

HOTEL OWNERS FOR TOMORROW



Roundtable Series – Hong Kong

18 October 2017

Hosted by Renaissance Harbour View Hotel



Hotel Owners for Tomorrow is a coalition rallying owners across the world to demonstrate their commitment to helping the planet and its people.

HONG KONG ROUNDTABLE PARTICIPANTS

- **Robert Allender**, Managing Director, Energy Use Strategy Advisors
- **Brittany Anthony**, Spa and Wellness Projects Coordinator, Mandarin Oriental Hotels Group
- **Gareth Boytt**, Managing Director, Estilo Hotels
- **Jennifer Cheung**, General Manager, EAST Hong Kong, Swire Hotels
- **Matt Gebbie**, Director, Indonesia, Horwath HTL
- **Fran Hughes**, Director, International Tourism Partnership.
- **Andrew Jones**, Past Chairman, Pacific Asia Travel Association and Guardian, Sanctuary Resorts
- **Brian King**, Professor and Associate Dean, School of Hotel and Tourism Management, The Hong Kong Polytechnic University
- **Eric J. Levy**, Managing Director, Tourism Solutions International
- **Damien Little**, Director Asia Pacific, Horwath HTL
- **Gert Noordzy**, Managing Director, Northside Consulting
- **Eric E. Ricaurte**, Founder & CEO, Greenview
- **Joshua Wong**, Senior Corporate Sustainability Officer, The Hongkong & Shanghai Hotels, Ltd.

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THE 5 ACTIONS FOR BUILDING A SUSTAINABLE FUTURE

To take sustainability to the next level in our industry, hotel owners will make the difference. HOT is simple: hotel owners commit to 5 basic actions. There is no cost to join, and the 5 actions do not require a financial commitment. To support HOT, a coalition is being built of hotel brands, management companies, industry bodies, and other supporters in hotel development to help owners carry out the actions.



1
Incorporate sustainability from the beginning of investment decisions

- Discuss sustainability at the onset of developing a project or acquiring a property to explore opportunities to improve.
- Talk about sustainability, its challenges, and its opportunities with capital advisors, developers, managers, and brands.
- Talk about energy, water, waste and carbon footprint of the building as well as external factors such as climate risk, water stress and protecting nature to identify risks and opportunities to get more value out of your investment.



2
Evaluate one renewable energy project efficiency project per property per year

- Review and consider at least one renewable energy-related project and at least one project relating to reducing energy, water, or waste for each property in the portfolio per year, either onsite or offsite.
- Encourage partners to develop good projects for you to review.
- If you have a portfolio, you can consider one project and see how it may apply across your properties



3
Routinely monitor and benchmark sustainability performance

- Track each property's energy, water, waste, carbon emissions, and community impact for the entire portfolio.
- Review at least once a quarter.
- Benchmark these results among your portfolio, among peers, or through industry benchmarking.



4
Support brand efforts

- Encourage your property teams to actively participate in brand- and management company-led initiatives.
- No-cost options include participating in surveys, using their sustainability software, communicating their initiatives, keeping related signage updated, and participating in global volunteer or community events.
- For independent hotels, demonstrate how you support the branding of sustainability.



5
Share your best practices

- Help spread awareness and best practices that demonstrate solutions that are working to create value for the owner with the investment community.
- Communication methods include case studies, articles, and reports.

ROUNDTABLE SUMMARY

Industry leaders from the Hotel Owners for Tomorrow (HOT) Coalition across Asia convened on 18 October in Hong Kong prior to start of the as part of the initial series of roundtables during the pilot year of the HOT Coalition. The roundtable was a closed-door session of distinguished hotel owners, operators, academics, and hotel development professionals which took place prior to the start of the [HICAP Conference](#), where the HOT Coalition was originally launched and this year continued its call to action at the final awards luncheon. The three-hour session divided sessions into thematic topics, with participants taking turns facilitating the topic and the facilitators engaging the participants toward a productive discussion on the overarching topic of the pilot roundtables: *how to get hotel owners engaged and build a successful coalition to support them.*



HOT Coalition Announcement during the HICAP Awards Luncheon, 20 October 2017.

