

The impact of electricity cuts on tourism businesses in South Africa: a case of accommodation establishments

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Department of Tourism Research Seminar

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tourism

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Objective of the study

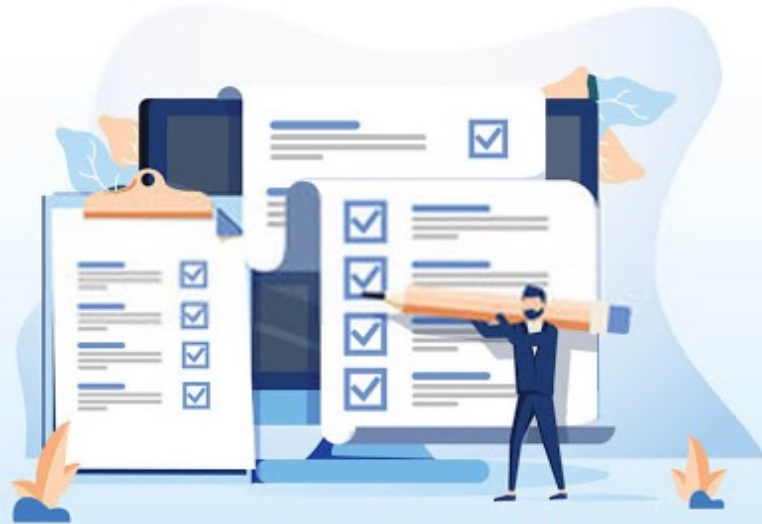
Since 2007, South Africa has been battling an ongoing energy crisis where for numerous reasons our national supplier consistently fails to generate enough electricity to meet the country's demands.

As a significant contributor to the economy, composed mainly of SMME's, the tourism sector has struggled to recover from the COVID-19 pandemic and now continues to be hampered by the electricity crisis.

- To analyse the operating environment of tourism SMMEs, mainly that of smaller accommodation establishments, post COVID 19 and amidst prevailing power outages.
- To assess the impacts of power outages on the operating environment of tourism SMMEs, namely that of smaller accommodation establishments.
- To identify measures and coping mechanisms that tourism smaller accommodation establishments have put in place to mitigate the impacts of power outages.
- To assess the development needs of smaller accommodation establishments amidst prevailing power outages.
- To explore mechanisms that may assist smaller accommodation establishments to continue to operate amidst prevailing power outages.
- To provide recommendations to assist smaller accommodation establishments to continue to operate during power outages.



Research Methodology



- **Survey Research:** Predefined questions on a questionnaire
- **Questionnaire was designed to investigate:**
 - Demographics of accommodation establishments
 - Operating environment and electricity needs
 - Impact of electricity cuts
 - Application of alternative energy sources
 - Alternative energy source needs
 - Small scale alternative energy sources,
 - Guest experience,
 - Energy saving behaviour
 - Assistance to overcome electricity cut challenges, and
 - Electricity cuts and food waste.
- **Questionnaire was hosted on Google Forms**
- **Target population were micro and small accommodation establishments**
- **Databases:**
 - DoT (2917),
 - CSIR created a database from Accommodation SA website and those listed on the TGCSA website (2599).
- **Sample size:**
 - Taking into account duplications (20%) and undelivered email approximately 3868 establishments were requested to participate in the survey.
 - 331 responded...just less than 10% response rate.

Unpacking the Survey Results



Sample Size

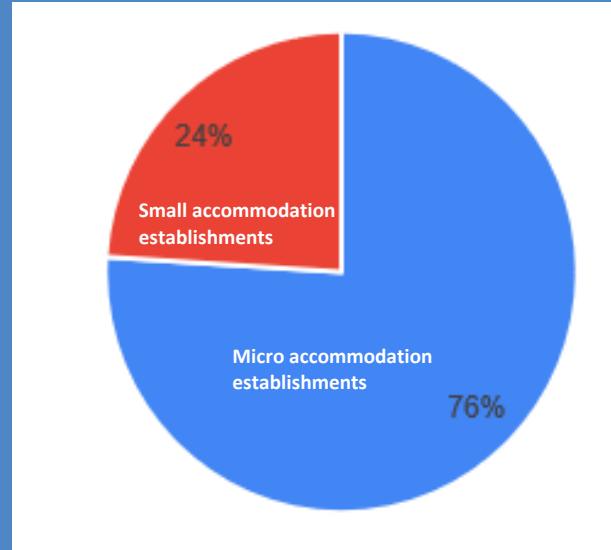
331 accommodation establishments

All nine provinces represented

Micro tourism enterprise: 1-10 formal employees
Small tourism enterprise: 11-50 formal enterprises

