

Draft Determination

Application for authorisation lodged by
Business Events Sydney Limited in respect of member hotels agreeing to minimum hotel accommodation terms for international business events
Authorisation number: AA1000446

Date 28 August 2019

Commissioners: Keogh

Court

Ridgeway

Summary

The ACCC proposes to grant authorisation for 20 years to enable hotels that are members of Business Events Sydney Limited to provide a common set of minimum terms to event organisers and delegates of international business events, where the events have more than 2000 delegates and are expected to result in bookings of ten or more of the members' hotels for accommodation.

The minimum terms comprise room release and cancellation policies, free room concessions, force majeure policies, lowest rate guarantees, and quote validity policies. For all other events, the member hotels will continue to decide on their booking and cancellation policies on an individual basis.

The agreement does not restrict or remove the ability for member hotels to compete against other hotels on price, service standards and facilities in the supply of hotel services for international business events or the supply of hotel services more broadly. The ACCC is satisfied that there are likely to be public benefits in the form of transaction costs savings and there is likely to be limited detriment.

The ACCC invites submissions in relation to this draft determination before it makes a final decision.

1. The application for authorisation

- 1.1. On 1 July 2019 Business Events Sydney Limited (the **Applicant**) lodged application for authorisation AA1000446 with the Australian Competition and Consumer Commission (the **ACCC**). The Applicant is seeking authorisation on behalf of itself and signatory member hotels to offer and give effect to a set of common agreed minimum terms to event organisers and delegates of international events, where the events have more than 2000 delegates and are expected to result in bookings of ten of more of the members' hotels for accommodation. This application for authorisation AA1000446 was made under subsection 88(1) of the *Competition and Consumer Act 2010* (Cth) (the **Act**).
- 1.2. The Applicant is seeking authorisation for 20 years and on behalf of current and future member hotels.²
- 1.3. Authorisation provides businesses with legal protection for arrangements that may otherwise risk breaching the law but are not harmful to competition and/or are likely to result in overall public benefits. In this instance, the Applicant seeks authorisation for the conduct because it may involve the making or giving effect to a cartel provision, or a provision that has the purpose or effect of substantially lessening competition within the meaning of section 45.³
- 1.4. A copy of the application is available on the ACCC Public Register.

The Applicant

1.5. Business Events Sydney Limited is a specialist bidding services organisation, and partners with public and private stakeholders to secure international business events for Sydney and New South Wales. It is an independent not-for-profit company that is

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 6-7.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 1 & 10.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 8.

- funded by the New South Wales government and the private sector, including hotels, venues, attractions, event suppliers, and event organisers.⁴
- 1.6. International business events include professional conferences, trade shows and exhibitions. Events which the Applicant has previously successfully bid for include the International Bar Association 2017, SWIFT International banking Operations Seminar 2018, World Congress of Accountants, RoboCup 2019, FIGO World Congress of Gynaecology and Obstetrics 2021, and SAP's Field Kick-Off Meeting in 2018 and 2019.⁵
- 1.7. The Applicant finds opportunities to host international business events in a number of ways, including by:
 - a) identifying an opportunity to host an event and making contact with the relevant event organiser
 - b) responding to the international association requesting proposals to host the event, usually through the association's Australian headquarters, or
 - c) responding to an intermediary requesting proposals to host the event on behalf of the event organiser through a request for proposals digital platform.⁶

The Proposed Conduct

- 1.8. The Applicant is seeking authorisation on behalf of itself and signatory member hotels to offer and give effect to a set of common agreed minimum terms to event organisers and delegates of international events, where the events have more than 2000 delegates and are expected to result in bookings of ten or more of the members' hotels for accommodation.⁷
- 1.9. The common minimum terms are in relation to:
 - a) cancellation policies for room blocks cancelled within specified periods before the arrival date
 - b) cancellation policies for confirmed room bookings
 - c) concessions for event organisers who book a certain number of rooms
 - d) minimum check in and check out times
 - e) liability where contracts are cancelled due to unforeseeable circumstances beyond the parties' control⁸
 - f) lowest advertised rate guarantees, and
 - g) holding room block quotations.9

(the Proposed Conduct).

