

CAPE MORGAN CONFERENCE AND RESTAURANT OPPORTUNITY

PROJECT FEASIBILITY ASSESSMENTS

STRICTLY PRIVATE AND CONFIDENTIAL

22 JULY 2022

Project deliverables

Conducting the following assessments for Cape Morgan Conference and Restaurant:



Risk analysis



Develop business model



Assess affordability



Economic evaluation



Financial feasibility model



Marketing issues



B-BBEE and socio economic issues



Human resource issues

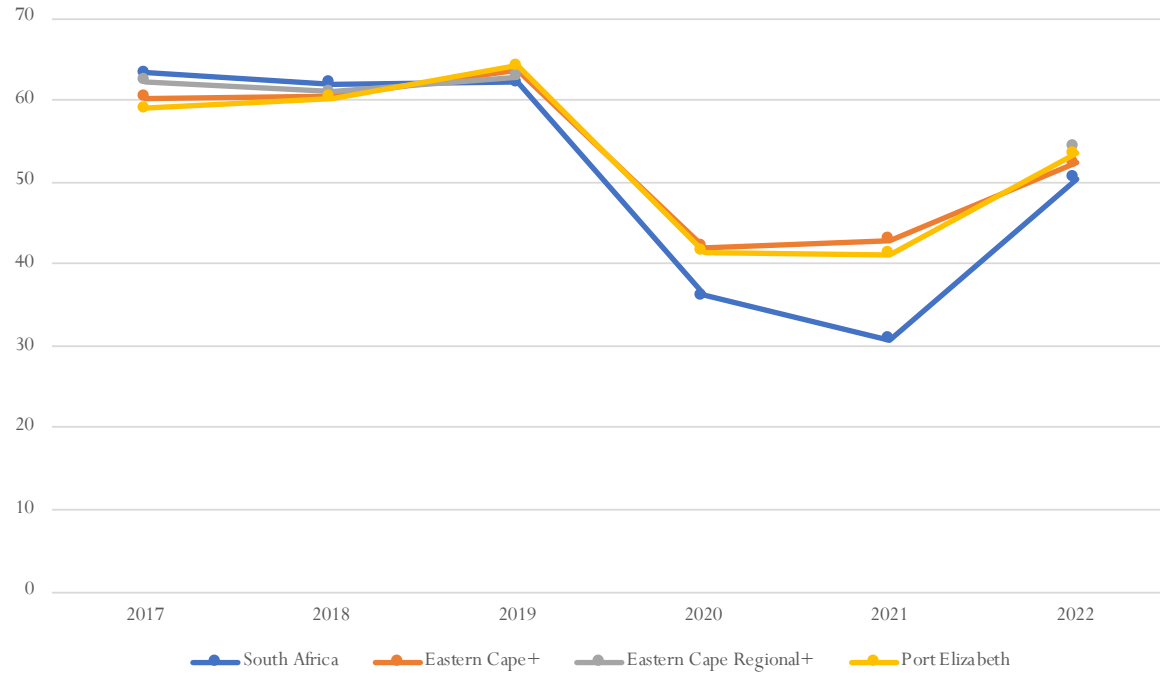
PROJECT FESIBILITY ASSESSMENTS

Market trends

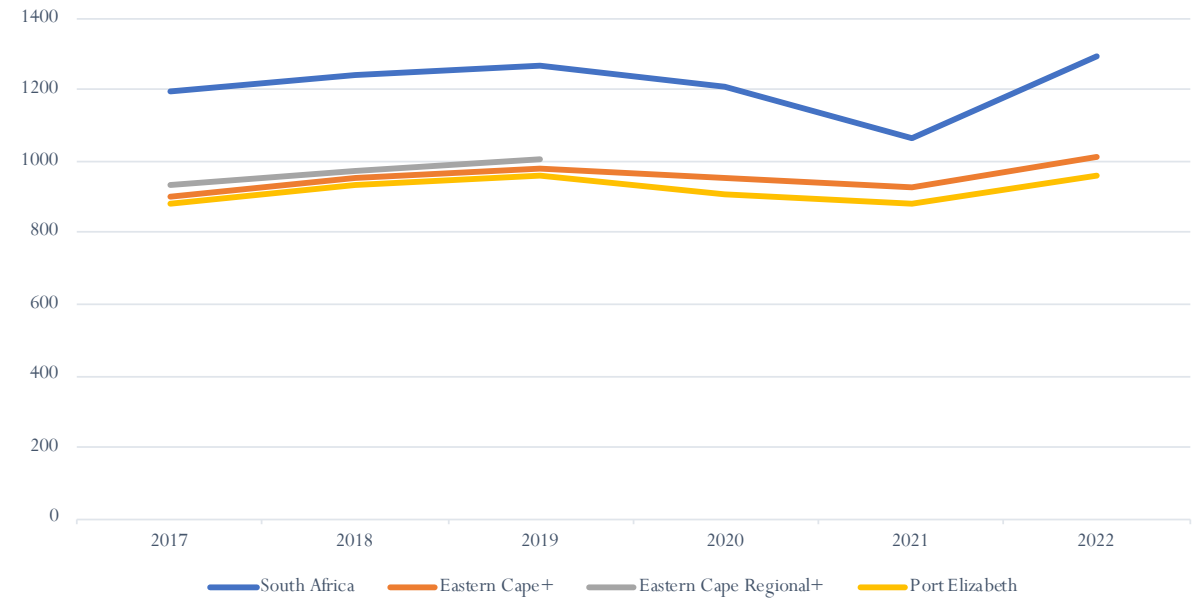


Market trends

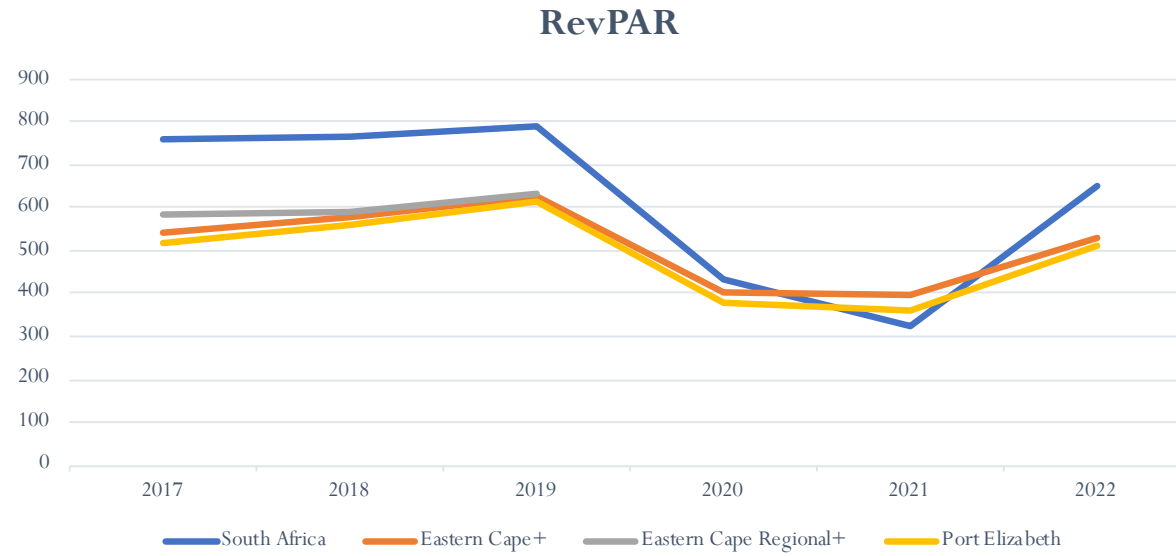
Occupancy rate



Average Daily Rate



Market trends



Market trends (Continued)

Analysis above based on Eastern Cape, Eastern Cape Regional and Port Elizabeth:

	2017 – 2019 (12 months)	2020 – 2021 (12 months)	2022** (4 months)
Occupancy	Averaged between 60 – 62%	Averaged between 40 – 42%	Averaging between 52 – 54%
Average daily rate	Averaged R900 – R1 000	Averaged between R870 – R955	Averaging between R925 – R1 015
Revenue per available room	Averaged between R543 – R630	Averaged between R365 – R400	Averaging between R500 – R530

Areas are classified as follows:

