Whither Oil and Tourism? Assessing the Potential Implications of Ghana's Oil and Gas Production for Tourism in Ghana

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Abstract

Tourism and oil are two important sectors that can individually and collectively shape the nature of every economy. This paper reviews literature on the relationships between oil exploration and tourism development and, based on that, hypothesizes about these two in the context of the Ghanaian economy. It is observed from the outcomes that two sectors can relate in either a deterministic, collaborative or competitive way. The paper explores the potential dynamics of each of these relationships in the Ghanaian setting and proffers a few policy recommendations to address them.

Keywords:

Introduction

Within the context of the Ghanaian economy, oil and tourism represent two 'new comers'. Though there is ample evidence to suggest that both economic activities have indeed been, present (at least, since independence) their importance to the Ghanaian economy is relatively recent. For example, oil prospecting in Ghana, predates independence but full commercial production started in 2010. In 2011, for example, the country earned $500million (Ministry of Finance and Economic Planning, Ghana, Budget 2012 Budget Statement) from oil production. Similarly, though tourism's 'genesis' can be traced to colonial days it is only over the last two decades that its relevance as a major contributor to the country's economy has shown. Tourism is currently the fourth largest foreign exchange earner (Ghana Tourist Board, 2010).

For a middle income economy like Ghana's, the introduction of these two sectors is certainly welcome for two reasons. First, their arrival represents a much-needed diversification of the country's economic base and in the process,

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enhancing its foreign exchange earning potential. Secondly, trade in these economic activities helps to reduce the trade inequalities that many developing countries face on the international market. It is mostly the case that the traditional exports of developing countries are unprocessed, thereby attracting lower values which these poor countries are forced to accept. However, with tourism the exporting country (the destination) becomes a price giver, and not a price taker. For instance, entry fees to major attractions in Ghana are not determined with prejudice to any world market prices. If the government of Ghana decides to increase entry prices at Kakum National Park by 100%, there are no arguments about the appropriateness or otherwise of these new charges. Hence, as compared to, say, Cocoa beans, whose prices are fixed by the world market, tourism's prices are to a large extent controlled by the host destination and in that regard, tourism becomes a tool by which vulnerable developing countries can even out trade inequalities.

The purpose of this paper is two-pronged: first, to explore and categorise some documented relationships between the two economic activities and; secondly, to hypothesise about the possible dynamics of such relationships in the Ghanaian economy. On the basis of these, this paper ends by proffering some advice for the sustainable management of both activities in a way that can ensure not only mutual beneficence between them, but also national benefit. It is salutary at this stage to make the point that these relationships are not necessarily fixed and do vary as influenced by various factors. Furthermore, 'oil', as used in this context, refers largely to both the economic sector and the commodity that it produces.

Oil- tourism relationships

Oil and tourism can be conceptualised to relate in three possible ways: deterministic, collaborative and competitive. These are discussed in turn; first, the deterministic. In a deterministic relationship, there is a unilateral determination of one sector's outcomes by the other. From the literature, it appears that oil is the key influencer of what pertains in tourism. The overbearing control that oil has over tourism is evident in its role in shaping the incidence, size, shape and nature of tourism. It is an undisputable fact that the incidence frequency and scope of tourism are vitally dependent on the availability of crude oil (Scott, Amelung, Becken, Ceron, Dubois, Goessling, 2007). The link between oil and tourism in this context is crystallized in transportation which plays a deterministic role in the incidence of tourism. By definition, a tourist is one who leaves his or her normal place of residence for more than 24 hours to pursue non-remunerative activities such as leisure. Normal place of residence is usually operationalised, using a 50 mile-radius (Gee, Choy and Mackens, 1997). Thus, to qualify as a tourist, a traveller must move beyond his or her normal place of residence hence, an inevitable reliance on transportation. To explain further, the availability of crude oil is a sine qua non for motorized transportation to function. Thus, the link between tourism and transportation is clear: tourism relies on transportation to fulfil its requirement of leaving a normal place of residence. Transportation in turn relies on the availability of crude oil to function. Thus, to put it directly, without oil there can be no tourism. The reality of this maxim has been amply demonstrated over time. The first was during the oil crises of the 1970s where demand for tourism reduced considerably owing to oil shortage- induced conditions such as unavailability of fuel for aircraft and sky rocketing prices owing to inflation. Demand for tourism is likely to be vulnerable when oil prices are high and empirical evidence of this has been adduced from Scotland (Yeoman et al., 2007) and New Zealand (Schiff and Becken, 2010). It is estimated for example that the expected demand out of emerging markets, such as China and India, may also be dampened by higher oil prices (Becken, 2011). In fact, crude oil prices have been found to even determine tourists' choice of destination, time of travel and degree of movement at the destination (Schiff and Becken, 2010).

