

**2006 WORLD EDUCATION CONGRESS** 9-11 JULY • DALLAS, TX  MEETING PROFESSIONALS INTERNATIONAL

## Contract Tips & Trends Part II

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**Learning Objectives:**

- Evaluate advanced hotel contract clauses – strikes, surcharges, overbooking, environmental preferences, audit, construction, etc.
- Identify ways to address contract issues unique to your Group or organization.
- More effectively negotiate contracts with hotels, vendors, and other entities.

### Hotel Contract Topics

- Audit
- Overbooking
- Construction
- Competing/incompatible groups
- Surcharges
- Strikes
- Other topics?

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### Clauses for Vendor and Other Contracts

- Indemnification
- Insurance
- Permits & Licenses

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### Audit Clause

Hotel agrees to compare Group's registration list with the Hotel's in-house guest list to identify all individuals holding reservations who are attending the conference. Hotel agrees to credit all Group attendees who can be identified as such for pick-up purposes regardless of rate or reservations method. Hotel will not charge a fee or surcharge for performing this service.

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### Audit Clause Additional Language

- Alternatively, Hotel will provide its in-house guest list for Group to compare with its registration list.
- Should Hotel refuse to perform this service or insist on charging a fee or surcharge for performing the audit, all attrition and other performance-based damages will be waived.
- If any conference attendees are found to be paying a higher rate, the rate will revert to the Group's rate for this conference.

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### Overbooking

#### Hotel inventory yield management

- Hotels routinely sell more rooms than they have in inventory
- Concessions to guest
- Reverse attrition fee
- Audit clause (revisited)

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### Overbooking

Hotel will not overbook sleeping rooms during the meeting dates set forth in this contract. In the event Hotel deems it necessary to send an attendee to another hotel due to overbooking or a decrease in inventory, Hotel will consult with Group's on-site contact prior to walking any Group attendee to another hotel. Further, Hotel agrees that it will provide for each "walked" attendee:

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### Overbooking (cont.)

- A comparable or better room within a five-mile radius of the Hotel at no cost to the attendee or to Group;
- Bring the attendee, at the attendee's discretion, back to the Hotel at the earliest possible date;
- Advance cash cab fare to the attendee sufficient to cover one round trip fare to and from the hotel where the attendee will be staying for each day of the meeting that the attendee involuntarily resides at an alternate hotel; and
- Reimburse two long distance telephone calls of no more than five minutes duration for each relocated attendee;
- Keep the walked attendees name on a list for referral of phone calls to the guest's new hotel.

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### Overbooking (cont.)

In the event that Hotel overbooks and any Group attendees are walked to another hotel, Hotel will credit the number of overbooked rooms to Group's pick up for purposes of calculating attrition.

OR

In the event that Hotel overbooks and any Group attendees are walked to another hotel, Hotel will pay Group \$\_\_\_\_\_ per walked Group room.

OR

In the event that Hotel overbooks and any Group attendees are walked to another hotel, Group will not be responsible for any attrition damages.

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### Construction or Remodeling

- New hotels being constructed
  - Target completion date
  - Use *force majeure* clause
- Hotel renovation
  - Inform if scheduled over meeting dates
  - Right to terminate if disruptive
- Emergency repairs

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### Competing/Incompatible Groups

- Ask what other groups are in-house over meeting dates
- Specify specific groups or types of groups that would be a potential conflict
- Require that the hotel inform you of other groups booking during same time

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### Energy Surcharges

- (2001) Class action lawsuits against Hilton, Hyatt, Marriott, and Starwood
  - Breach of contract
  - Unfair and deceptive trade practices
- Wyndham, Hilton, Hyatt, Marriott, and Starwood settled class-action lawsuits
- Surcharges provided \$1.4 billion in extra revenue to hotels in 2005.

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### More Surcharges

- Master folio billing fees (\$50-\$1,000+)
- In-room safe surcharges
- “Forkage” as well as “corkage”
- \$200 “de-smoking” fee for guest room
- \$75.00 surcharge for “electrical permit” if power is required (including a standard 110V outlet)
- \$2.00 charge for calling Guest Services to connect you to “Internet Support Desk” for Internet connection problems in guest rooms

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### Contracting Around Surcharges

- Surcharges should be specified in contract or approved in writing by Group or individual attendee (whoever is paying).
  - Surcharges on what
  - Paid by whom
  - How much (with increase clause)
- Add language – “not applicable to Group or its attendees unless enumerated in the contract, approved in writing by Group (or attendee), or required by law.”

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### Facility Strikes

- Know if facility is union
- If so, find out when the contract is up for renewal
- Alternatives
  - Terminate without liability
    - Be sure to specify a date by which Group can terminate upon threat of strike
  - Waiver of attrition

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### Strike (Force Majeure) Language

The Hotel will notify the Group of any actual or threatened labor slowdown, strike, boycott, or other labor action or dispute that occurs between the signing of the contract and Group’s meeting dates. If Group in its sole discretion believes that the labor action or dispute may disrupt its meeting or discourage attendees from participating, Group may terminate the contract without liability up to six (6) months prior to meeting dates to allow Group adequate time to reschedule meeting at another property.

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### Clauses for Vendor and Other Contracts

- Indemnification
- Insurance
- Permits and Licenses

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### Indemnification

- Possibly the most important clause in the contract
- “If you get in trouble because of something I did (or was responsible for), I’ll bail you out.”
- Should be in all contracts, great or small
- Also, “Hold Harmless”

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### Insurance

- Specify types
- Specify limits
- Ask for copy of certificate, but specify that failure to receive doesn’t waive insurance requirement
- “Additional insured”

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### Permits and Licenses

- Specify types
- Ask for copy of permit or license, but specify that failure to receive doesn’t waive requirement
- Horror stories
  - Unlicensed rafting guide
  - Failure to secure ABC permit
  - Don’t be my next horror story!

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