Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

17 October – 18 October 2012

Question: **SBT 72**

Topic: **Predatory Pricing**

Written: **Received from Committee – 26 October 2012**

Senator WHISH-WILSON asked:

72. The ACCC Chair has said "if you open a new store in a new market that by definition would bring more capacity to the market than the market needs because it was fully saturated, the fact that a new store will lose money in its early days is normal commercial behaviour". (*Lateline*, 14 August 2012)

Does this attitude mean it would be very hard to show that a supermarket was engaging in predatory pricing?

Answer:

72. Predatory pricing occurs when a company prices below its relevant cost with the purpose of damaging or forcing a competitor to withdraw from the market.

A new store may lose money when it first opens for reasons other than the fact that it is selling below relevant cost to undercut its competitors.

Predatory pricing can be hard to prove as the initial signs of predatory pricing are pro-competitive. Nevertheless, the ACCC takes allegations of predatory pricing seriously and encourages businesses that are concerned about predatory pricing to contact the ACCC.