

Assessing the Socio – Economic Impact of Oil Drilling on Hotel Room Prices in Some Selected Hotels in the Takoradi Metropolis

¹Rosemond Anyobodeh, ²Felicia Koomson, ³Adelaide Spio-Kwofie, ⁴Jemima Yankson

^{1,2,3,4}Takoradi Technical University. P.O. Box 256. Department of Hospitality, Takoradi.

Abstract: Oil drilling has some socio-economic impact on an economy and their person living in just as housing has a tremendous impact on every nation and provides security to societies, communities and families. For this reason there must be possible actions taken for every citizen to have a place of rest no matter where he or she goes. The purpose of this study is to assess the socio-economic impact of the oil drilling on hotel room prices in some selected hotels in the Takoradi Metropolis. The research involved both local and expatriate who patronized these hotels as well as the hotel managers and staff. Primary data was collected through the use of questionnaires and the findings showed most of the hotel customers were expatriates working in the Jubilee Oil field in Western Region. The study revealed that expatriates invading in the city have caused hoteliers to increase their room tariffs in order to maximize their sales and profit, converted domestic houses into commercial accommodations to meet the accommodation needs of people working in the oil industry therefore causing congestion in the oil city. The study therefore recommends that authorities should see to it that ‘Dutch Disease’, a dimension of the resource curse hypothesis which postulates deindustrialization of a country upon discovery of natural resources does not occur in Ghana.

Keywords: Hotels, Hospitality industry, Housing, Oil Drilling.

1. INTRODUCTION

Economic activities do not happen in an empty space and this makes it imperative to consider space and location in the discussion of economic activities (Sassen, 2011). The role of cities in economic activities cannot be over emphasized. They facilitate economic development by serving as centre’s for industrialization, aiding resource extraction and development. In Ghana, one can find cities and towns that have developed around mineral extraction and indeed; there seem to be a reciprocal relationship between the development of mines and the cities. The Western Region of Ghana has the largest concentration of extractive industries; mining bauxite, manganese, iron ore, diamonds, and glass sands in the region’s interior (Parnell, Spillan, & Mensah, 2014; Phalan, Onial, Balmford, & Green, 2011) and towns and cities had also been developed along the coast mainly due to industry, transportation, administration and tourism. Sekondi-Takoradi therefore flourished as a port city, the Western Regional capital and an important transportation point on Ghana’s western railway lines. In recent days the region has also been seen as source of oil extraction in the country.

The closest settlement of the oil discoveries and the Jubilee oil field is Effasu, a rural fishing community, which is 60 km from the Jubilee oil field. Effasu has no air port, sea port, extensive roads, nor the necessary infrastructure to support the oil activities offshore (Ayelazuno, 2014).

The nearest city to the Jubilee oil field is Sekondi-Takoradi which is about 188km from Effasu while Accra, the nation’s capital and biggest city is 215km further east of Sekondi-Takoradi. The discovery of oil and its drilling activities in the country has brought in foreign investors (Frynas, 2000) and these investors without any accommodation facilities of their

own rather turn to seek hospitality, thus accommodation, food and beverage and other services in hotels in the region (Jones & Lockwood, 2002).

The Hospitality industry is one of the fastest growing sectors of the economy of our country today. In this sector the hotel industry form part of it and in recent times more hotels have sprung up in the country which had called for a greater demand for labour. The industry comes as a collection of business which provides accommodation, food and beverage and leisure to people who are away from their homes (Whitla, Walters, & Davies, 2007). It connotes friendly and generous reception and entertainment of persons in one's own home.

Currently there is little research on the urban and spatial dimensions of the discovery of oil in Ghana. There is therefore the need for verification of such adverse impact of the oil discovery on land, house and socio-economic life predicted by earlier authors. The aims of this study were to investigate into the impact of Ghana's oil discovery on hotel and housing prices in communities closed to the oil field using Takoradi as typified example. These research objectives were to undertake comparative studies on hotel room prices in Takoradi metropolis before and after Ghana's oil discovery and find out to what extent the oil discovery had influenced the hotel and housing prices in the oil city (Takoradi).

Housing is an important issue which has a tremendous impact on the socio-economic development of every nation, provides security to societies, communities and families. In view of this there have been expectations, discussions and government policies over how to manage these occurrences and guide development through the oil find (Gyimah-Boadi & Prempeh, 2012; Kopyński, Polus, & Tycholiz, 2013). The study is to assess on the socio-economic impact of the oil drilling on hotel room prices in some selected hotels in the Takoradi Metropolis.

