


38th RCMA World Conference and Exposition

Coping with Contracts in Difficult Times

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Introduction

- Current Negotiating Climate
- Anticipate the “What Ifs” During Contract Negotiation
- Work Hard to Make the Contract Support Your Position



Introduction

- Troubleshoot...Troubleshoot... Troubleshoot
 - start from the simplest and most *probable* possible problems first
 - “When you see hoof prints, look for horses, not zebras”
- It’s Always Easier (and Cheaper) to Keep You Out of Trouble than to Get You Out of –Trouble



Negotiation Tips

- For contracts not yet signed...
 - Be prepared to sell your business
 - Be flexible
 - Be credible
 - If you don't ask, you don't get



Negotiation Tips

- For contracts already signed...
 - Share "bad news" right away
 - Formulate a strategy to tackle challenges
 - Ensure all commitments are in writing
 - Troubleshoot potential problems
 - Gather as much information as possible



Key Clauses to Focus on....

Room Block

- Book Ultra-Conservatively
- Negotiate the right to increase the room block – space available basis at the group rate



Key Clauses to Focus on....

Room Rates

- Confirmed rate or current year rate with percentage cap
- Rate protection provision



Lowest Rate Period	Lowest Rate (excl. Corp/airline)	Lowest Group Rate	Lowest Group Rate Same Size, Same Patterns	Hotel not offer lower rates on its web site, toll-free	No rate protection
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Key Clauses to Focus on....

Room Block Attrition

- Right to reduce block before meeting?
- Build a Formula:

Minimum Number of Rooms Group Must Utilize
 -Actual Number of Rooms Group Utilized (Regardless of rate paid or method of reservation)
 Shortfall of Rooms
 $\times \$ \frac{\text{Rate} - \text{Full rate or Lost Profit}}{\text{Rate} - \text{Full rate or Lost Profit}}$
 Preliminary Attrition Fee
 -Rooms Resold by hotel
 -Rooms out of order at hotel
 Net Attrition Fee



- Info and Documentation Upon Billing
- The "No Attrition" Fee Provision

Food and Beverage Attrition

- Negotiate minimum food and beverage revenue
- State whether amount is inclusive or exclusive of tax and service charges
- Focus on lost profit
- Don't forget about sponsors, affiliates and other ICW (in conjunction with) revenue




Cancellation Fee

Negotiate Sliding Scale Fee Schedule:


Date Notice is Received by Hotel	Cancellation Fee
Contract Signing – DATE	\$ _____
DATE – DATE	\$ _____
DATE – DATE	\$ _____
On or after DATE	\$ _____

- When Paid?
- Credit for Resold Rooms
- Right to Rebook
- Mutual Cancellation Fees



Rights of Cancellation without Liability

- Force Majeure – Acts of God
 - What is on the grocery list?
 - What about attrition fees, lower rates if group performs?
 - What if group performs anyway?

Residents evacuated from the San Diego wildfires watch news coverage on screens at the evacuation center at Qualcomm Stadium in San Diego

Rights of Cancellation without Liability

- Change in Management Companies
- Construction/Renovations
- Strikes involving Hotel Labor
- Financial Difficulties at Hotel
- Deterioration in Quality
- Dependence on Other Facilities



Airport Workers United

Aim High!

What Else
Is On Your Mind?
