



Business Development Consultancy



Travel STAR

A new venture for

Sustainable Travel And Reinvestment

IDB Workshop

June 14, 2007

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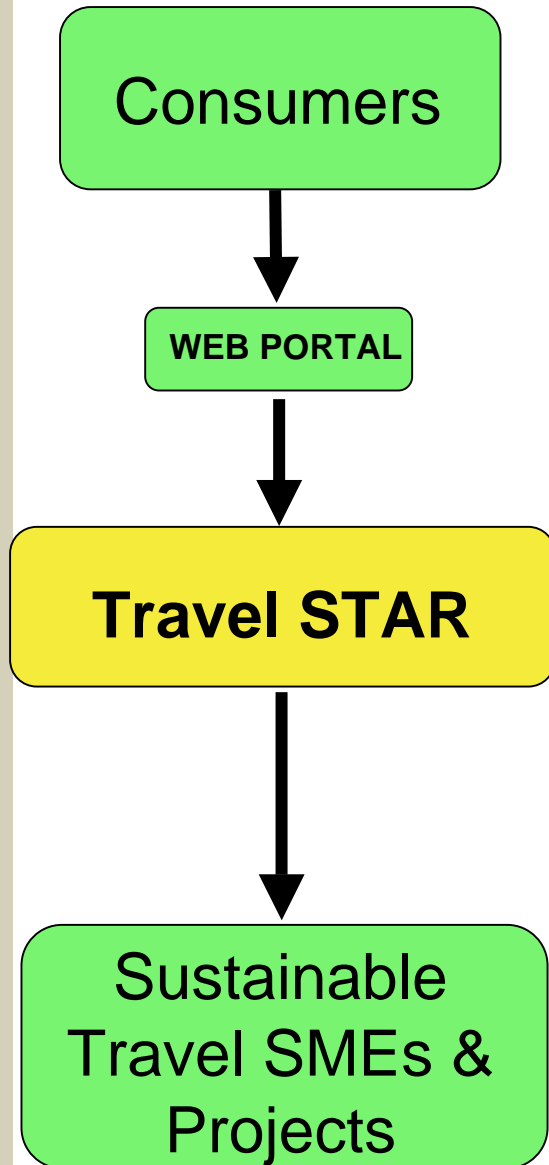
■ Purpose of this meeting

- Report results of MIF Consultancy
- Present the **Travel STAR** business model
- Bring together interested stakeholders for discussion & suggestions

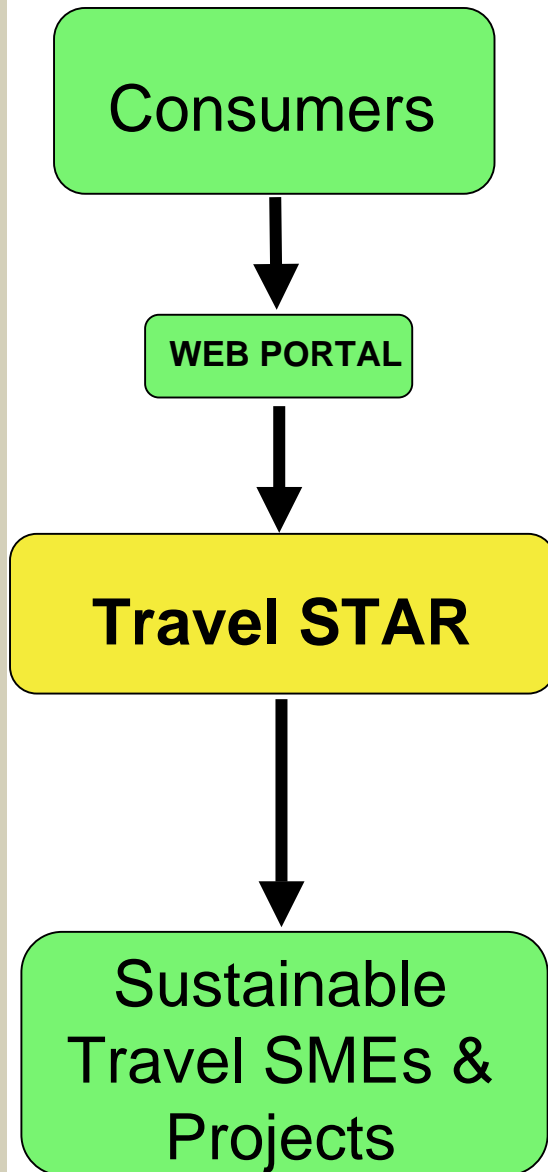
■ Context

- The new landscape of tourism & development and new connections between them
- World's largest (and fast growing) industry, with major ecological & social footprint

- North American consumers are increasingly aware of the sustainability imperative
 - Travel and tourism priorities are thus changing...
(for example, *Newsweek International* and *Vanity Fair*)
 - Over 55 million US citizens interested
 - Many also seek ways to connect with and contribute to local communities abroad
 - Carbon offset sales are growing rapidly
 - However, few mechanisms exist to connect consumers systematically to destinations
- ...and thus support SMEs in sustainable tourism

