

TELFORD HOTEL FUTURES 2013 UPDATE

FINAL REPORT

Prepared for:
Telford Tourism Partnership
Telford & Wrekin Council
Marches LEP

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EXECUTIVE SUMMARY

The Story

➤ **Current & Pipeline Hotel Supply**

Telford has 24 hotels with 1,293 letting bedrooms, principally of 3 star and budget/limited service standard. The past 5 years has seen the opening of 4 new hotels, adding 167 bedrooms to Telford's hotel stock, primarily at the budget and 3 star levels. There has been recent much-needed investment in the hotel supply that has improved the overall quality of Telford's hotel offer. An 85 bedroom Premier Inn will open as part of Phase 1 of the Southwater Development in April 2014. Plans for a 27 room Marston's Inn at Hadley Park are also at an advanced stage.

➤ **Current Hotel Performance & Demand**

The performance of 3 and 4 star hotels in Telford is significantly below national provincial averages in terms of both achieved room rates (£51 compared to £70), and occupancy (65% compared to 72%). Budget hotel occupancies are high (75%), and achieved room rates not much below those of the 3/ 4 star hotel average (£47). Midweek demand is stronger than at weekends, with Tuesdays and Wednesdays the strongest nights. Corporate demand and business generated by conference and exhibitions at The International Centre is generally very price sensitive. Weekend demand is relatively weak and largely low rated. Major events hosted in Telford at The International Centre deliver sharp spikes in, and it is primarily at these times that hotels deny business.

➤ **Planned Destination Growth**

Telford is to see substantial levels of growth through to 2031 – around 26,000 new homes, over 12,000 new jobs and a population increase of between 30,000 and 45,000. The town centre will be a focus of growth, particularly around the Southwater regeneration scheme and the Sovereign Land shopping centre re-development which between them will deliver £450m of new investment.

➤ **Prospects for Growth in Business Tourism Demand**

Corporate demand for hotel accommodation related to companies in and around Telford is the key midweek market for Telford hotels. There are good prospects for growth in this market as Telford's economy grows and develops, established companies expand and new companies are attracted, although this is likely to take some time to build. Business and Events Tourism, focused particularly on The International Centre, is also a key driver of hotel demand in Telford. With an emerging Convention Quarter and leisure offer at Southwater (opening Summer 2014), a Top 10 Convention Centre in The International Centre, central location and developing cultural and visitor offer, Telford is set to see growth in this market. Meet Telford & Shropshire are investing in a Major Events Strategy focused on driving up the number, capacity and profile of UK association and corporate conventions and events. The International Centre and other partners are working with Meet Telford & Shropshire to attract more multi-day association conferences and larger conferences and exhibitions. There are also green shoots of recovery in the corporate conference and events market, which Telford and The International Centre are keen to attract, although the destination is constrained in its ability to develop higher-rated corporate conference business by the lack of on-site 4 star hotel accommodation to support The International Centre.

➤ **Prospects for Growth in Leisure Tourism Demand**

A number of factors point to likely future growth in leisure tourism business for Telford hotels. Plans are currently being worked up as part of an EU funding bid to make more of the Ironbridge World Heritage Site as a visitor draw and develop stronger physical links between the site and Telford town centre. New cultural, sports and major public events that may be developed in Telford town centre and/or at The International Centre or Ironbridge as part of the Major Events Strategy could generate new business for the town's hotels. There could be potential for TTP and the town's hotels to more proactively target higher-rated group tour business, focusing particularly on private, special interest and overseas groups. There is also scope for hotels to drive leisure business through online travel agents and daily deals sites, albeit at discounted room rates. Demand from people visiting friends and relatives or attending weddings and family parties should grow as the town's population increases.

➤ **Hotel Development and Investment Prospects**

There is some interest from hotel developers and operators in being represented in Telford, at budget and mid-market level, though some doubts around the ability to make the economic case for new hotels given current hotel performance and market demand in Telford. In terms of location, there was interest in locating around The International Centre and on business parks close to J4 of the M54. The relatively weak hotel performance in Telford combined with the limited drivers of demand for weekend trade put Telford at a competitive disadvantage as a hotel investment location compared to other regional cities and towns, particularly for up-scale hotel development.

➤ **Destination Strategy and Planning Policy**

In terms of the planning framework, the current Core Strategy does not have a hotel-specific policy. It is generally supportive of tourism and draws on national policies regarding the location of development. The Central Telford Area Action Plan has more specific hotel policies relating to the town centre, allocates a hotel at Southwater and prioritises hotel development here, and supports the development of the evening economy. Work is currently underway on a new Local Plan for Telford & Wrekin, known as the 'Staying Places' Local Plan, which will set out the spatial strategy and planning policy framework for the Borough through to 2031. This Hotel Futures report will help to inform the Borough Council's strategy and policy on hotel development, both in terms of new hotels and the expansion, development and retention of existing stock.

The Potential for Hotel Development in Telford

- The clear priority at this stage is further improvement in the quality of Telford's existing hotel stock in terms of the upgrading of hotels that have not yet seen recent investment, the introduction of further international hotel brands that can drive new business for existing hotels, and the possible repositioning of some hotels and inns in the Borough towns as boutique accommodation offers.
- Our hotel demand projections for Telford show:
 - **Immediate potential for additional budget hotel accommodation** based on the levels of business that established budget hotels are currently turning away, indicating that the new Premier Inn at Southwater should be fairly readily absorbed into Telford hotel market. There may be some short term impact in terms of lower levels of business being pushed out to hotels in the outer parts of Telford when there are major events on at The International Centre. A further Premier Inn should however also bring new corporate, contractor, leisure and VFR¹ business to the town as a result of strength of this brand in the market, the retention of business that is currently being referred to sister Premier Inn hotels further afield and referral business from other Premier Inn hotels when they are full.
 - **The potential for a new 3 or 4 star hotel is likely to be longer-term, probably not before 2023 and dependent on strong growth in corporate demand and the development of multi-day conference business and larger exhibitions at The International Centre.** At this stage it would appear that the potential is most likely to be for a 3 star hotel as the achieved room rates that are currently being achieved by the town's 3 and 4 star hotels are such a long way from the levels that would be needed to support a new 4 star hotel. Significant growth in high-rated corporate demand and corporate conferences at The International Centre would be needed to support a hotel at this level. A new 3 or 4 star hotel will also need to have a good leisure offer to enable it to attract leisure business at weekends.

¹ Visitors to friends and relatives

- **In the longer term, there could be potential for a further budget/upper tier budget/limited service hotel by 2023**, and possible another 3/4 star hotel post 2028.
- Our research also suggests:
 - **Possible scope for the development of serviced apartments in Telford town centre** primarily to cater for the long stay corporate demand that is generated by the town's international companies and project-related work.. With their focus on long stay corporate demand, the lack of weekend business in Telford would be less of an issue for this type of accommodation.
 - **Potential in Newport, Wellington and Ironbridge for extensions to existing hotels, inns and pub accommodation plus scope for some establishments to upgrade, including possible repositioning as boutique accommodation in some cases.** The market is unlikely to be able to support new build hotel development on any scale in these locations.
 - **Possible scope in the rural parts of Telford & Wrekin for the development of a destination hotel such as a country house hotel or golf hotel**, given a suitable property for conversion or site for development.

- The International Centre and Meet Telford & Shropshire have identified a need for an additional on-site hotel at Southwater in order for Telford to compete effectively as a conference and exhibitions destination and to attract larger conferences. While a 3 star would be adequate to cater for association conferences, a 4 star hotel would be required to attract corporate conferences. The Hotel Futures Study shows however that the wider corporate market in Telford is unlikely to be able to support an additional hotel at this level for some time, and a new 4 star hotel could not survive on The International Centre business alone. This suggests the following options for hotel development at Southwater therefore:
 - Wait for the corporate market to grow sufficiently to support a 3 or 4 star hotel. This is likely to take some time and would require a re-focusing of The International Centre and Meet Telford & Shropshire strategy in the meantime.
 - Go ahead with a 4 star hotel ahead of corporate market growth if it is deemed to be vital for the future development of The International Centre and Telford as a conference destination.
 - Expand the Holiday Inn and the International Hotel to deliver the required additional rooms, potentially upgrading the Holiday Inn to 4 star standard and bringing in an international hotel brand for the International hotel.
 - Use a 'pop-up' hotel solution such as Snoozebox to cater for the additional demand generated at peak times by the International Centre, as an interim measure until market growth can support a new hotel.
 - Consider an aparthotel as an alternative option, possibly as part of the proposed apartment development included in Phase 2 of the Southwater Development led by the Council. While such a hotel would cater primarily for long stay corporate demand it could also provide additional capacity for major conferences and could attract the family market for leisure stays.
 - The introduction of a complimentary shuttle bus service between The International Centre and Telford's hotels.

Acting on the Findings

- In terms of acting on the study findings there are five clear priorities:
 - a) Action to support market recovery and renewed growth.**
 - b) Further improvement in the quality of Telford's existing hotel stock.**
 - c) More detailed investigation of the specific hotel development opportunities that have been identified for the next 5 years.**
 - d) Using the findings to inform the emerging Shaping Places Local Plan and planning policy and process framework.**
 - e) Effective dissemination of the key findings and messages from the Hotel Futures Study.**

a) Supporting Hotel Market Recovery and Renewed Growth

- The immediate priority for Telford & Wrekin Council and its tourism stakeholders is to support hotel market recovery and renewed growth as the national and local economy strengthens in terms of:
 - **Developing the local corporate market** (the core midweek market for hotels that will need to grow to support new hotel development) by bringing forward office and business park schemes and undertaking inward investment marketing activity to attract new companies and support current company growth.
 - **Increased conference and exhibitions marketing and direct sales activity** by the Council's Business Tourism department, working in partnership with The International Centre and Telford's hotels, to capitalise on the new Convention Quarter offer and win more multi-day association and corporate conference business for the town, attract larger exhibitions to The International Centre and assist hotels in competing for residential conference business.

- **Boosting leisure tourism demand** through:
 - The development of high profile, multi-day cultural, sports and public events and festivals, capitalising on the Town Park Arena, The International Centre, Ironbridge World Heritage Site and other indoor and outdoor spaces as event venues.
 - The further development of the Ironbridge World Heritage Site as a visitor destination and development of physical links with Telford town centre.
 - Increased investment in leisure tourism marketing focused primarily on attracting higher-rated group tour business and leisure break stays.
- Meeting these immediate priorities for regenerating and growing the Telford hotel market will require increased and refocused staffing resource on tourism, increased and more targeted investment in marketing and in particular direct sales activity, and a more collaborative approach and pooling of budgets in the destination to create a powerful campaign for recovery and growth.

b) Investment in Telford's Existing Hotel Stock

- A clear priority at this stage is for further improvement in the quality of Telford's existing hotel stock, to meet market expectations and improve hotel performance, in terms of:
 - The refurbishment of hotels that have not seen recent investment;
 - The upgrading of some hotels and inns to a 4 star or boutique standard;
 - The introduction of international hotel brands that can drive new business for hotels;
 - The development of leisure, spa, conference and function facilities.
- It will be for hotel owners to determine what investment is needed in their hotels to meet these requirements and opportunities.

c) Investigation of Specific Hotel Development Opportunities

- There are three potential hotel development opportunities that could merit further investigation for the next 2-3 years:
 - The development of a serviced apartment operation in Telford town centre;
 - Some form of 'pop-up' hotel at Southwater to cater for the spikes in demand from major conferences, exhibitions and events at The International Centre;
 - Scope possibly for a destination country house or golf hotel in the rural parts of the Borough, given a suitable property for conversion of site.
- Further work is needed to research the market potential for these hotel development opportunities, identify suitable sites and developers, and assess financial feasibility and funding options.

d) Informing the Emerging Shaping Places Local Plan and Planning Process

- The key question from a planning perspective is to what degree a locational strategy for hotel development needs to be put in place. The sequential test already directs hotel development to the town centre. The question is whether to endeavour to focus hotel development entirely in Telford's Southwater area, as the Central Telford Area Action Plan seeks to do, or whether to permit hotel development in other parts of the town centre and other locations such as business parks close to the motorway, where an element of the market and some hotel companies might want to be, but which could undermine the potential to secure additional hotel provision at Southwater to support The International Centre

- The options would seem to be to:
 - Leave it to the market to decide where new hotels should be built.
 - Rigorously apply the sequential test to prioritise hotel development in the town centre and resist hotel schemes elsewhere.
 - Introduce a hotel policy in the new Local Plan that seeks to strengthen Telford Town Centre and the Southwater area as the priority location for additional hotel development. In considering such a policy the Council would need to determine how robustly it would be able to apply it. With hotels identified in national planning guidance as a town centre use it may be difficult to resist hotel schemes in other town centre locations but easier to refuse applications for hotels in other parts of the District.
 - Allow small scale hotel development in the Borough towns, at Ironbridge and in the wider rural area (perhaps up to 40 bedrooms), in terms of new hotels and extensions to existing hotels, which would be unlikely to impact on the deliverability of additional hotel provision at Southwater. It might be helpful to articulate this in any hotel-related locational strategy and policy.
- On balance, there is probably a need for a policy that prioritises hotel development in Telford's Southwater area, at least in the short term, but that allows flexibility for hotels to be considered in other parts of the town centre and business park locations in outer areas in the medium to longer term, and small scale hotel development to be considered in the Borough towns, at Ironbridge and in the wider rural area.
- The planning policy and process framework for the Borough should also positively encourage the expansion, development and upgrading of existing hotels.
- There is no evidence of any need for a hotel retention policy in Telford.
- A key consideration in planning process terms is to recognise the often marginal nature of hotel development schemes and thus avoid burdening them with significant additional costs relating to design requirements, CIL charges and other planning conditions that will result in significant extra expenditure.

e) Disseminating the Study Findings

- It will be important to disseminate the study findings to all who could benefit from the information that the study delivers, including:
 - Telford Tourism Partnership (the Tourism Board)
 - Telford's hotels
 - Planning policy and development management team
 - Regeneration managers
 - The Southwater Event Group
 - Inward investment managers
 - The Marches LEP
 - Business Boards
 - Potential funding partners.
- The outputs may require tailoring to the different audiences. A decision needs to be made as to whether the full 'warts and all' report remains a confidential document.
- There may be a case for sharing the study findings with the local property development community in Telford to inform any plans that they might be considering in relation to hotel development. This could include the owners of country house properties in the rural parts of the District that might want to look at conversion to country house hotels, as well of golf course owners that might consider adding some form of hotel accommodation. There may also be merit in sharing the findings with local and national property agents.
- There is **no need for proactive hotel investment marketing to attract hotel companies** to Telford. There may however be some **merit in having further discussions with those hotel companies that expressed an interest in the town in order to nurture their interest** for the longer term as the market grows and to explore opportunities to reposition some of the town's existing hotels under national and international hotel brands that can help them to win new business. There could also be merit in further work to investigate potential interest in Telford from aparthotel operators.

1. INTRODUCTION

1.1. Background

- This report sets out the findings of the 2013 Telford Hotel Futures Study Update study undertaken by Hotel Solutions between June and October 2013 for the Telford Tourism Partnership and Marches LEP. The study was commissioned as an extension to The Marches Hotel Study undertaken by Bridget Baker Consulting for the Marches LEP in 2012 to look in greater depth at the performance of the hotel sector in Telford & Wrekin, the prospects for hotel market growth and the potential for hotel development. The study also builds on the previous Telford Hotel Futures Study that Hotel Solutions completed in 2005.

1.2. Research Objectives and Purposes

- The objectives of the 2013 Telford Hotel Futures Update are to provide:
 - A more detailed assessment of hotel performance and market demand in Telford;
 - A thorough analysis of the future potential for growth in demand for hotel accommodation in Telford, taking specific account of the likely impact of the £250m Southwater town centre and convention quarter development scheme, the plans for developing the corporate sector and the proposed housing development;
 - An assessment of the likely levels of additional hotel provision that the envisaged market growth might be able to support in the short, medium and longer term, both in terms of new hotels and the expansion, upgrading and development of existing hotel stock.
- The key output required from the study is a Hotel Investment Action Plan for Telford to inform required interventions by Telford & Wrekin Council, Telford Tourism Partnership, Marches LEP, and tourism stakeholders including existing hoteliers, land owners, hotel developers, and other partners that have a role to play in supporting hotel investment, visitor economy growth and delivery of the wider vision for Telford.

1.3. Methodology

- The 2013 Telford Hotel Futures Update study has involved the following modules of research and consultation:
 - An **audit of the current supply** of hotels, inns and pub accommodation in Telford & Wrekin.
 - An **audit of changes in the District's hotel supply since 2008** in terms of new hotel openings, the expansion, development and refurbishment of existing hotels and the closure of hotels.
 - A **review of current proposals** for new hotels and investment in existing hotels.
 - **Interviews with the managers and owners of existing hotels** to gather information on performance and market trends between 2010 and 2013, future investment plans and views on business prospects for 2014. A total of 18 hotels and inns (listed at Appendix 1) were covered by the interviews through a programme of face-to-face meetings and telephone interviews where face-to-face appointments could not be made.
 - A **review of relevant plans and strategies**, including planning policy documents and economic development and tourism growth strategies and action plans in order to understand the planning policy context and growth agenda for Telford.
 - A **survey of travel buyers and intermediaries**, including coach holiday operators, group travel organisers, conference buyers and local companies and their booking agencies to explore their current and future hotel requirements, satisfaction with the existing hotel supply in Telford, and views on gaps in the town's current hotel offer. The sample was made up of a mixture of those currently using Telford hotels and those not doing so, and was conducted via a mixture of face-to-face consultations, structured telephone interviews, an email survey and desk research. The full report of the findings of this survey can be found at Appendix 2.
 - Detailed **tourism industry consultations** with the management of the International Centre, Ironbridge, Weston Park and Cosford.
 - **Projections for potential future growth in hotel demand** and the resulting requirements for additional hotel supply that market growth might support in Telford through to 2031.
 - An email and telephone **survey of hotel operators** to establish their potential interest in Telford, views of the market and hotel development potential here, the size and standard of hotel and brand that they might consider for Telford, and their locational preferences in and around the town.

2. TELFORD HOTEL SUPPLY

2.1 Current Hotel Supply

- There are currently 24 hotels in Telford & Wrekin, with a total of 1,293 letting bedrooms. The District's current hotel supply comprises predominantly 3 star and budget/ limited service hotels. The District has two 4 star hotels and one small boutique hotel – Carriages in Wellington. There is no purpose-built serviced apartment provision currently in Telford and as far as we have been able to establish there are no residential apartments in the town that are presently being let out as serviced apartments.

**CURRENT HOTEL SUPPLY- TELFORD & WREKIN
BY STANDARD/TYPE OF HOTEL -OCTOBER 2013**

Standard ¹	Hotels	Rooms	% of Rooms
4 star	2	168	13.0
Boutique	1	7	0.6
3 star	9	697	53.9
2 star	1	32	2.5
Budget/ Limited Service	6	321	24.8
Ungraded	5	68	5.2
Total Hotels	24	1293	100.0

Notes:

1. AA, VisitBritain, booking.com or LateRooms gradings

- In addition to hotels, the District has a supply of 18 small inns and pubs with rooms that together offer a total of 128 letting bedrooms. This includes the 5 star Old Orleton Inn contemporary/boutique coaching inn at Wellington. None of the District's other inns and pub accommodation establishments are currently star-rated under the national accommodation grading scheme. From our analysis of their Tripadvisor reviews they seem to offer accommodation of varying standards. Some establishments are consistently receiving 'Excellent' and 'Very Good' customer reviews, while reviews for others are more mixed, with some 'Poor' and 'Terrible' reviews.
- The District's ungraded hotels similarly appear to offer variable standards of accommodation judging by their customer reviews on Tripadvisor.