Accommodation type

72% BnB and Self catering



73% have a TGCSA grading

Occupancy potential

60% have an occupancy of 11-50 guests

Years in operation

63% > 10 years
21% = 5-10 years
13% = 2-5 years
3% = 0-2 years

Unpacking the Survey Results



95%
Lighting

92%
Hot water

76%
Laundry service

Amenities across the 331 establishments

Facilities across the 331 establishments

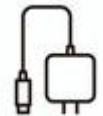
- Iron
- 89% Sockets for recharging devices
- TV
- Toaster
- Dishwasher
- Electric oven

- Security system
- Electric heater
- Lighting
- Electric stove/hob
- Microwave

- Fan
- Electric blanket
- Telephone system
- 93% Kettle/coffee machine
- 95% Refrigerator

- Outside lighting for security
- Spa and wellness facility
- Entertainment and recreation facility

- 76% Laundry service
- Restaurant facility
- Bar facility
- Conference and function facility
- gym facility
- Swimming pool 60%
- Sport facility



Unpacking the Survey Results

Impacts of electricity cuts on business operations



95%: moderate and very high **NEGATIVE** impacts

5%: low to no impact

Operating costs 78%

Revenue 63%

Security and safety 61%

Guest experience 59%

Additional impacts

Damage of equipment due to power surges 85%

Laundry services 81%

Unpacking the Survey Results

Alternative Energy Sources



Use of alternative energy sources

91% = Yes



9% = No

16% only one; alternative source;
84% more than one alternative source

Diversification of alternative sources
being used

Gas appliances 65%

Generators 59%

Batteries and inverters charged by Eskom 41%

UPS 38%

Solar lighting 38%

Batteries and inverters charged by solar panels 30%

Solar geyser 22%

Gas geyser 16%

Batteries and inverters charged by wind turbines 1%

Unpacking the Survey Results

Alternative Energy Sources

Relationship with high negative operational costs

Increase in use over the last 12 month (33%)



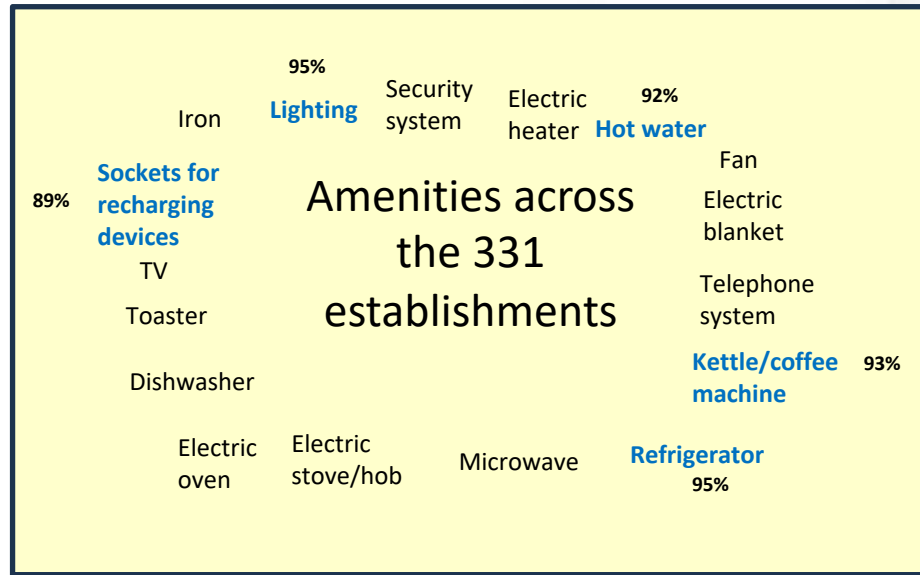
Gas appliances	65%
Generators	59%
Batteries and inverters charged by Eskom	41%
UPS	38%
Solar lighting	38%
Batteries and inverters charged by solar panels	30%
Solar geyser	22%
Gas geyser	16%
Batteries and inverters charged by wind turbines	1%

