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Trade Practices Amendment (Small Business Protection) Bill 2002 [No. 2]
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Trade Practices Amendment (Small Business Protection) Bill 2002 [No. 2]

Date Introduced: 26 September 2002
House: House of Representatives
Portfolio: Small Business and Tourism
Commencement: On Royal Assent

Purpose

To amend the Trade Practices Act (TPA) to permit the Australian Competition and Consumer Commission (ACCC) to bring representative actions on behalf of people damaged by conduct in breach of the secondary boycott provisions (section 45D and section 45E) of the Act.

Background

Potential Double Dissolution Trigger

This Bill is identical to legislation introduced into the House of Representatives on 20 February 2002 and rejected by the Senate on 19 August 2002.

The Bill has the potential to be a double dissolution trigger. Pursuant to section 57 of the Australian Constitution the Prime Minister may advise the Governor-General to dissolve both Houses of Parliament when the following requirements are met:

- a Bill is passed by the House of Representatives, but the Senate 'rejects or fails to pass it, or passes it with amendments to which the House of Representatives will not agree'
- a three-month interval elapses from the date of the Senate’s rejection, and
- the House of Representatives again passes the Bill ('with or without any amendments which have been made, suggested, or agreed to by the Senate') and the Senate again 'rejects or fails to pass it, or passes it with amendments to which the House of Representatives will not agree'.

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In the present case, if the House of Representatives passes this Bill after its November sittings and the Senate refuses or fails to pass the Bill or passes it with amendments unacceptable to the House, the requirements of the section will have been satisfied.

Once all necessary preconditions have been met, the Government may advise the Governor-General to dissolve both Houses immediately or it may delay its request for a simultaneous dissolution until any date up to 6 months before the House of Representatives is due to expire.

The present House is due to expire on 11 February 2005, ie 3 years after its first meeting. The next election for the House of Representatives must be held within 68 days of the expiry of the House, ie by 16 April 2005.

As a double dissolution cannot be granted by the Governor-General within 6 months before the date of the expiry of the House of Representatives, the last possible date for granting of a dissolution under section 57 is Wednesday 11 August 2004. The subsequent election must be held within 68 days of the date of dissolution, ie the latest possible polling day for a double dissolution is Saturday 16 October 2004.

ACCC representative actions

Section 87 of the Trade Practices Act 1974 (TPA) permits the ACCC to bring a representative action seeking compensation and other remedies on behalf of people who have suffered, or are likely to suffer loss or damage as a result of another person’s contravention of specified provisions of the TPA. A person covered by a representative action must consent to ACCC commencing proceedings.

While the ACCC may bring such actions in relation to breaches of the whole of Part IVA (unconscionable conduct), Part IVB (industry codes), Part V and Part VC (consumer protection), a representative action in relation to Part IV (restrictive trade practices) may not be commenced if the matter involves contraventions of the boycott provisions in sections 45D and 45E of the TPA.

Section 45D prohibits two people from acting in concert to hinder or prevent a third person from supplying goods or services to, or acquiring goods or services from, a fourth person (the target) who is not an employer of the first person or the second person. To breach the section, the conduct must have been engaged in for the purpose, and would likely have the effect, of causing substantial loss or damage to the business of the target. Section 45E prohibits a person making an agreement with a union for the purposes of preventing or hindering trade between that person and a targeted entity.

This Bill is the fifth occasion that the Government has sought to enable the ACCC to bring representative actions for contraventions of sections 45D and 45E.

The first attempt was in the Trade Practices Amendment (Country of Origin Representations) Bill 1998. A schedule to this Bill sought to empower the ACCC to
generally bring representative actions for breaches of Part IV of the TPA. The Bill was debated against the backdrop of the waterfront dispute. At the time the Opposition expressed concern about the ACCC gaining the ability to conduct (retrospective) secondary boycott actions on behalf of businesses against trade unions. In the end, the Senate omitted the representative action provision from the Bill.

