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SQUARE FEET



At Fort Hood in Texas, an Army hotel privatization program involving two companies converted former barracks into a Holiday Inn Express.

The Army Calls In the Hoteliers

Privatized hotels Take On Familiar Brands and Off-Post Amenities

By KRISTINA SHEVORY

FORT HOOD, Tex. — The hotel here could be any Holiday Inn Express, with a green and blue sign out front, a cheery lobby and a hot breakfast bar.

But nearly all the guests on a recent afternoon wore camouflage fatigues and tan combat boots. A poster near the lobby with photos of the base's commanding officers greeted guests at what had once been a 1960s-era barracks.

At the Fort Hood hotel, what is commonplace in the civilian world is new and innovative. Its 274 rooms have been gutted and outfitted with flat-screen TVs and marble countertops. There is a free DVD library and a new outdoor pool with landscaping and deck furniture.

Over the last three years, the Army has started taking most of its 17,000 hotel rooms private, letting large companies build, renovate and operate them as a way to save money and modernize the facilities. About 4,400 rooms have been remade through a program called Privatization of Army Lodging, or PAL; the remainder should be done in the next 10 years.

"This allows the Army to focus on the mission," said Rhonda Hayes, an official in the office of Katherine Hammack, the assistant secretary of the Army for installations, energy and environment. "The Army is divesting itself of noncore functions. Housing was the first, and hotels were a natural follow-on. This is something the private sector does well and it makes sense for them to do it."

The primary guests at Army hotels are soldiers who are participating in

training, receiving medical treatment or waiting for permanent housing.

Using its housing privatization program, which dates to 1996, as a blueprint, the Army decided it was cheaper and faster for outsiders, rather than the government, to upgrade its hotels. More than 80 percent of Army lodging needed repairs or replacement, according to a 2010 Government Accountability Office report, which would cost the government over \$1.8 billion and take more than 20 years to complete. The Army expects it will take eight years using civilian companies. (The other military branches are not privatizing their hotels.)

Under the program, the Army passes ownership of the hotels to a subsidiary of the Australian giant Lend Lease, and retains ownership of the land. The InterContinental Hotels Group, or IHG, operates the hotels under the Holiday Inn Express and Candlewood Suites brands. After a 50-year lease, the buildings will revert to the Army. The Lend Lease subsidiary also raises money for the project.

There are three phases to the program. The first, which included the Fort Hood hotel, covered 3,400 rooms on 10 installations. The second phase will cover 4,800 rooms on 11 bases, and next spring, the Army plans to transfer the third group of hotels, or 7,000 rooms, to Lend Lease to start construction and renovation. All three phases are being financed by debt and income from the hotels themselves.

The money to pay off the loans comes largely from soldiers traveling on military business, who are paid a per diem as reimbursement for lodging,

meals and incidental expenses. With early-morning wake-up calls and often long security waits at entry gates, it is often easier to stay on a post. The hotel rates are approximately 75 percent of the government's local per diem; at Fort Hood, the average per diem is \$77 this year. Lend Lease and IHG receive fees; earnings go back to the hotels for reinvestment and are not taken out of the program.

Although the threat of base closings and cuts in training missions loom in the background, analysts say the privatization program will continue because the Army will have to train soldiers regardless of potential cuts to the Department of Defense's budget or the drawdown of troops in Afghanistan and the end of the war in Iraq. The Army's partners in the deal, Lend Lease and the InterContinental Hotels Group, give added confidence.

"What makes this deal strong is that it's tied to the military," said Mikiyon Alexander, director for United States public finance at Standard & Poor's Rating Services in New York. "You can actually tell what demand will be."

"We still believe cash flow will come in as expected," he added. "It's a pretty solid deal."

The Holiday Inn Express at Fort Hood is a good example of what is to come at other Army bases. The interior was gutted at the hotel, which must meet the same standards as those off post. New furniture was brought in and service standards upgraded. Renovated hotels will operate under the Holiday Inn Express name, while new ones will be branded as Candlewood Suites.

"We're exposing millions of people

on an ongoing basis to what branded hotels look like," said Arthur Holst, the vice president for operations at IHG Army Hotels in Atlanta. "They're getting the benefits of the brands and some other special offerings."

Amenities were added to cater to military travelers, including weekly barbecues, courtesy shuttles, full-time concierges and free laundry facilities and DVD rentals.

It is a big departure from Army-run hotels, where quality was often mixed. Some looked and felt like old barracks, like the large hotel at Fort Leonard Wood in Missouri, where rooms had linoleum floors and fluorescent lights. The biggest luxury was a digital clock. The renovation of that hotel started last fall.

"We were back in the bedspread and 19-inch TV era," said Sandy Van Bibber, the general manager of the Holiday Inn Express on Fort Hood. "You might go to a hotel that's great and another that is not so great. No one likes to travel and get a surprise."

Lend Lease and IHG plan to do more at Fort Hood, the country's biggest Army base. Ground is to be broken for a new Candlewood Suites hotel this fall. Two other aging hotels on post, with a total of 193 rooms, will be demolished after the Candlewood Suites opens.

Despite the upgrades and the somewhat captive market, Lend Lease is not assuming these hotels will be an easy sell. "Soldiers don't have to stay at a hotel," said Charles Smith, a senior vice president for lodging at Lend Lease. "We still have to provide a high class of service. Otherwise, they can vote with their feet."

JUNE 13, 2012, 10:49 AM

On Bases, Hotels Go Civilian

By *KRISTINA SHEVORY*

Ben Sklar for The New York Times At Fort Hood in Texas, an Army hotel privatization program involving two companies converted former barracks into a Holiday Inn Express.

