

## COMMERCE COMMISSION

### **Decision No. 440**

Determination pursuant to the Commerce Act 1986 in the matter of an application for clearance involving:

**LOWE CORPORATION LIMITED**

**and**

**COLYER MAIR LIMITED**

**The Commission:** M J Belgrave  
Dr M N Berry  
D R Bates QC

**Summary of Application:** The acquisition by Lowe Corporation Limited of 100% of the shares and the business of Colyer Mair Limited.

**Determination:** Pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance for the proposed acquisition.

**Date of Determination:** 27 July 2001

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BRACKETS**

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## INTRODUCTION

1. On 17 May 2001, the Commerce Commission (“the Commission”) registered a notice pursuant to section 66(1) of the Commerce Act 1986 (“the Act”), in which clearance was sought by Lowe Corporation Limited (“LCL”) for the acquisition of 100% of the shares and the business of Colyer Mair Limited (“CML”). Both businesses are involved in procuring unprocessed (“green”) animal skins, and in processing, producing and exporting semi-processed leather.

## THE PROCEDURE

2. The notice was registered on 17 May 2001. Section 66(3) of the Act requires the Commission either to clear or to decline to clear a notice registered under section 66(1) within 10 working days, unless the Commission and the person who gave notice agree to a longer period. The Commission sought and was granted a number of extensions. Accordingly, a decision was required by 27 July 2001.
3. LCL sought confidentiality in respect of the fact of the application. The Commission determined that, in the circumstances, it was not appropriate to grant such an order. LCL did not seek confidentiality for any specific information contained in the application.
4. The Commission’s determination is based on an investigation conducted by staff. In the course of its investigation, Commission staff discussed the application with the following parties:
  - ? Advanced Foods
  - ? AFFCO New Zealand Limited
  - ? Astley Leathers Limited
  - ? Auckland Meat Processors Limited
  - ? Auckland Regional Council
  - ? Bay Skins & Hides
  - ? Blue Sky Meats New Zealand Limited
  - ? Canterbury Meat Packers Limited
  - ? CML
  - ? Coromandel Foods Limited
  - ? [ ]
  - ? Feilding Skin Processors Limited
  - ? Frasertown Meat Company Limited
  - ? Greenlea Premier Meats Limited
  - ? King Country Skins
  - ? Kintyre Abattoir
  - ? Lakeview Farm Fresh Limited
  - ? Land Meat New Zealand Limited
  - ? Lamb Packers Feilding Limited
  - ? LCL
  - ? Matakana Abattoir
  - ? Medallion Foods Limited
  - ? Napier Abattoir Limited
  - ? New Zealand Light Leathers Limited

- ? Piako Processors Limited
- ? Prime Range Meats Limited
- ? Richmond Limited
- ? Riverlands Limited
- ? Taranaki Abattoir Company (1992) Limited
- ? Tasman Tanning Company Limited
- ? Taylor Preston Limited
- ? Te Kuiti Meat Processors Limited
- ? The New Zealand Abattoir Association
- ? Tomoana Pelt Processors Limited
- ? Universal Beef Packers Limited
- ? Waitaki Leathers
- ? Hollander Waitotara Processing Limited
- ? Wallace Corporation Limited
- ? Warkworth Meat Processors Limited
- ? Wilkes & Prior Limited.

5. This application was registered prior to amendments to the Act. Accordingly, it was considered under the dominance threshold.

## **THE PARTIES**

### **Lowe Corporation Limited**

6. LCL is owned in equal 50% shares by Graham Lowe Finance and Investment Limited and Graeme Eric Selby Lowe. It was formed after the sale of meat processing interests of Lowe Walker Limited to Richmond in 1998 and undertakes the following business activities:
- ? bovine skin processing and exporting
  - ? bovine and ovine rendering processing and exporting
  - ? sale and purchase of small volumes of meat and offal for the export market.

LCL has a 42.5% shareholding in Tomoana Pelt Processors Limited, a fellmongery in Hastings. The other shares are held by Hampstead Enterprises Limited (42.5%) and Te Kuiti Meats Limited (15%). In addition, LCL has a wholly-owned tannery in Hastings that processes bovine skins.

### **Colyer Mair Limited**

7. CML is wholly-owned by Mair Leather Group Limited which is in turn wholly-owned by Richina Pacific Limited. CML was formed by an amalgamation of Colyer Watson Hides Limited and the activities of Mair Pelts Limited. It undertakes the following business activities:
- ? bovine skin processing and exporting
  - ? ovine, deer and goat skin processing, and wool processing and exporting
  - ? a small amount of calf skin processing.

CML has wholly owned tanneries in Auckland and Christchurch, and wholly-owned fellmongeries in Wanganui, Napier, Christchurch and Dunedin. It owns 50% of Hollander Waitotara Processing Limited, which operates a fellmongery in Wanganui. Richmond Waitotara Limited holds the other 50% stake in this fellmongery. CML also owns 38% of Heartland Prime Meats Limited.

## **BACKGROUND**

### **The Tanning Industry**

#### *Industry Structure*

8. The tanning industry is comprised of fellmongeries and tanneries (“skin processors”). These are distinct operations, the role of which is to convert by-products from the meat processing industry into an intermediate input used in manufacturing finished leather products. Animal skins are the raw materials of the tanning industry. The processing of animal skins involves several distinct steps that can be performed in an integrated manner at one plant, or spread over several plants. The following types of businesses participate in the tanning industry.