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 2.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 2.

⁶ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 2.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 6-7.

⁸ Also known as a force majeure clause.

This is where a hotel will hold a quote issued to a prospective guest for a specified period of time.

- 1.10. The common terms are reflected in a Hotel Agreement which will be provided to relevant event organisers and delegates. The Applicant advises that the common terms were the result of extensive consultation with member hotels, and that they are effectively an amalgam of terms that the four and five star member hotels currently use in their individual agreements.¹⁰
 - 1.11. There are currently 20 hotels which would participate in the Proposed Conduct,¹¹ all of which are four to five star hotels located in the Sydney CBD and surrounding suburbs.¹²

Rationale for the Proposed Conduct

- 1.12. The Applicant submits that there is increased competition to host international business events, with Australia's share declining as a result of growing competition from the Asia Pacific and Middle East.¹³ The number of cities in the Asia Pacific and Middle East who compete to host business events increased by 40 per cent between 2011 and 2016.¹⁴
- 1.13. The Applicant further submits that one of the key challenges Sydney faces when seeking to host large events is that its hotels are relatively small, meaning that organisers of large events need to negotiate individually with 10 to 20 plus hotels, each of which will have different terms.¹⁵
- 1.14. The Applicant submits that the Proposed Conduct is intended to:
 - a) make Sydney a more competitive destination for international business events by simplifying the negotiation process and positioning Sydney as a city that is easy to do business with, and¹⁶
 - generate the economic and social benefits to the hospitality industry and the Australian economy that result from Sydney hosting international business events.¹⁷

2. Process for securing international business events

2.1. The process for securing international business events has two stages: bidding and tendering.

Bidding

2.2. Once a request for bids to host an event has been issued, the Applicant will submit a proposal for Sydney, which outlines local industry strengths, infrastructure, pricing, and

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 7.

Members to the agreement are contained in Annexure A to the application for authorisation and include Amora Hotel Jamison, Astral Tower & Residences, Holiday Inn Darling Harbour, Hyatt Regency Sydney, InterContinental Sydney, Mercure Sydney, Metro Aspire Hotel Sydney, Novotel Sydney Central, Novotel Sydney Darling Harbour, Novotel Sydney Darling Square, Parkroyal Darling Harbour, Sydney, Primus Hotel Sydney, Pullman Sydney Hyde Park, Radisson Hotel & Suites Sydney, Shangri-La Hotel Sydney, Sheraton Grand Sydney Hyde Park, Sofitel Sydney Darling Harbour, Sofitel Sydney Wentworth, Sydney Harbour Marriott, Swissotel Sydney, The Grace Hotel, and The Westin Sydney.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 13.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, Annexure D, p. ii.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, Annexure M.

¹⁵ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 1-2.

Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 2-3.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 9.

details of member hotel accommodation including locations and capacity. If requested, the Applicant will also provide indicative rates for hotel accommodation, which will be obtained directly from hotels. At the bidding stage, event organisers may start to liaise directly with hotels to assess contract conditions and pricing, without any involvement from the Applicant.¹⁸

Tendering

- 2.3. Once Sydney is selected as the host city for the event, a tendering process for the supply of the relevant services will occur. Member hotels and other accommodation providers will tender directly with the event organiser, or intermediary, to supply accommodation for the event.¹⁹
- 2.4. For association conferences or events, the accommodation contract terms are negotiated individually with the event organiser or their intermediary. The event organiser or intermediary will seek to negotiate a large volume of rooms at a particular rate (known as a "block") from the hotels. Individual delegates will then book and pay for their hotel room directly with the hotel, or through the event organiser or intermediary.²⁰
- 2.5. For corporate events, the contract terms for the accommodation will also be negotiated by the event organiser or intermediary. However, the booking is generally made and paid for by the event organiser or intermediary, rather than the delegates themselves.²¹