When I completed Army basic training at Fort Leonard Wood in Missouri, I was thrilled I had made it through all six weeks and would never return.

Nearly two decades later, I was back as a reporter on assignment. Instead of being squashed into a cattle car with other terrified recruits, I was now in a van touring the huge installation at my leisure. There were no red-faced drill sergeants screaming at me to jump out and run up four flights of stairs with my duffel bag. There were no 3 a.m. workouts with 10 minutes to throw on workout gear and hustle down to formation.

But the Army hotel where I stayed looked like my old barracks with the same linoleum floors, fluorescent lights and greenish walls. I expected one of my old drill sergeants to stride into my room for an impromptu inspection at any moment.

The days of dour Army hotels are quickly disappearing. The Army is privatizing nearly all of its 17,000 hotel rooms across the country, and outside companies are renovating, building and operating them. The [\\$1.3 billion program](#) saves the Army money and gets the hotels renovated and built faster than the government could do. The work should be done within 10 years.

The developer Lend Lease, which has been building private homes on military bases for more than a decade, and the InterContinental Hotels Group teamed up to modernize Army lodging and give it a civilian feel. Out went the old furniture and bland paint schemes and in came flat screen TVs and marble countertops. New perks like free DVDs, hot breakfasts and shuttle buses were also added. These renovated hotels are branded as Holiday Inn Express hotels and the new ones as Candlewood Suites.

The hotel at Fort Leonard Wood is currently being renovated and will become a Holiday Inn Express. I am looking forward to going back.

Read my story about the coming changes [here](#).

How do you book one of the new army hotels? Do it [here](#).

The Washington Post



Thunderstorm 85/70 • Tomorrow: Thunderstorm 84/72 • DETAILS, B6

MONDAY, JULY 9, 2012

washingtonpost.com

GOVERNMENT INC.

FEDERAL & DEFENSE CONTRACTING

COMPLETED: CACI International owns Delta Solutions

Arlington-based IT contractor CACI International has completed its previously announced acquisition of Reston-based Delta Solutions and Technology. Delta Solutions, a financial management and business services contractor, counts the Interior Department, Justice Department, Department of Veterans Affairs and the Department of Housing and Urban Development among its customers. Terms have not been disclosed.



CONVERSION: Wainwright Hall, a hotel at Fort Myer in Arlington, that is being privatized, among other properties on other bases, by Rest Easy. It is being converted from an 18-room inn to a 31-room hotel.



Photos by Jeffrey MacMillan/Capital Business

Army privatizing base hotels

THREE-PHASE PROJECT

Fort Myer, Fort Belvoir to get renovated buildings and brand-name operator

By MARJORIE CENSER

The Army is privatizing its hotels, turning their renovation, development and operations over to the private sector in an effort to improve their quality and consistency.

The move — which began with a 2009 lease agreement and is to be ongoing for many years — is part of a broader Army effort to seek new ways to make use of its existing land and assets. The service has also privatized most of its U.S. housing and has allowed builders to construct commercial office space on some bases.

In the D.C. area, the hotel privatization effort is already coming to Fort Myer in Arlington as well as Fort Belvoir in Fairfax. At Fort Myer, historic Wainwright Hall is being converted from a small 18-room inn to a significantly larger and more modern 31-room hotel. At Fort Belvoir, construction is set to begin shortly on one new hotel — a Staybridge Suites — as well as renovation of an existing facility into a Holiday Inn Express.

The effort stems from a lease deal with Rest Easy, a subsidiary of property group Lend Lease's public partnerships unit, that allows the company to renovate old hotels and develop new ones on Army bases and to maintain and operate these facilities. Under the 50-year lease agreement, at the end of the term, the land and the hotel improvements go back to the Army.

For the Army, the privatization means hotels that the Army simply didn't have the budget to renovate now get modernized, said Rhonda Hayes, who works in the service's office for

installations, energy and environment, heading its capital ventures unit. The inns are typically used by soldiers who are being moved between bases or traveling for training or other assignments.

"The Army had a significant amount of deferred maintenance that it needed capital to fix," said Thomas Lewerenz, a vice president at PKF Hospitality Research. The companies that competed to privatize the Army's hotels said "we'll revitalize these assets and we'll build new assets and, in turn, we'll have exposure to this new target market."

The project is being executed in three phases; the first included 3,200 rooms at 10 Army installations, the second is 4,800 rooms at 11 installations and the third and final — expected to close next year — would include 7,200 more rooms at 21 additional installations.

For the first phase, Rest Easy put together a roughly \$133 million development program — financed by about \$90 million in private sector debt and the rest from cash generated by the existing hotels. In April, it put together a second development program of about \$425 million — \$285 million in private sector debt and the rest from generated cash, said Charles R. Smith, senior vice president and general manager of portfolio operations for lodging at Lend Lease.



Rhonda Hayes, an Army official overseeing base hotel privatization, and Charles Smith of Lend Lease.

senior vice president and general manager of portfolio operations for lodging at Lend Lease.

The privatized hotels — operated by a subsidiary of InterContinental Hotels Group, known for its Holiday Inn, Crowne Plaza and Candlewood Suites brands, among others — have upgraded the hotels with Internet access, flat-screen televisions and other amenities. Now, all Army hotels allow pets and provide shuttle services around bases, Smith said.

