

SELOUS KINGA LODGE LIMITED.

**BUSINESS PLAN FOR ESTABLISHMENT OF A
MODERN TOURIST BUSINESS INCLUDING
TENTED CAMPS.**

Prepared for:

SELOUS KINGA LODGE LIMITED

Dar es Salaam,

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1.0 EXECUTIVE SUMMARY

Introduction

M/S SELOUS KINGA LODGE LIMITED sets out a proposal to establishing a MODERN TOURIST BUSINESS, INCLUDING TENTED CAMPS in Coast Region.

M/S SELOUS KINGA LODGE LIMITED will engage in and carry out the business of proprietors and managers of hotels, restaurants, cafes, road houses, motels, safari and holiday camps, caravan sites, guest houses, apartment housekeepers, refreshment and tea rooms, milk and snacks bars, tavern, beer house and lodging housekeepers and to provide food and catering services to individuals, private and public institutions and to industrial and business concerns.

Also **SELOUS KINGA LODGE LIMITED** intends to promote tourism in Tanzania and elsewhere in Africa, to carry on business of travel and tourist agents and tour operators, to promote facilitate traveling to organize hunting, tented camps, fishing and diving expeditions, safari promoter and undertakers generally and in particular to arrange and manager hunting safaris, photo safaris adventure tours, fishing trips, handling of game trophies and animal skins, catching, harboring, transporting, wildlife and marine products of all kind.

Tanzania has been implementing an economic recovery program (ERP) that aims at transforming the structure of the economy by shifting productive and services to the emerging Private sector while the government focuses its resources to the Conventional function of good governance.

The economic environment arising out of these reforms are conducive to growth of new economic activity and investments by both foreign and domestic entrepreneurs. Probably this is truer for the Tourism sub sector than for all others, as evidenced by recent growth in forex earnings and the level of new investment in the Tourist hotel industry countrywide.

Project location

To take advantage of this climate **SELOUS KINGA LODGE LIMITED** are planning to establish a TENDED CAMPS to capture the growing demand of tourist's accommodation in THE COUNTRY. The Proposed project will be located on Plot No.RB 31 RUFJI AREA COAST REGION.

Investment Cost

Total investment of the proposed project will be USD. 800,000 that will involve construction of the TOURIST buildings and Camps, installation of furniture & equipment, importation of vehicles and initial working capital.

Project Financing

The Project will be funded through equity from **STAN TOURS LTD.**

Project Attractiveness

Through analysis reveals that the project is profitable and self sustaining it Has an IRR of 26.83% and NPV of US\$ 5,231,345.56 at a 12 % rate of interest.

The project is also a foreign exchange spinner by virtue of entering for a mostly foreign clientele. The project is commendable for assistance to obtain a certificate of incentives

Payback Period

The project has a very short pay back period of THREE years only, which is attractive to projects invested in OPERATOR TOURS, compared to the amount of investment made.

Implementation period

The project will be implemented fully within three years, and will mainly use locally available RESOURCES.

2.0. INTRODUCTORY BACKGROUND

BACKGROUND

This business plan sets out proposal by **SELOUS KINGA LODGE LIMITED** to ESTABLISHMENT OF CLASSIC TOURIST BUSINESS INCLUDING TENTED CAMPS.

Tanzania is endowed with a number of natural resources, which, if well developed, tapped and efficiently used can put the economy in top gear towards an economically developed country. It is on the basis of this fundamental premise that the strategies of development have always been designed, focusing on self-sufficiency and sustainable development.

The main prerequisite of most development strategies is to accumulate material wealth through the efficient and effective utilization of available natural resources. The accumulation motive is the prime mover of an economy towards attainability of the following broad objectives inherent in economic development:

- Accelerating investible surplus generation;
- Improving standards of living of the population,
- Develop economic and technical infrastructure; and
- Enhancement of social services economy growth at national level.

While developed countries have been able to sustain steady but progressively increasing rates of growth of their economies, developing countries have been facing a different scenario. They have been experiencing very low rates of economic growth.

