

WHERE YOUR MONEY GOES

Why do lodges charge the rates they do, and what exactly are you paying for when you go on safari? While pricing is often influenced by government and environmental policies – how many tourists to allow in a protected area, for example – it is useful to understand what responsibilities your hosts have, and quite how much positive impact your stay has.

BY **DORINE REINSTEIN**

With a price tag ranging from a few hundred dollars to well over US\$1500 per person per night, African lodge safaris are often considered once-in-a-lifetime bucket-list trips. Are these experiences worth the price tag?

And what sets them apart from a stay at the Ritz-Carlton in New York or a penthouse in Paris?

“When guests look at their safari prices, they often try and break down the cost of a safari experience into tangibles,” says Simon Stobbs, Wilderness Safaris’ Chief Sales Officer. “But what they don’t realise is the immense hidden costs involved in running a small camp, set on thousands of hectares of exclusive wilderness in some of the most remote areas.”

“Africa is not a high-volume destination compared to other destinations in Europe, Asia or the US,” agrees Katja Quasdorf, CEO of Hideaways Africa. She adds that when you go to a hotel, it’s usually not the property’s responsibility to look after the beach, unlike in Africa’s safari parks. “Looking after the land means so much more than just ‘mowing the lawn’. It’s protecting the landscape from natural influences such as bush fires, as well as unnatural damage, such as poaching.”

Although some travellers are under the impression that the price they are paying for an exclusive safari experience is lining the pockets of the lodge owners, nothing is further from the

truth. Whereas the bigger safari companies will make between 10 per cent to 15 per cent profit, most lodges are happy if they see a 5 per cent to 7 per cent return. The most remote safari properties count themselves lucky if they simply break even. The more exclusive and remote lodges can only survive if they form part of a bigger group that can shoulder the costs.

WHAT DOES IT TAKE TO BUILD A LODGE IN AFRICA?

Before even contemplating building a lodge, prospective developers need to embark upon a tender process to apply for the rights to operate on the land or, alternatively, they need to purchase land and invest in wildlife.

“If you look at high-end luxury business across southern Africa, you’ll see there are two models: one is leased land and the other is owned land,” says Alistair Rankin, Managing Director of Machaba Safaris. “Owned land will increase in value over time. Leased land is different, with leases running from 15 to 30 years and includes various stakeholders from government to local communities. When the lease is up, you’re left with canvas and poles to take home. Getting a leased concession takes a massive amount of work and there is stiff competition for prime areas.”

Once the land is leased or bought, there is the cost of building a camp with the lightest footprint, adhering to best →

A moment of reflection:

What value do you put on the wilderness experience at somewhere like Somalisa Camp, Hwange National Park, Zimbabwe?

AFRICAN BUSH CAMPS



sustainability practice, says Stobbs. This involves considerable investment in equipment such as solar power plants, to ensure minimal drain on the environment, whilst at the same time maximising the impact on conservation and community empowerment. This often means operators need to erect temporary structures, which are very expensive to build and maintain, in part because they are directly exposed to the harsh weather elements and therefore degenerate more quickly than permanent structures. This makes the lodge business more capital thirsty than most.

TAXES, FEES AND COMMISSION STRUCTURES

It is often said that the only two certainties in life are death and taxes. When owning a lodge, taxes and government fees take up a considerable amount of your budget, although they will vary from country to country.

John Coppinger, owner of Remote Africa Safaris, says the terms of agreements for concessions in national parks in Zambia are very onerous. "Currently, we are paying US\$65 per bednight, plus a fixed fee of roughly US\$21,000 per annum for three small six-bedded bush camps," he explains.

"Some concession fees being charged in Zimbabwe are enormous and completely unrealistic," adds Phil Dobinson, Managing Director of Zambezi Cruise and Safaris. "For example, Zimbabwe's Forestry Commission, which has a large landholding around Hwange National Park, is currently doubling its concession fees in the midst of a disaster

in the industry. A small private concession in or around Hwange can cost up to US\$120,000 per year for a bare piece of land with no infrastructure. That equals US\$2300 per week."