In tandem with signing onto the program with Rest Easy, the Army removed its requirement that individual soldiers on temporary assignments stay on its installations, meaning they can use their allowances to stay at hotels outside the gates. That, said Hayes, gives Lend Lease and IHG the motivation to ensure they offer quality hotels and retain government customers, and she said guest approval ratings have already markedly improved.

Smith said the portfolio of privatized Army hotels has had an average occupancy rate of 76 percent in the past three years, a significant boost over the 60 percent occupancy of commercial hotels, as estimated by PKF Hospitality Research in 2011.

At Fort Myer, Wainwright Hall is being linked by walkway to a building previously used for bachelor officers next door. The lobby is being moved from the basement to the main floor, and the site is getting a new parking lot.

At Fort Belvoir, the company is renovating three existing buildings — which should be complete next year — and building a new Staybridge Suites, set for completion in 2014 and located across from the hospital on the base. The hotel is meant to provide a place for recovering soldiers as well as their families to stay.

The four Fort Belvoir hotels will total nearly 500 rooms.

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Contractors cautious about acquisitions as uncertainty looms

By MARJORIE CENSER

Concerned about budget cuts and potential changes to federal strategy, contractors are taking a more cautious approach to acquisitions.

In the past couple years, companies large and small have been aggressively buying up businesses, often in fast-growing fields such as cybersecurity, cloud computing and health information technology.

That hasn't come to a halt — CACI International and General Dynamics are among those making recent purchases — but contractors have been looking more closely at potential purchases as they confront a presidential election, budget uncertainty and the threat of sequestration, a roughly \$1 trillion reduction that would hit early next year if Congress doesn't change existing law.

"A lot of companies are preserving their options, preserving their capital and their cash," said Roman Schweizer, an aerospace and defense policy analyst at Guggenheim Securities. "They're not sure what storm they have to weather through this year."

Still, John Hagan, head of the defense and government services unit of B&T Capital Markets/Windsor Group, said some companies are investing in areas where they feel certain of growth.

Arlington-based CACI International last week completed its purchase of Reston-based Delta Solutions, which specializes in federal financial management services. Delta posted revenue of \$44.8 million in fiscal 2011.

Despite the threat of budget cuts, CACI expects the financial management field to be solid as federal agencies seek to modernize their older systems, said Gilbert B. Guarino, executive vice president in CACI's transformation solutions business group.

Even if the total market were to shrink, he added, "the market for us will grow because we have not attacked all of our addressable market."

Falls Church-based General Dynamics has had an active year of acquisitions, making its most recent buy in the 575-employee ship repair and coatings division of Earl Industries.

The defense contracting giant did not disclose the terms of the deal.

For companies seeking to make purchases, Hagan said, "the bar is a little bit higher to get across the 'deploy the capital' threshold."

Some companies may more aggressively seek to reposition and make acquisitions once the election is complete and a resolution to sequestration in place, Schweizer said.

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CAPITAL BUSINESS • 7/9/12

**Randy McClain:
Lend Lease delivers
red, white and blue
projects**

Charlie Smith cut his teeth in real estate work in Atlanta, dabbling in residential and mixed-use commercial development there until that once-glistening Southern capital got tarnished in the Great Recession.

Smith, a native of Clarksville, Tenn., found a new home on West End Avenue here five years ago, working for a hidden gem in Middle Tennessee's commercial real estate development world — Lend Lease.

As senior vice president and general manager for Lend Lease's military lodging arm, Smith has learned the intricacies of building, renovating and branding hotels on U.S. Army posts around the country as part of a massive public-private partnership that aims to spruce up as many as 15,000 hotel rooms on 42 military installations.

Often temporary trainees, their families, military contractors, civilian employees and others have business on post, and they need a bed in which to rest their weary bones. Forget about barracks and the image of a Lee Ermey-like drill sergeant cracking the verbal whip before dawn.

Instead, imagine a 300-room Candlewood Suites, or a smaller Holiday Inn Express, or

a property run by InterContinental Hotels Group that offers Priority Club points to frequent guests that can be used at any participating hotel on the planet.

"I had no clue about the style and variety of on-post housing," Smith said. Today, though, he's the go-to guy for Lend Lease in what will eventually be a multi-billion dollar project and operating agreement that stretches until 2059.

Project starts small

The first phase of "Army Lodging" program kicked off in 2009 by renovating an existing property at Fort Polk (La.) into a modern Holiday Inn Express run by InterContinental Hotels. Phase One, financed in part with \$80 million in debt, covered 3,200 rooms on 10 Army installations in eight states, from Texas to Hawaii. Phase Two is under way, renovating an additional 4,800 rooms on 11 posts in Virginia, Texas, Puerto Rico, Kentucky, Georgia, New York, Arizona,

Advertisement

spend their money or per diem at Army hotels are soldiers or official government travelers.

The irony is that Lend Lease — with its Nashville offices high atop an office building in the 1800 block of West End — doesn't have any hotel construction in Tennessee. Kentucky is the closest state where work is being done, namely at Fort Knox and Fort Campbell, Ky. But Smith and his Lend Lease colleagues point out that the hotel project (and other development work for the military) pays dividends for Nashville.

Lend Lease employs 150 people here, and the company has supported generally military-themed charities in the community, notably a bicycle ride to support the Wounded Warrior Project and Operation Stand Down to aid homeless veterans.

July Fourth may be just past us, but Lend Lease has turned commercial development into a year-round patriotic endeavor.

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Missouri, Arkansas and New Mexico.

The goal is to make the transformation of on-post hotel space so "civilian-like" that government travelers see no difference between staying on-post and off. There's a courtesy shuttle service, concierge, group barbecues and social gatherings in the hotel courtyard and club points.

