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Green visions, red ink

By Michelle Baran, June 02, 2009

The global economy went into a meltdown last year just as the green travel movement had begun gaining significant momentum with ecofriendly hotels, improved fuel efficiency across all transportation segments and the growing popularity of carbon offset programs. The effort reached a high point in October, when thousands gathered at the World Conservation Congress in Barcelona to establish a coherent sustainable-travel agenda.

Throughout the downturn, the challenge has been to protect green momentum from markets awash in red ink.

While the goals of all those players remain lofty, the persistent economic strain on companies' finances since last fall has to some extent made it harder to justify the cost of green initiatives. But in a serendipitous twist, it turns out that many green initiatives also help cut operating costs, which is giving businesses across the spectrum an incentive they didn't have before the credit crisis turned Western economies sour.

"I don't want to overstate this, but in some ways the economic issue has been good for sustainability," said Ted Martens, director of outreach and development for the nonprofit organization Sustainable Travel International. "People are saying, 'I need to look at the ways that we use water, or other resources.' People are coming to us saying, 'What are these low-hanging-fruit opportunities that show a return on investment in a short period?' This global economic crisis has helped companies refocus some of their energies on being more efficient."

Still, not all green measures are low-hanging fruit, i.e., the quick fixes that can be adopted with relatively little cost upfront yet produce almost immediate returns, such as replacing all the incandescent light bulbs in a hotel or on a cruise ship with more energy-efficient fluorescent or LED bulbs.

And with less access to finances, the fact remains that companies are more restricted in how much they can or want to invest in green measures that require significant capital.

"In an ideal world, I'd love to build state-of-the-art ships that are as efficient as possible," Sven Olof-Lindblad, president of Lindblad Expeditions, told attendees at the Conde Nast Traveler World Savers Congress in New York last September. "But

a ship like that, for the 100 to 150 passengers we carry, would cost \$100 million to \$200 million. I don't know how to get a return on my investment at that price. It's hard to live with that contradiction."

The irony of that statement is that Lindblad is a respected environmentalist who has been widely applauded for his efforts on behalf of conservation in places like Mexico's Gulf of California, Honduras and the Galapagos.

"For the most part a lot of the sustainability measures, the first steps that companies take, come out of marketing and operations budgets, and those are hurting right now," Martens said.

Even the initial phase of green efforts -- evaluating energy consumption and creating a "green team" of employees tasked with analyzing and implementing green measures -- requires hiring people or setting aside resources that cash-strapped companies often don't have right now.

"The companies that are already engaged in it haven't let up," Martens said. "They're not cutting anything. They've already realized the benefits. But those that are just exploring it for the first time, maybe they're putting it off, because maybe they don't have the money right now to explore it."

Staying green through the storm

In fact, sectors of the travel and transportation industries that initiated ambitious green plans before the economic crisis are moving forward apace. For example, Boeing's much-anticipated 787, scheduled to make its debut flight this month, will consume 20% less fuel than existing aircraft with comparable capacity. And while the project has been delayed two years and has seen 32 orders canceled, Boeing still has 878 orders for the plane from 57 customers. That adds up to \$148 billion in revenue, a record start for a new Boeing design. The first 787 is scheduled to be delivered to Japan's All Nippon Airways in the first quarter of 2010.

In the cruise industry, Celebrity Cruises and MSC Cruises are among the sector's leaders in efforts to build greener vessels. Celebrity's Solstice class of ships, the first of which sets sail in October, boasts, among other green elements, a fuel-efficient hull, energy-efficient LED lighting and a window coating that reduces the amount of heat passing through a pane without reducing light. With four more Solstice-class ships in the pipeline, Celebrity remains on its green track despite the economic downturn.

MSC Cruises, too, is on track to build its second environmentally friendly ship, the MSC Splendida, which will join the company's fleet this summer. Both the MSC Splendida and its sister ship, the MSC Fantasia, which launched in December, implement energy-saving measures plus greatly improved treatment systems for black and gray water.

Motorcoaches have always represented a surprisingly green form of travel, averaging 206.6 passenger-miles per gallon, according to the American Bus Association. Yet, even here, significant improvements are under way. In 2006, there was a nationwide introduction of coaches powered by ultralow-sulfur diesel, which emits 97% less sulfur than its predecessor, according to Eron Shosteck, the association's senior vice president of communications, marketing and media relations. The goal was to reduce sulfur emissions from 500 parts per million to 15 ppm.

"Once you had that fuel and the infrastructure in place, it was called the enabler," Shosteck said, "because it enabled the next generation of clean diesel engines to come on the market in January '07."

What followed was a diesel particulate filter, similar to technology found in self-cleaning ovens, that can capture the particulate matter coming out of the exhaust pipe.

"The modern clean diesel system, which is a function of having the clean fuel but also of having the very highly calibrated emissions systems capturing dangerous emissions before they can come out, is an environmental milestone tantamount to removing lead from gas," Shosteck said. "It would take 60 of today's motorcoaches to get up to the level of emissions that came out of one coach 20 years ago."