In view of the problems discussed above, the following research questions considered to guide the research were; the factors that have contributed to an increase in hotel room tariffs, the negative and positive effects of oil drilling to citizens that patronize these hotels in the region and the factors that have contributed to the increase in the sale of services.

2. OIL DRILLING PRODUCTION WORLD WIDE

The history of offshore drilling started in 1896, when the first submerged oil well was drilled in salt waters off the coast of Summerfield, California, United States (US), extending up to 410 meters from the shorelines and reaching 10 meters to the floor of the Pacific. Half a century later, in 1947, the first well from a fixed platform located out-of-sight of land was drilled off the Louisiana coasts, in water depths around 5 metres (Ramseur, 2010). However, underwater drilling really took off in the 1970s, as the dual effect of a political factor—the desire of consumer countries to lessen their dependence on the Gulf States by developing their own energy sources—and technological developments making it possible to drill ever further from coastlines and at ever greater depths (Ayelazuno, 2014), industries reached the deep offshore environment in 1975 (Ablo, 2015; Amoako-Tuffour, 2011) and the ultra-deep offshore in 1986, both in the Gulf of Mexico. Whereas just after the Second World War industries were only drilling around rigs to drill at a depth of over 2 kilometers and the new world water depth record was established in January 2013 off India at a depth of 3,165 metres. Due to technical innovations and an increasing energy demand, almost a third of the oil and a quarter of the natural gas consumed in the world come from underwater areas. The most important offshore production regions include the North Sea, the Persian Gulf, Western and Central Africa, the Gulf of Mexico, the Mediterranean, the Caspian Sea and South East Asia.

The presence of substantial amounts of oil and gas reserves has been identified by many authors as a potentially mixed blessing for oil producing countries (Kopyński et al., 2013). Although the discovery of oil creates a sense of hope and expectation that the revenue would lead to the development of local communities and countries as a whole, in most cases, this dream has remained illusory as the exploration of the oil resources has led to the destruction of local communities and anarchy in oil-producing developing countries. Evidence around the world suggests that whether or not a community/country benefits from its discovery of oil and gas is a function of the global position of the oil-producing country in question (Gyimah-Boadi & Prempeh, 2012; Iuniversity, 2012).

In most instances, local communities and oil producing nations in the global West seem to derive more blessings from the oil discovery and exploration in comparison to those in the global South. A good case in point is Norway which was the poorest country in Scandinavia at the end of the 1960s but had by the end of the 1990s become the wealthiest, thanks to

the discovery of oil in 1969. Ayelazuno (2014), attributes this success to Norway's ability to prevent rent-seeking and corruption which have been identified as core elements of the resource curse. Aside these, human activities and those of oil exploration and exploitation raise a number of issues such as depletion of biodiversity, coastal and riverbank erosion, flooding, oil spillage, gas flaring, noise pollution, sewage and wastewater pollution, land degradation and soil fertility loss and deforestation, which are all major environmental issues. Oil exploration and exploitation has been ongoing for several decades in the Niger Delta. It has had disastrous impacts on the environment in the region and has adversely affected people inhabiting that region. Iuniversity (2012), wrote a paper on the growth and development of the oil and petrochemical industry in Nigeria with emphasis to the notable cases of pollution disturbances during the 25 years of its existence, highlighting causes and effects on the social, economic, agricultural and ecological characteristic on human and other biotic occupants of the oil region.

As it is said that housing is an important issue which has a tremendous impact on the socio-economic development of every nation. It is very important in any economy and provides security to societies, communities and families. The declaration at the first United Nations Centre for Human Settlement Conference held in 1976 in Vancouver, Canada, expressed the commitments of Government the world over to address the problems of housing and human development. This was reiterated at the Habitat II conference in Istanbul, Turkey in 1996. The Istanbul declaration, among others, endorsed the universal goal of ensuring adequate shelter for all and making settlement safer and more conducive for human habitation.

3. FACTORS THAT CONTRIBUTE TO AN INCREASE IN HOTEL ROOM TARIFFS

Housing is an important issue which has a tremendous impact on the socio-economic development of every nation. It is very important in any economy and provides security to societies, communities and families. Ghana, like many other developing countries is facing a severe housing problem. Whereas the country's population is increasing at the rate of 2% per annum, the increase in housing stock is incapable to keep pace and the situation is deteriorating (Abor & Quartey, 2010). As mentioned earlier the recent Statistics obtained from the Ministry of Works, Housing and Water Resources indicate that there is an absolute shortage of 400,000 units of houses nationwide. It is further estimated that to replace this shortfall annual national housing delivery should be approximately 120,000 housing units. The supply capacity nationally is 42,000 units per annum. Thus 60 per cent of the national requirement remains unsatisfied each year.

