

Lawsuit alleges online price fixing by hotel chains

By Nick Brown, Reuters

Expedia Inc, Hilton Worldwide Inc. and other large hotel retailers and operators were accused in a federal lawsuit in California of conspiring to fix hotel room prices as they battled small online retailers who sold rooms more cheaply.

Two consumers are seeking class action status for the suit filed on Monday in California federal court, which alleges the hotels teamed with online room sellers to set minimum rates on rooms and is seeking unspecified money damages.

Plaintiffs Nikita Turik and Eric Balk say the companies broke federal and California state antitrust laws with agreements whereby hotel operators ceased doing business with online retailers that sold rooms below certain prices.

The agreements, drawn up in meetings and during industry conferences, were designed to combat mounting competition from smaller online retailers that sold rooms more cheaply, according to the complaint.

The hotel operators played along because they could not afford to lose access to business from the big online retailers, with the online market now accounting for about half of all U.S. hotel room sales, the lawsuit contends. If not for the scheme, consumers would have paid less for rooms, the plaintiffs say.

In Britain, regulators announced provisional findings of a breach of UK competition laws following an investigation of price-fixing for hotel rooms involving online travel companies, British media reported in July.

Among the roughly 15 defendants of the California lawsuit are

online retailers Orbitz Worldwide Inc., Travelocity.com LP and its parent, Sabre Holdings Corp. TSG.UL. Also included are big-name hotel operators Marriott International Inc. and Starwood Hotels & Resorts Worldwide Inc., which runs the Sheraton, W and Westin hotel chains.

Travel sites “created the illusion” that consumers could seek out the best deals, Steve Berman, an attorney for the plaintiffs, said in a statement on Monday.

“The reality is that these illegal price-parity agreements mean consumers see nothing but cosmetic differences and the same prices on every site,” Berman said.

Representatives for Travelocity and Orbitz declined to comment. Press contacts for Starwood, Hilton BLKSHW.UL, Marriott, Expedia and Sabre did not respond to requests for comment.

Online retailers profit either by buying hotel rooms and reselling them to the public at a higher price, or by charging hotels a fee for the service of booking rooms. The lawsuit alleges that the retailers’ profits were eroded when smaller, price-cutting online retailers, such as Skoosh.com, gained access to the market.

The lawsuit paints price-fixing practices as common, citing numerous accounts of companies admitting and sometimes defending it.

The five-count complaint seeks money damages with interest.

The case is Turik et al v. Expedia Inc et al, U.S. District Court, Northern District of California, No. 12-4365.