#### Vertically Integrated Businesses

9. Richmond and AFFCO operate fellmongeries and tanneries that are supplied with animal skins from integrated meat processing plants, although AFFCO is also supplied by some independent meat processors. The tendency of vertically integrated businesses to process animal skins in-house reduces the potential volume of skins that independent skin processors can compete for. By taking additional supplies of animal skins from independent meat processors, vertically integrated businesses can maximise throughput and lower fixed costs at their skin processing plants.

#### Non-vertically Integrated Skin Processors

10. Non-vertically integrated (“independent”) skin processors operate either as a fellmongery, tannery or both. They are generally supplied with animal skins by independent meat processors under short-term arrangements. Independent meat processors are not a “captive” source of supply. These factors and the high fixed costs of skin processing plants mean that independent skin processors have a real economic incentive to maintain relationships with their existing suppliers and to seek new suppliers.
11. LCL and CML currently compete with each other, with other independent skin processors, and with AFFCO, for the supply of animal skins from independent meat processors. Richmond supplies LCL under the arrangement referred to in Paragraph 20 [ ]].

#### Non-vertically integrated Meat Processors

12. Non-vertically integrated (“independent”) meat processors operate one or more meat processing plants but do not process their own animal skins. They depend on independent skin processors to provide fellmongery or tanning services.

13. A number of independent meat processors have expressed concern that the proposed acquisition would reduce the range of skin processors to which they could choose to sell skins. A number have also expressed satisfaction with the existing market structure, and concern if this were to be altered. Stronger concerns were expressed in respect of fellmongery services than tanning services.
14. In particular, independent meat processors have expressed concern that the merged entity will attempt to reduce the price it pays for green skins (under a green schedule purchasing arrangement) or increase the processing fees it charges (under a toll processing arrangement). Some independent meat processors also consider that if this situation arose, no vertically integrated business with spare capacity would have an incentive to provide fellmongery or tanning services to them, as both are competitors in livestock acquisition markets.

#### *Skin Processing Costs*

15. Skin processing plants are characterised by high fixed costs and low variable costs. They need to maintain a minimum throughput of animal skins in order to remain profitable. Once a minimum level of throughput is obtained, any additional volume of skins processed translates into profit. This means that:
- ? there is an economic incentive for skin processors to maximise the volume of skins processed by their plants
  - ? there is an economic incentive for skin processors to retain existing supplies of skins, particularly in the case of independent skin processors without captive supplies
  - ? a decline in the volume of skins processed by a plant can reduce its profitability substantially, even where this decline is small relative to the overall throughput of the plant.

#### *Livestock Acquisition*

16. In Decision No. 273<sup>1</sup>, involving a proposed arrangement between meat processing companies in the North Island, the Commission defined the following markets:
- ? the market for the procurement of sheep and lambs for slaughter and processing in the North Island
  - ? the market for the procurement of beef for slaughter and processing in the North Island.
17. In Decision No. 371<sup>2</sup>, involving a merger between two North Island meat companies the Commission concluded that intense competition existed in the market for the procurement of sheep and lambs in the North Island. The market for the procurement of beef for slaughter in the North Island also appears to be highly competitive. All market participants have some capacity to slaughter and process additional volumes of livestock.

<sup>1</sup> Commerce Commission Decision No. 273, Weddel New Zealand Limited, 2 February 1995, 34.

<sup>2</sup> Commerce Commission Decision No. 371, Richmond Limited and Waitotara Meat Company, 6 September 1999, 11.

18. Vertically integrated businesses and independent meat processors compete in the above markets to acquire livestock. The value of skins forms part of the schedule price that meat processors offer farmers for the purchase of stock. Meat processors remove skins from the slaughtered stock and supply these either green or preserved (“salted”) to skin processors. The supply of animal skins is seasonal, reflecting the annual production cycle in the meat processing industry.<sup>3</sup>
19. There is a clear relationship between the price that skin processors offer meat processors for skins and the price that meat processors are able to offer farmers for livestock. Meat processors must offer farmers a competitive market price to acquire livestock. The price paid for animal skins influences the price that meat processors offer for livestock. A reduced price for animal skins is likely to lead to a reduced price being offered for livestock. This has implications for the ability of meat processors to procure livestock. In short, skin processors that offer a reduced price for skins are likely to see their existing supply streams disappear and would be unlikely to obtain new supply streams. This dynamic impacts significantly on the ability of skin processors to exercise market power.

#### *Animal Skin Acquisition*

20. Supply arrangements between meat processors and skin processors vary from [ ] to informal understandings between supplier and buyer, with the latter being the most common.
21. Meat processors tend to determine which skin processor to supply based on:
- ? the location (proximity to skin processor minimises transport costs and spoilage)
  - ? the ability to negotiate preferred supplier status with the skin processor
  - ? the ability of the skin processor to deal with all animal skins supplied at the peak of the season
  - ? the price offered by the skin processor.
22. Meat processors supply animal skins to skin processors through two main types of arrangements. Under both types of arrangement the processing fee charged by the skin processor affects returns to the meat processor and ultimately returns to the farmer.

