



Ref: S/1862/08/F

Site Location: Red Lion Hotel, Station Road East, Whittlesford

This note sets out Scott Wilson's response to the comments put forward by A J Wheeler, Senior Associate of Fleurets, in the expert report, in regard to the revised planning application for a new hotel accommodation building at the Red Lion Hotel, Whittlesford.

We would like to draw South Cambridgeshire District Council's attention to the following points in particular.

Location

We concur with the opinions and observations expressed in the report in regard to the location of the proposed development. In particular the opinion that *"the location has limited aesthetic appeal and, in my view, is unlikely to attract significant levels of leisure related custom. In my view it is likely to be largely reliant upon business related custom associated with nearby businesses or as a result of its proximity to good transport links."*

This point is set out within Paragraph 4.5 of the Planning Application Supporting Statement, and must be taken into account when considering the relationship of the proposed building to its surroundings. Neither Scott Wilson nor the applicant believes that the building will have an adverse impact upon any of these surrounding land uses (or when viewed against the backdrop they provide).

It is important to note that this point, and the above opinion contained within the Fleurets report, is at odds with the view of South Cambridgeshire District Council's Conservation Officer. In SCDC's letter, dated 16 January 2009, the village is described as having a rural setting. We do not believe this represents the true nature of this location.

Condition

The report states that *"Overall, I believe an operator would consider some capital investment by way of refurbishment and modernisation as essential if trading levels are to be sustained and potentially improved."*

This relates to paragraph 10.2 of the Supporting Statement which concluded that the proposed development will allow the applicants to provide much needed investment in and refurbishment of the Red Lion.

UK Hotel Market

The report notes that *"we are in a period of significant economic uncertainty following the onset of the credit crunch in the latter part of 2007 with the economy now in a period of recession...Whilst it is expected that the branded budget sector will benefit from corporate business downtrading, profit margins can be expected to remain under pressure."*

The financial difficulties which pubs find themselves within was highlighted as one of the reasons for the need for the scheme in Paragraphs 7.4 and 7.5 of the Supporting Statement. We urge SCDC to consider the opinions offered by Fleurets alongside, and by way of support to, the information submitted by the applicant.

Business Viability Considerations

Through the expert opinions expressed in the report the nature of the custom for a small hotel such as that of the Red Lion Hotel can be categorised into a series of groups:

- Business guests: *"Whilst conveniently positioned for the business guest, I would expect the nature of business custom attracted to the property to be drawn more from price sensitive customers such as contract workers who may be expected to operate within a restricted budget and seek value for money when compared against nearby branded budget operations."*
- Leisure breaks: *"Whilst the Red Lion is an historic characterful property and benefits from proximity to the city of Cambridge, it does not carry a recognised star rating and its location bounded by the mainline railway, the A505, a station car park and an industrial estate does not carry desirable appeal for such custom...Tourists tend to prefer to be located in attractive locations close to key centres of tourism with good transport links. Whilst the Red Lion is situated close to the M11 with good road and rail access to the Cambridge city centre, the limited quantity and quality of accommodation available is unlikely to appeal to tourists whom I would expect to be drawn to recognised branded and star rated operations... I also consider the rather industrial nature of the location detracts from its appeal for destination dining led custom."*

It has been made clear within the Supporting Statement for the Planning Application that in order to obtain the required finance for the proposed development a branded hotel is the only solution for the site. The applicants will, however, retain full control of the hotel and hotel clients will use the existing Red Lion building for food and drink. In a letter addressed to Ray McMurray (8 January 2009), Principal Planning Officer – SCDC, East of England Tourism concluded that *"A recognised quality hotel brand with an effective distribution network would assist in establishing any business of this kind by attracting higher spending visitors into the local area."*

The Factors That Make a Business Unviable

Fleurets recognise that *"Businesses that suffer from strong competition are more prone to being considered unviable."*

- *"The relatively limited number of rooms available and their rather quirky sizing and arrangement make it difficult for a business such as the Red Lion to compete with the branded operations which are largely contained in modern, single, purpose built properties."*
- *"I consider it reasonable for an operator to anticipate that competition will continue to place the hotel driven aspects of the business under sustained pressure and to seek an adapted or alternative business model in order to maintain a viable business entity."*

Impact of the Development of a 70 Bedroom Hotel Block

We are pleased to note that Fleurets are in agreement with the business plan put forward by King Sturge. The report states that it concurs *"with their general view that a budget hotel adjacent to the Red Lion Hotel can be expected to enhance the prospects of the business for food and beverage trade. I would also anticipate that the level of corporate business attracted to the hotel and its accessibility both by road and rail would result in increased demand for conferencing facilities."*

It is also important to note that the report would expect the *"prominence and general profile of the site to be enhanced by the presence of the hotel block and this too may be expected to enhance the prospects for promotion of the business of the Red Lion Hotel, providing opportunity for the business to attract to a broader destination market and possibly some passing trade by virtue of the improved profile."*

Relationship to Planning Policy

We believe it to be essential for SCDC to consider the points raised by Fleurets against the relevant planning policies. In particular we consider the following policies to be relevant:

Development Control Policies July 2007

Objective ET/c within the section covering Economy and Tourism states that SCDC will support existing businesses by applying positive policies towards appropriate expansion. The Red Lion Hotel is very much a local business that has been run by a local family for many years and it is considered that its expansion and ongoing economic viability should be supported in the manner described in this policy.

