DOMINANCE AND ITS ABUSE

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INTRODUCTION

The economic concept of dominance needs to be addressed before attempting a narrative which can do justice to the more important latter part of the title. What constitutes dominance? This paper looks at dominance and its abuse with supporting case laws and experiences.

DOMINANCE

An useful definition that would anticipate the objective of competition law and policy as provided by the European Court of Justice is that dominance is "a position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by affording it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers" (Case Law, 1978). This definition carries 2 elements, one an ability to prevent effective competition and the other, an ability to behave independently of 3 sets of market players, namely, competitors, customers and consumers.

"Dominant position" has been appropriately defined in many competition legislations, for example in the new Indian competition law, namely, Competition Act, 2002 in terms of the "position of strength, enjoyed by an enterprise, in the relevant market, in India, which enables it to (i) operate independently of competitive forces prevailing in the relevant market; or (ii) affect its competitors or consumers or the relevant market, in its favour". This definition as well as that of the European Court of Justice (ECJ) may perhaps appear to be somewhat ambiguous and to be capable of different interpretations by different judicial authorities. But then, this ambiguity has a justification having regard to the fact that even a firm with a low market share of just 20% with the remaining 80% diffusedly held by a large number of competitors may be in a position to abuse its dominance, while a firm with say 60% market share with the remaining 40% held by an efficient and effective competitor may not be in a position to abuse its dominance because of the key rivalry in the market. Specifying a threshold or an arithmetical figure for defining dominance may either allow real offenders to escape (like in the first example above) or result in unnecessary litigation (like in the second example above). Hence, in a dynamic changing economic environment, a static arithmetical figure to define "dominance" may, perhaps, be an aberration. With the aforesaid broad definition of the ECJ, the regulatory Authority will have the freedom to fix errant undertakings and encourage competitive market practices, even if there is a large player around. Abuse of dominance is critical for competition law, in so far as dominant enterprises are concerned.

Determining whether a firm has a dominant position is done with reference to a defined market. In other words a firm's dominant position has to be in relation to its power with respect to a market. When the

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expression 'market' is used, it is always the 'relevant market', when identification of dominance is involved. Relevant market is discussed below. Before doing so, it is important to note that only when dominance is clearly established, can abuse of dominance be alleged.

RELEVANT MARKET

Before assessing whether an undertaking is dominant, it is important to determine what the relevant market is. There are two dimensions to this – the **product market** and the **geographical market**. On the demand side, the relevant product market includes all such substitutes that the consumer would switch to, if the price of the product relevant to the investigation were to increase. From the supply side, this would include all producers who could, with their existing facilities, switch to the production of such substitute goods. The geographical boundaries of the relevant market can be similarly defined. Geographic dimension involves identification of the geographical area within which competition takes place. Relevant geographic markets could be local, national, international or occasionally even global, depending upon the facts in each case. Some factors relevant to geographic dimension are consumption and shipment patterns, transportation costs, perishability and existence of barriers to the shipment of products between adjoining geographic areas. For example, in view of the high transportation costs in cement, the relevant geographical market may be the region close to the manufacturing facility.

A relevant market has therefore two fundamental dimensions, product and geographic. The product market describes the good or service. The geographic market describes the locations of the producers or sellers of the product or service. Relevant market is defined by consumer or purchaser preferences and actions. For instance, if purchasers consider two goods to be close substitutes or readily interchangeable, those two goods are considered to be in the same relevant market. As an illustration, butter and margarine can be considered to be in the same relevant market. In contrast, even if producers/sellers consider two goods to be very similar on the ground that they are manufactured on the same machines, the goods may not be in the same relevant market. As an illustration even if 13–inch automobile tyres and 14–inch automobile tyres are made on the same machine, purchasers do not substitute between 13-inch and 14-inch tyres and thus the two sizes are in two different relevant markets.

In sum, relevant market means the market determinable with reference to the relevant product market or the relevant geographic market or with reference to both the markets.

PRODUCT MARKET

Competition Authorities in various countries use or adopt different definitions of the product market. Despite the lack of uniformity, the veneer that runs through the definitions is that the product market has the characteristic of interchangeability or substitutability of goods/services by the consumers/purchasers. Put differently, goods/services that purchasers consider to be substitutes are generally regarded to be in the same product market and those that the purchasers do not consider to be substitutes are regarded to be in separate product markets.