During the waterfront dispute, ACCC sought to overcome its lack of capacity to commence representative actions in relation to section 45D by seeking findings of fact from the Court. At the time the ACCC Chairman, Professor Fels, stated that the intention was to ‘open up the possibility’ for importers to pursue the Maritime Union by lowering their evidential burden.5

The Government revived the issue in the Trade Practices Amendment Bill (No.1) 2000. On this occasion the Senate rejected the proposal to allow the ACCC to bring representative actions for all of Part IV and ‘carved out’ actions in relation to sections 45D and 45E. The Government reluctantly accepted the compromise in order to secure the passage of the remainder of the Bill. As a result of these amendments the ACCC can bring representative actions in relation to boycott conduct which substantially lessens competition or affects international trade6 but not where the conduct causes substantial loss or damage to a targeted person.7

In August 2001, the Government sought to remove the remaining limitation through the Workplace Relations and Other Legislation Amendment (Small Business and Other Measures) Bill 2001. The Bill was not debated before the Parliament was prorogued for the General Election.

The proposition that the ACCC should have the capacity to initiate representative actions in relation to breaches of Part IV has been endorsed by the Australian Law Reform Commission 8, the House of Representatives Standing Committee on Industry Science and Technology (the Reid Committee)9 and the Joint Select Committee on the Retailing Sector (the Baird Committee).10

The ALRC put the case for representative actions in the following terms:

> Representative actions remove many of the financial barriers which ordinary people face when seeking to enforce their legal rights, give the courts a more efficient process for dealing with cases involving large numbers of people and help to ensure that laws are enforced more efficiently and more often.11

It is important to note however that none of these reviews considered the implications of the proposal from an industrial relations perspective. The Reid and Baird Committees recommended the measure in the context of debate about improving small businesses access to a remedy under the misuse of market power provisions in section 46. Furthermore, at the time the ALRC made its recommendation, the equivalent of the current section 45D was located in the Industrial Relations Act 1988. Under that legislation, enforcement proceedings in relation to the boycott provisions could not be

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commenced unless the Australian Industrial Relations Commission (AIRC) first had the opportunity to resolve the matter by conciliation.\textsuperscript{12}

The question of whether representative actions should be supported inevitably involves an assessment of the merit of the sections 45D and 45E. The proposal in this Bill has been contentious in the past because these sections are arguably the most politically sensitive provisions in the TPA. The ACCC initiated proceedings against the MUA during the waterfront dispute and has expressed support for the measures contained in this Bill. Nevertheless, it is worth noting that its predecessor, the Trade Practices Commission, took a different view of the value of the competition regulator being involved in essentially industrial disputes. The TPC stated that:

\begin{quote}
The company damage class of case without substantial lessening of competition is better left to private action.
\end{quote}

\begin{quote}
It would seem desirable to avoid, where competition is not affected, getting involved in an industrial dispute where the ultimate decision as to the continuing or settling of cases may need to be taken by companies on commercial grounds or by the Government on political grounds.\textsuperscript{13}
\end{quote}

\section{History of Sections 45D and 45E}

\subsection*{The Fraser Government}

In April 1976 the Fraser Government established the Trade Practices Act Review Committee (known as the Swanson Committee).\textsuperscript{14} The Committee’s report expressed concern about the lack of protection for traders against secondary boycotts and recommended that the law provide an effective avenue of recourse for affected traders. Secondary boycotts were defined as a situation where employees of one employer place a boycott on the dealings of that employer with another person. The Committee did not express a view on whether this avenue should be provided by the TPA or industrial legislation.\textsuperscript{15}