The deterministic relationship is also exemplified in the degree to which eventualities from oil production such as spillages can destroy tourism attractions/ facilities. For example, sludge from oil spills has been known to destroy the allure of beaches in tourist destinations, not to mention the concomitant economic losses. In the not too distant past, the tourism industry in Florida was up in arms, claiming compensations for loss in business due to oil spillages in their respective areas. The sludge from these oil spills tends to not only destroy marine life but make beaches virtually unusable for any activity. In Florida, for example, Osrin (2010) states that British Petroleum (BP) paid a total of $70 million to support tourism advertising in that state and three others (Alabama, Louisiana, and Mississippi) most affected by the oil spillage of 2010. Hence, crude oil not only influences the incidence of travel, but can also determine the degree of a tourist destination's allure.

From a destination management perspective, perhaps the environmental destruction caused by these spills is the lesser of two evils. Such damage is incomparable to the (sometimes irreparable) dent in image about the destination's appeal. The assumption is normally held by tourists that oil spills cover wider geographical areas and once a particular spot is affected, it is thought to affect the entire area. For example, though miles apart from each other, the oil spill off Brisbane in Australia in 2010 also impacted tourism demand for the popular north Queensland area, at least, in terms of perception.

Interestingly though, the other side of the foregoing discussion presents an intriguing paradox because it is the same oil spillage that precipitated the conditions for a new type of tourism- ecotourism. The Exon Valdez oil spillage in 1989 provided the catalyst for the growing agitation for an environmentally-sensitive type of tourism as opposed to the then mass tourism paradigm. Such green tourism demanded out of concern about the negative environmental impacts of tourism, was, by design, supposed to have lower numbers, lower impact on the environment and greater benefit for host populations. Ecotourism is perhaps the most popular type of tourism which emerges from this paradigm (Boo, 1990).

The second broad identifiable relationship between the two sectors pertains to collaboration. A collaborative relationship is one of mutual beneficience - a situation where both economic activities support and stimulate each other's growth. The first perspective under this type of relationship is found in the fact that tourism also creates demand for crude oil. According to the United Nations' World Tourism Organisation (2012), there were approximately 982million arrivals who spent an estimated 196 billion dollars on transport alone. The demand is more graphically captured against the background that majority of tourist trips are by cars and buses (which use crude oil or its derivatives for operating). Clearly, without such substantial demand for fuel oil by tourist-related trips (air, road, sea and rail) a significant amount of oil will remain unpurchased.

Still on demand, it could also be suggested that the oil industry creates demand for tourism and its related products. This comes through the patronage of local tourism sites by stressed-out oil workers who are off duty but have too little time to travel long distances for recreational activity. Again, the oil industry adds to the existing demand for hospitality services such as food, accommodation and entertainment.

The third way in which the collaborative relationship unfolds is through the development of tourism as a complement to oil exploration. The point has been made quite strongly (Campbell & Laherrère, 1998, Nygren, Aleklett, & Höök,

2009) that crude oil, being essentially a fossil fuel, is a finite resource and is bound to be depleted one day. Some authors (Energy Watch Group, 2007; Zakil, 2010) believe that a peak in production has already occurred with a decline becoming more imminent. Against this background, it has been common practice for tourism to be used as a tool to offset the fluctuating (often negative) fortunes from oil. Recent examples from around the world include the United Arab Emirates, Gabon, and Trinidad and Tobago. It is often the case that countries which rely on oil face economic downturns when revenues from the industry decline. The choice of tourism as a tool for economic restructuring in these instances is by no means arbitrary. Its attribute of being labour-intensive helps to absorb the excess manpower created as a result of the shrinking of the oil activity. The decision to diversify towards tourism does not only arise from a decline in revenues. Examples from the Arabian Peninsula tend to suggest that increasing populations against a relatively inelastic oil supply is a key shaper of the decision to diversify.

The third and (perhaps) most practical (in terms of unfolding on the Ghanaian scene) of the three relationships is the conflict/competitive paradigm. Two conflict situations emerge: first the 'fight' over use of natural resources and second, the battle for government attention. These are discussed in turn. The conflict over use of natural resources is predicated on the reliance of both economic activities on the same physical environment for their 'production'. Areas which are ideal for tourism promotion have been found to also contain rich deposits of oil. For example, the Buligi track in Uganda, the Mediterranean region of Egypt, and in Ghana the pristine Western Coast have all been found to have commercial deposits of oil. Governments in countries which have both tourism and oil sectors are often faced with hard choices arising from the concept of opportunity cost. The questions have been: should the available environmental resources be used for tourism or for oil extraction? What are real costs involved should one alternative be chosen over the other? This conflict over the use of the environment plays out in various forms. In Uganda, for example, a popular trail the Buligi track in the Murchison Falls National Park was closed to tourists for nearly eight months to allow for the testing of five oil wells discovered in the area. National Parks are very ecologically sensitive to noise (Farrel and Runyan, 1991); hence, it is likely that oil testing could disturb the flora and faunal properties - the main tourist attractions to such places.