TELFORD & WREKIN HOTEL SUPPLY –OCTOBER 2013

Hotel	Location	Standard/Type ¹	Bedrooms
Park House	Shifnal	4 star	54
Telford Hotel & Golf Resort (Q Hotels)	Sutton Heights	4 star	114
Carriages	Wellington	Boutique	7
Buckatree Hall	The Wrekin	3 star	62
Best Western Valley	Ironbridge	3 star	44
Hadley Park House	Hadley	3 star	22
Haughton Hall	Shifnal	3 star	37
Holiday Inn Telford-Ironbridge	Southwater	3 star	150
Mercure Madeley Court	Madeley	3 star	49
Park Inn by Radisson	Telford	3 star	153
Ramada Telford Ironbridge	Telford	3 star	90
Telford Whitehouse	Wellington	3 star	90
White House Hotel	Muxton	2 star	32
Grove House Hotel	Wellington	n/a	18
Lord Nelson Hotel	Wellington	n/a	12
Royal Victoria Hotel	Newport	n/a	19
Norwood House Hotel	Newport	n/a	7
The Oaks Hotel	Redhill	n/a	12
The International	Southwater	Limited Service	101
Days Inn Telford	Shifnal	Budget	48
Premier Inn Telford Central	Telford	Budget	62
Premier Inn Telford North	Donnington	Budget	20
Premier Inn Newport/Telford	Newport	Budget	50
Travelodge Telford Shawburch	Shawburch	Budget	40

Notes:

1. AA, VisitBritain, booking.com or LateRooms gradings

TELFORD&WREKIN - SUPPLY OF INNS/ PUBS WITH ROOMS - OCTOBER 2013

Hotel	Location	Standard/Type ¹	Bedrooms
Old Orleton Inn	Wellington	5 star Inn	10
Cock Hotel	Wellington	n/a	2
Swan Hotel	Wellington	n/a	12
Arleston Inn Hotel	Arleston Brook	n/a	7
Newport Arms	Newport	n/a	8
Swan Inn	Newport	n/a	8
The Swan at Forton	Forton, Newport	n/a	10
Odfellows	Shifnal	n/a	7
Old Bell Inn	Shifnal	n/a	5
Bird in Hand Inn	Ironbridge	n/a	3
Golden Ball Inn	Ironbridge	n/a	4
Meadow Inn	Ironbridge	n/a	6
The Malthouse	Ironbridge	n/a	14
The Swan	Ironbridge	n/a	8
The Tontine Hotel	Ironbridge	n/a	12
White Hart	Ironbridge	n/a	5
Shakespeare Inn	Coalport	n/a	4
Coalbrookdale Inn	Coalbrookdale	n/a	3
Lion Hotel	Broseley	n/a	8

- The District's hotel supply is spread across the Telford urban area. Telford town centre (Telford Central) has the largest concentration of hotel accommodation – 5 hotels with 556 bedrooms, accounting for 43% of the District's total hotel supply. There is only one hotel at Ironbridge – the Best Western Valley with 44 bedrooms - alongside 10 inns that offer a combined total of 67 letting bedrooms. Newport is served by 3 hotels with 76 bedrooms and 3 inns with 26 bedrooms. Wellington has 5 hotels with 167 bedrooms and 3 inns with 24 bedrooms. Shifnal has 3 hotels with 139 bedrooms and 2 inns with 12 bedrooms.

**CURRENT HOTEL SUPPLY- TELFORD & WREKIN
BY LOCATION -OCTOBER 2013**

Location	Hotels	Rooms	% of Rooms
Telford Central	5	556	43.0
Telford North (Oakengates, Donnington, Hadley, Muxton)	4	86	6.7
Wellington	5	167	12.9
The Wrekin	1	62	4.8
Telford South (Madeley, Sutton Heights)	2	163	12.6
Ironbridge	1	44	3.4
Shifnal	3	139	10.7
Newport	3	76	5.9
Total Hotels	24	1293	100.0

2.2 Changes in Supply 2008-2013

2.2.1 New Hotels

- Four new hotels have opened in the past five years adding 167 new rooms to the Telford & Wrekin hotel supply, primarily at the 3 star and budget levels but also including a small boutique hotel in Wellington.

TELFORD & WREKIN - NEW HOTELS 2008-2013

Hotel	Standard	Rooms	Details/Status
Telford Central			
Grays(now Ramada)	3 star	90	Conversion of residential training centre to hotel, completed 2008
Telford North			
Premier Inn Telford North	Budget	20	Opened 2009
Wellington			
Carriages	Boutique	7	Opened January 2013
Newport			
Premier Inn Newport/Telford	Budget	50	Opened March 2010

2.2.2 Investment in Existing Hotels

- A number of hotels in Telford and the surrounding area have seen investment in the period since 2008, mostly in terms of refurbishment programmes. Bedroom extensions to a number of hotels have added 47 new rooms to the District's hotel supply.

TELFORD & WREKIN - INVESTMENT IN EXISTING HOTELS

Hotel	Investment	Year Completed
Telford Central		
Holiday Inn	Restaurant & gym extension. Refurbishment underway	2008 Ongoing
Park Inn by Radisson	£5m refurbishment programme	2013
Ramada	Bedroom refurbishment	2013
Telford North		
Hadley Park House Hotel	12 bedroom extension and 150 capacity function suite	2010
Telford South		
Telford Hotel & Golf Resort	£12m, refurbishment programme to upgrade the hotel to 4 star + 18 additional bedrooms	2008
Madeley Court	Refurbishment as part of rebranding to Mercure	2011
Wellington		
Travelodge Telford Shawbirch	Bedroom upgrade to new Travelodge bedroom product	2013
Newport		
Swan Inn	Conversion of adjacent buildings to provide 8 letting accommodation	2008
Ironbridge		
Best Western Valley	9 bedroom extension	2009
The Swan	Refurbishment by new owners	2013
The Wrekin		
Buckatree Hall	Refurbishment	2013
Shifnal		
Haughton Hall Hotel	Refurbishment of bedrooms and public areas following change of ownership	Ongoing

2.2.3 Hotel Rebrandings & Changes of Ownership/ Management Company

- There have been changes of ownership and/or re-brandings to 6 of Telford's hotels over the past 5 years, introducing additional national and international brands to the District's hotel offer.

TELFORD & WREKIN - RE-BRANDINGS & CHANGES OF OWNERSHIP

Hotel	New Brand/ Owner/ Management Company	Previous Brand/ Owner/ Management Company
Telford Central		
Ramada Telford Ironbridge	Ramada (Southwater Event Group)	Grays (Southwater Event Group)
Telford South		
Telford Hotel & Golf Resort	Q Hotels	Corus Hotels
Mercure Madeley Court	Mercure	Clarion (Choice Hotels)
Wellington		
Telford Whitehouse	Redefine BDL Hotels (Management company)	Whitehouse Hotels
The Wrekin		
Buckatree Hall	Sarac Hotels	Swallow Hotels
Haughton Hall	Independent	Independent

2.2.4 Hotel Closures

- One hotel has closed during the past 5 years - the Charlton Arms at Wellington (22 bedrooms) - which was granted change of use to residential.

2.2.5 Hotels under Construction

- An 85-bedroom Premier Inn is currently under construction as part of the first phase of the Southwater town centre redevelopment. It is due to open in April 2014 alongside an 11-screen Cineworld cinema, a number of bars and restaurants, a 700-space multi-storey car park, a visitor centre and the fully refurbished and extended ice rink.

2.2.6 Proposed Hotels

- There are 6 proposals for new hotels that are currently unimplemented. Three of these have incorporated hotels as part of wider masterplans and regeneration schemes. Only one of the proposals is for a hotel in the town centre – the allocation at Southwater. The remainder are in edge of centre or out of centre locations.

TELFORD & WREKIN HOTEL PROPOSALS, PERMISSIONS AND ALLOCATIONS

Site	Location	Standard	Rooms	Details/Status
Telford Central				
The International Centre	Southwater	3/ 4 star	150	Allocation for one or more hotels, up to 300 rooms
Ironstone Square	Lawley	Budget	60	Hotel as part of a housing-led regeneration scheme that will deliver 3500 homes, a Morrisons supermarket, Marstons pub and other retail and commercial uses plus community infrastructure. Hotel likely to be part of Phase 2.
Telford North				
Castle Farm Way	Priorslee	n/a	n/a	Masterplan for 51,000 sq m of employment B1/B2, 550 dwellings, hotel. Outline permission subject to S106.
Stafford Park	Stafford Park	n/a	n/a	Pre-application enquiry for the conversion of an existing office to hotel
Hadley Park East	Hadley Park	Budget	27	Permission to develop a pub/restaurant and hotel (Marstons)
Newport				
Land off A41	Newport	n/a	n/a	Permission for service area including motel (2010)

2.2.7 Planned Development of Existing Hotels

- Four hotels in Telford & Wrekin have been granted planning permission for bedroom extensions. As far as we have been able to establish none of these hotels have imminent plans to implement these permissions.

TELFORD & WREKIN – PLANNING PERMISSIONS FOR HOTEL BEDROOM EXTENSIONS

Site	Standard	Proposed New rooms	Details/Status
Telford Central			
Premier Inn Telford Central	Budget	27	Permission granted 2011 for an extension
Telford South			
Telford Hotel & Golf Resort	4 star	44	Permission renewed 2011
Wellington			
Lord Nelson	n/a	4	Permission granted 2009
Ironbridge			
Valley Hotel	3 star	27	Permission granted 2011

- Two hotels currently have plans for refurbishment, upgrading and development:

TELFORD & WREKIN - PLANNED HOTEL REFURBISHMENT, UPGRADES & DEVELOPMENT

Site	Standard	Details/Status
Telford North		
Hadley Park House	3 star	Planning to refurbish the bedrooms in the original hotel with a view to upgrading the hotel to 4 stars
The Wrekin		
Buckatree Hall	3 star	New meeting room/private dining room and mini-gym currently under development

3. CURRENT HOTEL PERFORMANCE & MARKETS

3.1. Occupancy, Achieved Room Rates² and Revpar³

- Average annual room occupancies, achieved room rates and revpar figures for Telford hotels for 2010, 2011, 2012 and the year to date figures to September 2013 are summarised in the table overleaf.
- Telford 3/4 star hotel occupancies, achieved room rates and revpar figures have been significantly below the national averages for the last 4 years. The average room occupancy for 3/4 star hotels grew in 2013 as some hotels drove more business by offering lower room rates through online travel agents such as LateRooms and booking.com, which resulted in a drop in their achieved room rates. Overall 3/4 star achieved room rates remained largely flat but the occupancy growth contributed to a slight upturn in revpar.
- 3/4 star hotel achieved room rates are stronger during the week than at weekends but still low.
- Budget hotel occupancies are high, particularly in Telford. Achieved room rates for budget hotels were only marginally behind the 3/4 star average in 2013 but with budget hotels achieving such strong occupancies the revpar average for budget hotels was ahead of the 3/4 star figure.

² The amount of rooms revenue (excluding food and beverage income) that hotels achieve **per occupied room** net of VAT, breakfast (if included) and discounts and commission charges.

³ The amount of rooms revenue (excluding food and beverage income) that hotels achieve **per available room** net of VAT, breakfast (if included) and discounts and commission charges.

TELFORD HOTEL PERFORMANCE 2010-2013

Location/ Standard of Hotel	Average Annual Room Occupancy %				Average Annual Achieved Room Rate ² £				Average Annual Revpar ³ £			
	2010	2011	2012	2013YTD ⁴	2010	2011	2012	2013YTD ⁴	2010	2011	2012	2013YTD ⁴
UK Provincial 3/4 Star Chain Hotels¹	68.9	69.6	70.3	72.3⁴	68.01	68.40	69.39	70.49⁴	46.88	47.61	48.38	50.93⁴
Telford 3/4 Star Hotels	61.2	61	61.8	65.6	50.33	50.25	51.18	51.28	30.83	30.63	31.63	33.66
Telford Budget Hotels	n/a	n/a	n/a	75.4	n/a	n/a	n/a	47.54	n/a	n/a	n/a	36.42

Notes

1. Source: TRI Hotstats UK Chain Hotels Market Review
2. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
3. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges
4. Year to date September 2013

3.2 Patterns of Demand

- Estimated average weekday and weekend occupancies for Telford hotels in 2012 are summarised in the table below.

TELFORD HOTELS - WEEKDAY/ WEEKEND OCCUPANCIES – 2012

Standard of Hotel	Typical Room Occupancy %	
	Mon-Thurs	Fri-Sun
3/4 Star	73	60
Budget	85	73

- Midweek occupancies and achieved room rates for Telford 3/4 star hotels are much stronger than at weekends. Tuesday and Wednesday nights are the strongest. Some, but not all hotels, are frequently full, or close to full on these nights. Monday, and especially Thursday night occupancies are generally lower.
- Conferences and exhibitions at The International Centre generate sharp spikes in demand for hotel accommodation across the District. Depending on the size of the conference and exhibition, hotels across Telford & Wrekin are usually fully booked at such times and many are able to yield their room rates because of the increased demand for accommodation.
- Midweek occupancies are strongest for 3/4 star hotels in Telford Central and can at times be relatively low for some of the hotels in the outer areas of Telford.
- Budget hotels achieve high Monday to Thursday occupancies, particularly in Telford, where budget hotels consistently fill and turn business away on 3 or 4 midweek nights for much of the year.
- Weekend occupancies are strong for most of the hotels in the outer parts of Telford that attract good weddings business. They are much lower for hotels in Telford Central other than when there are major weekend events and exhibitions on at the International Centre and major events in the area, such as V Festival.

- Saturday nights are the strongest weekend night for 3/4 star hotels. Friday occupancies are not as strong, particularly for hotels in Telford Central, and Sunday occupancies are usually very low.
- Friday occupancies are strong for budget hotels and Sunday night budget hotel occupancies do not drop as much as they do for 3/4 star hotels, typically running at around 40-60%.
- Midweek demand follows a seasonal pattern linked to the peak periods for conferences and exhibitions at the International Centre – April, May and June and September, October and November. Midweek occupancies generally dip in August.
- Weekend occupancies are also seasonal, peaking between April and October. Weekend occupancies are generally very low in the winter.

3.3 Midweek Markets

- Corporate demand from companies and organisations based in Telford is the key midweek market for Telford's 3 and 4 star hotels, typically accounting for around 40-60% of midweek demand for most hotels. Budget hotels also attract corporate demand during the week.
- The Telford corporate market is highly competitive and corporate rates are consequently relatively low. A significant proportion of corporate business in Telford is government business, which tends to be on lower room rates. Our survey of Telford companies (Appendix 2) identified a number of companies that have a relatively low limit on the amount they are prepared to pay for hotel accommodation in Telford, generally around £70 B&B. Price is a key consideration for them and 3 star hotels are adequate for their needs.
- Our research found some evidence of a long stay corporate market in Telford from some of the international companies in the town and related to corporate project work.

- Corporate demand is strongest for centrally-located hotels. Those situated in the outer parts of Telford appear to be second choice hotels for many corporate customers. Such hotels only appear to attract strong corporate demand when business is displaced from the centre when there are major conferences and exhibitions on at the International Centre.
- Our survey of Telford companies showed a high level of satisfaction with the town's existing hotel stock. Companies only experience problems with availability when there are major events on at the International Centre, typically on around 10 occasions per year. This is consistent with the insight we gained from talking to the town's hotel managers, which suggests that business is being lost from Telford on around 10-20 occasions when the town's hotel sector is trading at full capacity when there are major events at the TIC.
- Conference, exhibitions and events at the International Centre account for around 30% of midweek roomnight demand for 3/4 star hotels in Telford. They are the primary midweek market for the Southwater Event Group hotels, which prioritise this business over local corporate demand and receive around 70% of the midweek business that is generated conferences and events at the TIC. Other hotels are reluctant to give room allocations for TIC conferences and events for the following reasons:
 - TIC events usually only generate business for two nights during the week and can therefore reduce a hotel's ability to take 3 and 4 night midweek bookings;
 - Hotels are concerned to retain sufficient bedrooms for their core corporate clients;
 - It is often more lucrative for hotels to take the corporate business that is displaced from the Southwater Event Group hotels than the bookings that they would receive directly from TIC events;
 - People attending TIC events often do not eat or drink in the hotel they are staying in;
 - Allocations of bedrooms for TIC events may not get taken up, leaving a hotel with empty rooms to sell at the last minute.

- Business from TIC events thus sometimes has to be spread across a number of hotels in Telford, which adds cost and logistical problems for conference organisers and can make the TIC uncompetitive to the point where it sometimes loses events.
- Our survey of conference buyers (Appendix 2) and consultations with the management of the TIC suggest that the TIC may be losing some events because of the lack of an on-site 4 star hotel. A survey of conference buyers that attended a familiarisation trip to Telford in 2011 organised by Meet Telford & Shropshire, the destination's convention bureau, showed some dissatisfaction with Telford's hotel offer (with around 25% of buyers rating the town's hotel offer as 5 out of 10 or lower) and showed interest in seeing a 4 star hotel being developed as part of the Southwater Development. No research has been undertaken however to quantify the number of conferences, exhibitions and events that might be attracted to Telford and The International Centre if it were to be supported by an on-site 4 star hotel, or to determine the room rates that conference buyers might be prepared to pay for 4 star hotel accommodation in Telford. The feedback that we received from the TIC's management suggested that there would be resistance to a B&B room rate of anything more than £110. The majority of the conference buyers that we spoke to identified a requirement for a range of different standards of hotel accommodation within walking distance of the main conference venue as the most common requirement for their clients. From other research we have undertaken as part of Hotel Futures Studies for destinations such as Liverpool, Brighton and Southport our understanding is that this is generally the key requirement for association conferences, particularly where some or all of the delegates are paying for their accommodation themselves.
- While many of the District's hotels are not actively seeking business directly from the TIC, most hotels benefit from TIC events largely in terms of displaced corporate business.
- Residential conferences are a very minor market for most of Telford's 3 and 4 star hotels. Only one of the District's hotels currently attracts a reasonable level of residential conference business.
- Contractors working on construction and development projects in the area are a key midweek market for budget and limited service hotels, some of the small, independent hotels and pub accommodation establishments and one 3 star hotel.

- Midweek leisure breaks are fairly significant secondary midweek market for a number of Telford's 3 and 4 star hotels, accounting for 10-20% of their midweek trade. This business is largely low-rated and generated through online travel agents.
- Group tours are an important secondary midweek market for two 3 star hotels, accounting for 20-25% of their midweek roomnights. A number of other 3/4 star hotels also take some midweek group tour business in the summer months. This is low-rated business that hotels take in the absence of other higher-paying markets. Our survey of coach tour operators and group tour operators (Appendix 2) provided some evidence of room rates for coach tour groups being as low as £25-30 per person per night for dinner, bed and breakfast. Private groups will usually pay higher room rates however.
- Midweek weddings and functions generate a small amount of midweek trade for some of Telford's 3/4 star hotels.

3.5 Weekend Markets

- Weekend markets vary by location and type of hotel.
- Weddings are the main source of weekend business for a number of the hotels in the outer parts of Telford, particularly those that have a more attractive building or setting. In contrast the business hotels in the centre of Telford attract relatively little weddings business. People attending weddings and other family occasions are the key weekend market for budget hotels and many of the small, independent hotels and pub accommodation businesses.

- Weekend leisure breaks are a key source of weekend business for a number of hotels, accounting for 25-30% of weekend trade for some and up to 50-70% for others. Hotels that have a strong weddings trade are usually blocked out to weekend break guests during the summer months but may take weekend break stays during the winter. Weekend break business is largely rate driven, with hotels offering low room rates through the online travel agents and in some cases some of the daily deals sites e.g. Groupon, Travelzoo and Secret Escapes or voucher sites. Hotels need to keep their room rates very competitive of these sites and also have to pay a fairly high commission charge on any bookings they receive, which further erodes their achieved room rate. Key selling points that Telford hotels use to promote weekend breaks are Telford, Shropshire, Shrewsbury, Ludlow and the Severn Valley Railway.
- Group tours are a key source of weekend trade for a number of 3 star hotels that can have twin rooms. This market accounts for up to 35-50% of weekend trade for these hotels. Weekend group tours are primarily from the UK and stay 2-3 nights. Telford hotels also attract some single night stop-overs by groups travelling en-route to Wales or Ireland. Key selling points for weekend break tours are Ironbridge, Shrewsbury Flower Show, Shropshire and the Severn Valley Railway. Group tour business is generally low rated. Typical group tour rates quoted by Telford hotels are £28-45 per person per night for dinner, bed and breakfast.
- Some weekend events at the International Centre generate strong demand for hotel accommodation. Many TIC events primarily attract day visitors however and only generate business for hotels from exhibitors and set up crews.
- Local events that generate good business for hotels are as follows:
 - V Festival
 - Shrewsbury Flower Show
 - Cosford Air Show – for some hotels
 - Midland Game Fair, Weston Park
 - British Beekeepers Association Convention, Harper Adams University – for hotels in Newport
 - Graduation ceremonies for Harper Adams University – for hotels in Newport

- People visiting friends and relatives are a key weekend market for budget hotels and some of the small, independent hotels and pub accommodation establishments.
- Other minor weekend markets are as follows:
 - Individuals and teams attending sports competitions and tournaments at Lilleshall – for hotels in Telford North and Newport ;
 - Parents of students studying at Harper Adams University – for hotels in Newport;
 - People stopping off in Telford for the night en-route to Wales and/or Ireland;
 - Weekend residential conferences – for one hotel;
 - Corporate customers – either long stay corporate guests or corporate arrivals on Sunday nights.

