

Regional players fearful of Wotif takeover

MITCHELL BINGEMANN
COMPETITION

LOBBY groups for the hotel and accommodation industry have warned that travel agencies and hotel operators in regional and rural Australia will be muscled out of the online market following a decision by the competition watchdog to give the green light to Expedia's \$703 million bid for Wotif.com.

The decision to accept the deal comes just a month after the Australian Competition & Consumer Commission raised concerns that the acquisition could lead the US travel giant to increase commission rates charged to hotels listed on Wotif.

Market inquiries made by the ACCC had indicated that the commission rates charged by Wotif were significantly lower than those charged by Expedia.

But the competition regulator yesterday cast aside concerns that the removal of Wotif as a competitive counterweight to Expedia would hurt the sector and approved the deal.

ACCC chairman Rod Sims said that while Wotif's removal from the market could result in accommodation providers paying higher commission rates to online travel agents, the regulator concluded that there had been enough change in online markets to assuage its concerns.

"The ACCC considered that the acquisition was unlikely to diminish the dynamic nature of the industry," Mr Sims said.

"Disruptive developments from smaller online travel agencies and from companies in related online sectors, such as the metasearch providers, can be expected to constrain Expedia in the future."

The ACCC's approval drew an angry response from the Australian Hotel and Accommodation Industry, the Accommodation Association of

Australia and the Tourism Accommodation Association, which said the decision would hurt rural and regional operators who lacked the scale and finance to compete against big players like Expedia if they chose not to use its services.

"This is of particular concern to our members in rural and regional Australia. These are businesses that operate on a smaller scale so don't have the clout to stand up to big operators like Expedia who can make the rules on commissions," said Australian Hotels Association spokesman Bradley Woods.

"No one will want to defy them because of their market dominance."

The hotel and travel industry is now considering taking its concerns directly to Joe Hockey with claims that the ability for a global player like Expedia to dominate the market could affect taxation revenues.

"The commonwealth has a direct interest in this, particularly if there are taxation implications given that Expedia is a US-based operation that will now be banking the profits it makes here back overseas," Mr Woods said.

Despite the concerns raised by its competitors, Wotif investors cheered the approval of the deal and sent shares in the company up 6.47 per cent to \$3.29. Expedia's intent to buy Wotif has been a positive force on its shares, which have surged close to 25 per cent since the US-based online travel giant announced in July its plans to acquire the company.

Expedia is offering \$3.06 a share cash plus a 24c-a-share fully franked special dividend for Wotif via a scheme of arrangement.

Founder Graeme Wood will receive close to \$140m in cash if the deal is approved by shareholders as expected at a meeting on October 9.