Machaba's Rankin explains that government and community leases often include a turnover clause based on the lodge's performance. For Botswana this is 6 per cent while for Zimbabwe it's 2 per cent. In Kenya and Tanzania, 7 per cent of revenue goes to staff for service charges. Heath Dana, Director of Operations for Elewana, in Kenya, explains: "It's a compulsory gratuity for service which goes directly off our revenue."

Alex Walker, Managing Director of Serian, says that Tanzania has an extreme tax threshold, with as much as 70 per cent being included for fees as disparate as water usage from your own well, tax on power generated from your own solar plant, and radio licences. He adds: "You also have taxes on social media as well as more

common VAT at 18 per cent, and tourism licences for each and every camp site. What's more is that the cost of borrowing in East Africa is also prohibitive with up to 18 per cent charged on the shilling and up to 12 per cent on the USD."

According to Ton Van Rooyen of Robin Pope Safaris, most businesses in Zambia and Malawi bring in materials from South Africa, which leads to double taxes: "We pay taxes in South Africa as well as import duties to Malawi and Zambia."

Commission to the travel trade is another heavy cost for lodges

and has become a contentious issue. Most lodge owners will pay anything from 25 per cent to even 45 per cent in commission to travel agents and destination management companies. Although some are happy to do so, saying they get over 80 per cent of their business through these suppliers, others feel that the structure might change post Covid-19, as the pandemic has fast-tracked digital adoption among travellers.

Taxes, concession fees, bank fees and commission structures combined represent between 45-60 per cent of the traveller's money, leaving the lodge owner with 40-55 per cent with which to run their operations.

"No lodge operator begrudges these fees - governments fully deserve to get their pound of flesh out of these lodges, as it is an important justification of the business," says Chris Badger of Central African Wilderness Safaris in Malawi. "However, it does mean that to run a 16-bedded 'mothballed' lodge with no guests and vastly reduced staff [during Covid-19] still requires around US\$4000 per month. This is just to make sure the termites don't eat the place, the canvas does not rot, the vehicles are kept in good shape..."

Don Scott, owner of Tanda Tula in South Africa, agrees: "Interestingly, we did a survey recently during the Covid-19 lockdown on game lodges in South Africa, and it was found that even during the 'comatose' state that lodges had put themselves into during that period, the majority were still spending between R500,000 and R1 million per month."

WHAT PRICE CAN YOU PUT ON REMOTENESS?

Remote safari lodges are in high-demand as post-Covid travellers are looking to escape to wide-open spaces. Remoteness, however, is a luxury that comes at a price. From the cost of building to the costs of transport, the provision of Wi-Fi, staffing and food and

FINANCIAL CASE SCENARIO

Don Scott, owner of Tanda Tula, shares a hypothetical (but indicative) breakdown of the costs per guest per night at a high-end game lodge in South Africa.

Rack rate per person per night:	R 10,000 (approx US\$ 685)
Agent commissions:	R 2,500 (average 25%)
VAT:	R 1,125
Nett amount received in earnings:	R 6,375
Concession fees per guest:	R 960
Conservation and community:	R 480
Other fixed operation costs per guest:	R 3,360
Cost of sale per guest:	R 900
Profit (before tax):	R 675 (approx. US\$46)
Tax:	R 189
Profit (after tax):	R 486 (approx. US\$33)
Profit margin of rack:	4.86%
Profit margin of net earnings:	7.62%

beverage, remote lodges are extremely cash-thirsty.

On paper, remote luxury properties should theoretically deliver 15-20 per cent return on investment per annum, says Rob Moffett. "In reality, the low season, with half as many visitors paying half as much - effectively a quarter of the revenue of high season - is decidedly sub-economic and quickly soaks up any surplus achieved in high season."

