

## CEO'S REPORT



When I spoke to you at this time last year, our main concerns were power (of the electrical sort) and crime. It seems we have at least partially surmounted the electricity hurdle, but power (of the political sort) is top of mind right now.

The fallout from Polokwane has been significant for our country. President Mbeki was ousted, and we now have the (temporary acting) President Motlanthe. The ANC has faced defections from some of its most senior members and a new party – COPE - will be fighting in our upcoming election. (It even has a tourism connection, as former SA Tourism CEO Moetseki Mosola is now apparently running COPE's PR campaign!). We wish Moeketsi all the very best in his future activities. He has certainly attracted his fair share of controversy, but has served his country well and has certainly proved to be an able and effective administrator. Industry, through TBCSA (SATSA was there), took the unusual step of inviting the man who many see as our future president, Jacob Zuma, to lunch, and then laying the industry's issues on the line to him. We may, however, need to host another lunch depending on the outcome of the election and Zuma's long awaited "day in court", or not. So still no certainty there, then.

Other issues that have clouded the past year include the huge influx of refugees, mainly from Zimbabwe, and increasing after that country's failure to achieve a clear cut electoral solution (1, 2, or 3), and the resulting strain taken by our society, which has manifested in Xenophobia, cholera, and political unrest. Much of this is really prompted by government's patent inability to deliver on promises, much of that in turn resulting from rampant corruption and an inability to deliver in every facet of government both local and provincial, and in all walks of public life. This should make for an interesting election on 22<sup>nd</sup> April – an opportunity for the voting public to make its voice heard.

Another institution feeling the wrath of the public is SAA. It has not been a good year for our national carrier. The contentious and exceedingly controversial CEO has finally been fired (at huge expense – will he too buy a bank in Wyoming like Coleman Andrew – a big campaign contributor for one of the Republican candidates - Mitt Romney), but the airline's (and thus the country's) name was dragged through the mud in drug scandals, corruption allegations, financial mismanagement - the list of misdeeds, mismanagement and sheer stupidity just goes on. Government must surely have to decide soon just what it wants to do with this costly white elephant. Ultimately we have never resolved the fundamental question: is it a) a state airline that drives cheap arrivals but gets constant financial support, or b) is it an independent and profit-making airline, cut-off from the government apron-strings and no longer the recipient of special protection, especially with regard to any potential open skies? Answer this and the solution starts to take shape.

But there have been better stories coming from SAA too – just a couple of weeks ago delegates to the ASTA IDE were full of praise for the way the guys at SAA handled the unfortunate death of an elderly woman delegate on her way to South Africa whilst on one of their flights.

Top of mind issue for this AGM has to be the world economic situation – which is a lot more serious than the shorthand term “Credit Crunch” would imply. As early as October last year, our President, Mike Speed sent out a special Presidential Message to members warning of what was to come. Then we arranged with Martin Jansen Van Vuuren of Grant Thornton (one of our ExCo) to email out an article with some very practical suggestions on how to cope with the crisis, also posted on our website. This was very well received, and used by big and small companies alike.

Arrival figures for November and December were down, but not drastically. However forward bookings now seem to be showing a downturn of as much as 45 - 50 %. That is worrying, although the downturn is not evenly spread across all countries and products. Certainly the booking and arrival patterns have changed substantially – far more is now coming in very last minute. We no longer have the comfort of a 6 month booking lead-time. And certainly a 24hr response turn-around is no longer good enough. 4 hours is now the order of the day to seize the opportunities that still exist. As you might expect recession in the economy has a trickle down effect. Starting at the top of the tree, very wealthy people still travel; and the slightly less wealthy try to scale down a bit. So our five-star products will hurt more than three or four-star. The comfortably-off still travel – but maybe for a shorter trip, or to a closer destination. Hardest hit are those, fortunately not many in SA, who sell cheaper packaged tours to those who borrow money to travel. That's where the term credit crunch really has meaning.

SATSA meanwhile is continuously looking at ways to assist our members both to save money on their normal business operations, and also to expand their marketing efforts to make more money. It's a truism that one uses recession to prepare for good times when they return. But it is also a business strategy that works.