Responding to the report in 1977, the Government inserted the original section 45D into the TPA prohibiting boycott conduct which had the effect or likely effect of causing either: substantial loss or damage to a targeted person or a substantial lessening of competition in a market. In introducing the provision, the then Minister for Business and Consumer Affairs (Mr Howard) stated that:

\begin{quote}
‘boycotts have been used by some trade unions in this country to dictate the business arrangements of independent businessmen. In some instances these boycotts have resulted in higher prices to the consumer. The most common instance of a secondary boycott occurs where a group of employees collectively acts for the purpose of interfering with supply of goods and/or services by their employer to a company.’\textsuperscript{16}
\end{quote}
Subsection 45D(3) provided for a defence if it could be shown that the dominant purpose of the conduct related to employment matters. In practice this provision was often interpreted narrowly and there were very few cases where a union was able to successfully invoke the defence.\(^\text{17}\)

In 1978 subsection 45D(1A) was inserted which prohibited primary or secondary boycotts which have the purpose or effect of hindering or preventing interstate or international trade and commerce.

In 1980, the Fraser Government introduced section 45E following the Laidely dispute. Leon Laidely Pty Ltd, an independent haulage contractor, distributed bulk fuel and was supplied by Amoco. The employees of Amoco driving Amoco delivery trucks were members of the Transport Workers’ Union (TWU). The union argued that Amoco’s practice of supplying Laidely denied work to their members. In February 1980 the TWU placed a black ban on Amoco supplying petroleum to Laidley. Amoco, in order to keep its depots open, agreed to TWU demands that Laidley not be supplied.

While Laidley was successful in obtaining an interlocutory injunction against the TWU under section 45D, the Fraser Government was of the view that the TPA needed to be strengthened so that companies did not succumb to union pressure and therefore inserted section 45E.\(^\text{18}\) The section prohibited collusive agreements between unions and corporations that hinder the supply or acquisition of goods or services by or from a third party.

**The Hawke-Keating Governments**

The Labor Party has maintained a long opposition to sections 45D and 45E. While the ALP has expressed disapproval of secondary boycotts, it has argued that they are essentially industrial relations matters that are best resolved through specialist industrial courts or tribunals rather than through competition law or by the competition regulator. It has argued that the focus of regulation should be the resolution of the underlying dispute and that litigation under the TPA may frustrate this outcome.

The Hawke Government attempted to repeal sections 45D and 45E in 1984 however the legislation was defeated in the Senate. Another attempt was made to amend the operations of the sections in 1987 but the proposal was abandoned.

Australia ratified ILO Convention No.87 on Freedom of Association and Protection of the Right to Organise in 1973. During the late 1980s and 1990s the International Labour Organisation’s Committee of Experts on the Application of Conventions and Recommendations criticised sections 45D and 45E as prohibiting conduct which should be lawful under the convention.\(^\text{19}\)

In 1993 the Senate Standing Committee on Employment, Education and Training investigated the operation of sections 45D and 45E. The Committee divided along party lines. The ALP/Democrat majority concluded\(^\text{20}\), *inter alia:*
that the use of sections 45D and 45E, as a response to industrial action is unduly harsh, and in conflict with Australia's obligations under ILO conventions on freedom of association

the legitimate rights of business to trade in goods and services without interference should be properly secured by trade practices legislation but that sections 45D and 45E, as they then stood, achieved this result at an unacceptable cost with respect to the rights of citizens to take legitimate industrial, protest and other social action; and that, and

a mechanism must be available under industrial relations legislation to provide for the speedy resolution of industrial disputes where the primary issue is one of substantial damage to an enterprise as opposed to substantial lessening of competition in the market.

Coalition Senators were of the view that:

the provisions are a useful device for preventing and settling industrial conflict and are predominantly used by employers as a 'last resort'

the provisions do not encourage a disregard for the processes of arbitration

defences available under subsection 45D(3) of the TPA are adequate to protect employees’ rights, and

the high costs that can be imposed on business, even by relatively short strikes, must be avoided.

Following this report, the Keating Government inserted a new version of section 45D while section 45E was repealed. The effect of the amendment to section 45D was that the prohibition covering secondary boycotts in the TPA was restricted to boycotts involving a substantial lessening of competition. Other boycotts were made subject to the Industrial Relations Act 1988. According to one text writer:

‘the basic thrust of these changes was to try to confine the operation of the legislation proscriptions to secondary boycotts in the strict sense of the term and to try to make access to relief conditional on first attempting to resolve the matter in dispute through the Industrial Relations Commission.’