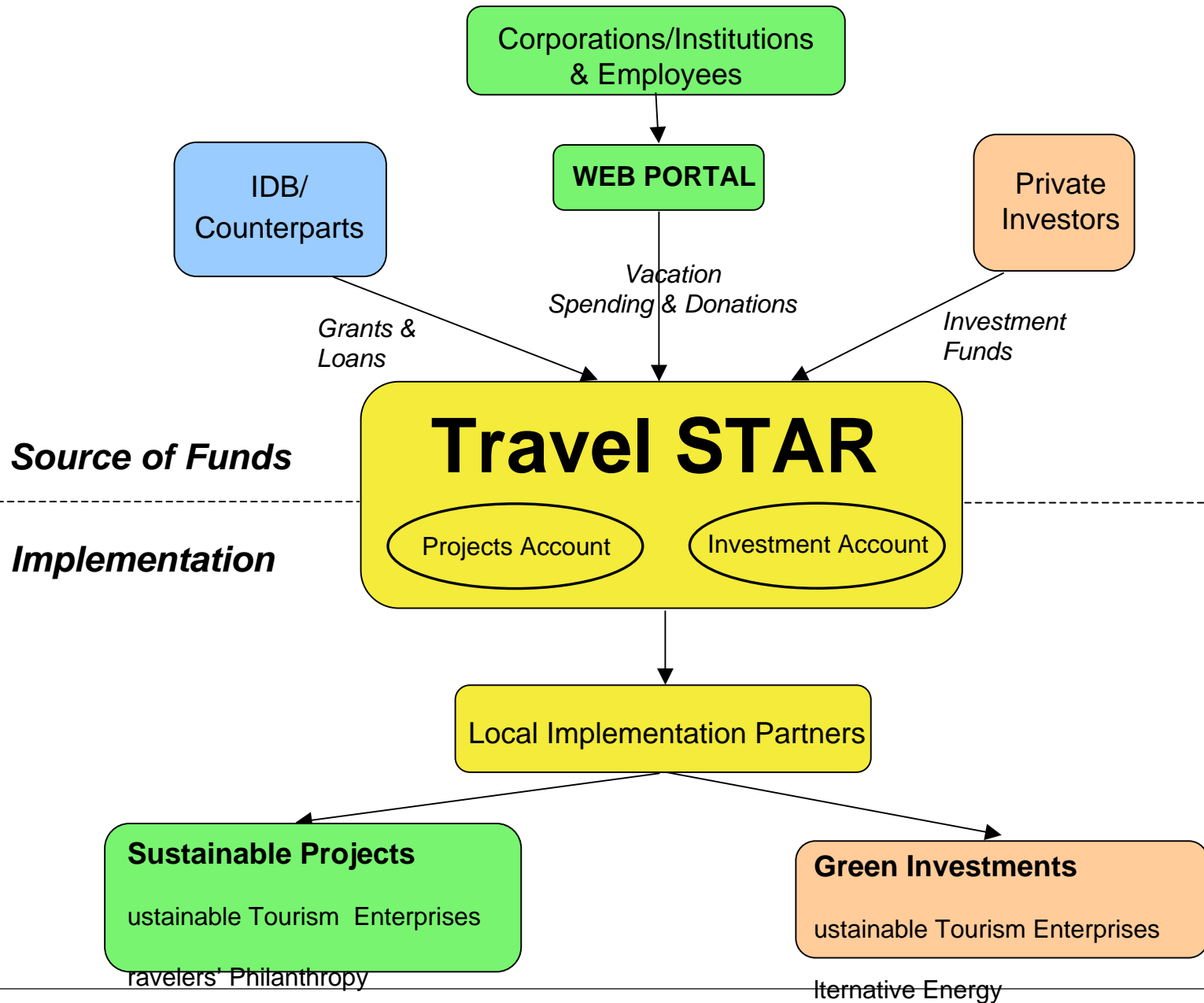


We propose to do
just that,
using an innovative
business model,
"Travel STAR"



But
Travel STAR is more
than a business
model...
it includes
investment &
philanthropy
opportunities as well

Our goal today: explain the model



- In Sept. 2006,
 - the Center on Ecotourism and Sustainable Development (CESD), with Canadian NGO Connexion International,
 - developed a scheme to promote sustainable tourism opportunities among consumers...

- The "Tourism Investment Fund" (TIF) proposed
 - A Vacation Savings Plan to entice consumers to take vacations to sustainable tourism destinations
 - Options for carbon offset & tax deductible donations ("Travelers' Philanthropy")
 - A matching investment & grants program targeted at entrepreneurial SMEs

- Some pieces originated at CESD:
 - Travelers' Philanthropy conference, Stanford 2004
 - Carbon-offsetting project, 2006-07
 - "Green" Tourism Certification research, 2003-2007

- Some pieces originated in Canada:
 - Connexion International introduced vacation savings
 - Modeled after French savings program ("*Cheques de Vacances*"), but with *social & environmental* uses of revenue

- First presented to IDB in late 2006 but model was not sufficiently developed:
 - Unclear management of financial mechanisms
 - Profit versus non-profit questions
 - Uncertain fit with MIF program goals

- IDB enabled consultancy through Italian Trust Fund
 - Marcello Palazzi, Progressio Foundation, Netherlands
 - Megan O'Donnell, Dexis Consulting

- Intensive study to re-conceptualize project and answer MIF concerns:
 - Feasibility study, business plan, proposal
 - Focus Group meetings with financial Leaders:
 - In Washington, DC: February 8, 2007
 - At Stanford: April 6, 2007
 - Site Visit to Ecuador and Costa Rica, April 2007, conducted by consultant David Krantz

Findings:



- A fundamental argument from TIF remains valid:
There is enormous potential to work with environmentally & socially conscious corporations/institutions in North America to promote ecotourism, carbon offset, charitable donations, & sustainable development in LAC & elsewhere

