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Swatch wound up in price-fixing allegations

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THE Swatch Group - the world's biggest watch company - has been accused in a Melbourne court of pressuring its former Australian general manager to engage in price-fixing. The County Court yesterday heard that senior representatives of the Swiss-based company used subtle, direct, oral and written requests to undertake the activity, which is illegal in Australia. It was alleged that the company "hates" discounting and had established a four-stage regime to pressure its Australian retailers.

Swatch's former managing director, Keith Watson, of Canterbury, has sued it for damages based on claims of breach of contract, failing to pay for notice and bonuses and the distress caused from the directions. Michael McDonald, SC, for Swatch, told the court that Mr Watson's claim against Swatch of misleading conduct under the Trade Practices Act was "seriously flawed". He also said that in 2003, the year he joined Swatch, Mr Watson had sought a payout from Louis Vuitton in the US for alleged misleading and deceptive conduct. And Mr McDonald submitted Swatch had lawfully terminated Mr Watson's contract. In his opening yesterday to the civil trial, **Stuart Wood**, for Mr Watson, told Judge Maree Kennedy that his client worked for Swatch for more than five years and had performed well. Mr Wood said that from when he started until his termination Mr Watson was "requested by various representatives of the company to engage in price-fixing". Mr Watson was told by a range of company representatives, who allegedly included Raynald Aeschlimanin, Claude Jannin and Chris Leiggenner, that there was too much discounting in the Australian market and that Swatch "hates" it, he said. Mr Wood claimed that at a brand managers' meeting in Switzerland in 2004, Omega brand manager Kevin Rollenhagen and others were told to "starve retailers of margins to prevent discounting". It was alleged Mr Rollenhagen explained how retailers in Hong Kong were pressured in a "staged process" that began with a warning, were then threatened with a margin cut followed by a threat to close the account before that was done. Mr Wood said in 2005 and 2006, the complaints to Mr Watson became "very direct", including once when his superior, Yann Gamard, smashed his fist on a table and yelled: "The law in Australia is stupid. It's your responsibility to fix it." It was alleged there was a "constant battle" between Mr Gamard and Mr Watson about his refusal to stop discounting. Mr Wood said Mr Gamard's replacement tried to direct Mr Watson to have him "squeeze the margins offered to retailers for the purpose of maintaining the price". The case continues.

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