To some degree, the Army traveler is a captive clientele drawn to a particular installation by training, further education courses or because a company has a government contract with the U.S. military. But Smith says the art of financing such deals is similar to how commercial development gets done in the civilian world.

Bankers who lend money to Lend Lease — and that has included Bank of America and Guggenheim Partners on the recent hotel deals — want to know that projects will generate enough cash flow to retire debt and return a modest profit.

Smith jokes that Phase One of the hotel renovation program was among the toughest deals he's seen to finance. In fact, it won *Project Finance* magazine's 2009 Real Estate Deal of the Year Award, in large part (Smith says) because it was one of the few real estate development deals to get any money at the depth of the U.S. economic slowdown.

Financing Phase Two — even though it involves \$275 million of debt — was an easier sell, he said. The economy is improving; plus, the inside data of hotel

rooms on Army posts seem to work out well financially.

Since 2009, military lodging has delivered a 76-percent occupancy rate and sharply higher operating margins than the private hotel business. Average length of stay for military and government workers is also longer than the civilian hotel business typically experiences.

Lend Lease makes its money from management fees as the Army's lead developer. It typically operates with a 50-year maintenance agreement and nearly 40 percent of cash flow is reinvested back into the Army's lodging properties to keep them up to date.

The sweet spot for Army lodging comes via a category the military likes to call "training and doctrine." That covers training and further education that might bring an Army trainee or military contractor to a post for a two-week to three-month stay.

Ninety-five percent of the people who

Advertisement

Army taps Lend Lease, IHG for privatization

10 July 2012 7:19 AM
By Brendan Manley
HotelNewsNow.com contributor

Story Highlights

Lend Lease recently closed on \$275 million in financing for the second phase of the initiative.

The PAL initiative is exclusive to Lend Lease and IHG.

Although the other branches of the Department of Defense maintain lodging facilities as well, the Army is the first to privatize and revamp its hotels.



In 2009, IHG assumed management of Army Lodging hotels on 10 installations, including this Holiday Inn Express in Fort Rucker, Alabama.

REPORT FROM THE U.S.—The U.S. Army's on-base lodging facilities are in the midst of a massive facelift, with literally every meaningful Army hotel set for renovation, redevelopment and privatization within the decade.

Large-scale owner/developer Lend Lease and operator InterContinental Hotels Group are spearheading the project, part of the Privatized Army Lodging initiative, which aims to provide a superior guest experience to service personnel and their families while dramatically slashing the cost and timeframe needed for the work.

Lend Lease recently closed on \$275 million in financing for the second phase of the initiative, bringing the total affected room count to approximately 8,200 hotel rooms on 21 Army installations throughout the United States and Puerto Rico. When the forthcoming third and final phase gets underway, a total of 15,000 rooms on 42 installations will fall under the Lend Lease/IHG umbrella.

"This has been an exciting opportunity, and we think we make a great partner with strong brands," said Arthur Holst, VP of operations for IHG Army Hotels. "We have taken a lot of time to make sure we understand the unique needs of the military and those traveling on official military business. We hope there will be more opportunities to work with the Army as we continue to see the success of the program."

The initiative began in August 2009 when IHG assumed management and operations of Army Lodging hotels on 10 installations, known as Group A, which included the refurbishment and management of more than 3,000 rooms. Over two years, IHG Army Hotels and Lend Lease converted four properties to Holiday Inn Express hotels: Fort Polk, Louisiana; Fort Hood, Texas;



In May, executives from Lend Lease Public Partnerships, IHG and the U.S. Army celebrated the groundbreaking for a Candlewood Suites at Joint Base San Antonio.

Fort Sill, Oklahoma; and Fort Rucker, Alabama.

The second phase of the program (Group B) was launched in August 2011 to renovate, develop and sustain on-post lodging facilities at 11 more U.S. Army installations, transferring approximately 5,000 additional rooms to the overall project and bringing the total room count to more than 8,500 rooms.

Group B already has seen conversions to a Holiday Inn Express at Fort Hamilton, New York, and Fort Wainwright, Alaska, as well as groundbreakings for new Candlewood Suites hotels at Joint Base San Antonio (310 rooms) and Fort Riley, Kansas (100 rooms).

The final group of hotels (Group C) will be added to the portfolio by spring 2013, bringing another 7,000 rooms and 21 hotels into the fold.

"The Army is eager to bring the final 21 installations into the PAL program in the spring of 2013," said Rhonda Hayes, chief, Capital Ventures Office of the Assistant Secretary of the Army, Installations, Energy & Environment. "Lend Lease and IHG have demonstrated that they have the ability to assume operation of the Army hotels and to make an immediate positive impact in terms of both facility improvements and customer satisfaction."

Program highlights

The PAL initiative is exclusive to Lend Lease and IHG, with most Army hotels converting or being developed to either the Holiday Inn Express or Candlewood Suites brands, with potential for Staybridge Suites properties as well.

The deal is unique, with Lend Lease holding the properties under a 50-year lease that reverts back to full Army control when the term is expired. It includes a sustainable reinvestment program through which \$38 of every \$100 in generated revenue is put back into the hotel.

"It's an incredible program, especially the sustainment portion of it," said Charles Smith, senior VP and general manager of portfolio operations - lodging for Lend Lease. "The Army had a significant need now because the soldiers and the families were staying in facilities they shouldn't really be staying in because they didn't have a sustainment program. Although it's the tail piece of this program, it was the piece that was missing before."

