



*Inspiring new ways*

# South African Tourism

(Hereinafter referred to as SAT)

## Updated 5-year Strategic Plan


### 2014/15

#### Official Sign off

It is hereby certified that this updated Strategic Plan:

1. was developed by the SAT Board and taking into consideration Treasury "Framework for Strategic Plans and Annual Performance Plans" Issued during August 2010;
2. takes into account all the relevant policies, legislation and other mandates for which SAT is responsible;
3. accurately reflects the strategic outcome oriented goals and objectives which SAT will endeavour to achieve over the period 2014/15 to 2018/19.

T Bouwer  
Chief Financial Officer

Signature: 

T Nzima  
Chief Executive Officer

Signature: 

Approved by SAT's Accounting Authority on 13 June 2014 and approved on its behalf:

Approved by:  
F Kilbourn as Board Chairperson

Signature: 

Derek Hanekom, MP  
Minister of Tourism

Signature: 

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## PART A – STRATEGIC OVERVIEW

### 1 VISION OF SAT

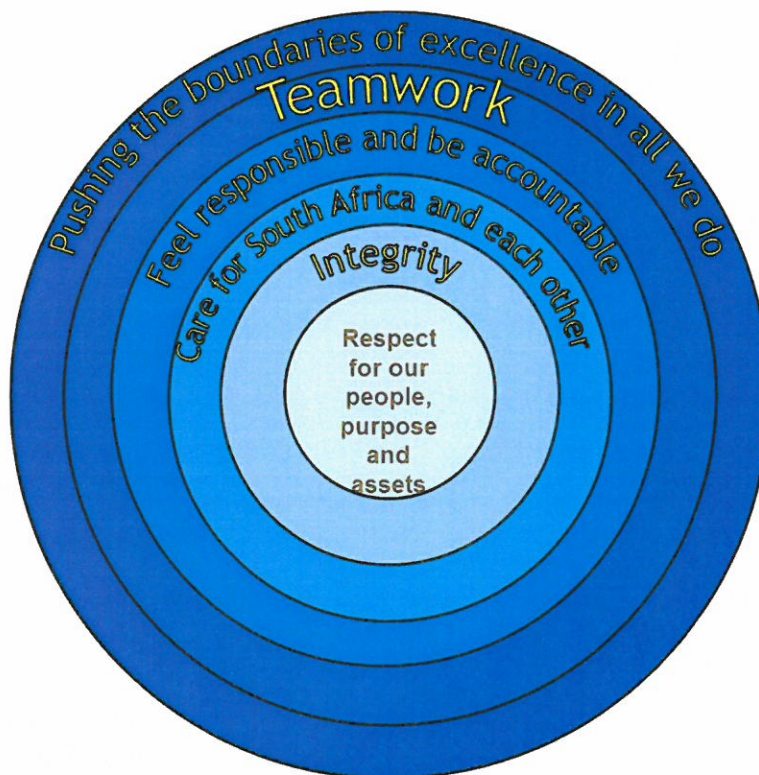
For South Africa (SA) to be the preferred tourist destination in the world, in order to maximise the economic potential of tourism for our country and its people.

### 2 MISSION OF SAT

To develop and implement a world-class tourism marketing strategy for SA. In pursuance of this SAT will:

- Develop and implement domestic, regional and international marketing strategies informed by research information and knowledge
- Develop and implement a business events strategy
- Implement and maintain a recognisable, credible and globally benchmarked system of quality assurance – in relation to the grading of established accommodation
- Facilitate strategic alignment of provinces and industry in support of global marketing of tourism.
- Strive to harmonise stimulus to support tourism growth
- Ensure the efficient utilisation of resources to deliver the tourism strategy

### 3 VALUES OF SAT



- We unconditionally respect our organisation's people, its purpose and its assets.
- Living this respect with integrity translates into an authentic caring for South Africa and each other, a feeling of responsibility, and the acceptance of accountability for the outcomes of our actions.
- Our team pushes the boundaries of excellence in everything we do.

## 4 LEGISLATIVE AND OTHER MANDATES

# Governance @ SAT



### 4.1 CONSTITUTIONAL MANDATES

SAT accounts to the Executive Authority namely the Minister of Tourism and the Accounting Authority (SAT Board) and the National Department of Tourism for the government grants received to fulfil its mandate. In terms of Section 92 of the Constitution, the Minister of Tourism who is responsible for the power and functions of the executive assigned to him by the President is ultimately responsible for the National Department of Tourism and its entity. He also has to provide Parliament with full and regular reports concerning SAT. These reports are submitted by SAT to the National Department of Tourism.

### 4.2 LEGISLATIVE AND EXTERNAL POLICY MANDATES

#### 4.2.1 Tourism Act No. 72 of 1993 as amended

Makes provision for the promotion of tourism to and in the Republic and for further regulation and rationalisation of the tourism industry, measures aimed at the maintenance and enhancement of the standards of facilities and services hired out or made available to tourists.

SAT is a listed Schedule 3a Public Entity according to the Public Finance Management Act (PFMA) No 1 of 1999. The PFMA and Treasury Regulations remain fundamental prescripts that guides and informs financial accountability.

The introduction of the Tourism Act No.3 of 2014 will necessitate an update of the Strategic Plan and Annual Performance Plan, as well as, other policies.

- 4.2.2 The White Paper on the Development and promotion of Tourism in South Africa, 1996 provides the framework and guidelines for tourism development and promotion in South Africa; in addition to the White Paper, the National Tourism Sector Strategy serves as the strategic focus.

### 4.3 INTERNAL POLICY MANDATES

Name of Policy	Key Responsibility
Information Technology Strategy effective 1 April 2010 (approved 1 Oct 2009)	Managing Business Information Systems and ensure that computer systems are secure.
Health and Safety Policy	As per legal requirement - outlines duties and responsibilities and references to Health and Safety related document - policies and procedures.
Executive committee terms of reference	Executive committee of SAT's responsibilities
Management and Communication Structures terms of reference	Communication and feedback between management and staff
Board Code of Conduct	Based on 7 Governing principles: discipline, transparency, independence, accountability, responsibility, fairness, social responsibility, signed by each Board member
Corporate Governance Policy	Based on King 3, Code of Good Practices and Conduct - aimed at the Board and Senior Management, reporting requirements, functions and powers delegated by the Board
Delegation of Authority	Functions and duties delegated by the Board
Health and Safety Incident Reporting Procedure	As per Health & Safety requirements
Business Continuity Plan	How the business will operate when there is a crisis
Supply Chain Management Policy	Procurement as required by National Treasury
Subsistence and Travel Policy	Subsistence and Travel requirements in line with Supply Chain Policy
Information Technology Policy	Ensure that SAT's systems are managed properly and are secure
Performance Information Framework	Reporting in line with Treasury Requirements
General Human Resources Policy	Based on the Labour Relations Act
Foreign Service Dispensation Policy	Management of transferred overseas staff
Guaranteed Remuneration and Performance Incentive Policy	Remuneration of staff policy and clearly explains performance review which leads to performance bonus
Leave Policy	Based on Labour Relations Act
Finance policy – General	Based on PFMA, Treasury Regulations and SA GRAP