- Easter Cape
- Eastern Cape Regional+
- Port Elizabeth+

The key metrics are calculated as follows:

- Occupancy represents number of rooms occupied as a function of total number of rooms;
- Average daily rate represents measures the average rental revenue earned for an occupied room per day i.e. room revenue / room sold;
- RevPAR is calculated by multiplying a hotel's average daily room rate by its occupancy rate

Market trends (Continued)

Analysis below represents number of from South African National Census from Statistic South Africa:

	Participation				Participation			
	Properties		Rooms		Properties		Rooms	
	Census	Sample	Census	Sample	Census	Sample	Census	Sample
	2018				2019			
South Africa	440	397	54208	51763	452	377	54886	49745
Eastern Cape+	22	20	2839	2633	21	17	2708	2150
Eastern Cape Regional+	9	9	1115	1115	8	6	1062	710
Port Elizabeth+	13	11	1724	1518	13	11	1646	1440
	2020				2021			
South Africa	381	231	48004	31139	419	231	50379	29881
Eastern Cape+	17	10	2337	1400	19	11	2559	1508
Eastern Cape Regional+	6	2	840	350	8	4	1062	572
Port Elizabeth+	11	8	1497	1050	11	7	1497	936
	2022 to April							
South Africa	427	319	51570	43691				
Eastern Cape+	19	17	2559	2388				
Eastern Cape Regional+	8	7	1062	970				
Port Elizabeth+	11	10	1497	1418				

Data obtained from Smith Travel Research

PROJECT FESIBILITY ASSESSMENTS

Location analysis





Location analysis

- The Cape Morgan Nature Reserve, a part of the greater East London Coast Nature Reserve, a coastal forest reserve in the Wild Coast region of the Eastern Cape and falls within the Great Kei Municipality.
- On its western side lies the Morgan Bay estuary, while it is flanked on the eastern side by the Cwili estuary.
- Nearby are the villages of Morgan Bay and Kei Mouth.
- Southwest of the reserve is the Morgan Bay beach. Its shoreline is encompassed by the Kei section of the Amathole Marine Protected Area.

Distance from Cape Morgan Hotel, Conference Centre and Restaurants

Location	Distance (Km's)	Trave time
Kei Mouth	4.8	10 min
Morgan's Bay	14	16 min
Umtata	227	2h55 min
Queenstown	237	2h40 min
Butterworth	107	1h20 min
East London	85	1h10 min
King Phalo Airport	95	1h20 min

Great Kei

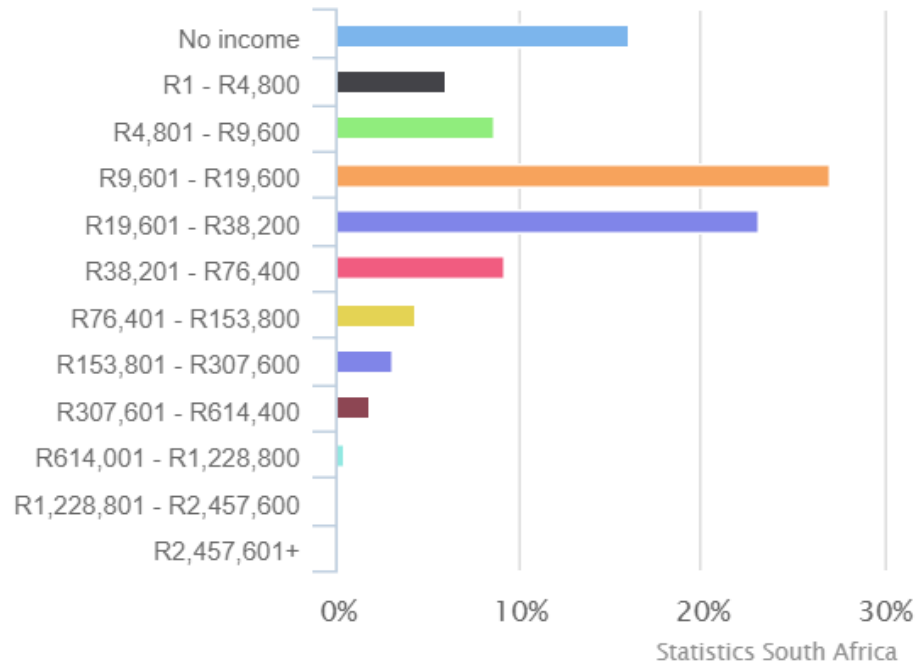
- The economy of Kei Mouth revolves largely around tourism due to its location at the southern entrance to the erstwhile Transkei region.
- Whilst many of the residents are retirees, a large portion of homes are holiday homes owned by families from the interior.

Morgan's Bay

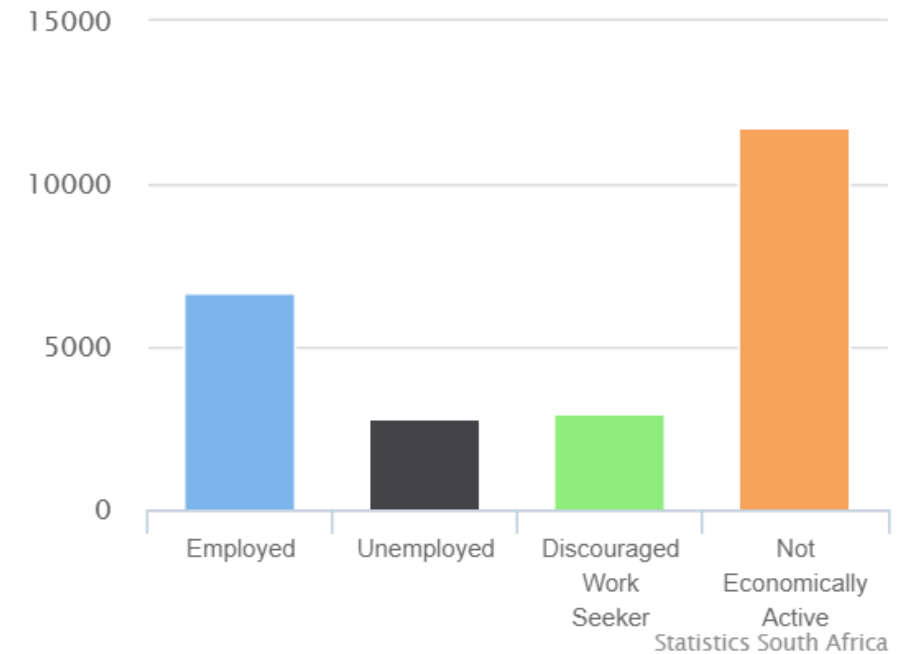
- Morgan Bay is a popular holiday destination due to its picturesque setting, mile-long beach, estuary, sea cliffs and location at the Southern end of the Wild Coast.

Population dynamics – Great Kei Municipality

Average Household Income



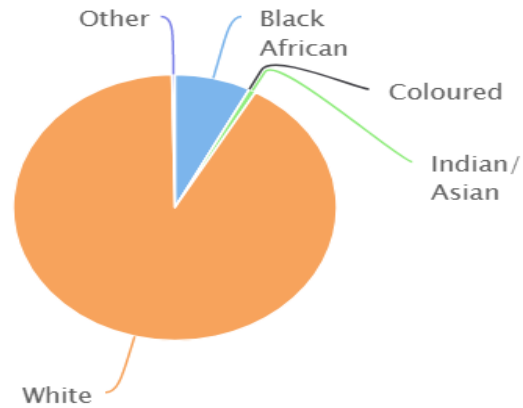
Employment for those aged 15-64



- Total population of 38 991 (2011: 39 485), according to South African National Census in 2016;
- Approximately 25% employment rate, based on economically active residents; and
- Strong market for conference and restaurant facility.