- But the financial mechanism had to be refocused:
 - More attention to marketing, less to consumer savings
 - More attention to revenue & investment delivery to SMEs

- And the partnership structure had to be reformulated:
 - Sustainable tourism sector remains central focus, with
 - Clear roles for a financial institution, web developer, & investments manager

- A new venture we call

Travel STAR 

(Sustainable Travel And Reinvestment)

- Solid match to MIF goals
- A focus on BOP (Base of the Pyramid) with
- Revenue flows, tax deductible donations, & investments to MSMEs

Findings:



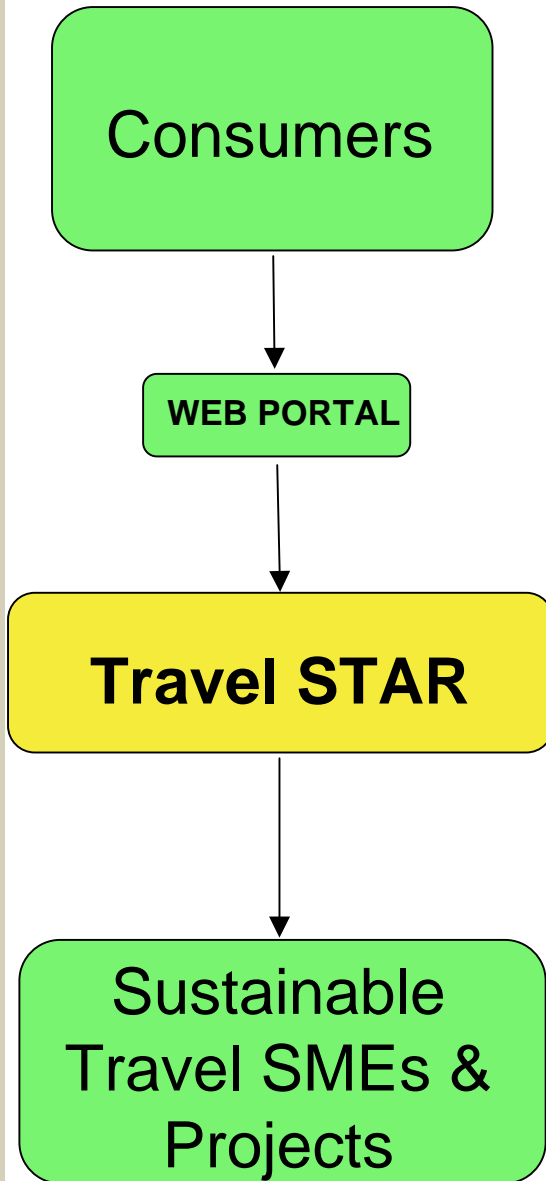
- A new program to be created, "Travel STAR" with key partners:
 - A prominent financial institution
 - An IT/web development partner
 - An investment funds manager already active with SMEs in Latin America & the Caribbean
 - NGO with special ecotourism expertise & contacts, demonstrated research capability in Latin America ...

- Consultancy recommends a leading ecotourism NGO with bi-coastal offices, **CESD**, to assemble the team of partners & coordinate Travel STAR

Travel STAR is an innovative model to connect travelers to eco-destinations

- **Travel STAR** is both a *marketing & development* program focused on sustainable tourism & SMEs in Latin American & the Caribbean
- On marketing side: proposes “one stop shop” for environmentally-friendly vacation planning:
 - Initial emphasis on Ecuador & Costa Rica
 - Model scaleable to expand throughout LAC
 - Offerings eventually made available for worldwide destinations

Vision:

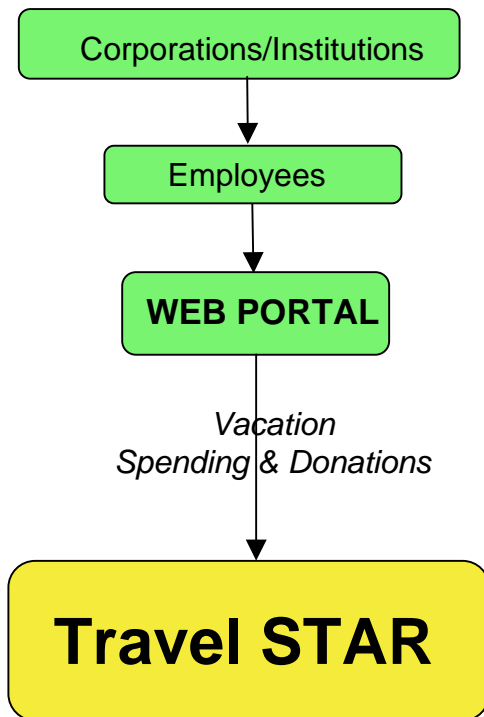


Travel STAR channels
consumer's vacations...

through a "one stop shop"
web portal...

to quality sustainable travel
destinations & projects in LAC

“Backbone” in more detail...



