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Industry Tips

New rules for event contracts

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Special

Planning a meeting today requires today's meeting planners to be seasoned professionals in the areas of contract negotiation.

Since the terrorist attacks of Sept. 11, 2001, there has been a paradigm shift in the way that the "meeting planner" must look at his or her contracts.

Items that once were not important now have become imperative in the negotiation process to protect the company, the association or organization from potential financial ruin.

The convention and meeting industry has been affected by some unexpected events in recent years such as SARS, terrorism and strikes that have made it necessary to adjust the language in our contracts. So, be wary if a hotel contract does not have a cancellation clause.

If there is no clause, then the organization is responsible for 100 percent of the projected revenue for the entire event.

Below are some items to keep in mind when reviewing your contracts:

Determining penalties

In a cancellation clause, the hotel is entitled to receive no more than the lost profit it would have earned had the scheduled group held its meeting.

Therefore, understanding the total revenue and anticipated profit of your business is important.

If the hotel is offering a contract with a liquidated-damages cancellation clause, this amount should not exceed the anticipated profit of the business.

Make sure you understand how the hotel derived at the cancellation fee. If the hotel is requiring your group to waive its right to mitigate cancellation damages, your group should negotiate a reasonable discount from the anticipated profit.

Force majeure and more

Reasons for cancellation other than acts of God, governmental authority, strike (the impossibility for hotel to perform duties of contract) and war within U.S. borders must be clearly outlined in the hotel contract agreement.

For example, if you have contracted a high-profile speaker for your event, you incorporate a clause that should X speaker cancel it would have adverse effect on attendance and the ability for the group to perform its contracted obligation. Your contract should clearly stipulate that the group then has the right to cancel the event without damage to the hotel.

You should consider additional unexpected circumstances that could adversely affect your event. For instance, if the federal Homeland Security agency raised its Threat Level status to "Red" within 60 days prior to your event, it could prevent your group from traveling to the event because of transportation or regional restrictions.

Therefore, having language clearly outlining the group's ability to cancel because of such unexpected events would be strongly recommended.

With the recent contract labor disputes, strikes and lockouts in Los Angeles, Washington, D.C., Detroit, San Francisco and Atlantic City, N.J., the "meeting planner" needs to protect his or her organization from the effects that similar actions have on meetings.

Labor disputes are one of the key issues facing our industry today and for the foreseeable future.

Legalities

During a recent conversation with a client, I was told that a sister organization recently was assessed a \$300,000 penalty after it decided to move its meeting's location because of a labor strike.

Since there was no language in the contract to address this issue, the organization now is trying to mitigate the situation and the final outcome still is pending.

It is impossible to know when and where a strike or lockout might occur. In order to be protected, the meeting planner must include verbiage in the contract that allows flexibility should a labor issue occur.

The hotel or venue contract should provide specific solutions and options. If a strike does occur, the hotel will allow you to cancel or relocate the meeting without any penalties.

Also be sure that the contract stipulates that the hotel notify you in writing if there is any labor or union issue, even if it does not coincide with your event's exact dates, and request to be notified of any labor alerts.

Consider insurance

Meeting planners also can purchase cancellation insurance, a policy that protects against the unforeseen event such as hurricane, fire and strike.

Such a policy typically will allow the planner to keep that meeting's profit and receive a refund for part or all of the exhibitors fees.

These policies tend to be expensive, but if the meeting is a main source of revenue for the organization insurance can be critical. For more information on this type of coverage, visit Meeting Professional International's Web site at www.mpiweb.org.

The day of the meeting planner novice is gone. Today, he or she truly needs to be savvy and smart when

booking a conference.

If you find yourself planning a meeting and it is not your area of expertise, I highly recommend that you contact an organization that specializes in meeting planning and contract negotiation.

Remember, if it is not in the contract then it's called begging.

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