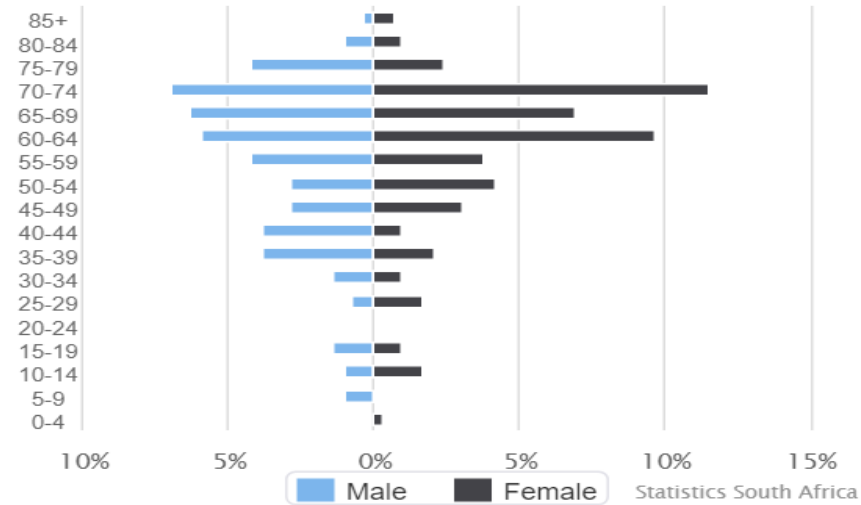
Population dynamics – Kei Mouth (291 people)

Population Groups



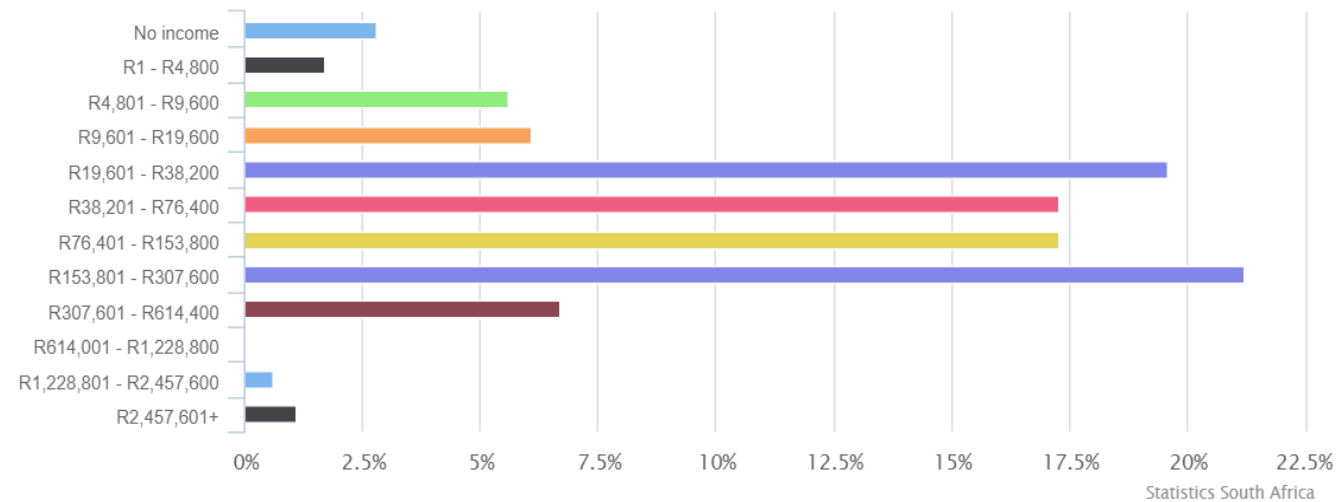
Statistics South Africa

Sex and Age Distribution



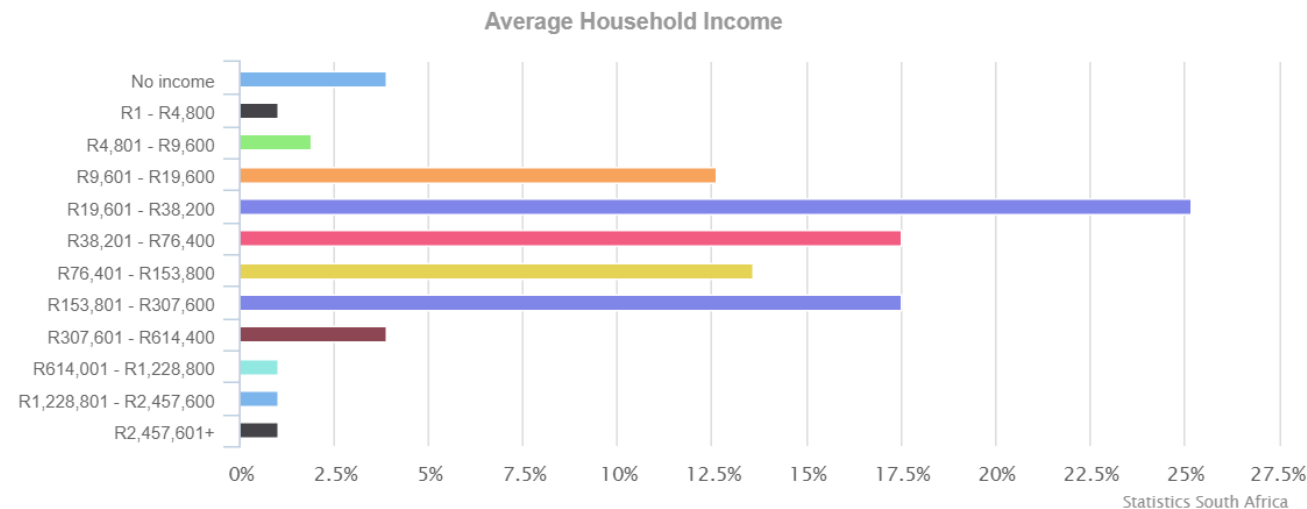
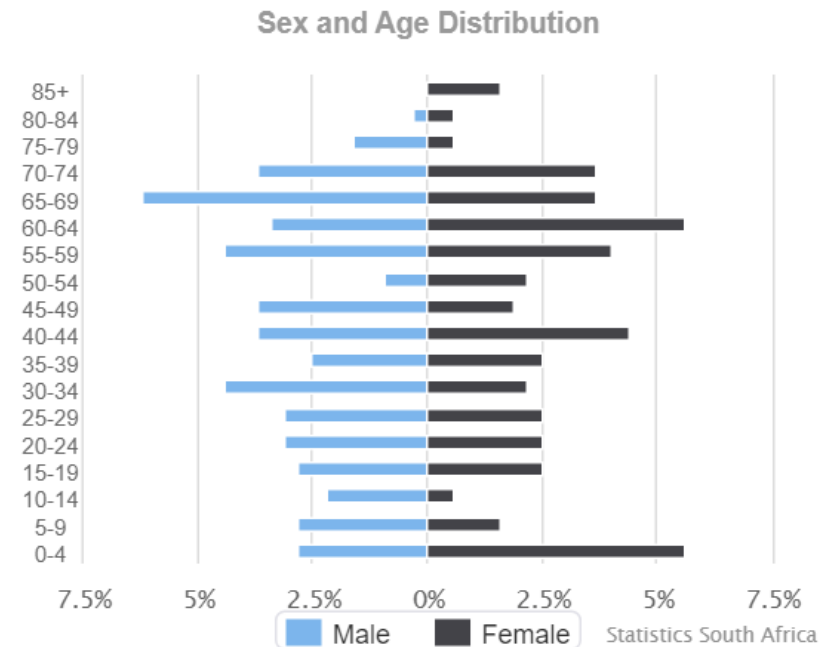
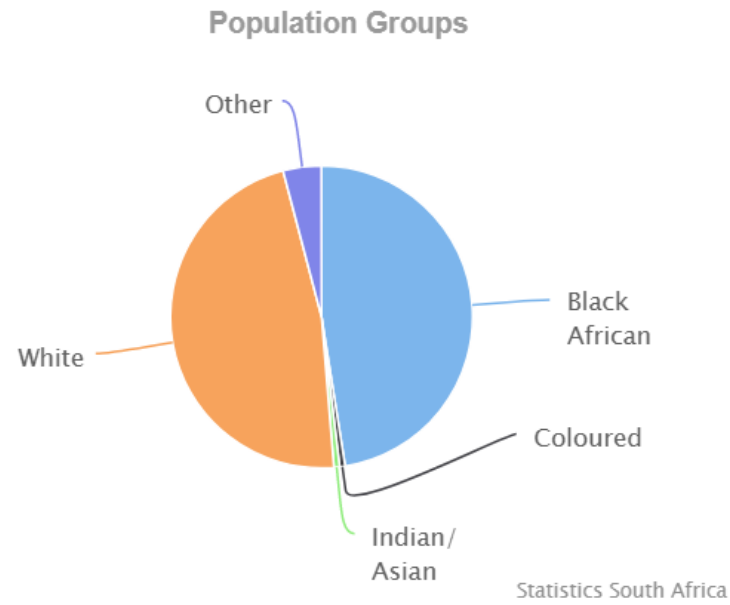
Statistics South Africa

Average Household Income



Statistics South Africa

Population dynamics – Morgan’s Bay (321 people)



Key attractions in close proximity

Morgan's Bay

- Touch rugby and cricket tournament during Christmas and New Year;
- Sand dunes for sandboarding;
- Wildcoast Ultra 42km Trail Run and other marathons;
- Inchara River Estuary, with water birds and ideal for water sports;
- Morgan Bay cliffs, with over 600 climbing routes
- Morganville Motorcycle Museum
- Strandloper Hiking Trail
- Morgan's Bay Caravan Park;
- Morgan's Bay Hotel

Kei Mouth

- Municipal campsite;
- Pontoon Ferry for crossing to Qolora;
- Kei Mouth Beach Hotel; and
- Municipality offices.