Tanzania being a developing country had to work out strategies of ensuring that her state of development is in line with a positive pace of growth to maintain certain level of economic threshold. She has an upper hand in resource availability and a largely undeveloped and untapped resource base. The underlying policy has been one of reaping the natural absolute and comparative advantages she has in terms of natural resources.

Agriculture being the backbone of the economy has continued to receive more attention in terms of investment and other resources allocation.

The emphasis on the development of the agricultural sector does not in any way mean neglecting the other prime economic sectors.

Given the necessity of having a balanced state of development Tanzania has a broad approach to development. After assessing the performance of the economy it has identified the poles of growth in terms of sectors.

The following sectors have been earmarked as the prime sectors which need to be given priority consideration in investment so that maximum rates of development can be attained: -

- a) **Tourism,**
- b) Mining,
- c) Agriculture and
- d) Industry;

A look at the country's development plans and strategies will throw more light on this. However for the purpose of this study this review is confined to the tourism sector.

THE TOURISM SECTOR;

Potential

Tourism is the fastest growing industry in the world today. Technological Developments in the fields of communication and transport have made the world more accessible. This has aroused desire for the world citizens to know see and venture into the secrets of nature in different countries. People of all walks of life have put into their life calendar an agenda to visit other lands and peoples.

Tanzania has a large variety of natural land and marine endowments due partly to its size but also to the existence of different environmental conditions ranging from tropical rain forests to semi desert. It has a lot to offer to the world in the form of real tourist attractions including:

a) Unique Endowments and features:

- i) One of the largest African countries;
- ii) Africa's deepest Lake i.e. 358 meters below sea Level i.e., the floor of Lake Tanganyika;
- iii) Highest Mountain in Africa i.e. Kilimanjaro;
- iv) World Largest extinct Caldera i.e. Ngorongoro Crater;
- v) Site of oldest fossil "Zinjanthropus" i.e. Olduvai Gorge; and
- vi) Largest wildlife protected area in Africa i.e. the Selous Game Reserve.

b) National Parks and Game Reserves:

- i) Serengeti National Park which is a sanctuary of about 4 million different animals and birds;
- ii) Lake Manyara National Park the home of tree climbing lions;
- iii) Ruaha National Park;
- iv) Selous Game Reserve Sanctuary to the biggest elephant herd in Africa; and
- v) The Ngorongoro Crater one of the World's great wonders.

c) Beaches

Tanzania has some 840km of beautiful beaches along the Indian Ocean Coast.

d) The islands of Zanzibar & Pemba

The island of Paradise- Zanzibar has a lot to offer. The beautiful white Beaches and historical locations. It has varieties of spices

The Tourism policy was designed along the following Targets;

(i) Foreign Exchange earnings:

The tourist industry was targeted to maximize Foreign exchange earnings through:

- Increasing the number of tourists;
- Strengthening and streamlining collection of FOREX;
- Create tourist packages, which will facilitate penetration into Virgin areas.

(ii) Enabling Environment:

There is the necessity to create an enabling environment, which will make the industry grow by its own strength. Hotel and Tourist staffs should be well trained to enable them cope with international standards in handling tourists; Experience sharing programmes be strengthened through exchange programs, symposia, seminars and short courses.

iii) Promotion of Domestic Tourism:

Over dependence on foreign tourists creates imbalanced economic Activity, which alienates the local population.

3. THE PROJECT

The proposed TENTED CAMPS will involve HIRING OF VEHICLES and TENTED CAMPS, the project will also operate transport facilities including trucks, lorries, saloon cars, combies, carries, taxis, aero plane and ships including steamers, barge boats and tug boats for the express or implied purpose carrying or ferrying cargo, passengers, tourist and to act as transport and general haulage contractors and consultants, tour operators, travel agents, clearing and forwarding agents and to own, lease or hire godowns, warehouses, bonded warehouses, goods sheds and seal like facilities for the purpose of storing, preserving, packaging and repacking goods, cargo and all other articles and goods whatsoever to facilitate transportation, air freight and general delivery thereof whatsoever to customers and owners.

The CAMP will have TWELVE VEHICLES, Conference room with the capacity of 150 people at a go, Shopping Arcade, and associated hotel facilities and Touring businesses.