Policy ET/4 (New employment development in villages), **Policy ET/5** (Development for the expansion of firms) and **Policy ET/10** (Tourist and visitor facilities) are also of relevance when considering the Fleurets report and provide support for this type of economic development.

Regional Planning Policy

Policy E6 concerns tourism and states that local authorities should include policies in their local development documents to encourage realistic and sustainable investment in the maintenance, improvement, regeneration, extension and diversification of the region's tourism industry. It also recognises that much tourism potential is based upon the presence of historic cities such as Cambridge. The proposed development will improve the range of hotel facilities on offer in the Cambridge area.

PPS1 Delivering Sustainable Development

Para 23 addresses sustainable economic development and recognises the benefits of jobs and prosperity. Section 23 (iii) states that planning authorities should ensure that suitable locations are available for various types of commercial development, including tourism and leisure developments, so that the economy can prosper. The assessment of need carried out by King Sturge on behalf of the applicants has identified a definite need for such a facility in this location and there would be associated economic development as a result of this proposal.

Conclusion

The applicant requests that South Cambridgeshire District Council bears in mind the conclusions drawn by Fleurets and in particular those outlined above and the concluding comment *"I consider that the development of a 70-bedroom hotel accommodation block as described in the Planning Application ref S/1862/08/F and supporting documentation would provide opportunity to develop the Red Lion as a sustainable food and beverage, conference and functions business catering primarily to guests of the new hotel. I believe it would also provide the opportunity for the business to appeal to a broader destination market and possibly some passing trade by virtue of the improved profile of the site that is likely to result."*

We are confident that the conclusions drawn by Fleurets support all the previous information submitted by the applicant and provide further justification for the grant of planning permission.

We trust that South Cambridgeshire District Council will be reassured by the conclusions reached by Fleurets and that they will add to the case in support of the proposal. We were encouraged by Melissa Reynolds e-mail of 19/12/08 to Sophie Gregorios-Pippas and her acknowledgement that this report *"indeed may end up supporting the case you make"*. We believe this to be the case and that the report provides sufficient additional justification (assuming South Cambridgeshire District Council felt this was needed) to allow planning permission for the scheme to be granted.

Scott Wilson
13 February 2009

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FAO Mr Ray McMurray



Dear Mr McMurray

S/1862/08/F – RED LION, WHITTLESFORD

King Sturge LLP are instructed by our clients the Gregorios-Pippas family, owners of the Red Lion Hotel, to provide professional advice on a potential hotel development adjacent to their existing business.

Thank you for the opportunity to comment on the report prepared by Mr A J Wheeler of Fleurets, in relation to Planning Application S/1862/08/F which proposes the:

Erection of a 70 bedroom Hotel with associated car parking & landscaping following demolition of WWII Air Raid shelter

It is understood that the scope of the Fleurets report is;

- 1 To comment on whether the Red Lion Hotel, as it stands, would be considered by operators in the market to represent a viable business proposition.
- 2 To comment on the impact which the development of a 70 bedroom freestanding hotel accommodation block might be expected by operators to have on the viability of the Red Lion Hotel.

In relation to the first of these two questions which form the scope of the report, it has been concluded that the Red Lion Hotel is *"operating profitably to a level sufficient to enable an operator to make a living. The business is currently viable."*

However, it is noted in section 13 of the report that there are various factors which could be the cause of the business becoming unviable in the future:

- A building that falls into disrepair to the point to which the cost of repairs is disproportionate to the profit of the business
- Poor management of a business leading to the deterioration of the business
- Businesses that suffer from strong competition
- A business unable to generate levels of profit sufficient for the operators to make a living.
- Where there are material changes to the local area, such as the loss of a factory or the demolition of a local housing estate.

The report considers that of these factors, those which are most relevant to the Red Lion Hotel are the ongoing repair and maintenance work needed to continue the business and increasing levels of competition from the budget hotel market. We agree with these conclusions and have the following comments to add.

Repair and Maintenance

Fleurets' report concludes that the Red Lion Hotel is generally well maintained and in reasonably good repair, but acknowledges that Savills Condition Report has identified that there may be a need for repairs to the timber framing of the property.

It also acknowledges within section 8 that *"...an operator would consider some capital investment by way of refurbishment and modernisation as essential if trading levels are to be sustained and potentially improved."* Appendix 7 of the report suggests that the refurbishment of the existing bedrooms, kitchen and bar would result in a total budget of £150,000. We consider this to be an unrealistic projection; according to our experience, the refurbishment cost of a room of the standard of the Red Lion Hotel would be no less than £10,000. This implies that the refurbishment of the rooms alone would cost £180,000. We believe that a budget of £300,000 would more accurately reflect the total costs involved in modernising the existing facilities. As the business stands it is not viable to undertake these modernisations.

