

RESPONSIBLE TRAVEL AND TOURISM THINK TANK
*Climate Change as Catalyst for Corporate Social Responsibility and
the Evolution of Our Market System*

A Briefing Note To Stimulate Discussion

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*Rarely do we find men who willingly engage in hard, solid thinking. There is an almost universal quest for easy answers and half-baked solutions. Nothing pains some people more than having to think. **Martin Luther King***

*The world we have created is a product of our thinking; it cannot be changed without changing our thinking. **Albert Einstein***

1. INTRODUCTION & SCOPE

Welcome to the first think tank on Responsible Travel and Tourism in Canada, sponsored by Baxter Publications. In light of the magnitude and pace of change affecting our sector, we believe it is time for some hard thinking. While a number of critical factors are currently impacting the tourism industry -- energy prices, economic recession in source markets, technology, global competition, labor shortages etc., the RTTF Think Tank is designed to focus on the following key areas of discussion:

1. The impact of climate change on the tourism industry;
2. Changes in the way the market system applies values to the natural “services” (air, water, landscapes etc.) that have, until now, been freely available: and
3. The rise of values-based business and the emergence of Corporate Social Responsibility (CSR) for competitive advantage and long-term business sustainability.

2. PURPOSE

The purpose of this event is to assemble a diverse set of leading travel and tourism practitioners to:

1. Determine whether there is a shared understanding of the nature and implications of these change drivers and their inter-relationships;
2. Explore the opportunities and risks associated with climate change and determine what kind of responses are needed at the enterprise, national and international levels;
3. Consider how prepared the tourism economy is to deal with these three change drivers at both strategically and tactically and examine incentives for action, barriers to implementation, costs

and benefits;

4. Share knowledge, concerns, best practice and experience;
5. Identify what gaps in knowledge, skills and resources need to be filled and from where before action is taken and Canada can assume a leadership position; and
6. Develop a set of recommendations that will stimulate and encourage practical actions.

We recognize that these are bold objectives for a highly complex and often contentious set of issues. The think tank scheduled for October 14th is conceived as the very early beginnings of what needs to be a long and rigorous dialogue as a precursor to forming some recommendations for peers in government and the private sector.

3. YOUR PARTICIPATION

To facilitate discussion, we have prepared ten questions for your consideration. We would like you to e-mail us your response to preferably all – or at least five -- questions of your choice – by September X. Your input will form integral part of the think tank and will be used to structure discussion around themes identified as most relevant to you. On October 15th the think tank facilitator, Anna Pollock, will present conclusions drawn from the think tank to the larger group attending the Forum.

Questions

1. To what extent does climate change warrant and need an integrated national response from all facets of the Canadian tourism economy?
2. Are there issues of greater importance and urgency affecting tourism – if so what?
3. What aspects of climate change concern you the most and why?
4. What are the greatest impediments to reducing tourism's contribution to greenhouse gas emissions?
5. What drivers are most likely to stimulate and accelerate action that will result in the reduction of GHGs?
6. How do you expect climate change to impact your organization/enterprise most over the next five years?
7. Name three companies outside the tourism economy whose CSR strategies have impressed you and be prepared to state why?
8. Can Canadian tourism enterprises and destinations enjoy any competitive advantages by adopting aggressive CSR-related policies and programs?
9. What role, if any, should tourism businesses play in protecting and enhancing the environmental resources on which they depend?
10. Where, if at all, do you see the greatest opportunity for Canada's tourism economy to take the lead in developing progressive CSR-related policies and practices?

To help stimulate your thinking, and not bias your answers (!), we have prepared a short summary of each issue and recommended some stimulating but optional reading. PDFs of the recommended resources are accessible here: <http://icarusfoundation.typepad.com/icarusblog/rttf.html>

4. RESPONDING TO CLIMATE CHANGE – THE LEADERSHIP IMPERATIVE¹

While the global travel and tourism industry had little to do with previous large-scale environmental threats such as chemical pollution, acid rain, biodiversity loss, and the depletion of the protective ozone layer, it cannot avoid dealing with the global warming associated with greenhouse gas emissions.

This brief cannot do justice to the wealth of information on the relationship between climate change and tourism that has emerged over the past three years². Instead, we highlight the magnitude of the challenge if tourism is to both make an equitable contribution to emissions reductions and to adapt to the direct and indirect impacts that climate change will have on its own mid and long-term sustainability.

In the words of the former Secretary General of the UNWTO, Franco Frangialli, tourism is both a victim and vector of climate change. Tourism's future depends on a number of factors that climate change might affect to varying degrees: economic vitality, resource shortages, inclement weather, increasing costs, ecological fragility, and shifts in consumer behavior and perceptions etc. While tourism is a relatively modest contributor of carbon-related emissions today, its projected growth are likely to increase its relative contribution in the future.

The Size of the Challenge

An increase in the overall global average temperature by 2° C over pre-industrial levels is generally considered the threshold beyond which the impacts of climate change become potentially catastrophic, hindering the ability of societies in many parts of the world to achieve sustainable development, devastating biodiversity, and setting in motion large scale melting of ice sheets leading to eventual sea-level rise well over 1 metre.