TOURS capacity

The TOUR will have TWELVE VEHICLES in total of which will consist of eight 4X4 (4WD), 2 MICRO BUSES, AND one sight seen truck and one 4x4 station wagon (luxury) for CEO.

Restaurants:

The restaurants have been designed to capture tastes of various tourists having different consumption habit/pattern. For that reasons, the proposed restaurants will be used as follows: -

- Asian food Restaurants - This will cater for all types of Asian food
- Italian Food Restaurant – This will serve all western food style
- The butchers grill to serve other international guests.
- Some variety of African dishes.

Bar

The bar will serve all types of drinks (Varieties) from soft to hard ones obtained from-different sources.

Swimming pool

The TOUR will construct a modern swimming pool and will have gym facilities, steam bath and sauna near it.

Tour operations

In the project, ELEVEN vehicles will be used to ferry tourists to various destinations of their interests while in Tanzania. Vehicles will also be used to pick tourists or any guest from the airport or any entry point in Tanzania to ALL TOURIST ATTRACTION POINTS.

Management of the Camp.

A reputable international Camp operator through a Camp manager who will be working under Management Contract arrangement between SELOUS KINGA LODGE LIMITED – Millennium Towers and a reputable & well-known Tourist hotels in the World, to be identified at a later stage when the proposed project has completed its implementation, will manage daily activities of the Camp.

3. 0 INVESTMENT COSTS

Investment structure

The total initial investment in fixed assets is estimated to be USD 800,000 the breakdown of the total initial investment is as follows:

	(USD)
Land & Building	100,000
Plant and Machinery	-
Vehicles	520,000
Furniture and Fittings	80,000
Others	25,000
Pre – operation	25,000
Initial Working Capital	50,000
TOTAL INVESTMENT	800,000

Project Financing:

Shareholders of the company will contribute USD.50,000 to implement the proposed project.

Projected operating Costs:

The basic project operating costs per annum will be as follows:

(Figures in Tshs.)

1.	Salaries	12,000,000
2.	Utility	500,000
3.	Marketing	7,000,000
4.	Power	4,000,000
5.	Fuel & Lubricants	10,000,000
6.	Insurance	60,000,000
7.	Staff Welfare	2,000,000
8.	Repair and Maintenance	2,000,000
9.	Contingencies	5,000,000
	TOTAL	91,700,000

Sales Revenue:

It is estimated that at full capacity the project will be able to generate **Tshs. 200,000,000** per annum, from its activities. This amount of revenue will come from accommodation services, Restaurants services, and Tour operation activities.

4. EQUIPMENT REQUIREMENT:

The project will require the following list of equipment to be utilized in its daily activities. These are as follows:

- Building materials
- Computers and accessories
- Vehicles
- Furniture and fittings
- Air conditioners
- Cooking utensils
- Restaurants cutlery
- Standby generator
- Furnishing i.e. Carpets, cutleries etc
- Other tours allied facilities etc.

The state of the tourism Sector in Tanzania

Tanzania is a developing country with a rural based economy trying to chart out strategies of attaining higher level of economic development. In this endeavour the Government has identified the tourism sector to be one of the lead sectors with a multiplier role to play in the economy.

After liberalization of the economy and the major economic adjustments made Within the frame work of the World Bank Structural Adjustment Programme the Sector has become more attractive. With liberalization measures introduced in mid 80s the performance of this sector has gradually been on the increase.

MARKET ASSESSMENT.

General Market review

Tanzania has many famous natural attractions. Some of these attractions have not been fully exploited to the extent of attracting both local and foreign tourists. All these attractions are easily accessible by road, rail, water and Air.

Given these natural endowments one clearly sees a very big potential in any economic activity, which will have either a direct or indirect bearing on the tourism sector.

Investment in any line of operation related to the tourism sector is definitely welcome bearing in mind the high rate of growth, in terms of actual and potential trends, in this sector.

At this stage of development tourism has become the second leading earner of foreign exchange. One expects even better performance in the short-run.

The structural Adjustment Programmes and the subsequent Government and IMF restructuring Packages aim at opening up of the economy as one of the Government's main objectives. Foreign Exchange earning capacity has been given top priority ranking in all economic activities.