#### Toll Processing

23. Under a toll processing arrangement the meat processor retains ownership of the animal skins throughout processing. The meat processor pays processing and handling fees to the skin processor, and then markets the processed product itself. The meat processor tends to negotiate these fees with the skin processor directly.

#### Green Schedule Purchasing

24. Under a green schedule purchasing arrangement the skin processor buys the animal skins and processes and markets them on its own account. The skin processor offers the meat processor

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<sup>3</sup> See the graphs contained in Appendix A showing stock numbers slaughtered by month during a typical processing year.

a price for green or salted animal skins through a schedule, which is set weekly, fortnightly or monthly. Green Schedule Processing is the most common type of arrangement with most suppliers under this arrangement choosing not to involve in direct marketing of the skins.

25. The schedule price offered to a meat processor is based on the international market price for semi-processed commodity products. Deductions are made from this price for ocean freight and insurance, internal transport, and marketing and processing fees. These deductions ultimately determine the schedule price offered to meat processors. This method of arriving at a schedule price is used by both vertically integrated businesses for internal transfer pricing and by independent skin processors for purchase of animal skins.
26. Typically, meat processors receive schedules from a number of skin processors and can compare the prices offered in these schedules.

#### *Fellmongery*

27. Fellmongery involves processing ovine skins to remove wool and flesh through chemical and physical procedures.<sup>4</sup> The purpose of fellmongery is to recover the wool attached to the skins (“slipe wool”) before further processing. A fellmongery processes skins into “pickled pelts”. Pickled pelts are either sold overseas or are sent to an ovine tannery for further processing.
28. As fellmongeries must be able to process peak season volumes, they are under-utilised for much of the year. In peak season, some fellmongeries sell surplus skins or have them toll processed at other fellmongeries with spare capacity. Outside peak season all fellmongeries have surplus processing capacity and target any uncommitted supplies, buy salted skins from other fellmongeries or import salted skins. For example, Tomoana Pelt Processors Limited and Colyer Mair Limited have both imported skins from Australia and the UK.

#### *Tanning*

29. Tanning involves the treatment of animal skins so that the resulting leather will resist decay, fill the required function of the leather and be pleasing to the hand and eye. It involves a number of distinct steps that vary according to the intended use of the resulting product.<sup>5</sup> Chrome tanning is the most common tanning process and is applied to most types of animal skin.
30. Tanneries process animal skins into “wet-blue” or “crust” semi-processed leather. Almost all semi-processed leather is exported although there are a small number of New Zealand finished leather producers including New Zealand Light Leathers Limited, Waitaki Leathers, Astley Leathers Limited and Tasman Tanning that purchase semi-processed leather from New Zealand suppliers. Both LCL and CML process animal skins to the wet blue stage and sell these to finished leather tanners. Animal skins that have been processed to wet blue are stable and can be stored for long periods if this is done correctly.
31. While there is pressure on North Island tanneries to process additional animal skins in peak season, there is nevertheless some spare processing capacity during peak season. Some

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<sup>4</sup> See Appendix B

<sup>5</sup> See Appendix C



tanneries may also sell surplus supplies to competitors for processing on a toll-processing basis. Outside peak season most are under-utilised and may buy salted animal skins from competitors, import salted animal skins or rework their salted animal skins stored as surplus during peak season.

32. The following paragraphs describe the types of tanneries that operate in New Zealand.

#### Ovine Tanneries

33. Ovine tanneries buy green or salted ovine skins from a meat processor, or pickled pelts from a fellmongery. If buying green or salted skins an ovine tannery will undertake fellmongery itself. They process these to wet blue, crust or finished leather. Ovine leather is used mainly in garment manufacturing.

#### Bovine Tanneries

34. Bovine tanneries buy green or salted bovine skins (“hides”) from a meat processor. Cervine (deer) skins may also be processed at a bovine tannery. Hair and flesh are removed from the skins at the tannery rather than a fellmongery as the hair has no value and there is no incentive for it to be recovered. After hair and flesh have been removed the tannery processes skins to wet blue, crust or finished leather stages. Bovine leather is used in footwear, furniture and garment manufacturing. Cervine leather is used mainly in garment and accessory manufacturing.

#### Woolskin Tanneries

35. Meat processors also provide green or salted ovine skins directly to woolskin tanneries. Woolskin tanneries process and tan these with the wool intact for products such as woolskin rugs. New Zealand woolskin tanneries include GL Bowron & Company Limited, Windward Skins Limited, Classic Sheepskins, Egmont Skins and Hides Limited, and Slink Skins Waimate Limited.

## **MARKET DEFINITION**

### **Introduction**

36. The purpose of defining a market is to provide a framework within which the competition implications of a business acquisition can be analysed. The relevant markets are those in which competition may be affected by the acquisition being considered. Identification of the relevant markets enables the Commission to examine whether the acquisition would result, or would be likely to result, in the acquisition or strengthening of a dominant position in any market in terms of section 47(1) of the Act.

37. Section 3(1A) of the Act provides that:

“... the term ‘market’ is a reference to a market in New Zealand for goods and services as well as other goods and services that, as a matter of fact and commercial common sense, are substitutable for them.”