The Howard Government

In 1996 the boycott provisions were reinserted into to the TPA by the Workplace Relations and Other Legislation Amendment Act 1996. The 1996 amendments did more than simply reinsert the version of section 45D that applied before the 1993 amendments. Elements of the former law were broken down into separate sections. The current provisions are summarised below.
Section 45D prohibits two people from acting in concert to hinder or prevent a third person from supplying goods or services to, or acquiring goods or services from, a fourth person (the target) who is not an employer of the first person or the second person. To breach the section, the conduct must have been engaged in for the purpose, and would likely have the effect, of causing substantial loss or damage to the business of the target.23

Section 45DA prohibits two persons from acting in concert to hinder or prevent a third person trading with the target where the purpose or effect or likely effect is to cause a substantial lessening of competition in any market where the target supplies goods or services. As with section 45D, to come within the prohibition, the target must not be the employer of the first or second person.24

Section 45DB prohibits two persons from acting in concert to hinder or prevent a third person (who is not their employer) from engaging in trade or commerce involving the movement of goods between Australia and places outside Australia.25

As noted above, as a result of the amendments enacted last year26, the ACCC can already take representative actions where there has been a breach of sections 45DA and 45DB. To date, it has not done so.

Section 45DC provides a mechanism for drawing unions into the scope of section 45D, 45DA and 45DB.

Section 45DD provides that a person will not contravene 45D if the dominant purpose of the conduct is substantially related to the terms and conditions of employment in their workplace. Likewise, if the dominant purpose of the boycott is substantially related to environmental or consumer protection and engaging in the conduct is not industrial action, a person will not be guilty of a contravention.

Section 45E prohibits a person making an agreement with a union for the purposes of preventing or hindering trade between that person and another person. In introducing this provision in 1996 the Government stated that the section was:

  directed against a situation where a person capitulates in order to avoid loss or damage as a result of threatened industrial action against the target. It complements sections 45D and 45DA, ensuring that the prohibition on secondary boycott action is not weakened by collusion between firms and unions.27

Penalties and Enforcement

Under section 76 of the TPA, only bodies corporate may be ordered to pay a pecuniary penalty for a breach of sections 45D, 45DA, 45DB, 45E or 45EA. In the case of section 45DA the maximum penalty that can be imposed is $10 million. In all other cases it is $750 000. Injunctions, damages, and other remedies are available under sections 80, 82 and 87 respectively.
The TPA recognises that the desirability of resolving the industrial dispute that underlies boycott conduct may need to be taken into account by the Court. Under section 80AB the Federal Court has the discretion to stay the operation of an injunction against boycott conduct where to do so would facilitate the settlement of a dispute by the AIRC or state industrial tribunals. More broadly, section 87AA states that in exercising its enforcement and remedial powers in relation to boycotts, the Court must take into account action taken or available before the AIRC or a state tribunal. Particular regard is to be had to conciliation proceedings.

Statistics on the Number Actions under Sections 45D/45DB and 45E

The Department of Employment, Workplace Relations and Small Business reports that since the commencement of the Workplace Relations Act 1996 amendments to the TPA in 1997 there have been 13 applications to the Federal Court under sections 45D and/or 45DB. Of these cases, 8 have been settled, 2 have been discontinued and 2 dismissed and in one case a penalty has been imposed. Seven of these matters were brought by the ACCC.

There appear to have been no proceedings commenced under section 45E since its re-enactment.

Representative Actions and Small Business

The title of the Bill and the Minister’s second reading speech indicate that the focus of the measure is to protect small business. During previous debates on proposals to enhance the ACCC’s power to bring representative actions, the Commission has also committed itself to using such powers to assist the small business sector.

