



News from

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Attorney General

Richard Blumenthal

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ATTORNEY GENERAL ANNOUNCES AGREEMENT TO STOP HOTELS FROM ANTICOMPETITIVE EXCHANGES OF PRICE INFORMATION

Attorney General Richard Blumenthal today announced that the La Quinta hotel chain has formally agreed to nationally cease “call-arounds” -- a potentially anticompetitive practice in which competing hotels exchange current room rate and occupancy information that can be used to fix prices.

National hotel chain La Quinta has five hotels in Connecticut and hundreds more across the country operated under the “La Quinta Inn” and “La Quinta Inn & Suites” names.

The five Connecticut hotels are: La Quinta Inn in Windsor Locks, La Quinta Inn & Suites in New Britain, La Quinta Inn & Suites in New Haven, La Quinta Inn & Suites in Stamford and La Quinta Inn & Suites of Stonington.

Blumenthal’s antitrust investigation into the hotel industry has found that the call-around practice is prevalent in the hospitality industry and raises serious antitrust concerns when competitors share current pricing and occupancy information because the information can be manipulated to raise or stabilize rates charged for hotel rooms.

A “Call-around” occurs when one hotel employee contacts competing hotels and exchanges with them information concerning their respective current room rates and occupancy rates. Such call-arounds or information exchanges generally happen multiple times daily by phone or internet.

The investigation, which remains ongoing, has revealed that certain competitors of La Quinta have used call-around information to raise their prices on a regular basis, violating the Connecticut Antitrust Act.

“This agreement must be a wake-up call to the entire hotel industry -- signaling that call-arounds to set room prices are illegal and must be stopped,” Blumenthal said. “I commend La Quinta for leading the hospitality industry and voluntarily stopping this potentially problematic practice.

“My ongoing investigation has already found that several hotel chains communicate and collaborate -- sometimes several times daily -- to exchange rate and occupancy information. Certain of those hotel chains and their management companies have used this information to fix prices, causing harm to consumers.

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“Such call-arounds interfere with the competitive market -- potentially fixing prices and increasing costs for consumers. My office is investigating several national hotel chains that engaged in this practice. While my investigation continues, we expect that additional hotel companies will follow La Quinta’s lead and cease anticompetitive call-arounds. We will take legal action as well, if necessary.”

Today’s agreement with LQ Management, LLC and La Quinta Franchising, LLC prohibits the hotel chain from engaging in call-arounds throughout the United States. The La Quinta companies will cooperate with Blumenthal’s ongoing antitrust investigation.

The call-around practice is typically conducted as follows:

- **Hotels have a “call-around list” of hotels within a close proximity geographically that directly compete for hotel guests;**
- **The competing hotels engage in regular communications, typically by telephone with the hotels on their lists, two or three times daily to exchange each hotel’s non-public current occupancy rate, and the standard rate currently being charged for rooms to be occupied that same day; and**
- **The hotels contemporaneously record the information provided by other hotels.**

La Quinta’s agreement to end call-arounds covers all La Quinta hotels nationally. The prohibition does not prevent hotels from reviewing commercially available reports and information, communicating with any other hotel or motel on behalf of a specific guest seeking to relocate, or communicating with any other hotel/motel to accommodate guests in the event of a state of emergency, disaster or similar situation.

The agreement should lead to more competition in the hotel industry in Connecticut and nationally, to the benefit of consumers.

Blumenthal thanked members of his office who worked on the investigation -- Assistant Attorneys General Christopher Haddad, Rachel Davis and Antonia Conti, and Paralegal Holly MacDonald, under the direction of Assistant Attorney General Michael Cole, Chief of the Attorney General’s Antitrust Department.

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