38. Relevant principles relating to market definition are set out in *Telecom Corporation of New Zealand Ltd v Commerce Commission*<sup>6</sup> and in the Commission's Business Acquisition Guidelines ("the Guidelines").<sup>7</sup> A brief outline of these principles follows.
39. Markets are defined in relation to three dimensions, namely product type, geographical extent, and functional level. A market encompasses products that are close substitutes in the eyes of buyers, and excludes all other products. The boundaries of the product and geographical markets are identified by considering the extent to which buyers are able to substitute other products, or across geographical regions, when they are given the incentive to do so by a change in the relative prices of the products concerned. A market is the smallest area of product and geographic space in which all such substitution possibilities are encompassed. It is in this space that a hypothetical, profit maximising, monopoly supplier of the defined product could exert market power, because buyers, facing a rise in price, would have no close substitutes to which to turn.
40. A properly defined market includes products which are regarded by buyers or sellers as being not too different ("product dimension"), and not too far away ("geographical dimension"), and are therefore products over which the hypothetical monopolist would need to exercise control in order for it to be able to exert market power. A market defined in these terms is one within which a hypothetical monopolist would be in a position to impose, at the least, a "small yet significant and non-transitory increase in price" ("the *ssnip* test"), assuming that other terms of sale remain unchanged.
41. The process of defining relevant markets is unlikely to be as precise and scientific as suggested by the *ssnip* test. The test sets out a framework within which case by case judgements must occur. Those judgements will involve consideration of a range of evidence including estimates of price elasticity, price trend data, consumer surveys, and observation and informed opinion. Finally a market will be determined as a matter of fact and commercial common sense.
42. Markets are also defined in relation to functional level. Typically, the production, distribution, and sale of products takes place through a series of stages, which may be visualised as being arranged vertically, with markets intervening between suppliers at one vertical stage and buyers at the next. Hence, the functional market level affected by the application has to be determined as part of the market definition. For example, that between manufacturers and wholesalers might be called the "manufacturing market", while that between wholesalers and retailers is usually known as the "wholesaling market".
43. A report prepared by the New Zealand Institute of Economic Research ("the NZIER report") in support of the application made by LCL identifies the three principal markets affected by the acquisition as:
- ? the market for the supply of fellmongery services: this includes the removal of wool from skins by chemical and physical means
  - ? the market for the supply of tanning services: this includes providing any or all of the stages of tanning from initial treatment through to preparation of product for export

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<sup>6</sup> (1991) 4 TCLR 473.

<sup>7</sup> *Business Acquisition Guidelines*, Commerce Commission, 1999, 11-16.

- ? the supply of international marketing services for the sale of skins, hides and wool: this includes the full range of organisation and negotiation involved in selling product into overseas markets through local agents.

44. Typically, skin processors market their products either directly or through domestic or overseas agents. The market for the supply of international marketing services for hides, skins and wool is likely to be highly competitive with domestic providers of marketing services competing with suppliers in other countries. Accordingly, the Commission considers it unlikely that there will be any significant aggregation in this market as a result of the proposed acquisition, and will not consider this market further.

### **Product/Service Dimension**

45. Fellmongery and tanning involve similar chemical and physical procedures but are essentially distinct services and are offered to different customers.

### **Functional Dimension**

46. The functional dimension of all three markets proposed in the NZIER report appears to be for the supply and acquisition of intermediate goods (animal skins) and services (skin processing). There appear to be four vertical levels that are relevant to the application. These are:

- ? the acquisition and processing of livestock
- ? the acquisition and processing of ovine skins
- ? the acquisition and processing of bovine and cervine skins
- ? the supply of semi-processed leather.

#### *The Acquisition and Processing of Livestock*

47. At this level a farmer supplies livestock to a meat processor for processing into meat or edible offal products. Inedible by-products of this process are supplied to vertically integrated or independent rendering plants, fellmongeries or tanneries.

#### *The Acquisition and Processing of Ovine Skins*

48. At this level a meat processor supplies green or salted ovine skins to a fellmongery for processing into pickled pelts. Pickled pelts are supplied to an ovine tannery for further processing. An ovine tannery processes pickled pelts to wet blue, crust or finished leather.

#### *The Acquisition and Processing of Bovine and Cervine Skins*

49. At this level a meat processor supplies green or salted bovine and cervine skins to a tannery. Bovine and cervine skins do not go to a fellmongery prior to tanning. The tannery processes these skins to wet blue, crust or finished leather.

### *The Supply of Semi-Processed Leather*

50. At this level a tannery offers wet blue or crust semi-processed leather for sale to buyers in New Zealand and overseas. The bulk of semi-processed leather produced in New Zealand is exported with only a small volume being sold to domestic manufacturers.