3.6 Market Trends

- **Corporate demand** for hotel accommodation in Telford appears to have been largely static in volume terms in the last 2-3 years, although there has been some movement of corporate business between hotels and some hotels reported a slight recovery in levels of corporate business in 2013. Corporate rates have however reduced in what has become a very price competitive local corporate market and there do not appear to be any signs of corporate rates starting to strengthen at present.
- **Corporate conference business at The International Centre** has reduced and delegate room rates have been flat. The growth in demand for the TIC has been in day events rather than multi-day events that generate demand for hotel accommodation.
- The **residential conference** market has generally reduced across the UK during the recession as companies have cut back on meeting and training budgets, developed their own in-house conference and meeting room facilities and made greater use of video and teleconferencing technology. This is now a very small market for most of Telford's hotels. Two hotels reported some signs of recovery in 2013 but expect residential conferences to remain a minor market.
- **Contractor demand** for budget/ low-priced hotel accommodation has increased in the last few years, driven by the Southwater development and the construction of the new Morrisons supermarket at Lawley.

- Most hotels have been able to boost their **leisure break business** by promoting discounted room rates through the online travel agents and in some cases the daily deals and voucher sites.
- Some hotels have taken more **group tour business** to boost their occupancy levels, albeit at low room rates.
- Accommodation demand related to **weddings** has generally either increased or remained unchanged for most of Telford's hotels. Only one hotel reported a drop in weddings business.
- One hotel reported a downturn in **Christmas party business** and associated accommodation demand.

3.7 Denied Business¹

- The Southwater Event Group hotels deny midweek corporate business when there are conferences, exhibitions and events on at the International Centre as this business takes precedence for them. Other 3/4 star hotels generally only denying midweek business when there are major events being held at the TIC. This seems to happen on around 10-20 occasions per year. Only one hotel reported regularly turning away some midweek business at other times.
- Hotels in the outer parts of Telford that have a strong weddings trade are generally blocked out to leisure break customers by wedding guests between April and October. Weekend denials are otherwise related primarily to major events at the TIC and other events in the area, most notably V Festival.
- Group tour organisers reported difficulties in securing availability at Telford hotels for the Shrewsbury Flower Show and when major events are being held at the TIC.
- Budget hotels in Telford consistently deny fairly significant levels of business on 3 or 4 midweek nights for most of the year. They also consistently turn significant business away on Saturday nights from April to December and Friday nights between May and September. Budget hotels also occasionally deny business on Sunday nights.

¹ Business that hotels have to turn away because they are fully booked

3.8. Prospects for 2014

- Most Telford hotel managers expect their hotels to see a slight upturn in occupancy in 2014 but no improvement in achieved room rates and in some cases a drop. The majority of hotels will continue to pursue strategies to boost occupancies in 2014. The general view is that the Telford hotel market will remain very price competitive, with limited scope to grow room rates.
- Corporate demand related to local companies looks set to begin to recover in 2014 as the national and local economy strengthens and business travel resumes.
- 2014 is set to see another busy convention and exhibitions calendar at The International Centre, boosted by the launch of the new Convention Quarter, with a number of returning events and some new conferences and exhibitions.
- Growth in leisure demand is likely to come through lower-rated markets, including leisure business driven through online travel agents and group tours. Some hotel managers predict an upturn in weddings business for 2014. Sporting events including the Indoor Archery World Cup (held for the first time in Telford in January 2014) and the National Cheerleading Championships will continue to generate demand for hotel accommodation in Telford in 2014.
- A few hotels are starting to switch to rate-led strategies as they feel that their occupancies have built to the maximum that can realistically be achieved in the Telford market.
- There is some uncertainty about the likely impact of the new Premier Inn in the town centre and the Marston's hotel at Hadley Park. The general view is that the Premier Inn will result in lower levels of business spilling out to hotels in the outer parts of Telford when there are major exhibitions, conferences and events on at The International Centre.

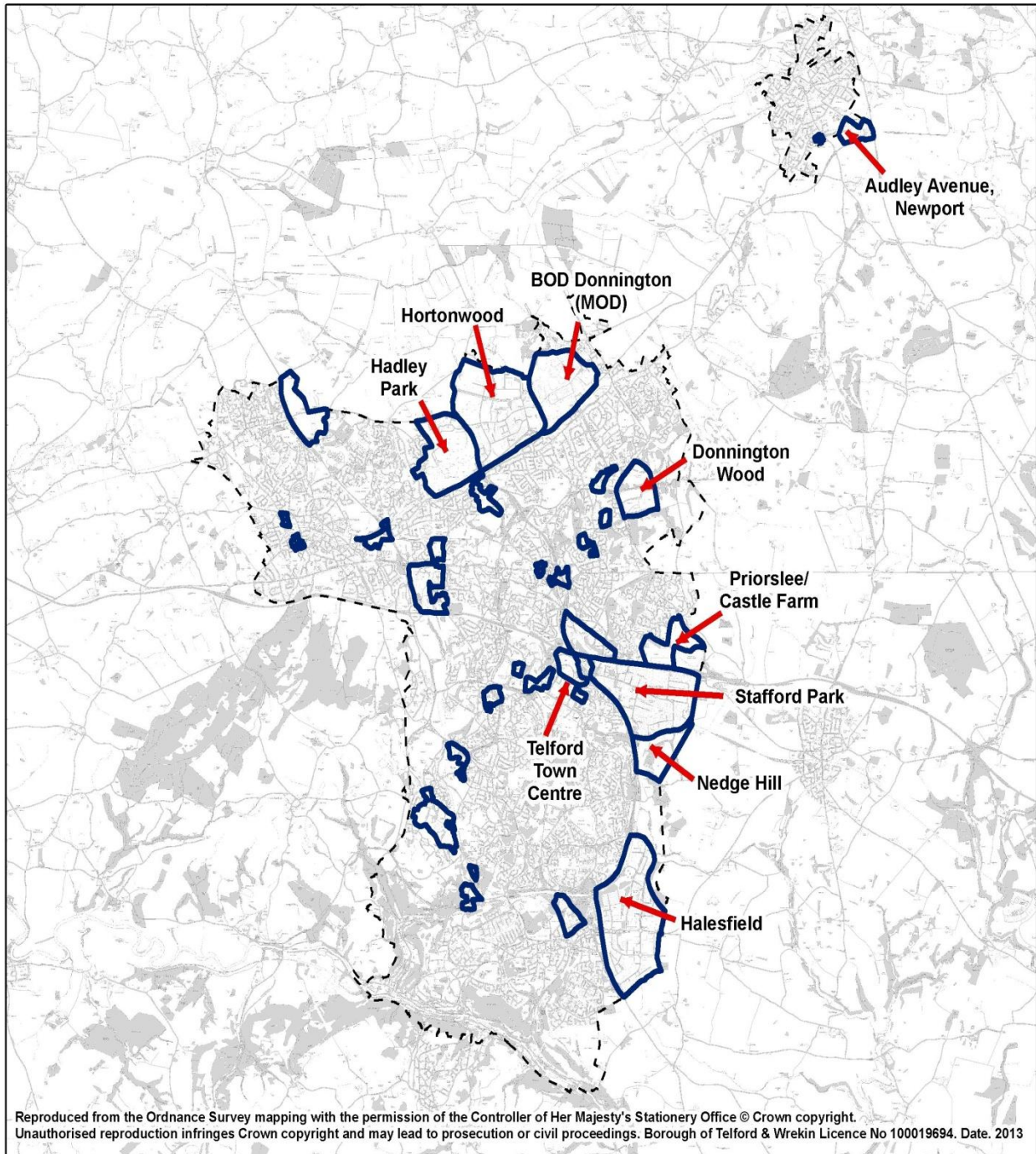
4. FUTURE MARKET PROSPECTS

4.1. The Big Picture

- Any analysis of future market prospects for the hotel sector needs to be based upon an assessment of the business and leisure drivers that have the ability to drive growth in demand. The fortunes of the hotel sector are closely allied to trends in the local and national economy, so employment trends and forecasts together with GDP and GVA trends and projections are good indicators of potential business demand, particularly if available by sector. Leisure demand is important for weekend and holiday periods and for locations that are less business-orientated. Forecasts for tourism growth, attendance at key attractions and events and growth in population and housing are all useful indicators of how this element of the market might grow.
- The levels of growth forecast for Telford & Wrekin and the broad spatial vision as articulated in the Core Strategy and emerging Shaping Places work are summarised below:
 - The vision for Telford & Wrekin to 2026 is for 'a Modern City':
 - An urban area of 200,000 people;
 - Blending the old with the new and balancing high quality built and green environments;
 - A vibrant and successful town centre of regional significance that is the focus for cultural activities, jobs and shopping as well as living;
 - Supported by regenerated Borough Towns and thriving distinctive local communities.
 - The previous Regional Spatial Strategy identified Telford as a focus for growth, and the strategy going forward is to continue this approach to housing-led regeneration, which will deliver transformational change to Telford.
 - The levels of development proposed 2011-2031 are:
 - 26,500 new homes
 - A maximum of 377.9 ha of employment land to support the delivery of 24,800 new jobs – but with a more likely scenario of 12,300 jobs (7500 in B class industries) and 77.7 ha of B class employment land

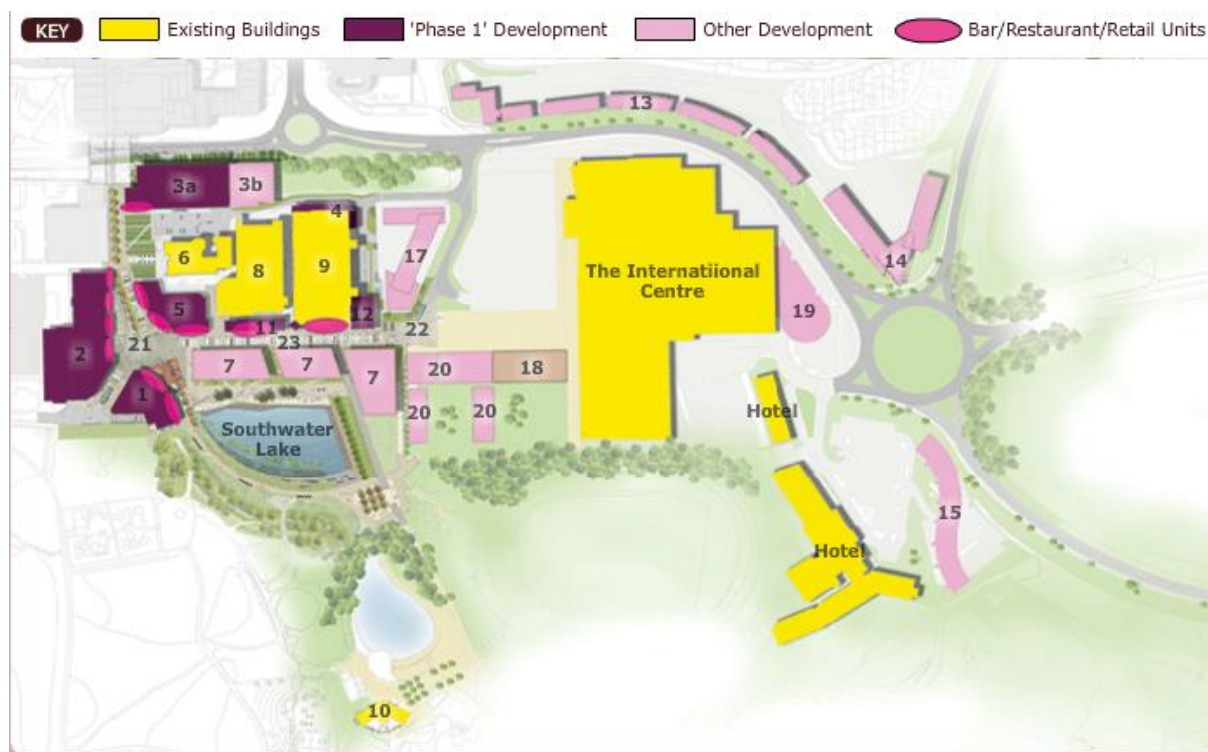
- This scenario envisages a population increase of between 29,600 and 46,600, depending upon the growth scenario, from a base of 171,700 in 2011 to 201,300-218,300.
 - Telford town centre will see 2500 new homes, 110,000 sq m of office floorspace and 65,000 sq m of retail floorspace
- In terms of distribution, roughly 70% of this growth will be in Telford itself, with 20% in new urban extensions and 10% in the rural area.
- In terms of economic development, the current Economic Development Strategy (2005) focuses on developing a resilient economy with recognised strengths in certain knowledge-intensive industries with long term growth prospects, including value-added manufacturing. It identifies 7 clusters with significant economic potential – advanced engineering, polymers and composites, tourism and leisure, ICT, specialist business and professional services (insurance, computing, outsourcing), food and drink, and building technologies. Telford has a large number of overseas companies based in and around the town – 148 have located here over the past 25 years, including 48 from the US, 28 from Germany, 16 from France and 14 from Japan. They generate visits from across the world, including some long stay contract work, particularly as some have UK and European headquarters offices in Telford. Telford has a higher than average proportion of its workforce in manufacturing. A new Business Investment and Regeneration Strategy for Telford is currently in preparation, which will reflect other emerging priorities such as the automotive sector and environmental technologies. A wider 'Destination Telford' initiative is being put in place to deliver growth and develop the Telford 'brand' across all sectors.
- Key sites that are likely to be the focus for employment growth (see map overleaf) include:
 - Telford Technology Park (Nedge Hill)
 - Stafford Park
 - Halesfield
 - Hortonwood
 - Hadley Park (West and East)
 - Donnington Wood (Campus and Business Park)
 - Shawbirch
 - Celestica (Castle Farm)

TELFORD – EMPLOYMENT SITES & FOCUS FOR EMPLOYMENT GROWTH



4.2. Major Projects

- Some of the major projects that are likely to drive growth in the Telford economy and generate demand for hotels include:
 - **The Southwater Development**
 - The Southwater Regeneration scheme led by Telford & Wrekin Council with private sector partners is a flagship £250m project to transform the centre of Telford into a vibrant heart with a thriving night time economy, improved cultural, leisure, retail and event facilities, new homes and offices, an enhanced convention quarter and high quality public space. Southwater occupies the space between the 1m sq ft retail core (12m footfall p.a.), the International Centre (200,000 delegates a year) and the 170 ha Town Park (750,000 visitors pa), better connecting these key aspects of Telford's destination offer, whilst at the same time boosting capacity and appeal. This is a 10-15 year project in all, but is well underway, kick-started by the expansion of the International Centre, enabling it to host multiple major events simultaneously, and with the potential to double delegate numbers. The £25m Southwater Leisure Hub is also under construction – an 11 screen cinema, an 85 bedroom Premier Inn and 7 restaurants, including Nandos, Wagamama, Zizzi and Pizza Express: this aspect involves an investment of £25m and will create 200 jobs. Also within Phase 1 of Southwater are the extension and refurbishment of the ice rink (200,000 visitors p.a.), a new library, a visitor centre for Town Park and various public realm improvements. Completion of phase 1 is targeted for April 2014. The medium term plan for Southwater (4-7 years) will see the delivery of an additional 150 bedroom full service hotel at the International Centre, further expansion of the International Centre, mixed use development with bars, restaurants and retail (site 7) and some residential (site 13). Longer term (8-15 years) there is further office, residential, commercial, hotel and restaurant development earmarked for sites east of the International Centre, and between the TIC and ice rink. The total impact on completion of the £250m 10-15 year scheme will be the development of 14,980 sq m of employment floorspace (office, retail, leisure), 595 jobs and 527 homes.



Timescale - Southwater development

Phase one to Spring 2014

- 1: Southwater One (SW1)
- 2: 11 screen Cineworld cinema and 4 bar/restaurants
- 3a: Circa 700 space multi storey car park and retail unit
- 4: Energy Centre
- 5: 83 bedroom hotel and 3 bar/restaurants
- 10: Visitor Centre, landscaping and new play areas
- 11: Restaurant to the front of Mecca Bingo and Tenpin Bowling
- 12: Ice rink refurbishment and extension

Medium term (4-7 years)

- 3b: Expansion to multi storey car park, circa 350 spaces
- 7: Mixed use - ground floor bar/restaurant/retail units
- 13: Residential
- 18: Hotel
- 19: Extension to The International Centre

Long term (8-15 years)

- 14: Commercial/hotel/restaurant
- 15: Residential
- 17: Offices
- 20: Residential

- **i54**
 - A 220 acre technology-based business park to the east of Wolverhampton, at J2 of the M54. It is a £67m project led by Wolverhampton City Council and Staffordshire County Council. 2.5 million sq ft of space will be developed, primarily for advanced manufacturing, plus some headquarters office space, supported by some commercial, retailing and leisure, including a hotel. International aerospace company MOOG moved here in 2011 as did leading international laboratory testing company Eurofins. Jaguar Land Rover are currently on site with a £365m project to deliver an advanced engine plant here which will create 750 jobs; the plant is due to open in 2015. i54 now has Enterprise Zone status.
- **Wolverhampton-Telford Technology Corridor**
 - i54 forms part of a wider initiative originally promoted by regional development agency Advantage West Midlands – that of the Wolverhampton to Telford Technology Corridor. There are clear opportunities for Telford to benefit from supply chain opportunities to serve companies on i54. Telford Technology Park, to the east of Telford, is well-positioned to do so. It is a 32 hectare site 1 mile from J4 of the M54 identified for technology uses. Current occupiers include Infoteam International Services, Mitac (UK), SmartWater Technology, Syntex Information Technologies and Trac Measurement Systems. On completion this site should deliver 1800 jobs.
- **The Telford International Rail Freight Terminal**
 - The Telford International Railfreight Terminal located on the edge of Horton Wood opened in 2009; the associated 24 acre logistics park is growing, with a view to developing as a regional logistics centre within the West Midlands. DB Schenker Rail has recently been appointed as the new operator of the site, and has plans to grow business through the terminal. The Telford terminal will be integrated into their national and international network. Part of the forward strategy will be to encourage major local companies to use the terminal to move more of their goods by rail rather than road, but DB Schenker will also be looking at the potential to divert its traffic from the continent to the Telford site.

○ **MoD Centre of Excellence**

- The MoD site at Donnington is under consideration as the location for an MoD logistics centre of excellence. A decision is due by October 2013. This would see the safeguarding and expansion of this site, and use of the railfreight terminal for rail processing and storage.

○ **Telford Shopping Centre**

- Sovereign Land has been granted permission for a £200m redevelopment of Telford Shopping Centre. This 70 acre site currently offers in excess of 1 million sq ft of retail space and 170 units, and attracts more than 12m shoppers each year. Proposals had been worked up to almost double the size of the centre, adding 400,000 sq ft of new retail space, and 250,000 sq ft of leisure, incorporating bars, cafes, restaurants, a hotel and potentially a cinema. The 5 year development is estimated to create 3000 new permanent jobs on completion, and 1000 construction jobs.

○ **Ironbridge Gorge World Heritage Site**

- Plans are currently being worked up to further capitalise on the Ironbridge Gorge World Heritage Site as a visitor draw, including the development of stronger physical links between the site and Telford town centre. It is hoped to secure EU funding to progress the plans.

○ **Key Housing Developments & Associated Infrastructure**

- Telford's spatial development strategy is a housing-led strategy to deliver urban renaissance and balance the target for new homes to 2031 of 26,500 with jobs and population growth. Strategic sites at Lightmoor, Lawley and East Ketley will be the focus for much of this growth, along with new homes in the town centre.
- Whilst being part of the growth strategy to accommodate an expanding population and create jobs long term, this major development activity will also create demand for hotels during the planning and development period from the construction sector and associated professionals.
- Beyond Telford, there is a major development site in the rural area at Allscott. Formerly a processing site for British sugar, this 50+ acre site is to be developed as a sustainable community, with a residential-led scheme with community facilities, but also an enterprise hub.