For example - one exciting new product that will be introduced as a SATSA Member Benefit is that SATSA has signed up as an Association with Kredit-Inform. We have an On-Selling agreement with them, enabling our members in good standing to carry out credit checks on possible / new / existing clients and suppliers without having to sign-on with Kredit-Inform themselves – but through SATSA. Should you choose to deal with them directly yourself, then be prepared to pay a license fee of R1650, a pre-paid kitty of R5000, and then per report. Through SATSA you only pay (pre-pay SATSA) for that individual report that you are seeking – a genuine Pay-per-Use product. And in these current financial times this could be a winner of a product for your company.

SATSA has already started using Kredit-Inform reports instead of the old and less effective Bank Reports when assessing new applications, and well as conducting quarterly checks of our entire membership to supplement the Annual Review process. Certainly this will help keep our Bonding scheme at affordable levels, and seriously raise our game in terms of credibility and profile for the association and the members individually.

### **The Year at SATSA**

We have had a very busy year at SATSA National Office: lobbying, chasing, assisting, developing relationships - and the object of many of the things that have been done has been to raise the profile of SATSA and our members. Please bear in mind if you call the office and I'm out at meetings that when we raise the profile of your association, we also raise your industry profile as members. One sign of this was seen at the recent ASTA IDE, where 90% of the companies who exhibited to the cream of American travel agents were SATSA members. These people made it clear from the outset that they wanted to meet only credible tourism players - and those are SATSA Members!

### **Indaba**

SATSA had a very successful Indaba, partly due to the fact that we had a very well placed stand – which we have managed to secure again for this year! The staff worked very hard, we made many useful new contacts, gained a significant number of new members, and enjoyed all the networking opportunities with our existing members.

### **Conferences**

Our conference for 2008, held last August at the Grayston, was very successful, and we were complimented by many people on the fact that the issues we dealt with were the important ones for the industry. The quality of the speakers and attendees was superb. Thank you to all who made it, and all our sponsors that made it all possible.

Our Conference venue for 2009 is still to be finalised, but most probably will be held in the Cape in August and we can again promise you relevant and interesting speakers, so we hope attendance will be even better than last year. It's currently a work in progress, but we'll update you soon. Given the troubled financial times, we polled you to see if we should even consider having a conference, and the significantly positive answer was YES – but make sure we keep the costs in check. So we know what you want us to achieve.

### **Safety and Security**

Much progress has been made in this field this year – significantly due to our Project Manager – Annelie Barkema, and the TSI. Our relationships with the police have improved hugely, and Annelie sits in several significant national policing forums and JOCs - we have made our voice heard at the highest levels, especially regarding 2010. We have worked closely with the police and ACSA on airport safety issues, and the situation is very much improved over what it was just a year ago. Our working group now includes SAVRALA Risk managers. We also have superb working relationships with the other effective industry crime prevention programmes. We have opened up TSI to the other associations through TBCSA – the more who participate, the more effective we become, the better for us all.

In the Western Cape we have also achieved significant success, with Vernon Kirsten (the outgoing Chair) building a good relationship with their Provincial Commissioner, and a province-specific project in the offing with the provincial government.

### **Relationships**

We set ourselves the task of building strong relationships with key national government bodies, and have been successful. The most improvement has been with **DEAT**, and we work and lobby at all levels with them. We were able to have input into the draft National Tourism Strategy, both through a specific TBC workshop and also the results of our member interaction (facilitated by Prof Ernie Heath) at our Conference in August. We have given input to the National Service Excellence programme. I have had the opportunity to participate in and speak at a number of important DEAT functions and conferences – e.g. Careers Fair, Local Government Conference, 2<sup>nd</sup> Economy workshops, the development and introduction of the Dialogues: Tourism Leadership process; as well as participating in numerous committees and steering committees. They are good people to work with and I can tell you that they want to develop tourism just as much as we do. We have supported DEAT in its efforts to combat illegal guiding, and lobbied for the removal of bottlenecks in the guiding process to enable tour operators to comply more easily – i.e. recognise the language sectors of guiding that are in short supply and create sensible and relevant regulations.

One of the board members, Jenny Briscoe, was sent to Bali to try and win the next WTGF (World Tourist Guides Federation) conference to Gauteng (with sponsorship from Gauteng and GTA). Sadly we were outmanoeuvred by Europe, but Jenny is now the official South African representative for WTGF.

Overall, I constantly lobby for the removal of Sec 21H, the one that demands that a 10-seater vehicles needs both a guide AND driver. Getting closer....