Bidding and tendering under the Proposed Conduct

2.6. The current bidding and tendering process would remain the same under the Proposed Conduct. However, at the bidding stage the Applicant would offer the common terms in the Hotel Agreement (or better terms) as part of the accommodation component of the Applicant's initial bid proposal. It would be at the discretion of event organisers if they wish to accept the terms, and the event organisers will still select their own accommodation and negotiate individually with accommodation providers on price, service standards, and facilities.²²

3. Consultation

- 3.1. A public consultation process informs the ACCC's assessment of the likely public benefits and detriments from the Proposed Conduct.
- 3.2. The ACCC invited submissions from a range of potentially interested parties including current and potential future members of the Applicant, relevant industry associations, and state government agencies.²³
- 3.3. The ACCC received two submissions in support of the application from the Society for Worldwide Interbank Financial Telecommunication and the Swift International Banking Operations Seminar (**SWIFT & Sibos**), and Think Business Events.
- 3.4. Copies of public submissions are available from the ACCC's public register.

¹⁸ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 2.

¹⁹ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 2.

²⁰ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 2.

²¹ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 2.

Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 3.

²³ A list of the public submissions received is available from the <u>ACCC's public register</u>

3.5. The views of the Applicant and interested parties are outlined in further detail where relevant in this draft determination.

4. ACCC assessment

- 4.1. The ACCC's assessment of the Proposed Conduct is carried out in accordance with the relevant authorisation test contained in the Act.
- 4.2. The Applicant has sought authorisation for Proposed Conduct that would or might constitute a cartel provision within the meaning of Division 1 of Part IV of the Act and may substantially lessen competition within the meaning of section 45 of the Act. Consistent with subsection 90(7) and 90(8) of the Act, the ACCC must not grant authorisation unless it is satisfied, in all the circumstances, that the conduct would result or be likely to result in a benefit to the public, and the benefit would outweigh the detriment to the public that would be likely to result (authorisation test).
- 4.3. When securing international business events, the Applicant competes with both other Australian cities and internationally. The Australian headquarters of the association hosting the event will first request bids from Australian cities, and then select a single preferred Australian city based on the bid proposals, and partner with the selected city to bid against other cities internationally to host the event.²⁴
- 4.4. In making its assessment of the Proposed Conduct, the ACCC considers that:
 - The relevant areas of competition are likely to be the provision of hotel services in the Sydney CBD and the Greater Sydney area, and the provision of hotel services for attendees of large international business events in the Sydney CBD and Greater Sydney Area.²⁵
 - Absent the Proposed Conduct, Business Events Sydney would continue to bid for events, but would not offer the common minimum terms to event organisers at the bidding stage on behalf of its member hotels. Member hotels will likely continue to individually set and offer the terms that are the subject of the Proposed Conduct at the tendering stage.

Public benefits

4.5. The Act does not define what constitutes a public benefit. The ACCC adopts a broad approach. This is consistent with the Australian Competition Tribunal (the **Tribunal**) which has stated that the term should be given its widest possible meaning, and includes:

...anything of value to the community generally, any contribution to the aims pursued by society including as one of its principal elements ... the achievement of the economic goals of efficiency and progress. ²⁶

4.6. Broadly, the Applicant submits that the Proposed Conduct would increase Sydney's competitiveness as an international business event destination by reducing transaction costs for member hotels and event organisers, and generate economic and social benefits for the Australian economy.

²⁴ Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 5.

Sydney City includes Sydney CBD, Darlinghurst, Chippendale, Potts Points and Rushcutters Bay, and Greater Sydney extends from Wyong in the north to Picton in the South.

