



Australian
Competition &
Consumer
Commission

GPO Box 3131 Canberra ACT 2601
23 Marcus Clarke Street Canberra ACT
tel: (02) 6243 1111 fax: (02) 6243 1199
www.accc.gov.au

NEWS RELEASE

ACCC RELEASES STATEMENT OF ISSUES ON PROPOSED ACQUISITION OF WOTIF BY EXPEDIA

4 September 2014

The Australian Competition and Consumer Commission has released a Statement of Issues (Sol) outlining competition issues that have arisen to date from the ACCC's review of the proposed acquisition of Wotif.com Holdings Ltd (ASX: WTF) by Expedia, Inc.

"The ACCC is seeking further information to determine whether the proposed acquisition is likely to substantially lessen competition in the market for the online distribution of Australian accommodation," ACCC Chairman Rod Sims said.

The proposed acquisition involves two of the three largest online travel agents (OTAs) in Australia, with the other being The Priceline Group (Booking.com and Agoda). The ACCC is exploring whether the removal of Wotif from the Australian market has the potential to increase the rate of commissions charged to hotels and other accommodation providers in Australia.

The ACCC's preliminary view is that bricks and mortar travel agents are unlikely to be a strong constraint on the operations of OTAs and therefore do not form part of the relevant market.

"Market inquiries have indicated that Wotif is a major source of bookings for Australian accommodation providers and charges a lower commission rate than Expedia," Mr Sims said.

"Commission rates charged by Expedia and Booking.com in Australia are lower than the rates charged by those companies in other parts of the world. The presence of Wotif may be a contributing factor to this difference. Market participants have expressed concern that the removal of Wotif as an independent competitor will allow Expedia to increase its commission rate."

"Although the recent expansion of Booking.com and some smaller OTAs such as Hooroo might suggest that barriers to entry and expansion are not significant, market participants have identified barriers in the form of the high costs of advertising necessary to capture a critical mass of consumer 'eyeballs' and bookings, and sunk costs associated with the development of an online platform," Mr Sims said.

"The ACCC has, however, also observed significant changes in the way that accommodation is offered to consumers in recent years. A key issue for the ACCC will be whether the dynamic nature of the industry is likely to facilitate the development of new business models and discipline Expedia's competitive conduct post-acquisition," Mr Sims said.

The ACCC's preliminary view is that the proposed acquisition is unlikely to raise competition concerns in relation to the market for the online distribution of air travel and the markets for distribution of other travel products, including holiday packages, car hire and cruises.

The ACCC invites further submissions from the market in response to the Sol by 19 September 2014. As a result, the ACCC's final decision will be deferred until 2 October 2014.

For further information see www.accc.gov.au

ASX: WTF