We also participate in the DEAT 2010 Tourism Cluster working group.

Sindiswa Nhlamayo is to be congratulated, she has brought a new vibrancy, buzz and culture of delivery to DEAT – they deserve to go far.

Our relationship with **SAT** has improved in leaps and bounds, to the point where we have created a regular slot in our Exco meetings for a report-back and info sharing session. Hanneli Slabber has taken up the responsibility for this role. Hanneli is a big driver in the development of the SAT-SATSA Speed Dating programme to get significant tour operators and buyers to go out into the rural regions to see what is new product exists and kick-start business into those regions – coming to a theatre near you!. This is very exciting indeed, and when we put out for possible participants please respond as it works on a first-come-first-served basis. This is a significant development that has been needed for a long time.

We also work well with SAT in the Department of Transport SPC committee – to advise the DOT on the future air Bi-Lateral negotiations and strategies –all to guide and drive the Vula Skies Airlift strategy.

We are continuing our strong involvement in judging and support processes around The Welcome Awards and the ETAYA Awards. These do involve a lot of time and effort, but seriously raise our profile, and help move the industry forward by rewarding the successful companies; as a beacon for others to aspire to.

All the very best to Didi in her new role as acting-CEO, but Moeketsi heads into the sunset having gathered together a very capable squad at SAT, who will support Didi admirably.

We have followed up our MOU with **TECSA**, with participation at a number of their events and advisory processes, including presenting and programme directing. TECSA is now ably lead by Beulah Mosupye, a very talented lady. SATSA has now got our auditors to confirm our Under-R5mil-a-year turnover status, for 2007 and 2008 years, thus you should include your SATSA membership fees in the procurement pillar of your scorecard submissions.

We continue to work well with the **TGCSA** and Thembi Kunene, especially with their process of upgrading the assessor structures and systems. It now remains for TGCSA to get it all implemented, as our grading system has to be consistent throughout the country, or we do ourselves a disservice.

Our relationship with **TEP** continues to grow and be of benefit to both parties. TEP itself is to be congratulated on successfully completing their conversion from a Programme to a Partnership! We look forward to more collaborative efforts in the future; including the training of many new SMME's on Lin Smith's SATSA Tour Operator training course, and not forgetting the various mentorship projects on the go. Siva Pillay heads up a very capable team with lots of energy and vision.

We are also building an important relationship with **CIPRO**, to try and bring stability and logic to the company name allocation process within tourism. They are part of **DTI**, whose Tourism unit, although small, is very active and creative; and plays a significant role for tourism – headed up by Bernie Muller in an acting capacity. Not least of which was their recent incentive programme for the tourism and hospitality industry.

Just a note of concern: virtually all of the institutions above are headed by Acting-CEOs. They are capable people, we need to take bold steps forward to regularise their positions (one way or another; we need clarity) – lest we become known as the Hollywood industry, and have to convert the Welcome Awards into The Oscars!!

On the private sector side, the **TBC** under the very able Mmatsatsi Marobe is clearly the right umbrella for us to operate within. SATSA is one of the 3 founding associations of the TBCSA, and the reasons for its existence are as valid then as today. I represent you when I sit on their main Board. To further improve the delivery that all associations provide their members, we created a CEOs Forum, for all the private sector associations CEOs and GMs; we share ideas, knowledge and resources in the ongoing battle to lobby and deliver with limited resources. As with any good idea, we should have done it years ago. It is a great gang – Robyn Christie of ASATA, Val Van Den Berg of SAVRALA, Bashni Reddiar of SAACI, Eric Cornelius of SABOA, Brett Dungan of FEDHASA and Ted Stillwell representing the NAA. More power to our collective elbows. TOMSA continues from strength to strength – helping put our destination at the forefront. No-one else in the world has even attempted to replicate this – it really is world leading.

I attended the important HICA Conference staged by TBCSA, encouraging new investment in tourism and hospitality. A well run event that is bearing fruit as we see a significant amount of new hotel investment opening up and improving our general room-stock – a crucial asset for our tour operators to access.