Queensland Co-operative Milling Association Ltd (1976) ATPR 40-012 at 17,242; cited with approval in Re 7-Eleven Stores (1994) ATPR 41-357 at 42,677.

4.7. The ACCC's assessment of the likely public benefits follows.

The common terms result in transaction cost savings

- 4.8. The ACCC considers that the Proposed Conduct is likely to generate efficiencies by reducing transaction costs for event organisers and the Applicant, compared to a scenario where member hotels offer and negotiate the terms with event organisers individually at the tendering stage.
- 4.9. The Applicant submits that when organising business events, event organisers incur search and administration costs, such as the time taken to identify and assess suitable accommodation options. The Applicant also submits that event organisers incur negotiation costs, including the time taken to negotiate the agreement and obtain relevant legal and managerial approval. The Applicant advises that the common terms deal with factors that are important to event organisers and intermediaries, such as release terms.²⁷
- 4.10. We received submissions from two interested parties supporting the application. SWIFT and Sibos noted that for a recent event in Sydney, it required over 25 hotels, for which it had to negotiate individual agreements with each hotel. A common set of terms across all hotels would save SWIFT and Sibos significant time in individual hotel negotiations and subsequent legal costs ²⁸ Think Business Events noted difficulties with changing rates prior to booking dates, and the risk of breaching cancellation terms where multiple contracts are being managed.²⁹ The ACCC notes that event organisers will still be required to negotiate agreements with hotels individually, however the Proposed Conduct will reduce the amount of terms that need to be negotiated.
- 4.11. The ACCC accepts that event organisers and hotels incur search, administrative and negotiation costs when booking accommodation for international business events, and that the Proposed Conduct is likely to reduce these costs, which is a public benefit.

Increasing Sydney's competitiveness as a location for international business events

Increasing Sydney's competitiveness

- 4.12. The Applicant submits that the transaction cost savings associated with the consistent offerings will increase Sydney's competitiveness as a location for international business events, and lead to economic and social benefits from increased tourism.³⁰
- 4.13. Both interested party submissions support this, and consider that the Proposed Conduct will enable Sydney to compete more effectively for international business events. Think Business Events submits that the Proposed Conduct, 'would be an additional incentive for organisations to choose Sydney as an international destination for events.'31 SWIFT & Sibos submit that a city which is able to provide the terms, 'will have a clear competitive advantage over cities where this [the Proposed Conduct] is not available.'32

²⁷ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 3.

²⁸ Submission from SWIFT & Sibos, 12 July 2019, p.1.

²⁹ Submission from Think Business Events, 19 July 2019, p.1.

³⁰ Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 9.

³¹ Submission from Think Business Events, 19 July 2019, p.1.

³² Submission from SWIFT & Sibos, 12 July 2019, p.1.

Tourism benefits

- 4.14. The Applicant submits that there will be a range of economic and social benefits to the Australian economy which would result from Sydney hosting more international business events. These include the economic value of visitor spending, supporting Australia's hospitality industry, and the diversification of Australia's tourism industry. The Applicant cites Deloitte Access Economics and Ernst and Young reports on the value of international business events, which note that expenditure by international business events delegates generated an estimated AUD\$2.2 billion dollars in GDP and 22 500 jobs in 2012, and AUD\$28 billion in direct expenditure and 179 357 direct jobs in 2014.
- 4.15. The ACCC notes that the common terms would be one of a number of factors that event organisers would consider when selecting a location for a large international business event. Other factors include the quality of the bid team, geographic preference, the strength of the financial package, and the suitability of event infrastructure and services.³⁵
- 4.16. The ACCC further notes there may be a range of factors that influence tourism demand and expenditure, such as the relative cost of other destinations, the total cost of visiting Sydney, and the perceived quality of Sydney as a destination.³⁶
- 4.17. The ACCC therefore considers that, to the extent that the common terms are a key reason for event organisers selecting Sydney over cities which do not provide similar terms, and this results in tourism expenditure, this would be a public benefit.