EMBEDDING SUSTAINABILITY IN HOTEL DEVELOPMENT

Though return on investment is often cited as the primary business case discussion in sustainability, the current climate of hotel development in the region may not be just as aligned. Land owners and developers keen to monetize land opportunities may drive increases in supply although the returns for real estate investment are very thin for hotels in many cases in Indonesia, as pointed out by Matt Gebbie, Director Indonesia for Horwath HTL. While this short-term mentality presents challenges for the business case, the ability to demonstrate efficiency in energy and water to add more points to the bottom line could become a more salient discussion point. To do so however, hotel developers will need to be engaged as one step even prior to owners and investors necessary for building awareness of the issues.

Risk and opportunity aspects were discussed for how the topic could be related. Future rises in energy cost as well as water scarcity present serious risks to the bottom line in many markets. In Bali, for example, hotels may even be trucking in potable water for operational use because the localized supply runs dry, and desalination is becoming more of a development option in design and construction, further raising energy costs. Banks, which will be affected by the solvency of the

projects, surprisingly do not request approaches to these type of sustainability risks in their screening for hotel lending (yet). Damien Little, Director Asia Pacific at Horwath HTL, indicated how this type of information could even be worked better into feasibility studies to build awareness not only in Indonesia but also in China where much of the pipeline is located and awareness is often lacking.

Participants also related the potential opportunity in China to align with central government strategy. Brian King, Associate Dean of the Hong Kong Polytechnic University School of Hotel and Tourism Management, explained that this strategy would have significant implications for the industry and region. The environment is a strategic priority for the Central Government in China, partly in response to the Paris Climate Agreement and efficient operations that advance renewable energy targets provide an opportunity for owners to demonstrate their support for national policies both locally and regionally. This is one potential strategy that might help to engage Chinese owners, the HOT Coalition has often noted that Chinese-based hotel owners are generally uninterested in the topic of sustainability or even efficiency. The prestige attached to owning and developing hotels prioritizes investment and CAPEX on public areas and furnishings over efficient equipment. Additional up-front spending of any kind is frowned upon, even when future gains are proven.

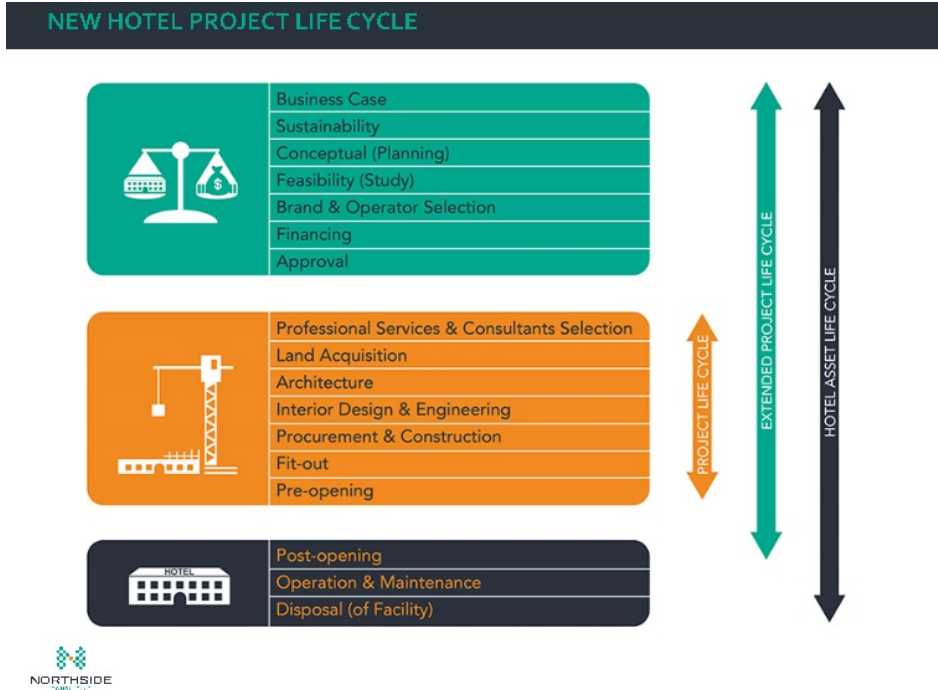
The linkages already start to appear, as can be seen by China's push toward modular construction. Gareth Boytt, Managing Director of Estilo Group, has two hotels in China in the pipeline and explained how they have taken the thinking even further by addressing sustainability throughout the life cycle of modular hotel construction and operation. Developing, owning, and operating, Estilo's hotels will be embedded with green technology in operations, and are intended for efficient replacement in renovations and even the possibility of relocating the building altogether when needed. For best practice to spread and the advantages of embedding sustainability into investment decisions to be attained, however, the industry must become more aware. "We need a lot more education around the topic. Banks, guests, brands, developers, and most importantly the architects," said Boytt.