Predominantly use over the last 10 + years

Relationship with no operational costs

Preferred alternative energy source choice of establishments

Unpacking the Survey Results



With alternative energy source

25%: No amenities are available

54%: Only use of amenities that draw minimal energy

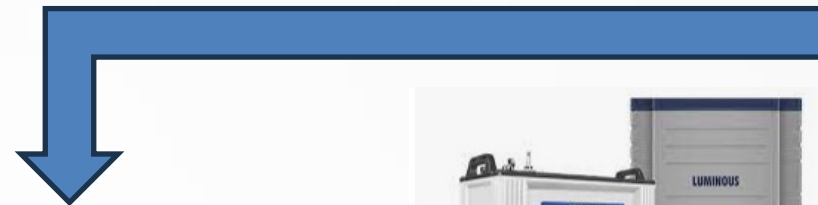
21%: Can use full range of amenities



Regardless of the alternative energy sources still an overall struggle for full services



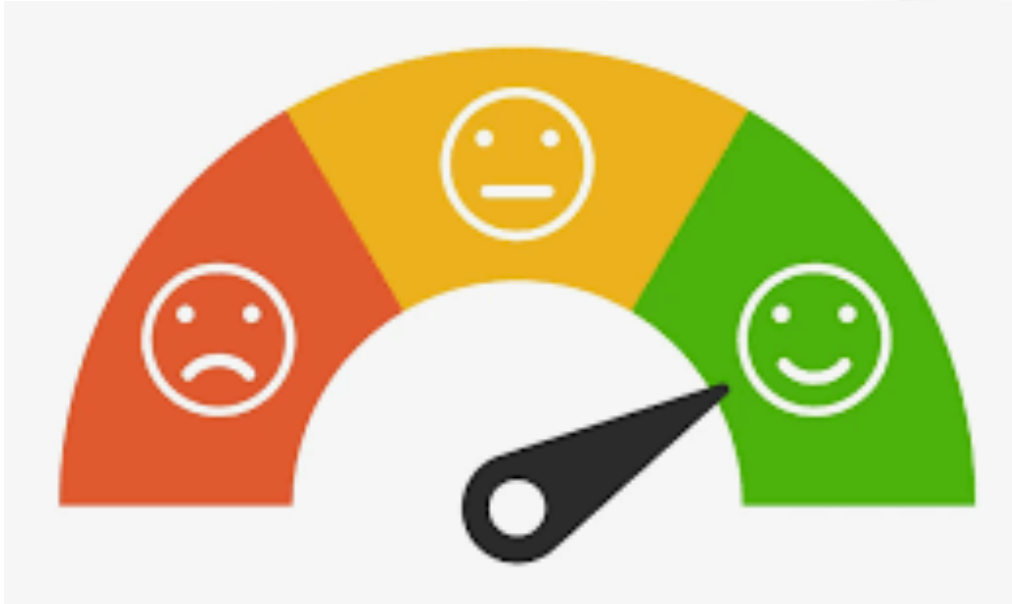
No one solution rather diversity of sources is required



Observation: tends to be a greater reliance on use of generators and gas to power amenities and the least on batteries and inverters charged by Eskom. This suggests a generator in the alternative energy source diversification mix is key to being able to maintain full operational capacity



Unpacking the Survey Results



Dissatisfaction during electricity cuts

- 65%: No or poor wifi/Internet connectivity
- 58%: No being able to charging of electronic devices
- 58%: Having weak or no cell phone connectivity
- 53%: No hot water
- 53%: No air conditioning for heating or cooling
- 53%: Inability to watch TV

Guest experience

The understanding of guests of electricity cuts and their expectations of the establishment's operations during such times

- 12%: Guest not understanding
- 50%: Guest somewhat understanding
- 38%: Guests very understanding

Origin of dissatisfied guests

- 37%: Domestic guests
- 17%: International guests
- 41%: Combination of domestic and international guests

Unpacking the Survey Results

Energy saving behaviour

- Only 3% of the establishments do not engage in energy saving behaviour to address energy efficiency in their establishments
- 92%: Use of energy efficient LED light bulbs
- Less than 50% of other energy saving behaviours have been adopted – clear GAP that needs to be addressed



Unpacking the Survey Results

Financial support for alternative energy sources

65% no financial support



- Utilising revenue from the business
- Tapping into medical aid savings
- Drawing from personal savings
- Selling assets
- Investing their own capital

35% financial support

- Loans
- Government grants (16%)
- Tax rebates/incentives



Preferred form of financial assistance, followed by tax incentives = highlight need for non-repayable financial support