### 4.4 RELEVANT COURT RULINGS

None

#### **4.5 PLANNED POLICY INITIATIVES**

None

### **5 SITUATIONAL ANALYSIS**

#### **5.1 PERFORMANCE ENVIRONMENT**

- 5.1.1 SAT Board was established in terms of section (2) of the Tourism Act, (Act No. 72 of 1993) as amended, with the aim of stimulating sustainable international and domestic demand for South African tourism experiences as well as to institute measures aimed at the maintenance and enhancement of the standards of facilities and services made available to tourists.
- 5.1.2 Tourism as a labour-intensive sector has the potential and capacity to grow the economy and to create jobs. This places tourism as an important sector in the delivery of the government mandate of the creation of decent work, sustainable livelihood and rural development. The Industrial Policy Action Plan (IPAP) identifies tourism as an important driver of both domestic consumer spending and foreign exchange earnings, underpinned by a sustainable resource base, labour-intensive activities and relatively low barriers to entry for entrepreneurs.
- 5.1.3 To accurately measure the success of our marketing initiatives, SAT intends in the future to use tourist arrival figures as opposed to measuring total foreign visitor arrivals. Once a trend has been established on tourist arrivals, SAT can use the historical information to better set predictive targets for tourist arrivals. The tourism sector's drive to increase arrivals and create jobs will occur in an environment where many of our markets are still recovering from the effects of the recent economic downturn.
- 5.1.4 Tourism has been identified in the outcome approach to service delivery as one of the sectors in which growth and employment opportunities could be leveraged. It is expected to contribute to the realisation of Outcome 4: "Decent Employment through Inclusive Economic Growth", and Outcome 7: "Vibrant, equitable and sustainable rural communities and food security for all". This provides an opportunity for better coordination with all our delivery partners for a concerted effort towards achievement of the tourism objectives. The National Tourism Sector Strategy is a commitment by all industry players, to focus on growing the tourism sector's contribution to the GDP; achieve transformation within the tourism sector; provide excellent people development and decent work within the tourism sector; entrench a culture of travel amongst South Africans; deliver a world-class visitor experience; grow business events and address the issue of geographic, seasonal and rural spread.
- 5.1.5 Planning for the future of the tourism sector requires a broad and deep understanding of the sector's environment, which includes both internal and external forces.
- 5.1.6 Although positive global outbound tourism trends are forecast by The United Nations World Tourism Organization (UNWTO), SAT competes in a fiercely-competitive global environment to attract long haul tourists to South Africa. However, most of the travel is short haul focussed.
- 5.1.7 There is global recovery of travel and tourism following the financial crisis but discretionary consumer income is still under pressure. The impact of austerity measures as implemented by different countries will further exacerbate disposable income.
- 5.1.8 2012/13 was a challenging year for the travel industry where despite the strong economies in the emerging markets, uncertainty in Europe had the potential to disrupt global prosperity. However, low cost carriers and mid-priced hotels benefited from on-going consumer caution regarding their spending and drove growth

across the globe. Evolving technology continues to impact the travel industry, putting consumers in the driving seat, alongside travel providers.

- 5.1.9 Growth is expected to continue in the next five years and beyond, driven by the growing desire to explore the world among consumers across the globe, as well as by the rise of the middle and affluent classes in the emerging economies. The fastest growing categories include online travel, low cost carriers, shopping tourism, rail transport and private accommodation.
- 5.1.10 Shifting Geographic markets – recession in Europe has meant that new opportunities exist in emerging markets and South Africa must be prepared on the supply side with relevant products for markets like India, China, Brazil, Russia and Regional Africa.
- 5.1.11 The BRICS nations, with their rapidly growing middle and affluent classes, are expected to be key drivers of growth for many tourism destinations in the next five years. China and India are leading the charge in terms of both outbound trips and expenditure.
- 5.1.12 Evolving post-recession consumer preferences – consumers are focussed on personal value and have ethical concerns about destinations that do not have sustainable practices. SA can exploit our competitive advantage in responsible tourism. More and more consumers are now looking for value for money when choosing a destination.
- 5.1.13 New opportunities and challenges presented by emerging technologies – the rise of online travel and portable information appliances have changed how consumers receive and share information. The immediacy of social media reviews can be challenging if not understood and leveraged appropriately.
- 5.1.14 New cost drivers in aviation that affect consumer behaviour and travel trends. The long haul travel to South Africa is still a barrier but tourists are willing to take indirect routes.
- 5.1.15 E-visa and E-passports access to South Africa as a preferred destination must be considered.
- 5.1.16 Economic growth on the African continent with its relative distance to South Africa is translating into higher value tourism with great potential to drive growth. There is a global trend emerging that indicates that consumers are reducing their length of stay. For this reason, SAT's marketing efforts are more focused on value for money products.
- 5.1.17 The prolonged unrest in a number of Middle Eastern and North African countries is continuing to affect tourist arrivals, although recovery has been seen from the severe drop experienced in 2011, during the Arab Spring.
- 5.1.18 Economic constraints remain the major barrier to taking a domestic trip which could explain the decline in domestic travel since 2007 as the South African consumer faced economic pressures due to the recession that brought about job losses in South Africa. Although there was a recovery in the economy in 2010, it did not translate into more domestic trips, but it did translate into more trips taken for holidays.
- 5.1.19 The domestic Sho't left campaign introduced in 2005 focused on 1 segment, whilst the new Sho't left campaign focuses on 5 segments. With this focus and the additional R100m allocated from the 2015/16 MTEF period, SAT is confidently and progressively working towards the achievement of the 2020 NTSS domestic targets.
- 5.1.20 Domestic tourism in South Africa is largely purpose-driven by people Visiting Family and Relatives (VFR tourism).
- 5.1.21 Domestic tourism is very seasonal with most of the travel occurring during summer school holidays.

- 
- 5.1.22 Rising unemployment, CPI as well as the subsequent cost of living in the country results in people reallocating more of their disposable income towards basic living as opposed to travel. This may result in a reduced number of adult travellers in the domestic market.
- 5.1.23 The latest StatsSA results (2013) estimates that about 25.6% of the labour force is unemployed. Using the expanded definition of unemployment, they place the proportion of unemployed at 36.7%.
- 5.1.24 The EU is SA's most important manufactured goods export market, and as austerity in the EU is intensified, the size of the market continues to contract. According to the IMF and World Bank, there is limited prospect for improvement in the near future. Instead, the EU and other key markets are expected to deteriorate further in the foreseeable future. The consequence for SA are negative, with an expected deterioration in the domestic employment market adversely affecting domestic tourism.
- 5.1.25 At the same time, the IMF, the World Bank and the rating agencies are applying pressure on the South African government to curtail the growth in social grants. In the interim, South Africa's international credit rating has been downgraded, resulting in further constraints on government spending. This would subsequently have a negative impact on domestic tourism, more especially on domestic business tourism from a government perspective.
- 5.1.26 Business travel has recorded a healthy rise since the downturn across the globe in 2009, to reach 212 million arrivals in 2012. Given the relatively weakness of the economy, prospect for growth in tourism have been adversely affected.
- 5.1.27 Business travel has also changed, with many companies shifting to video-conferencing for the troubled established markets in Europe, and with spending instead focus on travel to emerging markets, where growth is more certain.

## **5.2 ORGANISATIONAL ENVIRONMENT**

- 5.2.1 In terms of additional funding from the private sector, SAT receives TOMSA levies from Tourism Business Council of South Africa (TBCSA). The objective of the joint venture is to market South Africa in certain markets identified by SAT through research. Funds contributed into this joint venture are used solely for international marketing activities.