PROJECT FESIBILITY ASSESSMENTS

Hotel Market Overview



Proximity of competitors



Primary competitor set

	Hotel	Classification	Keys	Rates Single	Rates Double	Meal Plan	Conference Venue	Pax	DCP	Location	Distance to Cape Morgan Reserve Hotel	Operator/Brand
1	Seagulls Beach Hotel	None	18	R1200.00	R 2280.00	D/B/B	Yes	60	R310.00	Qolora Mouth	21,1 Km (must cross the Kei River at Ferry)	Independent
2	Trennery's Hotel	None	36	R1160.00	R 2320.00	D/B/B	Yes	70	R280.00	Qolora Mouth	21,1 Km (must cross the Kei River at Ferry)	Independent
3	Morgan Bay Hotel	3 Star	40	R1 346	R2020.00	B/B	Yes	120	R460.00	Morgan Bay	14km	Independent
4	Mitford Hotel	None	20	R1295.00	1295.00	R/O	No			Morgan Bay	14km	Independent
5	Haga Haga Hotel	3 Star	21	1560.00	R2400.00	D/B/B	Yes	50	R410.00	Haga Haga	46 Km	Independent
6	Crawfords Beach Lodge	None	28	R1045.00	R2090.00	D/B/B	Yes	60	R400.00	Cintsa	65km	Independent

- Primary competitive set of the hotel is presented above.
- The relevance of the selected hotels is associated to their size, standard of service, facilities and positioning in the market.
- The classification into primary competitors is based on the consultant’s assessment of their relevance to the hotel under analysis. Therefore, only those hotels meeting the standards of the “Midscale” hotel category located in the grater Kei area, offering 25 to 50 rooms with conference facilities were evaluated as primary competitors.
- It must be noted that there are none currently under professional management or have brand association.



Secondary competitive set

	Hotel	Classification	Keys	Rates		Meal Plan	Location	Distance to Cape Morgan Reserve Hotel	Operator/Brand
1	Whispering Waves	None	40	R800.00	1050.00	R/O	Kei Mouth	4.8 Km	Independent
2	The Thatches	None	11	R770.00	R770.00	R/O	Kei Mouth	4.8 Km	Independent
3	Neptune's Cove	None	7	R1025.00	R1025.00	R/O	Kei Mouth	4.8 Km	Independent
4	Kei Sands Holiday Units	None	20	R1600.00	R1600.00	R/O	Kei Mouth	4.8 Km	Independent

- Secondary competitive set of the hotel is presented.
- The relevance of these selected accommodation providers is associated to their positioning with-in the leisure market and their ability to service demand with in the node, however are of a much lower standard than the primary competitive set and Cape Morgan Reserve Hotel.
- It should be noted that the majority of the secondary competitive set properties insist on a minimum night requirement, between three (3) and five (5) nights during high demand periods.



Proposed pricing

- Considering the hotel market in the Kei area and the rate structure of the competitive set, we recommend a BAR rate structure allowing for dynamic pricing and flexibility to adjust pricing quickly in accordance with the elasticity of demand.
- The rate include, 15% VAT, Tourism Levy and breakfast.
- All discounted rates should be a derivative off the BAR rate structure allowing for flow through yielding and effective revenue management.
- The base selling rate to produce the projected ADR of R R747.82 is **R 1150.00** per room per night double occupancy (inclusive of VAT and Breakfast).
- This being the base rate, meaning one should not be selling below this rate however, does not restrict you in selling higher in order to yield on increased demand.



Demand driver and target market

Likely segments



Best available rate
dynamic pricing



Niche



Online travel
agents



Loyalty



Government
individuals and
groups



Meetings and
conference groups

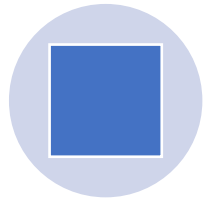


Leisure individuals
(Domestic and
International)