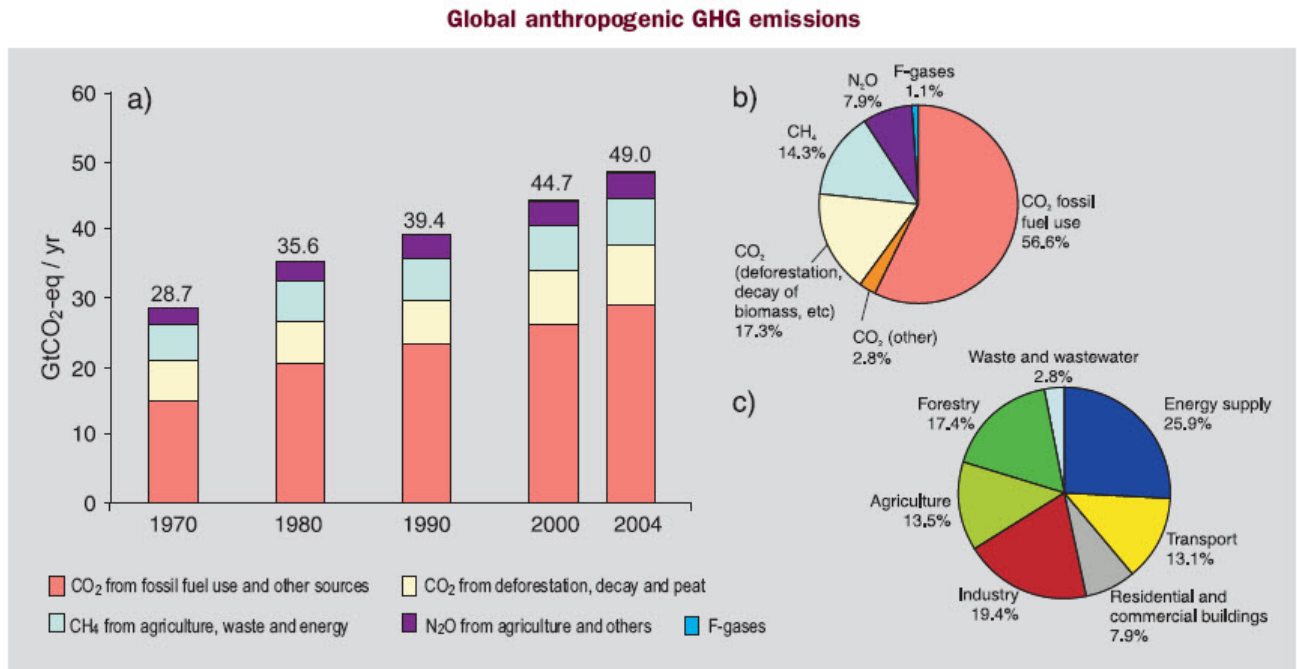
In order to avoid that threshold being exceeded, greenhouse gas concentrations need to peak no later than 2020 and then be reduced by at least 50% over 1990 levels by 2050. Because every year that passes with no abatement only exacerbates the problem, many scientists believe that reduction must start immediately – for example, annual carbon emissions should be reduced by 30% over 1990 levels by 2020.

In 1990, human activity emitted 40 billion tonnes of CO₂e; by 2004, this total had reached 49 billion tonnes as shown in the graphs below extracted from the *IPCC Synthesis Report*. Today the figure is

¹ Edits gratefully received and acknowledged from Dr. Daniel Scott, University of Waterloo.

² Think tank participants are referred to three sources for more in-depth analysis on Climate Change and Tourism: The UNWTO report *Climate Change and Tourism: Responding to Global Challenges (UNWTO-UNEP 2008)* a thorough and definitive report by several scientists commissioned by UNWTO, UNEP and WMO; *Climate Change And Tourism: Where will the Journey Lead?* published by Deutsche Bank Research, April 2008, and *The Climate Change Challenge Implications for the Tourism Industry*, published by The Icarus Foundation, November 2007. All papers can be downloaded from <http://icarusfoundation.typepad.com/icarusblog/rttf.html>

estimated to be 55 billion³ and, without action, this could rise to 85 billion by 2050. Thus, in order to meet the 50% reduction target, global carbon emissions need to fall to less than 20 billion tonnes per year by 2050.



Of these total emissions approximately 66% (24.6 billion tonnes of CO₂e in 2005) are generated by the burning of fossil fuels. According to the UNWTO and UNEP (2008), tourism's contribution is about 1.302 billion tonnes of CO₂e, roughly 5% of the fossil fuel-related total – see table below, extracted from the UNWTO report⁴.

³ *Breaking the Climate Deadlock – A Global Deal for Our Low-Carbon Future*, Tony Blair and The Climate Group. Report submitted to the G8 Hokkaido Toyako Summit, June 2008

⁴ *Climate Change and Tourism: Responding to Global Challenges*, UNWTO, Draft, June 2008

Table 6.1 Estimated emissions from global tourism (including same-day visitors), 2005 (a), (b)

	CO ₂ (Mt)
Air transport	515
Car	420
Other transport	45
Accommodation	274
Activities	48
TOTAL	1,302
Total world (c)	26,400
Share (%)	4.9

(a) Estimates include international and domestic tourist trips, as well as same-day visitors (base year 2005).