Public detriments

4.18. The Act does not define what constitutes a public detriment. The ACCC adopts a broad approach. This is consistent with the Tribunal which has defined it as:

...any impairment to the community generally, any harm or damage to the aims pursued by the society including as one of its principal elements the achievement of the goal of economic efficiency.³⁷

- 4.19. The Applicant submits that no public detriments are likely to result from the Proposed Conduct as:
 - event organisers are not required to use the member hotels
 - non-member hotels may offer similarly attractive terms and conditions to event organisers, and
 - non-member hotels are able to apply to become members of Business Events Sydney and participate in the Proposed Conduct.³⁸

³³ Business Events Sydney Limited's application for authorisation AA1000446, June 2019, Annexure D, p. ii-iii.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, Annexure H, p. 1 & Annexure D, p. i.

³⁵ Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p.6.

See for example A91542 & A91543 Singapore Airlines Limited & Deutsche Lufthanas AG Final Determination, 15 November 2016, p. 7.

³⁷ Re 7-Eleven Stores (1994) ATPR 41-357 at 42,683.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p.15.

4.20. The ACCC has considered the public detriments from a reduction in competition between providers of accommodation for large international business events and for the supply of hotel services more generally in the Sydney CBD and Greater Sydney.

No reduced competition between hotels in Sydney area

4.21. The ACCC considers it is unlikely that the Proposed Conduct will result in a lessening of competition in the supply of hotel services for international business events, or more broadly for the supply of hotel services in the Sydney CBD or Greater Sydney for the following reasons:

Supply of hotel services for international business events

- (a) The Proposed Conduct does not restrict the ability, or remove the incentive, for member hotels to compete on price, service standards and facilities, which the Applicant submits are the key areas of competition in the supply of hotel services.³⁹ As noted at paragraph 2.6, event organisers would still negotiate prices and service levels with hotels individually. Furthermore, the tendering and booking process would remain largely the same as it would without the Proposed Conduct, except that at the bidding stage the Applicant would provide event organisers with a Hotel Agreement containing the common minimum terms, and a list of hotels who provide those terms.⁴⁰
- (b) The Proposed Conduct only applies to large events with more than 2000 delegates that are expected to require bookings with ten or more hotels.⁴¹ The average number of delegates for international business events hosted in the Oceania region in 2016 was 411. A total of 290 events were held in the region in 2016, 61 of them in Sydney.⁴²
- (c) The Applicant has advised that hotels do not generally compete on the minimum terms. Furthermore, member hotels are not restricted from offering or negotiating different terms. For example, member hotels may provide more favourable concessions or release terms.⁴³
- (d) Membership with the Applicant is not restrictive, and any member can elect to take part in the Proposed Conduct, regardless of their star rating and geographic location in Sydney.⁴⁴ Current member hotels represent 39.88 per cent of four to five star hotels in Sydney City, and 33.8 per cent of total rooms in Sydney City.⁴⁵
- (e) The Applicant and member hotels will need to remain competitive in terms of prices and service levels for international business events with other Australian cities and internationally when providing accommodation for international business events. As noted at paragraph 4.3, the Applicant competes against both Australian cities and internationally when seeking to host an event in Sydney.⁴⁶

³⁹ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 3.

⁴⁰ Business Events Sydney Limited's further material for application for authorisation, 15 August 2019, p. 3.

⁴¹ Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 6-7.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, Annexure M, p. 5, 8 & 29.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 7.

⁴⁴ Hotels are able to participate in the Proposed Conduct by becoming a member of Business Events Sydney Limited.

Sydney City includes Sydney CBD, Darlinghurst, Chippendale, Potts Points and Rushcutters Bay. Business Events Sydney Limited's application for authorisation AA1000446, June 2019, Annexure K.

Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p. 5.