Nevertheless, the Bill contains no definition of small business and does not limit the ACCC to a particular class of business in bringing representative actions. If the Bill is enacted, the ACCC will be empowered to bring representative actions on behalf of any person who has suffered loss or damage as a result of the contravention of sections 45D or 45E.

If the Parliament is concerned that large businesses could potentially benefit from ACCC representative actions, it may consider the option of inserting a definition ‘small business’ and restricting the capacity of the ACCC to initiating actions on behalf of large entities. The definition employed by the Australian Bureau of Statistics may be a useful guide. The ABS defines small business as one with less than 20 employees in all industries except manufacturing where they have less than 100 employees, and agriculture where they have an estimated value of agricultural operations of between $22 500 and $400 000.

There is a precedent for limiting the operation of the specified provision of the TPA to small business. The Trade Practices Amendment (Fair Trading) Act 1998 inserted section
Trade Practices Amendment (Small Business Protection) Bill 2002 [No. 2]

51AC into the TPA. While that section prohibits unconscionable conduct in business transactions it does not apply where the transaction in question involves goods or services worth less than $3 million or where the aggrieved party is a listed public company.

Representative Actions under the Federal Court Act

It has been established that the ACCC is not limited to bringing representative actions under section 87 of the TPA but may also bring proceedings under the Federal Court of Australia Act 1976 (FCAA). Section 33C of the FCAA provides that where 7 or more persons have claims against the same person; and

- the claims of all those persons are in respect of, or arise out of, the same, similar or related circumstances, and

- the claims of all those persons give rise to a substantial common issue of law or fact;

a proceeding may be commenced by one or more of those persons as representing some or all of them.

In principle, the FCAA could allow the ACCC bring a representative action in relation to a contravention of section 45D or 45E of the TPA however to do so the ACCC would need to establish that it has a ‘claim’.

Recent Federal Court cases suggest that the ACCC’s interest in seeking to enforce the TPA does constitute a claim for the purposes of the FCAA. The Court has held that the interest of the ACCC does not have to be the same as other members of the class.

A possible drawback with the FCAA is that the ACCC can only bring a representative action by leave of the Federal Court. Under section 33N the Court has the discretion to determine whether it is appropriate that the claims be pursued by means of a representative proceeding. On one occasion, the Court has exercised its discretion and refused to permit the ACCC to bring a representative action under the FCAA. In contrast, under section 87 of the TPA, the ACCC’s right to proceed has a statutory basis.

Despite the provisions of the FCAA, supporters of this Bill may argue that these amendments are necessary to make it abundantly clear that the ACCC can commence representative proceedings for a breach of section 45D or 45E and to remove any remaining technical obstacles.

Main Provisions

Existing subsection 87(1A) of the TPA empowers the Court to make remedial orders, including compensation orders, for the benefit of people identified in an application made by the ACCC. Subsection 87(1B) deals with the conditions under which the ACCC may make an application to the Court under subsection 87(1A). Currently such applications
may not be made on behalf of people who have suffered, or are likely to suffer, loss or damage by conduct which breaches sections 45D or 45E.

**Item 1** deletes the reference to sections 45D and 45E in paragraph 87(1A)(b). It would enable the Court to make orders in relation to an application brought by the ACCC concerning any conduct in breach of the restrictive trade practices provisions in Part IV.

**Item 2** deletes the reference to sections 45D and 45E in paragraph 87(1B)(a). It would permit the ACCC to make an application to the Court for an order on behalf one or more people damaged by any conduct in breach of Part IV.

These amendments do not have retrospective effect. The ACCC will only be able to bring a representative action in relation to conduct in breach of sections 45D and 45E that occurs after this legislation has received Royal Assent (**item 3**).