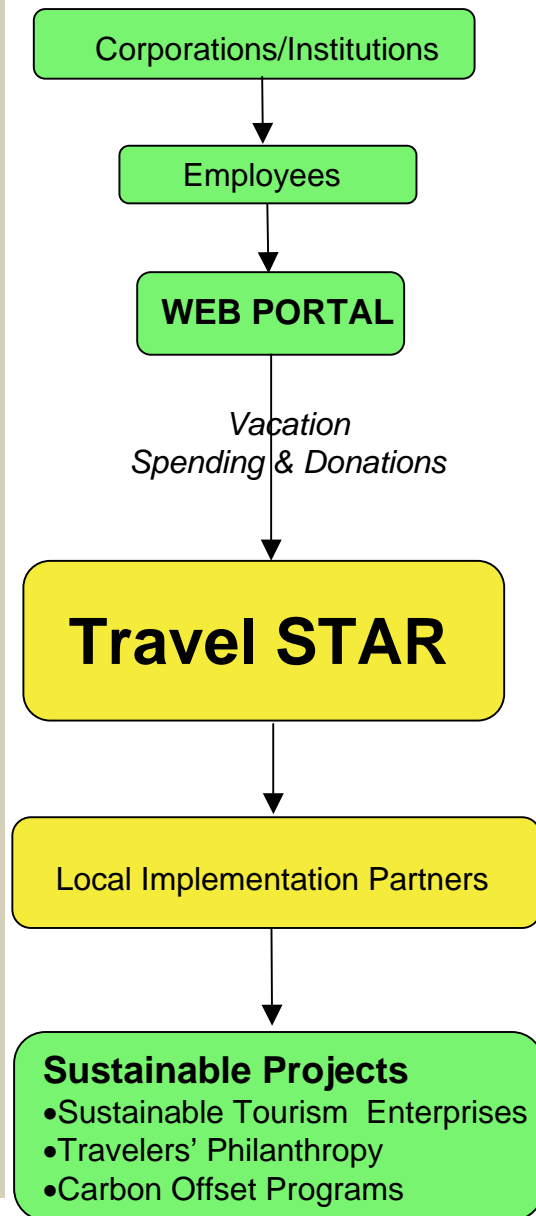
■ Partner with **socially responsible corporations & institutions** to

- Offer vacation saving plan & 'green' credit card
- Build a consumer base
- Leverage with corporate benefits & matching funds

■ Central to **Travel STAR** is a **web portal** for US and Canadian consumers to:

- Book eco-vacations in Latin America (& eventually elsewhere)
- Monitor optional vacation savings & interest
- Calculate & offset the "carbon footprint" of vacation travel
- Make tax-deductible contributions to local causes (called "Travelers' Philanthropy")
- Trigger corporate matching funds for donations

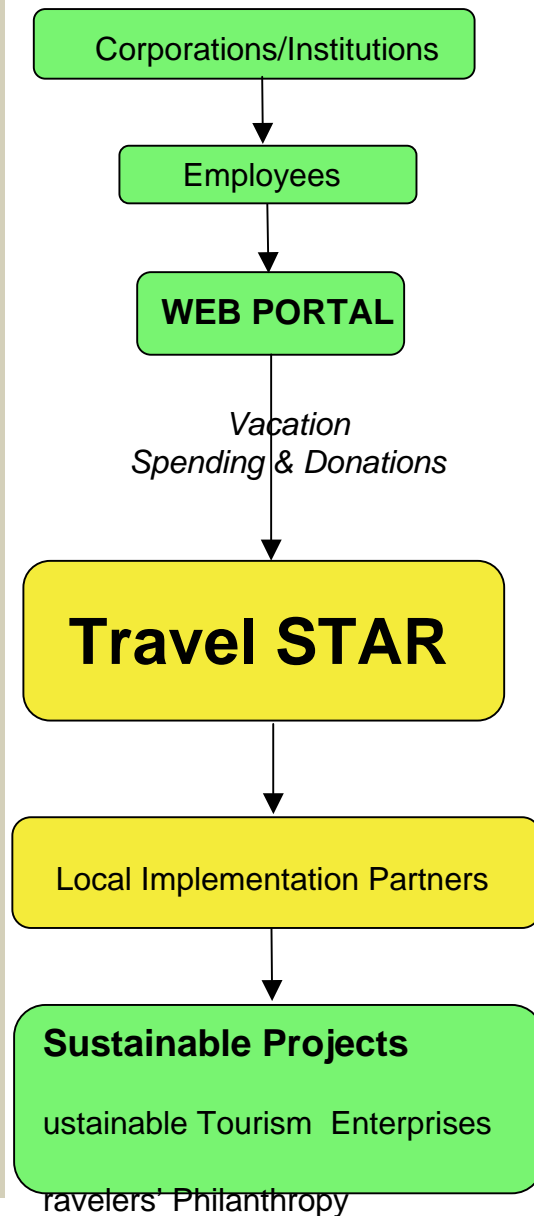
“Backbone” in more detail...