General feedback: Not aware of grants, they move at a very slow pace, restrictive eligibility criteria

Green Tourism Incentive Programme (GTIP)

63%: not aware of it
34%: aware of it
3%: have received a grant



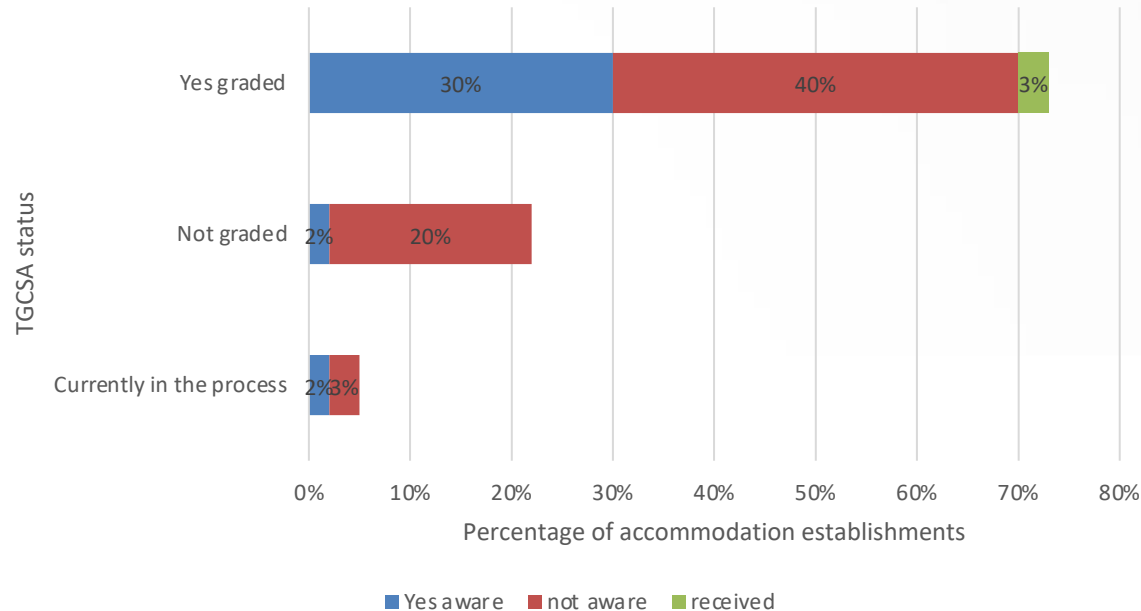
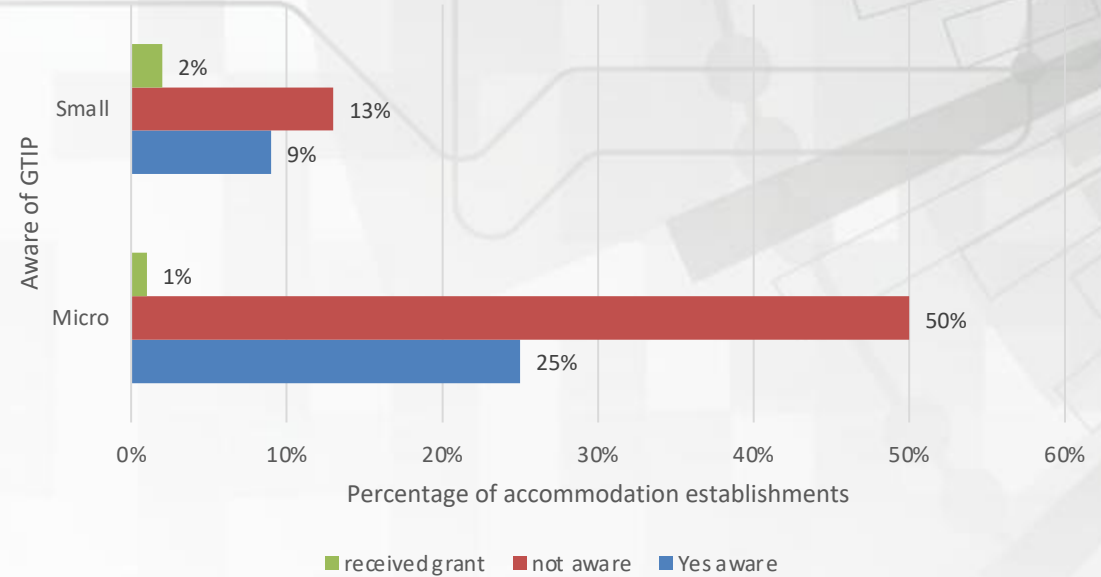
- Lack of feedback or communication from the GTIP
- Prolonged duration to process applications
- Issues around system efficiency and staff capability
- Grant amount to low
- Process perceived as very costly and to complicated