Supply of hotel services more broadly

(f) The Proposed Conduct does not restrict the ability or remove the incentive for member hotels to compete with each other and with non-member hotels on price, service and terms with respect to guests that are not part of international business events. The Applicant has advised that large international business events account for only a small proportion of a member hotels' room allocations.

Balance of public benefit and detriment

4.22. Therefore, for the reasons outlined in this draft determination, the ACCC is satisfied that the Proposed Conduct is likely to result in a public benefit and that this public benefit would outweigh any likely detriment to the public from the Proposed Conduct.

Length of authorisation

- 4.23. The Act allows the ACCC to grant authorisation for a limited period of time.⁴⁷ This enables the ACCC to be in a position to be satisfied that the likely public benefits will outweigh the detriment for the period of authorisation. It also enables the ACCC to review the authorisation, and the public benefits and detriments that have resulted, after an appropriate period.
- 4.24. In this instance, the Applicant seeks authorisation for as long as possible, and no less than 20 years.⁴⁸
- 4.25. The Applicant submits that a long time period is needed as the lead time to secure and deliver major international business events can be up to 15 years or more. The Applicant therefore submits that a shorter period may mean some events take place after authorisation has expired, or without knowing if authorisation would be granted for the future period. The Applicant also submits that significant investment is required to secure an international business event, and that these costs would be wasted if the Applicant was not authorised to give effect to the Proposed Conduct in a future period.⁴⁹
- 4.26. The ACCC considers that a 20 year period of authorisation is appropriate in this matter, given the low likelihood of any detriments arising from the Proposed Conduct and the limited scope of the Proposed Conduct.
- 4.27. Therefore, the ACCC proposes to grant authorisation for 20 years.

5. Draft determination

The application

- 5.1. On 1 July 2019 the Applicant lodged application AA1000446 with the ACCC, seeking authorisation under subsection 88(1) of the Act.
- 5.2. The Applicant seeks authorisation for the Proposed Conduct described at paragraphs 1.8 1.9. Subsection 90A(1) of the Act requires that before determining an application for authorisation, the ACCC shall prepare a draft determination.

⁴⁷ Subsection 91(1)

⁴⁸ Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p.10.

⁴⁹ Business Events Sydney Limited's application for authorisation AA1000446, June 2019, p.10 & 11.

The authorisation test

- 5.3. Under subsections 90(7) and 90(8) of the Act, the ACCC must not grant authorisation unless it is satisfied in all the circumstances that the Proposed Conduct is likely to result in a benefit to the public and the benefit would outweigh the detriment to the public that would be likely to result from the Proposed Conduct.
- 5.4. For the reasons outlined in this draft determination, the ACCC is satisfied, in all the circumstances, that the Proposed Conduct would be likely to result in a benefit to the public and the benefit to the public would outweigh the detriment to the public that would result or be likely to result from the Proposed Conduct, including any lessening of competition.
- 5.5. Accordingly, the ACCC proposes to grant authorisation.

Conduct which the ACCC proposes to authorise

- 5.6. The Applicant proposes to grant authorisation AA1000446 to enable the Applicant on behalf of itself and current and future signatory member hotels to offer and give effect to a set of common agreed minimum terms to event organisers and delegates of international events, where the events have more than 2000 delegates and are expected to result in bookings of ten of more of the members' hotels for accommodation. The minimum terms are described at paragraph 1.9 of this draft determination.
- 5.7. The Proposed Conduct may involve a cartel provision within the meaning of Division 1 of Part IV of the Act or may have the purpose or effect of substantially lessening competition within the meaning of section 45 of the Act.
- 5.8. The ACCC proposes to grant authorisation AA1000446 for 20 years.
- 5.9. This draft determination is made on 28 August 2019.

6. Next steps

6.1. The ACCC now invites submissions in response to this draft determination. In addition, consistent with section 90A of the Act, the Applicant or an interested party may request that the ACCC hold a conference to discuss the draft determination.