(b) Colours represent the degree of certainty with respect to the data and underlying assumptions. Green represents a degree of uncertainty of +/-10%, blue +/-25% and red +100%/-50%.

(c) Annual fossil carbon dioxide emissions (including those from cement production), according to IPCC (2007a), *The Physical Science Basis*.⁹⁷

So what are the implications for tourism, if our industry sector were to reduce its contribution proportionately to the rest of the economy? What might tourism look like in a “low carbon economy”?

If we wind back the clock, we can determine that tourism related emissions would have totaled some 673 million tonnes of CO₂e in 1990⁵. If, on the other hand, we wind the clock forward and the tourism sector continues to grow at 5% per annum as predicted and has roughly the same energy intensity, our sector would be emitting some 2.585 billion tonnes per year by 2020. For tourism to reduce its emissions to 30% below 1990 levels would mean that it could only emit some 201 million tonnes in 2020. In other words, tourism would have to reduce its annual emissions by approximately 2.3 billion tons each year – an amount that exceeds current emissions by a billion tonnes!

The implications of these figures are indeed staggering and require huge behavioural and technological change to transform the global tourism industry. Despite that, they are not necessarily impossible to achieve:

- A combination of improvements within the aviation sector (air traffic control; engine improvements and other design modifications; different methods for moving aircraft on the ground; changing patterns for descent and take-off) could reduce greenhouse gas emissions by as much as 20-30% over the next 10-15 years. But the likelihood of alternative fuels such as biofuels from algae being proven or deployed on a large scale before 2050 is still poor

⁵ Personal calculation based on volume of international tourism in 1990 proportionate to volume in 2005.

- Energy efficiency on the ground could cut energy demand by 20-24%⁶ and if these reductions were combined with switching to renewable energy sources by the accommodation, ground transport and attractions sector, the CO2 “savings” would be even greater.
- Tourism enterprises can encourage the purchase of goods and suppliers from energy efficient suppliers – i.e., go back into the value chain in the same way that buyers of travel services (notably large corporations) will be expecting higher standards from travel suppliers.
- Tourism can play an active role in educating its own employee and customer bases and contributing to the behavioral change needed by consumers. Destinations can encourage the use of less polluting transport modes; marketing emphasis can be placed on value and yield as opposed to volume; and visitors can be encouraged and enabled to travel less distances, stay for longer on their long-haul trips, and select suppliers that have reduced their footprint.

While it is not clear what mix of measures will achieve the reduction goals and what mix of policy “carrots and sticks” might be required, it is also clear that “business as usual” will only exacerbate global warming and is not compatible with the emission reduction goals of the international community. “Business As Usual” is not a realistic option either by choice or default, as expressed by two industry leaders: Peter de Jong, CEO of PATA, *“Unless the tourism industry takes positive action to reduce our carbon footprint – and we are seen to be doing it – others will act for us”* and Randy Williams, President and CEO of TIAC, *“The tourism sector must be part of the climate change solution. If we are not, we will be villainized and rejected as an industry.”*

Furthermore, increasingly ‘carbon aware’ consumers will demand change of our products or visit our competitors who are willing to provide responsible, low carbon options. We can increasingly expect destinations to be evaluated on their environmental performance – for example, the World Economic Forum (WEF) *Travel and Tourism Competitiveness Report* of 2008 includes Environmental Sustainability as a criteria and Canada’s ranking was downgraded by 17 places to a rank of 119 out of 130 in 2008.

It is also clear that reducing or neutralizing one’s carbon footprint will soon evolve from “best practice” to industry standard and that without comprehensive, bold, yet realistic strategies and action, future generations will not enjoy the wealth of destination options we take for granted today. In other words, tourism as we experience it in 2008, will not be sustainable for very long. Key topics of discussion within the think tank will be the need to:

- Scope, measure and understand the full direct and indirect impacts of climate change on in-bound and outbound tourism, particularly to and from Canada; What are the risks and opportunities for Canadian destinations? Which areas and subsectors are at greatest risk and what forms of adaptation from direct and indirect impacts are needed most?
- Anticipate and recommend the mix of measures needed to encourage destinations and businesses to perform in a more climate friendly, responsible manner
- Identify the knowledge gaps and possible ways of bridging those gaps; and

⁶ Breaking the Climate Deadlock – A Global Deal for Our Low-Carbon Future, Tony Blair and The Climate Group. Report submitted to the G8 Hokkaido Toyako Summit, June 2008

- Identify the coalitions and organizations needed to enable what is often described as a fragmented industry come to grips with the climate change challenge in an effective, integrated way.

Climate change provides the tourism sector – along with the rest of business – with both an opportunity and a necessity to innovate on an unprecedented scale. It requires that tourism enterprises pay far more attention to the total cost of doing business and that destinations pay greater attention to the net benefits associated with the visitor economy. Climate change becomes the catalyst and the stimulant for fuzzy issues such as “sustainability” to be re-examined, re-defined and made operationally achievable. In this context, it is highly encouraging that TIAC has identified “Positioning Canada as a Green and Sustainable Tourism Destination” in its *Report on Canada’s Tourism Competitiveness*.

According to Business for Social Responsibility (BSR), it also provides an opportunity for enterprises to use leadership on the issue to create significant business value.