Unpacking the Survey Results

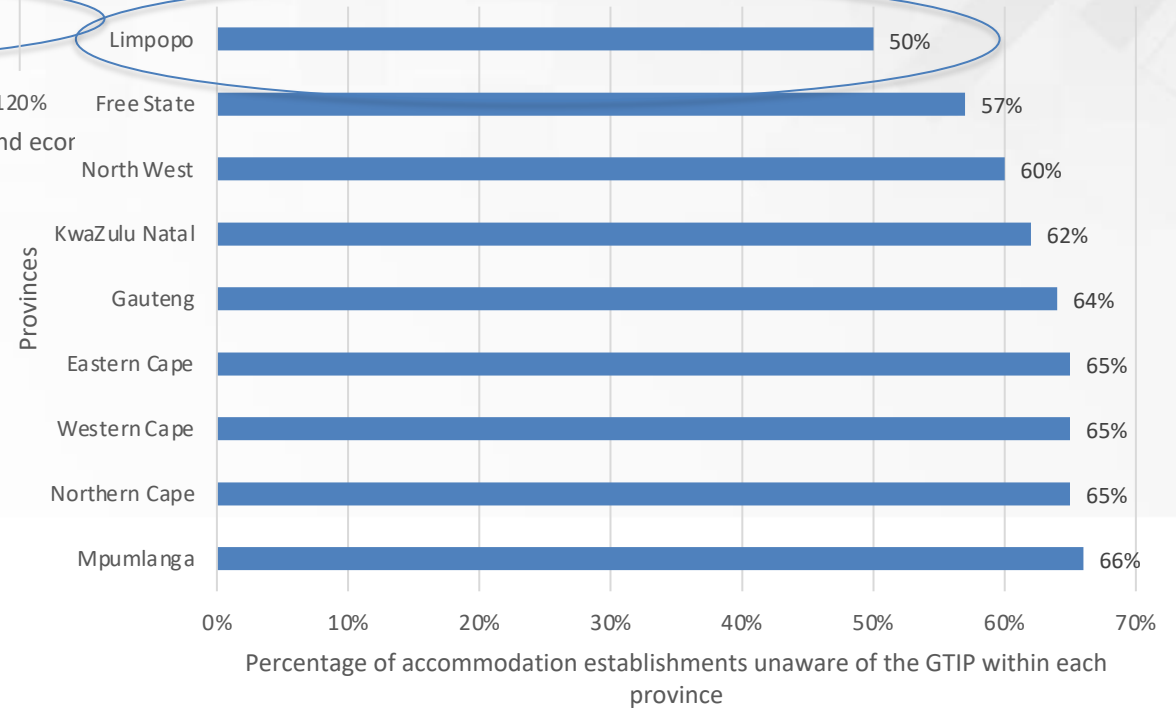
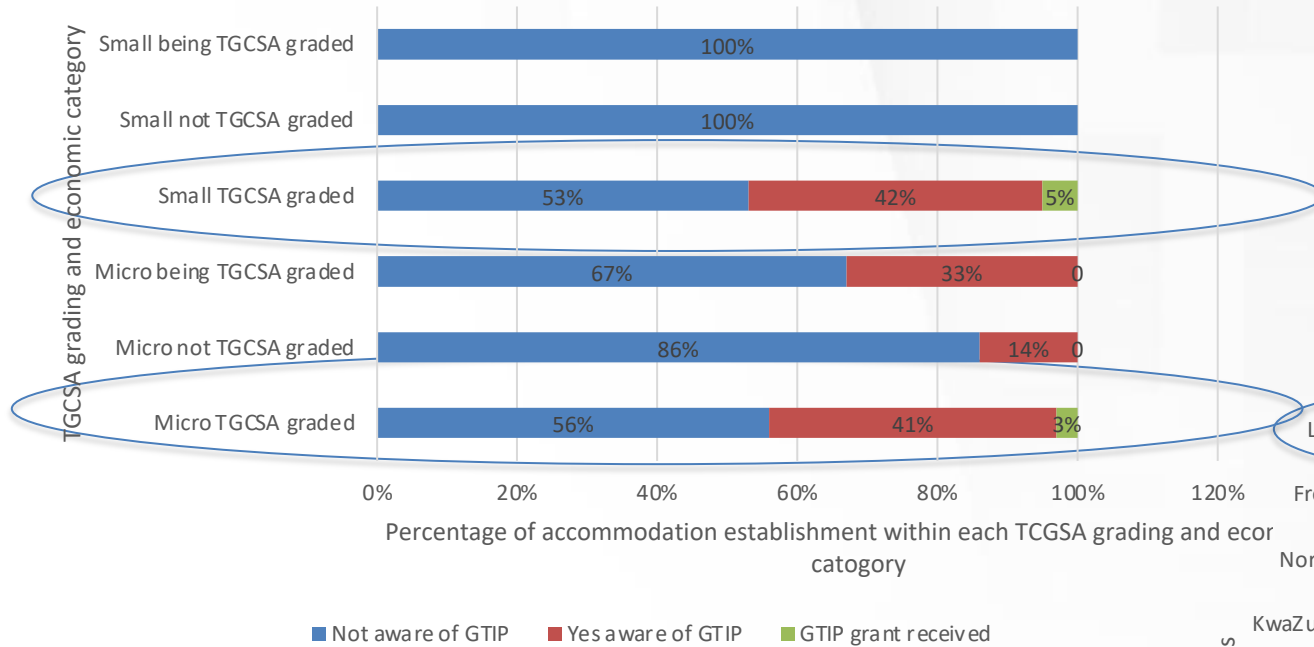
3% received a GTIP grant:
2% small
1% micro