4.3 Tourism Growth Prospects

4.3.1 National Tourism Market Trends

- Tourism remains a growth industry. Deloitte (in 'The Economic Contribution of the Visitor Economy – UK and nations' 2010) forecast that tourism in the UK will grow by 3% per annum in real terms between 2010 and 2020. Inbound tourism expenditure is anticipated to grow annually by 4.4% and domestic tourism expenditure by 2.6%.
- Over the next decade or so, the tourism market place will be influenced positively and negatively by a complex range of factors – economic, demographic, social, and technological. These will include:
 - **Austerity and the continuing Staycation.** Forecasts are for continued short term austerity. For Britons, disposable income will on average decrease (the average household will have £1,130 less money in their pocket to spend during 2013 compared with 2009). The Staycation effect has been forecast to remain in the short term. There are two groups of Staycationers - "Switchers" include a high proportion of families - they are primarily motivated to 'switch' a foreign holiday for one at home because of financial constraints - and "Extras" who tend to be younger and are more likely to be single. They are less affected by their economic situation and are more motivated by a desire to explore the UK and go somewhere new.
 - **Inbound tourism** in the short term is forecast to recover from its downturn of the last couple of years, boosted by the massive worldwide exposure of the UK during the London 2012 Olympic and Paralympic Games. UNWTO forecasts to 2020 are for modest inbound growth in Western Europe (~3% p.a.) reflecting its maturity as a destination. VisitBritain are forecasting slightly higher growth with a 4.4% p.a. growth in overseas visitor spend to 2020, with strong growth coming from the emerging middle classes in the BRIC countries (Brazil, Russia, India and China).

- **The corporate and public sector conference markets** suffered a downturn in 2009 with the Credit Crunch and subsequent recession and government cutbacks. While there were some signs of recovery in these markets in 2013, in the short term growth is likely to be modest. While the number of corporate and public sector conferences being held in the UK may grow, there will be pressure on the length and sizes of conferences, with value for money remaining a key purchasing criteria.
- **The association meetings market** has remained more resilient. Associations have continued to hold their annual conferences and many have maintained their other conference programmes. The association meetings market offers high volume and value for a destination that meets the market's high specifications. Telford is now rated as one of the UK's top 10 Convention Towns. Capitalising on this market will provide substantial growth for Telford in terms of the volume of events and their economic impact and value for the hotel sector and wider visitor economy.
- **An ageing UK population** – the percentage of the UK population over 65 is increasing. It has widely been considered that this generation is a powerful economic force, with sufficient time and disposable income to enjoy short breaks and regular holidays. Telford's heritage should have strong appeal to this group. However, recent economic events have affected pensions and the grey market may take a more cautious approach to spending than in previous years.
- **Widening younger markets, with greater economic power.** In mature Western markets, young people are staying at home longer and delaying marriage and parenting. The consequence is an increase in pre-family travellers. The delays in parenting also mean families are getting older (and more sophisticated and affluent). Similarly the emptynester market will less likely be 45+ but more likely to be 55, or even 60+.
- **Short breaks** - society has become increasingly time poor with shifting patterns of trip taking to higher frequency short breaks.

- **Tourism is becoming increasingly experiential.** Tourists are looking for immersion in a culture, unique experiences, authenticity, exploration, adventure and personal fulfilment from their holiday experience. The 'what' is more important than the 'where'.
- Greater interest in health and fitness and cheaper and more widely available camping equipment, outdoor clothing and bikes are fuelling growth in **interest in outdoor activities** as a key driver for holidays and leisure breaks.
- **Climate change and 'green' holidays** – Climate change is probably the factor that will have the most impact on tourism in the next two decades. While purchasing holidays on environmental impacts is not currently mainstream, destinations – Ironbridge included - may need to begin to position themselves as more environmentally sustainable.
- **The Internet** is the main channel for researching, booking and planning holidays, breaks and days out. However, **communication on the move** is becoming commonplace. Smart phones will be the point of first contact for most communications, including tourism searches, enquiries and bookings. Information and content needs to reflect this.
- **Social networking will increase in importance** - Online networks will be a vital channel for businesses for distribution, awareness creation and recommendations.
- **User generated content (UGC)**, particularly reviews, are becoming an increasingly used tool by consumers in their holiday and leisure purchasing and booking decisions. Consumers are increasingly relying on sites like Tripadvisor to help them book with confidence.
- **The growth of central sales – brands and deals.** The hotel sector over the last 10-15 years has seen significant investment in **brands supported by centralised** marketing and booking systems. Individual branded hotels often have limited flexibility to participate in local destination marketing programmes.

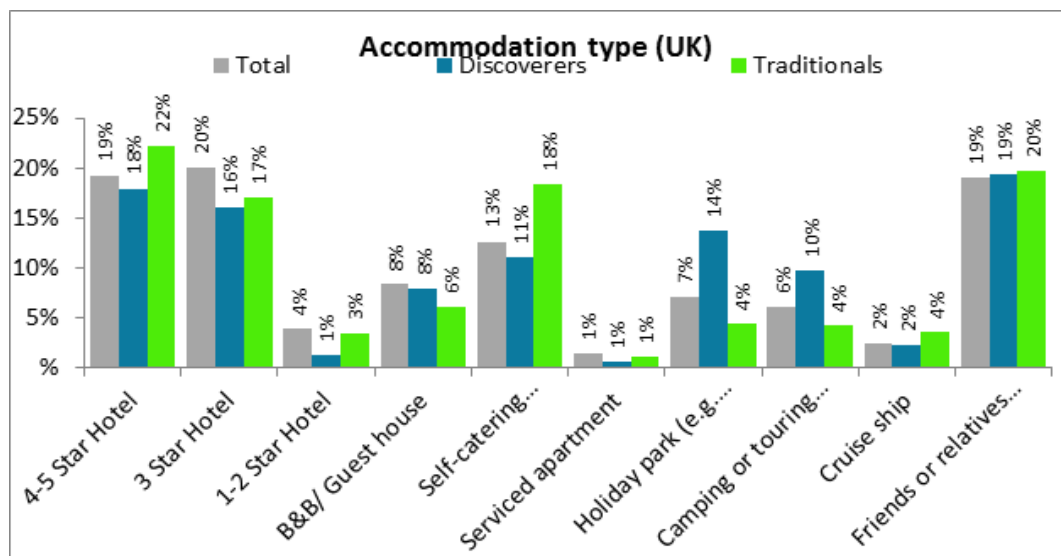
- **The UK short break has become increasingly deal-driven**, with consumers increasingly booking through the growing number of third party websites that offer discounted accommodation and holidays such as LateRooms, Lastminute.com, Booking.com, Groupon and Secret Escapes.

4.3.2 Visit Ironbridge - Target Visitor Markets and Accommodation Requirements

- Visit Ironbridge is the vehicle for promoting Ironbridge Gorge and the surrounding area as a quality tourism destination to leisure tourism markets. Key target markets are day visitors, short breaks and groups within a 2 hour drive time, particularly empty nesters and families with children over 11, to whom the area's heritage and opportunities for outdoor activities appeal.
- The World Heritage Site at Ironbridge is a key driver of leisure tourism demand to Telford & Wrekin, attracting around 550,000 visitors p.a. The most recent piece of visitor research for the Ironbridge Gorge WHS provides the following insight into the visitor markets that are attracted to the area:
 - Strong appeal to the tourist i.e. overnight visitor – 37% of visitors were staying within the WHS area, and 17% staying overnight outside the WHS area;
 - A high proportion of visitors from within the region – 74%;
 - A small proportion from overseas – 7%, particularly USA, Australia and Canada;
 - A mix of families (39%) and couples (42%), with 2% on coach trips;
 - The area appears to have appeal to old and young, and to AB (26%) and C1 (41%) markets;
 - A high repeat visit rate at 45%;
 - All year round appeal, but seasonal spikes in the summer and other school holidays and at event times such as Christmas.
- In addition to independent visitors, schools (70,000 p.a.), groups (400 p.a.), weddings (30 p.a.) and conferences are all important markets for Ironbridge. Events such as the WHS Festival, Halloween and Fireworks also attract visitors, averaging 3000-5000. Ironbridge Gorge Museum Trust has a target to increase visitor numbers by 10%. Some development work is planned/underway, which should help boost visitor numbers, including the redevelopment of the Colebrookdale Museum of Iron, and further works at Blists Hill. Coach groups are seen as a growing market, increasing from 7-8% to 10% in 2013

- In terms of **Ark Leisure lifestyle visitor market segments**, the **Ironbridge research** identifies 'Cosmopolitans', 'Traditionals', 'Functionals' and 'Discoverers' as the key market segments.
 - Discoverers and Traditionals both rate functionality over style as a purchase driver and look for good service and value for money. Data provided by Arkenford shows both segments as having the greatest interest in 3 and 4 star hotels. Traditionals are also interested in self-catering accommodation, while Discoverers have greater interest in holiday parks and camping and caravanning than Traditionals.
 - Functionals have very traditional values; are very price driven; value functionality strongly over style; are not prepared to pay for fashion, style or individuality; are not early adopters of new ideas; but expect good service.
 - Cosmopolitans however are a high spending segment that is comfortable trying new things that are out of the ordinary but happy to adopt traditional values when appropriate.

DISCOVERERS & TRADITIONALS - ACCOMMODATION PREFERENCES



Source: Arkenford

4.3.3 The Destination Management Plan

- A Destination Management Plan for Telford & Wrekin is currently being prepared by Telford & Wrekin Council to cover the period 2013-2015. It focuses on 4 key priorities and associated objectives:
 - Profile and Promotion – building a distinctive image based on authenticity
 - Raising the destination profile as a place to visit and meet through targeted marketing
 - Promotion to new markets to contribute to destination growth
 - Encouraging business and leisure visitors to stay longer and spend more
 - Developing cultural tourism
 - Product & Place – developing a lively destination and quality visitor environment
 - Filling gaps in the destination offer to enhance the visitor experience
 - Supporting and investing in destination projects
 - Improving public realm and transport
 - Developing the night time economy
 - People and Welcome
 - Improving visitor information
 - Increasing skill levels of those working in the visitor economy
 - Winning Business – delivering economic growth through market share and performance
 - Identify and target markets that will contribute to growth
 - Support to improve the performance and profitability of visitor economy businesses
- It is unclear at this stage what resources will be available to implement the Destination Management Plan, bearing in mind the recent cuts to the Council's tourism budget and officer team. We understand that an upcoming ERDF programme may provide a vehicle for taking at least some elements of the Plan forward.

4.3.4 Meet Telford & Shropshire - Target Markets and Forward Strategy Requirements

- The MICE¹ market generates £100 million per annum² for Telford & Shropshire, with conference and exhibition delegates spending an average of £130 per day, three times as much as leisure tourist visitors. Telford & Shropshire have 63 conference and event venues that attract over 5,000 events per year. The largest venue, The International Centre, is a Top 10 Convention Centre that welcomes some 200,000 conference and exhibition delegates each year.
- Meet Telford & Shropshire is the official Convention Bureau for Telford and Shropshire, the largest inland county in England. MTS is the vehicle for promoting Telford and the surrounding area as a leading destination for meetings, incentives, conventions and events to the UK business tourism market. Telford is the honey pot for this sector providing a comprehensive offer for large to small scale events with an infrastructure that competes with some of the big city destinations. Its central location, 3 hours from 70% of the UK population ensure Telford is a cost effective competitor to some of the Midlands and North West destinations. Key target markets are large scale multi day conventions, conferences and exhibitions and day and residential conferences, team building and incentive travel. The association and corporate market in the South, Midlands and North West of England are key geographical markets.
- Supporting The International Centre in its efforts to secure conferences and events, and particularly events that will benefit the whole town, is an important part of TTP's business tourism strategy. Meet Telford & Shropshire spearhead's business tourism activities through targeted destination marketing and pro-active sales and business development activity. This includes event bidding (2 per month), and an active ambassador programme to secure events linked to Telford's business sector strengths.

¹ Meetings, incentives, conferences and exhibitions

² 2004 data

- The TIC has gone from strength to strength in developing its facilities and markets since its start in life in 1983 as the Telford Racquet & Fitness Centre. It currently attracts around 200,000 delegates to its conferences and events. The recent addition to the International Centre means it can now offer 15000 sq m of space enabling it to further expand its markets. In the region of 115 events per year are hosted. Conferences of at least 250 delegates and exhibitions of at least 3000 sq m are targeted. Average duration of event is 3 days (of which 1 day will be set up).
- The TIC caters for a broad range of events. Key market segments currently are:
 - Corporate conferences
 - Public conferences
 - Association conferences
 - Trade exhibitions
 - Public exhibitions
 - Sporting events
 - Gala dinners
- Trade and public exhibitions currently attract the largest number of delegates, followed by corporate conferences
- The TIC's main competitors are:
 - ICC Birmingham
 - RICOH Arena
 - Manchester Central
 - ACC Liverpool
 - Birmingham Hilton Metropole
 - Stoneleigh
 - NEC Birmingham
- In terms of forward strategy, whilst the number of events is likely to stay around the same level (as there are a finite number of days that can be sold in a year), the TIC is seeking to increase the quality and profile of events hosted, targeting events with delegate numbers of at least 600 and exhibitions of at least 6,000 sq m. This has the potential to double the number of delegates attracted. Multi-day association conferences are seen as a particular area of potential. This sector has been relatively resilient during the recession, has requirements for associated social events, holds conferences of a few days duration, and can generate weekend demand.

- Various pieces of research have helped to inform the development plans now underway at Southwater to deliver a Convention Quarter to support the International Centre, providing additional hotel accommodation and a range of bars, restaurants and other facilities to develop the evening economy. A particular issue relating to Telford's hotel offer was the desire for a 4 star hotel. However, the markets currently being attracted are relatively price-sensitive, and the rates they are prepared to pay would not support the development and operation of a 4 star hotel. The research identified that Telford's niche and opportunity appears to be the price-conscious buyer and time-poor delegates.

4.3.6 Other Demand Drivers

- **Weston Park**
 - Weston Park has a multi-purpose offer – as an exclusive use conference, corporate event, wedding and house party venue; visitor attraction and events venue. There is no major capital programme planned over the next 5 years. The key area of growth anticipated relates to events, where attendance is forecast to rise. Weston Park currently attracts around 200,000 visitors to events, the largest being the V Festival (85,000) and the Midlands Game Fair (55,000). Both create demand for hotel accommodation in Telford, not just over the event days, but around this in terms of production crew and organisers. Conferences and business-related events are also anticipated to increase in the next 3-5 years.
- **Festivals & Events**
 - The Council Plan and Shaping Places Strategy & Options document identify the potential to promote Telford as a major festival destination. Outdoor events development is part of the forward strategy for the Arts & Culture team, particularly building on the development of the QE11 Jubilee Arena in Telford Town Park and the potential of the new squares in the Heart of Telford to stage cultural, arts, music and private events. There is potential for the TIC to use the space also for fringe events and hospitality. The plan is to build a festival programme around arts, cultural, food and drink, agricultural, sports and seasonal themes, and it is hoped major concert promoters will be attracted by the young demographic Telford has to offer. A major events programme is seen as not only delivering economic benefits, but also helping build Telford's image as a destination location rather than just a town and service centre.

4.4 Prospects for Future Growth in Hotel Demand in Telford

- **Corporate demand** for hotel accommodation in Telford should grow strongly over the next 5-10 years given the targets for employment growth, the expansion of existing companies, and proposed office and business park development in Telford and development of the i54 business park at Wolverhampton and Wolverhampton-Telford Technology Corridor. Many of the target employment sectors for Telford (advanced manufacturing, automotive, environmental technologies, polymers and composites and business and professional services) are productive in terms of generating demand for hotel accommodation, particularly if national and international companies can be attracted.
- Hotel demand generated by **events at The International Centre** should grow, particularly if multi-day association and corporate conferences and larger exhibitions can be attracted. The improved evening offer that the Southwater Development will provide should enhance the TIC's ability to win such events. The current lack of such provision has frequently been cited as a reason for conference and event organisers deciding not to come to Telford. The TIC has already had some success in securing medical association conferences and is looking to secure 3-year deals for association conferences, which will give guaranteed business for the future. Association conferences are often booked many years in advance, so it will take time for the TIC to build up this business. Some associations hold their conferences over a weekend, so this market could generate weekend business for the TIC and Telford hotels.
- The development of a further on-site full service hotel should also enable the TIC to attract larger conferences and possibly more corporate conferences if developed to a 4 star standard. It would also enable the TIC to cater more effectively for simultaneous conferences, exhibitions and events.
- The strategy to go for larger, 600 delegate conferences is however likely to result in even sharper spikes in demand than at present, resulting in greater displacement of corporate business from the town centre and potentially higher levels of business being displaced further afield at such times. Our research suggests that Telford is primarily viewed as a lower cost destination and that there will be a limit to how much conferences will pay for hotel rooms in the town. Conference organisers have generally become much more cost conscious and are typically looking for good deals from hotels on room rates. These factors give some uncertainty as to whether the TIC can generate significant high rated demand for a 4 star hotel at Southwater.

- There could be some recovery in **residential conference business** as the national economy returns to growth and Telford's economy develops. Hotels may be able to successfully target small to medium-sized association conferences and could see some recovery in corporate conference business. The market for public sector conferences and training courses looks likely to remain sluggish however given the continuing austerity in the public sector, with further rounds of cuts to come. Most commentators expect recovery in the corporate residential conference market to be slow and unlikely to return to pre-recession levels as companies have got used to not holding meetings, have developed their own in-house meeting and training facilities and/or have switched to using video and teleconferencing technology. Many companies also do not want to be seen to be spending money on conferences and corporate events. All sectors of the residential conference market are expected to remain price sensitive and cost conscious for the foreseeable future.
- **Contractor demand** for budget and low-priced hotel and pub accommodation looks set to increase significantly over the next few years, given the continuing development of the Southwater scheme, the planned expansion of Telford Shopping Centre, proposed business park projects and the planned housing development. Construction projects should also generate demand for 3 and 4 star hotel accommodation and possibly some demand for serviced apartments from the architects, consultants and management teams that are working on them.
- Telford hotels may see some growth in **leisure break business** as a result of the ongoing staycation trend and the growing numbers of retired people looking to take short break. This market is likely to remain largely rate driven and generated primarily through the online travel agents and daily deals sites. There is good scope for hotels to grow their leisure business through these channels, albeit at competitive prices.
- The further development of the Ironbridge Gorge World Heritage Site and development of physical links to Telford town centre could stimulate growth in leisure break business for the town's hotels.

- The attraction and staging of new weekend exhibitions, public shows, sports events and concerts at The International Centre and the planned focus on the development of events and festivals in Telford town centre should generate increased demand for hotel accommodation.
- Improved marketing of Telford as a leisure break destination should also contribute to growth in this market, given increased and sustained budgets and staff resources to deliver well thought through marketing campaigns.
- From our consultations we are doubtful that the Southwater Development will in itself result in a step change in the market's perceptions of Telford as a leisure break destination. The primary draws for leisure break stays in Telford are Ironbridge, Shrewsbury and Shropshire. While the Southwater Development will clearly make a significant difference to establishing Telford as a regional centre and will provide a pleasant and vibrant environment for visitors to spend time in the evening, we think it unlikely that people would decide to come to Telford for a leisure break because of what they can find at the Southwater Development.
- The development of nightclubs as part of the Southwater Development could attract demand for hotel accommodation from **clubbers** that want to stay overnight after a night out in the town. The nightclubs at Festival Park in Basildon, for example, generate strong demand for the Travelodge and Holiday Inn that are located on the site. As far as we can see however, nightclubs are not currently proposed for the Southwater Development.
- There could be scope for Telford hotels to take more **group tour business** if they wish to given the likely future growth in this market as the UK population ages (given a more favourable investment climate that gives retired people better returns on their pensions and investments) and in view of the fact that group tours are a target growth market for Ironbridge. There could also be scope for hotels to tap into the growing markets for special interest tours and for extended families to go on coach holidays and breaks together. The group tour market mainly delivers low-rated business however that hotels will generally seek to limit and if possible reduce if they are able to attract demand from other higher paying markets. Private group visits, special interest tours and overseas tour groups tend to pay higher room rates and should thus be targeted.

- The **weddings** market and associated demand for hotel accommodation should grow as Telford's population increases.
- Demand for hotel accommodation from **people visiting friends and relatives** should similarly increase in line with population growth.

4.5 Projected Market Requirement for Additional Hotel Bedrooms in Telford

- In order to provide an indication of the number of new hotel bedrooms that might be supported by future growth in the Telford hotel market Hotel Solutions has prepared projections of possible future growth in midweek hotel demand to 2014, 2018, 2023, 2028 and 2031. We have based our projections on growth in midweek demand as we feel that this will be the key determinant of future hotel development in the town. Developing strong and high-rated weekend business is likely to continue to be a challenge for hotels in Telford. Existing and new hotels will thus need to achieve high midweek occupancies and room rates to ensure their viability.
- Our projections are based on the intelligence that we have gathered about the current midweek demand for hotel accommodation in Telford and our assessment of the prospects for future growth in each of the main midweek markets for hotel accommodation in the town. We have prepared projections for 3/4 star hotels and budget/limited service hotels.
- The projections have been prepared using our Hotel Futures hotel demand projection model. It is based solely on volume (occupancy). It is not possible to model future changes in value (achieved room rates) although this will clearly also be a factor in determining the future potential for hotel development.
- The projections use our estimates of 2013 satisfied midweek roomnight demand at each level in the market as their starting point. We have then adjusted these figures to take account of the levels of midweek business that the town's hotels advised us that they currently decline, primarily when there are major events on at the International Centre, to provide an adjusted 2013 baseline for the projections. We have then applied assumed Low, Medium and High growth rates to our baseline midweek roomnight figures – as set out in the table below.