### **Geographic Dimension**

#### *Fellmongery and Tanning Services*

51. In Decision No. 371, the Commission defined a market for the supply of fellmongery services within the North Island.<sup>8</sup> For the purposes of the current application, the Commission considers that this market has an acquisition dimension, and is correctly defined as the market for the acquisition and supply of fellmongery services within the North Island.
52. Green animal skins are highly perishable and must be chilled immediately after slaughter to prevent spoilage. Although spoilage can be reduced through chilling or other techniques, it is preferable that they arrive at a skin processor within 10 to 24 hours of slaughter. Unless chilled, or preserved through some other means, green animal skins cannot be transported far and are adversely affected by transport delays.
53. Inter-island transfers of green animal skins have occurred. For example, Canterbury Meat Packers has sent green hides from its plants in Ashburton and Blenheim to Tasman Tanning in Wanganui for processing. Tasman Tanning has advised that the cost of inter-Island transport is approximately [ ] per hide, [ ] However, these transfers do not appear to be common practice within the industry.
54. Most skin processors spoken with have indicated that they would prefer not to transfer green animal skins between islands. Typically, skin processors in the South Island do not attempt to procure animal skins from North Island meat processors. Most meat processors spoken to also prefer to have animal skins processed within the same island, and have cited perishability and transport costs as reasons for this.
55. Transport costs within the North Island vary. For example, Kintyre Abattoir in Gladstone has said that the transport cost for it to send skins to Tomoana Pelt Processors in Hastings is approximately [ ] per skin. It estimates that if it were to send skins to Auckland for processing its transport cost would be approximately [ ] per skin.
56. Based on the above factors, the Commission considers that there is a North Island market for the supply and acquisition of tanning services, and a North Island market for the supply and acquisition of fellmongery services.

#### *Semi-Processed Leather Supply*

57. Semi-processed leather is a relatively stable product. For example, wet-blue hides or skins can last for years if stored correctly. For this reason semi-processed leather can be transported over a greater distance and can also be exported.

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<sup>8</sup>Above note 2, 8.

58. Based on the above factors, the Commission considers that there is a national market for the supply of semi-processed leather.

### **Conclusion on Relevant Markets**

59. The Commission considers that there is a market for the acquisition and supply of tanning services within the North Island, and markets for the supply of fellmongery and tanning services in the South Island.

60. The Commission considers that there is a national market for the supply of semi-processed leather to manufacturers of finished leather products.

61. It is proposed that the following markets be adopted:

- ? the North Island market for the acquisition and supply of fellmongery services
- ? the North Island market for the acquisition and supply of tanning services
- ? the South Island market for the acquisition and supply of fellmongery services
- ? the South Island market for the acquisition and supply of tanning services
- ? the national market for the supply of semi-processed leather.

62. As there is no aggregation in the South Island markets for the acquisition and supply of fellmongery or tanning services, and the Commission will not consider the following markets further:

- ? the South Island market for the acquisition and supply of fellmongery services
- ? the South Island market for the acquisition and supply of tanning services.

## **COMPETITION ANALYSIS**

### **Introduction**

63. The competition analysis assesses competition in the relevant markets in order to determine whether the proposed acquisition would not result, or would not be likely to result, in an acquisition or strengthening of dominance.

64. Competition in a market is a broad concept. It is defined in section 3(1) of the Commerce Act as meaning “workable or effective competition”. In referring to this definition the Court of Appeal said:

“That encompasses a market framework which participants may enter and in which they may engage in rivalrous behaviour with the expectation of deriving advantage from greater efficiency.”<sup>9</sup>

65. Section 3(9) of the Commerce Act states:

“For the purposes of sections 47 and 48 of this Act, a person has ... a dominant position in a market if that person as a supplier ... of goods and services, is or are in a position to exercise a

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<sup>9</sup> *Port Nelson Limited v Commerce Commission* (1996) 3 NZLR 554, 564-565.

dominant influence over the production, acquisition, supply, or price of goods or services in that market and for the purposes of determining whether a person is ... in a position to exercise a dominant influence over the production, acquisition, supply, or price of goods or services in a market regard shall be had to:

- (a) The share of the market, the technical knowledge, the access to materials or capital of that person or those persons:
- (b) The extent to which that person is ... constrained by the conduct of competitors or potential competitors in that market:
- (c) Extent to which that person is ... constrained by the conduct of suppliers or acquirers of goods or services in that market.”

### *The Dominance Test*

66. Section 47(1) of the Commerce Act prohibits certain business acquisitions:

“No person shall acquire assets of a business or shares if, as a result of the acquisition, -

- (a) That person or another person would be, or would be likely to be, in a dominant position in a market; or
- (b) That person’s or another person’s dominant position in a market would be, or would be likely to be, strengthened.”

67. The test for dominance has been considered by the High Court. McGechan J stated:

“The test for ‘dominance’ is not a matter of prevailing economic theory, to be identified outside the statute.”

...

“Dominance includes a qualitative assessment of market power. It involves more than ‘high’ market power; more than mere ability to behave ‘largely’ independently of competitors; and more than power to effect ‘appreciable’ changes in terms of trading. It involves a *high degree of market control*.”<sup>10</sup>

68. Both McGechan J and the Court of Appeal, which approved this test,<sup>11</sup> stated that a lower standard than “a high degree of market control” was unacceptable.<sup>12</sup> The Commission has acknowledged this test:

“A person is in a dominant position in a market when it is in a position to exercise a high degree of market control. A person in a dominant position will be able to set prices or conditions without significant constraint by competitor or customer reaction.”<sup>13</sup>

69. The Guidelines state that:

“A person is in a dominant position in a market when it is in a position to exercise a high degree of market control. A person in a dominant position will be able to set prices or conditions without significant constraint by competitor {or} customer reaction.”

