

# POSITION STATEMENT

## IN-HOUSE EXCLUSIVES/SURCHARGES ON SERVICES

The Exhibition Services & Contractors Association, ESCA, is a professional trade association with over 160 general and specialty contractor member companies who provide services and materials to trade shows, exhibitions, conventions and corporate meetings throughout the United States, Canada and Mexico. The services provided to show management by ESCA's members include freight handling, furniture and carpet rental, labor for installation and dismantling, electrical services, cleaning, floral, rental, audio visual, and many other services. Many of our member companies operate on a national basis and, over the years, have developed long working relationships with their clients to provide certain services for them year after year, irrespective of the city where the activity is held.

There has been a recent trend for some publicly funded convention centers and other similar facilities to take these services "in-house" on an exclusive basis, or to impose an arbitrary surcharge on outside contractors who come into the facility to provide these services.

ESCA is opposed to the practice of publicly funded convention facilities imposing in-house exclusive restrictions on those services that can be provided by ESCA members for the following reasons:

1. Convention centers and other similar facilities that have been constructed using state or local tax funds and/or other revenue obligations should use space rental charges and bed taxes from the hotels to offset their expenses as opposed to the exclusive provision of support services to clients who lease the facility.
2. Most ESCA members are dues-paying members of their local convention and visitors' bureaus in multiple cities. Their membership is an indication of their support of the community and the efforts of the bureau to bring business to that community. All members of a bureau should be given the opportunity of competing for business, which comes to a community, which they support, given that both the bureau and the convention center, in most instances, receive a percentage of the room tax. The bureau receives bed tax and membership dues for the sales and marketing and service to groups, and the convention center receives a percentage of the room tax to pay on the bonded indebtedness of the center and/or operation of the facility.
3. Trade associations and show management firms over the years have established relationships with ESCA members to provide certain services for their show and its exhibitors. They expect a high level of service at a negotiated cost. When exclusive in-house services are provided by the facility and not negotiated with the show producer, the level of service is often lower and the cost is higher.
4. The private sector, in particular ESCA member firms, who pay taxes on a state and local level, are not being allowed the opportunity to bid on services when in-house exclusives are in place, which is contrary to the free enterprise system.
5. Equipment and training personnel are traditionally substandard when exclusive services are provided by facilities.
6. There could be a strong union reaction if using in-house exclusives jeopardizes their jobs.

Another revenue-seeking alternative adopted by some publicly funded and private convention facilities is the collection of a mandatory percentage surcharge on show management and exhibit-selected contracts that provide essential services to show management and exhibitors.

ESCA is also opposed to the practice of arbitrary surcharges placed on the services provided by its member firms for the following reasons:

1. Such surcharges unfairly inflate the cost of services to show management, trade associations and exhibitors. These groups are already contributing to the local economy through tax on such items as hotel rooms and food and beverage.
2. Since the invoice from the contractor has to include this mandatory surcharge, it also unfairly inflates the contractor's fee for services.

Unfair competition from government is the issue. ESCA does not believe that local/state government should be in the business of providing goods/services, which are available from private, for profit, tax-paying companies. ESCA also believes that any entity arbitrarily assessed surcharges on services its members supply is an unfair and unnecessary added expense that provides no benefit to the show organizer or exhibitor other than increased cost.

ESCA urges all users of convention facilities to examine those policies, which restrict show management's right to select contractors of their choice or assess surcharges on suppliers who provide services to the facilities users.