Rapid population growth and increasing urbanization coupled with continuous flow of people from the hinterland to the cities in search of non-existing jobs have led to overcrowding, increased homelessness and overstressed of existing infrastructures and services in the cities. Most residents in Ghanaian cities encounter serious accommodation problems as they desperately look for decent and reasonably priced houses to rent and this has led to the population in the cities to outnumber the houses available.

Takoradi Metropolis has very huge compound houses with single rooms and shared toilet and bath facilities, which are rented out to several individuals or families, either in single room or two or maximum three-room entities. Most were built in the cocoa and timber economic boom years of the late 1950s and early 1960s. The low income group or single household members normally rent such rooms. Some of these houses can have as many as 40 rooms in the entire building, and there can as many as 50 persons living in any one such building.

This phenomenon contributes significantly to the very high households per house ratio in the metropolis. There is therefore congestion in many houses, creating an inner-city slum situation. In recent times, some of these houses have been converted into low class hotels and restaurants or office buildings due to high maintenance costs which cannot be met from the meager rents paid by the low-income tenants and the oil discovery in the Region which has made hotel accommodation a high demand.

Most of the traffic now flowing through Takoradi is being generated by all the new residents to the city. "Accommodation is becoming astronomical." Beyond the real estate firms that are benefiting from the oil boom, the local population is being pushed to the outskirts of the city because they can't afford the rent or are being evicted so that landlords can remodel homes to "international standards".

Affordability looks at whether the form, technology and cost of housing are compatible with income flow of the prospective consumer of housing. Affordable housing is a dwelling where the total housing is affordable to those living in that housing unit.

According to the United Nations Global Report on Human settlements the cost of a complete dwelling could be 2.5 to 6 times the average annual salary (Ayelazuno, 2014). Household income is usually allocated to a number of competing uses such as food, cloth, education, health care, transportation and all other needs necessary to maintain a good and healthy life of the household within a given Socio-economics and cultural environment. Rent costs vary across urban and rural regions in Ghana. The Estimated average cost of rent in the cities is two hundred Ghana Cedi (GHC 200.00) per two bed room facility per month, which is approximately USD 50.00.

The average household could be paying rents that exceed the household's annual income in the cities, especially where payment of rent is demanded from one to five years advanced by Land Lords. The African Union for Housing Finance has reported that demand for housing is significantly higher in the major cities in Ghana. The shortage in housing stock poses a major barrier to affordable and accessible housing in Ghana.

4. RESULTS AND DISCUSSION

Ownership of Hotels

The study sought to find out from the management and staff of the hotels if their employers were natives or foreigners and the result of the analysis is presented in Figure 1.