On the demand side, the relevant product market includes all such substitutes that the consumer would switch to, if the price of the product relevant to the investigation were to increase. From the supply side, this would include all producers who could, with their existing facilities, switch to the production of such substitute goods. There are 3 elements that pin a product market. They are:

- Price increase
- Reaction of purchasers
- Smallest size requirement.

Relevant product market could be determined by the Competition Authority having regard to all or any of the following factors:

- physical characteristics or end-use of goods;
- price of goods or service;
- consumer preferences;
- exclusion of in-house production;
- existence of specialised producers;
- classification of industrial products.

GEOGRAPHIC MARKET

The principle of geographic market is similar to that of product market. The geographic market is defined by purchasers' views of the substitutability or interchangeability of products made or sold at various locations. In particular, if purchasers of a product sold in one location would, in response to a small but significant and non-transitory increase in its price, switch to buying the product sold at another location, then those two locations are regarded to the in the same geographic market, with respect to that product. If not, the two locations are regarded to be in different geographic markets.

For example, markets for sand, gravel, cardboard boxes, refuse hauling and other heavy but low value products are often quite small because the cost of transportation is a large fraction of the cost of the product. Transportation cost therefore can indirectly affect the limits of the geographical markets. Limits of geographic markets are often determined by transportation costs, tariffs, trade barriers etc. As an illustration, if foreign producers of a product must pay a tariff (domestic producers do not) then the resulting increase in the price of the foreign product may be so large that the consumers would not switch from the domestic product for the foreign product. Similarly regulations such as for health and safety can serve as barriers to the sale of some goods and services. The relevant geographic market could be determined by the Competition Authority having regard to all or any of the following factors:

- regulatory trade barriers;
- local specification requirements;
- national procurement policies;
- adequate distribution facilities;
- transport costs;
- language;
- consumer preferences;
- need for secure or regular supplies or rapid after-sales services.

The determination of 'relevant market' by the adjudicating Authority has to be done, having due regard to the 'relevant product market' and the 'relevant geographic market'.

An illustration of what constitutes a 'relevant market' is provided in Box 1 below.

RELEVANT MARKET

BOX 1

The Boeing-McDonnell Douglas merger is a good case on the relevance of the relevant market in competition matters. Boeing wanted to acquire its jet aircraft competitor McDonnell Douglas. This attracted competition law. In connection with this merger (acquisition), Boeing entered into contracts with 3 large American airlines to be their exclusive supplier of commercial jet airplanes for 20 years. Even though, the merger was on the US soil, the European Commission exercised its jurisdiction in the matter on the ground that many countries, particularly Europe, constituted the relevant market. The logic behind the said contention of the European Commission was that after the merger, there were only 2 suppliers, namely, the merged entity and Airbus Industries, an European Consortium, thus reducing the number of market players in supplying jet aircraft from 3 to 2. The European Commission saw the exclusive contracts as an emanation of Boeing's increased dominance (its share of the commercial jet aircraft market would increase to about 70% upon merger with McDonnell Douglas). The European Commission also feared that the contracts would unfairly foreclose the European Consortium from access to a substantial part of the market. It ultimately allowed the merger to proceed only on the condition that Boeing forego the exclusivity of the contracts and share technology of McDonnell Douglas (Fox, Eleanor, 1998).

To be considered dominant, a firm must be in a position of such economic strength that it can behave, to an appreciable extent, independently of its competitors and customers. Therefore, to assess dominance it is important to consider the constraints that an enterprise faces on its ability to act independently. It has been noted earlier, that the current market share is an insufficient indicator of dominance, as in spite of having a large market share, a firm may be constrained by the threat of competition from potential entrants and by the purchasing power of its own customers. Entry barriers could result from absolute advantages such as patents (legal) and access to certain inputs. These could also result from strategic first-mover advantages. High sunk cost could make markets incontestable. Exclusionary practices could increase the strategic advantages of the first mover. Lastly, factors other than existing or potential competition need to be considered. For example, strong purchasing power – if customers are powerful relative to the enterprise – can also constrain the behaviour of the firm.

WHEN DOES ABUSE OF DOMINANCE ATTRACT THE LAW?