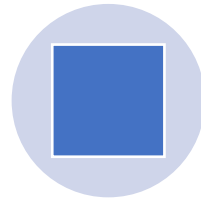


Demand driver and target market

Unlikely segments



Corporate individuals



Special negotiated contracts
through booking channel
Global Distributed Systems

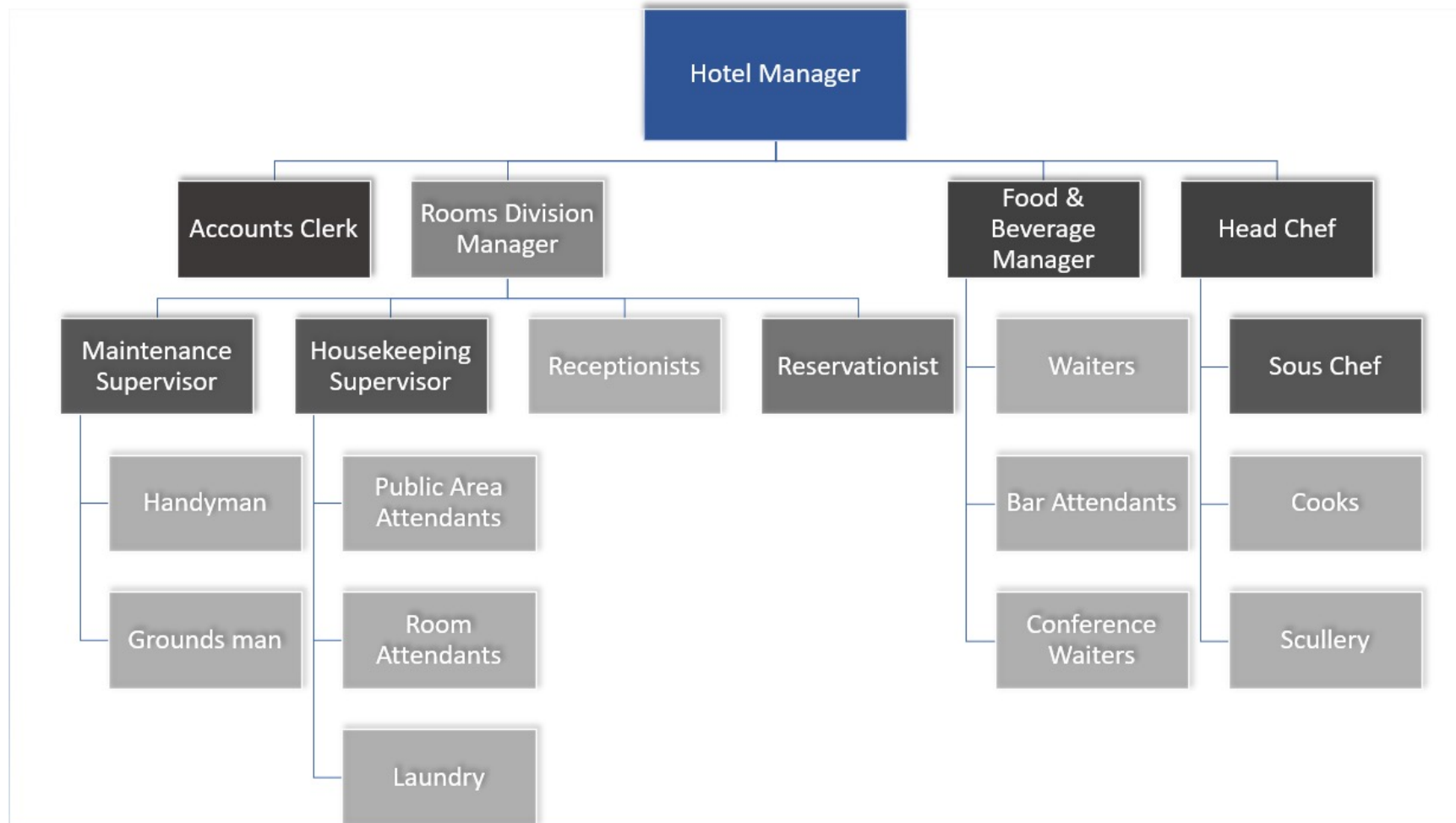


PROJECT FESIBILITY ASSESSMENTS

Human resources considerations



Organizational structure



Proposed staffing structure

Rooms Division	Employees	Salary	Monthly	Annual - incl PB
Rooms Division Manager	1	12 500	12 500	186 000
Receptionists	2	6 000	12 000	178 560
Housekeeper Sup	1	8 500	8 500	126 480
Reservations	1	8 000	8 000	119 040
Housekeeping Attendants	5	4 850	24 250	360 840
Public Areas Attendant	2	4 850	9 700	144 336
Laundry	1	4 850	4 850	72 168
	13		79 800	1 187 424
Food & Beverage				
F&B Manager	1	12 500	12 500	186 000
Ass. F&B Managers			-	-
Waiters/Cleaners	4	4 850	19 400	288 672
Barmen	1	4 850	4 850	72 168
Banqueting Waiters	1	4 850	4 850	72 168
Head Chef	1	10 000	10 000	148 800
Sous Chef	2	6 500	13 000	193 440
Cooks	3	5 500	16 500	245 520
Kitchen Cleaners	2	4 850	9 700	144 336
Restaurant Sups			-	-
	15		90 800	1 351 104
Admin				
Accounts Clerk	1	12 500	12 500	186 000
Hotel Manager	1	25 000	25 000	372 000
Incentives			-	-
	2		37 500	558 000
R&M				
Maintenance Supervisor	1	7 000	7 000	104 160
Handyman	2	4 850	9 700	144 336
	3		16 700	248 496
TOTAL	33		224 800	3 345 024
Payroll Burden %				24%

- The following structure is recommended for the initial opening period, to ensure sufficient staffing throughout the relevant departments.
- Actual staffing numbers will increase as the demand for the hotel increase. Cross training is highly recommended in the early stages of the hotel establishing itself. Thus, relieving the pressure on resource for head count, salaries and payroll burden. e.g. Room attendants can attend to breakfast service before reporting to the rooms.

Other staffing considerations

- Likely to be lack of staff with the requisite expertise and experience in surrounding areas as there is no unlimited supply of hospitality establishments;
- Expertise likely to be scarce:
 - Hotel manager;
 - Head chef;
 - Accounts clerk;
 - Rooms Divisional Manager; and
 - Food and Beverage Manager.
- Hotel will likely have to accommodate some of these employees, either on site or in surrounding areas;
- Sufficient economically active individuals in the Great Kei region to employ from;
- Poor housing rental market in surrounding areas, therefore consideration of rental of off-site staff quarters in Kei Mouth or Morgan's Bay must be taken into account; and
- Urgency in the development of additional staff quarters.



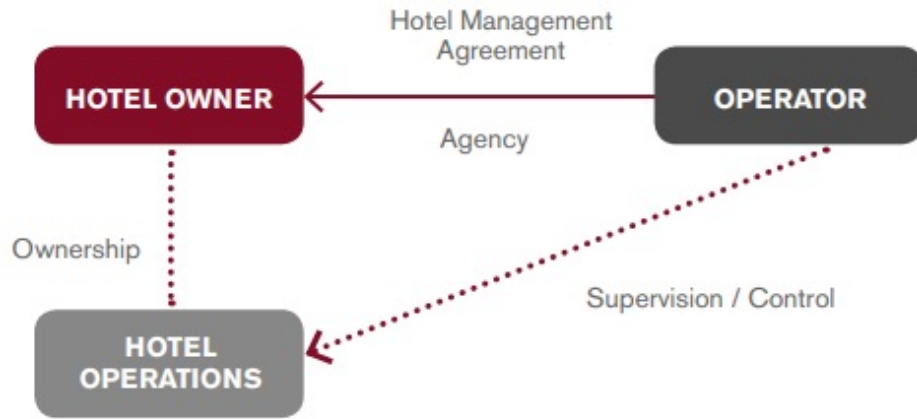
PROJECT FESIBILITY ASSESSMENTS

Business model



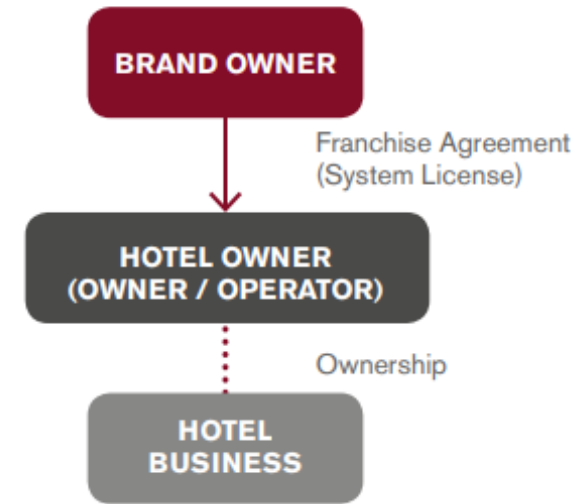
Operating model considered

STANDARD HOTEL MANAGEMENT AGREEMENT



- The operating company is owned by the investor, but operated by the contracted hotel chain. The management contract guarantees the quality and efficiency of an hotel chain. The operator/hotel chain is in charge of the day-to-day hotel operation.
- Standard Fees you can expect to be presented on a term sheet;
 - Management Fee, between 4 & 5% of Total Revenue,
 - Marketing Fee, normally a standard 3% of Total Revenue
 - Incentive fee, between 5 and 10% of GOP

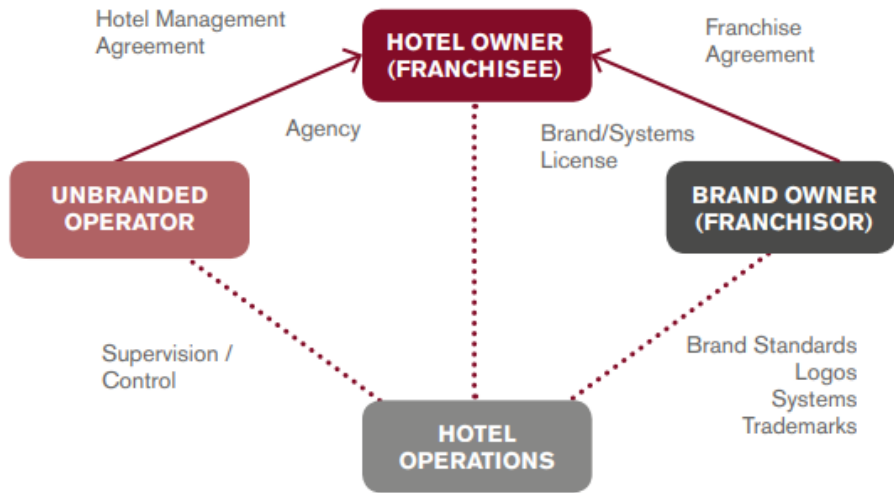
FRANCHISE AGREEMENT



- The operating company is owned and also operated by the investor by way of signing a franchise contract, the investor acquires the right to use the brand name.
- Receiving the operational manual and get access to the reservation system of the hotel chain / brand. Responsibility for the operation of the hotel itself remains with the investor.
 - Fixed amount joining fee (Dependant on the Franchisor)
 - Fee, between 3 & 5% of Rooms Revenue, normally linked to a minimum base fee.
 - A per room per month marketing contribution (Dependant on the Franchisor)