**TELFORD HOTEL DEMAND PROJECTIONS 2013-2031
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND**

Average Annual Growth Rate %		
Low Growth Scenario	Medium Growth Scenario	High Growth Scenario
1	2	3

- Our assumed growth rates take as their starting point the Council's targets for employment growth as a measure of potential growth in corporate demand for hotel accommodation. The jobs growth in the Core Strategy is for up to 24,800 new jobs but with a more likely growth scenario of 12,300 new jobs. Compared to a current base figure of 81,000 jobs, these targets would result in a 15 or 30.6% increase in employment, equivalent to average annual growth rates of 0.76% or 1.54%. In addition to growth in midweek corporate demand there is also likely to be growth in hotel demand related to new conferences, exhibitions and events secured by the International Centre, some growth in residential conference business and a strong increase in contractor business related to construction projects, especially for budget hotel accommodation. There could also be some growth in midweek leisure break and group tour business. The above growth rates have thus been chosen to reflect the potential growth across all of these markets.
- Our assumed growth rates are intended to take account of the likely growth in TIC business. We do not have sufficient data to be able to accurately model the likely increase in roomnight demand that will be generated by the anticipated growth in TIC business. We would need more information about the anticipated number, size, duration and type of new conference, exhibition and events that the TIC is planning to attract and the likely demand for hotel accommodation that each event might generate. This will require further research.
- Applying the assumed growth rates to our 2013 baseline figures we have calculated the number of hotel bedrooms that the projected 2014, 2018, 2023, 2028 and 2031 midweek roomnights will support assuming that all hotels achieve a midweek occupancy of 80%. We believe that this is the level of occupancy that hotels in Telford will need to achieve in order to be able to yield their midweek room rates and to compensate for the weaker weekend market in the town.

- The results of our calculations in terms of the future numbers of hotel bedrooms of each standard that would be supported by our projected growth in midweek demand in the town are summarised in the table below.

TELFORD
PROJECTED MARKET REQUIREMENT FOR NEW HOTEL BEDROOMS
2014-2031

Standard of Hotel/Year	Projected New Rooms		
	Low Growth	Medium Growth	High Growth
3/4 Star			
2014	0	0	0
2018	0	23	68
2023	24	116	216
2029	69	218	388
2031	88	261	464
Budget			
2014	53	57	61
2018	68	88	109
2023	88	131	177
2029	109	178	256
2031	118	198	291

- The projections are based on average annual growth rates. In reality growth rates will fluctuate from one year to the next and demand may well fall in some years to be compensated by stronger growth in others. We do not have sufficient data to be able to model variable annual growth rates however.
- Projecting as far ahead as 10-18 years is clearly very difficult as so much can change over such long periods of time. The projections to 2023, 2029 and 2031 should thus be treated with caution,
- Making any sort of market forecasts is an uncertain process: all forecasts are based on judgement and assumptions, and are susceptible to unforeseen changes. The projections we have prepared should thus be taken as indicative only and should be reviewed at regular intervals. They have been prepared to provide an illustration of the numbers of new hotel bedrooms that might be needed under different growth scenarios. They are not intended to be accurate projections of how the market will grow. Clearly the further ahead that one looks, the more difficult it is to project growth accurately. Projecting as far ahead as 10-15 years is very difficult. The projections to 2023, 2028 and 2031 should thus be treated with caution and should be periodically revisited.

- Our projections, together with the other findings of our research suggest the following in terms of hotel development opportunities in Telford:
 - The Telford hotel market should be able to absorb the new Premier Inn when it opens in April 2014 as part of the first phase of the Southwater development. At 85 bedrooms the hotel is larger than the market requirement indicated by our projections. The hotel could therefore have some impact on the town's existing hotels initially, depending on:
 - How much new business it is able to generate for the town as a result of the brand strength of Premier Inn;
 - The extent to which it meets the demand for hotel accommodation that is currently lost from Telford and displaced to other locations when there are major events on at the International Centre and for the V Festival and other major events in the area;
 - How strongly the corporate market recovers and starts to grow again in Telford.
 - The potential for a new 3 or 4 star hotel is likely to be longer-term, probably not before 2023 and dependent on strong growth in corporate demand. At this stage it would appear that the potential is most likely to be for a 3 star hotel as the achieved room rates that are currently being achieved by the town's 3 and 4 star hotels are such a long way from the levels that would be needed to support a new 4 star hotel. Strong growth in high-rated corporate business and sufficient numbers of multi-day corporate conferences at the International Centre would be needed for a hotel to be feasible at this level. A new 3 or 4 star hotel will need to have a good leisure offer to enable it to attract leisure business at weekends. A brand such as Village Urban Resorts could have a good fit in this regard.

- While our demand projections suggest that the Telford hotel market will not be able to support additional 3/4 star hotel provision for about another 10 years, we recognise that the Telford International Centre needs to be supported by additional on-site hotel provision in the next few years, probably of around 150 bedrooms, if it is to compete for the larger, 600 delegate conferences that it is seeking to target. Our projections suggest that an additional 150 hotel bedrooms at Southwater will almost certainly dilute the Telford corporate market at times when there is less or no demand being generated by TIC events and is also likely to dilute weekend hotel demand. It is not for this study to comment on the feasibility of additional hotel provision at the TIC. This will require a detailed viability assessment and will depend on the overall business objectives and forward strategy of the Southwater Event Group for the TIC and its hotels in Telford.
- There could be scope for a further budget/ limited service hotel in Telford post 2023.
- Given strong growth in midweek demand there might also be scope for a second 3/4 star hotel in Telford post 2028. It is however very difficult to predict hotel development potential such a long way ahead. The market potential for such a hotel will thus need to be reviewed at a later stage.
- There could be scope for some serviced apartments in Telford to service long stay corporate demand. This potential is most likely to be met through the letting of residential apartments as serviced accommodation. There might also be potential for a small purpose-built serviced apartment complex.
- In Newport, Wellington and Ironbridge the market is unlikely to be able to support new build hotel development on any scale. The potential here is more likely to be in the form of extensions to existing hotels, inns and pub accommodation plus scope for some establishments to upgrade, including possible repositioning as boutique accommodation in some cases.

- The hotel market at Ironbridge appears to be more leisure driven. This location seems to be a second choice for most corporate customers. The leisure demand here is unlikely to deliver sufficient year round midweek business at high rates to support the development of a new hotel. The only interest we found for additional hotel provision at Ironbridge was from the group tour market but this would be low-rated demand that would not support a new hotel here.

- In the rural parts of Telford & Wrekin there could be potential for the development of a destination hotel such as a country house hotel or golf hotel, given a suitable property for conversion or site for development. Such hotels can attract strong leisure and weddings demand and may also be able to serve the upper end of the Telford corporate market. The Hotel Futures Study has not included any work to identify or assess potential properties or sites for such hotels in the rural area.

5. HOTEL DEVELOPER INTEREST

5.1 Context – The Climate for Hotel Investment

5.1.1 The Economic Backdrop - A Challenging Time

- The fortunes of the hotel industry are closely aligned to the national and local economy and so the current recessionary climate has hit the sector in a number of ways. Clearly performance has fallen back and end values have dropped – in some cases to the point where it is costing more to build a hotel than its value, resulting in hotel investors holding back on schemes until yields improve. Funding is more difficult to come by, especially for small hotel companies and franchisees, and when available is often on less favourable terms, with less debt funding and more equity required.
- These trends have implications for the type of new development being delivered and its impact on existing stock.

'The shortage of debt funding has meant many new projects are conversions, involving rebranding and considerable refurbishment and improvement. Cities around the UK have seen new branded products like Doubletree by Hilton, Indigo, Hampton by Hilton, Park Plaza and Radisson Blu and this has increased pressure on existing under-invested operators' (PcW UK Hotels Forecast 2013)

'We are experiencing a benign new-build market for the roll-out of new developments in the UK, with limited finance about and the ability to buy existing hotel stock at less than replacement value' (Marriott)

- In such a risk-averse climate, a number of hotel companies are now focusing their development strategies on routes that don't involve them in capital outlay – or an 'asset-light' strategy. A number of 4 star and luxury international brands like Hyatt and Millennium & Copthorne have for some time only done management contract deals, but certainly their prevalence has spread as funding has become more difficult to secure. These schemes involve significant levels of investment and what the operator brings to the table is their sector expertise and brand strength. This reinforces an earlier trend in the sector pre-recession, for hotel companies to divest themselves of their property assets whilst retaining the contract to operate – Hilton and Accor are good examples.
- Whilst funding 3 and 4 star hotels remains difficult, there are some up sides to the current market conditions. Budget hotel development is still happening; Travelodge and Premier Inn remain active, offering the advantage of their ability to take lease deals in developer-led schemes. One advantage of the downturn in the property market has been that residential and some commercial sites are now coming forward for hotel development that would not previously have been available or affordable. A weaker market has also seen some distressed hotels coming onto the market being bought up by chain hotel companies and re-branded. London is also an increasing focus of hotel development interest, driven by strong performance and the 2012 bounce.
- In terms of prospects, as one consultee put it:

'It remains a difficult market, and we are still bumping along the bottom....'
(Chardon Management)

- PwC's UK Hotel Forecast 2013 summarises the climate as 'cloudy but improving', with the sunshine coming out sooner in London and the South East, which will lead the recovery, compared to the rest of Provincial UK. In their report 'After the Party', PwC identify mixed demand driver messages for 2013: business travel spending to pick up slightly; leisure travel to suffer from continued tightening of belts; a bottoming out of the meetings and events markets; some gains from overseas markets induced by the 'Olympic effect', but tough market conditions in Europe, an important demand generator. At the same time, there is more supply to come on stream, in London and other major cities, a supply spike that will need to be absorbed requiring adjustment and impacting on occupancies and rates.

- In overview, the Credit Crunch and recession have inevitably had an impact on reining in the development plans of hotel companies, and seen new routes to delivery emerging. The climate remains challenging, both in terms of market performance and access to funding, and whilst there is some glimmer of recovery, hotel development activity is unlikely to come back quickly. However, there remains some activity out there in the market, albeit that the approach is more cautious and investor-led; development has slowed but not stopped.

5.1.2 Hotel Business Models & Funding Routes

- Hotels can be developed and operated under a number of different business models (summarised in the table overleaf) with hotel brand owners, franchisees and property developers playing different roles in each case, with development and operating risks shifting under the different models.
- The levels of capital outlay as well as development risk required by a hotel company therefore vary considerably between these options. Many more operators, particularly at the 4 star level, which is much more capital intensive, are likely to be interested in options put to them that involve management contracts than in building and funding hotels themselves, as access to capital will naturally restrict the latter and require hotel companies to prioritise their investment locations.
- Many of the chain hotel companies will have a mix of structures in place, though some do prefer a single route. Often franchisees are looking to build the asset value of the company with a view to exit within a 5-10 year period, and in such situations are less likely to be interested in lease options.

Hotel Development & Operating Models		
	Developer Risk	Operator Risk
Hotel company (hotel brand owner) develops the hotel & subsequently operates and markets under one of its brands <i>e.g. InterContinental Hotel Group(IHG) builds and operates a hotel under its Holiday Inn brand</i>		√
Property company develops the hotel & seeks a hotel company to lease the hotel <i>e.g. Travelodge leases a hotel that has been built by a property developer with funding from an investment company</i>	√	√ (depending on type of lease)
Hotel company develops the hotel then operates and markets it under a franchised hotel brand name as a franchisee <i>e.g. Sanguine Hospitality builds a hotel and operates it under a Holiday Inn franchise agreement with IHG</i>	√	√
Property company develops the hotel & seeks a hotel company to purchase the freehold of the hotel	√	x
Property company develops the hotel & employs a hotel company to manage the hotel under a management contract	√	√ (some)

- Lease models require a little more explanation, as there are some key issues surrounding lease structures that are impacting upon the ability to deliver hotel developments currently. Developers require hotel operators to take a fixed lease, a standard institutional lease that will give a guaranteed fixed payment per room over a period of 20-30 years. Once secured, this guaranteed income stream makes the development fundable, and the developer can secure finance on the back of this. On completion the developer may retain or sell the investment. Currently, only Travelodge and Premier Inn are able to take such leases, as only they have the strength of covenant required. One or two of the multiple brand chains have done leases, but generally these will only be for large hotels in premium locations such as London or Edinburgh, where occupancy and high rates are guaranteed. There are accounting implications of FRI leases also, as they represent a financial commitment going forward, and this has also put hotel companies off this model.

- More favoured by hotel companies are variable leases, made up of a combination of base rental and a share of turnover. Some guarantees can be built into these arrangements, but should the market fall back, the risk and impact is shared by the developer/funder and the operator. Their responsiveness and flexibility accounts for their appeal to hoteliers. Certainly in previous recessionary climates, fixed leases have contributed to the downfall of hotel companies, as they became unable to meet their rental commitments when trading performance fell back. However, there is evidence that these turnover leases make it difficult to fund development, exactly because they don't give the same fixed income stream.
- The differing objectives and requirements of developers/investors and operators has resulted in something of an impasse and made it difficult to get such schemes off the ground. In our work across the UK, we have come across numerous schemes and sites that have stalled for this reason, and few operators able or willing to do the sort of deal the funding institutions require.
- The difficulty in securing funding for hotel schemes has led to other interventions being used to secure hotel schemes. The Ageas Bowl Hilton is one example, where public sector support has enabled the hotel to go ahead, for the wider benefit of the area. A similar intervention has taken place in Newcastle-upon-Tyne, where City Council funding has bridged a gap to secure a Crowne Plaza hotel for the Stephenson Quarter, which will anchor a much larger regeneration scheme. BPRA, available in Assisted Areas, has also been used as a vehicle to fund hotel development in some key cities, the tax incentives associated with such schemes, where redundant commercial buildings are brought back into use, being the key to a different financial equation that can enable a viable hotel scheme to be delivered.

5.1.3. Impact on Hotel Development Strategies

'The lack of development funding is the main barrier to securing hotel development currently' (DCB Business Consultants)

'It's all about what's fundable' (Sanguine Hospitality)

- Two key themes stand out from the feedback with our consultees:
 - From a performance viewpoint, there is a focus on targeting and delivering AAA sites i.e. sites in premium locations, in the top performing cities. For most this would be London, followed by Edinburgh and Aberdeen. Some other cities are also known to perform well in terms of both occupancy and ARR, such as Bath or Cambridge. The banks, agents and Acquisitions Managers are informed about these markets through research and presentations.
 - Beyond these locations, which takes in most of the Provinces, anyone trying to get a hotel scheme off the ground knows it is going to be extremely difficult, and difficult means potentially abortive time and effort.
- For these reasons many hotel developers and operators have stopped having target lists of locations where they would like to be, however, they are prepared to consider schemes on an individual basis, if they are live. There has always been an element of opportunism in the development cycle, but this round of consultation and testing has found this to be even more so in the current climate. Many were willing to respond to specific sites and schemes, and to work with a franchisee or other partner on sites and locations to determine the strength of the market and the most appropriate brand to consider. From a destination – or landowner - point of view, the response should be about making the case and evidencing the potential – especially as many Acquisitions Managers, a number of whom cover all the UK or even Europe and the Middle East as well, have limited knowledge of provincial locations.

5.1.4. Hotel Development Trends and Emerging Offers

- In terms of trends in the nature of hotel development, perhaps the key one is the 'squeezing of the middle'. New supply has focused on both high end and budget offers, this polarisation impacting from both sides on mid-market hotels struggling to differentiate themselves.
- In terms of budget hotel development, the market leaders Premier Inn and Travelodge have continued to open hotels apace across the UK, although Travelodge has cut back on its development programme as a result of its financial restructuring and prioritisation of investment in existing hotels. Accor has relaunched its budget hotel offer under three brands – Ibis, Ibis Budget (replacing Etap) and Ibis Styles for franchised independent hotels. At the upper-tier budget level, the Hampton by Hilton, Ramada Encore and Holiday Inn Express brands have continued to become more established, with new hotels across the UK. The Malaysian budget hotel operator Tune Hotels has rapidly established itself in London and is now targeting other UK cities, with plans announced for hotels in Liverpool and Newcastle. Wyndham is considering developing its Super 8 budget brand in the UK.
- A more recent trend has been the emergence of budget boutique hotels from companies such as Base2Stay, Z Hotels, Sleeperz and Citizen M. These are limited service hotels that feature contemporary interior design and a high-tech fit out. Whitbread has just launched its new Hub by Premier Inn brand to compete in this market. The German budget boutique hotel operator Motel One is also looking at entering the UK market in London, Newcastle and Manchester. Bespoke Hotels has been looking at rolling out its B² budget boutique brand based on its Bermondsey Square Hotel in London. Marriott has announced plans to introduce its Moxy budget boutique hotel brand into the UK.
- Another recent trend is the development of hostel chains, including Eurohostel (which has opened in Edinburgh and Newcastle) and most recently boutique hostel operator Hoax Hostels, which opened its first hostel in Liverpool in 2013.

- Aparthotels and serviced apartments are another growth product in the UK. Accor has recently opened its first Adagio aparthotel in Liverpool. Plans have been unveiled for new Urban Villa aparthotels in Stratford (East London) and Portsmouth. The Roomzzz aparthotel chain has expanded with new units in Newcastle and Manchester. Serviced apartment operators SACO, Spires, Max, Premier Apartments, Blue Rainbow and Bridgestreet have all recently opened new operations in a number of UK cities. These types of hotel have proved popular with business and leisure tourism markets, and in many cities are achieving extremely high occupancies and often 4 star equivalent rates. Some focus primarily on the extended stay corporate market, while others compete more directly in the general hotel market.
- Another key trend has been the growth of boutique hotel brands from some of the major hotel chains. Leading the field in this has been IHG (InterContinental Hotels) with its Hotel Indigo brand, with openings in Liverpool, Newcastle, Birmingham, and London, and a hotel under construction in Manchester. Starwood has opened its first UK Aloft boutique hotel at London ExCel and will open a second in Liverpool in 2014. Accor has launched its MGallery boutique brand with its first UK franchised hotel in Bath. The Malmaison and Hotel du Vin boutique brands may be further developed in the UK now that they have a new owner.
- Smaller boutique hotel chains have also been established and expanded. Robin Hutson (the founder of Hotel du Vin) has launched The Pig boutique hotel company with two hotels in the New Forest and Southampton and a third under development in Dorset. Hilbrooke Hotels has opened a new hotel in Stamford, Lincolnshire and is interested in further opportunities for 'quirky luxury' hotels. Bespoke Hotels has opened new boutique hotels in London and Leeds and is currently looking for new boutique hotel opportunities in other UK cities. Small independent boutique hotels have also opened in many locations across the country, including small towns and rural locations, and there is no reason to think that this trend will not continue.

- At the 4 star level, Hilton has rapidly expanded its Doubletree by Hilton brand in the UK through franchise deals. This has included the rebranding of the Mint Hotels chain of eight 4 star hotels following its acquisition in 2011 by Blackstone, together with deals with other franchisees for Doubletree by Hilton hotels in locations such as Lincoln, Newcastle Airport, Liverpool, Chester, Milton Keynes and Cambridge. IHG is expanding its Crowne Plaza brand in the UK, with a new hotel having recently opened in Oxfordshire, a hotel under construction in Newcastle and a Crowne Plaza proposed for Sheffield. Millennium & Copthorne Hotels has taken on a management contract for a Copthorne hotel in Sheffield. Luxury international hotel operator Hyatt has plans to introduce its upscale Hyatt Place brand into major UK cities. The German Steigenberger hotel company is looking at introducing its Steigenberger 4 star and InterCity Hotels 3 star brands into the UK, while Spanish operator Melia has plans to open its first UK Innside hotel in Manchester. The French hotel group Accor is expanding its upscale Pullman brand with a second UK hotel planned for Liverpool.
- At the midmarket level, De Vere has announced plans to further develop its Village Urban Resorts brand, with a new hotel planned for Portsmouth. Marriott is looking at rolling out its redefined Courtyard mid-scale brand and Wyndham is looking at introducing its TRYP brand into the UK. Hilton's Garden Inn brand has been slow to develop in the UK however, although a Garden Inn is currently proposed for Sunderland.
- At the luxury end of the market there has been activity in terms of the development of luxury country house hotels, including the opening of Lime Wood in the New Forest and the soon to open Heckfield Place near Hook in Hampshire. 5 star hotel development has focused on London, with a number of international 5 star brands having opened here in recent years or with hotels under development in the capital.
- There are a number of proposals for new golf resorts in various locations across the UK, including Kent, Yorkshire and the Wirral, together with a number of proposals in Scotland.
- Product innovation is key to satisfying the customer, and anticipating their needs. Strong brands have the ability to develop a following of their own, and in doing so can add value to a destination's overall offer and help grow the market.

