

Cavalier Wool Scours Authorisation: Topics for Commission Conference

10 June 2015

Below is a list of topics that the Commission is intending to hear evidence and submissions on at the Cavalier conference on 10 June. This list is not exhaustive and is only intended to guide attendees as to the topics we are likely to examine.

Allocative efficiency losses

- The extent to which greasy exports of wool provide a constraint on the price of domestic scouring services and whether this constraint varies depending on:
 - the current destination of clean wool exports;
 - any differential in margins made by merchants on selling clean versus greasy wool; and
 - whether any increase in scouring prices would be passed-through to farmers in the form of lower farm gate prices.
- The quantitative analyses submitted on likely price increases.
- The extent to which potential entry into the scouring market would constrain scouring prices, including:
 - the rate of return that an entrant would require if such an entrant were one or more existing players within the wool industry;
 - the likely expected wool grease price; and/or
 - the time it would take for entry to occur.

Productive and dynamic efficiency losses

- The extent to which information and data monitoring, or any other management practices, would limit potential productive efficiency losses.
- The incentives and/or the abilities of shareholders to limit productive and dynamic efficiency losses.
- Maximum reasonable potential productive and dynamic efficiency losses.

Benefits

- Appropriate timing of benefits that arise from assets that become available for alternative use as a result of the transaction.
- The timing of the realisation of cost savings arising from the transaction.
- The degree of variability that should be applied to estimated benefits.

Wealth transfers

- The rate of pass-through of any scouring price increase to farmers in the form of lower farm gate prices.
- Evidence available regarding the rate and magnitude of pass-through.
- The benefits that accrue to foreign shareholders that should be included in the analysis. This may be because considering such benefits ensures that:
 - ‘functional’ returns which provide an efficient signal to beneficial inbound foreign investment are maintained; or
 - there is an incentive for firms to engage in cost minimisation which would assist in resources being used efficiently.
- The potential impact of foreign wealth transfers resulting from changes in shareholdings between domestic shareholders and foreign shareholders subsequent to the transaction.