Given its limited resources, most notably financial, SAT has adopted and rolled out a marketing strategy based on in-depth segmentation research and focus groups conducted around the world. This Strategy was approved by the Cabinet and focuses SAT's marketing activities on specific segments of tourists in particular markets:

- that are most likely to come to South Africa; and
- whose value for South Africa will be the highest taking into consideration the size of the segment (value is calculated as the days spent in South Africa multiplied by the amount spent per day)

- 5.2.2 For SAT's purposes, markets have been classified as follows:

- 5.2.2.1 Core markets: These markets are very attractive and have easier access from a tourism-marketing point of view, deliver the "bread & butter" in terms of tourism for South Africa and approximately 60% of organisation's effort (in terms of human capital and budget) is deployed in these markets.
- 5.2.2.2 Investment markets: These markets are also very attractive, but more difficult to access from a tourism-marketing point of view. Given the potential of these markets, it is of great importance for SAT to invest in these markets, ahead of the future returns. Approximately 20% of the organisation's effort (in terms of human capital and budget) is deployed in these markets.
- 5.2.2.3 Tactical markets: These markets are less attractive, but very easy to access from a tourism-marketing

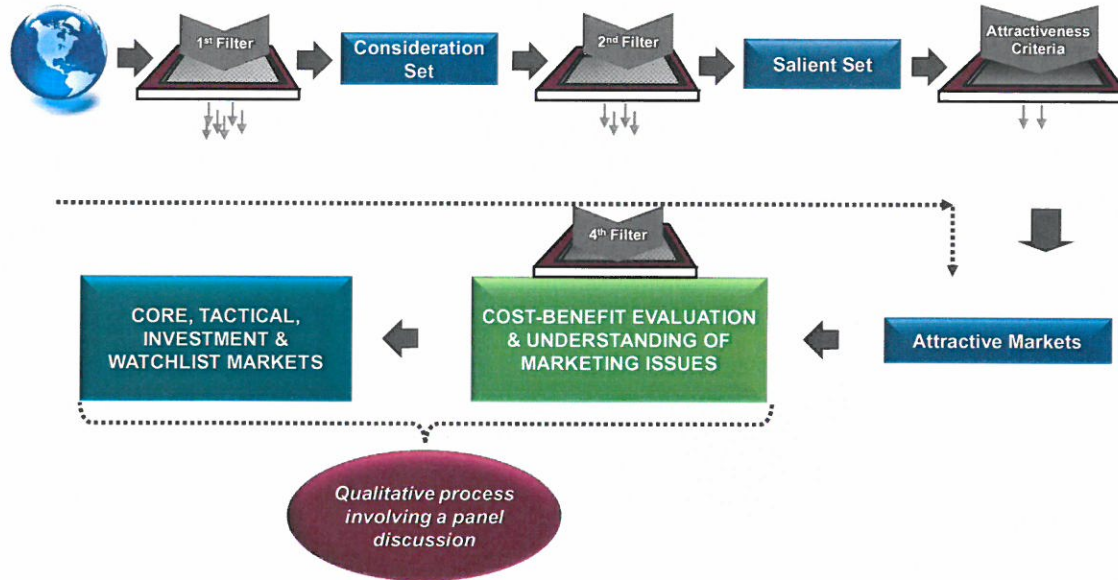
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- point of view. Approximately 15% of the organisation's effort (in terms of human capital and budget) is deployed in these markets.
- 5.2.2.4 Watch-list markets: These markets are less attractive and more difficult to do from a tourism-marketing point of view. However, limited exploratory marketing, largely in conjunction with South Africa's overseas missions and tour operators, is to be undertaken by SAT in these markets as they might grow into future, more prominent markets for South Africa from a tourism point of view. Approximately 5% of the organisation's effort (in terms of human capital and budget) is deployed to these markets.
- 5.2.3 SAT promotes South Africa generically in terms of its unique selling points as an all-season, year-round preferred tourist destination, utilising marketing initiatives that are guided by the Tourism Growth Strategy.
- 5.2.4 A hub strategy has been introduced effective 2014/15 in order to increase overall market penetration at reduced costs, improve footprint and ensure efficient resource utilization. The implication of this is that SAT will coordinate marketing activities for more than one country (listed as an identified markets following SAT's 5th Portfolio review) from a single office in some cases where it makes business sense to do so while some country offices will continue to only service one substantial market.
- 5.2.5 SAT has divided the world into four areas known as portfolios. Each portfolio is headed by a Regional Director tasked with developing and implementing marketing strategies, an approach which serves to optimise the efficiency and strategic marketing activities in specific market segments.
- 5.2.6 SAT's overall marketing strategy promotes South Africa's scenic beauty, diverse wildlife, eco-tourism and variety of cultures and heritage. We also work to engender a travel culture amongst South Africans and to develop South Africa's potential as a big event destination.
- 5.2.7 SAT's international marketing approach differs slightly in its scope: it is more focused, more cost-effective and more customer driven. We persistently undertake to 'play smarter' in the increasingly competitive global tourism market by adopting, amongst other initiatives, on-going segmentation research into key spend and volume markets that highlight areas where SAT's marketing efforts will reap the greatest returns. As a result, the organisation has also embarked on an aggressive e-Business Tourism Growth Strategy that includes fully-fledged research, a CRM unit and an in-house call centre and a website: [www.southafrica.net](http://www.southafrica.net). SAT also participates in major travel shows; co-ordinates advertising, public relations and direct mailing campaigns; and holds educational work sessions with the international partners of South Africa's travel industry. Furthermore, the organisation is active in promoting South Africa as a destination for Business Events through its National Convention Bureau unit that works closely with sector representatives both abroad and in South Africa.
- 5.2.8 SAT also works with South Africa's Embassies and Consulates all over the world to encourage tourism to South Africa.
- 5.2.9 Good corporate governance is essentially about effective leadership. It requires leadership that is able to integrate decision-making, strategy and sustainability. It also calls for an inclusive and collaborative approach with stakeholders, founded on the need for effective dialogue and engagement.
- 5.2.10 SAT views good corporate governance practice as integral to good performance. We at SAT are committed to promoting sustained confidence in our conduct, both as an organisation and as a corporate citizen. While the Board oversees the overall process and structure of corporate governance, each business unit and every employee worldwide within the organisation is responsible for promoting good corporate governance practices. In formulating our governance framework, we apply leading corporate governance practices pragmatically so as to:
- 5.2.10.1 Exercise effective review and monitoring of our activities.
-

- 5.2.10.2 Enhance the world market's perception of us.
- 5.2.10.3 Identify and mitigate significant risks, including reputational risk.
- 5.2.10.4 Promote informed and sound decision making.
- 5.2.10.5 Protect our brand.
- 5.2.10.6 Secure the trust and confidence of all stakeholders.
- 5.2.10.7 Enhance effectiveness, efficiency, responsibility and accountability.
- 5.2.10.8 Facilitate legal and regulatory compliance.
- 5.2.10.9 Ensure sustainable business practices, including social and environmental activities.
- 5.2.10.10 Disclose the necessary information to enable all stakeholders to make a meaningful analysis of our actions.
- 5.2.10.11 Our values and philosophies are the framework against which we measure our behaviour, practices and activities.
- 5.2.10.12 Our values require directors and employees to behave with integrity, consistently and uncompromisingly displaying moral strength and conduct which promotes trust.
- 5.2.10.13 Sound corporate governance is implicit in our values, culture, processes, functions and organisational structures and is designed to formalise oversight of, and ensure the values remain embedded within all our operations and processes.
- 5.2.11 SAT selects its markets every 3 years taking into consideration the latest marketing intelligence. This process is referred to as the Portfolio Review process. Like with previous Portfolio Review processes, SAT adopted the following process during the 5th Portfolio Review process which indicates the markets on which SAT will focus for the following 3 years effective 1 April 2014, ending 30 March 2017:

The review adopts a “fresh eyes” approach by considering all the countries in the world, and filtering them based on a set of objective attractiveness criteria