Other highlights of the program include creating some of the largest properties in the IHG brand family, such as the 544-room Holiday Inn Express at Fort Sill, and a planned new-build 310 Candlewood at Joint Base San Antonio, which when completed will be the largest Candlewood Suites.

Guests staying at any of the revamped or newly constructed hotels also will enjoy greater amenities and benefits than before due to the new IHG affiliation, which offers consistency from one base to another, as well as the opportunity to accrue rewards points.

"We've enhanced the lodging experience for the soldiers and their families to be at least comparable, or a little better, than what they have off post," Smith said. "They get Priority (Club) points, which they never got before. We have a concierge, which they've never had before either. We have shuttle vans and special things like a weekly barbecue, because sometimes these people can stay up to three months. We make them kind of a part of the family."

Although the other branches of the U.S. Department of Defense maintain lodging facilities as well, the Army is the first to privatize and revamp its hotels. However, based on the success to date of the PAL program, Smith speculated that other branches might eventually follow suit.

"I would think that on the heels of seeing the success of this program, they'd be thinking about it," he said. "In the midst of the cuts out there, especially the government, they're about defending our country, not running hotels. Why not have a developer and operator run a hotel for you? Let us take care of your soldiers, their families, your airmen or your sailors. Let us take care of them so they're happy and can go do what you hired them to do."

5 things to know: 14 June 2012

14 June 2012 9:43 AM

Story Highlights

- STR: US weekly performance up, Canada down
- More US travelers intend to travel in 2012
- London hotels see Diamond Jubilee occupancy rise
- US Army privatizing its hotels
- Tingo: 80% of travelers keep reservations when rates drop

1 U.S. and Canadian hotels were moving in opposite directions during the week of 3-9 June, according to performance data from STR, parent company of HotelNewsNow.com. Hotels in the United States showed increases in all three key performance metrics, while Canadian hotels reported decreases in all three metrics.

U.S.: In year-over-year comparisons for the week, occupancy ended the week with a 1.3% increase to 68.5%, average daily rate increased 5.1% to \$107.48 and revenue per available room jumped rose 6.5% to \$73.59.

Canada: In year-over-year measurements, the country's occupancy fell 2.9% to 70.3%, its ADR was down 2.3% to \$139.70 Canadian dollars (\$136.09) and its RevPAR reported a 5.1% decrease to CA\$98.20 (\$95.66).

2 There are more U.S. travelers hitting the road during 2012 than in past years, although the rate of that growth is beginning to lose momentum, according to a report from HotelNewsNow.com's Patrick Mayock.

"Overall the message is: it's positive, it's growing, there's definitely forward momentum," Carroll Rheem, senior director of reach at PhoCusWright, said during a company webinar Wednesday. "It's just slowing down a little bit."

Those who intend to travel in during the year ahead, for example, is down slightly from 32% in 2010 to 30% in 2011; the percentage of travelers who said they will take fewer trips in the year ahead is up slightly. Likewise, slightly fewer travelers said they will spend more during 2012, while slightly more travelers said they intend to spend less.

3 Hoteliers in London benefitted from the Queen's Diamond Jubilee celebration earlier this month, according to data compiled by STR Global, sister company of HotelNewsNow.com.

Hotels in London saw occupancy reach 90.5% on 2 June and benefitted from the extended weekend to boost the traditionally low Sunday night (3 June) with occupancy reaching 79.3% (+20.8%).

"The Jubilee weekend has been a fantastic opportunity for London to once again showcase its heritage and pageantry and to be under the spotlight as a destination capable of handling large scale events," Elizabeth Randall, managing director at STR Global, said in a news release. "Across all hotel segments, performance increased during Saturday and Sunday, as the festivities came to their climax. However due to the public holidays during Monday and Tuesday (4-5 June), the missing business and meeting travelers impacted the weekday performances."

4 The U.S. Army is in the process of privatizing most of its 17,000 hotel rooms, according to a New York Times report.

The Army is allowing private companies to come in and build, renovate and operate the properties as a way to modernize the hotels and save money. Approximately 4,400 rooms have been remade through a program called Privatization of Army Lodging, and the remainder is expected to be done during the next 10 years.

"This allows the Army to focus on the mission," said Rhonda Hayes, an official in the office of Katherine Hammack, the assistant secretary of the Army for installations, energy and environment. "The Army is divesting itself of noncore functions. Housing was the first, and hotels were a natural follow-on. This is something the private sector does well, and it makes sense for them to do it."

Just one in five travelers take the time to rebook a hotel room if

Market Trends

■ **Hoteliers adopt standard for measuring carbon footprint**

The World Travel & Tourism Council has announced a collaboration among more than 20 hotel firms including Starwood Hotels, Marriott International and Hilton Hotels to establish a standard method for calculating the carbon footprint of properties. The hotel operators settled on a methodology that has passed the review of the World Resources Institute and been tested on a variety of hotels. "We expect this industry common language to be widely used within the next two years," said David Scowsill, CEO of the council. [USA TODAY/Hotel Check-in blog](#) (6/12)

■ **Army hotels undergo privatization**

About 4,400 hotel rooms owned by the U.S. Army have been remodeled under the Privatization of Army Lodging initiative, with the rest expected to be finished over the next 10 years. The Army launched the program through a partnership with InterContinental Hotels Group and Lend Lease in a bid to upgrade the amenities in its facilities while cutting costs. "The Army is divesting itself of noncore functions. ... This is something the private sector does well and it makes sense for them to do it," said Rhonda Hayes of the office of Katherine Hammack, the Army's assistant secretary for installations, energy and environment. [The New York Times](#)