Adjudication on abuse of dominance has to be preceded by a determination if an enterprise or firm is dominant. Dominance is determined by taking into account one or more of the following factors:

- market share of the enterprise;
- size and resources of the enterprise;
- size and importance of the competitors;
- economic power of the enterprise including commercial advantages over competitors;
- vertical integration of the enterprise, or sale or service network of such enterprise;
- dependence of consumers on the enterprise;
- monopoly or dominant position whether acquired as a result of any statute or by virtue of being a Government company or a public sector undertaking or otherwise;

- entry barriers including barriers such as regulatory barriers, financial risk, high capital cost of entry, marketing entry barriers, technical entry barriers, economies of scale, high cost of substitutable goods or service for consumers;
- countervailing buying power;
- market structure and size of market;
- social obligations and social costs;
- relative advantage, by way of the contribution to the economic development, by the enterprise enjoying a dominant position having or likely to have an appreciable adverse effect on competition;
- any other factor which the Commission may consider relevant for the inquiry.

Abuse of dominance[1] having an adverse effect on competition occurs if an enterprise,

a) directly or indirectly, imposes unfair or discriminatory-
   (i) condition in purchase or sale of goods or service; or
   (ii) price in purchase or sale (including predatory price) of goods or service, or

b) limits or restricts-
   (i) production of goods or provision of services or market therefor; or
   (ii) technical or scientific development relating to goods or services to the prejudice of consumers; or

c) indulges in practice or practices resulting in denial of market access; or
d) makes conclusion of contracts subject to acceptance by other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts; or
e) uses its dominant position in one relevant market to enter into, or protect, other relevant market.

In general, actions undertaken by a dominant firm like charging or paying unfair prices, restriction of quantities, markets and technical development would constitute Abuse of Dominance. Box 2 below is an illustration of unfair pricing constituting abuse of dominance.

UNFAIR PRICING IS ABUSE OF DOMINANCE

BOX 2

Telecentri is a wholly owned company of the Ministry of Telecommunication and Post in Georgia with exclusive rights to operate the country's telecommunication system. Caucasia is a TV company in that country using Telecentri's network under an agreement to transmit TV programmes in the capital city of Tbilisi. All of a sudden, Telecentri imposed additional conditions, which Caucasia found onerous. Telecentri quoted a very high price of US$ 100 for the broadcast of services all over the country. Caucasia was interested only in the transmission of its programmes inside Tbilisi (US$ 10).

Caucasia complained to the State Anti-monopoly Service of Georgia (SASG). After an enquiry, SASG found that Telecentri was violating the country's competition law, which prohibited unilateral imposition of high prices differing considerably from the costs of production. SASG ruled that Telecentri was abusing its dominant position and directed the company to cease and desist from the practice. Unfair pricing is abuse of dominance (CUTS, 2006).

[1] Extracted from the Indian Competition Act, 2002.

Limiting or restricting technical or scientific development relating to goods or services to the prejudice of consumers is captured in the Act as abuse of dominance. A telling example is provided in Box 3, below.

LIMITING TECHNICAL DEVELOPMENT IMPEDES FAIR COMPETITION

BOX 3

Japanese manufacturers of personal computers decided to install Microsoft's Windows OS, which carried some audio-video (AV) function in their computers. For this purpose, a licensing agreement was drafted by Microsoft. Windows OS was enjoying immense popularity and the Japanese manufacturers expected, rightly so, to receive support of consumers. Aware of its dominance in the market, Microsoft incorporated what was known as 'Immunity Provision' in the licensing agreement. The said provision provided that the licensees were precluded from suing, prosecuting or assisting in any judicial, administrative or other proceedings of any kind against Microsoft for infringement of the Japanese manufacturers' patents. Some of the Japanese manufacturers of personal computers owned patents in AV technologies. Because of the 'Immunity Provision', the Japanese manufacturers were barred from enforcing their patent rights against Microsoft, even when Microsoft was found to be exploiting or infringing them (patents). The Japanese Fair Trade Commission ruled that the licensing agreement was having the potential of causing the Japanese manufacturers to lose their competitive edge in developing the technology relating to the AV function and that it was impeding fair competition in this area of technology. The provision was directed to be deleted from the agreement (CUTS, 2006).

Discriminatory behaviour and any other exercise of market power leading to the prevention, restriction or distortion of competition would obviously be included in the offence of abuse of dominance.

Box 4 below describes a discriminatory behaviour prejudicial to competition.