SUSTAINABILITY IN THE NEW HOTEL PROJECT LIFE CYCLE

Awareness in sustainability needs to be built not only across parties involved, but also vectored into the hotel project life cycle. Gert Noordzy, managing director of Northside Consulting, led the second discussion by framing the conversation within the stages of hotel development and operations. "There are 11,000 hotel projects in the world at the moment," Noordzy indicated. "This development consists of a series of parties that are interdependent, but not integrated. The two terms *Project*

management and sustainability could be interchanged when discussing difficulties of hotel pre-opening cycles.”



Sustainability is most commonly discussed during the operation & maintenance phase of Noordzy’s diagram. Though owners could begin embedding the topic into discussion with its various contractors, participants debated the practicality of doing so when contractors do not face consequences or “blacklisting” for not being supportive. When each contractor is treated in a separate instance, continuity of a *green lens* is difficult. A soft policy statement or commitment was brought up as a possible solution that the owner, or its project manager, would engage all contractors with as a form of starting the discussion.

As to just how to discuss the topic, energy management is a key entry point that will only grow more complex. Robert Allender, Managing Director of Energy Use Strategy Advisors - a firm that provides training to boards of directors for listed Hong Kong companies - brought up the idea of the energy ecosystem, and how the approach should be to get the most value out of the ecosystem. Globally the complexity of energy installation and procurement are growing, with opportunities beyond pure efficiency including enhanced battery storage, purchase power agreements (PPAs), contractual instruments such as sleeve PPAs, community solar arrangements, reverse auctions with green feed-in tariffs, demand response technology, and the selling of excess electricity to other parties or utilities. These aspects encompass various stages of feasibility, architecture, design, and operations.

Energy usage, however, is not a topic usually discussed in the aesthetics and market feasibility of a hotel. Brittany Anthony, Spa and Wellness Projects Coordinator at Mandarin Oriental Hotels Group, indicated how energy usage is not often tangible to the end guest who is envisioned during the process of hotel development. Several participants sounded the need for building a knowledge bank

of case studies and examples that most importantly were structured and worded specific to the various audiences in hotel development, from owner to feasibility to procurement, speaking their language and getting to the point. As Fran Hughes, Director of the International Tourism Partnership mentioned, there is a glut of information available on the internet and other resources, the challenge is properly curating it and putting it in the hands of the right people, and in their own respective hotel dialect.

GREENING UP IN ASSET MANAGEMENT AND OPERATIONS

Hughes opened the discussion with a frank view on the challenges commonly voiced among their members in making hotels more efficient through renovations and retrofits. While approving use of the reserve for replacement funds may be the roadblock in some cases, the hotel chains present at the roundtable offered a tailored perspective as owner-operators responsible for managing their own assets. Participants acknowledged the dual relationship responsibility of the hotel operations where challenges may occur. Joshua Wong, Senior Corporate Sustainability Officer at the Hongkong &



Joshua Wong,
Senior Corporate
Sustainability
Officer, The
Hongkong &
Shanghai Hotels

Shanghai Hotels (owners of the Peninsula brand) offered some examples of challenges as an owner-operator of luxury hotels. First, general managers and chief engineers must balance efficiency and low-carbon opportunities with a myriad of other priorities each year, against limited time and resources. Engaging management with practical information is key to making it a priority. Second, the best practices themselves are never as easy as they appear. Wong provided the example of LED lighting projects, which need to adhere to a high standard for a luxury chain in color temperature and dimmability. When something works well, however, it can be replicated as they have been focusing on proven successes across the portfolio for chiller optimization in reducing its usage by 10%, and building recommissioning could achieve 20-30%. Again, practicality is an important factor as is having adequate information and proven cases.