The authors of BSR’s highly stimulating report: *Beyond Neutrality: Moving Your Company Toward Climate Leadership*⁷ suggest that corporate leadership will be linked to climate change in three areas:

1. Building enabling environments - Re-designing a sustainable, profitable tourism economy that can operate effectively when ecosystem services must be paid for and inputs of labour and capital are not as cheap and disposable as in the past. This will require low carbon emitting processes; greater disclosure and accountability; and higher levels of customer and employee engagement – all actions that, under “normal” circumstances are related to higher value, stability and profit.
2. Developing climate-friendly value chains that extend beyond managing emissions from sources that the company controls to those within its broader sphere of influence – i.e., “upstream” to its own supplier base (e.g., “buying local”) and “downstream” to its market – encouraging customers to become environmentally aware and change behaviors (e.g. reducing or eliminating other carbon emitting activities in order to be able to take that desired long-haul vacation).
3. Shaping external systems – Leadership in this area requires business to engage with policymakers, NGOs, media and other influencers to work collaboratively and find ways of co-creating benefits. Instead of playing the victim and seeking special treatment relative to other economic sectors, tourism might do better to take a proactive, leadership role with other sectors, often seen as competitors, such as ICT companies, to identify the appropriateness of virtual substitutes and use technology as a means of diffusing knowledge as well as reducing costs and adding value. As society starts to value items of scarcity in increasing amounts, tourism suppliers might discover new forms of income by stewarding diminishing natural resources or protecting rare cultures and endangered communities.

Climate change encourages the movement away from linear, boxed in thinking to a systems mindset that appreciates the inter-relatedness of phenomena and the impossibility of predicting the future with certainty. In this context, we must ask – are tourism destinations and enterprises equipped with the skills

⁷ Business For Social Responsibility: Beyond Neutrality – Moving Your Company Toward Climate Leadership

and knowledge to adapt not only to environmental forces (reduced snowfall, water scarcity, increased storms etc) but to the increasing complexity and interdependencies of other global factors as energy scarcity, food prices, national security, and disposable income on the volume and pattern of tourism demand?

Finally, to be responsible the tourism economy will be required to pay the true and total cost of the natural resources on which it depends and play a larger role in ensuring their sustainability. As discussed in the next section, climate change is proving to be a force powerful enough to transform the very market structures on which our system also depends. In the words of the UNWTO General-Secretary, 'climate change is calling tourism to a revolution'; a revolution we in the Canadian tourism industry must be a part of.

5. AN EVOLVING MARKET SYSTEM

The travel and tourism economy operates within a market system that is experiencing considerable change and evolution. Some pundits (of all political persuasions) are arguing that the market system is flawed and or showing signs of failure.

- ***“Climate change is the greatest and widest-ranging market failure ever seen”*** Sir Nicolas Stern, Senior British Economist
- ***“The food crisis of 2008 has revealed market failures at every link in the food chain.”*** Economist, April 2008
- ***This is the worst financial crisis since the Great Depression. You've seen the sudden deterioration of perceived credit quality of financial institutions around the world; you've seen the sudden failure of major institutions.*** John Lipsky, Head of the IMF

Our examination of climate change and the need for more responsible business practices cannot be examined in this think tank without awareness of the need for market adjustments.

It's a truism that wealth is created by combining sources of places, people, processes, capital, materials and demand. But this understanding is also flawed if we overlook our need for *sinks*⁸ (places and processes that absorb the waste generated by our production and consumption activities)⁹.

The market system has recognized that sources are assets- they can be owned, bought and sold at a price. Provided there is a demand for it, the scarcer an asset – be it mineral, vegetable, intellectual or

⁸ The term sink is a scientific one to describe a process that acts to absorb or remove energy or a substance from a system, and it not yet widely deployed in the economic literature.

⁹ *Who Owns the Sky: Our Common Assets and the Future of Capitalism*, Peter Barnes, Co-founder, Working Assets Island Press, 2001

capital – the higher its perceived value and the higher its price in a market. Sinks, on the other hand, have not been included in our economic/financial system to the same extent. The atmosphere, oceans, rivers, lakes, soil all absorb forms of chemical and physical waste and, over time, process them into useable, harmless resources. Because the services performed by sinks have not been included in our accounting systems, they've been named as "externalities" and, until recently, they've been free.

This was acceptable and manageable when sinks were abundant, but when they become scarce, it's a different matter. The truth is – we're running out of sinks -- as the following examples illustrate:

- The atmosphere 's ability to absorb and eliminate excess carbon dioxide is reaching a point where the consequences for human and other life forms could be dire;
- The ocean's limited ability to absorb fresh water and various wastes is killing off vast coral reefs, undermining the growth of plankton, changing the strength and location of ocean currents, and accelerating coastal erosion;
- The soil's depletion of organic material due to the input of chemicals results in it literally blowing in the wind;
- Bright minds burned out through over work or stress cease to contribute the creativity needed by society to adapt

While the need to include "externalities" has preoccupied economists and accountants for quite some time, the challenge wasn't perceived as critical while sinks were abundant.

