



# HOSPITALITY INDUSTRY **THINK TANK** 7 JULY 2023

## SYNOPSIS

Everyone that attended will have had their own take on the conversations, all will have gained either confirmation that they are on the right track or valuable insight on the way forward, taking away valuable pearls of wisdom. To have gained the full value it is essential to attend in person and a great opportunity to extend your network.

The following is an overview of the takeouts.

The 4-panel discussion each duration time of 90 minutes.

### **PANEL 1 DISCUSSION**

#### **ESKOM STATUS QUO & INDEPENDENT POWER PRODUCERS, GETTING SUPPORT & FINDING SOLUTIONS**

#### **PANELLISTS**

Facilitator/Nick Dickson – CEO Dream Hotels & Resorts

Henning Holms – Holms & Friends (energy specialist – Gauteng since 2003)

Osagyefo Mazwai – Investec (read LinkedIn profile)

Graham Wood – CEO Sun International

Simon Le Roux – Enpower Trading (Trading Manager)

- The impact of load shedding and how the financial burden can be dealt with.
- What would the impact of a grid collapse be and how do we deal with it?
- Opportunities to install renewables and become IPP's.
- Diesel costs.
- Tax relief.
- Funding opportunities.

## OVERVIEW

- The panel felt that the likelihood of a Grid failure was low, but the impact would be catastrophic. It was something the panel felt Hotel and Resorts should be aware of but given the widespread effect it would have on the entire economy there are limited preventative steps a resort could implement to reduce the effect. The panel felt that the more likely outcome would be elevated levels of loadshedding rather than a complete grid collapse.
- The energy environment is undergoing a complete overhaul and is changing very fast at present. With prospect of wheeling being introduced and likelihood of big player coming into the market, the days of a single supplier are over and how we will buy electricity into the future will be very different. The panel did caution that when entering into agreement be careful of extended terms, with an environment changing so rapidly one should be careful of being locked into agreement which may not serve your future purposes. Green energy via the national grid will also become readily available soon which will give resorts greater options on sustainable power other than having to invest directly into their own solar panels.
- The panel felt that any sort of short-term storage on site was a good idea, but proper investigation into the resorts specific needs was essential to provide them with the best solution, taking into consideration the amount of short-term energy storage required to what battery are best for their needs.

## SUMMARY OF CONVERSATION

Loadshedding and power constraints are an impediment for meaning GDP growth and employment creation in South Africa. For the South African economy to create jobs, GDP growth of 2% or more is required. We have seen a sustained improvement in the performance of Eskom, and for Eskom to cease to be a binding constraint on economic growth, the Energy Availability Factor must be 70% or more. An EAF of only 70% still constrains GDP growth potential to a maximum of 3%. Energy security is being supported by solar panel imports into South Africa. If the current trajectory of solar panel imports is sustained, we estimate that loadshedding should be over by the year 2025.

Electricity Wheeling – is the act of transporting electricity from a generator to a remotely located end user through the use of existing distribution or transmission system. This may also be across multiple different distribution networks, such as through Eskom to a municipality. IPP's selling the electricity generation back.

The whole grid requires reworking/private participation, uptake. Trading licenses to be awarded/ use of system agreement.

Graham Wood – Sun International Hotel, has started a pilot scheme whereby they have 40 megs for each property through generation. Sun City has installed 1.5 megs of solar on the roof of the entertainment centre and will go live from the end of July 2023 as a pilot scheme.

The problem, as we all know, it's to go to the board or to shareholders with the very high initial outlay costs that must be found. However, we must keep up with the demands of our guest experience, and within our spheres of what the guest requires.

Boards and shareholders do understand to a degree, as they are living with the very same problems, Sun International work on a 20% ROI.

The key, it's without doubt to assess your business to what the current needs are, as with everything else, technology is changing so quickly, and what we install today for power generation will certainly be changed by the next two years and will be more cost-effective to install, it's a solution that we can't just solve and then walk away from. It's an ongoing energy Pattern that we must keep adapting to, therefore do what we must do in the immediate to ensure Guest satisfaction is reached and keep planning every year for improvement or reduction as the country is sorted out by Eskom and energy providers as they start sorting things out.