■ **Former athletes make good hotel investors, Hilton discovers**

Hilton Worldwide has found that former professional athletes can be valuable investment partners, because they have access to capital and are good leaders. Investing in hotels can be attractive for athletes, because hotels can provide good returns and are less risky than other popular investments. [The Wall Street Journal](#) (6/12)

■ **Other News**

Hoteliers in Greater Boston area post \$150.42 average revPAR for April

[American City Business Journals/Boston](#) (6/13)

Palace Resorts seeks to capture client emotions with new ad campaign

[TravelPulse](#) (6/13)

Lend Lease Closes on Second Phase of Army Lodging Privatization

JUNE 13, 2012 | COMMENTS: 0

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Lend Lease (U.S.) Public Partnerships has closed on the second phase of the Privatization of Army Lodging (PAL) program and secured \$275 million in project debt, the international property and infrastructure group announced Wednesday.

The project's second phase calls for renovating and developing rooms at lodging facilities at 11 posts. InterContinental Hotels Group, one of the world's largest hotel groups, operates the PAL hotels under the IHG Army Hotels name. The program now covers 8,200 hotel rooms at 21 installations throughout the United States and Puerto Rico. A map of PAL hotel locations is available on the [IHG Army Hotels website](#).

"Leveraging the government's assets and raising private funds has resulted in exceptional lodging facilities that meet and exceed the needs of today's military and government traveler," Marc Sierra, managing director for Lend Lease (U.S.) Public Partnerships, said in a written statement.

The PAL program began in 2009, with Lend Lease assuming ownership of hotel facilities at 10 Army posts. In 2010, the company was asked to implement the second phase of the program. Lend Lease was offered the third and final phase of the PAL program in October 2011. If the Army and Lend Lease agree to terms and close on the final phase, Lend Lease will oversee more than 15,000 hotel rooms on 42 installations.

Existing facilities will receive extensive renovations and improvements, with some hotels receiving required upgrades to operate under the Holiday Inn Express brand. In addition, five new Candlewood Suites hotels will be developed over the next two years, the first of which is being built on Joint Base San Antonio. Groundbreaking for the 310-room hotel took place in May with completion expected in spring 2014.

Lend Lease Reaches Financial Close on U.S. Army Lodging Privatization Program

6/14/2012

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NEW YORK—Lend Lease (US) Public Partnerships (Lend Lease) has reached financial close on the second phase of the Department of the Army's Privatization of Army Lodging (PAL) program and secured \$275 million in project debt. Focused on improving the condition of on-post hotel facilities for Military members, their families, and all government travelers, the project includes the renovation and development of approximately 8,200 hotel rooms on 21 Army installations throughout the United States and Puerto Rico. InterContinental Hotels Group (IHG) is the PAL hotel operator.

"Lend Lease and IHG understand and appreciate the Army's ongoing mission to elevate the quality of the lodging experience for its official travelers. The knowledge and expertise of these two industry leaders is key to the success of this initiative," said Rhonda Hayes, Chief, Capital Ventures Directorate of the Office of the Deputy Assistant Secretary of the Army, Installations, Housing, & Partnerships, in an announcement. "We have structured the PAL program to not only address our current needs, but to ensure the long-term sustainment of the program for more than 50 years. After fees are paid to our partners for their involvement, all profits are reinvested back into the project. It's a win-win solution, setting a new precedent for military hotels."

The PAL program began in 2009, with Lend Lease assuming ownership of hotel facilities on 10 Army posts. In 2010, the company was asked to implement the second phase of the program at an additional 11 posts. Lend Lease was offered the third and final phase of the PAL program in October 2011. Subject to the Army and Lend Lease agreeing to terms and closing this final phase, Lend Lease will oversee more than 15,000 hotel rooms on 42 military installations.

Existing facilities are receiving extensive renovations and upgrades that include bringing select hotels up to the standards required to operate under the Holiday Inn Express brand. In addition, five new Candlewood Suites hotels will be developed over the next two years, the first of which is being built on Joint Base San Antonio, Texas. Groundbreaking for the 310-room hotel took place in May with completion expected spring 2014.

Operating under the name IHG Army Hotels amenities include complimentary breakfast, concierge services, weekly social activities, courtesy shuttles, and the opportunity to earn Priority Club Rewards points for their hotel stays.

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Army base hotels getting upgrades

By Danny King

Army base hotels operated by InterContinental Hotels Group (IHG) and owned by Lend Lease will get \$275 million in improvements after Lend Lease secured debt funding.

The money, awarded under the Privatization of Army Lodging program, will help improve hotels on 21 bases in the U.S. and Puerto Rico totaling about 8,200 rooms. These hotels house military members and their families.

Lend Lease, which started its hotel privatization program with the Army in 2009, has a 50-year lease with the Army for the hotels, and will ultimately lease properties on 42 bases totaling more than 15,000 rooms.

Under the agreement, IHG operates hotels on Army bases such as Fort Hood in Texas, Fort Knox in Kentucky and Fort Buchanan in Puerto Rico.

Follow Danny King on Twitter [@dktravelweekly](#).

BUSINESS & FARM G

Arkansas Democrat-Gazette

SUNDAY, JUNE 17, 2012

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A Maersk freighter is loaded with shipping containers at the Port of Miami last month. Miami and other southern ports are expected to compete heavily in coming years to handle cargo being exported from and imported into the United States.

\$46 billion cost seen as ports seek edge

U.S. rivals for cargo in upgrading race

DAN CHAPMAN
ATLANTA — Billions of dollars will be spent improving American ports over the next five years in anticipation of fierce competition — both globally and between U.S. ports — for cargo being exported and imported around the world.