Closely related to the competition for resources is the 'battle' for government attention. Sometimes the conflict is defined by which of the two economic activities should be given priority in terms of resource allocation based on relative importance. In Egypt, for example, the Central Bank reported that while revenues from tourism for the 2008/09 fiscal year was $3.3 billion those from oil for the same period were 33 billion dollars. It is little wonder, therefore, that Hosni Mubarack, the then Egyptian president, is alleged to have remarked when contributing to a debate about the need to avoid drilling for oil in prime tourism locations: "if the oil would have higher yields and greater income than tourism, then it is time to prioritize oil over tourism" (McGrath, 2010). As the literature has amply demonstrated, oil and tourism can relate in a deterministic, collaborative or competitive manner. Each of these relationships has its advantages and disadvantages.

Ghana's tourism- a brief overview

There is little doubt about the fact that Ghana's oil find has implications for the country's burgeoning tourism and hospitality sector. Unlike the case of other countries (United Arab Emirates, Trinidad and Tobago) where tourism was given serious attention only as a reactionary measure to the oil decline, Ghana's tourism development agenda, in contrast, has been in operation for at least the past two decades.

The tourism sector in Ghana can aptly be described as being on a trajectory of growth, as noted in Table 1 which contains the key indices used in measurement such as arrivals, receipts, number of hotel beds and employment. The first observation is that tourist arrivals and receipts have increased (double digit) almost consistently over time. Also from Table 1 it is deduced that employment rates and the growth of hotel room space keep increasing. With the exception of 2007 where growth of hotel beds declined, there has been a steady increase (Table 1). This corresponds with the general increase in occupancy rates over the same period. An examination of the data provided by the Ghana Tourist Board (2010) suggests that occupancy rates average between 65 and 80% annually.

Table 1 - Tourism development statistics 2005 2009

INDICATOR	2005	2006	2007	2008	2009
Arrivals	428,533	497,129	586,612	698,069	802,779
% Growth	-	16.0%	18.0%	19.0%	15.0%
Receipts (US$)	836.1m	986.8m	1,172m	1403.1m	1,615.2
% Growth	-	18.0%	18.8%	19.7%	15.1%
Employment	172,823	183,192	206,091	234,679	263,157
% Growth	-	6.0%	12.5%	13.9%	12.1%
No. of hotels	1,345	1,427	1,432	1,595	1,775
% Growth	-	6.1%	0.4%	11.4%	11.3%
No. of hotel rooms	18,752	22,835	20,788	24,410	26,047
% Growth	-	21.8%	-9.0%	17.4%	6.7%
No. of hotels beds	23,924	27,839	26,063	29,645	31,664
% Growth	-	16.4%	-6.4%	13.7%	6.8%

Source: Ghana Tourist Board (2010)

Another pointer to the growth of tourism has been the increasing revenue accruing to government from tourism related businesses. Available figures suggest that revenue from Hotels and Restaurants Customers' tax grew from ¢24 billion in 2000 to ¢65.3 billion (approximately, $7m) in 2008, a 173% increase. In addition, the registration and license fees charged by the Ghana Tourist Board, increased by 80% between 2000 and 2008 from ¢467,031,748 million to ¢840,419,220 million. Also the number of hotels in the 3-star and higher category has grown by almost 50% over the past five years (computations from Ghana Tourist Board statistics, 2010).

The third and perhaps most convincing argument in favour of tourism's growth and relevance to the economy is the fact about its continuously increasing contribution to Ghana's gross domestic product. As seen from Table 2, contributions to GDP have increased consistently since 2005. In 2011, it reached an all-time high of 7% (Dansua, 2012).

Table 2 - Tourism's contribution to Gross Domestic Product- 2005-2009

	2005	2006	2007	2008	2009
GDP (%)	5.7	5.8	6.3	6.5	6.7

Source: Ghana Tourist Board, 2010

Oil and tourism in Ghana: possible scenarios

There is very little uncertainty about the fact that in the coming years the oil production and tourism sectors will, assume major roles in shaping the country's economy- especially in terms of job creation and income generation. It is not out of place to assume that one or all of the three relationships (deterministic, collaborative and competitive) can, over time play out within the Ghanaian context also. The next section of the paper hypothesizes about these scenarios.