## **FUNDING & TAX RELIEF**

There are certainly good funding providers available, they must sit with each business and go through their needs and buy-into the years ahead of energy change with their funding adaptability also. Take advantage of the tax relief that is available, use an expert in this field, the pay-back will be there as we understand more.

## **GRID COLLAPSE**

Is not an option, even to think about, for if it does, then there will be much more major problems than we must deal with regarding energy. In simple terms of the government, no matter who it is, cannot afford grid collapse.

## **BATTERIES**

The following types were discussed:

### **SALT BATTERIES**

While sodium-ion batteries have some potential advantages over lithium-ion batteries in terms of abundance and affordability, the lower energy density and fast electrode degradation, make them less suitable for many applications (currently produced in Uppington)

### **FLOW BATTERIES**

Flow batteries can discharge and recharge at the same time without affecting the cycle life. Flow batteries have long cycle life and low maintenance. Disadvantages, flow battery systems are complex. The life cycle, however, is 20 to 22 years.

### **LITHIUM BATTERIES**

And protection required, lithium-ion cells and batteries are not as robust as some of the other rechargeable technologies, they require protection from being overcharged and discharged. Aging effect – lithium-ion battery will naturally degrade as they suffer from aging. Lithium batteries cannot be recycled. Minimum lifespan of lithium battery is around 5 years or at least 2000 charging cycles. But, if cared for and used in proper conditions, lithium-ion batteries can last as long as 3000 cycles.

### **LEAD ACID BATTERIES**

Is a rechargeable battery that uses lead and sulphuric acid to function, however, as we know these batteries are not for use within any of our hospitality applications.

## **IN CONCLUSION**

CHANGE is the word to sum up this Panel Discussion. ENERGY requirements are rapidly changing but not only revolving around electricity. WATER is going to have an even greater impact over the next 5 years (as all agreed). Electricity/Power can be corrected through technology, however potable water, and a constant supply must be planned for in the boardrooms with all stakeholders getting involved.

## PANEL 2 DISCUSSION

### WORKING WITH GOVERNMENT

#### PANELLISTS

Facilitator/ Prof Andrew Boraine – economic and urban development, worked in the development sector of SA for more than 41 years.

Tshifhiwa (Chief) Tshivhengwa – TBCSA

David Frost – SATSA (CEO)

Rosemary Anderson – FEDHASA (National Chairperson)

Ian Jansen van Rensburg – Sondëla (CEO Sondëla 23yrs & Bela Bela 28yrs)

- What action needs to be taken to limit the damage of social unrest around the property locations?
- The effects of municipality failures, and what structure can be put in place to limit the negative impacts.
- Transformation.
- The consequences of timeshare being excluded from S54 of the VAT act and the process necessary to follow to have Treasury reconsider the position.
- Political change-election year ahead.
- Level playing field when working with disrupters.
- Water, quality, and cholera outbreak.
- S A. Stands on Russia, Ukraine conflict and the Lady R.

#### OVERVIEW

- The underlying sentiment was relying on government to take the lead on issues was unlikely and that it requires the assistance of the private sector. This is the complicated part, to achieve the necessary results often required the government support and or approvals. Prof Boraine stressed the point that for any meaningful progress to happen it required the presence of a good relationship between all parties. A lot of inaction on government part is due to miss trust between the parties.
- Prof Boraine mentioned that the hospitality sector would play a key role in the smaller towns and city, where a resort is a major player in a small town, they could play a key role in facilitating better relationships. He said that there was already an initiative which could assist resorts in smaller towns, called the “Towns Action Network” this should be a good resource and needs further investigation.
- Tourism within government has been seen as the small kid on the block and action needed to be taken to elevate Tourism status with Government as a whole. Tshifhiwa Tshivhengwa advised that this was one of the objectives of the TBCSA and Tourism South Africa.