Economists trying to solve the "externalities challenge" have to overcome another problem – market value is determined through the process of buying, selling, lending, borrowing, leasing and renting yet none of these activities can be undertaken unless they are owned in some way. Most sinks are not owned – they are held in common. The question of who owns the Arctic and who has proxy rights to exploit its resources is fast becoming a highly sensitive political issue to countries bordering a thawing ice cap. But while land above and below the oceans may be assigned territorial rights, who owns the sky and the molecules that circulate the globe every day? Who owns the sun – our primary source of energy? The closest we've come to the allocation of atmospheric rights is the notion of airspace and or the broadcast spectrum.

This is why climate change – in addition to changing the weather – is having such a profound impact. It is challenging the very core of our social, political and economic systems. Global warming is just one of many symptoms of environmental distress that the tourism community must address if it expects to sustain its activity. Other symptoms, which must be addressed singly or in combination, include pollution, diminishing supplies of fresh water, species extinction, deforestation and land degradation. The Millennium Ecosystem Assessment (MEA), a report commissioned by Kofi Anan, Secretary General of the United Nations in 2000, assessed the global status and trends of 24 critical ecosystem services including provisioning services such as the supply of fresh water, biomass fuel, food and fibres; as well as cultural, regulating and supporting services that underpin human well being. Furthermore, the MEA concluded that some two-thirds of these ecosystem services are degraded or being used unsuitably while noting that demand for them is rising fuelled by population growth and economic development.

Global society has not yet found a way of valuing the waste processing capacity of the atmosphere in the absence of ownership (property) rights and conventional exchange mechanisms. Furthermore, we're only just beginning to recognize that nature's services can and should be valued as without them, life, let alone human economic activity, cannot be sustained. Furthermore, the truism that "we only value what we pay

for” suggests that unless we can place an accurate price on the use of a service it will be misused or overused.

As the Frank Popoff, former CEO of Dow Chemical succinctly stated:

Air, water and land are not the “free good” our society once believed. They must be redefined as assets, so they can be efficiently and appropriately allocated.

The first attempt to measure the value of these services was undertaken by Robert Constanza in 1997 when their value was estimated at \$33 trillion a year – a figure that presumably doesn’t include the opportunity cost associated with the failure or absence of such life support systems! No wonder we are questioning the efficacy of our current system – *any system that values such a treasure trove of wealth at exactly zero has to be flawed*¹⁰.

In this context it is not surprising that research into ways of equitably valuing, pricing and trading ecosystem services is one of the fastest growing and most innovative research topics within economics.

“If scarce resources are not managed by the market, of course, then other solutions must be found or the resources in question are liable to disappear. Both business and environmentalists have a responsibility to help find effective and socially acceptable solutions for managing ecosystems in the face of increasing demands... The challenge for business, governments, NGOs and consumers is to accelerate the transition from ecosystem management as purely a business cost (i.e., risk and impact mitigation and adaptation) or as a non-profit charitable activity, to developing a supply of ecosystem services as profitable business opportunities.” Source: Markets for Ecosystem Services – New Challenges and Opportunities for Business and the Environment. World Business Council on Sustainable Development (WBCSD) and the IUCN, 2007.

The WBCSD report quoted above identifies three main approaches to applying market systems to ecosystem services:

1. **Direct Payments:** creating incentives for resource managers to supply ecosystem services;
2. **Tradable Permits:** using the market to manage environmental liabilities; and
3. **Certification:** helping consumers and investors make informed choices.

Other mechanisms include taxation (eg carbon taxes), incentives, subsidies and fines imposed by governments as well as mandatory and voluntary offsetting schemes. Cap-and-trade systems appear to represent the best solution by enabling and encouraging markets to reduce their use of sinks while allowing business to figure out the cheapest way of doing its job. Cap-and-trade systems have been used successfully to reduce sulfur emissions that created acid rain and the CFCs that eroded the ozone layer. But cap-and-trade systems relating to use of the atmosphere depend on global agreements on the

¹⁰ *Who Owns the Sky: Our Common Assets and the Future of Capitalism*, Peter Barnes, Co-founder, Working Assets Island Press, 2001

value of the atmosphere and how much each of us is entitled to use,¹¹ and so far no one, to my knowledge, including Costanza, has quantified that value.

The Relevance to Tourism?

This notion of paying for ecosystem services and, perhaps even rewarding businesses and communities that preserve and renew ecosystem services has direct relevance to tourism. There are precedents in the agriculture sector – particularly in Europe – where farmers are paid to maintain the landscape and protect wildlife habitats. This practice is not as widespread in North America.

Tourism is critically dependent on a wide range of natural ecosystem services for its success. It “sells” climate, beautiful and diverse landscapes, the chance to view wildlife in natural settings; the opportunity to play on snow; swim in clean freshwater, sit by a pristine mountain stream or hike a mountain. Nature has never charged us rent and we haven’t passed on the cost to our customers. Nor have those operators who invest in conserving and restoring local habitats been recognized by the broader society for their contribution. It may well be that as tourism operators recognize their dependence on natural systems, they may assume greater stewardship responsibilities alongside interpretation and sales. They may also be compensated for this activity once the full social benefit is recognized and measured.