### **Transport issues**

I am well aware of the importance of transport issues to our members. The NLT Bill (National Land transport Bill / Act, to replace the “transitional” NLTTA) is now before the President for signing, and while it is not completely perfect, it is a huge improvement. We shall continue to participate in lobbying on key issues, having regularly “pestered” and been involved in presentations to the Parliamentary Portfolio Committee and NCOP. It’s going to be very tight on timing to get this through Parliament before the election. But we’ll try! David Munton and Eric Cornelius (SABOA) have been a tower of strength and a fund of legislative knowledge. But we are not out of the woods yet – the new Bill foresees a new national entity to issue tourism transport licenses : the NPTR (the National Public Transport Regulator). Structurally this is a brilliant idea. However the minister has the bit between his teeth and is driving this implementation at a very rapid rate – the worry is that we need to oversee the process carefully to ensure that high quality staff are appointed: to prevent the situation that bedevils the OLBs at present. Also we are lobbying hard to keep significant input into the accompanying NLT Bill / Act Regulation.

The Road Accident Fund Amendment is a bit of a disaster, but we have already advised members on how best to cope, with valuable assistance from SATIB. To remind everyone : due to the removal of the common law right to sue the wrong doer in a motor-vehicle accident, that Passenger Liability Insurance is not currently effective – you need to supplement it with a product like Personal Accident Cover. Meantime we’ll continue to work on changing what we see as a bad law which wasn’t thought through properly, and are working closely with the Law Society of SA in preparing their Constitutional Court Challenge to have the Amendment overturned; as well as lobbying in several other areas. This is all going to take time, however.

2010 regulations - We (and members) have attended many meetings with the Gauteng provincial DOT and Gauteng OLB concerning the NLT Bill / Act, especially section 70 for Special Events. In case the NLTB is not signed, GDOT has developed a slightly alternative strategy for the 2010 event; not as convincing, so we are battling to get them to see sense.

### **Thank You's**

At this point you will realise that all this lobbying and participation activity involves not only myself but other SATSA people in a lot of travel, and I'd like at this point to thank all of our members who have facilitated this by supplying accommodation, transport, meals and all the other things that would have cost SATSA National Office a large chunk out of our not too extravagant budget! Some of the key ones go to – Amazingwe Lodge for hosting a DOT working group to write the NLTA regulations; and supplying us with all the extras to run the AGM; Nou-se-Toeke guest house in Nelspruit for hosting the Mpumalanga AGM and the head office staff for the night – a very good property that operators should consider. A HUGE thank you to Kenya Airways for sponsoring me to fly to London for WTM. Due to their very generous sponsorship I could keep my costs right down, to keep inside budget. And an impressive airline they are too, right up there with the best.

For the first time in many years your CEO was enabled to attend the World Travel Market in London. This was a huge learning experience for me personally, especially giving me first hand insight into the international tourism industry and how they foresee surviving the global downturn, where South Africa fits in to the global picture, what our competitors are up to, and just how hard our members work at shows like this.

### **Education**

SATSA has also been involved in the ongoing latest THETA saga, the Learnerships debacle. It is patently clear that THETA as it stands is not doing the job it was intended to do, and we hope to be involved in any reforms that will happen there – hopefully sooner rather than later. We withdrew from the THETA board a few years back in protest against corporate governance issues that were being swept under the carpet. Things have not changed. To solve the problems will require a fundamental change to both THETA and the SETA system – it is horrendously flawed.

Our newest staff member Lin Smith has conducted several very successful workshops for aspirant tour operators, and I would like to thank her for her efforts in this very important area -- which are ongoing. The feedback from course participants is superb. We will not only train at our offices, but also take it to the Chapters to meet demand. This is a good one to offer within your Chapter (and not just for SMMEs, but existing companies have benefitted), so get hold of Lin. This is definitely the right move into the future for the association.

### **Golf Day**

Finally our Golf day, held on 12<sup>th</sup> of February, was a huge success, so our thanks to all who organised, took part and otherwise assisted. We even came out ahead of the costs. It was fun, with great networking due to a high powered and excellent guest and players list. And I didn't win longest day...

### **Things that didn't work out as well as planned:**

The Benefit Card Programme we launched last year at the Conference, was reasonably well received, but niggles in the delivery process from the supplier has made it un-workable. It would work out too expensive to be a benefit. We will keep looking for things that make sense to our members and that save us money.