#### SUMMARY OF CONVERSATION

At the outset of these notes on Panel 2 Discussion, Tshifhiwa Tshivhengwa known as “chief” is extremely knowledgeable and speaks with knowledge from grass roots level all the way to national government levels. It was through his perseverance, along with SATA and after 6 years of lobbying government, the unabridged birth certificate ruling for incoming overseas tourists eventually sorted out. I point this out as a simple example of the experience this still young man has. Chief pointed out that if we end up with a coalition national government in the year of 2024, it’s going to be very difficult to work with to get anything done.

David Frost SATSA – spoke with great knowledge and experience also after 21 years’ experience at an executive level in tourism strategy, he also spoke of all the frustration he has with national government and the non-interest they show in tourism industry. As we know, tourism is the 2nd largest industry in SA after mining. For me, his frustration of national government came across quite clearly, whereby it was trying to get government to understand the difficulties, the frustration of the competence of ministers, and the frustration of structured engagement, which seems to be quite an impossibility.

Rosemary Anderson FEDHASA – spoke of the frustration at FEDHASA at not being seen by national, provincial, or local government as a resource. In fact, that all government sees FEDHASA as more of an organisation only to be listened to, with regards to labour and conditions of employment act within the hospitality industry, no more than that.

Rosemary also spoke of the 800 wastewater plants in SA that create employment, of which wastewater comes from hospitality as well as domestic households. Therefore, how do we deal with this in going forward with tourism, creating major employment and being in a relationship with government at all levels of influence, as an organised body.

Ian Jansen van Rensburg – Sondëla – spoke of his years of dealing with national government and again the frustrations thereof. He then spoke of his switch to working with local government and municipalities, which pays off extremely well in terms of getting things done and getting staff buy-in. Ian related stories of how to engage with their team and local municipality.

Prof Boraine – very calm, and very knowledgeable explained the fact that from the National budget only 9% of National treasury allocations were allocated to local municipalities from the National budget, out of 257 municipalities in SA, 66, were completely dysfunctional. Prof Boraine also went on to speak about the energy crisis and the very pressing crisis about to emerge being water.

The topics, as stated above – that were not discussed, would be social unrest, transformation, S 54 of the VAT act, Visa regulations, and Russia, Ukraine conflict.

## **IN CONCLUSION**

It is best summed up by a greater need to engage with our teams. At all times keeping strong transparent communication, knowing what lies ahead we need to involve our workforce to create impactful change and working closely with the local municipalities is key to getting anything done.

## **PANEL 3 DISCUSSION**

**TECHNOLOGY: HOW WE MARKET & SELL WHILE REMAINING RELEVANT & COMPLIANT WITHIN THE METAVERSE (A VIRTUAL-REALITY, SPACE IN WHICH USERS CAN INTERACT WITH A COMPUTER-GENERATED ENVIRONMENT & OTHER USERS)**

### **PANELLISTS**

Facilitator/Gary Carscadden – Infrateq (UK)

Nigel Hattersley – EMEA, Infrateq (Europe, Middle East, Africa)

Rory Montgomery – HTI (Hospitality Tech International – Gauteng)

Samantha Williams – Profitroom (commercial director – Cape Town)

Pedro Maia – Intdev (internet Technologies – Midrand)

- Maximising direct bookings.
- Property management systems in the cloud.
- Virtual reality and its impact.
- In room, communication TVs to chatbots with smart tech.
- Stable fast Wi-Fi connectivity (more important than a bed).
- Robotics.

## OVERVIEW

- There is significant benefit to migrate to cloud based system, it allows for technologies to communicate easily with one another which in turn enhances the financial saving the systems can offer to resorts. The downside to cloud based technologies is that it requires a fast, stable, and uninterrupted internet connection, which is currently not available everywhere, coupled with the impact of loadshedding on telecom towers. The panel advised that this is the direction in which technologies were moving due to the many promoted benefits but caution resorts that it is important to get the timing right and limit the potential down time on properties which have unreliable internet connectivity.
- The panel also stressed the need for properties (the client) to push technology suppliers to provide required solutions, this pushes the boundary of what is being developed and how it better assist a client.