5.2 An Overview of Hotel Developer Interest

5.2.1 Sampling

- Hotel Solutions regularly undertakes consultation work with a wide range of hotel developers, operators and investors in association with Hotel Futures studies for clients across the UK. Two major studies for clients over the summer of 2013 involved a far-reaching survey of over 60 hotel companies, which has provided a valuable backcloth to our Telford-specific testing work, having enabled a detailed and up-to-date picture to be built up of brand-specific requirements, key performance indicators, and barriers to investment, much of which is reported elsewhere in this section of the Telford Hotel Futures report.
- The hotel developer sample selected for testing specifically in relation to Telford was focused around:
 - Developers, operators and investors known to be active in provincial towns and cities in the current market;
 - Brands that have fit with the identified market potential;
 - Brands that have fit with Telford's destination aspirations;
 - Major national and international brands that are missing from the Telford offer;
 - Developers, operators and investors that expressed interest at the time of the 2005 Telford Hotel Futures Study.
- 15 companies were canvassed for their views on and interest in acquiring or developing hotels in Telford. A number of consultees represented multiple brands and offers at different levels in the market e.g. Accor develops brands from upscale luxury and boutique, through 4 star business class and aparthotel, to budget, upper tier and economy level. The testing therefore covered significantly more brands than companies, around 30 brands in total.

5.2.2 Response

- Responses were received from 9 developer, operator and investor consultees, in addition to which we are aware that Premier Inn and Marstons are developing hotel schemes in and around Telford, which will add over 100 rooms to the supply at budget level.
- The challenging climate for investment has, as we have seen in our overview, put a real focus on delivering triple A sites in top performing destinations. Unfortunately this puts Telford well down the list of target hotel investment locations, with major cities, London, Edinburgh, Aberdeen, Oxford, Cambridge, Bath and Reading being amongst the few to feature in pro-active hotel development strategies. The budget hotel companies are entering secondary and tertiary locations because they have more widespread distribution, plus the levels of investment are significantly smaller than for larger, more up-scale and full service hotels.
- There was limited awareness of Telford amongst some of the responding sample. A number had looked at Telford before, including Marriott, Wyndham and Village. Those that did not know the destination so well however are informed by market data that can be accessed via STR, PKF and other research companies, and critically this is key to their decision-making.

"Telford won't be for us.....revpars are just too low to justify spending any money there" (Moxy Hotels).

- Those companies already represented in the destination might have some concerns about over-exposure in a limited market – Rezidor is an example. Clearly, they are also aware of the hard facts of performance having a hotel (Park Inn) in Telford. When probed about the potential for a 4 star Radisson Blu, Rezidor voiced particular concerns about achievable room rates in Telford:

"Rate is an issue in terms of trying to make Radisson Blu viable in this market. There has to be compelling evidence of rate potential before we can consider a Radisson Blu. This can come from STR statistics, feasibility studies, or other evidence of new demand coming into the market. Minimum achieved room rates in current values at stabilised levels would be about £75-£80" (Rezidor).

- There was some tentative potential interest in Telford:
 - **De Vere's Village Urban Resorts** were one of the responding companies that had spent some time looking at opportunities in and around Telford in the past, and that knew the destination reasonably well. They indicated that, whilst this was not a current priority, they would consider any opportunities coming forward. Their preference was for a location close to Junction 4 of the motorway, as they wished to be close to business parks and easily accessible by motorway to other Midlands locations. Their land take is significant also, as their model includes a full leisure club and pub/restaurant, requiring circa 3 acres, so town centre locations tend not to work for them. Whilst current levels of performance in Telford were not discussed with Village, we know that they are targeting £70+ achieved room rate to achieve viability, and whilst some of their sites work at less than this, they have been developed in different scenarios. Also, the Village design and standard has moved up-scale from 3 star to 4 star equivalent, demanding higher returns.
 - **Marriott's** Acquisition Team had also looked at Telford at various points in time. They felt Telford was interesting in principle for their recently re-launched Courtyard brand (3 star), but questioned whether an economic case for investment could be made. Courtyard needs £75+ ARR and at least 70% occupancy. They suggested that there may be ways to alter the financial equation, such as gifting the land for the hotel, but whether this would be enough given the significant difference between achievable rates and those required for viability, is questionable. Marriott only look at management contracts or franchises, so the delivery of a Courtyard in Telford would require the involvement of a developer/investor. In terms of location, a site close to the International Centre would be their preference, to both serve the conference and event business, and access and help support Telford's developing evening economy.
 - **IHG (InterContinental Hotel Group)** already have representation in Telford with a Holiday Inn franchise. They have no further development plans for Telford. Should a suitable scheme and franchisee come forward, the only brand that IHG would consider here would be Holiday Inn Express. Rates would not support a 4 star Crowne Plaza or boutique Indigo.

- **Wyndham** has recently undertaken a thorough assessment of the Telford hotel market in relation to the new Ramada franchise deal with the Southwater Event Group for the former Grays Hotel. They indicated that they would consider further franchise deals or management contracts in Telford for the TRYP 3 star brand that they are looking to introduce into the UK, their Ramada Encore upper-tier budget brand and the Super 8 budget brand that they are looking at bringing to the UK market. Their preference would be for a hotel as close as possible to the International Centre.

5.2.3. Barriers to Investment

- The resounding cry from the hotel developer and operator consultees when asked during our recent survey work about what was holding back the delivery of hotel development was funding. The difficulty of securing finance puts even more pressure on the need for strong sites that will perform well, as well as the need to keep development costs down, as the margins on many hotel schemes are exceedingly thin. For developers, the current asset strategy of many hotel companies compounds this problem, as many are seeking only management contracts, which can make securing funding more difficult. We have covered much of the debate and surrounding issues relating to securing funding and the volatility of the financial markets in the 'Climate for Investment' section of the report, and so won't repeat it here, but clearly, as part of the forward action plan, we need to be mindful of any steps that can be taken to ameliorate this situation.
- In Telford's case, the situation is clearly compounded by levels of performance in the hotel market. 3 and 4 star hotels are performing at levels significantly lower than national averages, and at levels significantly below those needed by developers for new investment at this level in the market. Occupancies are also below national averages, giving revpars lower than those being achieved by budget hotels. Investment in other locations with higher occupancies and rates and more diverse market appeal would likely be similar but yield better returns.
- There was also concern about what would fill hotel rooms at weekends, including a limited appeal to leisure markets and a need to heavily discount at weekends to fill rooms e.g. from coach groups. A lack of 'critical mass' as a destination, compared to top tier regional cities and competitors in the conference and events markets, both in terms of the corporate market and leisure drivers was also an issue.

- Whilst significant growth and change is planned for Telford in the future, which has begun with Southwater Phase 1, there is limited awareness of this, and some scepticism that a town centre regeneration, even on this scale, will be a direct generator of hotel roomnights and enough to make a real difference in the market. Corporate growth is what most developers are looking for, and they generally follow this rather than precede it. This will be key to generating deliverable hotel development interest, along with recovery in market performance to levels that can sustain investment and compare favourably with national benchmarks.
- All of the above suggests that Telford is at a competitive disadvantage on several levels, placing it behind a number of other national and regional cities and towns in terms of the hierarchy of target locations for acquisition and development. Whilst there is some limited potential interest here, Telford must be able to make a clear and strong case – and arguably some incentive – to turn the heads of hotel companies, particularly at the mid and up-scale levels of the spectrum.

6. THE FRAMEWORK FOR HOTEL DEVELOPMENT

6.1 National Planning Guidance

- With the publication of the **National Planning Policy Framework** in March 2012, planning policy has been streamlined. National planning practice guidance has subsequently been completely refreshed and updated to support the NPPF and will shortly be available through a new website that is currently being tested. Existing guidance will not be cancelled until the new NPPG is published in its final form.
- The NPPF says relatively little about tourism. There are two principal references:
 - Tourism development (including hotels) is identified as a main town centre use (para. 23);
 - The NPPF focuses on a town centre first approach, with sequential testing to be applied should these uses wish to locate elsewhere and not be in accordance with an up-to-date Local Plan. This means proving that no alternative suitable sites in or closer to the town centre are available or viable;
 - However, it also indicates that the sequential approach need not apply to applications for small scale rural development (para 25);
 - Tourism development is also dealt with in the NPPF's rural policy (para.28) which supports tourism in the countryside as part of a prosperous rural economy. Sustainable rural tourism development that can benefit rural businesses, visitors and communities and which respects the character of the countryside should be supported. This includes the provision and expansion of tourist and visitor facilities in appropriate locations.

- In terms of other policies in the NPPF, key threads of relevance to developing the hotel and visitor accommodation sector and some of the issues identified in this study include:
 - Retention of the presumption in favour of sustainable development;
 - A continued significant focus on supporting economic growth, also reflecting local circumstances;
 - Encouragement to plan positively, meeting objectively assessed needs with flexibility to adapt to change;
 - A streamlined and speedy approach to decision-making on schemes that accord with the development plan;
 - Retention of requirements relating to the setting of local car parking standards, reflecting local levels of ownership, and encouragement of sustainable modes of transport;
 - Re-affirmation of the commitment to the Green Belt, with review only in exceptional circumstances;
 - Policies should seek to address potential barriers to investment;
 - Pro-active engagement with applicants is a key strand, with positive planning and pre-application discussions encouraged;
 - Joint working is expected between local authorities on cross-boundary issues, in relation to which there is a duty to co-operate;
 - A 12 month transitional period to up-date plans to conform with the national framework, but a requirement to treat these policies as a material consideration when deciding on planning applications with immediate effect;
 - Weight will also be given to relevant policies within emerging Local Plans dependent on stage of preparation and conformity with the NPPF.
- Since 2006, national planning guidance on the development of hotels and other forms of visitor accommodation has come in the form of the '**Good Practice Guide on Planning for Tourism**', which contains a specific appendix on tourist accommodation, dealing principally with the location of accommodation. A copy can be found at Appendix 4 to this report. The Good Practice Guide is currently being revised by DCMS. Once finalised it will sit on the DCMS website with a web link from the NPPG site.

- On a general note, the Good Practice Guide recognises the economic benefits that visitor accommodation can bring to the areas in which they are located and advocates that this should bear weight in assessing schemes. The guidance covers general locational principles and guidance relating to particular types of serviced accommodation (major hotels, budget hotels/lodges, rural/pub accommodation), as well as some specific issues relating to holiday parks, touring caravan and chalet parks and other forms of self-catering accommodation.
- Some of the key principles relating to hotels and other forms of serviced accommodation include:
 - Identifying suitable locations for hotel accommodation should be an integral part of the plan making process, and should involve the tourist industry;
 - Major hotel developments should look to the town centre first, because of their transport and regeneration implications;
 - Outside the development plan process site selection should follow the sequential approach;
 - There is a need to recognise the market being served by different types of hotel when allocating sites and considering applications, as this will affect the optimum location;
 - New hotel developments in historic towns and cities need to be sensitive to their surroundings; conversions may also be a realistic proposition subject to impact;
 - The potential to convert and re-use historic buildings in towns should be recognised;
 - Similarly, the conversion of rural buildings to hotel and other serviced accommodation should be acceptable subject to scale and impact, even in National Parks and Areas of Outstanding Natural Beauty;
 - Extensions to existing hotels or other facilities e.g. to pubs to add bedroom accommodation can help support the viability of these businesses, but need to be proportionate;
 - Budget hotels catering for longer staying markets should generally be destination focused i.e. in town centres;
 - Lodges catering for stop-over traffic may require a location on a major routeway, ideally edge of town rather than in open countryside.

- The issues surrounding tourism and hotel/visitor accommodation development were also addressed in the now cancelled '**Planning Policy Statement 4: Planning for Sustainable Economic Growth (PPS4)**', which required local authorities to adopt a positive and flexible approach to economic development (including tourism and leisure development). It also emphasised the importance of an evidence base to understand industry/sector needs, using relevant market and economic information, particularly where proposals are not specifically supported by plan policies.
- The associated '**Planning for Town Centres: Practice Guidance on need, impact and the sequential approach**', which is still in place, includes an Appendix on the application of the sequential test to hotels. It sets out an approach to assessing future need through gap analysis by location and standard/type of hotel, refined using performance data and forecasting techniques, to provide an evidence base against which individual hotel schemes can be assessed. (See extract at Appendix 5). The draft NPPG includes general guidance on the sequential test but nothing on how it should be applied to hotel development projects. We would assume that the 'Planning for Town Centre: Practice Guidance on need, impact and the sequential approach' will be cancelled once the finalised NPPG is in place, leaving no specific guidance on the application of the sequential test to hotels.

6.2 Telford & Wrekin Hotel Planning Policy

- Telford & Wrekin Council developed a relatively early **Core Strategy** compared to many local authorities, which was adopted in 2007.
 - The Core Strategy contains one strategic development policy – CS14 – which covers tourism as part of the cultural and historic built environment. The policy recognises the economic, environmental and community benefits of these assets, the need to conserve the WHS at Ironbridge Gorge, encourage sustainable tourism related development, locate cultural facilities in accessible locations, and support the creation of a cultural quarter and night time economy in Telford town centre.
 - There is no specific hotel policy, hotel use being covered in national guidance and identified as a town centre use.
 - There is no hotel retention policy.

- A **Development Management DPD** was not prepared; these policies are dealt with via:
 - The Central Area Action Plan for Telford town centre development;
 - For the rest of the District, policies in the **Wrekin Local Plan** that covered the period to 2006 were retained where not covered elsewhere or by national guidance.
 - The hotel policy from 2006 (E7) was not retained.
 - A general tourism development policy for the WHS area (SG7) was retained which would include tourist accommodation, which is encouraged subject to impact, and refers to an approval at Lightmoor close to the Park & Ride;
 - Policy E9 relating to non-employment uses on employment land was retained, and appears to be sufficiently flexible to permit hotel development.
- Work began on a **Site Allocations DPD** but was not completed and adopted before the recent changes to the planning system. At Preferred Options stage, a hotel was included in a mixed use allocation at Junction 4 of the M54, Celestica Park (also known as Castle Farm)
- The **Central Telford Area Action Plan SPD** for Telford Town Centre includes various relevant policies:
 - An allocation for hotels in the policies for Southwater (SA2), directing this to the Events Quarter;
 - There is also a policy for Leisure, Culture and Tourism, - CT6a - that is generally supportive of new development and activities and encourages hotel and conferencing in the Events Quarter; elsewhere in Central Telford these uses will only be permitted where it can be demonstrated they cannot be accommodated in Southwater.
 - Policy CT6b supports the establishment of the night time economy in Central and East Southwater.

- Work is now beginning on the development of a new Local Plan to run through to 2030, with a view to this being in place by 2015. Consultation has begun under the 'Shaping Places' agenda, into which the findings of this study could input. The Strategy & Options (June 2013) document's preferred approach is to see Telford develop as a 'Hub for Growth and Business', which would retain the 26,500 new homes target, with most development in urban areas and four urban extensions. The approach to tourism remains positive, with scope for expanding the leisure and business visitor offer and increasing visitor numbers identified in the aims and objectives, alongside the development of Telford town centre's night time economy and retail/leisure offer and the protection and enhancement of cultural assets. This is an early consultation document, but ultimately the Local Plan will incorporate not only strategic policies, but also development management policies and site allocations all in one document. The findings of this Hotel Futures study will help to inform these more detailed policies.
- In terms of the workability of current policies:
 - Planning Officers expressed some concerns about how to assess hotel schemes coming forward that are not in the town centre. There have been examples on business parks e.g. a proposed office conversion at Stafford Park, and a Marston's pub/restaurant and budget hotel at Hadley Park. They feel it would be helpful to have a policy on the location of hotel development and exceptions to the town centre first policy e.g. for hotels of a certain scale (perhaps under 40 rooms) and locations where there are local demand drivers that a hotel might be able to serve.
 - A review of planning applications for the past 5 years showed there have been only a limited number of refusals for hotel schemes. There was evidence of one loss, the Charlton Hotel at Wellington, which after previous refusals was granted permission for change of use to residential. While hotel loss has not happened on any scale a hotel retention policy would make such changes of use more difficult to achieve.
 - Tourism professionals within or outside the Council do not appear to be consulted on hotel-related applications as a matter of course; the procedure seems to be ad hoc, yet there is a source of expertise in-house that would help tie tourism strategies into planning policy and its implementation.

- Discussions with hotel developers and operators frequently raise the issue of BREEAM and the need to meet very high and excellent standards as a condition of planning resulting in driving up costs and impacting on project viability.
- Policies relating to employment land appear to be sufficiently flexible to permit hotels as a non-employment use, and indeed hotel permissions have been granted in such locations, particularly where it can be demonstrated that there is a need for a hotel. Care needs to be taken when assessing applications for hotels in such locations to ensure they will not undermine the potential to deliver town centre hotels and hotels serving the International Centre if this is the Council's stated priority.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 The Market Potential for Hotel Development

- Our hotel demand projections for Telford and other research findings suggest the following opportunities for hotel development in Telford, subject to renewed economic growth, the development of the corporate market for hotel accommodation and sustained growth in conference, exhibition and event-related business from the International Centre.
 - **Budget Hotels**
 - There is evidence of immediate market potential for budget hotel development in Telford, based on the levels of business that the town's existing budget hotels are currently denying both during the week and at weekends. The new Premier Inn that will open in April 2014 as part of Phase 1 of the Southwater Development will more than meet the requirement for the next 5 years. In the longer term there could be potential for at least one further budget hotel.
 - **3 / 4 star Hotels**
 - The potential for a new 3 or 4 star hotel is likely to be longer-term, probably not before 2023 and dependent on strong growth in corporate demand and the development of multi-day conference business and larger exhibitions at the International Centre. At this stage it would appear that the potential is most likely to be for a 3 star hotel as the achieved room rates that are currently being achieved by the town's 3 and 4 star hotels are such a long way from the levels that would be needed to support a new 4 star hotel. A new 3 or 4 star hotel will need to have a good leisure offer to enable it to attract leisure business at weekends.
 - In the longer term there could be potential for a further 3/4 star hotel post 2028, depending on how strongly the hotel market grows in Telford.

o **Aparthotels/Serviced Apartments**

- There may be potential for the development of serviced apartments in Telford town centre to meet demand from long stay corporate guests. This could be in terms of a purpose-built serviced apartment complex or residential apartments being let as serviced apartments. With their focus on long stay corporate business, the lack of weekend business in Telford will be less of an issue for these types of accommodation. An aparthotel could also be an option as an alternative to a 3 or 4 star hotel at Southwater.

o **In the Wider Area**

- In Newport, Wellington and Ironbridge the market is unlikely to be able to support new build hotel development on any scale. The potential here is more likely to be in the form of extensions to existing hotels, inns and pub accommodation plus scope for some establishments to upgrade, including possible repositioning as boutique accommodation in some cases.
- The hotel market at Ironbridge appears to be more leisure driven. This location seems to be a second choice for most corporate customers. The leisure demand here is unlikely to deliver sufficient year round midweek business at high rates to support the development of a new hotel. The only interest we found for additional hotel provision at Ironbridge was from the group tour market but this would be low-rated demand that would not support a new hotel here.
- In the rural parts of Telford & Wrekin there could be potential for the development of a destination hotel such as a country house hotel or golf hotel, given a suitable property for conversion or site for development. Such hotels can attract strong leisure and weddings demand and may also be able to serve the upper end of the Telford corporate market. The Hotel Futures Study has not included any work to identify or assess potential properties or sites for such hotels in the rural area.

7.2. Acting on the Findings

- Like many other parts of the country, Telford's hotels have faced difficult trading conditions over the past 5 years as a result of the recession, its impact upon levels of corporate and conference demand, combined with the new supply which has come on stream over this period. The overall performance levels being achieved by Telford hotels demonstrate clearly that the destination is in over-supply, despite the spikes in demand created by major events at the TIC, when business can be displaced over a wide area.
- In terms of a forward strategy, the opening of the Premier Inn in 2014 in Telford town centre will more than meet the immediate potential identified. Given this, a period of recovery is needed. The short term focus should be on building the market, with regeneration and investment in the destination, and particularly corporate growth, leading the way, which further hotel development is likely to follow.
- The study outputs can be used in a number of ways to inform the framework for hotel development, critical projects, and to flag up actions that can help grow the market.