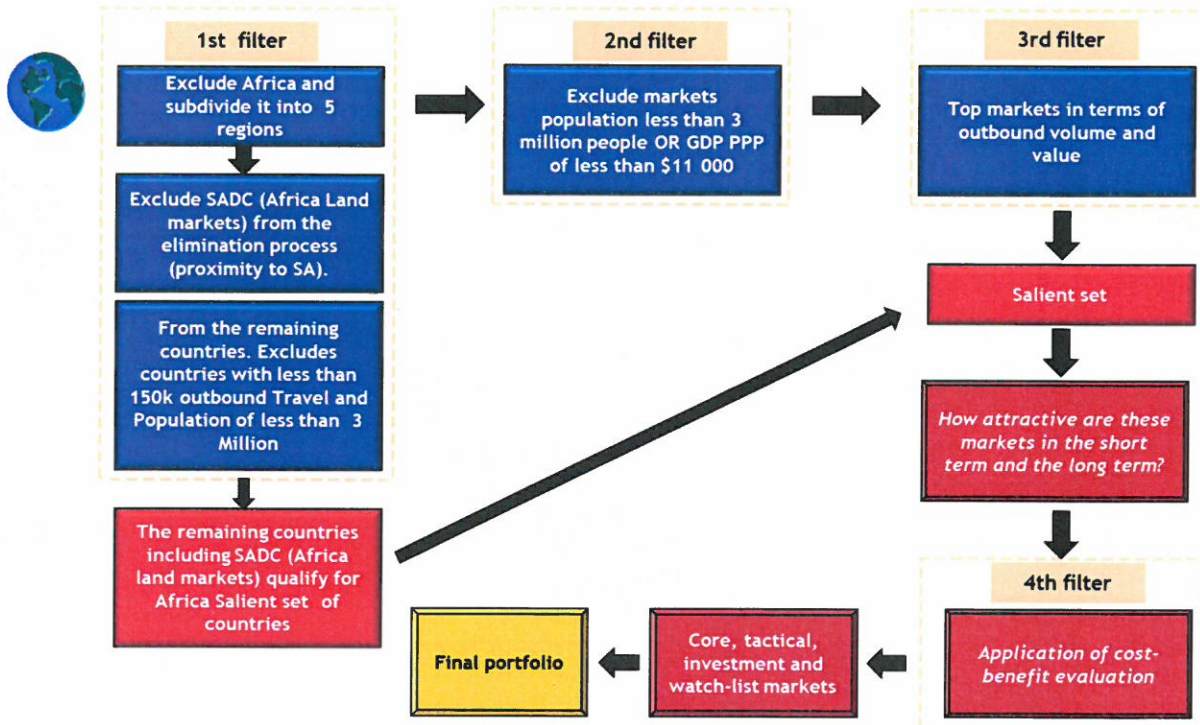
### Approach to Portfolio Review



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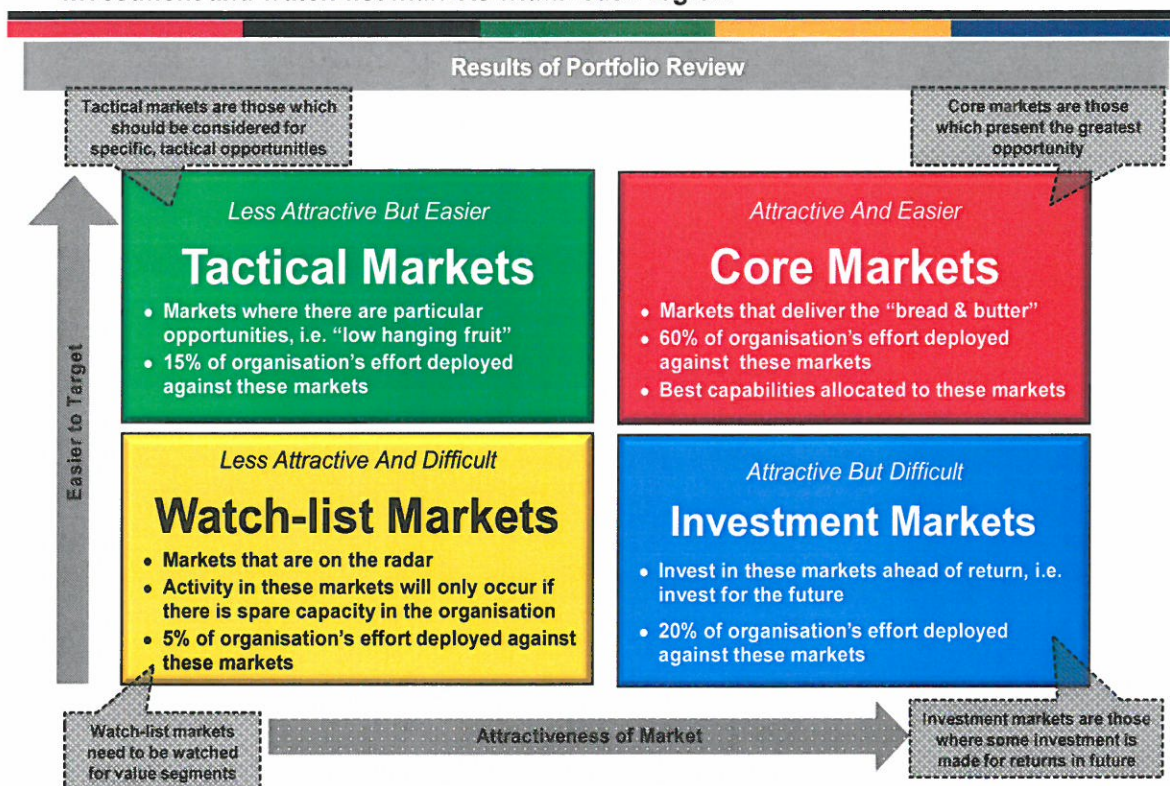
## Key steps of the Portfolio Review process



\*Africa land markets are markets where more than 60% of arrivals to SA arrive by land.



The results of the evaluation will illustrate the suggested core, tactical, investment and watch-list markets within each region



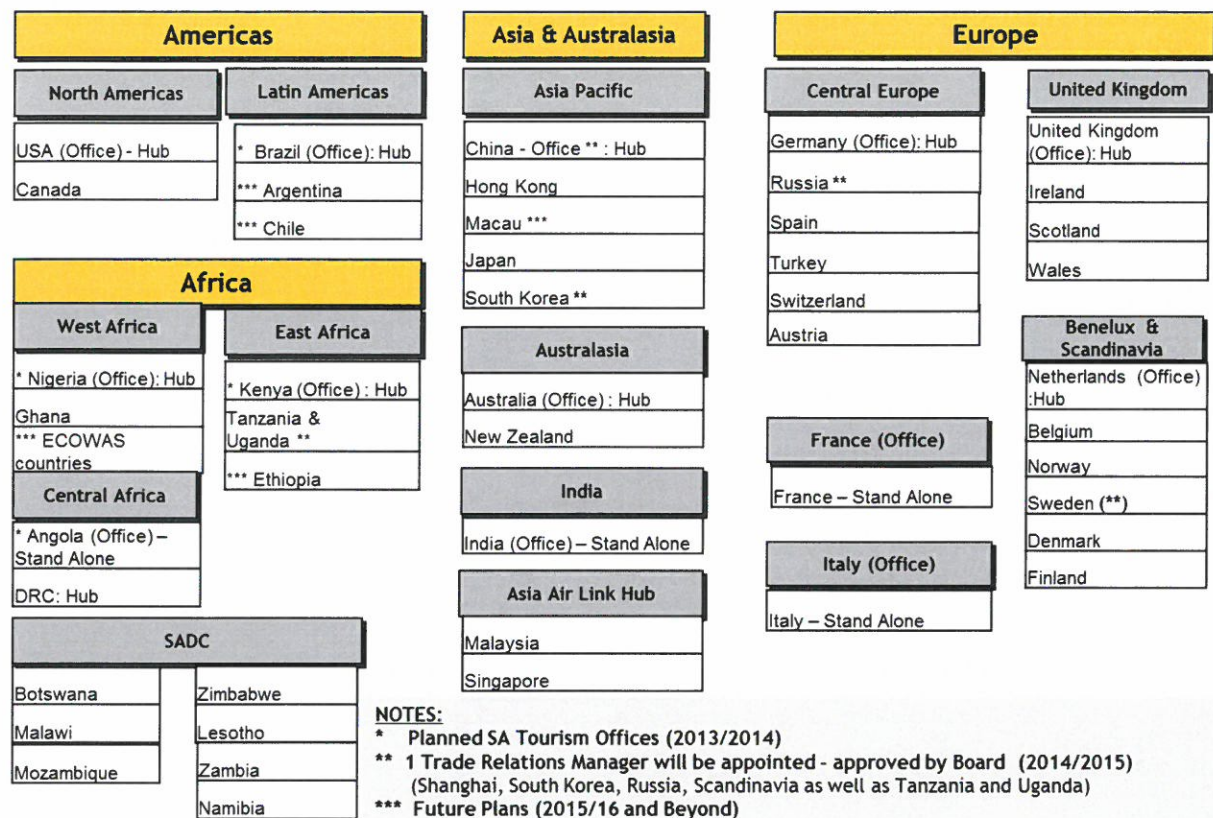
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### 5<sup>th</sup> Portfolio Review Outcome to be Implemented effective 01/04/2014 - 30/03/2017