Zambezi Cruise and Safaris' Dobinson says building and →

Access to the action

The Hide Safari Camp, in Hwange National Park, Zimbabwe. Owners pay high concession fees for the privilege of operating at the heart of wildlife reserves

THE HIDE

Where did that come from?

The logistics involved by designers and developers in creating a facility like Shipwreck Lodge, in the "impossibly remote" Skeleton Coast, is enormous

NATURAL SELECTION



operating in a remote area will easily add about 35 per cent to material cost in transport as there are no back-loads for transporters who deliver materials to areas such as Mana Pools or Kafue. It's all one-way traffic.

Don Scott adds that the costs associated with performing tasks in remote, environmentally-sensitive areas are much higher than they are in a city environment. He explains that recent building quotes for a new project in one of the reserves in the Greater Kruger area put the average cost of building in these areas at around 50 per cent more than it would cost to construct the same thing in Johannesburg.

Seasonality is another challenge for the more rural lodges. Coppinger explains that the areas of the Luangwa Valley in which Remote Africa Safaris operates are seasonal: "We operate on a floodplain, which is seasonally inaccessible by road. Opening up these areas is a big undertaking each year. Most of the roads are barely visible and are carved up by thousands of animals during the rains. Relying on local authorities to grade these roads is foolhardy and we therefore require some serious - and expensive - equipment to do so ourselves."

Furthermore, there is the cost of providing services such as connectivity. There are no Internet providers in remote areas, says Coppinger, so lodges have to install expensive satellite systems for on-site offices and for guests who demand and expect access to the web.

Off-grid generators and renewable energy incur a substantial cost, says Paige Gehren, Environmental Economist for Isibindi Foundation in South Africa. This is expensive to implement and maintain as it often requires specialist repairs and maintenance.

Nick Crane, of Simien Lodge in Ethiopia, explains that it cost US\$4500 (about £3300) to bring electricity from the main road to his lodge in 2005. Today, the price would easily be double that.

The cost and transport of food is another pain-point for remote lodges. The management of food is a complex task, as something as simple as running out of eggs can set a company back hundreds of pounds as it often requires private planes to bring the food to the lodge.

Both Gehren and Serian's Walker calculated the price of getting a drink in a remote lodge. "A Coca-Cola could quadruple in price because of the cost of transport to a remote area," says Walker. Meanwhile, Gehren says: "I once did an interesting exercise on the difference between the cost of a cup of tea and coffee in a high-end lodge. The coffee was substantially more. As trivial as they may seem, all the little costs add up when running at high occupancies."

Most vegetables in Botswana are brought up from South Africa, adds Rankin. "That tomato, picked in the Lowveld of SA, goes to market in Jo'burg, shipped to Maun, we purchase it and fly it up to camp," he says, adding that Machaba Safaris is sourcing local produce as well and has created 'local' channels in Maun for chicken and eggs. It doesn't bring down the cost though, and Rankin explains

it is costing on average £450 / US\$600 more per month.

Establishing and maintaining veggie gardens locally isn't always as easy as it sounds though, and often planting vegetables (or any other seeds) is strictly forbidden in national parks.

WHAT DOES LUXURY MEAN IN THE WILDERNESS?

'Luxury' in the middle of the African bush is not the same as it is in a big European city. Although guests still anticipate the same level and quality of amenities, on a safari they also expect that all the activities are included in the price. This means the staff-to-guest ratio is considerably higher on a safari.

Although Hilton Walker of Great Plains Conservation doesn't like the notion of 'luxury' - "What is luxury? My sense of luxury and yours can be totally different" - he explains that when you're charging thousands of pounds or more a night, you need to maintain a certain level of space and exclusivity. Not only does this mean that you only have just a few beds to try and recover your initial costs of building in a vast area of wilderness, it also means that your guest-to-staff ratio needs to be quite high (see box).