The deterministic relationship can lead to an oil-induced increase in demand for tourism and hospitality services. Generally, oil production attracts a huge labour force (permanent and temporary non-locals- skilled or otherwise) into a given space and with them comes an increased demand for hospitality-oriented services (Becken, 2011) especially mainly accommodation and food and beverage and, to a limited extent, attractions and entertainment. Closely associated with the increased demand is an expected qualitative change in the level of sophistication. The argument is made that the 'oil culture' is characterised by high profile businessmen whose spending patterns are distinctly higher. Such 'business tourists' (Gee, Choy and Mackens, 1997) are normally price-insensitive but quality conscious. Thus, it is expected that a higher quality of tourism/hospitality facilities will be patronised. In other words, there will be higher demand for higher-grade hotels, restaurants as well as conference and entertainment facilities.

Related to the increased demand is a strong likelihood that oil exploration will boost patronage for domestic tourism owing to the stress associated with oil work and business. Weary off-duty rig workers would want to find some localised recreational activity to enable them to spend time with their families and domestic tourism fits the bill very well on that score. Already, mine workers from the hinterlands of the Western Region normally flock to the beaches during weekends for leisure (Boakye and Mintah, 2008). Thus, owing to the relatively short free time available to oil workers, there is a strong possibility of increased demand for domestic tourism attractions, especially in the Western, Central and Ashanti Regions. Finally, within the deterministic framework it can be expected that the crude oil production is also likely to become an inadvertent agent that facilitates a possible power shift in ownership of hospitality-providing companies. The lure of ready oil-related business and an upscale market is likely to attract huge and powerful non-local hospitality chains whose sheer capacity and scale enable them to compete more favourably and dominate the service provision arena to the detriment of local entrepreneurship.

The collaborative paradigm is characterised by mutual beneficience. In Ghana this can manifest through the two sectors creating opportunities from each other. On the one hand, the oil sector is likely to serve as an attraction for more people to visit Ghana and in the process it creates tourism opportunities and it is expected that the business tourist will dominate the numbers of visitors. Interestingly, Ghana's Strategic Tourism Development Plan of 2007 has already identified the business tourism market as becoming the fastest growing segment over the next few years. On the other hand, the collaboration can take the form of the tourism sector complementing the oil production process through providing support services such as accommodation, food/beverage and recreation. Furthermore, the tourism sector can create sites of interest out of the oil production processes for leisure and education. For example, a Museum of Oil can be established jointly by the two sectors to educate the public about the oil production processes, its benefits and potential dangers. There could also be site tours on rigs which can serve similar purposes. These interventions will not only create additional revenue for businesses in both sectors but also provide some diversity to the country's tourism offerings.

The competitive facet of the relationship is likely to emerge in Ghana from two perspectives. The first concerns the potential conflict over resource use. This particularly arises if oil deposits are discovered on- shore and in areas which are used as tourist attractions (for example, national parks, heritage areas, beaches). As shown from the Buligi track in Uganda, resource use conflict is likely to arise because the resource could have multiple uses, at least two of them being for tourism or for oil extraction.

The second angle of competition can arise from Government's allocation of resources. Given the growing importance of both economic activities, government is likely to be faced with the need to choose between which of them to invest for greater yield. Examples from the literature suggest that when faced with such decisions, countries such as Holland, Trindad and Tobago have tended to resolve the conflict by placing disproportionate emphasis on oil, to the detriment of other economic activities. Such 'discrimination' against non-oil sectors is what is generally referred to as the Dutch disease. Finally, the two sectors can compete for labour (especially, the unskilled type). In such an event, the losing sector can face labour shortages which imply higher costs not only of recruiting but also of training.

Recommendations

Given Ghana's socio-economic peculiarities, it is suggested that tourism and oil should play complementary rather than competing roles within the broader development agenda of the country. To this end, government should fashion out ways by which the collaborative/ complementary relationship can be harnessed for the ultimate good of Ghanaians - the owners of the resources which both economic activities exploit.

In addition, government must ensure that service quality in the hospitality industry is enhanced. Though these service-related issues have long been identified (e.g. Teye, 1998; Boakye, 2009) as key bottlenecks in the tourism development effort, very limited interventions have been made. Through an ambitious training programme using the Hospitality Educational Institutions such as exists at the University of Cape Coast, a system of regular skill upgrades can be instituted.

Furthermore, as a relatively new oil (and tourism) producer, Ghana has no excuse to repeat the Dutch disease. No economic activity (especially, agriculture) should be sacrificed for developing the tourism and oil sectors. Both oil and tourism sectors are largely exploitative of the natural environment and transient in nature and therefore do not qualify to be developed as the lead economic activities in Ghana. Government must take a firm decision to continue to develop each economic activity on its own merit.

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