## SUMMARY OF CONVERSATION

Gary Carscadden (Scottish) and Nigel Hattersley had just flown in from Dubai, after finishing a large build, and opening the technology solutions of a hotel.

This panel discussion was an eye-opener, as it covered such a wide range of subjects with the terminology used to fully understand, it was a great space to learn.

Pedro Maia – spoke of the infrastructure problems with regards to Internet technologies whereby vandalism has been so far year-to-date, R1 billion done to masts in SA. There are 15,000 Vodacom base stations throughout SA with 72 base stations alone in the Sandton area. The cause of the vandalism is the removal of batteries, and any other precious metals that are sellable at this stage. Pedro stated that MTM are not repairing any more of the masts or base stations, whereas Vodacom is carrying on to a degree, it was impressive to learn that through the base stations and masts 90% coverage was achieved in rural areas.

The Panel stated that the logical solution would be that everyone should go cloud based. This started the debate of 'On-Premises ("on-prem" or "on premise") meaning that local software is installed and runs on computers in your company's own IT environment. From your companies' offices, you can choose whether to manage and maintain servers or whether an external IT provider should be responsible for this. Essentially, the fundamental difference between cloud verses on-Premises software is where it resides.

On-prem Technology – enabling your building Interface systems – merge all together, in today's world use cloud based. Today's systems can very much enable our business in cost saving, from front of house to back of house systems were spoken about at length. A topic brought up by most owners and hoteliers is that we all have 4 or 5 systems paid for within our businesses that we have paid for, and we do not want to cast them aside. It was emphasised that there is no need to do that. It's about finding the right technology that will bring all the systems together. Once again as with energy solutions, the market is continually changing and updating.

The panel also understood that new technology for a lot of current businesses in SA was a grudge purchase, whereas Europe, Middle East have very much embraced it and using it as stated before as a tool for improvement of guest satisfaction and saving.

## **SAMANTHA WILLIAMS**

Profitroom (A global cloud-based hotel, management software, and guest centric tools on one user platform) based in SA. Maximising Direct Bookings

Samantha moved two years ago to Cape Town, she spoke with much passion and drive on all the solutions that they can offer and are changing and improving technology all the time. The big takeout is the understanding, you want your return guests to come back and not pay commissions on existing guests.

## **TELEPHONE SYSTEMS**

As stated by the panel, the most asked question in the IT world is do we need in the house telephone systems? There are a few new builds that have not installed telephones in every room, but they are the lower end of the market thus not expecting a high grade of service. If you were to start again and build a new hotel or do you away with all the phones? The suggestion is put in a simple analogue line that connect to reception areas and internal extensions the main feeling is that it is a health and safety requirement. In-house telephone systems don't bring in revenue anymore.

## **IN-ROOM ENTERTAINMENT**

this was a healthy debate whereby the MNET domination of sport arose, and that we as hoteliers are loath to do anything, we must keep paying simply because of the sport. The new way of thinking is that our youth and teenagers will decide. Everything is carried on your smartphone now, and we should just be putting screens in the room where they can connect directly and watch what they want. If you wish to watch Sport together in a public area you could possibly charge for that with a big screen and projection thereof. Stable fast Wi-Fi connectivity is a must.

A large company surveys noted most guests would rather skip check-in and have the tools on their smart phones to go directly to the room and open and enter. However, when it comes to booking anything else within the hotel, restaurants, spas, in-house, dining, etc the personal touch from the end of the phone, i.e., talking to someone is very much required.

## **IN CONCLUSION**

A massive topic that requires learning to understand and remain up to speed and relevant in, is our guests' requirements.