The provision of a hotel will allow the funding for these improvements; and in turn it is anticipated that the modernisation of these facilities will improve the perception of the Red Lion in the local area to increase levels of trade.

Competition

As stated within the Fleurets Report, levels of competition in the budget hotel market are growing in the area, with customers increasingly seeking branded accommodation.

We feel that the nearby Travelodge Hotel at Fourwentways, the Cambridge Leisure Park, the Holiday Inn Express at Coldhams Park, and the prospective Premier Inn at Albury Park have a strong competitive edge over the Red Lion Hotel both in terms of facilities as well as brand recognition.

The current economic downturn has already impacted the level of trade of hotels in the area. Hotels with established brands and procedures are in a better position to withstand the pressures of the downturn as opposed to smaller, independent hotels such as the Red Lion Hotel. In light of the decline in demand, the Red Lion Hotel will not be in a position to compete and will be forced to undercut rates, thereby jeopardising the viability of the business.

The development of a hotel is expected to act as a catalyst for the Red Lion, attracting sufficient custom to sustain its operations.

Additional Factors

In addition to the factors affecting viability discussed above, we would add that changes in consumer behaviour – particularly in relation to the pub trade – are also factors which have a significant impact on the future viability of the business.

The report has correctly identified that there are three main income streams for the business – food, accommodation and beverages. As stated in section 10 of the Fleurets report, the Red Lion can be considered a pub serving food and drink, which also provides accommodation.

The pub trade has seen a significant decline in recent years. Latest data from the British Beer and Pubs Association suggests that 39 pubs a week are closing in Britain (40% more pubs in 2008 compared to 2007), at a time of deepening recession and rising unemployment. Factors that have contributed to the decline in pub visiting include weakening consumer confidence, the recent smoking ban, increasing government legislation, food price inflation, beer taxes, and the increased cost of borrowing. Meanwhile, off-trade sales have flourished as supermarkets are deemed as cheap alternatives to pubs. Despite the challenges facing the pub sector, the Government plans to increase taxes even further for the following four years, by 2% above inflation each year.

These changes in consumer behaviour are currently being exacerbated by the economic decline across the country and together are impacting on the level of trade at the Red Lion Hotel, which has rapidly decreased over the past three months.

The Fleurets report acknowledges in section 13 iv, that the Red Lion would not be able to operate successfully as a destination pub as whilst the site is easily accessible and has good parking provision it is not situated in a picturesque location; and therefore will not appeal to major pub operators such as Embers Inn, Harvester, Beefeater and Chef & Brewer.

The Proposed Holiday Inn Express Scheme

The purpose of the proposal to develop a 70 bedroom Holiday Inn Express is to remove factors which, if the business were to continue as at present, would lead to the Red Lion Hotel no longer being a viable business. In addition to direct income from the Holiday Inn Express, the associated spending will secure the long term potential of the Red Lion.

Our financial projections indicate that the Holiday Inn Express is expected to achieve an occupancy rate of 77.5% and an average achieved room rate of £63.00 on the third and stabilised year of operation. These projections are in line with the performance of nearby budget hotels of competitive relevance.

As concluded in section 15 of the Fleurets report, the development of the hotel *"would provide opportunity to develop the Red Lion as a sustainable food and beverage, conference and functions business catering primarily to the guest of the new hotel."* It will also *"provide the opportunity for the business to appeal to a broader destination market and possibly some passing trade by virtue of the improved profile of the site that is likely to result."*

It can be assumed that the answer to the second question forming the scope of the report is that the development of the Holiday Inn Express would have a positive impact on the viability of the existing business. We are confident that the Holiday Inn Express will complement the pub business already onsite and allow guests staying at the hotel access to the food and beverage offer of the pub, thereby enhancing the pub's growth and economic sustainability. We also foresee an increased demand for the Red Lion pub's conferencing facilities due to the hotel's vicinity.

We would like to stress that the above can only be achieved with an internationally branded hotel of a minimum of 70 rooms. An internationally recognized brand can ensure rapid growth for the business by means of a highly regarded brand name, an established reservations system and other forms of support such as bulk purchasing agreements, employee training and development and advisory services. The construction of a minimum of 70 rooms is key to the economic viability of the business in order to allow for the necessary economies of scale that will justify the volume of the investment. The construction of any number of rooms below this level bares the risk of undermining the project's potential and jeopardising the success of the business overall.

Conclusion

King Sturge's Business Plan has identified that the development of a 70 bedroom Holiday Inn Express will result in the ongoing viability of the Red Lion Hotel. It will generate increased food and beverage trade, allow for increased numbers of conferences to be held at the Red Lion and provide revenue which can fund ongoing repairs and maintenance of this Grade II Listed building, as well as modernisation of the kitchen and bar. This development will secure the future of the Red Lion Hotel.

Our clients are keen to secure planning permission for this scheme and proceed with its development at the earliest opportunity in order that the future viability of the Red Lion Hotel, particularly during this period of economic uncertainty, is maintained.

I trust that you are now in receipt of the appropriate information for the swift determination of this application, however if I can be of any further assistance please do not hesitate to contact me.

Yours sincerely



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