Trend suggests that micro establishments are less aware of the GTIP as compared to small establishments



40% of TGCSA graded establishments **not aware** of the GTIP, 30% graded are aware of GTIP

Unpacking the Survey Results



68% unawareness among the BnB and self catering establishments

Unpacking the Survey Results



Electricity cuts and food waste

3 distinct areas where food is wasted;

- Inedible preparation waste
- Spoilage of food due to electricity cuts
- Plate waste

To reduce food waste due to electricity cuts key mitigation measures in place:

- Only purchasing food as needed
- Adapting menus
- Utilising alternative energy sources for food preparation and for cold shortage

Immediate and long-term actions for accommodation establishments to address operational challenges due to electricity cuts



- Conduct an energy audit before deciding on alternative energy sources
- Before investing in alternative energy sources implement energy efficiency measures to reduce overall consumption thereby reducing energy demand
- Evaluate long-term savings (over short-term savings) on energy costs and the long-term benefits of independences from the national grid
- Take careful consideration of the diversification of reliable alternative energy sources
- Seek government grants and other incentives for assistance transiting towards alternative and renewable source
- Investigate and adopt creative solutions. For example, community solar projects, collective purchasing agreements, partnerships with business
- Stay informed about advancements in alternative energy technology and energy storage solutions
- Promote energy consciousness among staff and guests
- Give priority to energy solutions that can maintain connectivity
- Maintain open communication with guests on the abilities of the establishment during electricity cuts

Policy Recommendations to support tourism SMMES overcome operational challenges due to ongoing electricity cuts

- Improve government support and financial assistance for energy efficiency and off-grid independence for tourism SMMEs
- Government to support and encourage energy efficiency infrastructure and technology support
- Capacity building and education to strength energy efficiency and the use of alternative energy sources



Brief Overarching Summary

- The energy crisis is not going away anytime fast.
- SMMEs, particularly in the tourism sector, face significant vulnerabilities due to energy issues.
- Adaptation through a transition to renewable energy sources is crucial for future resilience.
- Renewable energy is the most viable long-term solution, emphasising the need for accessibility and affordability for SMMEs.
- Immediate actions include implementing energy efficiency measures to reduce electricity demand and exploring renewable energy options.
- Financial challenges are a major hurdle for SMMEs in adopting sustainable and renewable energy solutions.
- Programs like the GTIP are vital for financial support, but there is room for improvement in such initiatives.
- There is a critical need for educational awareness and government-supported programs to help tourism SMMEs navigate and lessen the impact of electricity shortages.



The background is a dark blue gradient with a complex, abstract pattern of white and light blue geometric shapes, including circles, lines, and polygons, creating a sense of depth and connectivity.

Thank you