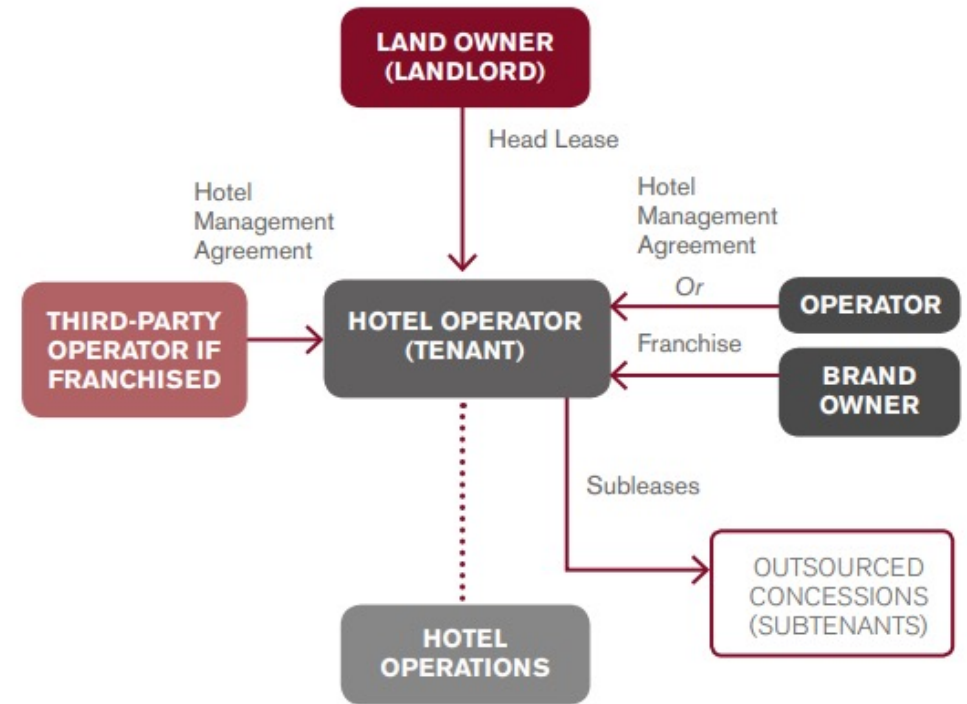
Operating model considered (cont.)

THIRD-PARTY MANAGEMENT AGREEMENT



- The owner may wish to retain a third party (white label) operating company to manage the property under the Franchise Agreement.
- Standard Fees you can expect to be presented on a term sheet:
 - Fixed initiation Fee (Dependant on the Operator)
 - Management Fee, 3% to 4% of Total Revenue, normally linked to a minimum base fee.
 - Incentive fee, based on management controllable profit achievement

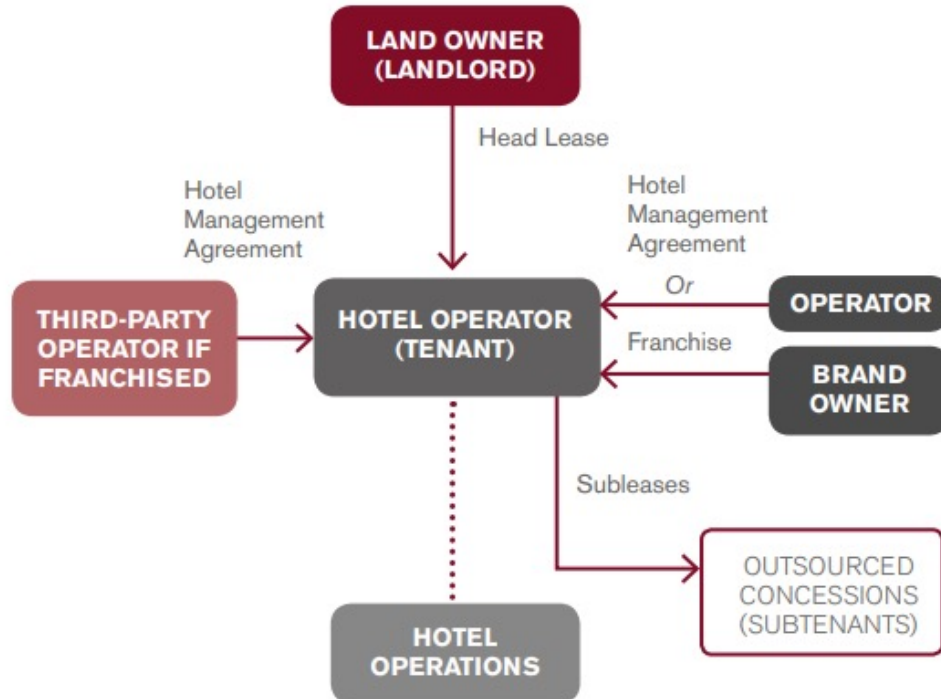
HOTEL LEASE AGREEMENT



- The hotel company rents the property from the property owner and operates the hotel as independent unit, separate from the property owner. This way, the hotel company (the lessee) reserves all incomes from the hotel and pays to a certain percentage from the sales revenue with a fixed underpin amount as rent. The underpin would increase annually.

Proposed operating model

HOTEL LEASE AGREEMENT



The proposed hybrid operating model is as follows:

- Enter into a standard hotel management agreement with operator for a white label hotel with the following proposed fees:
 - Nominal **fixed monthly rental** equivalent to **property running costs**, with a pre-determined escalation linked to CPIX, such as rates and taxes, electricity, maintenance, security costs etc; and
 - **Turnover rental** equivalent to 2.5 - 5% on a monthly basis.

Benefits of proposed model

- Shared risk model i.e. both ECPTA and operator assume operational risk and benefit from upside as turnover increases.
- Property running costs adequately accounted for i.e. operations will be self sustaining and no funding requirement from the ECPTA;
- Uncapped upside potential as turnover increases

PROJECT FESIBILITY ASSESSMENTS

Risk analysis



SWOT ANALYSIS

Strengths

- Good synergy with surrounding land-uses in the area
- Unique style and individual character
- Well trained and knowledgeable staff
- Contributes to the Local Economy

Opportunities

- Develop cross selling strategies
- Only branded hotel with in the node.
- Emerging travel types to escape city life, opportunities to host events such as weddings, conferences and meetings



Weaknesses

- Location from the sea / no sea views
- Limited experienced labour market
- Broad competitive set
- Visibility
- Limited investor experience in the sector

Threats

- Guest houses and home rentals
- Heavily dependent on tourism, seasonable demand
- New hotel developments for Kei Mouth

PROJECT FESIBILITY ASSESSMENTS

B-BBEE and socio economic issues



B-BBEE, environmental and social considerations

	Matrix	Description
B-BBEE shareholding	Level 3 or lower	Assuming procurement is complete by 16 January 2023
Local employment (Skilled and unskilled)	>75% of unskilled staff All unskilled staff All skilled staff	must be employed from local communities must be provided with transportation from local communities must be provided with staff quarters off-site at the operators costs
Environmental considerations	Quarterly compliance review	Services of an environmental consultant must be retained by the operator and environmental compliance reviewed on a quarterly basis
SMME support (Local sourcing)	Source > 25% of supplies	supplies and services from local communities, unless otherwise impractical to do so and operator has made all reasonable attempts to source locally.

PROJECT FEASIBILITY ASSESSMENTS

Financial feasibility



Revenue assumptions (medium)

5 YEAR INCOME & EXPENDITURE	Year FY2023	Year FY2024	Year FY2025	Year FY2026	Year FY2027	10 Year Period Total Revenue
TOTAL REVENUE	7 114 096	8 066 281	9 845 902	12 615 162	14 332 842	51 974 283
EXPENSES PER DEPARTMENT	4 017 016	4 359 793	5 039 350	5 772 850	6 304 271	25 493 280
DEPARTMENTAL PROFIT	3 097 079	3 706 488	4 806 551	6 842 312	8 028 571	26 481 003
GOP	438 853	813 846	1 564 091	3 112 933	3 942 092	9 871 815
HOTEL PROFIT	121 463	447 413	1 102 046	2 471 595	3 200 068	7 342 584
EBITDA	261 463	587 413	1 242 046	2 611 595	3 340 068	

5 YEAR INCOME & EXPENDITURE	Year FY2023	Year FY2024	Year FY2025	Year FY2026	Year FY2027
Rooms	3 602 997	4 112 220	5 087 588	6 620 739	7 556 470
Food	2 230 933	2 528 710	3 084 532	3 948 975	4 485 625
Beverage	669 280	758 613	925 360	1 184 693	1 345 687
F & B Sundry	420 000	449 400	480 858	514 518	550 534
Sundry Departments	120 450	137 474	170 081	221 335	252 617
Other Income	70 437	79 864	97 484	124 903	141 909
TOTAL REVENUE	7 114 096	8 066 281	9 845 902	12 615 162	14 332 842

- Calculated revenues include an assumed average annual increase in real prices of 7%.

