

Some tour ops taking a hit in Italy as cities levy hotel taxes

By Michelle Baran

Italian cities looking for additional revenue amid government spending cuts have been adding a per-person, per-night hotel tax ranging from \$1.40 to \$7, a fee that is forcing tour operators to either absorb the cost or pass it along to their guests.

The Globus Family of Brands recently announced it is absorbing the cost of the taxes, a decision that the company said will cost it more than \$1 million this year.

"The decision to absorb these city taxes was indeed a strategic one," Steve Born, vice president of marketing for Globus, wrote in an email. "Americans will likely be even more aware of the costs associated with travel to Europe in 2012, and we believe even a relatively small charge like these city taxes could impact a decision to travel, and with whom to travel."

Indeed, Globus has already decided to absorb the taxes for both 2011 and 2012. Insight Vacations also stated earlier this summer that it would absorb the cost of hotel taxes in Florence and Venice.

Right now, at least eight municipalities in Italy have imposed a hotel tax, including Rome, Venice, Florence, Padua and Giardini Naxos on Sicily.

Italy specialist Perillo Tours is absorbing the cost of the hotel taxes for its group departures. For its ItalyVacations.com FIT products, clients pay the hotel directly and will therefore pay the taxes themselves.

"These taxes represent less than 1% of the average tour cost with air, so it's more of an administrative hassle than having a big impact on the final selling price," said Diane Ferro, product manager at Perillo. But, she noted, "we are already at a disadvantage with the current rate of exchange, and we did not need to add on another fee."

Tom Jenkins, executive director of the European Tour Operators Association, and Terry Dale, president of the U.S. Tour Op-

erators Association, voiced another concern in a joint letter to Vittoria Brambilla, the Italian minister of tourism, in late June. "These sums are not insignificant," they stated. "Of major concern is that these charges are levied with almost no notice."

The letter continued: "Our clients plan and pay for their vacations an average of six months in advance. In order to supply them, tour operators contract their hotels and establish their costs an average of 15 months in advance. These taxes are im-

prices to compensate for the taxes and try to keep overall tour prices for 2012 at a reasonable level. As previously reported, tour operators are already anticipating that 2012 Europe prices will increase by as much as 25% over 2011 prices. And this is happening in a climate when several other factors could make travelers hesitate when

booking Europe, including the shaky economy, raising airfares and unfavorable currency exchange rates. "We are hoping the hotels will lower their prices, but I really doubt this would happen," Ferro said. "These are taxes that the cities are charging, not the hotels."

In their letter, Jenkins and Dale wrote:

"Underlying the imposition of these taxes is an assumption that tourists can be exploited as a natural resource. This is a mistake. Visitors budget spending. Every euro removed from their pockets at the hotel means less money spent in the area. There is a transfer of funds out of the local economy into local government."

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— Steve Born, Globus