Jennifer Cheung,
General
Manager, EAST
Hong Kong

Jennifer Cheung, General Manager of the EAST Hong Kong, explained both sides of the equation in her perspective. First, a top-down strategy set by parent company SWIRE properties in their SD 2030 vision of the 5 P's (Places, People, Partners, Environmental Performance and Economic Performance). helps provide a lens to approach these topics across the organization and to Swire Hotels as an owner and operator. It also helps when engaging other stakeholders such as owners with equity stakes in their properties, as well as other general managers. EAST's example of reducing wastage in food waste by serving individual plates for main courses in buffets is a significant

change in thinking about service, but she was able to implement it with the SD 2030 perspective. Best practice sharing is also important to help peers understand the how-to behind success stories and as a general manager, Cheung works to spread awareness among her peer GMs at Swire Hotels.

External partnerships also help spread best practice thematically. Anthony discussed Mandarin Oriental's partnership with the Green Spa Network to find solutions within spa operations, which can be significant sources of energy and water cost. Such practice is also a good linkage back to hotel design, development, and asset management when envisioning the spa as it is directly tied to guest experience and revenue generation, requiring technical expertise in design and operations.



Eric J. Levy,
Managing
Director, Tourism
Solutions
International

“Sustainability is something that all stakeholders need to be aware of. Asset management is where we can work directly and touch upon the financial and environmental benefits in a bridge between operational performance and owner interests. I look forward to the HOT Coalition being a resource for asset managers to use when engaging stakeholders and furthering the cause. You don't have to be a tree hugger to see that this makes business sense these days.” – Eric J. Levy, Managing Director, Tourism Solutions International.

STRENGTHENING THE COALITION

Participants offered numerous suggestions for improving the HOT coalition and spreading the word. Some of these observations are listed below; look for the HOT coalition to pursue these and grow the community for hotel owners to join the movement in building a sustainable future.



Get hospitality students involved so they may learn from industry professionals and become better versed in the discussion beyond just operations.



Find easy wins that can be embedded into feasibility studies so they will be brought to the attention of owners and developers from the start.



Create more curated case studies that focus on returns, and **get the banks involved** so they can review and request similar information when lending, even with simple checklists. *Data rules*, and the Coalition can create unique resources for the audience.



Seek buy-in from General Managers, and communicating in more fun, less boring or ominous tones.



Increase networking opportunities that are themed for the discussions addressed in the HOT Coalition's 5 actions and these roundtables.



Practice design thinking and project life cycle thinking to consider risks and opportunities in sustainability more holistically and frequently.

COALITION MEMBERS

As of 31 October 2017

OWNER SIGNATORIES

Akaryn Hotel Group
Brightland Hotel Pvt Ltd
Cempedak Private Island
Crystal Creek Meadows
Harilela Hotels
The Hongkong & Shanghai Hotels
Hong Kong Cyberport
Intermass Engineering & Contractors
ITC Hotels
Jasminn by Mango Hotels
Nikoi Island
Pt Dua Cahaya Anugrah
Pt Anugrah Karya Bangsa
Swire Hotels
Taj Hotels Resorts and Palaces

INDUSTRY PARTNERS

Estilo Hotels
Hyatt Hotels Corporation
Kokotel Bed & Café
Marriott International
Meritus Hotels & Resorts
Six Senses Hotels, Resorts, Spas
Wyndham Worldwide

NETWORK PARTNERS

GreenOtels
International Tourism Partnership
Pacific Asia Travel Association

SUPPORTERS

Horwath HTL
Greenview
Northside Consulting
Tourism Solutions International
TTG Publishing Travel Trade

Hotel Owners for Tomorrow is a grass-roots initiative of the hotel industry, launched in late 2016 and currently under pilot in Asia for bringing hotel owners to the global discussion of sustainability with financial acumen. There is no cost for owners to join, as this is a voluntary pledge, and the 5 actions do not require a financial commitment.

For more information and to join the coalition, visit www.hotelsfortomorrow.org.

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