	Africa	AMERICAS	ASIA & AUSTRALASIA	EUROPE & the UK
<b>CORE MARKETS</b>	Angola Domestic Kenya Mozambique Nigeria Tanzania	Brazil USA	Australia China India	France Germany Netherlands UK
<b>INVESTMENT MARKETS</b>	Botswana DRC Ghana Lesotho Uganda Zimbabwe	Canada	Japan South Korea	Italy Russia
<b>TACTICAL MARKETS</b>	Namibia UAE Zambia		Singapore	Switzerland
<b>WATCH-LIST MARKETS</b>	Ethiopia Malawi Swaziland	Argentina	New Zealand	Austria Belgium Denmark Finland Norway Spain Sweden Turkey
<b>STRATEGIC IMPORTANCE</b>	Egypt, Israel, Morocco, Saudi Arabia, Tunisia,		Malaysia	

**The Hub Strategy for Global Markets to increase market penetration, footprint and efficient resource utilisation.**



5.2.12 Objectives to drive growth from the continent to meet National Tourism Sector Strategy (NTSS) targets:

- |          |  |
|----------|--|
| 5.2.12.1 | Increase regional awareness of South Africa as a tourism and leisure destination.  |
| 5.2.12.2 | Increase arrivals and spend from Africa to contribute to GDP and job creation.   |
| 5.2.12.3 | In SADC recognise that, our market penetration is high but seek opportunities to promote repeat travel and to turn shoppers into holiday travel.   |
| 5.2.12.4 | In Africa Air markets, capitalise on the opportunity that exists to attract high value business and leisure travellers.  |
| 5.2.12.5 | Setting up five marketing offices in key African markets by 31 December 2020. Three hub offices will be opened by October 2014 (West Africa Hub office in Nigeria, East Africa hub office in Nairobi and Central Africa office in Luanda). In order to achieve this NTSS target of 5 fully-fledge offices in Africa by 31 December 2015, two further offices will be opened by SAT during the period 1 April 2015 and 31 December 2015. It is anticipated that one of these two offices will be in SADC. |
| 5.2.12.6 | Implementation of regional tourism programmes.   |

**Regional Hub Strategy**

	East Africa Hub	Central Africa Hub	West Africa Hub
Summary of opportunity	Kenya is a relatively small market on a stand-alone basis, with only ~36k arrivals in 2012. Serving additional ECOWAS countries, such as Uganda and Tanzania from a central office, would be beneficial. Combined arrivals of over 95k. Similar consumer profiles exist. Good regional integration and growth is possible.	The Angola office will serve as the hub office from where to support a Trade Relations Manager that will be based in the DRC, an investment market. Its high tourism potential warrants increased investment.  Due to the proximity and high connectivity between the DRC and Congo-Brazzaville, any activities in the DRC will have spill over effects into this region.	The Nigerian market is a large, and fast growing market. Serving Ghana adds ~25k arrivals to the Nigerian market. Arrivals from Ghana are growing fast. Combined arrivals from Ghana and Nigeria represent ~104k arrivals.
	In 2013 a scoping exercise was performed to determine how to penetrate the market.	We will, continue to monitor Congo-Brazzaville and other surrounding Central African states to leverage opportunities as they arise.	The Nigerian office is now fully registered and became operational in the 2013/14 financial year.

**Allocation of ring-fenced budget to increase tourists from Africa**

	% contribution 2014/15	% contribution 2013/14	2014/15	2013/14	2012/13 Budget
Contribution to Angola office budget	82%	75%	11,716,699	10,688,737	6,838,842
Contribution to Nigeria office budget	100%	75%	25,035,247	18,776,435	10,755,810
Contribution to Kenya office budget	81%	75%	13,719,774	12,691,812	7,196,625
Contribution to office opening expenditure Kenya 1 March 2014	0%	100%	0	1,850,000	
Contribution to office opening expenditure Nigeria 1 March 2013	0%	100%	0		1,500,000
Contribution to Africa Head Office budget	76%/50%	76%/50%	3,742,781	3,553,652	4,930,158
DRC	75%	75%	1,985,625	1,985,625	1,985,625
Botswana, Zimbabwe and Zambia	75%	75%	1,658,250	1,658,250	1,658,250
Mozambique and Malawi	75%	75%	1,658,250	1,658,250	1,658,250
Lesotho, Swaziland and Namibia	75%	75%	1,658,250	1,658,250	1,658,250
Promotion of domestic events in neighboring SADC	100%	100%	2,504,000	5,008,000	5,008,000
Contribution towards African research	75%/15%	75%/13%	8,913,699	12,854,027	2,143,344
Contribution towards Africa e-Marketing including social media and MOBI	75%/25%	75%/25%	8,045,701	8,241,962	1,516,847
Africa share of advertising agency fees	75%	75%	3,361,724	3,375,000	3,150,000
Contribution towards Africa continent media	0%	0%		-	-
			84,000,000	84,000,000	50,000,000

**Domestic Targets as per the National Tourism Sector Strategy**

In 2013/14, we achieved 12,0 million domestic travellers. This is considered fair given the current economic conditions in South Africa and SAT's constrained budget for 2013/14 (estimated to be without any real growth particularly in light of the negative effect of the currency exposure). With the new marketing campaign, we are positive that we can increase the number of domestic travellers by 3.2% to 12,9 million domestic travellers in the 2014/15 financial year. With the impact of the new campaign, together with the additional funding of R100 million allocated in the MTEF for 2015/16 onwards, it is likely that we will be able to work progressively work towards the achievement of the 2020 NTSS target.

Objective	Measures and Targets	2009 Baseline	2015 Target	2020 Target	Consumer-level Job <sup>1</sup>
To grow the tourism sector's absolute contribution to the economy	Increase number of domestic tourists - No. of adult travellers - Population penetration - Total Domestic Trips	14.6 Mn 48% 30.3 Mn	16 Mn 40 Mn	18 Mn 54 Mn	Growth Growth Growth
Increase domestic tourism's contribution to the tourism economy	Domestic tourism as a contribution to tourism's overall contribution to GDP	52%	55%	60%	Growth
	Upper LSM consumers: change perceptions of taking a South African holiday versus outbound holidays	No baseline	-	-	Culture Transformation
	Middle LSM consumers: increase level of knowledge, understanding and propensity to take holidays	No baseline	-	-	Culture Transformation
	Increase in domestic holiday travel across all markets - No. of first-time holiday travellers - Levels of, and penetration into, black market for domestic leisure tourism - Holiday travel penetration by LSM - Increase affordable and accessible tourism experiences for the domestic market - Total no. of holiday trips	No baseline No baseline No baseline No baseline 4 Mn	- - - - 6 Mn	- - - - 9 Mn	Culture Transformation Culture Transformation Culture Transformation N/A Culture Transformation
Entrench a tourism culture among South Africans	Build a culture of embracing tourism among South Africans - Increase in levels of awareness of tourism and its value within South Africa - Increase in levels of community participation in the sector - Enhance social tourism programmes	No baseline No baseline No baseline	- - -	- - -	Culture Transformation N/A N/A
Address the issue of geographic, seasonal and rural spread	Increase geographic spread - Total domestic bed nights	128.4 Mn	20%	34%	Growth
	Increase the level of tourism to rural areas - Domestic arrivals and bed nights in rural areas	No baseline	-	-	Culture Transformation
	Decrease seasonality - Increase in share of bed nights spent in the low-season months	5.3%	7.1%	10%	Growth