It is within that socio-economic framework that the tourism sector has been designated as a high growth one under deliberate Government guidance. Under the new Tourism Policy the Government has categorically stated that their objectives are the following: -

- i . Promote more investments in the tourism sector;
- ii . Encourage both public and private entrepreneurs to Invest in the tourist sector by
 - Building tourist hotels;
 - Establishing lodges and camping sites;
 - Launching travel agents and tour operators;
- iii .Stimulate entrepreneurship in establishing Hotel and Tours management companies with hotel chains.
- iv . Provide incentive to private local and foreign Investors in tourism.
- vi .Improve the procedures for registration of all Local and foreign parties engaged in tourism Industry; and
- Vi .Publicity and advertising Tanzania’s tourism potentials will be maximized and be specific responsibility of the Tourist Promotion Board.

It is due to these very elaborate policy objectives that we have started seeing rapid development of the tourist sector. There is an increase in number of tourists coming to Tanzania. **Bed occupancy rates** and organised tours to national parks, game reserves, camping sites, beach resorts and exotic islands have increased substantially.

PROMOTION OF THE PROJECTS ACTIVITIES

The Camp services will be aggressively promoted to all countries that have more people who are visiting Tanzania. Also the Camp will engage the management contract to the world’s reputable Hotels to run and manage its daily activities on Internationally accepted manner.

SUPPLY AND DEMAND ASSESSMENT

SUPPLY ASSESSMENT

An assessment of the tourist facilities supply matrix shows that these facilities are inadequate. It is due to this shortfall that the Government is emphasizing expansion of provision of comfortable tourist facilities in Tanzania. The following tourist services and facilities are being accorded priority:

- i) **Tour Operators;**
- ii) Lodges and Camping site ;
- iii) Hotels ;
- iv) Travel Agent ;
- v) Boat Safari ;
- vi) Hunting and Photographic safaris ;
- vii) Mountain Climbing; and
- viii) Handling Agents.

DEMAND ASSESSMENT

LODGE Services:

Demand for accommodation facilities relates to visitors who make safaris to national parks, game reserves, coastal beach resorts, historic ruins and cultural activity centres. These safaris do vary in number and frequency depending on seasons. There are three main tourist seasons in Tanzania:

- **Low season** : February – May
- **Average Season** : October – January
- **High season** : June – September

