

THIRD LINE FORCING

Small Businesses often face tough times, complex issues and difficult decisions in the day to day running of their operation. These problems come in the guise of competition, suppliers, regulation compliance, staff and more.

Sometimes you wonder, why we do it?

Really, it comes down to being your own boss, being in control and the opportunity to grow.

Frustrations start to build when you are directed within a contract by your supplier or landlord to deal with a specific organisation or business; it takes away your control and sometimes even the ability to grow.

This is called third line forcing. Under current law, firms wishing to implement such a system must make application to the ACCC so they can ensure it is not anti competitive.

Last month Coles announced they had withdrawn their application to the ACCC to force suppliers to use their designated “in store demonstrators”. The withdrawal was seen as a relief from the possible monopolistic process and prices that could have eventuated.

Both the ALP and the National Party have applauded the fact that Coles have withdrawn their application, however COSBOA is still concerned that proposed changes to the Trade Practises Act originating from the Dawson report will see the need for such applications made redundant.

Coles, Woolworth’s, in fact any large business will be able to dictate to smaller suppliers who they shall deal with when contracting with them.

Market power is so entrenched in Australia we find examples of implied intimidation occurring all the time but documenting and proving this is much more difficult. Any way, who would want to take the hand that feeds you to court? Doesn’t make sense does it.

We are calling on the Government to drop this proposal and take into account that competition in a fair market is more beneficial to the consumer than economies of scale advantages that would be swallowed up by profits before they reach the consumer any way.

Leases, forcing maintenance contracts with designated firms, contracts forcing businesses to deal with third companies that are often owned by the contractor, are often presented as cheaper options, but we should ask how do they know this, if it isn’t tested in the marketplace first.

These restrictive practices must be prevented and fair markets must prevail so that incentives for small business may be preserved.