“A person in a dominant position will be able to initiate and maintain an appreciable increase in price or reduction in supply, quality or degree of innovation, without suffering an adverse impact on profitability in the short term or long term. The Commission notes that it is not necessary to

<sup>10</sup> *Commerce Commission v Port Nelson Ltd* (1995) 5 NZBLC 103,762 103,787 (HC)

<sup>11</sup> *Commerce Commission v Port Nelson Ltd* (1996) 5 NZBLC 104,142 104,161 (CA)

<sup>12</sup> Above note 10 and *Commerce Commission v Port Nelson Ltd* (1996) 5 NZBLC 104,142 104,161 (CA)

<sup>13</sup> Above note 7, 21.

believe that a person will act in such a manner to establish that it is in a dominant position, it is sufficient for it to have that ability.”<sup>14</sup>

70. The role of the Commission in respect of an application for clearance of a business acquisition is prescribed by the Commerce Act. Where the Commission is satisfied that the proposed acquisition would not result, or would not be likely to result, in an acquisition or strengthening of a dominant position in a market, the Commission must give a clearance. Where the Commission is not satisfied, clearance is declined.

### *Market Concentration*

71. An examination of concentration in a market provides an indication of whether a merged firm may or may not be constrained by others participating in the market, and thus the extent to which it may be able to exercise market power.
72. The Guidelines specify certain “safe harbours” which can be used to assess the likely impact of a merger in terms of section 47 of the Act:

“In the Commission’s view, a dominant position in a market is generally unlikely to be created or strengthened where, after the proposed acquisition, either of the following situations exist: the merged entity (including any interconnected or associated persons) has less than in the order of a 40% share of the relevant market; the merged entity (including any interconnected or associated persons) has less than in the order of a 60% share of the relevant market and faces competition from at least one other market participant having no less than in the order of a 15% market share.”<sup>15</sup>

73. These safe harbours recognise that both absolute levels of market share and the distribution of market shares between the merged firm and its rivals is relevant in considering the extent to which the rivals are able to provide a constraint over the merged firm. The Guidelines went on to state that:

“Except in unusual circumstances, the Commission will not seek to intervene in business acquisitions which, given appropriate delineation of the relevant market and measurement of shares, fall within these safe harbours.”<sup>16</sup>

74. Although, in general, the higher the market share held by the merged firm, the greater the probability that dominance will be acquired or strengthened (as proscribed by section 47 of the Act), market share alone is not sufficient to establish a dominant position in a market. Other factors intrinsic to the market structure, such as the extent of rivalry within the market and constraints provided through market entry, also typically need to be considered and assessed.
75. The dominance test for each of the relevant markets is set out below.

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<sup>14</sup> Above note 7, 21.

<sup>15</sup> Above note 7, 17.

<sup>16</sup> Above note 7, 17.

## The North Island Market for the Acquisition and Supply of Fellmongery Services

### *Current Competition*

76. Table 1 shows figures for ovine skin processing by North Island fellmongeries during the 1999/2000 season. These figures represent the latest available data for a complete fellmongery season and are representative of the processing volumes of market participants for the current season. They indicate that following the proposed acquisition the merged entity would process approximately [ ] of the total number of skins processed in the North Island per year. These figures also indicate that post-acquisition the merged entity would process approximately [ ] of the skins supplied by independent meat processors.

**Table 1: Fellmongery Processing, North Island (1999/2000)**

<b>Firm</b>	<b>Total Skins Processed (Numbers)</b>	<b>Independent Skins Processed (Numbers)</b>	<b>Total Skins Processed as a Proportion of North Island Supply(%)</b>
AFFCO	[ ]	[ ]	[ ]
Piako Processors	[ ]	[ ]	[ ]
CML	[ ]	[ ]	[ ]
Richmond	[ ]	[ ]	[ ]
Tomoana Pelt Processors (42.5% owned by LCL)	[ ]	[ ]	[ ]
Hollander Waitotara (50% owned by CML)	[ ]	[ ]	[ ]
<i>Sub-total (Skins processed by merged entity)</i>	[ ]	[ ]	[ ]
<i>Total</i>	<i>13,340,000</i>	<i>6,795,000</i>	<i>100</i>

77. Although the above market share figures indicate that the merged entity would fall within safe harbours, the merged entity processes a high number of the skins supplied by independent meat processors. For this reason any assessment of the competitive effects of the proposed acquisition that is based on market share alone is somewhat misleading.
78. Within this market, any market power could express itself through the merged entity's ability either to lower the price paid to meat processors for green skins (monopsony power) or, in a toll processing arrangement, through its ability to raise processing fees to meat processors, thereby effectively reducing the value of the green skins (monopoly power). There is a high level of concentration in this market.

### Vertically Integrated Businesses

79. LCL submits that attempts by the merged entity to exercise power in this market would be constrained by the ability of vertically integrated businesses to increase the volume of skins they process. While this is possible to an extent, a high proportion of the capacity of



vertically integrated businesses is committed to processing skins supplied by their own meat processing plants.