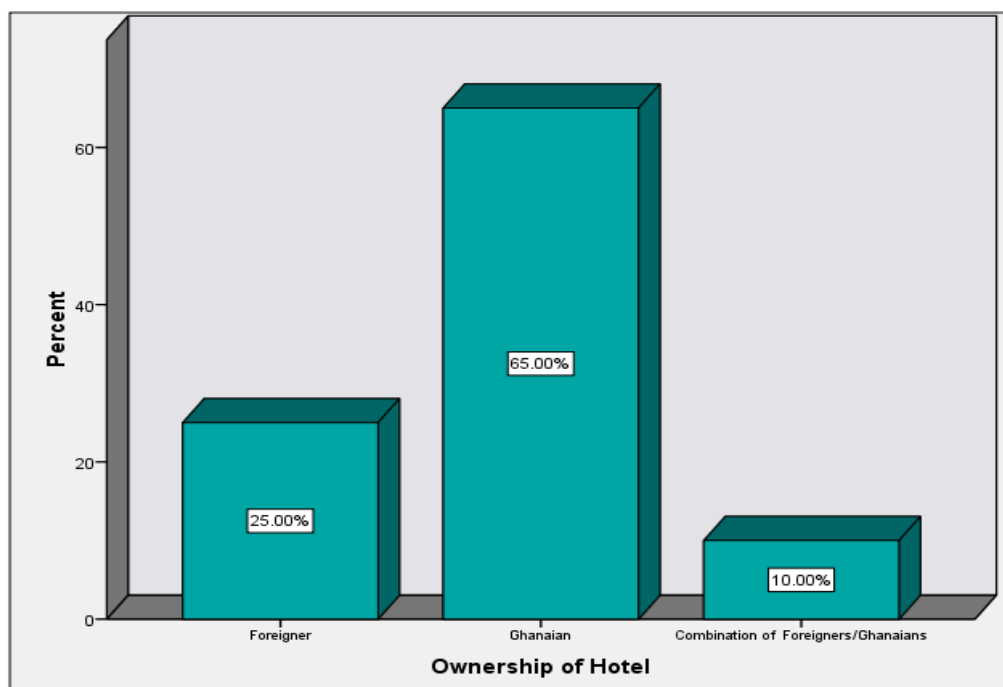


Figure 1: Ownership of the Selected Hotels Source: *Field Work, 2016*

Figure 1 depicts that the selected hotels were mostly owned by Ghanaians (about 65%). About a quarter (about 25%) of them indicated that the hotels they were working for were owned by foreigners whilst about 10% of them reported that theirs were co-owned by both Ghanaians and other nationals. This implies that most of the hotels in the Takoradi metropolis were owned by Ghanaian investors.

The Reason for Customers' Visit to the City

The study wanted to know the reason for which the customers who patronized the hotels came to the city of Takoradi. Were their visits as a result of education, business, leisure or what? The result of the analysis is presented in Figure 2.

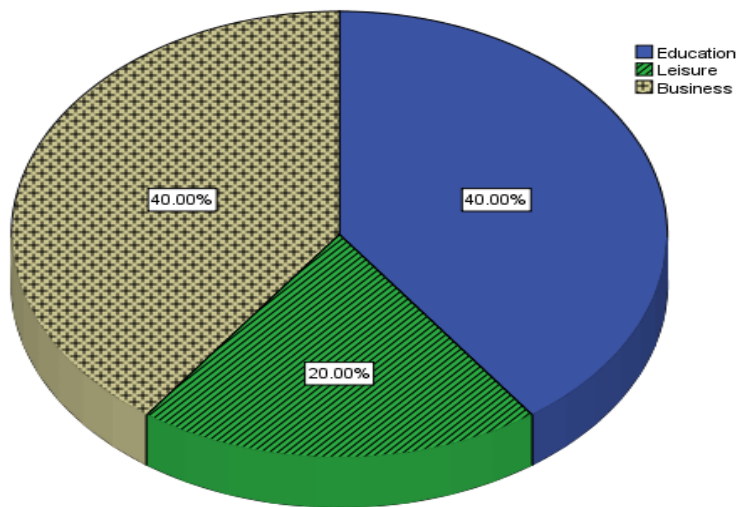


Figure 2: Purpose Customers' Visit to the City. Source: *Field Work, 2016*

It can be observed that about 80% of the respondents reported that they had come into the city on either business (about 40%) or educational (about 40%) purposes. Also, one of every five (about 20%) of the customers indicated that they were in the city to enjoy the pleasures of life. This suggests that most of the customers come to the city to either conduct business or educate themselves. The economic importance of cities cannot be overemphasized as is the importance of economic growth to the city itself. Kopiński et al. (2013), suggest that, 'the city can be a center for industry, exchange, education, and government or involve all of these activities and the analysis also indicates the reason why people are coming to either invest or do business in the region.

The Influenced of Oil Drilling on Hotel Tariffs

The management and staff of the hotels were asked if they thought the oil drilling in the region had influenced the tariffs of the hotels and if so, how these influences had come about. Table 1 presents the analysis of the results. It should be noted that only 11 people responded that the oil drilling had an influence on hotel tariffs whilst the rest refused to give reasons regarding their choice of response.

Table 1: The Influence of Oil Drilling on Hotel Tariffs

Influence	Do you think Oil Drilling has influenced your hotel tariffs?	
	Frequency	Percent
The presence of foreign investors	4	36.4
Increase in prices of goods and services	5	45.5
Others	2	18.2
Total	11	100.0

Source: Field Work, 2016

From Table 1, it can be seen that though a few of the respondents had various views on the influence that the oil drilling brings, a good number of them reported that the oil drilling had increased the prices of goods and services (about 46%) and had also caused an influx of foreign investors (about 36%). This suggests that the oil drilling after having increased the patronage of the hotels by foreign investors had influenced increases in the prices of goods and services of the hotels.