Note: <sup>1</sup>The classification of the consumer-level job required is a subjective evaluation

Source: Monitor/ Grail Analysis, National Tourism Sector Strategy, February 2011, Department of Tourism, Republic of South Africa

5.2.13 In order to properly execute its Strategic Plan, SAT has, effective 1 April 2013, 17 functional units, each with its own Business Unit Annual Resource Plan and reporting to a Business Unit Manager. These 17 functional units are:

- 5.2.13.1 Office of the CEO/COO (this Functional Unit, which includes Legal, Internal Audit, Performance Information and Administration, is headed by both the CEO and COO)
- 5.2.13.2 Finance (headed by the Chief Financial Officer)
- 5.2.13.3 Research (headed by the General Manager Research)
- 5.2.13.4 Human Resources (headed by the General Manager: Human Resources)
- 5.2.13.5 Business Information Systems (headed by the General Manager: Business Information Management Systems)
- 5.2.13.6 PR and Communication (headed by the Global Manager: Communication)
- 5.2.13.7 E-Marketing (headed by the Global Manager: E-Marketing)

- 5.2.13.8 Central Marketing (this Business Unit, which includes Global Brand, Channel & Agency Management, is headed by the Chief Marketing Officer)
  - 5.2.13.9 Product and Itinerary (headed by Global Manager: Product)
  - 5.2.13.10 Africa Portfolio (headed by the Regional Director: Africa)
  - 5.2.13.11 International Markets Portfolio under General Manager: International Marketing
  - 5.2.13.12 Tourism Grading Council of South Africa (headed by their Chief Quality Assurance Officer (CQAO))
  - 5.2.13.13 Watchlist Markets (headed by the Global Manager: Watchlist Markets and attending to all the key SA embassies abroad as well as Turkey and Spain)
  - 5.2.13.14 National Convention Bureau (headed by the Chief Convention Bureau Officer); this Business Unit includes SAT's Business Tourism Business Unit which ceased to exist on 31 March 2012
  - 5.2.13.15 Domestic Tourism (headed by the Country Manager: Southern Africa);
- 
- 5.2.14 SAT has four categories of employment:
    - 5.2.14.1 Senior management (consisting of all Senior managers on Patterson E5 and F level);
    - 5.2.14.2 Middle management (consisting of all managers on Paterson D3 to E)
    - 5.2.14.3 Junior management (any other person working for SAT who has the title of "manager", as part of his or her designation on SAT's approved organogram in SAT's Delegation of Authority as well as the Head: Legal Services)
    - 5.2.14.4 General Staff (consisting of all staff members not indicated above)

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High-level organisation structure (see Appendix 1)

### 5.3 DESCRIPTION OF SAT'S STRATEGIC PLANNING, ANNUAL PERFORMANCE PLANNING- AND BUDGETING, SETTING KPA'S AND TARGETS FOR PERFORMANCE INFORMATION AND PERFORMANCE MANAGEMENT PROCESS

Although SAT's Strategic Planning and Annual Performance Planning process, which includes budgeting and the formulation of organisational, Business Unit- and Country office KPAs and targets, has been aligned with National Treasury's "Framework for Strategic Plans and Annual Performance Plans" document issued during August 2010, the Board resolved on 21 September 2011 that it is critical to bring Provinces in earlier during this process to get alignment and also share with them final Annual Performance Plans for all marketing Business Units once the Executive Authority (Minister) has approved SAT's consolidated updated 5 year Strategic Plan and Annual Performance Plan. For that reason, critical dates in this process are as follows:

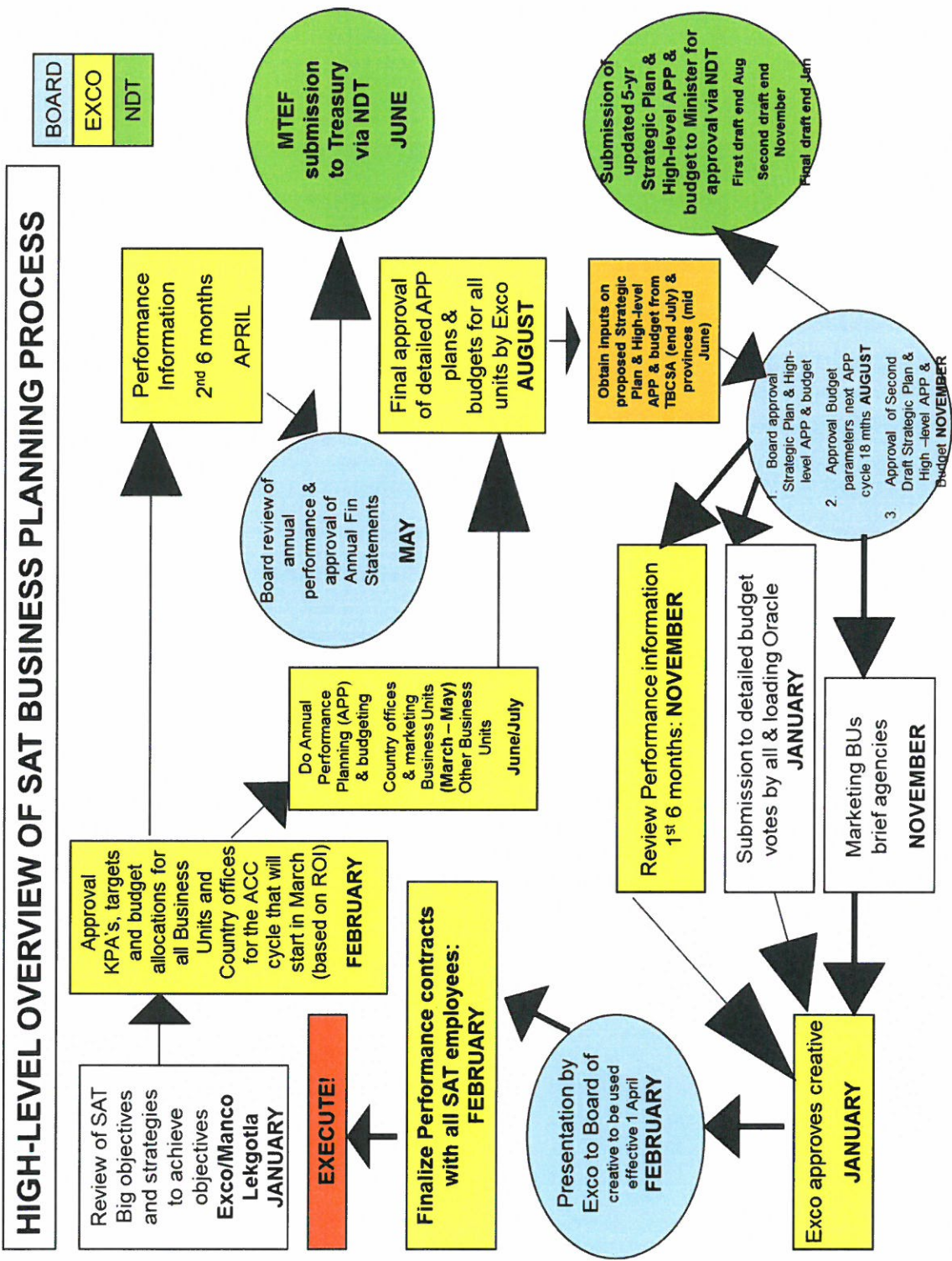
Nr	Action	Responsible designation	Deadline & other notes
5.3.1	Formulate, based on latest stats, potential arrivals, spend and brand awareness figures for the next calendar year & forward to Executive Managers for consideration	SRU	Second week of January
5.3.2	Update SAT's Risk Register with everybody's input & forward to Senior Management for consideration	Chief Operating Officer	Second week of January
5.3.3	Approve updated Risk Register, budget parameters and budget allocations for all Business Units and Country offices for the next financial year (based on SAT's 2 formulas)	Senior Management	Last week of January
5.3.4	Approve updated Risk Register, budget parameters and budget allocations for all Business Units and Country offices for the next financial year (based on SAT's 2 formulas)	Board	Third week of February
5.3.5	Distribution of all Board-approved budget parameters and budget allocations for all Business Units and Country offices for the next financial year (based on SAT's 2 formulas) to all Business Unit Managers and Country Managers for using in their Annual Performance Planning and budgeting process that kicked off in the 4 <sup>th</sup> week of February	CFO	Fourth week of February
5.3.6	Business Unit, Sub Business Unit & Country office Annual Performance planning including budgeting for the next financial year	All Business Units led by their respective Senior Management members and assisted by SRU	Fourth week of February – first week of May
5.3.7	Deadline for the finalization of the 1 <sup>st</sup> draft updated 5-year Strategic Plan & distribution to Senior Management	Chief Operating Officer	First week of March
5.3.8	Update 1 <sup>st</sup> draft updated 5-year	Chief Operating Officer	Second week of March