**Concluding Comments**

Supporters of this legislation have championed this Bill as a measure to improve access to justice for small business. In his second reading speech, the Minister cited anecdotal evidence of small firms that have been the victim of union organised secondary boycotts as examples of situations where the powers this Bill gives to the ACCC could be usefully deployed. The Bill improves the formal legal protection available to businesses that may have been damaged by boycott conduct but lack the financial resources to initiate private litigation under the TPA. The ACCC is a well-resourced agency with an annual budget in excess of $61 million. The Commission also has a litigation reserve of $11 million which it plans to build to $20 million over the next few years. The Government has also expressed the hope that the capacity of the ACCC to initiate representative action will be a ‘substantial disincentive’ to people contemplating conduct in breach of sections 45D and 45E.

Critics of the legislation may argue however that the benefits of the change for small business have been overstated. The ACCC already has mechanisms at its disposal to assist businesses who suffer loss as a result of conduct in breach of sections 45D or 45E. As in the waterfront dispute, it may ask the court to make findings of fact which significantly lower the financial burden of litigation for business. In addition, the ACCC may initiate representative proceedings under the Federal Court of Australia Act. While the technical requirements of the FCAA are more onerous than section 87B of the TPA, there is no evidence that this has deterred the ACCC from using the FCAA. As a practical matter, the ACCC itself has admitted ‘that representative actions are very resource intensive [and that] consequently, the Commission’s ability to run many such cases each year is severely limited.’ This is borne out by the fact that the ACCC has not brought a representative action in relation to any of the other provisions of Part IV since it gained the power to do so in July 2001.

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The difference of opinion between the Government and Opposition over the measures contained in this Bill reflects the fact that the place of sections 45D and 45E in the TPA has been hotly contested for over twenty years. The dispute between the major parties is more concerned with this fundamental issue than the procedural matter of whether the scope of the ACCC’s capacity bring representative actions should be extended.

Endnotes

1 See Victoria v Commonwealth (1975) 134 CLR 81.

2 If the Senate did not reject the Bill outright but declined to deal with it within the Government's timeframe, such a delay may or may not amount to a 'failure to pass' within the meaning of section 57 of the Constitution. What amounts to a 'failure to pass' depends on the particular circumstances. In Victoria v Commonwealth the Court stated that the Senate must have a proper opportunity to consider the Bill see Barwick CJ at 134 CLR 121-122.


4 The ACCC may also seek to bring a representative action under the Federal Court of Australia Act 1976. This is discussed on page 9 below.

5 Professor Fels, Transcript of Interview on Business Sunday, 24 May 1998.

6 Under sections 45DA and 45DB respectively.

7 Under section 45D.


9 House of Representatives Standing Committee on Industry, Science and technology, Finding a balance: towards fair trading in Australia, May 1997, p. 133. While endorsing the proposal to permit representative actions under Part IV of the TPA, the Reid Committee cautioned that the measure would ‘marginally improve small business access to justice’.

10 Joint Select Committee on the Retailing sector, Fair Market or Market Failure? A Review of the Australian Retailing Sector, August 1999.


15 ibid., p. 86.
20 This summary of the Committee’s report is drawn from Bob Bennett, Bills Digest No.96, 1995-96, Workplace Relations and Other Legislation Amendment Bill 1996.
21 See Industrial Relations Reform Act 1993, sections 43 and 44.
23 Similar conduct was captured by section 162 of the Industrial Relations Act 1998 after the Keating Government’s 1993 amendments.
24 This sort of conduct was prohibited by paragraph 45D(1)(b) from 1977 to 1994 and by subsection 45D(1) from 1994 to 1997.
25 This provision is similar to subsection 45D(1A) which applied between 1977-1994 however that provision also captured interstate trade.
28 That case being Australian Competition & Consumer Commission v The Maritime Union of Australia [2001] FCA 1807 (21 November 2001), where the MUA admitted breaching section 45DB.
29 These cases are summarised in the Workplace Relations Act Monitor.
33 ACCC v Golden Sphere International (1998) ATPR 41-638. See also See R Miller, Miller’s Annotated Trade Practices Act 2002, 23rd Ed, p.724
34 See ACCC v Internic Technology Pty Ltd (1998) ATPR 41-646.

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