DISCRIMINATORY REBATES AND ABUSE OF DOMINANCE

BOX 4

Production and distribution of oxygen gas and related products were in the hands of Ceylon Oxygen Limited (COL) to the extent of 80% of the market from the 1930s. In 1993, Industrial Gases (Pvt) Limited (IGL) entered the market as COL's competitor. Soon IGL noted that COL had started indulging in practices constituting abuse of its dominant position. IGL complained to the Fair Trade Commission (FTC) of Sri Lanka that COL was resorting to predatory pricing, evidenced by a reduction in the deposit fee on oxygen cylinders from LKR 8500 to LKR 3000 and by a decrease in the maintenance charges from LKR 75 to LKR 55 after IGL's entry. IGL pointed out that COL had entered into agreements with bulk purchasers making it compulsory on them to purchase their entire requirements only from COL for an agreed time period. IGL further alleged that COL was offering substantial discounts on different types of gases and cylinder charges on a discriminatory basis.

FTC identified and held three courses of conduct as anti-competitive, namely, predatory pricing, discriminatory rebates and exclusive dealing. It is another matter, however, that the Court of Appeal held that FTC did not have jurisdiction to investigate such practices (CUTS, 2002). Discriminatory rebates (or discriminatory behaviour) are an exercise in abuse of dominance.

UNFAIR CONDITION OF SALE

Abuse of dominance takes place, *inter alia*, if an enterprise directly or indirectly, imposes unfair or discriminatory condition in purchase or sale of goods or service. Box 5 below illustrates this.

UNFAIR CONDITION OF SALE IS ABUSE OF DOMINANCE

BOX 5

Poulina was and is a giant poultry firm in Tunisia. Even though there were 1500 small producers of chicken and eggs, Poulina dominated the market. Originally Poulina was poultry and egg producer but it took on the role of providing inputs to the small producers to enable them to produce poultry and eggs. Poulina compelled its distributors to carry only its products, even if the products of other suppliers did not compete with those of Poulina. Poulina imposed a condition on its distributors that they would assume responsibility for any economic or health related infractions. The Competition Council of Tunisia ruled that the conditional sales constituted abuse of dominant position and imposed a big fine of 240000 Tunisian Dinars (approx US$ 194000) (Lahouel Mohamed El Hedi, 2003).

Exclusive supply/distribution agreements could constitute abuse of dominance. A case in Zambia is described in Box 6 below.

EXCLUSIVE SUPPLY/DISTRIBUTION AGREEMENT IN ZAMBIA

BOX 6

Hybrid Poultry Farm (HPF) and Galaunia Holdings (GH) entered into an agreement, in terms of which HPF agreed to sell its farm and poultry processing plants to GH. The sale agreement included exclusive dealing arrangements. For instance, GH would purchase only day old chicks from HPF and HPF would have the right of first refusal, should GH resell the farm. GH under the agreement should not raise any other poultry apart from broiler chickens and should not enter the business of hatching chickens.

The Zambia Competition Commission which enquired into the matter found that HPF and GH were the two leading players in the poultry sector. HPF was found dominant in the upstream market while GH was dominant in the downstream sub-sector. GH was found to be the largest buyer in the poultry market. It was the finding of the Commission that the two parties had abused their dominance and were foreclosing competition in day old chicks, table broiler birds and frozen chicken. The vertical agreement was nullified (CUTS, 2002a).

Box 7 next page is a case law which prohibits tie-in conditions as abuse of dominance.

Abuse of dominance generally occurs when a dominant player restricts new entry into the market or forecloses the commercial opportunity of weaker traders or creates barriers in economic freedom of its probable competitors. It is not always that abuse of dominance is resorted to by private players in the market, like firms and enterprises. Abuse of dominance may be induced by a Government policy. Box 8 next page is an illustration from Malawi.

TIE-IN REBATE IS AN ABUSE

BOX 7

Valio Oy is a Finnish dairy products company having a dominant position in the liquid dairy product market in Finland. It had a rebate arrangement, in terms of which, retailers were granted discounts/rebates on the prices of liquid dairy products, on the basis of the average value of all the products (liquid products, cheese, fats, ice-cream, snacks and juice) obtained from Valio. Under this scheme, retailers were forced to make all their purchases of liquid dairy products from Valio, which had the effect of tying customers and excluding competitors from the market. The matter was carried to the Competition Council. Valio argued that it was lawfully meeting competition. But the Council concluded that Valio was seeking to capture the market and to strengthen its market dominance and that tie-in rebate constituted abuse of dominance. It imposed a fine of FIM 5 million for having committed the offence of abuse of dominance. The Supreme Administrative Court (appellate authority) dismissed the appeal of Valio and expressly commented that Valio was guilty of trenching competition law (OECD, 1998).