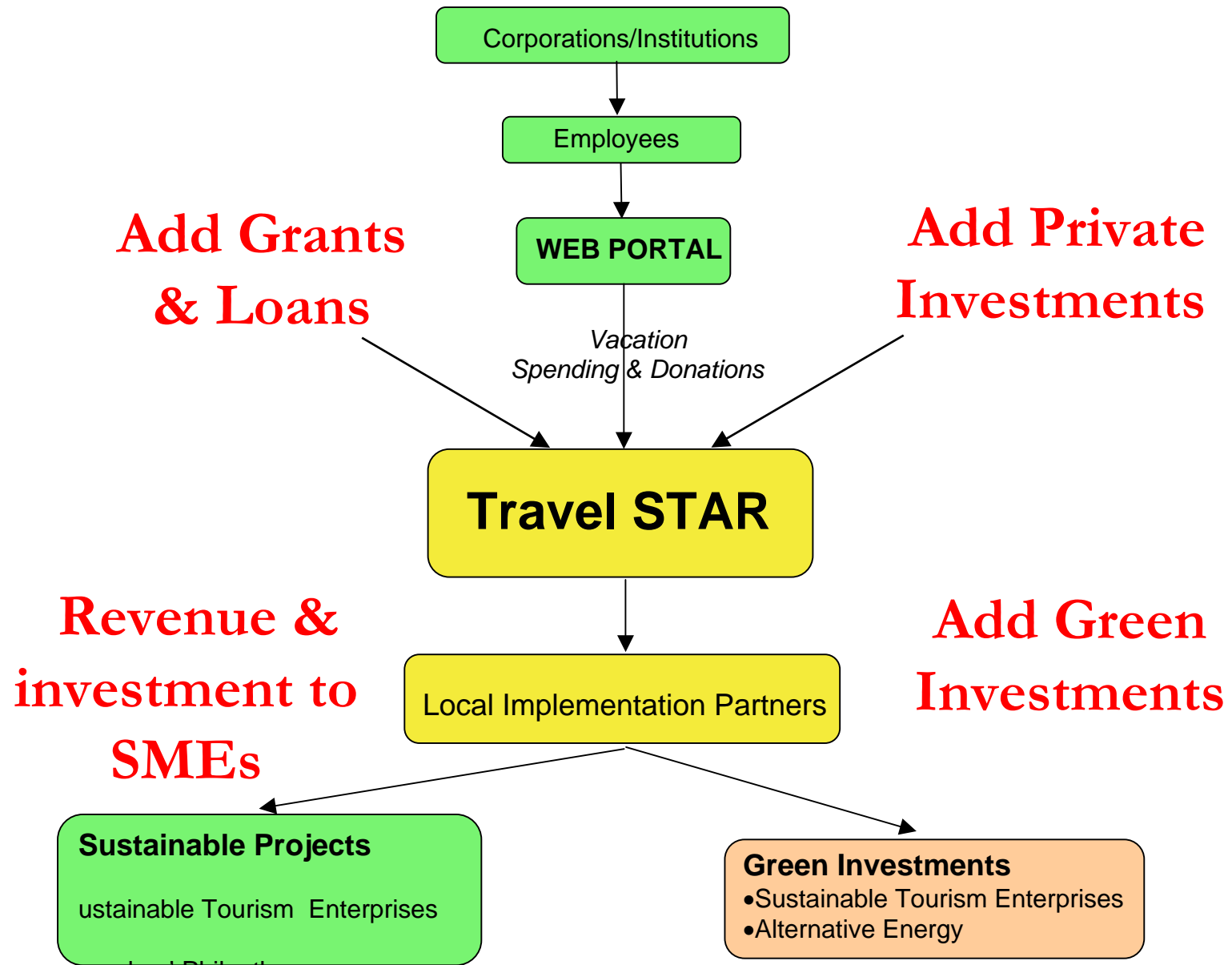
Also central to **Travel STAR...**

- Network of **local partners** to implement sustainable projects:
 - High quality sustainable tourism enterprises
 - Opportunities for Travelers' Philanthropy donations
 - Contribute to carbon offset programs

“Backbone” in more detail...