The tourism economy is an intensive user of increasingly scarce sinks and (particularly energy from fossil fuels needed by the transport sector), both of which can be expected to rise in price substantially over time. Some of these sinks and sources are obvious:

Sources That Are Owned By Others

Fossil fuel
Credit and capital
Food
Water
Intellectual capital and labour
Land
Construction capacity
Human infrastructure- drainage, utilities, sewage, highways etc.

Sources & Sinks That Have Been Freely Available

pristine landscapes
indigenous and pre-industrial cultures
historical artefacts representing past civilizations
atmosphere – clean air and capacity to absorb emissions
water for recreation
wildlife & biodiversity
tranquility
sunshine

Tourism will increasingly find itself competing with other sectors for these increasingly scarce sinks and sources. There may come a time when society will value sectors according to their ability to generate the

¹¹ It’s worth remembering that the atmosphere does more than absorb our waste gases – it supports all life, shields humans from harmful ultra violet light, shield us from asteroids and meteors, maintains earth’s temperatre, replenishes freshwater, carries sound so we can communicate and allows birds and airplanes to fly.

highest and best return on their use of such scarce inputs. How will tourism fare given its propensity to discount prices at every slight downturn in demand?

In the absence of a requirement to pay for sinks and given, until now, a relatively ample supply of resources, tourism services have often been sold at relatively low prices and inflation kept to a minimum. Low barriers to entry and fierce competition, combined with consumer purchasing power, have combined to turn precious and unique experiences into substitutable commodities. Mass tourism flourished on cheap energy, cheap credit, cheap labour and plenty of diverse destinations, pristine landscapes, exotic cultures, tropical water, sunshine and cheerful, cheap labour keen – anxious even – to offer access and affordability – whatever it took, as long as the “golden hoards” kept coming. But as society comes to grip with multiple kinds of scarcity, this situation will change and many questions will be raised:

- Who will be the winners and losers when wealth shifts from the development and sale of sources to sinks?
- What are the strategic and tactical responses that will enable us to survive and possibly prosper through this period of flux and transformation?
- Who should pay for the sinks? For example, airlines contribute to the lion’s share of GHGs but destinations, hotels, airports, attractions, cultural and sporting events benefit from the spending of their passengers and are dependent on those carriers?
- Can tourism providers act as stewards of the natural and cultural environment and, if so, can or should they be paid for so doing?
- In a global economy, which is about mobility, how can any single destination (country, region, city) absorb these external costs without being put at a competitive disadvantage?
- If global solutions are needed, which global tourism institutions have the teeth, inclination or imagination to start the ball rolling?

In conclusion, the tourism economy is caught up in a turbulent wave of change affecting traditional institutional mechanisms for assigning value and supporting transactions. Issues such as the imposition of carbon taxes and cap-and-trade systems need to be considered in this context. We can expect more of the same – not less. Tourism itself can be perceived as both a resource (a wealth generator) and as a sink – albeit of a human kind – as we dispose of toxic stressors while relaxing on a pristine beach! Either way, its value to consumers, suppliers and society will be questioned – possibly even raised – in this new age of scarcity. Perhaps, we even have the first real opportunity to halt what has seemed an inevitable downward trend of commodification and price the provision of unique experiences in unique places more appropriately?

We are indeed both cursed and blessed to be living in such interesting times. Tourism, like many other economic sectors, is being asked to adapt through creative innovation. We’re being required not just to become “carbon neutral” but to re-think our entire business model and re-frame and enhance our understanding of what it means to be responsible – see next section.

6. CORPORATE RESPONSIBILITY & COMPETITIVENESS IN TRAVEL & TOURISM

Up until recently the distinction between business and government was clear. Business existed to return value to share holders and concentrate on making money. Governments arbitrated between society and

business and determined the parameters of acceptable behavior through laws and regulations. Business was required to comply. But over time the boundaries between business and government blurred as government tried to become more business-like and society began to expect more from business. The notion of Corporate Social Responsibility, i.e., the notion that business has a contract with society as well as its shareholders is relatively recent. CSR has been defined in a number of ways – here are two definitions:

The World Business Council for Sustainable Development defines CSR as “*the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life*”

Canadian Business for Social Responsibility says that CSR “*encompasses a company’s commitment to operate in an economically sustainable manner, while acknowledging the interests of its stakeholders*”.

According to *The Economist* magazine (January 2007 Special Report); the priority given to CSR has risen rapidly over the past three years and is expected to continue to rise. In 2003, only 25% of the business executives surveyed considered CSR a high or very high priority. This proportion is expected to reach 65% by 2010.

There are a number of reasons for this growth in CSR and the recognition of its value. (note: The Economist was a CSR sceptic up until 2007):

