

# When you lose th

Should you feel trapped when you book a venue because of imposed in-house labour? Major organisers think not.

If you hire a car, you don't expect to have to pay for a chauffeur as well. But the practice by some venues of 'tying' clients to contracted, in-house labour is a real threat to liberty and profitability. **Rob Spalding** investigates



# e right to choose

It's going to cost a lot more to run an event at the San Jose Convention Center from now on. In an 'abrupt announcement', the SJCC says it will bring labour in-house as an exclusive building service.

It means that users of the centre could face an increase in base labour costs of 40 to 50 percent, plus additional outlay, reduced flexibility and new injury liability issues.

So is this just a North American thing or is labour enforcement present in other countries?

"The reality in the marketplace across the world is a very complex picture, both legally and in terms of venue and client objectives and experiences," contributes Martin Sirk, CEO of ICCA, the International Congress & Convention Association, which counts venues and suppliers among its members. "The US probably has to deal with the most legally challenging situation, in view of contractual venue relationships with large labour unions.

"In other parts of the world, some major venues have decided to set up tied or 'approved' supplier services as part of their quality control objectives: where they have had negative experiences with some local third-party suppliers. In my experience, if a client wishes to use a third-party supplier which isn't on an 'approved list' but can demonstrate that quality standards will be maintained, in most cases the venue will allow that supplier in.

"Occasionally, in all parts of the world some venues will attempt to use tied service suppliers as a strategy to increase their revenue, usually by requiring the tied suppliers to pay a fee for this status. Of course, if this leads to higher prices for clients, or irritates major clients who want to bring in their technical or production partners but are told they can't, then the business walks out the door and the venue learns very quickly that this isn't a way to build long term higher revenues."

So what do the clients think? Here's Luc Hendrickx, Director, Congresses & Governance for the International Diabetes Federation: "This (the San Jose Syndrome) looks like another example of how suppliers to the meetings industry in a litigation trigger-happy environment are trying to run their business. Apart from essential supplies such as electricity and other services like senior security staff and facilities that require an intimate knowledge of the premises, I

need to be convinced that any other services should be tied. Often though, a reasonably convincing case can be made for hiring the services of the congress centre's 'preferred' suppliers, for a variety of reasons.

"Organisers should not be too rigid in their demands. On the other hand, if the term 'exclusive' is thrown at me, it tends to make my hair stand on end and puts me into defensive mode. If the venue really wants me to use their preferred supplier for operational,

**"If tied service irritates major clients and the business walks out the door, the venue learns very quickly that this isn't a way to build long term higher revenues"**

— Martin Sirk



commercial or other reasons, they should simply provide convincing arguments. But the ultimate decision should be mine."

The leading international 'exclusively venues' organisation in the world is the international convention centres association, or AIPC.

Its current president, Edgar Hirt, of Hamburg, offers this peacemaker:

"One of the most defining characteristics of convention centres as a group is that they operate in very different circumstances and jurisdictions and must respond not only to

the demands of the market but their own immediate legal and operational requirements as well. For that reason, AIPC does not, and will not, presume to impose any operating restrictions on members that would compromise their business decision process.

"The tied supplier issue is a good example of such a situation. Centres must take into account many different factors in making decisions in this area, including the availability and reliability of suppliers, health and safety concerns, quality control management and any local regulations that may be applicable.

"Our advice to members is always to engage to the fullest extent in client discussions while exploring their options."

That's the venues' take on the issue, but:

"There is no doubt that tied venues present difficulties for the PCO and for the client," avows the president of the International Association of Professional Congress Organizers (IAPCO), Patrizia Semprebene Buongiorno. "On the surface it appears to be an easy solution, and one can see the advantages for the venue but, in truth, restricting choice is imposing unfair trading practices on the purchaser. It restricts the ability to negotiate the best terms, to select the supplier most suited to the needs of the particular client, and in fact takes away the democratic 'right to choose'.

"In particular, the in-house or tied IT/audio-visual contractor is of great concern. Corporate clients and core PCOs frequently 'travel' with their own contractor, who has in-depth knowledge of the complexities of the particular client and event, and is one in whom the client and PCO will have the greatest confidence. Any error can make or break an event and the PCO has to be entirely confident that such an error will not be made.

"IAPCO therefore, prefers to encourage venues to take a flexible approach."

One powerful international venue management group claims it is OK for venues to in-source some services. Geoff Donaghy, Group Director, Convention and Exhibition Centres, for AEG Ogden, admits: "We do have certain tied services like catering in all venues and AV in the larger ones, but these are delivered and operated by ourselves and are pretty much in line with industry practice.

"But we don't have anything remotely resembling the tied union arrangements that many USA venues have, not just San Jose."

Issue closed? We don't think so. **ami**