We had hoped to launch a Payment gateway with hotels – to try and use our collective buying as SATSA members to get sufficient purchase volumes to get proper STO rates with the big hotel chains. But the stark truth of the matter last year was there are just not enough hotel rooms available to make this workable – they could give us STO structures, but never have the rooms to fulfill the demand at all. We will keep reviewing this.

### **Chapter Meetings**

I have made a huge effort to attend as many as possible of our Chapter meetings at least once this year, and it was a great opportunity to meet so many members face- to-face. Our Chapters are healthy, but I would urge members to support their local Chapter – this is your gateway into SATSA, to becoming a full, productive and active member of your association. I would like here to thank all the Chapter Chairs and their committees who work so hard to keep our association membership vibrant and vital. I really appreciate all that you do. A particular thank you to the out-going Chairs – Vernon Kirsten, Gavin Jarman, Adri Kruger, and Hugh Bartis. Good effort guys.

### **Staff**

Lastly I'd like to thank our staff at SATSA National Office. Visitors to our offices are constantly amazed that we do so much with so few people, so thank you all.

My PA , Ursula Zulu, moved on just before our last AGM, and I'm glad to say we were lucky enough to persuade the highly experienced and well connected Lin Smith to take over the ( I must honestly say) rather thankless task. Lin is the person who keeps me on the straight and narrow timekeeping path, insofar as that is possible, and is your link to me at National Office. Her training experience is also superb and will add a valuable string to the associations bow.

Like all of you, SATSA has had to tighten its belt this past year. It became obvious that our magazine, The Tattler, was becoming an expensive luxury we could no longer afford to send out six times a year. For 2009, it will have only two issues, one for Indaba and one for our Conference. In light of this we had to retrench our second journalist, Sipke de Vries. We thank him for the great contribution he made while at SATSA.

Thank you to all of the staff – I can't do this without you guys. Jenny, you and the girls are winners!

### **That brings me to the Budget**

Over the past few years, and for various reasons we all know about, SATSA has had to be very prudent in the management of its finances. Here I would like to thank both Dale Pretorius, our Treasurer, and our President Mike Speed, for the many hours they have devoted, often at personal cost, to ensuring that SATSA's finances continue to run smoothly. But you'll hear more of that from Dale.

Like everyone else, we at SATSA have been hard hit by the financial crisis – we have had to suspend, terminate and otherwise lose members who can no longer, or no longer want to, pay membership fees. As this is our core income, it has affected our bottom line. But we cannot compromise on our standards – that is what sets us all apart! Again I would like to thank those loyal members who know the value of SATSA membership, pay promptly and comply with annual reviews. If all our members did that our admin costs would be considerably reduced!!

Our industry is in crisis, though not in desperate straits as yet. Now is the time to restructure – we shall come out of this, it's a cyclical thing and all industries are sharing our experience. We must be very careful to restructure our industry so that is where and what we want it to be when the cycle turns again. We need to do some long term thinking and picture where we want to be in 10 years time, and use the flux of current events to our advantage to re-structure ourselves accordingly. It won't be easy, but we have to do it.

**Generally** - there are issues we can't forget, ignore or turn our back on, however tough it gets. In particular - Responsible Tourism (including BOTH BEE and Green issues). However it is becoming apparent that many of our most successful companies already keep these top of mind in their business plans. They are wise to do this, and we must continue to do so – as they are for our own benefit in the long run. If we listen to the electioneering talk and in particular the talk given by JZ to the industry, we must expect a new government to put more - not less - pressure on us on these topics. The physical environment will continue to change for the worse, unless actively stopped. We can't drop the ball now.

And we must continue to attack the bottlenecks that hold us back in good times as well as bad – issues such as air access, crime, and the ever -present skills shortage. Bad times give us the opportunity to up our skills at all levels in our business, and my appeal to you now is to preserve your good staff, cut hours and retrain before retrenching. When the busy event times come, we will need a competent core!

In SATSA we are fortunate to have so many good people on our Exco, and again I thank them all. Our indefatigable President Mike Speed – he prefers to be a backroom boy, but I can assure you that backroom is a very busy place! Our ExCo members, who do so much - your work may be unpaid, but it is surely not unappreciated. I'd particularly like to thank our outgoing chairs – we really appreciate all you have done.

It's not going to be an easy year ahead, but together we can do much more than we can achieve alone. SATSA is here for you. Use us and help us – and in doing so you will help yourselves.

**Michael Tatalias**

Chief Executive Officer