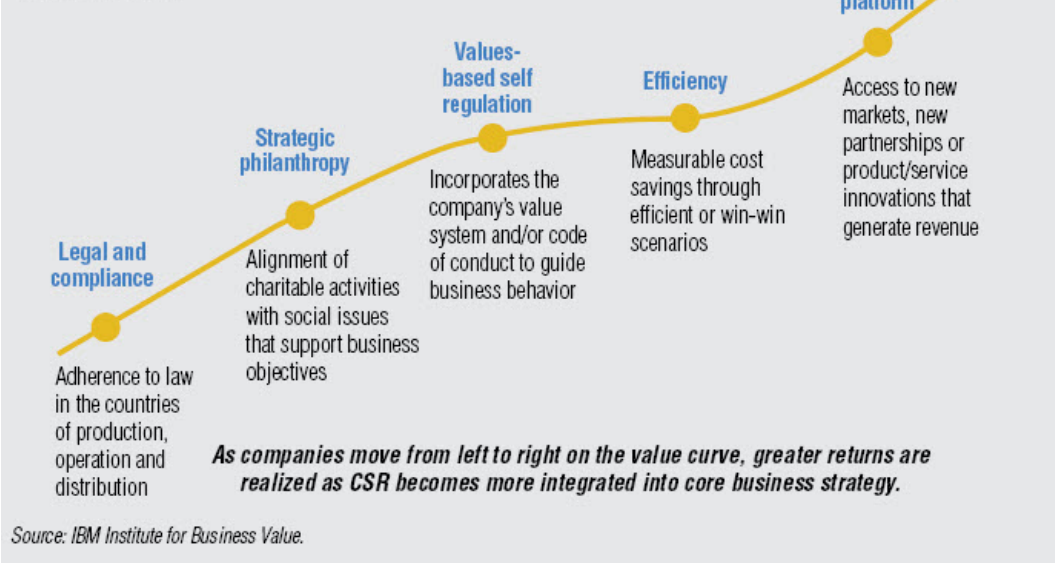
- Ubiquitous, pervasive digital connectivity has provided unparalleled levels of access to corporate information and requires unprecedented levels of transparency and accountability;
- Customers can and do exchange information and opinion with each other instantly and have the power to draw global attention to individual companies ;
- The balance of power has shifted from supplier to customer and from business to society;
- In addition to media, a host of bloggers and NGOs now regularly scrutinize every aspect of a business right through its supply chain;
- Awareness of climate change has recently added pressure on companies to demonstrate that they are part of the solution as opposed to the problem. The fact that greenhouse gases can be measured and their reduction tracked has meant that climate change has acted as a catalyst to accelerate the adoption of a range of environmental practices that, in turn have sometimes expended into social areas.
- Investors, particularly the professional fund managers of mutual and pension funds, have played a huge role by requiring investees to both disclose their carbon emissions; and publish reports on the activities designed to reduce them. The Carbon Disclosure Project , for example, has been run by a coalition of investors with a combined asset value exceeding \$30 trillion, and now actively monitors the carbon generated by FTSE 500 companies. One in every \$10 in investment funds that is being managed professionally is allocated to socially responsible projects (SRI).
- Thanks to the increase in the number of ranking schemes conducted by third parties, corporations are increasingly under pressure to maintain a competitive position in the rankings.
- In the fight for talent, a company’s CSR record can help or undermine its ability to recruit, retain and engage bright, motivated staff.

- Finally, while it has been slow to emerge, there is growing evidence that those companies that have invested time and money in progressive and strategic CSR practices, are enjoying stronger returns and greater customer loyalty. *The Economist* summarizes the business case for CSR in the following chart:



In addition to growing, the concept of CSR has evolved with equal speed. What started out as corporate philanthropy, with companies devoting a share of their profits to good causes, quickly morphed into risk management and compliance to legal, fiduciary obligations and the development of voluntary codes of conduct designed to avoid further regulation. In the late 1990s following such high profile events as the collapse of Enron, emphasis shifted to “values-based” business as companies strove to create corporate cultures that were conducive to innovation. Rising input costs (notably energy) and the climate change issue then focused attention on cost savings and efficiency. The latest trend – a recognition that deploying CSR initiatives can create competitive advantage, new market opportunities and new means of wealth production – will probably be the driver that turns CSR mainstream. IBM has illustrated the evolution of CSR in the following chart:

FIGURE 2.
CSR Value Curve.



CSR and Tourism

Mainstream tourism, i.e. the larger companies responsible for the majority of passenger movements (airlines, tour companies, online travel agencies, cruise companies, global hotel chains) have with some notable exceptions been slow to catch on to the CSR bandwagon. Dodds and Joppe found little take up of CSR in their analysis conducted in 2006. The demand for more responsible and sustainable tourism has been made by coalitions of individuals and associations involved in or associated with small and micro enterprises. While numerous associations and certification schemes have been founded to help make tourism more sustainable as a whole, the systematic and widespread application of CSR practices within the private sector has not occurred. This is not to undermine the achievements of many individual companies whose efforts have been recognized and celebrated with industry awards.

Nor has there been a lack of recognition or rhetoric regarding the positive and negative aspects of tourism growth and development but efforts to self regulate have been impeded by the fragmented nature of this sector and the small scale, low margin nature of individual operations.

In this context, Climate Change “changes everything”. Tourism is utterly dependent on fossil fuels (notably kerosene) to transport passengers; and uses a wide range of natural and human “resources” to develop and deliver its “products.” In many cases, producers have not been required to pay for those resources (water, air, landscape, wildlife) or ensure their continued supply. Where labour is concerned, many tourism operators have not, due to low barriers to entry and fierce competition, been able to pay high wages and offer full time, permanent employment.

Tourism is faced with a “reputation” and “readiness” crisis – a crisis that many practitioners seem ignorant of. KPMG recently reviewed and synthesized over 50 studies of the impact of climate change on

various economic sectors and ranked them according to their level of risk and readiness¹². Travel, tourism and transportation were three sectors they placed in the red zone of danger.

