmentation in the industry in terms of the consistency of support for both SAT and the strategy is an area which requires attention and which the industry itself should realise is a factor which will detract from its ability to market both its own initiatives and those of the country. The benefits of an industry and a marketing organisation which have the same objectives at a strategic and operational level,

particularly in relation to the alignment of the products behind the strategy are self explanatory. The launch of the new brand should assist industry to align behind one strategy and destination offering.

#### **4.4. Reporting and Accountability**

In terms of the PPP agreement, SAT has been required to provide, prior to the completion of each financial year, a business plan and budget for the following year that includes details on cash flow and drawdowns. The Business Trust in turn, is required to pay SAT according to a schedule on acceptance of the submission of progress reports and financial statements. All the monies received by SAT as part of the PPP went into the same pot, which renders an analysis of how the Business Trust's funds were spent impossible. This situation, however, arose out of an agreement between the two parties that the money was not to be disaggregated.

The Business Trust has expressed concerns with the level and consistency of financial reporting, budgeting, and related information. The cause for these problems appear to be a lack of financial systems in place during the first few years of the partnership. This situation has, however, been gradually improving under the auspices of the new management team.

The inadequacies of financial information forthcoming from SAT in terms of its PPP obligations are notable for two aspects for the Business Trust as a partner. Firstly they reflect on the internal constraints SAT faced in the earlier years of the partnership and its ability to deliver against the objectives of the PPP, which had financial ramifications. From an opportunity cost perspective, SAT did not have a good understanding of its market until 2002 and it took SAT three years to be in a position to substantially seriously achieve its objectives.

Secondly, they reflect on the ability to understand return on investment fully. The lack of a measurement methodology embedded in the strategy prevents a comprehensive understanding of whether or not the right amounts were spent on the right things, and in the right places, and whether there is any quantifiable return on those monies. The lack of

clear measurables and impact evaluations have made it difficult to assess whether or not the strategy is delivering on what it promised (for example tourism arrivals by yield segment is only available from 2003.) The fact that there was no proper measurement per segment meant that one could only take a macro view, i.e. spend versus arrivals. The existence of numerous exogenous factors which may have a significant impact on both tourism numbers and tourism spend which were not factored in to the initial measurement framework, really rendered the spend versus arrivals measurement methodology indicative, rather than conclusive. Proper measurement per segment in terms of spend and campaigns would have made a detailed assessment possible much earlier.

Discrepancies with regard to reporting and accountability requirements have also constrained the PPP in terms of delivery against objectives. Insufficient and irregular data prevented timeous and considered interventions being taken.

## **5. THE FUTURE: SUSTAINABILITY AND RISKS**

In terms of sustainability going forward and risks, the following issues are raised for consideration:

- In terms of the PPP agreement, the Business Trust would provide funding to SAT for the development of the marketing strategy for South African Tourism in pursuit of a number of objectives. This agreement has a defined lifespan of 3 years, and SAT has delivered the marketing strategy in the form of the TGS. The Business Trust would need to evaluate whether it would wish to continue to provide funding to pursue those explicit objectives defined in the agreement that have not yet been achieved, or indeed, revise and add additional objectives should funding continue.
- The efficacy and sustainability of the TGS is dependant on an adequate and comprehensive system for measuring and monitoring progress against its objectives.
- Structurally SAT has demonstrated an ability to affect an organisational turnaround to the extent that stakeholders generally see it as a more capacitated and effective organisation. The fact that SAT has transformed itself to address the marketing strategy is perhaps indicative that Business Trust's direct involvement and the necessity of the role that it played, has diminished.

- Of concern, however, is that despite the PPP and strong private sector participation, current relations with the industry are not as strong as they should be.
- The increasing attention given to tourism as a vehicle for job creation and growth has resulted in greater funding from government. From a financial sustainability perspective, there is less of a requirement for the Business Trust's involvement.
- Whilst SAT's use of Monitor represented a strategic recognition of the lack of their own internal ability to conduct the necessary detailed work for the development of a South African tourism marketing strategy, various concerns have been voiced, notably allegations concerning the skills transfer and capacitation of SAT by Monitor. While our assessment shows no cause for concern in this area, SAT needs to sustain rigorous and analytical ongoing engagement with the strategy in the future, particularly since the strategy demands a portfolio management approach, and an organisational culture that is agile and adaptable.
- The issues regarding skills transfer also hold for organisational capacity, particularly given the concerns raised with regard to the reporting issues (although this was more relevant to SAT at the outset of the PPP) and the operationalising of finance (in particular being able to allocate and understand expenditure and return per market segment.)
- In formulating a PPP, due consideration should be given to the capacity of the primary delivery mechanism at the outset, and any requirements for additional capacitation. Prior to formulating a PPP, therefore, a needs assessment and strategic review of the organisation should be conducted so that objectives can be set on a more informed basis.