Recent drilling innovations allowing access to unconventional resources like tight oil and gas have spurred a number of drilling booms around the Ghana Jubilee Oil. One side effect is rising housing prices caused by migrating oil and gas industry workers who create a positive housing demand shock. Recent policy studies (Ayelazuno, 2014; Iuniversity, 2012), have indicated that a contemporaneous housing construction boom has accompanied previous drilling booms, indicating that the housing market may be responding more nimbly to price signals than anticipated.

Upgrading of Hotels' Infrastructure, Staff Training and Equipment

Finally, the study sought to find out how often the hotels improve their services by upgrading their infrastructures, staff trainings and equipment. The result of the analysis is presented in Table 2.

Table 2: The Frequency at which Hotels Upgrade their Infrastructure, Staff Training and Equipment

Frequency	Infrastructure		Staff Training		Equipment	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Every 6 month	6	30.0	9	45.0	7	35.0
Once a year	9	45.0	9	45.0	7	35.0
Once in every 2 years	5	25.0	2	10.0	6	30.0
Total	20	100.0	20	100.0	20	100.0

Source: Field Work, 2016

From Table 2, it can be seen that the hotels upgrade themselves with respect to infrastructure, staff training and equipment, at least, once in a year. This is owing to the fact that at least about 30% of the management and staff members of the hotels reported that their hotels' infrastructure (30%), staff training (45%) and equipment (35%) were upgraded biannually whilst at least about 35% (45% for infrastructure; 45% for staff training and 35% for equipment) indicated that theirs were upgraded yearly. According to Iuniversity (2012), to merge the number of tourists and to realize further growth, hotels and accommodation need to be upgraded in terms of sanitary facilities, standards and gastronomy, customer service, hygiene, comfort and excellent food.

5. CONCLUSION / RECOMMENDATION

From the study, it can be concluded that majority of the respondents were of the view that high utility bills and high taxation has contributed to the increment of hotel tariffs. Quite a good number of them also reported that the presence of oil drilling has also contribute to the high tariffs for hotel services with the least indicating employee turnover being a contributing factor.

It can also be concluded that most of the respondents agreed on the fact that hotels play a major role in the oil exploration industry. This indicates that the respondents generally agreed that the hotels in the metropolis had played a major role in the oil exploration industry since its inception and the same way hotels are also benefiting from the oil industry.

The raging eviction of tenants in Takoradi Metropolis is not ascribed only to the fact that, tenants are unable to pay for rent advance but also landlords are encouraged by oil companies as well as financial and banking institutions who are ready to rent such houses.

The unprecedented upward review of prices of all items, goods and services is not limited to Takoradi metropolis alone but also to the nearby communities, districts and municipalities. The study revealed that villagers in the western coastal areas nearest to the oil fields are complaining about rising costs of goods and services, pollution of water bodies, fishing restrictions, conversion of arable lands into non-agricultural purposes and a lack of opportunities in those areas. The situation becomes even more worrying when one considers the fact that jobs in the oil sector are reserved mainly for foreign expatriates and Ghanaians with the best educational qualifications and technical skills. If there is no intervention to streamline the sales and use of land in Takoradi metropolis and nearby communities, districts and municipalities, the livelihood of the people nearest to the oil field will be lost, while the low income earners in the Takoradi metropolis will be homeless, since they cannot afford to pay for rents.

Finally it can be concluded that operators of hotels in the metropolis are recording high revenues as a result of the increased demand for accommodation by the oil drilling companies. Customers reported that the major roles played by the hotels in the oil industry were the provision of accommodation services food and beverage services. This is an indication that the hotels played a major role in the oil industry by providing both accommodation and food and beverage services.

The study recommends that the rent control division in Western Region and Ghana as a whole should be equipped to be able to enforce the Rent Control Act in order to regulate the rate of increase of rent and other housing related issues in Ghana.

'Dutch Disease', a dimension of the resource curse hypothesis which postulates deindustrialization of a country upon discovery of natural resources and deepening of socio economic and political problems within a country and Ghana must see to it that it does not occur.

Seismic activities by the oil drilling companies should not coincide with breeding periods of fishes. There should also be dialogue between the oil companies and fishing communities to enhance continuous collaboration.

The study recommends that chiefs and opinion leaders in and around the oil producing communities should sensitize the person about the adverse social effects that is experience by oil producing areas.

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