"You need to have three to five staff members to look after one guest,"

he says. "That would include chambermaids and scullery staff, chefs and waiters as well as game rangers, guides and the team behind the scenes. There are staff members who are working in the bush clearing the way, who the guests will never see. They often say that to look after a guest, you need an entire village. That is very, very true."

Karl Parkinson, Head of Trade Relations at African Bush Camps, says his team works around the concept of economic nutrition. He explains that almost half of all African Bush Camps' costs are related to team wages and wellbeing: "Aside from the salary that we pay our

staff, we also accommodate, feed and transport them at our expense. And if you consider that we employ over 600 people, it's quite a significant outlay. We also calculated that each of our employees supports seven family members, which means we are supporting significantly more than just the individuals who work in our camps."

IS IT WORTH INVESTING IN A CAMP IN AFRICA?

Most lodge owners agree that owning a lodge in the African wilderness is not the best investment, and if you want to make a lot of money you should rather invest in other things.

"I've been in this business for over 20 years and there's not one company that I've come across that you can say is going after a quick buck," says Parkinson.

"If we are honest, most of us are not in it for profit," concludes Badger. "We do it because we love the life of having a lodge in Africa. We are like owners of football clubs - some do it for ego, others for the love of the game. In the case of lodges, most of us do it because we started something that seemed like a good idea at the time and then we get attached to Africa at the hip. Forget investment. There are no big returns." 🐾

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GREAT PLAINS CONSERVATION
CENTRAL AFRICAN WILDERNESS SAFARIS

CASE STUDIES

As we've learned, the rates charged by camps and lodges vary dramatically, governed by many variables. With this comes a degree of expectation around quality, exclusivity, service and experience. Inevitably there will be some compromises, but there are excellent examples at all levels, so you should be spoiled for choice regardless of your budget. Here we look at a camp at the highest end of the market, located in Botswana, which has a low-volume/high-value policy to protect the environment, and a long-established facility in Malawi

GREAT PLAINS DUBA PLAINS CAMP

Where: Okavango Delta, Botswana

Cost per night: From US\$1995

Beds: Five double/twin tents, plus a private family suite for up to four people
Staff: 49

Size of concession: 33,000-hectare private reserve

Activities: Morning and night game drives, fishing, canoeing and boating. (Spa treatments and scenic helicopter excursions at an additional cost.)

Lease: A 15-year agreement with the Okavango Community Trust, running from 2011 to 2026.

Commitments to habitat and local communities:

- The Treeworks Project, which applies teak oil to trees to protect them from elephants
- The camp is 100

- per cent solar-powered and plastic-free
- Monitoring and recording all wildlife sightings for data mapping.

Origin of food and other resources: The camp sources all foodstuffs locally, except for specialty foods and alcohol, which come from South Africa. It sells curio items from local craft groups it helped set up.

Community projects:

- To name a few:
 - Solar Lanterns: provides safe lighting to families, removing their reliance on paraffin lanterns and candles
 - Solar Mamas: Great Plains took nine local ladies to India for six-months to train in solar engineering. On their return, the 'Solar Mamas' shared their knowledge and set up

- solar power plants in their communities
- Kids Conservation Camps: Duba Plains hosts week-long programmes throughout the year for local kids. The camps increase their knowledge of the ecosystems they live in, the value of conservation, the role of tourism and potential career opportunities.

Conservation work supported:

- Rhinos Without Borders: the project has overseen the relocation of 87 rhinos from high-poaching zones in South Africa to Botswana, where they are monitored closely. More than 50 calves have been born in the Okavango Delta since the start of the initiative. It has also brought employment to the area.



MVUU LODGE AND CAMP

Where: Liwonde National Park, Malawi
Cost per night: Average US\$200 (pre-Covid)
Beds: Lodge 16, Camp 34
Staff: 103
Size of concession: 600sq km, shared with two other camps within the park
Community projects: Supports

- HELPchildren.org (helps 1000 primary school children),
- ChildrenintheWilderness.com (conservation education in schools),
- RoottoFruit.net reforestation programme