## **PANEL 4 DISCUSSION**

### **HUMANITY AND SUSTAINABILITY**

#### **PANELLISTS**

Facilitator/Prof Andrew Boraine

Eric Leong Son – Heineken beverages (Director of Corporate Affairs) – Ex Distell Merger

Millicent Maroga – Heineken beverages (Director of Corporate Affairs)

Charl Pretorius – Kwalata (Founder of Kwalata in Dinokeng Game Reserve – Hammanskraal

Nick Dickson – CEO Dream Hotels & Resorts

- Solution for the South African economy is employment. The tourism industry can create these opportunities. How can we work together to expand and develop?
- New age, employees (generations), flexibility of hours, working from home, the side hustle.
- EQ vs IQ – how are we dealing with the mental trauma experience by our teams?
- How to be the solution and not the cause of global warming.
- Sustainability and measuring of carbon footprint to procure carbon credits.
- water-how do we preserve this precious resource and equip ourselves in times of scarcity.

## OVERVIEW

- Hospitality is often a big player in a small town and can have positive impact on the communities. A small initiative solving a small problem can be the catalyst to create an upward spire in a small town, we don't need to solve all the towns problems we need to push the ball hard enough to get it rolling and then other problems will start solving themselves.
- We need to look for assistance from our suppliers requesting them to participate in our initiatives Large corporations often have the capital necessary to support initiatives but lack the connection to effect deployment. This is where the hospitality sector can step in. Hospitality has the ideas, people, and connection to effect changes but often lacks the funding. The panel felt that there was great opportunity here for effective Collaboration.

## SUMMARY OF CONVERSATION

The audience found this Panel Discussion interesting and agreed that the Hospitality Industry is on the same page regarding Humanity & Sustainability. Corporates and Independent Owners need to meet the same requirements showing "they care" and must be in touch with their local environment and communities within them.

The Tourism and Hospitality impact on local communities is enormous but deafening in its quietness to tell the world. We are very poor at highlighting what tourism achieves to both the overseas and domestic markets. We must share at every opportunity our success and initiatives through our websites, Instagram, Tik Tok, WhatsApp and all emerging platforms.

Humanity & Sustainability is key to everything we do.

Employment was discussed particularly regarding new age generations, flexibility of hours, working from home and the side hustle – This is very apparent since COVID the new generation can only work certain times as they have other places to go and work other jobs, mainly within tourism. Large Corporates – in this space being Heineken, needed to get employees back in the offices from remote working, to do this, they have installed rooms where you can go and do your hair, iron go for a scheduled secluded break, all relating back to working from home environment. Through being innovative they have managed to get most people back in the office. The interface of seeing one another and connecting is very important, Heineken beverages are a people company, it was tough to get people out of the home routine where personnel expenses were saved by working from home.

On Sustainability ERO – Energy Resource Optimizers founded in 2002 and specialists in environmental management, and operational energy cost left their message, "To manage it you have to measure it".

Much of the Panel Discussion went to floor with people offering their own experience within their businesses, all interesting and re-affirming that as an Industry we do not sit with others often enough. We all have the same common issues.

Water – once again was spoken of by Prof Andrew Boraine but being a Cape Town resident, they have lived through it, so experience is certainly in abundance in SA.



## IN CONCLUSION

"We are change makers in a low trust environment".

CHANGE must be realistic in the following 3 ways; Effective, Fair & Good.

To attend the Think Tank of the Hospitality Industry certainly takes the blinkers off in our industry and opportunity to talk to other like-minded people.

The Think Tank idea was conceived as an industry collective with a steering committee consisting of Chris Godenir (Dream Hotels and Resorts), Tony Forbes (Beekman Group), Janita Donaldson (Sun International), Jon Kilroe-Smith (Club Mykonos), Tshifhiwa Tshivhengwa (TBCSA) and Ian Jansen van Rensburg (Sondela) to openly discuss the South African Hospitality Industry challenges to engage and communicate, pooling ideas and resources to find solutions.

Thank you to Phillip West of Champagne Sports for his valued feedback and much gratitude to our main sponsors Wyndham Hotel Group, Infrateq, HTI, Sun International, and Heineken.

The day included many executives and decision-makers and will gain momentum following the undoubted success of this inaugural event. The Hospitality Industry Think Tank is set to become a must in the calendar for any future leader in the Hospitality Industry.

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