	Year FY2023	Year FY2024	Year FY2025	Year FY2026	Year FY2027
Average Daily Rate	748	800	856	916	980
Occupancy Percentage	30%	32%	37%	45%	48%
REVPAr	224	256	317	412	471

	Year FY2023	Year FY2024	Year FY2025	Year FY2026	Year FY2027
Available Rooms per Day	44	44	44	44	44
Rooms Available	16060	16060	16060	16060	16060
Rooms Sold	4818	5139	5942	7227	7709
Average Annual Occupancy	30%	32%	37%	45%	48%

- Food and beverage revenue estimates include revenues from all food and beverage outlets, pool area and conference.
- Revenue from Sundry Operating Departments include revenues from the Transport etc. and are calculated as a percentage of bed nights sold multiplied by an average spend assumption
- Room revenues are calculated on the basis of the conducted demand estimation net of VAT, breakfast, Levy's.

Cost assumptions

INFORMATION	
Available Rooms per Day	44
Average Annual Occupancy	30%
Average Room Rate	747,82
REVPAR	224,35
Rooms Departmental Profit	56,0%
F & B Departmental Profit	26,7%
A & G to Total Gross Revenue	17,8%
Marketing to Total Gross Revenue	4,0%
H L & P to Total Gross Revenue	8,6%
R & M to Total Gross Revenue	3,0%
Fixed Expenses to Total Gross Revenue	4,0%
Management Fee	4,0%
Incentive Fees	8,0%

- Cost of Sales are given in % of departmental revenues.
- Food cost includes the cost of food served to guests
- Beverage cost includes the cost of beverages served to guests
- Direct Expenses Rooms include linen replacement, detergents, laundry cost, lounge and bathroom items etc.
- F&B direct expenses include replacement of linen, China, glassware, cutlery, supplies and expenses for menus, music, decoration, etc.
- Administration & General expenses include costs for credit card commissions, general liability insurance, data processing expenses, accounting legal fees, and other operating expenses.
- Marketing & Sales expenses include costs for advertising, promotion, public relations, travel costs and other expenses and the Management Company's Marketing Fee (3%).
- Heat, light and Power includes costs for electricity, diesel, water.
- Repairs and Maintenance expenses include maintenance contract expenses, supplies for maintenance, waste removal, etc.

Cost assumptions (cont.)

FIXED	FY2023	FY2024	FY2025	FY2026	FY2027
Administration & General	1 269 396	1 356 917	1 466 349	1 601 442	1 718 302
Marketing	292 182	331 346	404 594	518 606	589 292
Heat Light & Power	610 280	653 000	698 710	747 619	799 953
Repairs & Maintenance	219 137	248 510	303 445	388 954	441 969
Management Fee	292 182	331 346	404 594	518 606	589 292
	2 683 177	2 921 119	3 277 692	3 775 228	4 138 807

- Management Fees are calculated on 4% of total revenues and 8% incentive fee based of Gross Operating Profit.
- Admin and General includes fixed charges for insurance contracts, security costs, licenses and permits and IT expenses.
- Reserve fund: reserve for furniture, fittings and equipment is a tool to maintain the standard and quality of the hotel property in the interest of the owner.

Financial forecast (cont.)

5 YEAR INCOME & EXPENDITURE	Year FY2023	Year FY2024	Year FY2025	Year FY2026	Year FY2027	5 Year Period Total Revenue
Rooms	3 602 997	4 112 220	5 087 588	6 620 739	7 556 470	26 980 014
Food	2 230 933	2 528 710	3 084 532	3 948 975	4 485 625	16 278 774
Beverage	669 280	758 613	925 360	1 184 693	1 345 687	4 883 632
F & B Sundry	420 000	449 400	480 858	514 518	550 534	2 415 310
Telephone	0	0	0	0	0	0
Sundry Departments	120 450	137 474	170 081	221 335	252 617	901 955
Other Income	70 437	79 864	97 484	124 903	141 909	514 597
TOTAL REVENUE	7 114 096	8 066 281	9 845 902	12 615 162	14 332 842	51 974 283
Rooms	1 584 523	1 703 316	2 029 113	2 254 797	2 432 912	10 004 660
Food & Beverage	2 432 493	2 656 477	3 010 237	3 518 053	3 871 359	15 488 619
Telephone	0	0	0	0	0	0
Sundry Departments	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
TOTAL EXPENSES PER DEPARTMENT	4 017 016	4 359 793	5 039 350	5 772 850	6 304 271	25 493 280
Rooms	2 018 474	2 408 905	3 058 474	4 365 942	5 123 558	16 975 353
Food & Beverage	887 719	1 080 246	1 480 512	2 130 133	2 510 487	8 089 097
Telephone	0	0	0	0	0	0
Sundry Departments	120 450	137 474	170 081	221 335	252 617	901 955
Other Income	70 437	79 864	97 484	124 903	141 909	514 597
DEPARTMENTAL PROFIT	3 097 079	3 706 488	4 806 551	6 842 312	8 028 571	26 481 003
Administration & General	1 265 396	1 352 352	1 460 702	1 594 092	1 709 914	7 382 456
Marketing	284 564	322 651	393 836	504 606	573 314	2 078 971
Heat Light & Power	610 280	653 000	698 710	747 619	799 953	3 509 561
Repairs & Maintenance	213 423	241 988	295 377	378 455	429 985	1 559 228
Management Fee	284 564	322 651	393 836	504 606	573 314	2 078 971
MANAGEMENT CONTROLLABLE PROFIT (GOP)	438 853	813 846	1 564 091	3 112 933	3 942 092	9 871 815
Asset Reserve Fund (2%)	142 282	161 326	196 918	252 303	286 657	1 039 486
Rates & Taxes	140 000	140 000	140 000	140 000	140 000	700 000
Incentive Fees	35 108	65 108	125 127	249 035	315 367	789 745
Lease on Property	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Normal Tax	0	0	0	0	0	0
HOTEL PROFIT	121 463	447 413	1 102 046	2 471 595	3 200 068	7 342 584
EBITDA	261 463	587 413	1 242 046	2 611 595	3 340 068	
Average Room Rate	747,82	800,17	856,18	916,11	980,24	
Occupancy Percentage	30%	32%	37%	45%	48%	
Revenue Per Available Room	224,35	256,05	316,79	412,25	470,51	

PROJECT FESIBILITY ASSESSMENTS

Recommendation and conclusion



Key success factors

- Contracting of a well-established hotel operator / brand securing professional management, extensive staff training, service standards and aggressive marketing and sales initiatives.
- Being in a position to take full advantage of the recovery growth in the demand curve.
- Provide guests with information about the local community and environment as a means to conserve and preserve through education.
- Provide guests information about carbon offsetting where they can compensate their travel emissions with investing in energy renewal (e.g., hydro-turbines), or carbon sequestration (e.g., forestry projects). Information can also be provided to guests about various energy efficiency measures implemented in the property, many of which can also be implemented in their own homes.
- Encourage guests to recycle by reusing towels and linens and by providing in-room recycle baskets for paper, plastic or glass recyclables.
- Encourage guests to enjoy the local and environmentally-friendly activities with less carbon footprint and preserve the natural environment. Activities include nature walks, replanting activities, bicycle and reserve and beach walking tours. (Get them involved in Standloper Hiking Trail).
- The hotel will be of a good standard with a three (3) star grading, with a possibility of being managed by a reputable and specialised hotel management company.
- The management company is expected to provide considerable investment into staffing and training to provide the level of service adequate with the positioning of the hotel and its respective guest expectations.

Key success factors (cont.)

