

Merger laws give greater support

The ACCC has recently redefined the concept of markets, creating a stricter test for mergers in regional areas.

These recent changes to the mergers laws will benefit farmers, and other small suppliers and businesses, as well as consumers.

The new definition specifically refers to a substantial market in *regional* Australia. This means that the ACCC will closely review any mergers and acquisitions that affect competition in these areas.

How do these changes benefit businesses and consumers in regional areas?

Primary producers, for example, often have very few buyers for their product. Usually they are the large processors or agents who buy from many farmers. Because such markets are often characterised by heavy concentration, any merger between these large companies can compromise the interests of small businesses supplying goods to them.

On the other hand, small businesses in regional areas are often limited in their choice of supplier. A business's survival can hinge on the ready availability of particular supplies. If two competing suppliers merge in such a situation, the options available to small businesses shrink. The merged entity may then increase prices, restrict supply, or even misuse their market power to damage competitors.

If the prices a business pays for vital inputs rise, then inevitably this must be factored into the prices they charge consumers. In the end, the consumer is the one who suffers the anti-competitive effects of excessive market concentration — either through higher prices, less choice, or poorer quality goods or services.

The new definition of a market will enable the ACCC to take these concerns into consideration when deciding on whether to allow a merger, and under what conditions. The ACCC accepts submissions from all concerned parties.

If small businesses and consumers in regional areas have such concerns, they can contact the Regional Outreach Officers (ROOs). These officers can provide information and advice on how the ACCC deals with mergers, and listen to any concerns from people in regional areas affected by potential mergers.

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