Nr	Action	Responsible designation	Deadline & other notes
	Strategic Plan in line with Senior Management input & distribution to Business unit managers and Regional Directors for inputs		
5.3.9	Consideration by Senior Management of Business unit managers and Regional Directors inputs received on updated 5-year Strategic Plan & final approval by Senior Management of it	Senior Management	Fourth week of March
5.3.10	Formal <u>review</u> of the last 6 months of the financial year and look at the proposed actions in terms of non-financial and financial variances approved by Senior Management a week earlier ( when they approved the business units/country offices and consolidated SAT non-financial and financial Performance Information report of all Business Units and Country offices for the period 1 October – 31 March), i.e. how they impact on current Business Unit, Sub Business Unit & Country office Annual Performance planning including budgeting for the next financial year (see par 5.3.6 above)	Senior Management/Business unit managers and Regional Directors/Country Managers	First week of May
5.3.11	Presentation of all draft Business Unit, Sub Business Unit and Country office proposed Annual Performance Plans and budgets to Business unit managers and Regional Directors	Business unit managers and Regional Director	Second & third week of May
5.3.12	Presentation of all draft Business Unit, Sub Business Unit and Country office proposed Annual Performance Plans and budgets to Business unit managers and Regional Directors	Senior Management	Fourth week of May & first week of June
5.3.13	Presentation of all high-level consolidated marketing-related Annual Performance Plans and budgets to provinces & receive inputs	Senior Management	Second week of June
5.3.14	<u>Consideration</u> of inputs received from provinces on the Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the next financial year for Performance Information audit- and Annual Performance Bonus purposes & update accordingly	Senior Management (consideration) CFO (update)	Third week of June
5.3.15	<u>Distribute</u> 1 <sup>st</sup> draft updated 5-year	Chief Operating Officer	Distribute 1 July & receive

Nr	Action	Responsible designation	Deadline & other notes
	Strategic Plan, Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the next financial year for Performance Information audit- and Annual Performance Bonus purposes to the TBCSA & invite inputs		inputs no later than 1 August
5.3.16	<u>Consideration of inputs</u> received from the TBCSA, consulting Business unit managers and Regional Directors on it where applicable & updating the 1 <sup>st</sup> draft updated 5-year Strategic Plan, Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the next financial year for Performance Information audit- and Annual Performance Bonus purposes to the TBCSA & invite inputs	Senior Management	First week of August
5.3.17	<u>Final approval</u> of 1 <sup>st</sup> draft updated 5-year Strategic Plan, Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the next financial year for Performance Information audit- and Annual Performance Bonus purposes	Board of SAT	Third week of August every year
5.3.18	<u>Submission</u> of the 1 <sup>st</sup> Board-approved draft updated 5-year Strategic Plan, Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the next financial year for Performance Information audit- and Annual Performance Bonus purposes <u>to the Executive Authority via NDT and National Treasury</u>	Chief Operating Officer	31 August
5.3.19	Formal <u>review</u> of the first 6 months of the financial year and look at the proposed action in terms of non-financial and financial variances approved by Senior Management a week earlier when they approved the business units/country offices and consolidated SAT non-financial and financial Performance Information report of all Business Units and Country offices for the period 1 April – 30 September	Senior Management/Business unit managers and Regional Directors/Country Managers	Last week of October
5.3.20	<u>Update</u> 1st Board-approved draft updated 5-year Strategic Plan, Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the	CFO	September – November

Nr	Action	Responsible designation	Deadline & other notes
	next financial year in line with comments received from the Executive Authority		
5.3.21	<u>Final approval</u> of 2 <sup>nd</sup> draft updated 5-year Strategic Plan, Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the next financial year for Performance Information audit- and Annual Performance Bonus purposes	Board of SAT	Third week of August every year
5.3.22	<u>Submission</u> of the 2 <sup>nd</sup> Board-approved draft updated 5-year Strategic Plan, Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the next financial year for Performance Information audit- and Annual Performance Bonus purposes <u>to the Executive Authority via NDT and National Treasury</u>	CFO	30 November
5.3.23	Submission of Final approved 5-year Strategic Plan, Annual Performance Plan including budgets and consolidated SAT KPA's & targets for the next financial year for Performance Information audit and Annual Performance Bonus purposes to the Executive Authority via NDT	CFO	31 January
5.3.24	<u>Loading</u> of approved detailed Business Unit- and Country Office budgets into Oracle	All Business Unit Managers (submit to the Management Accountant)	31 January
5.3.25	<u>Preparation and submission</u> of proposed employee Performance Contracts for the next financial year to Senior Management	All Business Unit Managers	15 February
5.3.26	<u>Finalise</u> proposed employee Performance Contracts for the next financial year in line with Senior Management comments, <u>sign</u> contract between line manager and employee and submit to HR	All line Managers	28 February
5.3.27	Tabling of Final approved 5-year Strategic Plan and Annual Performance Plan in Parliament	NDT	28 February

5.4 SAT'S STRATEGIC PLANNING PROCESS



## PART B: LINKS TO OTHER PLANS

### 6 STRATEGIC OUTCOME ORIENTED GOALS OF THE INSTITUTION

#### 6.1 STRATEGIC OUTCOMES ORIENTATED GOAL, GOAL STATEMENTS AND OBJECTIVES

SAT has identified 1 strategic outcomes orientated goal which identifies areas of organisational performance that are critical to the achievement of SAT's mission.

Strategic objectives differs from Strategic outcomes orientated goals in that they clearly state, what the institution intends doing or producing to achieve its Strategic outcomes orientated goals (par 5.3.6 on page 13 of the FSPAP).

