**Guideline for Meeting Planners During These Economic Times**
*By James M. Goldberg*

The hotel industry is currently in the midst of one of its longest and deepest downturns in history, with the industry as a whole not predicted to have a positive growth (as measured by RevPAR, Revenue Per Available Room) until at least the fourth quarter of 2010, if not later.

One industry consulting organization has estimated that a majority of the full-service hotels that were financed in the last three years are currently in default of their loan covenants and a large number will soon fall into actual monetary default (i.e., unable to meet financing payments).

This dire financial prediction could have impact on meeting planners as hotel owners, striving to conserve cash, become more reluctant to waive attrition and cancellation penalties. Planned hotel improvements, and perhaps some necessary repairs and maintenance, will be delayed or cancelled altogether.

Already, planners who have not faced an attrition situation in many years are facing penalties that were unexpected when they signed contracts. In at least one instance, a meeting was cancelled due to travel restrictions placed on attendees by their employers and the resulting inability to pay more than $600,000 in cancellation fees pushed the sponsoring association into bankruptcy.

So, what's a planner to do?

The first step is to carefully review all existing contracts for meetings to be held later through the end of 2010 to see whether contracted room blocks are still realistic in today's environment. If the blocks are not realistic, efforts should be made to negotiate amendments to the agreement to reduce the size of the block.

However, planners must realize that they should be prepared to offer a *quid pro quo* in return for a hotel's agreement to reduce an already-contracted room block. The most obvious option for the planner, if it's possible, is to offer a future piece of business in return for reducing the room block. If that's agreeable to the hotel, a a carefully-drafted contract addendum should be prepared, stating the consideration (that's a legal term, and a requirement for a valid contract) provided for the reduced room block.

Even if the hotel is reluctant to agree to reducing a room block for attrition purposes, it may still be wise for the planner to reduce the room block even if attrition is based on the contracted block. That's because some states impose sales tax on the "right to occupy" a hotel room, even if the room is not utilized, and thus reducing a room block reduces the number of rooms which the group has a right to occupy and could reduce applicable sales tax.

If a planner is faced with an attrition situation, he or she should communicate early with the hotel advising them of the situation and urging them to try and resell the unneeded rooms. It may be possible to reduce attrition penalties by reducing the amount of meeting space needed or by increasing the amount of food and beverage spending, if either is feasible.

Before paying any attrition fee, a planner should obtain occupancy figures from the hotel, ideally a grid showing on a nightly basis, the number of rooms in the hotel, the number not available for public sale (e.g., because they were undergoing renovation or belonged to another group's block), the total hotel occupancy and the total occupancy of the group's attendees (counting those who may have booked outside the block at rates other than the specified group rate).

And, if the hotel seeks to impose state sales tax, a planner should ask for proof (in the form of a ruling or other formal document) from the state's revenue department that the tax is, in fact, owed.

-0-

James M. Goldberg is a principal in the Washington, DC law firm of Goldberg & Associates, PLLC. His practice focuses on the representation of trade associations, professional societies, corporate meetings departments and independent meeting and event planners. He serves on the Board of the Academy of Hospitality Industry Attorneys. He can be reached at 202-628-2929 or jimcounsel@aol.com