

yourviews - AIRLINE CARTELS Protecting consumers
BY A BIR ROY & K ARTIK G ANAPATHY[read out](#) [email](#) [print](#) [newspaper view](#) [add to clipping](#) [send feedback](#) Article Rank Digg [submit](#)[BLOGTHISARTICLE](#)[DELICIOUS](#)

..... T he Monopolies and Restrictive Trade Practices Commission (MRTPC) probe into a possible airline cartel due to the "sudden" and "simultaneous" fare hike by the airlines—and withdrawal of promotional fares in unison—made headlines last month. Letters have been issued to the various airline operators to justify the hike in fares.

Competition laws are designed to protect the interest of consumers. As the name suggests, they protect the competition necessary for markets to thrive by prohibiting certain types of conduct. One such conduct is cartelization, where producers or service providers gang up to raise prices to jointly gouge the consumer.

The current law governing such cartelization is the 1969 MRTP Act. According to this, any agreement to buy or sell goods by some kind of agreement by sellers is considered restrictive.

The MRTPC was designed to investigate trade practices that could hurt consumers. However, as experience shows, it has been wracked by internal deficiencies and structural weaknesses. The changing economic milieu spurred by liberalization impelled the government to enact the 2002 Competition Act, which, with the beginning of its implementation, would repeal the MRTP Act.

The 2002 Act ensures that no enterprise or person enters into any agreement that affects competition. In this light, a sudden and simultaneous price hike by the airline operators can be anticompetitive.

A "cartel" has been defined to include any association of service providers who, by agreement, attempt to control the price of the provision of services. While the formation of a cartel amounts to an anti-competitive trade practice, which is indisputably against the public interest, the existence of a cartel is hardly proof that the regulator needs to act. That has to be proved by circumstantial evidence, which involves setting up a chain of events leading to a common understanding or plan.

Anti-competitive conduct can be varied. The operations of cartels tend to be very complex and varied according to the number of participants and the nature of the market in question.

However, there can also be situations where there is simply no overt collusion between market participants, even though it seems like one. In the face of scant evidence, it's likely that the airfare hike is just this.

No doubt, the investigation will take its own course. If proof is found of a cartel, or the regulators find the fare hike to be anticompetitive, the authorities would then order the airlines to roll back the fare hike, and also impose other penalties as it sees fit.

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