POLICY-INDUCED ABUSE OF DOMINANCE IN MALAWI

BOX 8

In Malawi, there is reportedly high market concentration in the areas of plantation, agriculture, manufacturing, financial and other services. Three parastatals, namely, Agricultural Development and Marketing Corporation (ADMARC), Malawi Developing Corporation (MDC) and Press Corporation Limited (PCL) have been the vehicles used by the Government to significantly participate in the economy. Malawi Government effected this participation through the creation of monopolies in sectors such as cement, matches, meat products, textiles and shoes. Establishment of monopolies through the parastatals has impeded the development of private sector, which felt discouraged to enter the said goods areas. Consequently, the goods relating to these areas are high priced and often not up to standard quality. Even though the Government ushered in a liberalisation and privatisation policy, the three parastatals ADMARC, MDC and PCL were not subjected to privatisation. Furthermore, Government supported the parastatals through subventions which made it difficult for the private sector to enter those areas and compete effectively. This is a typical case of a Government policy-induced monopolistic situation constituting abuse of dominance hurting consumers. The poor people consuming meat products, textiles, matches and shoes have been impacted adversely by this abuse of dominance (Consumers Association of Malawi, 2003)

It needs to be clarified that there is a fine distinction between defending one's market position or market share, which is perfectly legal and legitimate and may involve certain level of aggressive competitive behaviour and exclusionary and anti-competitive behaviour. Key questions for adjudication on abuse of dominance could include:

- How will the practice harm competition?
- Will it deter or prevent entry?
- Will it reduce incentives of the firm and its rivals to compete aggressively?
- Will it provide the dominant firm with an additional capacity to raise prices?
- Will it prevent investments in research and innovation?
- Do consumers benefit from lower prices and/or greater product and service availability?

PREDATORY PRICING

One of the most pernicious forms of abuse of dominance is the practice of predatory pricing. Predatory pricing occurs, where a dominant enterprise charges low prices over a long enough period of time so as to drive a competitor from the market or deter others from entering the market and then raises prices to recoup its losses. The greater the diversification of the activities of the enterprise in terms of products and markets and the greater its financial resources, the greater is its ability to engage in predatory behaviour.

"Predatory price" is defined to mean the sale of goods or provision of services, at a price which is below the cost of production of the goods or provision of services, with a view to reduce competition or eliminate the competitors. Predatory pricing, therefore is a situation where a firm with market power prices below cost so as to drive competitors out of the market and, in this way, acquire or maintain a position of dominance. But there is a danger of confusing pro-competitive pricing with predatory behaviour. In reality, predation is only established after the fact i.e. once the rival has left the market and the predator has acquired a monopoly position in the market. However, any law to prevent is meaningful, only if it takes effect before the fact i.e. before the competitor has left the market.

An important issue, therefore, is the identification of predatory pricing. According to theory, a price below marginal cost is indicative of predatory pricing. A practical alternative is to use the average variable cost as a substitute since marginal costs are not generally available. In some cases, as in a judgment in Utah Pie case[2], a price below the full cost was taken to be predatory. The problem is that if this were the only criterion, any firm making losses could potentially be accused of predation. In fact the case is only made, once the firm has recouped its first period losses and in the second period, when it functions as a monopolist. If it does not, then there may well be a gain in social welfare through the lower prices charged by the firm. It is in this context that an alternative two-stage test is desirable, where, in the first instance, the market structure should be analysed and it must be established that the market is one where predation can be successful, before a comparison of price and cost is made at the second stage. Thus if it is clear *ex ante* that the market is one where predation cannot be successful as a result of new entry, re-entry, foreign competition or some other factor, then even if a firm is charging "predatory" prices in current period, it is not a cause for concern.