7.2.1 Supporting Hotel Market Recovery and Renewed Market Growth

- The immediate priority for Telford & Wrekin Council is to support recovery and renewed growth in Telford's hotel market in terms of:
 - Developing the local corporate market;
 - Helping Telford and The International Centre to win new multi-day conference business and attract larger exhibitions, capitalising on the new Convention Quarter;
 - Supporting hotels in developing residential conference business;
 - Boosting leisure tourism demand through action to capitalise on the Ironbridge World Heritage Site as a key draw for leisure stays, the development of high profile, multi-day events and festivals, and reinvigorated leisure tourism marketing

a) Developing the Local Corporate Market

- Renewed growth in corporate demand for hotel accommodation will be the key prerequisite for boosting the performance of existing hotels and supporting new hotel development in Telford. This will require the progression of office and business park projects and the attraction of companies that will generate strong, high-rated demand for hotel accommodation. Regional, national, European and global head office operations will be key in this respect. Hotel development will generally follow strong growth in the corporate market: it does not usually take place ahead of growth in corporate demand and rarely leads regeneration and development projects.

b) Developing Conference and Exhibition Business

- The future success and development of Telford and The International Centre as a conference, exhibitions and corporate events destination is vital to the future prosperity and development of Telford's hotel sector in terms of generating demand for existing and new hotels, both directly and indirectly. The Council, through Meet Telford & Shropshire, can play a role in working with the Southwater Event Group to capitalise on the new Convention Quarter to build new conference business and attract major exhibitions and corporate events to help boost the town's economy and support the development of its hotel sector. From the hotel industry's perspective the priorities are about attracting more multi-day conferences and events, developing year-round business and attracting more weekend conferences and corporate events. There is no clear requirement for larger midweek events or simultaneous events to support the town's hotel sector as it does not have the capacity during the week to cope with them alongside corporate demand. Larger weekend conferences, exhibitions and events would however be beneficial to help boost weekend hotel occupancies.
- The Council can also play a role through the Meet Telford & Shropshire marketing campaign to assist hotels in winning residential conference business from the corporate and association conference markets.

c) Boosting Leisure Tourism Stays

- The development of stronger and higher-rated weekend demand is a key priority for Telford's hotels and will be important to support new hotel development. Work to further capitalise on the Ironbridge Gorge World Heritage Site and strengthen the physical links between the site and Telford town centre will play a key role in this respect, as will the development and attraction of high profile events and festivals that have sufficient appeal to attract overnight stays, ideally over a number of days. Better resourced, reinvigorated and well targeted destination marketing activity for Ironbridge and Telford aimed at the leisure break, private and special interest group travel and perhaps also overseas tourist markets can also play a key role.
- Securing increased budgets and staff resources to deliver activity in these areas undoubtedly presents a significant challenge in the current budgetary climate for the Council. Budget cuts in recent years have undermined the ability of the destination to undertake more extensive conference promotion work and to run a fully fledged conference desk and have resulted in lower levels of leisure tourism marketing for the destination. Identifying the resource to put these types of activity back in place was identified as a high priority by Telford's hotel managers. Events development is also resource intensive. If pockets of funding can be identified, these potential activities might form part of future funding bids. We understand that an upcoming ERDF programme could provide an opportunity in this respect.

7.2.2. Informing the Development Strategy for the Southwater Development

- Meet Telford & Shropshire and The International Centre have identified a need for an additional on-site hotel at Southwater in order to be able to compete effectively as a conference and exhibitions venue and to attract larger conferences, particularly in the higher-rated corporate market, which would require hotel accommodation of a 4 star standard. However, the wider corporate market in Telford is unlikely to be able to support an additional hotel at this level of the market for some time, and a new 4 star hotel could not survive on International Centre business alone.

- The options for hotel development at Southwater would thus seem to be to :
 - Wait for the corporate market to grow sufficiently to support a 3 or 4 star hotel. This is likely to take some time and would require a re-focusing of the International Centre and Meet Telford & Shropshire strategy in the meantime.
 - Proceed with a 4 star hotel ahead of corporate market growth if it is deemed to be vital for the future development of The International Centre and Telford as a conference, exhibition and events destination and its financial feasibility can be assured.
 - Extend the Holiday Inn and the International Hotel to deliver the required additional 150 rooms, potentially upgrading the Holiday Inn to 4 star standard (Holiday Inn or Crowne Plaza) The International could potentially be re-branded as a Holiday Inn Express, Ramada Encore or Hampton by Hilton to help drive more business to the hotel outside event times.
 - Use a 'pop-up' hotel solution such as Snoozebox to cater for the additional demand generated at peak times by The International Centre, as an interim measure until market growth can support a new hotel.
 - Consider an aparthotel as an alternative option to a 4 star hotel. A Staybridge Suites aparthotel was, for example, developed as part of the Liverpool Arena & Convention Centre.
- In forecasting how the hotel market in Telford might grow, it has not been possible to factor in the demand that could be generated by The International Centre given the development of additional on-site hotel provision. More detailed research into levels of denied conference and exhibitions business, times of spare capacity, how much overnight demand different types of event might generate at what level in the market would be needed to come to a more informed view about what the forward strategy could mean for hotel development potential at Southwater and more widely in and around the town. We suggest that this work needs to be the subject of a separate piece of research, which might form part of a future funding bid for additional resource to move the findings of this study forward. Such a study might also assess the potential need for public sector intervention to bring forward an up-scale hotel to support the International Centre ahead of corporate market growth. All of this clearly requires further discussion with the Southwater Event Group.

7.2.3 Informing the Emerging Local Plan and Planning Process

- The key challenge from a planning perspective emerging from the study findings is to what degree a locational strategy for hotel development needs to be put in place. The sequential test already directs hotel development to the town centre. The question is whether to endeavour to focus hotel development entirely at Southwater, as the Central Telford Area Action Plan seeks to do, or whether to permit hotel development in other parts of the town centre and other locations such as business parks close to the motorway, where an element of the market and some hotel companies might want to be, but which could undermine the potential to secure additional hotel provision at Southwater to enable The International Centre to develop conference, exhibitions and events business.
- Southwater has the capacity to accommodate all of our projected growth in market demand for additional hotel provision in Telford through to 2031. Locating new hotels here would support The International Centre, the wider Southwater development and the development of the evening economy here. However, given market and developer interest in other sites and locations, such a restriction could deter some hotel companies from coming to Telford. Hotel development elsewhere in the town centre or on business park and motorway sites around the town could however undermine the ability to deliver additional on-site hotel provision at The International Centre.
- The current Core Strategy does not include a hotel-specific policy. The CTAAP however allocates a hotel at Southwater and directs hotel and leisure uses here first, so to some extent this prioritisation is in place, and could be rolled forward into the Shaping Places Local Plan. However, Development Control managers have experienced some difficulties in dealing with hotel development interest outside the town centre, and a more clearly articulated locational strategy would no doubt be helpful in both determining future applications and in giving clarity to developers.

- The options would seem to be to:
 - Leave it to the market to decide where new hotels should be built. The study findings suggest that hotel development is likely to come forward most quickly at Southwater, given the identified need for additional hotel provision here to support The International Centre. New hotels on business parks are more likely to be developed in the longer term, once business parks are more fully developed and occupied.
 - Rigorously apply the sequential test to prioritise hotel development in the town centre and resist hotel schemes elsewhere.
 - Introduce a hotel policy in the new Local Plan that seeks to strengthen Southwater as the most beneficial location for additional hotel development in terms of contributing to the growth of the town as a business and leisure tourism destination. In considering such a policy the Council would need to determine how robustly it would be able to apply it. With hotels identified in national planning guidance as a town centre use it may be difficult to resist hotel schemes in other town centre locations but easier to refuse applications for hotels in other parts of the District.
 - Allow small-scale hotel development in the Borough towns, at Ironbridge and in the wider rural area (perhaps up to 40 bedrooms), which would be unlikely to impact on the deliverability of additional hotel provision at Southwater. It might be helpful to articulate this in any hotel-related locational strategy and policy.
- On balance, there is probably a need for a policy that prioritises hotel development at Southwater, at least in the short term, but that allows flexibility for hotels to be considered in other parts of the town centre and business park locations in outer areas in the medium to longer term, and small-scale hotel development to be considered in the Borough towns, at Ironbridge and in the wider rural area.
- The planning policy and process framework for the Borough should also positively support the expansion, development and upgrading of existing hotels.
- There is no evidence of any need for a hotel retention policy in Telford. The town has seen very little loss of hotel accommodation and there do not appear to be any pressures in the market that are likely to result in significant loss of hotel stock in the future.

- The viability of hotel development in Telford is demonstrably fragile, undermined by the low-rated nature of demand and the weakness of the weekend market. It will be important therefore not to over-burden hotel schemes with additional costs relating to design, sustainability e.g. in terms of meeting BREAM standards, and quality standards, or this could impact on their delivery.
- These issues of viability should similarly be recognised in the setting of CIL charges. This is a new area, but some initial investigations recently conducted alongside another consultancy commission show significant variations in what is being proposed: some London Boroughs are charging £450/sq m for hotel schemes, adding 27% to the development cost for some hotel projects, whereas viability assessments by other authorities e.g. Cambridge City Council have resulted in a zero charge being applied to hotel schemes. We would recommend that learning from the experience of other authorities and consultations with private sector hotel companies are built into the setting of CIL charges to ensure that assumptions relating to costs and viability are accurate for hotel development schemes.

7.2.4 Council Funding for Hotel Development?

- This is a contentious issue. There is a growing trend across the UK for local authorities to assist in bridging funding gaps for strategically important hotel schemes. Eastleigh Borough Council in Hampshire has invested £38million into the development of a new Hilton hotel at the Ageas Bowl cricket ground on the outskirts of Southampton. The established hotels in the area brought forward an eventually unsuccessful judicial review to challenge the Council's funding of the scheme, claiming that it would distort the local hotel market and give the new Hilton hotel an unfair competitive advantage. Newcastle City Council has invested in the first phase of Silverlink's Stephenson Quarter scheme, including a Crowne Plaza hotel.
- Given the current challenges to funding hotel projects, there could be a case for similar Council investment in strategically important hotel projects e.g. to bring forward a 4 star hotel to support the International Centre. Any such investment decision will however need to be robustly justified to withstand scrutiny and possible objections. This will include clearly establishing the contribution that a supported hotel scheme will make to growing the Telford hotel market and demonstration that the supported hotel would not adversely distort the hotel market and impact on the performance of established hotels.

7.2.5 Disseminating the Study Findings

- It will be important to disseminate the study findings to all who could benefit from the information it delivers. This would include:
 - Telford Tourism Partnership (the Tourism Board);
 - Telford's hotel managers;
 - Planning policy and development management teams;
 - Regeneration managers;
 - The Southwater Event Group;
 - Inward investment managers;
 - The Marches LEP;
 - Business Boards;
 - Potential funding partners.

- **The report has been issued initially as a confidential draft, and as part of the feedback from the Council there will be a need to decide upon whether to release the entire document, or extracts from it tailored to the different audiences. Particular notice should be paid to aspects of the report that might be regarded as commercially sensitive.**

- There may be a case for sharing the study findings with the local property development community in Telford to inform any plans that they might be considering in relation to hotel development. This could include the owners of country house properties in the rural parts of the District that might want to look at conversion to country house hotels, as well of golf course owners that might consider adding some form of hotel accommodation. There may also be merit in sharing the findings with local and national property agents.

- There is **no need for proactive hotel investment marketing to attract hotel companies** to Telford. There may however be some **merit in having further discussions with those hotel companies that expressed an interest in the town** in order to nurture their interest for the longer term as the market grows and to explore opportunities to reposition some of the town's existing hotels under national and international hotel brands that can help them to win new business. There could also be merit in further work to investigate potential interest in Telford from aparthotel operators.

APPENDIX 1

TELFORD HOTELS INTERVIEWED

Southwater Event Group (Holiday Inn,
Ramada, International)
Park Inn by Radisson
Telford Hotel & Golf Resort
Telford Whitehouse
Mercure Madeley Court
Park House
Hadley Park House
Buckatree Hall
Premier Inn Telford Central
Premier Inn Telford North
Premier inn Newport/ Telford
Carriages, Wellington
Lord Nelson, Wellington
Swan Hotel, Wellington
Royal Victoria, Newport
The Swan at Forton
The Swan, Ironbridge

APPENDIX 2

TELFORD HOTEL FUTURES – TRAVEL BUYERS SURVEY

Feedback from Coach & Tour Operators, Group Travel Organisers, Conference Organisers and Local Companies

1. FEEDBACK FROM COACH AND TOUR OPERATORS

The following coach and tour operators were interviewed at the Best of Britain and Ireland Exhibition.

- Albatross Travel - regularly booked 5 days half board at Madeley Court Hotel, Mercure Telford
- Greatdays Travel Group (Wholesaler, selling to coach operators and GTOs) – booked 3 or 4 days. Park Inn, Telford Holiday Inn, Telford Ironbridge, Best Western Valley Hotel.
- Johnsons Coach Company –used a variety of hotels depending on the group requirements
- Travel Editions (Telegraph Club) – used a variety of hotels, but usually Holiday Inn or Park Inn
- Norman Allen Group Travel (Wholesaler) – did not use Telford hotels very often

Two Heart of England Blue Badge Guides were interviewed at BOBI and their comments are included here.

Frequency of use

This varied from one group per year to 30+ groups via a wholesaler. This was expected to remain at similar levels in the future – no operators anticipated any major increases or decreases in levels of interest.

Three reasons were given for not booking groups into Telford

- A lack of a new compelling offer that would encourage repeat visits by the same groups
- The demand for new destinations and itineraries, ideally based on TV or film or some other theme.
- The shortage of 'special' experiences that are not available to the public

Size of groups

Between 36 and 50, with the lower number being the break-even point, below which a trip would not be viable, unless it was a private hire by a group.

Time of year and days of week

Typically tours ran from April to October to Shropshire, though other destinations had a strong Christmas programme. (One operator had offered a pre-Christmas trip to Ironbridge but it did not sell.)

The majority of tours were midweek Monday or Tuesday to Thursday or Friday (3-4 nights)

Reason for choice

The main reason for selecting Telford was proximity to Ironbridge and the Severn Valley Railway, Shrewsbury Flower Show and other gardens and stately homes. Excursions included North Wales, Chester and Ludlow.

The choice of hotels was based on location and value for money, based on prior knowledge.

Levels of satisfaction

The Holiday Inn was criticised by two operators for having mainly double beds which made it unsuitable for groups where friends would be sharing a room. Others were happy with the quality and value of the hotels in other respects.

Budget

The actual price paid is confidential and depends on the scale of business over the year.

One operator expressed unwillingness to pay more than £25- 30 d.b.b for a shared twin.

Difficulty in finding hotels

Shrewsbury Flower Show was mentioned as the main problem time for accommodation in the area, with certain events at the TIC also causing problems. The forthcoming Inner Wheel event in 2014 was mentioned as an occasion when it was impossible to get rooms at a reasonable rate in Telford - £100 pp for a shared twin was quoted.

A Blue Badge Guide stated a desire for there to be a Hilton Hotel in Shropshire, as for overseas groups they like to offer a round Britain tour using the same brand of hotel for each night, However, overnight in Birmingham or Bromsgrove for visits to Ironbridge was usually a more convenient option, because of the proximity to the M5 and access to the Black Country, Cheltenham and Gloucester etc.

Future trends

Similar levels of business were expected by operators, with some growth in special interest tours. Demand for Telford was likely to remain at similar levels, apart from the impact of any events at the TIC or new hotels coming on stream. One operator stated that economic uncertainty might increase the number of coach holidays as people chose budget options - but typically their customers may now take fewer trips each year – three to four trips a year instead of five or six.

The wholesalers described a tendency to have later bookings, both from groups and individuals.

Midweek in July and August were the most popular time quoted for trips, with some in the spring. Very little business was planned for weekends with the exception of special trips for clubs and societies.

There was awareness of the new developments in Telford from one operator who had been on a familiarisation visit. It was felt to be unlikely to have any impact on their types of bookings.

Changes that would like to be seen in the Telford area:

- Hotels – a wider choice and more flexible pricing
- Attractions/things to do – more all-weather facilities
- Other aspects – improved facilities for coach drivers at Ironbridge

Future trends for coach business

Trips to special events overseas are continuing to be very popular, particularly markets – including Christmas.

Theatre and concert trips were strong, particularly to London

The ‘Olympic effect’ and opportunities for tours of the Olympic sites in London were popular and would continue to be for a couple more years at least.

Extended families were choosing to take a holiday together – three generations booking to take a coach/hotel holiday, to avoid anyone having to do cooking or changing beds – or driving.

2. FEEDBACK FROM GROUP TRAVEL ORGANISERS

Written feedback was received from representatives from the following organisations:

- Group Travel Organisers Association
- Women's Institute – Ware Hertfordshire
- NHS Social Club, Greater Manchester
- Essex Police Sports and Social Club
- Probus Club of Sandy + District (Bedfordshire)

Frequency of hotel use

Between 3 and 5 overnight trips per group per year, one of which is typically overseas (e.g. to a Christmas market or special event)

All of these groups have used hotels in Telford during the last 1-3 years, with an average of one group visit during that period. On further discussion, one had visited Ironbridge and saw it as a popular destination, but they would only want to visit perhaps every 3 or 4 years as they like to go to different and new places. One comment was that Ironbridge was less popular as their passengers have become older and some are less mobile and it requires quite a lot of walking.

Hotels mentioned included:

- Holiday Inn Telford
- Park Inn by Radisson
- Best Western Valley Hotel
- Premier Inn North (Donnington)

Size of groups and time of year

GTOs had typically taken between 20 and 48 participants, mainly in April, May, July and August. No GTOs organised trips during the winter, or at weekends, though some expressed a willingness to stay on Thursday or Sunday nights if favourable rates were available. Midweek during July and August was the most popular time and would continue to be so in the future.

The typical **length of stay** was between 2 and 4 nights.

Reasons for selecting Telford

Proximity to Ironbridge was most frequently mentioned, but it was also considered a convenient base for day trips to gardens in North Wales, Shropshire and Cheshire. The Severn Valley Railway and stately homes in Shropshire were also mentioned, and the Shrewsbury Flower Show was also an attraction for one group. Events at the International Centre were important to one organiser – but there was a complaint that accommodation was not available nearby at that time and they had found a hotel near to Kidderminster instead.

The choice of hotels was based on location as a convenient base, and also at a good price, but quality based on previous experience was the most important factor.

Levels of satisfaction

Most organisers were happy with the hotels they had used, but one had a criticism of the Park Inn, based on the attitude of the staff. (This was based on an experience on a familiarisation visit.)

Budget and availability

Rates of between £30 and £50 per person were quoted for hotels outside of London, for dinner, bed and breakfast in a shared twin.

The only times when there was a difficulty finding accommodation was when there were major events on at the TIC.

Views of the attractions and things to do in the area

All feedback suggested that there was no shortage of things to do in the area or any weaknesses in terms of the local tourism product. However, hotels nearer to the M5 provided more choice of trips in the wider region.

Future trips to Telford

Responses indicated that Telford would continue to be a destination that would be used, but only every few years for one group, unless there was a particular event that their members would like to attend. There was no expectation that numbers of trips in general would diminish – and some commented on the likelihood of an increase in coach trips in general as people became more constrained by limited budgets.

New attractions and special interest trips were mentioned as important for generating new trips, and particularly offering groups 'behind the scenes' experiences that are not available to individual visitors. Links to TV programmes were also mentioned – Downton Abbey in particular.

Telford developments

None of the GTOs were aware of any plans for a major redevelopment in Telford or the expansion of the International Centre.

Changes that would like to see in the Telford area

- Hotels – a bigger choice that would provide more competition and better rates – and another hotel nearer to Blists Hill that could accommodate groups.
- Attractions/things to do – cheaper admission to Ironbridge was mentioned
- Other aspects – coach parking in Shrewsbury was mentioned as sometimes difficult.

3. FEEDBACK FROM CONFERENCE ORGANISERS

A series of consultations were held with venue placement agencies and conference and event organisers. The majority of these were selected from the list supplied by the conference desk and had been on a familiarisation visit to the International Centre during the last couple of years. Others were selected from the 'Chaser' list, and others were other contacts from within the industry. Ten telephone interviews were held during March/April 2013, with consultees coming from a range of locations across the UK. Both association and corporate event organisers were included.