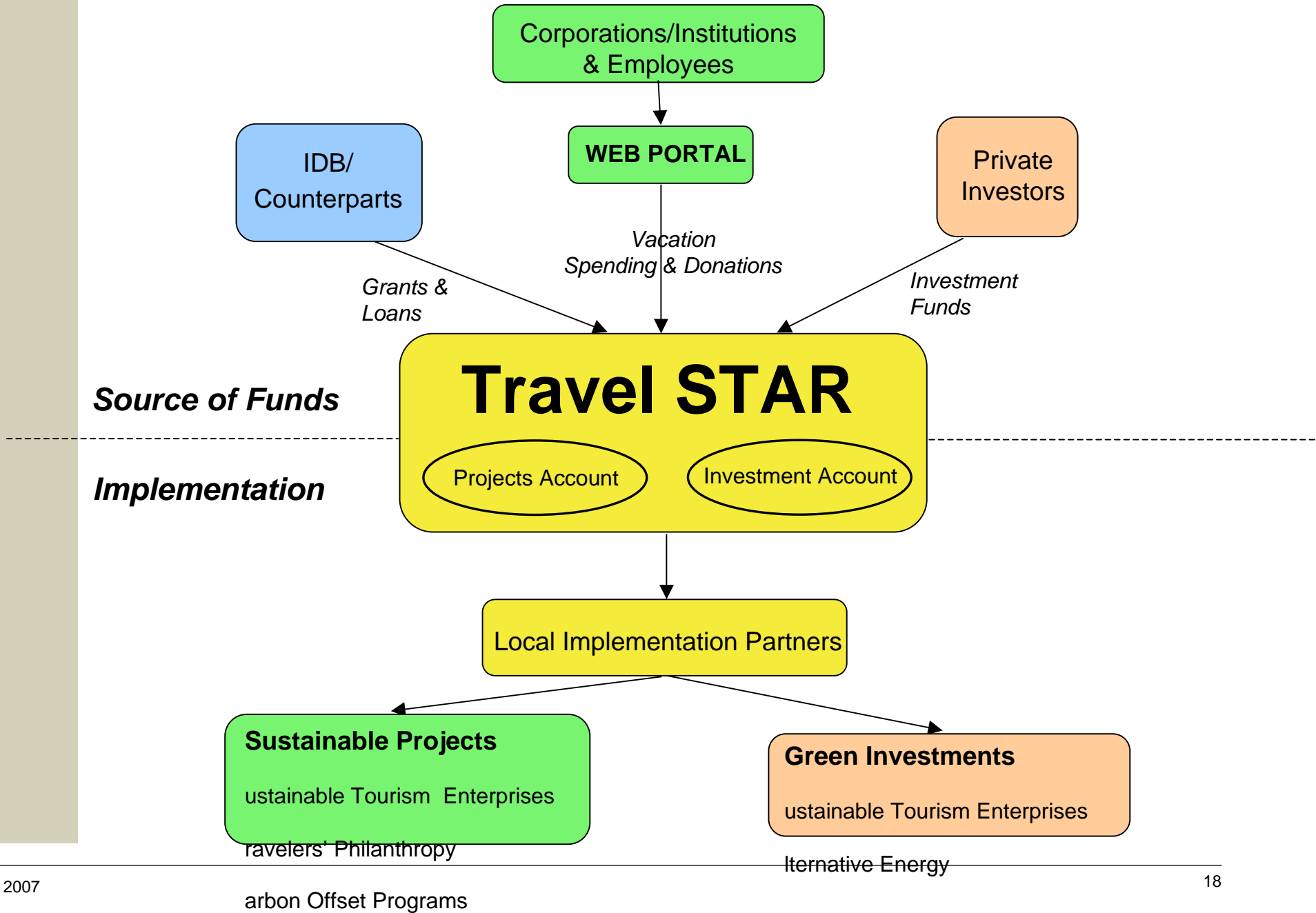


Now to expand the model:



Travelers' Philanthropy

The model

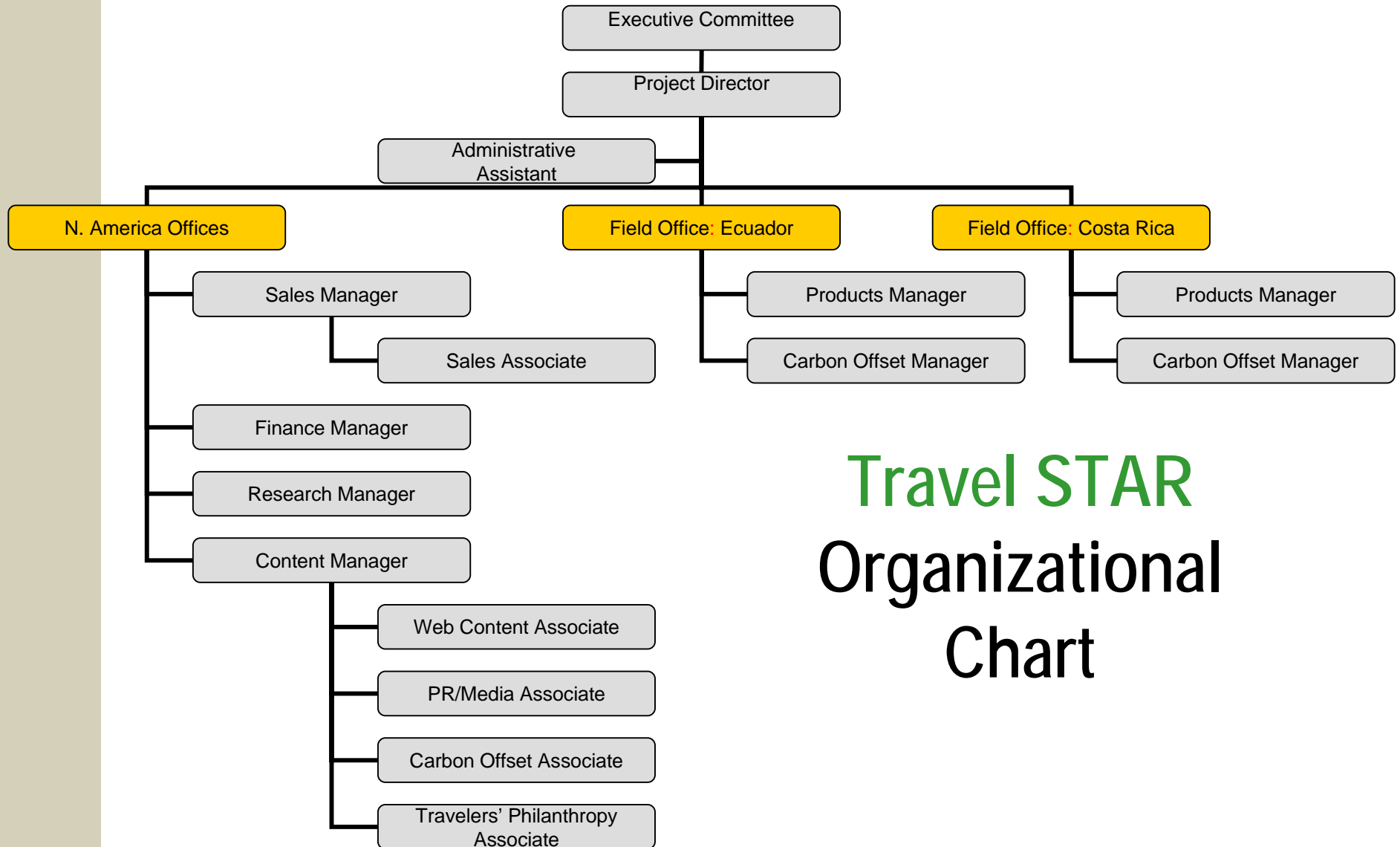


■ Executive Committee

- Financial partner representative
- IT partner representative
- Investment fund representative
- Environmental NGO representative (Rainforest Alliance)
- CESD representative

■ Management Unit

- Executive Director
- Projects Manager
- Financial Manager



Travel STAR Organizational Chart

■ Travel STAR planning team to determine:

- Can this work 'on the ground'?
- Are Costa Rica & Ecuador right places to pilot?
- Who are the best partners?