If one were to segment the characteristics of the offence of predation, the following would appear to be crucial elements for its presence:

1. the predator must be shown to have a dominant position in the market in order to establish that the predator has market control;
2. the prices must be unreasonably low;
3. the predator must be able to recoup its losses made during the predation period; and
4. the intention must be the elimination of a competitor(s).

Predatory pricing is a kind of Antitrust violation. The Monopolies and Restrictive Trade Practices Commission in India in the Modern Food Industries Ltd. (MRTP Commission, 1996) case observed that the essence of predatory pricing is pricing below cost with a view to eliminating a rival. Further, the Commission made it clear that the "mere offer of a price lower than the cost of production cannot automatically lead to an indictment of predatory pricing" and that evidence of "malafide intent to drive

[2] Utah Pie Co. vs. Continental Banking Co. et al 386, US 685.

competitors out of business or to eliminate competition" is required. The logic underlying the caution of the Commission is that price-cutting may be for genuine reasons, for example in the case of inventory surplus. Price-cutting has therefore to be coupled with the *mens rea* of eliminating a competitor or competition to become an offence under competition law.

Competition legislations generally frown on predatory pricing as an abuse of dominance. Box 9 below explains the practice.

ELIMINATING COMPETITION IS CRITICAL FOR PREDATORY PRICING

BOX 9

Beer industry is highly concentrated in Zimbabwe. National Breweries Limited (NBL) is the largest firm in the beer sector in that country with a market share of 90%. It has a national distribution network. Challenging the near monopoly of NBL, Nesbitt Brewery entered the beer market but confined its operations only to the town Chiredzi in the country. NBL, on the other hand was operating throughout the country. NBL organised a beer promotion campaign in Chiredzi much to the discomfort of Nesbitt. The promotion campaign included offer of free snacks and T-shirts, lucky draw tickets, free beers and substantial price reductions. The promotion campaign was held only in Chiredzi, where Nesbitt is based. NBL's prices for beer were below its normal landed costs in that town. Nesbitt complained to the Competition Commission. The alleged practices were found to be predatory within the relevant provisions of the Competition Act, 1996 of Zimbabwe. The Commission made NBL to sign an undertaking that it would desist from future promotional activities primarily aimed at driving Nesbitt out of the market (UNCTAD, 2002). Eliminating competition or competitors is an important and critical element in the offence of predatory pricing.

A question that arises is as to what constitutes 'unreasonably low prices' or 'unfair prices'. What is the yardstick for determining the point when desirable price competition becomes predatory price-cutting?

An 'unreasonably low price' is determined according to the relationship of the price to the underlying cost of production. A test applied by both the US and the European Courts is known as the **Areeda and Turner test**. The test stipulates that:

- Any price at or above 'reasonably anticipated' short-run marginal costs is non-predatory.
- A price below 'reasonably anticipated' short-run marginal cost is predatory unless at or above average total cost (ATC).
- Since data on marginal costs are difficult to obtain, average variable costs (AVC) which are much easier to ascertain, should be used by the courts as a surrogate for marginal costs in the above formulation, unless average variable costs fall significantly below marginal cost in the relevant range of output.

The proof of predation in pricing, according to the Areeda and Turner test, relies exclusively on a cost/price analysis. The basic proposition of this test is that if the price is found to be below the marginal cost (or its proxy, the average variable cost), it can be assumed that such price is predatory.

Thus predatory pricing can be benign to consumers in some circumstances, but can be malignant to them, if the predator's intent is to eliminate competition or competitors. Having said this, a thumb rule can be posited, which should be carefully invoked, with the rule of reason holding centre stage.

Sale at a price-

(1) below the average variable cost shall be deemed to be conclusively predatory;
(2) between the average total cost and the average variable cost shall be presumed to be not in contravention of the provisions relating to abuse of dominance under the Act, unless the complainant establishes intent on part of the Respondent to eliminate competition or competitors;
(3) above the average total cost shall be deemed to be conclusively not predatory.

In the above thumb rule formulation,

(a) 'total cost' means fixed cost plus variable cost.

Explanation: (i) 'fixed costs' are those costs, such as land or plant costs which in the short run do not vary with the output;
(ii) 'variable costs' are those costs such as wages and raw materials that vary with the output;

(b) 'average variable cost' is the variable cost divided by the output.
(c) 'average total cost' is the total cost divided by the output.

FINALE

Most modern competition laws do not frown upon dominance as such but frown upon abuse of dominance.

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