80. AFFCO sources most skins from its own meat processing plants, but also buys limited numbers from independent meat processors including Auckland Meat Processors, Matakana Abattoir and Wanganui Abattoir. [

]

81. AFFCO processes skins through the initial stages (painting and dewooling) at Imlay and Wairoa. Skins from Wairoa and Imlay are transported to Auckland for processing to pickled pelts. [

]

82. [

]

83. Richmond does not process any skins from independent meat processors, other than those processed at Hollander Waitotara, which Richmond owns jointly with CML. [

]

#### Independent Fellmongeries

84. Piako Processors Limited would be the sole independent (non-vertically integrated) fellmongery should the proposal proceed. It began operations as a fellmongery in Te Aroha in 1990. It started a tannery, which mainly processes ovine skins, in 1999. It competes with LCL and CML for the supply of animal skins from independent processors. Piako Processors has had limited secure supply of animal skins, citing this as the reason for the low number of skins it processed in the 1999/2000 season. It has processed [ ] skins through its fellmongery in the first six months of 2001. If Piako Processors devoted its processing facilities exclusively to fellmongery it could process up to [ ] ovine skins per year within its current capacity and existing resource consents. To do this it would need to obtain secure supply of ovine skins and would need to alter the mix of skins it currently processes. Piako Processors advises that it would be prepared to process up to [ ] skins per week as soon as supply became available including during the peak season.

#### Salting Skins

85. Setting up an operation for temporarily preserving (“salting”) skins is simple relative to setting up a new fellmongery. A salting operation would not face the same resource consent issues that would be encountered by a new fellmongery, as the chemicals used are relatively benign. The ongoing cost of operating a salting plant would also appear to be less than for a fellmongery. Salted skins can be stored for up to 18 months and are traded in an international market. A number of New Zealand fellmongeries purchase salted skins for processing outside of the peak season.
86. Meat processors spoken with have generally expressed a reluctance to sell salted skins overseas, citing greater transport costs as a reason for this. For example, a 20 foot container holds approximately 3,000 to 4,000 salted skins whereas the same container will hold approximately 18,000 to 20,000 pickled pelts or wet-blue skins. These processors consider that the returns from salted skins sold internationally are likely to be lower than those from green skins sold to New Zealand fellmongeries.
87. However, a number of businesses such as Wilkes & Prior Limited undertake contract salting, and purchase green skins outright in competition with North Island fellmongeries for sale to overseas skin processors. To acquire skins, Wilkes & Prior must offer prices that are competitive with those offered by fellmongeries. While conditions in the international market vary, there is currently high demand for ovine skins and prices are high. Wilkes & Prior considers that sale of salted skins overseas is a realistic alternative to selling to New Zealand fellmongeries. It has said that competition from overseas markets would constrain New Zealand fellmongeries from raising processing fees significantly.
88. Bay Skins & Hides also sells salted skins in the international market. It considers that the return for salted skins sold internationally is comparable to that for skins sold to fellmongeries in New Zealand, although the sale transaction is more complex and can involve a greater element of risk. It has said that international buyers of salted skins will often pay transport costs.
89. Meat processors wishing to sell salted skins could also set up a salting operation themselves.  
[

] This would enable Napier Abattoir to sell salted skins internationally or to fellmongeries that are too far away to allow the transport of green skins.

### Conclusion

90. The merged entity will continue to face competition through the ability of existing competitors to process additional skins, and the ability of some existing competitors to expand this capacity. The ability of existing competitors to process additional skins provides a threat of diversion by suppliers and this will act as a significant constraint on the merged entity. There is also some ability for independent meat processors to sell green skins directly to international markets through the use of contract salting operations.

### *Potential Competition*

91. The Commission has assessed whether a potential competitor could enter the market if the merged entity were to impose a ssnip. An assessment of the conditions and barriers to entry is made below.
92. The Commission accepts that potential competition can act as a constraint on business activity. In order for the threat of market entry to be such a constraint on the exercise of market power as to alleviate concerns of market dominance, the entry of new participants in response to the exercise of market power must be *likely*, sufficient in *extent*, *timely* and *sustainable* (“the *lets* test”). New entrants cannot face significant barriers to entry if they are to act as a constraint on market participants and, in particular, on a merged entity.
93. Entry into this market is possible either by constructing a new plant (“de novo entry”) or by recycling an existing plant.

### *Conditions/Barriers to Entry/Expansion*

94. Conditions of entry include initial capital costs, access to supply of green skins, locating an appropriate site and securing the necessary resource consents. Some of these, such as resource consent costs, would be sunk costs.

### Capital Costs

95. Figures of between \$2 and \$5 million have been proposed as the likely capital cost of setting up a new fellmongery. This includes the cost of specialised equipment such as fleshing machines, wool pulling machines and wool driers, effluent and emission treatment equipment, and the cost of constructing appropriate premises.

### Resource Management Act 1986

96. Meeting Resource Management Act 1986 (“the RMA”) obligations would be an entry condition in terms of the cost and time involved in establishing a new fellmongery, and hence also a potential barrier to expansion. Fellmongeries use large amounts of water and produce toxic discharges. Typically, a fellmongery requires a water-take consent, a discharge to air consent and an effluent discharge consent. A water-take consent allows a fellmongery to draw water up to a maximum volume within a defined period. A discharge to air consent and an effluent discharge consent allow a fellmongery to release specified levels of emissions or effluent (eg hydrogen sulphide, ammonia and chromium) into the environment within a defined period.

