

So that's how they guarantee lowest fares: Flight Centre cops \$11 million fine for attempted price fixing

Flight Centre has been found guilty on six counts of attempting to induce Singapore Airlines, Emirates and Malaysia Airlines into price fixing arrangements to fix the margin price for retail airfares.

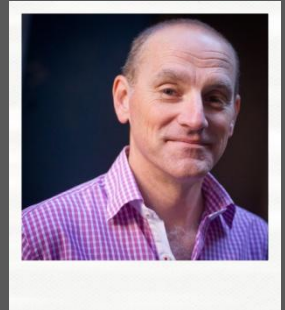
The big deal here is that Flight Centre was found to be on the hook even though no price fixing agreement or arrangement existed; Flight Centre just had a crack at persuading the airlines to make one but was knocked back by all three of them.

The other point of interest is how the court defined competitors in this case. Illegal price fixing can only occur between competitors. Traditionally, you wouldn't think that a travel agent and an airline are competitors, but with apps like Skyscanner and the websites of airlines themselves selling airfares online, there's a growing trend to book through the airline itself instead of using a travel agent. The court found that in this way, airlines and travel agents nowadays compete with one another for booking services.

The decision has reminded everyone that the internet has chucked out the window traditional concepts of competition in the supply chain, and warns that just by attempting to persuade a competitor not to undercut you, you can get yourself into price fixing territory even if your attempt fails.

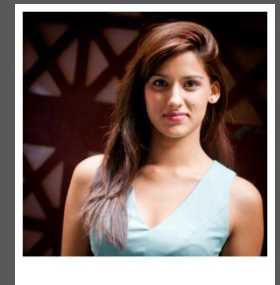
Flight Centre is set to appeal the decision and we're keen to get some clarity from the Full Federal Court.

Questions? Give us a call.



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