South African National Parks

Tourism Concessions:
public - private partnerships for commercially sustainable conservation

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Concessions: the concept

- Private operators allowed to construct and operate lodge facilities in a national park
- SANParks receives turnover-based rental
- Operator has exclusive use of defined area, typically 5,000-15,000 hectares
- Does not “alienate” national asset – area remains integral component of park
- Balanced set of rights and obligations on both SANParks and concessionaires
- Build, Transfer and Operate agreement
- 11 Concessions in total

Concession contract: Financial issues

- 20 year agreement, no right to renew
- Annual concession fee – bidded percentage of turnover
- Minimum fee set at 65% of projected fee payment – discourages unrealistic bids
- Concessionaire bears capital cost
- Bid and development bond
- Performance bond callable upon failure to respect contract (financial, environmental, empowerment)

Concession contract: Environmental issues

- Operations covered by National Parks Act and other applicable legislation
- Appointment of Environmental Control Officer
- Site specific EIAs and EMPs
- Detailed set of environmental regulations e.g. carrying capacity, visual impacts, fire, water consumption, protection of cultural resources
- Guidelines apply to both construction and operation
- Guidelines may change over time to reflect new policies and approaches
- System of penalties and even termination
Concession contract: Empowerment issues

- 20% of bid award based on empowerment initiatives
- Focus on economic empowerment, particularly communities adjacent to parks
- Empowerment defined as shareholding, affirmative action and training, and development of SMMEs through outsourcing
- Bid submissions form part of contract
- System of penalties of up to R1m and even termination

The process (12 months)

- Information memorandum & expression of interest
- Prequalification
- Public consultations
- Ground-truthing and due diligence
- Bidders Conference
- Bid Date
- Technical evaluations
- Public opening of Financial Envelopes, NPV of committed income stream
- Announcement, contract closure (Dec 2000)

The results

- Exceeded expectations
- Guaranteed income of R436m over 20 years, (R20m p.a.) upside potential of R677m
- Capital investment of R270m, 380 new beds; estimated 700 direct jobs
- 2 concessionaires black-controlled; all have black shareholdings; 79% of staff recruited from local communities, guaranteed spend of R7.8 million p.a. in adjacent communities
- Transparency: Process and results hailed by participants, media
Lessons learnt:

- Good quality sites are required to attract good quality operators
- Good quality operators are essential, poor quality must be screened out
- Eco-tourism experience essential – for both the concessionaire’s benefit and for SANParks
- Competitive bidding system requires more demand for sites than supply of sites
- Strong concession management competency essential
- “Hard and fast” environmental rules sometimes arbitrary

Conclusion:

- National parks have significant economic value which can be captured for the benefit of biodiversity conservation
- The private sector can accept higher standards
- Private sector can propose imaginative schemes, with real benefits to local communities and employees.
- In SANParks case, the process has vastly improved SANParks’ image in eyes of SA government and other stakeholders.
- Its been a 2-way street: SANParks will be forced to meet the same standards over time.