The American Association of Port Authorities documented plans for \$46 billion in investments and said in a new report that the actual amount will be considerably higher because only 63 of the association's 82 members re-

sponded to queries about future spending.

And the association said the projected spending doesn't include federal money targeted for port-deepening projects — Savannah, alone seeks more than \$400 million from Washington to carve another 5 feet from the Savannah River and harbor.

The huge public investments highlight the uncoordinated arms race between U.S. ports for maritime supremacy. Along the Southeast coast, for instance, Savannah and Brunswick, Ga., compete with Norfolk, Va., Charleston, S.C.; Jacksonville, Fla.; and Miami for a finite amount of cargo.

No one in Washington, D.C., or anywhere else plays referee to determine which ports should handle the ever-larger cargo ships expected by 2015 to begin traversing the Panama Canal en route to the East Coast.

"We don't need a half-dozen deep-water ports on the Eastern Seaboard. We just need a couple to deal with the larger ships coming on line," said Steve Ellis, vice president of TaxPayers for the Sea.

See PORTS, Page 2G

U.S. rancher passes on his cattle knowledge to Russians



Anthony Stidham, a rancher from Oklahoma, works on a beef farm in Bryansk, Russia, in this undated handout photo released to the media Wednesday by Miratorg Agribusiness Holding, which received state support to start an \$800 million farm project in Bryansk.

Putin set to cut beef imports

ILYA KHRENNIKOV
AND **MARINA SYSOYEVA**
BLOOMBERG NEWS

Anthony Stidham, a 48-year-old third-generation rancher from Oklahoma, is at the forefront of President Vladimir Putin's plan to cut Russia's \$3 billion annual bill as the world's biggest beef importer.

At the country's largest beef farm about 280 miles southwest of Moscow, Stidham is passing on cattle-rearing skills to locals in a drive toward self-sufficiency that's already involved shipping in about 60,000 Aberdeen Angus cattle from the United States and Australia.

With incomes rising and beef sales set to increase, Russia has been cutting import quotas to revive a cattle-breeding tradition decimated under the rule of dictator Joseph Stalin. Putin wants the country to meet 85 percent



Aberdeen Angus cattle are seen in Bryansk, Russia, in this undated handout photo released to the media Wednesday by Miratorg Agribusiness Holding.

of its meat and poultry needs by 2020, threatening to curtail sales by Brasili Foods SA and Arkansas-based Tyson Foods Inc. of Springdale.

"There's no place in the U.S., Australia or anywhere in the world that will have cattle as good as what they

are putting together here," said Stidham, recruited from Ada, Okla., after answering an advertisement in a farming publication.

At least 30 steakhouses have sprung up in Moscow since 2004, according to the Federation of Restaurateurs and Hoteliers, attracted by a growing middle class and average wages that have tripled. A ribeye steak at Goodman, Russia's largest steakhouse chain, costs \$45.

Miratorg Agribusiness Holding, the country's biggest meat importer, received state support to start the \$800 million farm project in Bryansk. Set up by brothers Alexander and Viktor Linnik in 1995, the company became Russia's largest pork producer in 2010 and also has moved into poultry. It sold about \$92 million of bonds last year

to help fund the project.

See BEEF, Page 2G

Enterprise looks to rev up growth with car-sharing

Hourly rentals drive acquisitions

LISA BROWN
ST. LOUIS POST-DISPATCH

ST. LOUIS — Enterprise Holdings has built its business over more than five decades by renting cars and trucks for days or weeks at a time.

Now, the Clayton, Mo.-based company is aggressively pursuing a growing number of consumers who want a more flexible relationship — cars by the hour.

In 2007, Enterprise started a car-sharing service, which attracts urban dwellers seeking cars for a shopping run or a night out. Since last summer, the company made two acquisitions that added several sizable markets on the East Coast and increased its membership roster by more than 30 percent.

The car-sharing model, popular in densely populated European cities, allows members to reserve a vehicle online that's parked at a specially designated space instead of a car-rental facility.

The \$8- to \$12-an-hour charge covers gas, insurance and maintenance, and the renter

returns the car to the spot for the next user. The cars are available 24 hours a day, seven days a week, unlike traditional car-rental facilities, which are open limited hours.

Though still in its infancy, the North American car-sharing market has grown to between 700,000 to 800,000 members over the past decade, according to market research firm Frost & Sullivan.

"We expect the number of operators to continue to increase," said Ratika Garg, an industry analyst with Frost & Sullivan.

The industry's growth slowed during the economic downturn. A 2009 estimate that the North American car-share market could reach \$3.3 billion by 2016 will come in lower

than updated estimates are released this year, Garg said.

"There's still a need by car-sharing operators to build trust and confidence with consumers," she said.

Enterprise, which operates Enterprise Rent-A-Car, National Car Rental and Alamo, **See ENTERPRISE, Page 8G**



James Reagan gets into a WeCar vehicle in St. Louis earlier this month to begin a shopping trip.

U.S. Army privatizes on-post hotels to put more focus on mission

KRISTINA SHEVORY
THE NEW YORK TIMES

FORT HOOD, Texas — The hotel could be any Holiday Inn Express, with a green and blue sign out front, a cheery lobby and a hot breakfast bar.

But nearly all the guests on a recent afternoon wore camouflage fatigues and tan combat boots. A poster near the lobby with photos of the post's commanding officers greeted guests at what had once been a 1960s-era barracks.

