**Data Response 1**

**BA bosses accused of price-fixing by Virgin 'whistle-blowers’'**

In 1993, British Airways found itself in court accused of using anti-competitive tactics in an attempt to force a much smaller new airline, called Virgin Atlantic, out of business. The so-called 'dirty tricks' used by BA included spreading malicious rumours about Virgin's solvency, in order to deprive the company of credit. After a bitter legal battle in the High Court, BA apologised and agreed to pay Virgin over £600,000 in compensation.

How times change. Nearly 20 years later, the same two companies stood accused of collusion. In April 2010, BA managers were summoned to appear in court to answer allegations that they had met with their rivals at Virgin to agree on a common fuel duty surcharge to impose on both BA and Virgin consumers. Over a period of a year and a half, both airlines increased the fuel surcharges paid by passengers on long-haul routes from £5 to £60.

In the UK, the Competition Commission was then responsible for investigating alleged cases of anticompetitive behaviour. Unfortunately, anti-competitive behaviour such as price-fixing is still very common in the UK, despite the fact that it is illegal. One of the main problems faced by the new Competition and Markets Authority is the difficulty faced in acquiring the necessary evidence needed to prove that anti-competitive behaviour has taken place. The Authority now offers so-called 'whistleblowers' immunity from prosecution in exchange for information that enables a prosecution to take place.

In this case, the evidence used to convict BA came from their co-conspirators. Virgin's chief executive stood as the main witness for the prosecution!

**Questions** (30 marks; 35 minutes)

1 What is meant by the following terms? (6)

1. anti-competitive tactics
2. 'whistleblowers'
3. 'collusion'?

2 Explain why anti-competitive behaviour such as price-fixing is illegal. (4)

3 Assess two possible reasons why anticompetitive behaviour persists despite the fact that it is illegal. (8)

4 Assess whether the Competition and Markets Authority was right to offer Virgin immunity from prosecution. (12)