Strategic Outcome Oriented Goal		Increased contribution of the tourism sector to inclusive economic growth			
Goal Statement		Implement marketing strategies that increase arrivals and increase tourist spend thereby growing tourism's contribution to the South African economy			
	Strategic Objective	Objective Statement	Baseline	Justification	Links
1	Increase foreign visitor arrivals coming to South Africa	Implement an international marketing strategy, which includes the use of hosted buyers, to increase arrivals from 9,933,966 in 2009 to 15 million by 2020	*2012: 13 451 565 foreign visitor arrivals	The more foreign visitors that visit South Africa, the more money will be spent which effectively increases GDP of the country.	National Tourism Sector Strategy
2	Increase domestic tourism in South Africa	Implement a domestic marketing strategy to increase the number of travellers from 12,5 million in 2012 to 18 million by 2020 and to increase the number of holiday trips from 2,9 million to 9 million by 2020.	*2012: 12,5 million travellers <sup>1</sup> *2012: 2,9 million holiday trips	This objective will make South Africa more attractive to South Africans, the more money will be spent which effectively increases GDP of the country	National Tourism Sector Strategy
3	Increase tourism trended revenue contribution to the economy	To market South Africa in such a way that we attract the types of tourist that will ensure that the revenue contribution to the South African economy exceeds 1,5% growth per year	*2012: Average spend per arrival R8,200 Total trended revenue**: R 105,4 billion	This objective will drive that we attract the types of tourist that will ensure that we increase the revenue contribution to the South African economy	None
4	Increase SA Brand Awareness as a tourist destination	To market South Africa in such a way that South Africa becomes a most preferred Tourism Brand by 2015 in order to re-affirm the brand promise, that SA can be trusted to deliver memorable quality experiences by obtaining at least a 80% brand awareness	2012/13: 81%	This objective will make South Africa more attractive to visitors and result in increased spend	None
5	Provide quality assurance for tourism products	Implement the tourism grading system to increase graded accommodation establishments by 10% annually	2012/13: 6,022	This objective will result in the marketing through word-of-mouth of the quality experience offered in South Africa	None
6	Increase business events	Market SA as a meetings destination and provide support for bids	2012/13: 52,587 delegates	This objective is to create a strong focus on the marketing and selling of South Africa as a Meetings Destination	None

<sup>1</sup>2013 Domestic travellers figure is still unaudited

\* Figures are from January to December

\*\*Trended revenue comprises of Total Foreign Direct Spend (TFDS) and Total Domestic Direct Spend (TDDS) but excluding capital expenditure

## 7 RESOURCES CONSIDERATIONS

The objective of this section is to discuss the resourcing issues considered by SAT when it developed its strategic objectives:

### Expenditure trends in the programme's budget and how these can be expected to evolve over the 5-year period

In terms of all functional units identified, expenditure is expected to grow by CPIX except for the International Portfolios and Head Office Marketing functional units where more expenditure will be incurred on emerging economies and domestic marketing.

### Changes to SAT's non-financial resources during the 2014/15 financial year

SAT's current staff complement of 201 is not expected to change in the 2014/15 financial year.

In terms of the required skill set of staff members, no changes are foreseen.

In terms of time allocation/management of marketing staff members and considering SAT's Board-approved market prioritization, marketing staff members will continue to spend the following proportion of total available time on the different types of markets: Core markets: 60%, Investment markets: 20%, Tactical markets: 15% and Watch-list markets: 5%.

Arising from the Tourism Act no 3 of 2014 as well as the Consultancy Reduction Plan, change of the required skill set of staff members is expected.:

SAT will continue to encourage short to-the-point meetings preferably not exceeding 3 hours;

SAT will continue to enforce the following management routines (where proper minutes should be kept available for audit-inspection purposes):

Grouping	Meeting frequency
Senior Management	<p>Senior Management meet once a month on the third Tuesday of every month for a formal meeting between 09h00 and 15h00 (this meeting will be moved in exceptional cases if required by a key external event).</p> <p>During this meeting, the following matters will be standard agenda items: (i) strategic issues that impact on the organization and its Business Units and Country Offices (ii) HR matters including all staff employment contracts that will come up for renewal within the following 12 months (iii) the financial position of the organization (iv) recorded non-compliance matters for the CEO's attention.</p>
Business unit managers and Regional Directors	Two formal meetings must take place per month on a Wednesday 09h00. The dates of meetings in a month will be determined by Business unit managers and Regional Directors. Minutes must be taken of meetings.
Country offices	Two formal meetings must take place per month on a date and timeslot to be determined by the Country Manager monthly in advance. Minutes must be taken of meetings.
Business Units	Two formal meetings must take place per month on a date and timeslot to be determined by the Business Unit Manager monthly in advance. Minutes must be taken of meetings.

Furthermore, the Wider Management Forum and the Cross-Functional Management Committee are held quarterly to share information, get input on strategy, policies, process as well as get feedback.

### Systems

In terms of systems, no change is foreseen at this stage to SAT's 3 primary systems (Oracle, EPM Project Management and the QIT Grading system) except for:

- the implementation/loading of regular updates/patches;

#### Infrastructure

No changes are foreseen in terms of SAT's infrastructure at Head Office except for the extension of the basement (phase 1) and 1<sup>st</sup> floor (phase 2) of the SAT Head Office extension project. Phase 2, which will commence upon the completion of phase 1, has been included in the 2013/14 central CAPEX budget below:

#### CAPEX Budget

##### Immovable assets

Phase 1 & 2 Head Office extension

##### New offices

Brazil, Nigeria & Angola

Kenya

##### Intangible assets

Systems software

Vehicles

Furniture & fixtures

IT Hardware

Leasehold improvements and leased assets

2012/13 R'mil	2014/15 R'mil
6.29	9.82
1.85	1.85
5.38	3.84
0.5	0
0.43	0.78
1	0.7
3.29	2.69
18.74	19.68

**7.1 RISK MANAGEMENT****B1. EXTERNAL RISKS**

Rank	Risks	Mitigating controls	Goals Affected
1	Funding (Currency loss)	Regular review of management reports Bank accounts in country offices for day to day activities Alignment of individual performance contracts to Budget spent Enforcing compliance with internal policies and procedures, as well as, PFMA and Treasury regulations	Increased arrivals, domestic travellers and revenue
2	Failure to implement TGCSA objectives	Regular Assessor training Service Provider Agreements with assessors Use of registered assessors Credible on-line grading system Review of the grading criteria with industry every three years Quarterly awards committee meetings Monitoring of Performance Information	Provide quality assurance for tourism products
3	Compliance risks (Compliance with laws and regulations)	Regular review of policies and procedures Regular review of risk assessment Consultation with legal experts in Country offices, Manager: Financial Compliance, Contracts Attorney Review by Internal Auditors	All goals

**B2. INTERNAL RISKS**

Rank	Risks	Mitigating controls	Goals Affected
1.	Business continuity/going concern including disaster recovery (Systems based risk due to system security, human error and system failure)	Development of new Domestic strategy Annual portfolio review Stakeholder management with NDT, Minister, TOMSA by CEO Stakeholder management with Property owners by CQAO Enforcing compliance with internal policies and procedures as well as PFMA	All goals
2.	Human Resource	1. Pay market –related remuneration (to attract the correct	All goals

Rank	Risks	Mitigating controls	Goals Affected
	Risk (Loss of skilled resources, lack of succession, retention and talent management)	skills and retain talent/key/high-performing individuals (Responsible person: General Manager: HR); 2. Continue to award performance (Responsible persons: Senior Management Moderation Panel and General Manager: HR); 3. Identify the names of possible successors for top 10 key positions in SAT (Responsible persons: Board Chairperson, CEO and other Senior Management members); 4. Renew the contracts of employees with whom the company wants to continue 12 months before expiry (Responsible person: Senior Management).	
3.	Safeguarding of company assets (eg abuse of resources and lack of accountability)	All tangible assets insured Motor vehicle trackers installed Regular asset counts and reconciliations Fire extinguishers in the building Fingerprint access to the building Visitors accompanied by staff Security checks Cameras in the building	All goals

## PART C: LINKS TO OTHER PLANS

### 8 LINKS TO THE LONG-TERM INFRASTRUCTURE AND OTHER CAPITAL PLANS

None

All of SAT's KPA's are linked to Governments' 12 outcomes and the NTSS (National Tourism Sector Strategy).

### 9 CONDITIONAL GRANTS

Not applicable

### 10 PUBLIC ENTITIES

Not applicable

### 11 PUBLIC-PRIVATE PARTNERSHIPS

Not applicable

SAT Organogram  
As a separate scan document  
In an A3 size