At the Fort Hood hotel, what is commonplace in the civilian world is new and innovative. Its 274 rooms have been gutted and outfitted with flat-screen TVs and marble countertops. There is a free DVD library and a new outdoor pool with landscaping and deck furniture.

During the past three years, the Army has started taking most of its 12,000 hotel rooms private, letting large companies build, renovate and operate them as a way to save money and modernize the facilities. About 4,400 rooms have been remade through a program called Privatization of Army Lodging, or PAL; the remainder should be done in the next 10 years.

"This allows the Army to focus on the mission," said Rhonda Hayes, an official in the office of Katherine Hammack, the assistant secretary of the Army for installations, energy and environment. "The Army is divesting itself of noncore functions. Housing was the first, and hotels were a natural follow-on. This is something the private

See HOTELS, Page 2G

Garment company struggling to make it

SHAN LI
LOS ANGELES TIMES

LOS ANGELES — Ofelia Lopez scrutinizes the hem on a hot-pink shirt, making sure the stitching is just right. All around her, rows of workers rapidly attach sleeves, adhere labels and churn out piles of garments.

Lopez, a Guatemala native, has worked in the apparel industry for 22 years. Now a team supervisor, she keeps watch on her group as it toils on a vast factory floor, where the whir of sewing machines and the hiss of industrial steam irons drown out most other sounds.

This could be a clothing factory in Guatemala, China or Vietnam. But it's in an industrial area of downtown Los Angeles, where American Apparel Inc. is engaged in a, so far, money-losing struggle to prove that clothes can still



Employees work earlier this year in the American Apparel Inc. garment dye factory in South Gate, Calif.

Hotels

• Continued from Page 1G
sector does well, and it makes sense for them to do it."

The primary guests at Army hotels are soldiers who are participating in training, receiving medical treatment or waiting for permanent housing.

Using its housing privatization program, which dates to 1996, as a blueprint, the Army decided it was cheaper and faster for outsiders, rather than the government, to upgrade its hotels. More than 80 percent of Army lodging needed repairs or replacement, according to a 2010 Government Accountability Office report, which would cost the government more than \$1.8 billion and take more than 20 years to complete. The Army expects it will take eight years using civilian companies. (The other military branches are not privatizing their hotels.)

Under the program, the Army passes ownership of the hotels to a subsidiary of the Australian giant Lend Lease and retains ownership of the land. The InterContinental Hotels Group, or IHG, operates the hotels under the Holiday Inn Express and Candlewood Suites brands. After a 50-year lease, the buildings will revert to the Army. The Lend Lease subsidiary also raises money for the project.

There are three phases to the program. The first, which included the Fort Hood hotel, covered 3,400 rooms on 10 installations. The second phase will cover 4,800 rooms on 11 posts, and next spring, the Army plans to transfer the third group of hotels, or 7,000 rooms, to Lend Lease to start construction and renovation. All three phases are being financed by debt and income from the hotels themselves.

The money to pay off the loans comes largely from soldiers traveling on military business, who are paid a per diem as reimbursement for lodging, meals and incidental expenses. With early-morning wake-up calls and often long security waits at entry gates, it is often easier to stay on a post. The hotel rates are approximately 75 percent of the government's local per diem; at Fort Hood, the average per diem is \$77 this year. Lend Lease and IHG receive fees; earnings go back to the hotels for reinvestment and are not taken out of the program.

Although the threat of post closings and cuts in training missions loom in the background, analysts say the privatization program will continue because the Army will have to train soldiers regardless of potential cuts to the Department of Defense's budget or the drawdown of troops in Afghanistan and the

end of the war in Iraq. The Army's partners in the deal, Lend Lease and the InterContinental Hotels Group, give added confidence.

"What makes this deal strong is that it's tied to the military," said Mikiyon Alexander, director for U.S. public finance at Standard & Poor's Rating Services in New York. "You can actually tell what demand will be."

"We still believe cash flow will come in as expected," he added. "It's a pretty solid deal."

The Holiday Inn Express at Fort Hood is an example of what is to come at other Army posts.

The interior was gutted at the hotel, which must meet the same standards as those off post. New furniture was brought in and service standards upgraded. Renovated hotels will operate under the Holiday Inn Express name, while new ones will be branded as Candlewood Suites.

"We're exposing millions of people on an ongoing basis to what branded hotels look like," said Arthur Holst, the vice president for operations at IHG Army Hotels in Atlanta. "They're getting the benefits of the brands and some other special offerings."

Amenities were added to cater to military travelers, including weekly barbecues, courtesy shuttles, full-time concierges and free laundry facilities and DVD rentals.

It is a big departure from Army-run hotels, where quality was often mixed. Some looked and felt like old barracks, like the large hotel at Fort Leonard Wood in Missouri, where rooms had linoleum floors and fluorescent lights. The biggest luxury was a digital clock. The renovation of that hotel started last fall.

"We were back in the bedspread and 19-inch TV era," said Sandy Van Bibber, the general manager of the Holiday Inn Express on Fort Hood. "You might go to a hotel that's great and another that is not so great. No one likes to travel and get a surprise."

Lend Lease and IHG plan to do more at Fort Hood, the country's biggest Army post. Ground is to be broken for a new Candlewood Suites hotel this fall. Two other aging hotels on post, with a total of 193 rooms, will be demolished after the Candlewood Suites opens.

Despite the upgrades and the somewhat captive market, Lend Lease is not assuming these hotels will be an easy sell.

"Soldiers don't have to stay at a hotel," said Charles Smith, a senior vice president for lodging at Lend Lease. "We still have to provide a high class of service. Otherwise, they can vote with their feet."