■ This can work well on the ground

- Excellent ecotourism products available
- Travelers' Philanthropy already delivering results
- Verifiable carbon offset projects present
- Capable & willing partners in place
- Meets a real need

■ Costa Rica is a 'green' leader

Nature Travel

- Historically associated with ecotourism
- Successful eco-certification program (CST)
- World's leading ecolodges and operators
- Already strong Travelers' Philanthropy

Climate Change

- Early adoption of UNFCCC
- 80% of CR energy based on renewable sources
- Visionary carbon tax leading to net reforestation
- President Arias' "Peace with Nature" initiative & support for creating a 'carbon neutral tourist destination'



■ Capable and willing partners:

Ecotourism

- Ecotourism association (CANAECO)
 - Members are world leaders
 - MIF-supported best practices in place
 - Travelers' Philanthropy among them
 - education, conservation, health, micro enterprise development, etc.
 - Untapped capacity
 - There remains a great need for marketing!
 - And an emerging **new threat**: mass tourism



■ Capable and willing partners:

Carbon Offsets

- Forestry carbon offsets (FONAFIFO)
 - Verified carbon offset program
 - Slowed net deforestation by 90%
- Office of the President: "Peace with Nature"
- Green energy projects (COOPELESCA)
 - Local energy cooperative
 - 100% renewable technology
 - 100% profits locally reinvested
 - Access to NRECA members



Ecuador: great pilot site



■ Ecuador is also a great pilot site

Sustainable Tourism

- Unique & attractive product (Galapagos-Coast-Andes-Amazon)
- Government supporting sustainable tourism
- Private sector positioning to be Andes ecotourism leader
- Travelers' Philanthropy a growing best practice

Climate Change

- Good offset projects in place
- Government & NGOs working together
- Past testing phase & ready to scale up



Ecuador: great pilot site

■ Capable and willing partners:

Ecotourism

- Ecotourism association (ASEC)
 - High quality members with wide variety of products
 - MIF–supported best practices in place
 - Travelers’ Philanthropy among them
 - education, conservation, health, micro enterprise development, etc.
 - Ready to partner with Travel STAR



Ecuador: great pilot site

■ Capable and willing partners:

Carbon Offsets

- Forestry carbon offsets (Conservation International)
 - CDM certified reforestation with native species
 - Multiple benefits to communities
 - “Turn-key” projects ready to scale up
- Green energy projects (CORDELIM)
 - Large portfolio of energy projects on tap
 - Ready for jump starting...



■ Costa Rica

- Energy instability (rolling blackouts)
- 20% below poverty line
- Large deficits straining safety net

■ Ecuador

- 41% below poverty line
- 47% underemployment
- Need for diversification

■ Travel STAR would

- Grow demand & therefore jobs
- Encourage uptake of best practices
- Grow effective community development initiatives
- Diversify economies (tourism, offsets, energy)
- Stabilize energy supplies
- Add to rural electrification
- Encourage biodiversity conservation
- Combat global warming

Diverse income sources provide
diversification & leveraging

- Rebate to **Travel STAR** from lodges & operators
 - 7.5% rebate calculated on non-air portion of trip

- Revenue from corporate/institutional programs
 - Membership fees paid by employer
 - 50% matching assumed for TP & carbon offset

- Fees from investment activities
 - 1% transaction fee on funds sourced
 - Terms to be negotiated with partners
 - Internally managed fund to be explored

- Online savings customer referrals
 - Assumed \$25 per new member
 - Share on % return on deposits to be explored

- Other fees:
 - Web site advertising
 - Travel insurance
 - Etc.

Direct sales to corporations/institutions drive growth

- Sales targets forecast for:
 - 10 client organizations in Year 1 to 50 in Year 5
 - Average employee base: 5,000
 - 3% growing to 7% of employees become members
 - Revenues ramp from \$168k in Year 1 to \$1.8m in Y5

	Y1	Y2	Y3	Y4	Y5
Target # of client companies	10	20	30	40	50
% of employees in program	3%	4%	5%	6%	7%
# of members	1,500	4,000	7,500	12,000	17,500
Travel STAR forecast revenues	\$168k	\$428k	\$794k	\$1.2m	\$1.8m

Costs cover offices, technology, research marketing and other program implementation

Travel STAR headquarters in DC

- Satellite office at Stanford
- 2 field offices in Costa Rica and in Ecuador
- Co-location possibility with field partner

Technical Assistance

- 11 DC/Stanford and four field staff by Year 5
- Program director
- One manager per technical area

Consulting fees

- Technology launch
- Legal support

Funding Requirements



Through prudent financial management, Travel STAR will be financially sustainable in five years

■ Funding contribution requested

- IDB \$2 million
- Counterpart funding \$856K (½ grant, ½ in-kind)

	Y1	Y2	Y3	Y4	Y5
IDB	800k	600k	450k	150k	-
Counterparts (cash portion)	428k	-	-	-	-

■ Travel STAR cash flow positive

	Y1	Y2	Y3	Y4	Y5
Cumulative Surplus/Deficit	+142k	+37k	+28k	+41k	+275k

Economic Outcomes



\$24.3 million in annual economic contributions
estimated by Year Five of Travel STAR

New Flows into Local Economies (\$US million)					
	Y1	Y2	Y3	Y4	Y5
Vacation spending in local economies	2.0	5.3	9.9	15.7	22.4
Carbon offset sales	0.1	0.2	0.3	0.5	0.7
Traveler's Philanthropy contribution	0.1	0.1	0.2	0.4	0.6
Corporate matching (%CO+%TP)	0.1	0.1	0.2	0.4	0.6
New investment	0.5	1.0	1.5	2.0	2.5
Total	2.7	6.7	12.2	16.9	24.3

In sum: What will Travel STAR do?



