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Concession Contract Management & Monitoring

Backdrop: PPP in SANParks

➤ Extent:

✓ As at March 2014:

- ❑ R628.8m T/O for 12 months (Investment value...very high)
- ❑ 39 Contracts Managed

➤ Variety:

✓ Restaurants, Retail, Cable Car, Lodges, Zip Lines, Airport etc.

➤ SANParks Experience:

✓ Initially T/A IFC...process wise good but process over product:

✓ Last 12 years whole PLC driven internally...My team and my supervisor all introduced to PPP;

- ❑ Product understanding and taking charge for bankable projects / as opposed to over debating/ making theories of simple stuff made it successful...e.g. Malelane feasibility...
- ❑ Embrace PFMA, demystify Toolkit, INNOVATE “

“Green & Growing” (Or get red, ripe & rot!!)



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Presentation Objectives

- Basis - Contract Management
- Objectives of contract management
- SANParks Approach
- Knowledge, skills and attributes
- Management Framework
- Concession Operations Manual
- Communication Channels
- Benefits
- Risks



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Contract Management Basis

PPP Project Life cycle

✓ Contract engagement is a critical process;

- Accuracy, compliance etc. are extremely critical
- Short process
- High exposure

✓ Contract Management

- Relationship management
- Longer process/periods
- Lower exposure

But the most important part where value is extracted from partnership

✓ Contract end

- Planned processes

“Contract Management requires structure as in the other 2 phases”



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Contract Management

- ✓ What is contract Management?
 - ❑ A process designed to enable state institutions and concessioners to meet their respective obligations

- ✓ Objectives of Contract Management
 - ❑ To manage the partnerships and establish good working relationships
 - ❑ To define roles, responsibilities and protocols;
 - ❑ To measure outputs against required objectives and regulate performance;
 - ❑ To enable administrative processes required for effective management;
 - ❑ To react timeously, manage variations and settle disputes.

“Backed by a robust Strategic Plan for Commercialization” (context of commercialization defined / projects preceded by strategy!!)

SANParks Approach

- ✓ High risk projects with large capital investment
- ✓ Small, strong contract management function with specialist (legal, ECO) where necessary for contentious issues
- ✓ Contract Management elevated in the organization with established mandates
- ✓ Responsibilities and accountability identified
- ✓ Management framework is established-allows for consistency in our approach to all PPP projects

Team Effort: “Not one of us is as good as all of us!!!”

SANParks Approach

- ✓ Formal and systematic monitoring system:
 - ❑ Repeated measurement of selected variables to detect changes;
 - ❑ Comparison of actual performance/ conformance against preset levels and standards;
 - ❑ Provides early indications of progress or lack thereof in the achievement of commercialization objectives.
- ✓ Resources are established at inception stages to ensure management in a highly effective, efficient and professional manner.

“Agreed to processes manages the team = professionalism”



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Knowledge/ Skills/Attributes

- ✓ Combination of project management, legal , analytical, financial, business acumen, market evaluation, environment/ heritage, infrastructure and support skills.
- ✓ Understand tourism industry management and tourism industry management and economic realities of concession operations;
- ✓ Knowledge of organizational policy
- ✓ Ability to interpret and implement PPP legislation;
- ✓ Negotiation and contract management skills

“Yes, you need a Juggler/ Oros Man / Jack / Business skills”



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Management framework

- ✓ Management mechanism are supported by legal framework (Contract);
 - ❑ Comprehensive guidelines
 - Environmental
 - Financial
 - Legal/ technical
 - Empowerment
 - ❑ Performance Bond and Penalty Systems

“Partnership: both sides need to work on it”

Concession Operation Manual

- ✓ Used for the day-to-day management of the contract
 - ❑ To inform SANParks and concession staff main contractual elements and to measure performance.
- ✓ Defines the roles, responsibilities and protocols to promote positive and effective working relationships.
- ✓ Supplement to legal framework
- ✓ Most importantly it covers
 - ❑ Communication structure, management principles and guidelines, reporting requirements and administrative management

“Procedure Manuals - key tool for PPP success”

Communication Channels

- ✓ Managing Communication is critical to success
- ✓ Operational issues
 - Matrix communication structure
 - Day-to-day management and communication between SANParks and Operator at functionary level
- ✓ Policy issues
 - Issues not covered by legal framework or exiting policies.
 - Communication channels to corporate.

“Consistent communications / ensures continuity”



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Benefits

- ✓ Effectively enforcing legal mechanism
- ✓ Good understanding, focus and consideration of complexities.
- ✓ Consistency in approach
- ✓ Limiting continual scope creep
- ✓ Ability to be firm but fair-minded and flexible where necessary
- ✓ Overall integrity of the process has been maintained securing investor mobilization

Risks / To think Of

- ✓ Risk of organizational strategy shift
- ✓ Functionary level staff not in support of the strategic objectives of the organisation
- ✓ Institutional capacity problems at project level of appropriately trained and experienced staff in terms of tourism and commercial aspects of the projects.
- ✓ Weaknesses within institution will be exploited by the private sector
- ✓ Organizations require increased institutional training at functionary level for the effective implementation of the concession operations manual.

Case: Financial Re-Modelling

- ✓ **Business-Dynamic Environment**
 - Soon after/ mockery of tender / Risk Transfer??? / Contingency Risk??
Where is it located?
- ✓ **Lodge Concessions: Rand/\$. Swine flu, Mugabe. etc.**
 - Often/way of doing business/collective/different dynamics
 - No market failure/situation still needs to be managed.
- ✓ **Bundling model vs. unbundling**
 - Risk transfer/ residual values
 - Guarantees/Min % T/O / Min Rental / Risk transferred.
 - National treasury etc., as good model / Eased material aspects renegotiation

“Innovate: Win – Win, under the circumstances!”

Appetite for Replacement

✓ KNP Restaurants

- Cook/ BEE /Banker/ Needed to go/SANParks capacity for restaurants

✓ Institutions Depth...new buzz word!!

- buffet, a la carte, bush braais, picnic sites, QSR, conferences, logistics etc, etc, etc, 😊
- Jack – was not a master: nothing to write home about!!!

✓ Continuous Improvement / back to drawing Board!

- Franchised brands – (except one) KNP all women..3 restaurants owned by black women
- Service levels – significant improvement. LS last count second highest M & B T/O

“ Innovate: Embrace old Kaizan / embrace good management”

Going Forward

- ✓ **Commercial Development to Business Development**
 - Process to Product driven / legal & financial a part of (key part) of Responsible Tourism skills
 - Good to doubtful, to excellent
- ✓ **1st Stage – PPP < Product Development**
 - Audit, Board: PPP methods to be used for internally funded: sign off + significant development e.g. Skukuza Safari Lodge!!
- ✓ **2nd Stage – PPP < Prod Dev < Business Development**
 - Analysis, contract Management (monitoring & Feedback)
 - Advise on ALL Business Efficiencies + increase capacity + Concepts e.g. UA Strategy

While we Respect Tradition, We Respect INNOVATION more!!!



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THANK YOU

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