## 6. CONCLUSION

There is no doubt that the PPP was the right vehicle for achieving the objective of formulating a marketing strategy for South African tourism for two reasons. Firstly SAT's capacity at that time to undertake the development of a marketing strategy that reflected the broader socio-economic importance of tourism was constrained – both financially and in terms of organisational capacity. The Business Trust was able to provide financial and management expertise where SAT lacked those capacities and skills. Both parties shared a common goal regarding tourism that was more realisable when the sum of the two was

recognised as greater than the individual halves. Secondly, there was social capital and goodwill invested in tourism that extended beyond the individual parties. The PPP allowed for the participation and representation of broader interests and therefore produced not only a more sustainable solution, but also a more considered and rigorous one.

In relation to lessons for other PPP's and for the Business Trust considering further such ventures in the future, the following issues are suggested for consideration:

- The PPP was characterised firstly by a degree of participation that ensured that each of the primary stakeholders was able to influence the process such that the result of the PPP accurately reflected the views of both parties to the PPP. Secondly, the blend of public-private experience created the enabling environment for the production of an appropriate and relevant strategy, and for the transformation of the delivery mechanism (i.e. SAT.)
- Do not underestimate the value of social capital, goodwill and common motivation for driving the achievement of the goals of the PPP beyond the constraints that present themselves. In this country, given its history, the example of a successful PPP is extremely valuable;
- The scale of the financial input from BT was eclipsed by the comparative operational influence and leverage it had on SAT.
- A common motivation regarding the goals and a broad resulting platform of consensus is in fact critical for a PPP to work (specific ideological differences between the parties aside);
- The private partner has a critical role to play relative to its public sector counterpart. This is more than providing funding and extends to proactively engaging with the public counterpart to ensure there is capacity for the realisation of mutual goals, yet does not overstep the bounds of the mandate and become prescriptive;
- Parties to the PPP should fully understand the interplay of issues that are likely to affect the outcome of the PPP prior to agreement, should temper expectations accordingly, and should put in place mechanisms necessary for the achievement of the objectives;
- The lessons around the use of consultants in terms of lending both capacity and skills to an organisation are fairly clear. In this case, Monitor played a critical role in the

research and development of the marketing strategy and, in addition, were tightly and professionally managed from within SAT by the SAT management team. In many PPPs, consultants are engaged and are inadequately managed, with the result that their work does not necessarily completely align with the objectives of the organisation, skills transfer is minimal and the sustainability of their work and that of the organisation is placed in question.

- Substantive consultation and information sharing should be provided to broader stakeholders through the duration of the PPP and its outcomes in order to ensure the sustainability of initiatives beyond the lifespan of the PPP itself;
- The quantifiable objectives of the PPP should be both clear and measurable, realistic and informed by as much data as possible;
- Clear evaluation and measurement frameworks should be developed in relation to the identified objectives;
- The importance of constant consultation and communication between all stakeholders to the PPP cannot be over emphasised;
- Success in this PPP is partly determined by the tremendous individual commitment of the business players, which is unlikely to be present in many PPPs

It is suggested that, in good time, given the actions, in particular of Minister Moosa and the Management Team, SAT would have built itself into a functional marketing agency. However this would have taken much longer and the marketing strategy methodology of the organisation would not have been as sophisticated as it is today.

An important element of the PPP was the extent of private sector representation on the Board of SAT and the degree of their immediate interests in the tourism sector. Where this did occur in the early days, this did raise concerns regarding good corporate governance. In other words, private sector participation in PPPs as on public entity boards, must be governed by a commitment to the national good and not a private interest.

In conclusion, the critical defining features of the success of the PPP were the proper alignment of interests with objectives and the manner in which both parties chose to implement the partnership, namely in a non prescriptive manner and in a spirit of eager

cooperation marked by little of the territorial “powerplay” that so often undermines the social contract that should always be the foundation of a public private partnership.