- The hotel must have access to the management company's reservation and marketing systems. Aggressive programs of advertising and sales promotion must be instituted prior to the opening of the hotel and maintained throughout the projection period covered in our analysis.
- The physical plant and appointments of the hotel will be of high-quality equivalent to its image and service expectation of their end-users.
- Adequate programs of periodic maintenance and replacement of property and equipment should be instituted and maintained throughout the period of analysis to ensure that the qualities of the property is maintained.

Areas of concern

- Visibility, as a result of the hotels location, it will not attract passing trade. This will need to be addressed though sufficient directional signage on the R349 to Kei Mouth and Link Road from Morgan's Bay.
- Staff accommodation will be required for senior staff. Skilled senior staff may be difficult to source from Kei Mouth and Morgan's Bay and may have to be imported.
- Access road gravel from both Morgan's Bay and Kei Mouth side.
- Sewer treatment plant, with trucks passing through the hotel to offload will result in "foul" smell in the establishment.
- Waste dumping site on route to premises when accessing from the R349.
- Non-sea facing property, *albeit* in close proximity.
- Operator likely to insist on naming rights of the reserve, which may conflict with the existing name Cape Morgan Nature Reserve.

Conclusion

- Shared risk operator model, ensuring property running costs are covered by the nominal rental charge and sharing in the turnover upside, enabling the operator to limit costs in the beginning to ensure operational success;
- Staff quarters must be sourced for skilled employees in nearby town, albeit may be difficult as there is little to no active residential rental market;
- Sewer treatment plant should operate on specific days of the week and access times limited to between 11 – 13:00 i.e. after checkout but before check-in;
- Discussion should be held with the local municipality as part of their LED mandate to tar the road from R349.
- Dump site on private property from the R349 on route to Cape Morgan Nature Reserve must be cleaned.
- Reserve fund should be maintained by the operator in an Escrow account for maintaining the upkeep of the hotel.

PROJECT FESIBILITY ASSESSMENTS

Progress against plan



Progress against plan

PHASE	ITEM NO.	ACTIVITY	STATUS	INITIAL START	FINISH	DURATION (HOURS)	OUTPUT																	
								W14	W15	W16	W17	W18	W19	W20	W21	W22	W23	W24	W25	W26	W27	W28	W29	W30
								27-Jun-22	04-Jul-22	11-Jul-22	18-Jul-22	25-Jul-22	01-Aug-22	08-Aug-22	15-Aug-22	22-Aug-22	29-Aug-22	05-Sep-22	12-Sep-22	19-Sep-22	26-Sep-22	03-Oct-22	10-Oct-22	17-Oct-22
PHASE 1: PLANNING & MOBILISATION	1.1	Appointment of service provider		2022/03/31	2022/03/31		Appointment Letter																	
	1.2	Project Planning				14																		
	1.2.1	Kick-off meeting with ECPTA		2022/04/29	2022/04/29	1.5																		
	1.2.2	Site visit: Cape Morgan Technical meeting		2022/05/10	2022/05/10	2																		
	1.2.3	Site visit: Progress meeting		2022/05/19	2022/05/19																			
	1.2.4	Review of background information		2022/05/23	2022/06/03	80																		
	1.3.1	Preparation of project implementation plan		2022/05/27	2022/05/27	6	Project implementation plan																	
	1.3.2	Presentation of project implementation plan		2022/05/30	2022/05/30	1.5	Project implementation plan																	
	1.4	Service level agreement developed and signed between ECPTA and service provider		18/04/2022	18/04/2022	2	Service Level Agreement																	
1.5	Monthly project meetings with PSC		2022/07/04	Project close	12	Monthly progress report																		
PHASE 2: PROJECT INITIATION AND FEASIBILITY ASSESSMENT	2.1	Review of existing feasibility studies, including requisite adjustments to feasibility studies		2022/05/30	2022/06/01																			
	2.2	Conduct assessment of opportunity		2022/05/30	2022/07/22	120																		
	2.3	Development of procurement plan		2022/07/22	2022/06/03	2	Procurement plan																	
	2.4	Drafting of letter of Treasury Regulation 16 exemption request for approval		2022/07/22	2022/07/22	8	Covering letter																	
	2.5	Submission of reports to National Treasury for approval of Treasury Regulation 16 exemption		2022/08/05	2022/08/05	2	Treasury Regulation 16 exemption request																	
	2.6	Submission of approved report to ECPTA		2022/09/05	2022/09/05	1																		
	2.7	Presentation of report and assessments to ECPTA		2022/09/06	2022/09/06	3	Treasury Regulation 16 exemption																	

Progress against plan (continued)

PHASE	ITEM NO	ACTIVITY	STATUS	INITIAL START	FINISH	DURATION (HOURS)	OUTPUT																		
								W14	W15	W16	W17	W18	W19	W20	W21	W22	W23	W24	W25	W26	W27	W28	W29	W30	
								27-Jun-22	04-Jul-22	11-Jul-22	18-Jul-22	25-Jul-22	01-Aug-22	08-Aug-22	15-Aug-22	22-Aug-22	29-Aug-22	05-Sep-22	12-Sep-22	19-Sep-22	26-Sep-22	03-Oct-22	10-Oct-22	17-Oct-22	
PHASE 3: PPP PROCUREMENT	3.1	Review of the procurement policy of ECPTA to ensure compliance		2022/06/03	2022/06/30	3																			
	3.2	Preparation of procurement documentation																							
	3.2.1	Preparation of advertising content and approval by the ECPTA		2022/06/03	2022/06/03	12	RFQ advert																		
	3.2.2	Preparation of RFP documentation		2022/06/06	2022/06/10	40	RFQ Terms of reference																		
	3.2.2.1	Development of payment mechanism capturing elements of risk transfer		2022/06/06	2022/06/10																				
	3.2.2.2	Drafting of bid evaluation criteria, bid process design and B-BBEE requirements		2022/06/06	2022/06/10																				
	3.2.3	Preparation of pre-qualification criteria		2022/06/06	2022/06/10	8	RFQ pre-qualification criteria																		
	3.2.3	Facilitating approval by the BSC		2022/06/13	2022/06/17	3	Approved specifications																		
	3.2.4	Placing advert on platforms required by PFMA and SCM Policy		2022/06/17	2022/06/17	1																			
	3.2.5	Facilitating site visits with the prospective bidders		2022/06/27	2022/06/27	5	Site visit attendance register																		
	3.2.6	Providing input in responding to queries and clarification from prospective bidders		2022/06/20	22/07/2022	20	Schedule of queries																		
	3.3	Administration of the bidding process																							
	3.3.1	Managing data room		2022/06/20	22/07/2022	8																			
	3.3.2	Facilitating structured engagements between ECPTA and bidders		2022/06/20	22/07/2022	8																			
	3.3.3	Assisting ECPTA to communicate effectively with the bidders and receiving bids		2022/06/20	22/07/2022	8																			
	3.2.4	Closing date for submission of RFPs		2022/07/22	2022/07/22	2	Tender opening and submission register																		
	3.3.5	Assistance with the evaluation of bidders and pre-qualifications		2022/07/25	2022/07/29	16	Pre-qualification report and bid scoring matrix																		
	3.8	Assist ECPTA in the evaluation of bids in line with PPP Toolkit for Toursim		2022/07/25	2022/07/29	40																			
	3.9	Administering best and final offer process where required		2022/07/25	2022/07/29	8																			
	3.10	Assessment of value for money		2022/07/25	2022/07/29	16																			
3.5	Board approval		2022/08/25	2022/08/25	2	Board resolution																			
3.5	Draft CPPP or PPP agreement based on the PPP Toolkit for Toursim		2022/09/05	2022/09/09	40	Draft CPPP or PPP agreement																			
3.6	Compilation of project documentation required in terms of PPP Toolkit for Toursim		2022/09/12	2022/09/17	40																				
3.11	CPPP or PPP agreements negotiation and management in line with PPP Toolkit for Toursim		2022/09/12	2022/09/30	24	CPPP or PPP agreement																			
3.12	CPPP or PPP agreement signature		2022/10/04	2022/10/04	4	Signed CPPP or PPP agreement																			
PHASE 4: CLOSE OUT	4.1	Project close-out report		2022/10/21	2022/10/21	24	Close-out report																		

Activity next week

The following will be presented in the coming week for approval:

- Advert content
- RFP terms of reference
- Bid evaluation criteria
- Procurement plan and timetable
- Data Room
- Professional photograph and videos for data room

Thank you