Additional regulatory laws set to go into effect in 2010 will require reductions in carbon monoxide emissions. While the measures are statutory requirements, older coaches are grandfathered in, leaving it to motorcoach companies and tour operators to decide when and how they want to upgrade their fleet to the greener standards.

"Certainly the economy is going to play a factor," Shosteck said. "Eighty percent of our operator membership is largely mom-and-pop with 10 or fewer coaches in their fleet. It's a big investment for them to buy a new coach." Yet, he said, many see green as a marketing edge: "They understand that because we have the distinct advantage of having the profile of being the greenest form of travel, there's a very strong advantage in terms of trying to leverage that."

Last year, the Seattle-based motorcoach company MTR Western set out to reduce emissions by more than 75% by buying upwards of 74 motorcoaches with clean-burning exhaust gas recirculation engines, which meet Environmental Protection Agency emission requirements of a 90% reduction in particulate matter and a more



than 50% reduction in nitrogen oxide.

In the hospitality sector, a number of ambitious green efforts are still at full throttle, as well. Starwood, for example, has not shied away from developing its first green hotel brand, Element. By the end of this year, Element will consist of eight properties, all of which will carry the U.S. Green Building Council's Leadership in Energy and Environmental Design certification.

"Once our LEED certification was shown to developers, it became a plus," Starwood Senior Vice President Brian McGuinness said recently. The company, he said, sees green as a competitive advantage "if you want to come out of the box running after the economic downturn with a select-service hotel with paybacks, savings in the ongoing operation of the facility."

When it comes to green hotel development, said Marc Heisterkamp, director of commercial real estate for the U.S. Green Building Council, "what we see doesn't differ with what the market sees in general. It isn't that green projects are more likely to be put on hold [because of the economy] than other projects. We don't see it being impacted any differently."

On the other hand, while the USGBC does not have data on how many hotel projects seeking LEED certification are currently on hold, Heisterkamp said it's inevitable given the current real estate development market that some green hotel projects "certainly have put been put on hold because of the economy."

There are currently 21 LEED-certified hotels in the U.S., with an additional 800 hotels in various stages of development, from planning to finishing or retrofitting, in order to win LEED certification.

Getting a return on green

"The bottom line is that sustainability is good for business," said Martens of Sustainable Tourism International. "When done correctly, it will save you money, you will tap into a growing number of people interested in the environment, and it's good for the environment. I spend most of my time talking to companies about how it makes business sense to be green."

Martens said that green initiatives range from things that give a good, quick return, such as switching out light installations and creating recycling programs, to the things that are great for the environment but don't produce a financial return, such as carbon offset programs.

"It costs money to basically ensure that the greenhouse gas emissions that result from a person staying at a hotel are mitigated," Martens said. "The return on that, you're not getting any money back."

Nevertheless, he said, the carbon offset market was still booming, with most airlines having already established one. And while Martens acknowledges "we

aren't seeing quite the kind of growth that we were seeing mid-last year" in the carbon offset market, he also believes that "climate change is becoming a more tangible theory or subject to people. It's just becoming more and more important."

Yet no one is ignoring the bottom line. The USGBC reports that a LEED-certified property typically sees between 15% and 40% greater energy efficiency and between 20% and 30% greater water efficiency.

"Sometimes that's new properties, where they can make smart design decisions. And sometimes that's existing properties that make new efficiencies," said Heisterkamp. "A property might not replace toilets, because that's a high expense. But there's retrofitting, a very low-expense measure."

Creating a very green building on which positive returns are expected is precisely what Dennis Quaintance has achieved. Quaintance is the owner of Proximity Hotel, a luxury property in Greensboro, N.C., and the first hotel in the country to achieve Platinum LEED status last year, the most ambitious of the four levels of certification.

He anticipates the 102,000-square-foot, \$29 million hotel, which opened in 2008, will be profitable within three to four years.

"There is an urban legend that says that it's too expensive to build green, and we have a \$29 million petri dish that disproves it," Quaintance said. "If you were to have told me when we started this design that we could use 40% less energy and 33% less water -- and not only not hurt, but in some cases enhance the guest experience, and I would not be displeased with the upfront cost -- I wouldn't have believed it."

Among the more than 70 green elements throughout the hotel are its regenerator-drive elevators, which generate electricity when they descend to compensate for the power they need to ascend.

"We found that there was not only low-hanging fruit, we found that there was fruit that we didn't even know was there," Quaintance said.

For example, in searching for recycled and sustainable materials for construction, he found materials that were available at no extra charge to him.

"We asked the concrete contractors, 'What can we do about recycled content?' " Quaintance recalled. They responded that he could use fly ash, the cinders from coal burning. When he asked how much more it would cost, they said, "'Nothing. We'll deliver it for free.' So, I asked, 'Why doesn't everyone use it?' And they said because most customers don't want trash on their property."