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Our Ref: IT:RFO:M181219
Your Ref:



15 August 2019

Australian Competition & Consumer Commission
Level 17, 2 Lonsdale Street
Melbourne VIC 3000

By email: louisa.wilson@acc.gov.au

Attention: Louisa Wilson

Dear Colleagues

**AA1000446 | BUSINESS EVENTS SYDNEY LTD
FURTHER MATERIAL FOR APPLICATION**

The purpose of this letter is to provide further information in support of the above application.

Conduct to be authorised

The Applicant seeks authorisation for the conduct identified at 2.3.3 – 2.3.6 of the above application.

The exact terms of the Hotel Agreement set out in Annexure B is an example of the proposed conduct, however the Applicant is not seeking authorisation specifically for those terms.

Change to Hotel Agreement

As at the date of this letter, the Applicant does not plan to make further changes to the Hotel Agreement. The Applicant and the Hotel Members have designed the terms of the Hotel Agreement with a view to those terms remaining fairly consistent over time.

However it is possible that, during the term of authorisation (if granted), the Hotel Members or the Applicant may wish to change some of the specific terms of the Hotel Agreement in response to:

1. excess capacity in the local market;
2. changes in standard terms for hotel accommodation in overseas destinations, such as the United States; or
3. feedback from clients or stakeholders during the operation of the Hotel Agreement.

The Applicant anticipates that any such changes would relate to the operational terms of the Hotel Agreement. For example, the Hotel Members may wish to change the number of free rooms offered, or provide more lenient release terms, in response to the factors identified above.

The Applicant does not anticipate that the underlying rationale for the Hotel Agreement will change. In particular, the Applicant does not anticipate that the Hotel Agreement will ever set the prices

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offered by Hotel Members, or restrict Hotel Members from offering services or terms which are more advantageous to their customers than those set out in the Hotel Agreement.

Current bidding and tendering process

The process of securing an international business event is a two-stage process.

At the bidding stage, the Applicant pursues opportunities for global meetings and incentive events to be held in Sydney. This can occur in a number of ways, including by:

1. the Applicant identifying an opportunity to host an event in Sydney, and making contact with the event organiser;
2. the local association, at the directive of the international association or corporate entity, may issue a request for proposals to be submitted to host the event; or
3. the intermediary issuing a request for proposals on behalf of the event organiser through a request for proposal (RFP) platform such as Cvent or Direct.

The Applicant will submit a proposal for Sydney, which covers a variety of areas such as the local industry strengths, infrastructure, pricing, details of hotel accommodation including locations and capacity. If requested, the Applicant will also provide indicative rates for hotel accommodation on behalf of the Member Hotels by obtaining this information directly from the hotels.

The event organiser will then consider all of the submitted proposals and start to identify their preferred host city or cities.

From this point, the event organiser may start to liaise directly with the event venue, or the available hotels, to assess their contract conditions and pricing. The Applicant does not have any control over the venue or hotel pricing or conditions, and the event organiser will negotiate directly with each venue or hotel on their terms.

Once the host city has been determined, the tendering process begins. Hotel Members and other accommodation providers tender directly with the event organiser or intermediary to supply accommodation for the event.

For association conferences or events (described at Part 2.2.7 of the application), the accommodation contract terms are generally negotiated by the event organiser or their intermediary with each individual hotel. 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 either directly with the hotel, or through the event organiser or intermediary.

For corporate events and Asian Incentive Events (described at 2.2.8(b) of the application), again the contract terms for the accommodation will be negotiated by the event organiser or intermediary to secure the block. The booking for individual delegates is generally made and paid for by the event organiser or intermediary, rather than the delegate themselves.

One of the key challenges that Sydney faces when seeking to host large events is that its hotels are relatively small. Hotels such as the Hyatt Regency Sydney and Sofitel Sydney Darling Harbour have, at maximum, 500 – 900 rooms, and most other hotels have a maximum of 200 – 350 rooms. This means that, in order to find accommodation for all of the delegates of a large event, the event

organiser will need to negotiate individually with 10 – 20+ individual hotels, each of whom will have different terms.

The use of a consistent set of hotel terms, which deal with factors that are important to event organisers and intermediaries such as release terms, is designed to simplify this negotiation process and position Sydney as a city that is easy to do business with.

Anticipated operation of the conduct in practice

If authorisation is granted, the bidding and tendering process will function in essentially the same way as it does now.

However at the bidding stage, the terms of the Hotel Agreement would be offered as part of the accommodation component of the Applicant's initial proposal. The Hotel Agreement would be promoted as a means of simplifying the tendering process and reducing the amount of time needed to negotiate core accommodation terms across each hotel under consideration, as a benefit for the client. The Applicant would put forward all Hotel Members who meet the event organiser's requirements, and would specifically identify those Hotel Members who are party to the Hotel Agreement.

It would then remain for the event organiser or intermediary to negotiate with their preferred accommodation providers on other terms, such as room rates, during the tendering process.

Competition between Hotel Members

From feedback provided by Hotel Members to the Applicant, the Applicant has identified that the Hotel Members compete substantially on the aspects of their offering which are outside the Hotel Agreement. Key differentiators are price, service standards and facilities, none of which are dealt with in the Hotel Agreement.

The Hotel Members would not typically compete on terms such as those provided for in the Hotel Agreement.

Contact

We trust that this further information assists the Commission in assessing the above application.

If you wish to discuss this matter further, please contact our Rebecca Forsyth on 07 3223 6100.

Yours faithfully

Redchip



Rebecca Forsyth
Associate