Travel STAR

- From the **consumer's** view:
 - Encourages vacations
 - Incentivizes responsible travel
 - Integrates carbon offset
 - Facilitates donations & corporate matching

- From the **corporate employer's** view:
 - Good for employees (staff benefit)
 - Good for business (rested employees)
 - Good for image/PR (sustainability message)
 - Not costly

In sum: What will Travel STAR do?



- From **sustainable tourism destination** view:
 - Definite marketing advantage
 - Investment & capacity building
 - Promotes international philanthropy to local communities

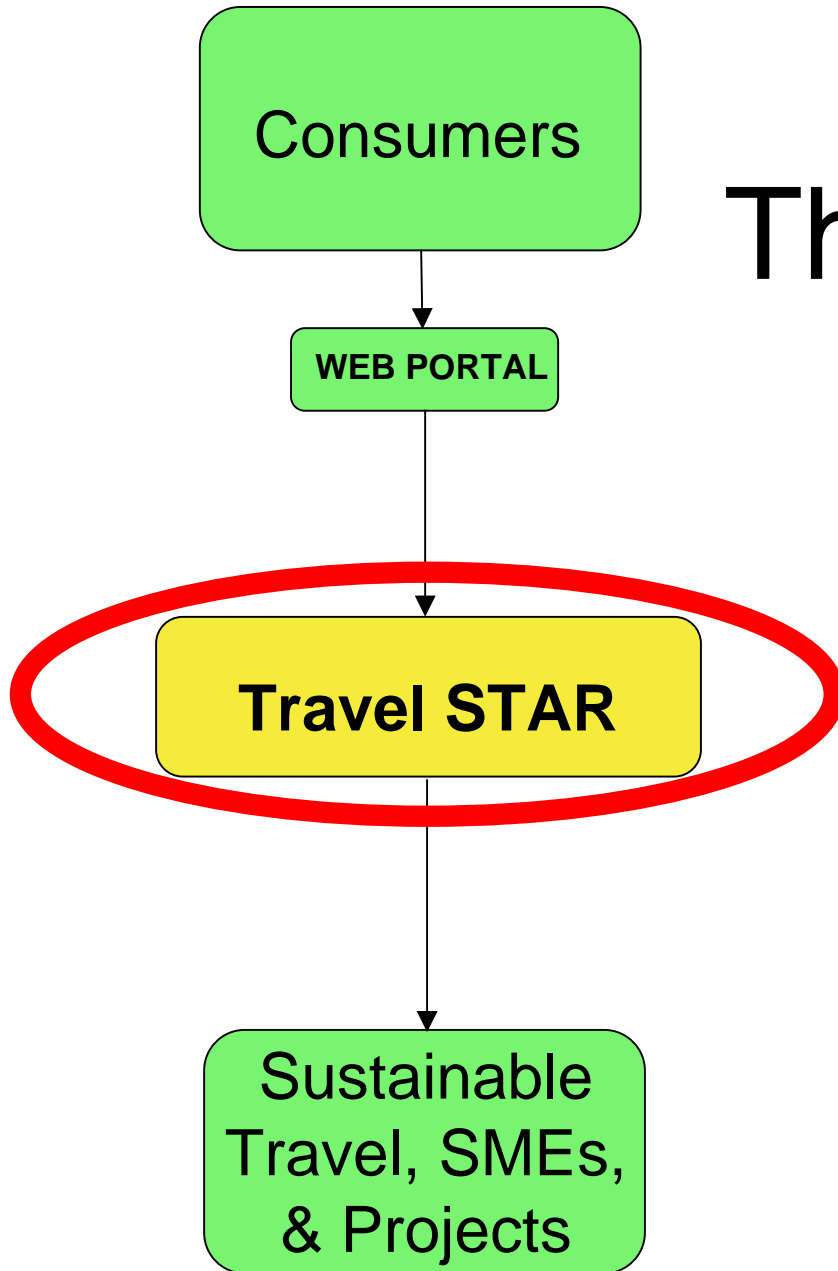
- From the **local community** view:
 - More local spending
 - More jobs, more income, more SMEs
 - Capacity building
 - More funding for local needs & conservation

In sum: What will Travel STAR do?



- From the **investors'** view:
 - **"Multiplier Effect"**: many related benefits of initial investment, including products of Travelers' Philanthropy

- From the **development agencies & foundations'** view:
 - **Tremendous leverage**: a chance to see big differences from small increments of grant support



That's **Travel STAR!**

Presenters:

- Marcello Palazzi, Italian consultant
- Megan O'Donnell, American consultant
- William Durham, Stanford University
- David Krantz, CESD consultant
- Patricio Tamariz, Fondo Mixto, Ecuador
- Patricio Gaybor, Exec. Dir., ASEC, Ecuador
- Erick Vargas, Board member, CANAECO, Costa Rica
- Juan Carlos Romero, Coopelesca RL, Costa Rica

Thank you for your attention