

Tourism Expedia to hold a 45 per cent market share after ACCC approves Wotif bid

Hotels call for end to price restrictions

Jamie Freed

The hotel industry has launched an attack on the practice of "rate parity", which bars hotels from offering cheaper prices than online travel agents on their own websites after the competition regulator approved Expedia's \$703 million bid for Wotif.com Holdings.

The Australian Competition and Consumer Commission gave the green light to the deal despite having raised initial concerns it could lead to a rise in the commission rates paid by hotels.

Wotif had charged hotels 12 per cent for every booking through its site, which compares with rates of up to 25 per cent charged by Expedia and Priceline in the US and Europe.

Bradley Woods, the chief executive of the Australian Hotels Association (AHA) Western Australia, said higher commission charges would ultimately be borne by consumers, resulting in higher room rates.

Under "rate parity" clauses with the major online travel agents, hotels are not allowed to offer a lower price on their own website than is offered through sites such as Expedia, Wotif and Priceline's Booking.com.

AHA estimates the three companies have a combined market share of 85 per cent in online hotel booking in Australia. Expedia is to hold a 45 per cent share and Priceline a 40 per cent share after the Wotif deal is completed.

Mr Woods said the ability to maintain autonomy on pricing was critical to ensuring competition in the market.

The issue was raised with the ACCC, but the regulator did not mention it in a press release announcing approvals for the Wotif takeover.

The ACCC has yet to issue a public competition assessment providing more background on why the deal was approved.

Mr Woods said the rate parity issue would now be the subject of "further and substantial discussions" with the Commonwealth government and the ACCC. "It is clearly contrary to Australia's competition and consumer law principals," he said.

The practice of rate parity has come under scrutiny from regulators in Britain and several European

countries, including France, Germany and Switzerland. Paul Hennessy, the chief marketing officer of Booking.com, emphasised hotels set the prices rather than the online travel agents.

"We think ultimately price parity helps suppliers and helps customers," he said on Thursday.

"But we will continue to adhere to whatever the local and worldwide decisions are on price parity."

A competition lawyer said the ACCC could have pushed for undertakings about the removal of such clauses, but given it had not done so, it might be difficult for hotels to pursue a winning case on the issue.

The ACCC is pursuing petrol companies for co-ordinating price movements through a members-only website, but the details of that case are somewhat different.

Wotif shares, which had fallen last month after the regulator raised initial concerns about the Expedia offer, closed 20c higher at \$3.29 on Thursday after approvals were granted.

Expedia is offering \$3.06 a share cash plus a 24c-a-share fully-franked special dividend for Wotif via a scheme of arrangement. The total price is, therefore, \$3.30, but it implies \$3.40 a share of value for those able to take advantage of the franking credits. Wotif shares were trading 20.5c higher at \$3.295 at 10.15am on Thursday.

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

The ACCC said it had noted concerns by market participants that Wotif's removal from the Australian market could result in higher commission rates being charged to hotels. However, the regulator found there had been a considerable change in the competitive dynamics of the online accommodation distribution market in recent years.

ACCC chairman Rod Sims said the rise of metasearch sites, such as TripAdvisor, that offer bookings from several online travel agents (OTAs) was changing the dynamics of the market.

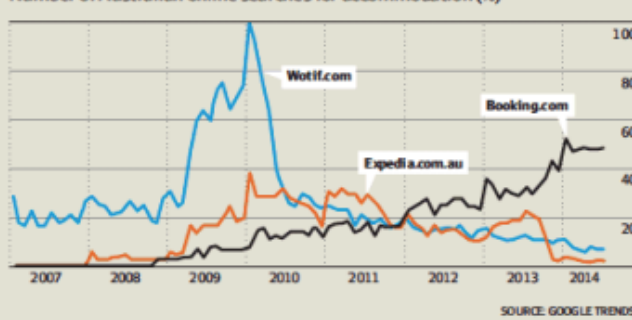
"Metasearch websites increasingly facilitate hotels' ability to promote themselves alongside OTAs, and transact directly with consumers," Mr Sims said.



Graeme Wood could make \$140m from the sale of Wotif. PHOTO: LOUISE KENNERLEY

Checking in

Number of Australian online searches for accommodation (%)



'Home and away' wins

Booking.com has become Australia's biggest online travel agent by room nights booked because it offers a compelling product for domestic and international travel, says chief marketing officer Paul Hennessy.

The Amsterdam-based business, owned by US group Priceline, this year said it had overtaken local rival Wotif.com Holdings in the number of nights booked, although it has not disclosed specific figures.

Wotif sells the vast majority of its rooms in Australia and New Zealand, with nearly 30,000 properties under contract around the world. In comparison, Booking.com offers 540,000 properties globally, from hotels to apartments to villas, including 8064 in Australia, and unlike Wotif it does not charge booking fees.

"There is no doubt in my mind that being both a home and [an] away company is what Australians are really starting to like," Mr Hennessy said.

He said Australians tended to book shorter holidays domestically than they did overseas, citing the case of an Australian family he met in Europe who had booked 30 nights on Booking.com for that holiday.

The ease of organising both types of holidays on Booking.com might be one of the factors behind the market share losses experienced by Wotif. The Australian company is selling itself to Expedia after reporting an 11 per cent decline in bookings in 2013-14.

Booking.com and Expedia both charge hotels a higher commission rate than Wotif for listing hotels on their websites. But Mr Hennessy said hotels had told him they were tapping into demand that might otherwise have gone elsewhere by listing their property on Booking.com. The website markets its properties in 42 languages.

"The international traveller often has a longer length of stay and therefore has a greater contribution to the hotel," Mr Hennessy said. "They like getting access to those travellers." He said the number of rooms available through Booking.com was ultimately at the discretion of the hotel.

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