Type and size of events

The size of event ranged from evening functions, with a small number of overnight bookings, to events with 500 delegates over 4 days, with 250 staying overnight. Some organisations hosted the attendance of delegates, but at the majority of events delegates paid for their own accommodation and attendance. Annual conferences with related exhibitions were the main sort of event, with the exhibition providing an important part of the event, effectively subsidising delegate costs.

Accommodation requirements were for organisers, exhibitors, delegates and attendees. Numbers of each of these categories and payment arrangements varied between these types and by event, but the general need was for there to be a range of hotel accommodation to cater for all budgets, from high-end to B+B.

Type of organisation

As well as booking/organising agencies who were servicing client requests, some had initiated specific events as a business venture and others were corporate organisations holding events for their own staff.

Reasons for choosing Telford and feedback on hotels

Of those who had visited the International Centre, there was a good level of knowledge and enthusiasm for the centre itself. Feedback regarding the hotels from those who had held events there included comments such as:

"The International Centre is excellent and very reasonably priced. We liked having the hotels adjacent to it and the absence of other entertainment in the immediate area is a benefit for us as all the delegates stay onsite together."

"Our delegates pay for themselves, so it is important that there is a range of accommodation to suit all budgets. The hotels are a bit expensive for our clients, but they are convenient, so there is a saving on taxis etc."

"The International Centre and Holiday Inn are fine – but Grays Hotel is not really very comfortable – or convenient. Some of our clients would be much happier if there was a Marriot or Metropole standard hotel."

"Our delegates enjoyed the event we held there – but a group of them stayed at the bar at the Holiday Inn and ordered Domino's Pizza – they would have preferred to have somewhere else to go that was nearby"

"Our delegates are GPs and other NHS staff and they will go anywhere to a conference if the content is right, it is not really about the location – though price can have an impact."

Reasons for not choosing Telford and feedback on hotels

Of those who had not held events there, those who had been on a familiarisation visit were enthusiastic, but had not been able to convince their clients or exhibitors.

"We could not persuade our exhibitors to move from Brighton, because they like to be able to take their clients out for dinner at a range of restaurants and pubs and there is nowhere to do that in Telford. But when they are at other European shows (in Lyon or Barcelona) they are happy to have 40 minute taxi journeys"

Location and travelling time was an obstacle for some – and the perception of the difficulty in getting to Telford:

"We considered Telford, but are holding an event at the RICOH arena at Coventry and are bussing 140 delegates in each day, and also providing evening entertainment. That is a more central location with better train links – and people have a clearer idea about where it is."

Only one organiser stated that the lack of appropriate hotel stock was the main barrier:

"Our client needed 150 rooms of a 4 star/deluxe standard, for a Monday night. The current provision is not of sufficient quality, so we have not made a booking. There was also a problem for us in that the two adjacent hotels were not of the same standard as each other."

Comparisons with other destinations

Organisers felt that Telford was at a 'second or third tier' in terms of its conference provision, behind London, Birmingham, NEC, Manchester and Liverpool, and then Brighton, Bournemouth, Harrogate and Southport. Those that knew the International Centre felt that it deserved higher recognition and positioning, but there was a disparity between organisers who had seen it for themselves and those that hadn't – but also amongst delegates or exhibitors who had a say in the location of the event.

Pricing

As mentioned above, having a range of accommodation catering for different budgets was the priority. Some organisations expected to pay £120+ for hotels in Telford, but others were seeking to pay no more than £60. There was a view that accommodation would be cheaper than in many other conference destinations. Using price comparison sites (such as Booking.com) was mentioned as a means of getting an idea of rates available to delegates – and many delegates booked their own accommodation online via 3rd parties. Knowing that there was a reasonable choice and availability was important, but they did not have rates fixed to star ratings.

The International Centre was seen as offering very good value compared to other venues, and having excellent flexibility in terms of room layout.

Many mentions were made of the pressure on keeping prices down and that delegates who used to stay overnight for two nights would now travel in each day if they could. One organiser mentioned that as most of their delegates were female, fewer stayed overnight compared to their male counterparts, preferring to go home each night if possible.

Ways that Telford needs to develop or improve as a conference/exhibition/business tourism destination.

The majority of comments related to improving awareness of the destination:

"Having seen it, I recommend it to clients now – but they still take some convincing. The best way to promote it is to have more familiarisation visits, for agents and clients/organisers."

There was positive feedback about the staff and welcome where this had been experienced, and a strong view that the TIC would 'look after them' if they held their event there.

"I felt that I would receive a personal service and that they would do anything they could to make my event go smoothly, once we were there."

Other suggestions for improvements included:

"Having a covered walkway between the TIC and the hotels would be useful, given the bad weather we get these days"

"It would be better if there were more pubs and restaurants for delegates to explore nearby when they have free time"

Additional comments

The trend towards later bookings was mentioned by venue finding agencies, which are sometimes tasked with finding a venue for 150 delegates with just a few weeks' notice.

Corporate events with large budgets have not returned to the pre-2009 levels – and may never do so. Even companies who are doing well do not like to be seen to be spending money unnecessarily on hospitality or staff parties.

Summary

Although there were suggestions that better quality hotels – or those with a higher perceived 'brand' - would enhance the offering of Telford as a business destination, it was not possible to quantify that demand or identify business that was being lost as a result of the lack of such hotels. The TIC is highly regarded by all those who know it, both for its facilities and its prices, and the challenge is in increasing awareness and overcoming perceptions amongst both buyers and their influential delegates regarding the location and the shortage of evening entertainment options.

4. FEEDBACK FROM LOCAL COMPANIES

Telephone discussions were held with the following companies:

- Makita
- Ricoh
- Wrap Film
- Telford City Technology College
- Lyreco – training department
- Lyreco – general bookings

Some feedback was also received from Jaguar Land Rover.

All of those interviewed were satisfied with local hotels, though all but one mentioned difficulty in finding accommodation when major events are taking place at the TIC. Typically this is perceived as happening about ten times a year. One comment was that the situation is better now than a few years ago, as the events do not seem to cause the same levels of disruption in terms of local bed bookings. At busy times, bookings are made further afield, at Ironbridge, Shrewsbury or similar. There were no instances of bookings not being made at all, or going outside of the county, even at the busiest times.

Jaguar Land Rover expect to be booking 3000 bed nights a year over the coming years to 2015 and beyond, as a result of their major new development. Their expectation would be for a four star hotel standard.

Lyreco have five hotel bookers in the organisation, and each tends to make around 900 bed night bookings each year locally. Having negotiated an agreed budget based on levels of business, they pay no more than £75 or £80 for dinner, bed and breakfast. When major events at the TIC cause a shortage of beds locally, they book further afield at Ironbridge, Shrewsbury etc. They typically use the White House or Grays, finding the Telford International and Holiday Inn too expensive. The Telford Golf and Country Club (Q hotel) is also used for certain training groups, again at an agreed rate. (For bookings elsewhere in the UK, Lyreco use Click Travel in Birmingham).

Makita have two types of demand for local hotels – small numbers of 5– night stays for directors visiting from Japan, who would normally stay at the Telford Holiday Inn or Park Inn or Hadley Park, and regular individual visiting engineers who would be likely to stay at Grays or the White House.

Wrap Film tend to use Hadley Park as the first choice hotel because of its location, or Park House at Shifnal, with Holiday Inn and Gray's being a 'last resort'. Buckatree Hall or the Premier Inn at Newport have been used at busier times. Haughton Hall is considered to be the best hotel for their VIPs – mainly because of the gym and golf course. They typically make up to ten bookings a month, usually for 2 to 3 nights. The sales department make bookings across the UK, and typically will use Laterooms.com or Premier Inns.

Ricoh tend to make 10 to 20 bookings a month, for one to two nights on average. Their preferred hotels are the Holiday Inn and Telford International or Grays as they are the most convenient for their location. They believe that 3 star quality is adequate for the local area needs, and that the budget is more important than the star rating. They do not like to pay more than £70 for B+B.

Telford City Technology College have requirements for two or three rooms for 4 night stays on a regular basis for visiting assessors, but most of their bookings are made elsewhere in the UK. The Premier Inn Telford Central or Telford North are the preferred choices, because of the nationally negotiated low rates.

With the exception of Jaguar Land Rover, all of those consulted expressed the view that 3 star was adequate for local needs, although one consultee indicated that it would be nice to have a more luxury hotel for visiting friends and relatives. Generally budget is the constraining factor with a high level of price sensitivity. Premier Inn was considered suitable – and a popular choice in other areas – though there was a comment that Travelodge was not of sufficient standard for business use.

Although the majority of businesses were inconvenienced by events at the TIC, and therefore would welcome an additional hotel, there was no major evidence that Shropshire was losing business as a result of hotel shortages in the Telford area.

APPENDIX 3**HOTEL DEVELOPER TESTING - SAMPLING & RESPONSE**

COMPANY	BRANDS	RESPONSE	INTEREST
ACCOR	Novotel Ibis Adagio Pullman MGallery Sofitel	N	
BESPOKE	Bespoke B2 Staying cool	Y	N
CHARDON	Express by Holiday Inn Hampton by Hilton	N	
DCB CONSULTING	Budget	Y	N
DE VERE	Village Urban Resort	Y	Y
HILTON	Hilton Garden inn Hampton Doubletree	N	
IHG	Holiday Inn Express Crowne Plaza Staybridge suites Hotel Indigo	Y	Y
MARRIOTT	Courtyard	Y	Y
MOXY	Moxy	Y	N
MARSTONS	Marstons inns		Permission granted
PREMIER APARTMENTS		N	
REZIDOR	Radisson Blu/Park Inn	Y	N
SACO		N	
SANGUINE	Holiday Inn Holiday Inn Express Hotel Indigo Hilton Hampton by Hilton Days Inn	Y	N
TRAVELODGE	Travelodge	Y	Not on published acquisition list
WHITBREAD	Premier inn		Under construction
WYNDHAM	Ramada Encore Days Inn Ramada Plaza Super 8 TRYP Wyndham	Y	Y

APPENDIX 4

EXTRACT FROM DCLG GOOD PRACTICE GUIDE ON PLANNING FOR TOURISM

Tourist Accommodation

1. Tourism accommodation takes many different forms, including hotels, guesthouses and bed and breakfast premises, self-catering, touring and static caravans and camping, and caters for a variety of tastes and budgets. But all are capable of bringing economic benefits to the areas in which they are located. These benefits will need to be assessed alongside other issues such as suitability of the location in terms of its sustainability.
2. The issues that will need to be addressed in considering planning applications or tourist accommodation will vary according to the type, size, and nature of the accommodation being provided. These are considered further below.

Hotel and serviced accommodation

GENERAL LOCATIONAL PRINCIPLES

3. The process of identifying suitable locations for hotel and serviced accommodation, whatever its nature, should be an integral part of the plan making process. Local planning authorities and the tourist industry should therefore engage constructively to identify suitable locations in plans for hotel accommodation to meet identified current and future needs. This is particularly important for major hotels – for example those with business, conference and banqueting facilities, or large hotels catering for tourists – where the preference should be to identify town centre sites wherever possible, in line with national policies set out in PPS6. Such sites are the most sustainable in planning terms, since they allow greater access by public transport, contribute to urban vitality and regeneration, and allow visitors to easily access other town centre facilities and attractions. Where proposals for major hotel facilities come forward outside the development plan process, their location should be assessed in line with the policies in PPS6 and the sequential approach to site selection.
4. Proposed locations for other types of hotel and serviced accommodation should also be considered through the plan process

wherever possible. The emphasis, whatever the type of accommodation, should be on identifying the most sustainable locations, having regard to national planning policies. But in allocating sites in plans, or considering planning applications that come forward outside of the plan process, developers and planning authorities need to recognise that the particular market being met by the accommodation may influence the nature of the location chosen. So, for example, accommodation catering for those seeking to enjoy the natural environment through walking and outdoor recreation may be better located in a rural area, in or at the edge of the centre of a village or small town, rather than in a major town centre some distance away from the attractions it serves.

5. Whatever the type of hotel or serviced accommodation and whatever its location, it should:
 - Fit well with its surroundings, having regard to siting, scale, design, materials and landscaping; and
 - Be in harmony with the local environment (taking account of, amongst other factors, residential amenity, noise, traffic and parking in the vicinity).

HOTEL ACCOMMODATION IN RURAL AREAS

6. National planning policies set out in PPS7 *Sustainable Development in Rural Areas* makes it clear that the expectation is that most tourism accommodation requiring new buildings should be located in, or adjacent to, existing towns and villages. PPS7 also recognises that proposals to convert existing rural buildings to provide hotel and other serviced accommodation should be acceptable, subject to any general criteria that may be set in development plans on the re-use of such buildings.
7. National Parks and Areas of Outstanding Natural Beauty attract visitors who wish to enjoy the special qualities of the landscapes and the countryside of these areas. It is important that sufficient accommodation of a suitable range of types is provided for these visitors. However, particular care needs to be taken over the number, scale and location of accommodation facilities in these designated areas to ensure that the particular qualities that justified the designation are conserved. These considerations are best addressed through the plan process wherever possible.

HISTORIC TOWNS AND CITIES

8. Historic towns and cities are an attraction to tourists from home and overseas and there is pressure to increase hotel accommodation in them. Great importance is attached to the preservation of buildings of architectural or historic interest both for their intrinsic qualities and for the contribution they make to our towns and villages, and to tourism. It is therefore important that any proposals for new hotel accommodation in such towns and cities are sensitive to their surroundings.
9. Conversion into hotels is often a realistic proposition for ensuring the retention and maintenance of historic buildings provided it is sensitively handled, does not materially alter the character or historic features of the building, and provided the new use does not generate traffic movements which cannot be accommodated.
10. Many historic buildings in town and country are already in use as hotels. If carefully designed, additions can be achieved without adversely affecting the historic fabric or character and maintain the historic building in viable use. But large-scale buildings in a small-scale setting, buildings which adversely affect the existing skyline and those which by their design, materials, illumination or building line are out of sympathy with neighbouring historic buildings will normally be unacceptable.

MODERNISATION AND EXTENSIONS

11. Aside from historic buildings, there are many redundant or semi-obsolete buildings – such as closed mills, distilleries, warehouses, or railway stations – that can lend themselves well to adaptation and modernisation as hotels, other forms of serviced accommodation or restaurants. To convert such buildings to compatible use can bring life back to an otherwise wasted asset – thus conserving a useful and often attractive building, improving a neglected site and helping the local economy.
12. Similarly, moderate-sized extensions to an existing hotel or public house, including the addition of bedroom accommodation, can help to ensure the future viability of such businesses. This may satisfy a local need as well as a tourism one, by fully utilising the potential of the site but without any disproportionate increase in scale. In all cases, careful consideration should be given to ensure that the size of the extension proposed is not disproportionate for the location concerned.

BUDGET HOTELS, MOTELS, AND TRAVEL LODGES

13. Where budget hotels are designed to cater for longer stays at a destination (for example, those catering for visitors to historic towns and cities), their location should be considered in light of policies in the development plan and national policies in PPS6 on town centres. Location of such hotels in town centres maximises the opportunities for visitors to easily access other town centre facilities and attractions.
14. Other types of budget hotels and similar types of development such as motels and travel lodges cater more for car-born travellers, often for a single overnight stay – e.g. business travellers en-route to a destination. In such cases, the preference of developers will be for sites on major traffic routes outside of the centre of large towns or tourist centres. However the aim should be to make any development as sustainable as possible and it will not normally be appropriate for such developments to be located in open countryside away from major settlements. Edge of town centre locations, for example on a ring road or on a major route out of the town centre, will usually be the most appropriate locations if a town centre location is not suitable, available or viable.
15. For out-of-centre locations, design and layout of the development is likely to be of considerable importance in deciding whether it is acceptable in planning terms. Depending on the setting, an open layout in which careful attention has been paid to achieving a high standard of design and landscaping is likely to be more acceptable than a dense concentration of buildings.
16. Where a proposal includes other new facilities, such as a petrol station or shop, these will have to be considered on their own merits. If they are objectionable in themselves, the fact that they are combined with a hotel will not remove the objections. Restaurants, fast food outlets, leisure, fitness and other facilities open to the general public as well as residents are also sometimes combined with hotel proposals, in which case the extra traffic they are likely to generate and its effect on the highway must also be taken into account.

CAR PARKING

17. Maximum car parking standards for hotel and serviced accommodation may be included in development plans. Where such standards are not included in plans, planning authorities will need to

consider what are appropriate levels of parking, based on the market which the hotel serves, its location and availability of public transport facilities. In addition, for those hotels where a substantial part of the parking needs are attributable to public rooms used mainly for functions which attract non-residents, then the availability of public parking in the vicinity of the hotel will also need to be taken into account.

18. Planning authorities should also take account of the proposed arrangements for service loading and unloading and setting down space for visitors. Organised tours demand adequate loading and unloading facilities for coaches. Access and waiting areas should be designed with this in mind. Access points should be sited so as to minimise turning movements across traffic and to avoid congestion of the highway caused by vehicles queuing to pick up or drop passengers. Developers should discuss proposed access arrangements with the highway authority at the earliest possible stage.

APPENDIX 5

EXTRACT FROM PRACTICE GUIDANCE ON NEED IMPACT & THE SEQUENTIAL APPROACH Appendix C: Assessing the Scope for Other Town Centre Uses

vii) Hotels

- c.48 There is a range of different types of hotel accommodation, as recognised in the practice guidance on planning for tourism. When planning for new hotel accommodation it is important to understand the future need and market demand for a broad range of new facilities so that appropriate provision can be made for their future development and new applications for development can be assessed against any established need.
- c.49 A general indication of need can be derived through 'gap analysis' and a planning authority should consider whether there is an absence or paucity of hotel or serviced accommodation, catering to different market segments, within reasonable proximity to serve a town centre or a major visitor attractor. This involves identifying the geographical pattern of hotel room provision in a given survey area by type and standard (i.e. quality rating), and plotting imbalances and shortfalls in the provision and distribution; this 'survey area' may be a local authority's borough boundary or a sufficient drive-time 'isochrone' from the town centre or major attractor that a particular hotel proposal is intended to serve. Identifying locational need at this local level serves the purposes of sustainable development by seeking to reduce the need to travel and promoting balanced sub-regional development.
- c.50 It may be relevant to refine this gap analysis on the basis of the occupancy levels per quality rating. Hotels cater to different market segments and while occupancy rates may be low at one end of the market, there may be turnaway trade occurring at the other end due to high levels of demand in that segment leading to hotels being booked up to capacity. High annualised occupancy rates (where seasonal fluctuations cause instances of turnaway trade) in a given market segment are an indication of local hotel need. Occupancy rates rise as demand for hotel facilities increases, when occupancy rates rise to the point that turn-away trade occurs in accommodation of a certain quality category there is a need for additional hotel facilities catering to that market segment.

- c.51 It is possible to assess quantitative, by comparing the current and projected demand for staying visitor nights, with available and planned stock in each category. The starting point is to establish the existing stock of hotel rooms in a given survey area using a variety of data sources, and categorise them by their quality ratings to indicate which market segment they serve. Although regional assessments may wish to identify a broad need for hotel accommodation across a region, the assessment of need for hotel accommodation is normally best undertaken at local level where it may be appropriate to differentiate between the need for different market sectors (e.g. business, short stay and holiday/visitor accommodation).
- c.52 The next step is to establish the existing average annualised occupancy rate per quality category (i.e. the average occupancy rate among the number of hotels in each quality category), noting the range of seasonal fluctuations in occupancy. Where occupancy levels are above optimal levels, indicated by instances of turnaway trade in a given quality category, then need is demonstrated in that specific market segment. If the occupancy levels in each quality category are within the optimal range, projected increases in visitor numbers may pressurise the existing hotel stock.
- c.53 Estimates of growth in tourism and visitor activity can be identified using an econometric approach (based on global GDP projections and the consequent impact on tourism trends) and/or through discussions with the tourism industry in the context of future long-term growth trends at a regional, sub-regional and local level. Once the increase in visitor numbers is established it may be necessary to consider other factors, accounting for expected trend shifts, in order to estimate the number of extra visitor nights that the hotel provision will be expected to accommodate over a given time horizon. These include:
- Average number of staying nights spent by foreign and domestic visitors.
 - Estimated percentage of visitors who stay in hotels.
 - Estimated average number of people per room.
- c.54 This information is used to calculate the estimated percentage increase in staying visitor nights, which can be used to grow the existing room stock in each quality category, preserving the same occupancy levels.
- c.55 Having established a gross need by category, the final stage is to subtract any hotel commitments or developments coming through the pipeline (or anticipated loss of rooms) to leave a residual hotel room need in each quality category in a given survey area.