The tourism community in Canada and elsewhere has invested heavily in attracting attention to its importance as a source of jobs, tax revenue, foreign exchange and as a supporter of the cultural, social and physical amenities that make places liveable and attractive. It also finds itself dealing with much uncertainty and volatility as the global market becomes more connected and interdependent; as competition grows; as input costs of energy, food, land and labour escalate; and as the need to reduce emissions and other forms of waste places new pressures on it.

In this context, important questions to ask include:

- How can travel and tourism reduce its footprint and sustain the levels of growth it has enjoyed in the past?
- If demand from developed countries such as Canada is diverted back to more local, domestic destinations, then how would that support the economies and prospects for the currently popular destinations in emerging nations that have become dependent on tourism?
- How can tourism make a substantial contribution to the reduction in global GHG emissions when the realistic alternatives to kerosene will take decades to develop?
- How might tourism extend and enrich social and environmental values in other ways that compensate for its need to generate waste that the atmosphere can no longer absorb?
- How does tourism own up to its responsibilities and reach out to society for help?
- Who might make interesting new partners and collaborators?
- How can tourism develop pricing structures and business models that enable it to steward the resource on which it depends; improve the resilience of fragile ecosystems and operate with less impact?
- is there an opportunity here for companies and destinations to take a lead – to invest serious time and brainpower addressing how it might evolve to operate in a low carbon economy; continue to support a global economy dependent on the free movement of peoples; and increase the net benefit to its host communities?

7. PERSONAL CONCLUSION

I have often deployed the human metaphor to describe tourism as an “adolescent” – mass tourism being barely 70 years old – and have spent much of my career helping this industry be recognized as a legitimate, important and grown-up member of the human economic family. But adulthood comes at a

¹² *Climate Change Changes Your Business: KPMG’s review of the business risks and economic impacts at sector level, 2008*

price – with recognition comes responsibility. No longer may we seek special treatment and dispensation. Our seat the table requires that we contribute solutions to the issues affecting the whole and assume responsibility and accountability for our contribution. This is an exciting time for tourism – as a primary connecting agent, it forms an indispensable foundation to the global economy. But to maintain that foundation on rock, it must eagerly and fearlessly seek and create new ways of operating that respect the new age of scarcity in which it operates. It must also seek new allies and mentors in unexpected quarters. It's an honour and privilege to be part of this important think tank and I look forward to meeting with you in October.



Anna Pollock

Executive Consultant, InterVISTAS and founder of the Icarus Foundation

Anna Pollock (BA Hons, First Class, London) has over 30 years' experience working in the tourism sector as a consultant, strategist, futurist, change agent and entrepreneur. Described as an irrepressibly curious "renaissance woman", her strength derives from an ability to dig beneath surface trends to find and make sense of the real drivers of change combined with a creative capacity to develop innovative responses.

Anna began her professional career in earnest in Canada where, from 1973-1993, she undertook seminal work in human resource development, sustainable tourism, health tourism and adventure travel prior to specialising in Information Technology (IT). Her clients included most of the provincial departments of tourism, the Canadian Tourism Commission, the Pacific Asia Tourist Association (PATA) and World Travel and Tourism Council (WTTC). Anna spearheaded developments in a number of fields including the creation of the Tourism Industry Association of British Columbia (TIABC); and the Pacific Rim Institute of Tourism that focussed on professional development programmes. In 1999, she was awarded the *Visionary Award* for her contribution to tourism in Canada.

In 1993, Ms. Pollock returned to Europe and established an international reputation as one of the leading thinkers and strategists in the application of IT to destination marketing and management developing Scotland's first Internet-based Tourism IT strategy and subsequently working for such clients as the European Travel Commission; the Federation of European Cities; Jersey Tourism; Opodo, the online travel agency; Innovation Norway, and Tourism Tasmania.

Anna's current preoccupation is deep change and she now focuses on helping clients understand the full scope of the change drivers at work and anticipate their impacts. In that context, she has re-ignited a long-standing interest in the potential for sustainability and eighteen months ago, co-founded *The Icarus Foundation*, a not-for-profit agency formed to encourage the Canadian tourism industry become climate friendly – see, www.theicarusfoundation.ca. It is her hope that the tourism industry in Canada will embrace this concept, support the Foundation and help Canada's tourism community act responsibly.



In April, the Pacific Asia Travel Association (PATA) retained Anna as keynote speaker, designer and co-facilitator of the acclaimed [2008 CEO Summit](#): which gathered 250 plus CEOs to develop practical action steps. Earlier in the year, Anna worked closely with the government and industry in British Columbia to re-examine what a sustainable tourism strategy might look like for the province.

In August, Anna joined [InterVISTAS Consulting Inc.](#) as a part-time Executive Consultant in order to help develop their environmental consultancy and is focusing her work on the design and development of effective strategies of ensuring tourism develops while generating net economic, social and environmental benefits.

Anna lives in England and travels frequently to Canada. (Her offsetting supplier is [Offsetters.ca](#). She may be contacted at: anna.pollock@btconnect.com or +44 1544 388 400.