



# Travelodge

Sir Michael Lyons  
Lyons Inquiry into Local Government  
Room 3/12  
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## **SUBMISSION TO THE LYONS INQUIRY**

### **Consideration of Tourism Related (Bed) Taxes, as part of the wider review of local government funding and function.**

#### **Summary**

Travelodge joins the rest of the leisure and hospitality sector in strongly objecting to any form of accommodation taxation that increases prices for consumers in the UK.

#### **Introduction**

Travelodge is the UK's leading budget hotel. We have 292 hotels across Britain providing 17, 500 quality and affordable hotels rooms to over 6 million customers a year. We employ over 4, 000 employees and make it the mission of our company to lower the price of hotels everyday.

In 1990, one in five people stayed in hotels, today it is one in three. We want everyone to be able to afford to stay in a hotel, which means making prices more affordable and better value.

Travelodge fundamentally objects to any form of accommodation or 'bed' tax because of the likely unfair and unjust financial impact it will have on consumers. Our research, supported by research from Mintel, demonstrates clearly that price is the number 1 factor determining where consumers stay overnight (61%).

Attempts to pass the funding requirements of local government onto local and international tourists will act as a huge deterrent to consumers intending to use local accommodation, leisure and hospitality services in the future.

As a result, a bed tax will have serious consequences for consumer value, consumer choice, the UK's reputation as a destination and the long term viability of the tourism economy. These consequences include:

- **Higher Prices for Consumers**

Some supporters argue the tax is fair because it will only impact international tourists that can traditionally afford to pay for expensive holidays. The reality is that UK holidaymakers will be hit hardest by a bed tax.

According to an International Passenger Survey and United Kingdom Tourism Survey domestic tourists spend £6.5 billion annually on accommodation. A 5% or 10% bed tax would immediately add £325 million or £650 million respectively to the consumer's bill. Our research of 2,000 respondents reveals that 85% of consumers already believe the cost of UK hotels is already too high. Therefore a bed tax is directly in conflict with consumer wishes and will counteract the serious efforts some hotel companies have been making to reduce prices.

- **Pressure on consumer spending**

Our research reveals that consumers could be forced to reduce the length, frequency and money they spend on local breaks given the extra £100 cost of a bed tax on a week's vacation for a family of four. (Source – BHA Lyons Submission - calculation uses the UK's average room rate of £60 plus VAT (Deloitte & Touche 2003) on 7 night's accommodation for a family of 4.)

64.5% of consumers said a bed tax would put them off going away on holiday in the UK, 67% would re-consider the length of their stay and 79% would cut back on spending while away. Our research revealed that domestic tourists spend on average £254 each while on a week's break. A loss of revenue on this scale affects the trade of thousands of small tourism related businesses that depend on the leisure spend of hotel guests.

Furthermore, as accommodation providers experience lower revenues they become severely restricted in their ability to re-invest in price cuts or in new properties. This has the affect of reducing long term price competitiveness and consumer choice.

- **Pricing holidaymakers out of the UK**

Our research reveals additional consequences of introducing a bed tax. When asked to consider paying 'bed' tax on a week's break, 77% of consumers stated they would rather holiday outside of the UK. Forcing holidaymakers abroad is contradictory to Lyon's objective of raising local revenues. With every tourist that chooses to holiday abroad through cheap airlines, the economy loses leisure spending that directly benefits local authorities.

The current tourism deficit – the difference in spend between what British nationals spend abroad and what foreign tourists spend in this country – has widened to £17.5 Billion in 2005. We believe that increasing the cost of hotels in the UK will compound the deficit further as the additional cost acts as a deterrent to foreign visitors.

- **The Consumer is already highly taxed**

Our research reveals that 88% of consumers believe they already pay too much tax. On top of 17.5% VAT, any bed or tourism tax would make the UK the highest taxed tourism destination in Europe.

- **Lack of price transparency**

Research reveals 88% of consumers believe a bed tax could make hotel prices confusing and less transparent, like the experience of taxes in the airline industry. Consumers Associations Which? identified confusing pricing strategies as a common complaint experienced by consumers when booking airline tickets. We believe it is interest of consumers to provide clear, consistent prices – which would be a problem if different local authorities introduced different levels of taxation.

- **Cost of administration**

The additional cost and time taken to implement such a tax diverts investment from company efforts to meet the needs of customers. Travelodge is a low cost business that passes all savings and efficiencies onto consumers through £10 rooms. These are immensely popular with the public yet there is real danger a bed tax would restrict our ability to provide such low prices in the future. Again, it is the consumer that suffers.

In summary, there is overwhelming evidence that a bed tax is not in the interest of consumers and on these grounds we oppose its introduction in any form.



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Grant Hearn  
Chief Executive  
Travelodge