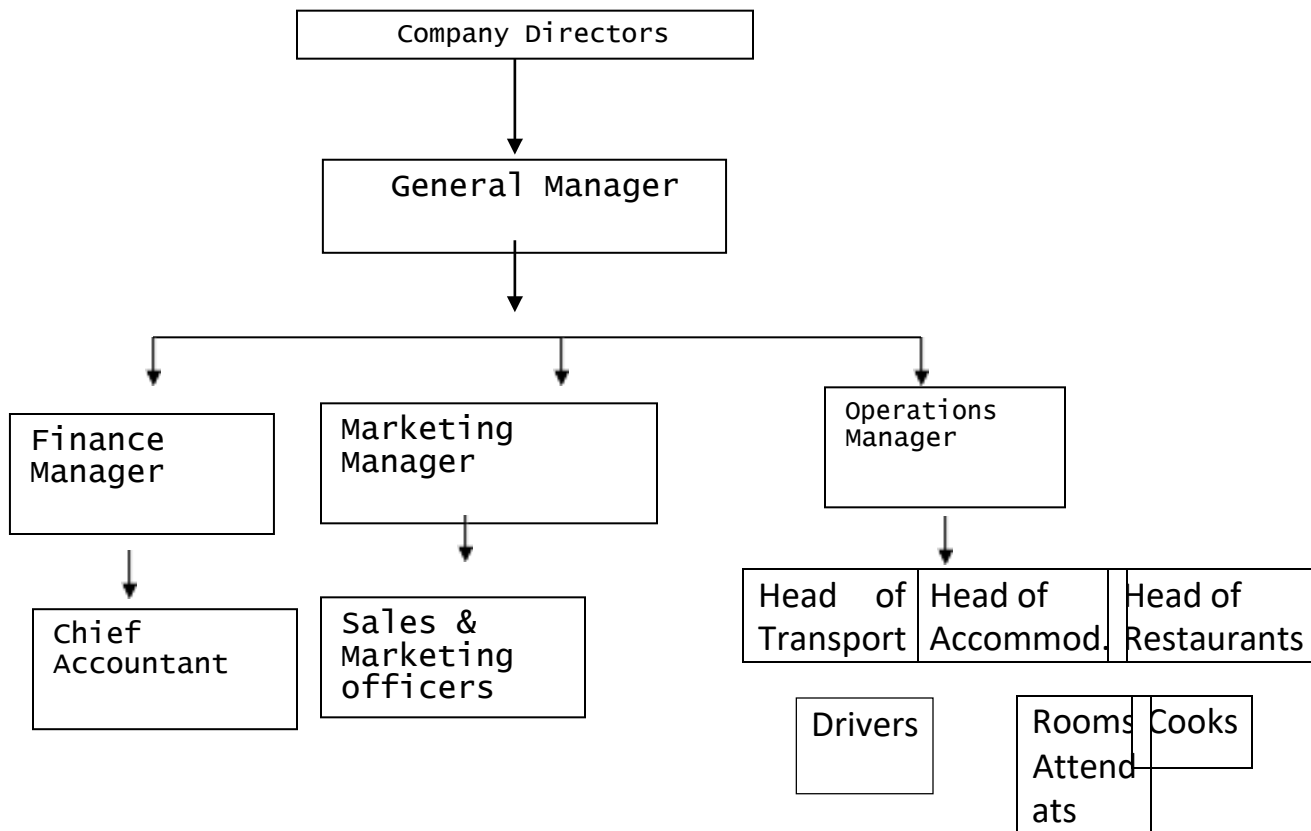
The tourists safaris are centred along the two main tourist circuits' i.e. the Northern and the Southern Circuits including Zanzibar.

Demand for tourists' hotel services arises from the demand to visit these tourist attraction centres.

5. MANPOWER REQUIREMENTS AND ORGANIZATION STRUCTURE

The project will employ 25 Tanzanians directly to manage and run daily activities of the company. The management team consists of the Managing Director, Director of Public Relations, Director of Finance, Director of Marketing, and Director of Operations.

The organization structure of the TOUR Project will look as follows:



Training:

There will be in house training for the local employees who will be employed from Tanzania, however all of them will be attached to a similar hotel abroad or within the country to get experience and exposure we require before they are employed permanent.

There will be long-term training programs to the TOUR IST BUSINESS staff in order to improve competence and quality of a TOURIST BUSINESS and services.

Economic Benefits:

- The Project will provide direct employment to 25 Tanzanians
- Government Revenue will be obtained from the project activities In the form of taxes
- Tanzanians will be trained (transfer of knowledge) in the area Of hospitality industry.

- Foreign and local tourists will enjoy TOURIST OPERATOR services at the Reasonable price.
- As a result of the above, the standard of living will automatically raise.

6. FINANCIAL ANNALYSIS

The projects financial projections depicts the project to be viable, as it is shown by some of the indicators below:

Projected Profit and Loss

The project expects to make net profit of Tshs.125,568,000 during year one, and continues to increase onwards.

Projected Cash flow

The project will be able to generate enough cash to meet its obligation including financing any capital expenditure during the project life, at the end of year ten, the project will have an accumulated cash balance
Of USD 159,041

Payback Period

Normal payback period for the project will be THREE years, i.e. January 2009 This period is acceptable for a TOUR OPERATOR project.

Projected Balance Sheet

The balance sheet indicates favorable state of affairs of the company throughout the projected period.

Discounted Cash flow

The discounted cash flow gives an internal rate of return of 26.83 %, which is more favorable.

7. Conclusions and Recommendation;

The project is viable as it can be shown by some of the economic indicators, more over the Tourism sector is growing very fast in Tanzania, causing serious problems of tourist's accommodation, as it can be seen by higher prices of TOUR OPERATOR compared to other Countries.

The project is economically viable, financially sound, socially desirable and environmentally friendly, hence it is proposed to be approved and implemented.