97. RMA consents do not limit the number of skins that a plant can process. Rather, consents limit the environmental impact of processing irrespective of the volume of skins processed. Skin processors are able to reduce the volume of water used in fellmongeries and reduce or recycle effluent and emissions by investment in additional equipment, such as air scrubbers, chromium extraction facilities and so on. This means that a plant could process additional volumes provided steps were taken to avoid any environmental effect in addition to that provided for in the relevant consents. [

]

98. Under the RMA, it appears less difficult for existing fellmongeries to expand current processing capacity than for new fellmongeries to set up. An application to establish a new fellmongery is likely to require notification. Notification means that the proposed activity must go through a hearing process or be approved by surrounding landowners. In comparison, an application by an existing fellmongery for a change of resource consent may or may not require notification.

99. For example, the Auckland Regional Council (“ARC”) has advised that it could process a change of consent application within 20 working days depending on whether the application needs to be notified. A notification requirement depends largely on the zone in which a business activity occurs. As an example, AFFCO operates a fellmongery in Wiri in a Business 6 Zone that places relatively few restrictions on business activities. The ARC has said that AFFCO’s ability to expand the current processing capacity at this plant would be limited mainly by plant machinery, including effluent and air treatment devices, not by an inability to change its existing resource consents. [

]

100. There may also be significant costs for fellmongeries to exit the industry, such as site clean-up costs. This factor, coupled with conditions of entry, tends to encourage recycling of plants within the industry.

### Secure Supply

101. Securing supply of ovine skins is another condition of entry. Several industry participants have suggested that, depending on its size, a fellmongery would need an annual supply of approximately 1,000,000 skins to operate profitably. This figure represents around [ ] of the total annual volume of skins processed in the North Island. It may be difficult to secure this supply volume, given that significant potential supplies are committed within vertically integrated businesses. However, supply streams that are not committed within vertically integrated businesses would be available to a new entrant, or to a market participant that wanted to increase the number of skins it processes.

102. Independent skin processors have strong economic incentives to maintain existing supply streams as a reduction in skin volumes processed has implications for the viability of these businesses. This incentive to maintain supply streams is an industry characteristic that is likely to constrain the ability of the merged entity to exercise market power.

De Novo Entry

103.LCL submits that attempts by the merged entity to exercise power in this market would be constrained by the ability of independent meat processors to invest in hide and skin processing assets either individually or jointly. [

]

Extended Operations

104.The processes employed in fellmongery are broadly similar to those used in tanning. Accordingly, a business that operates a tannery is likely to have the technical knowledge required to operate a fellmongery. There may also be some incentive for existing tanneries to extend operations to fellmongery, thereby controlling the processing of input. Doing so would require additional processing equipment and changes to resource consents, although Wallace Corporation has said that the operations carried out at its tannery are similar to those at a fellmongery, and that a fellmongery could probably operate under existing resource consents for its tannery. [

]

Conclusion

105.Some barriers to entry and expansion exist, but these are not considered to be onerous. Although there are limited candidates for new entry, a credible candidate does exist. The entry of this candidate would increase the potential for skins to be diverted away from the merged entity by suppliers, leading to the merged entity processing a reduced number of skins. Therefore, there does appear to be scope for potential competition providing a competitive constraint to the merged entity.

*Conclusion on the North Island Market for the Acquisition and Supply of Fellmongery Services*

106.The Commission notes that:

- ? the merged entity has a strong economic incentive to retain existing supply streams, depends on independent meat processors for the supply of raw material, and must enable independent meat processors to offer competitive prices in livestock acquisition markets in order to procure livestock
- ? current spare processing capacity within this market would allow approximately 37% of the skins currently supplied to the merged entity to be diverted elsewhere
- ? current spare processing capacity *and* potential additional processing capacity within this market would allow approximately 67% of the skins currently supplied to the merged entity to be diverted elsewhere
- ? AFFCO can process additional skins during peak season [

]

? Piako Processors can increase its supply of fellmongery services

? [

]

? Richmond could supply fellmongery services to independent meat processors if certain conditions were met

? there is some ability to sell salted skins internationally.

107. All of these factors, in combination, would be likely to act as a significant constraint on the merged entity.

108. Accordingly, the Commission is satisfied that the proposed acquisition would not result, or be likely to result, in any person acquiring or strengthening a dominant position in this market.

### **The North Island Market for the Acquisition and Supply of Tanning Services**

#### *Current Competition*

109. Table 2 shows figures for hide processing by North Island tanneries during the 1999/2000 season. These figures represent the latest available data for a complete tanning season and are representative of the processing volumes of market participants for the current season. They indicate that following the proposed acquisition the merged entity would process approximately [ ] of the total number of hides processed in the North Island per year. These figures also indicate that post-acquisition the merged entity would process approximately [ ] of the hides supplied by independent meat processors.

**Table 2: Tannery Processing, North Island (1999/2000)**

<b>Firm</b>	<b>Total Hides Processed (Numbers)</b>	<b>Total Independent Hides Processed (Numbers)</b>	<b>Total Hides Processed as Proportion of North Island Supply (%)</b>
AFFCO	[ ]	[ ]	[ ]
CML	[ ]	[ ]	[ ]
LCL	[ ]	[ ]	[ ]
Piako Processors	[ ]	[ ]	[ ]
Richmond	[ ]	[ ]	[ ]
Tasman Tanning	[ ]	[ ]	[ ]
Wallace Corporation	[ ]	[ ]	[ ]
<i>Subtotal (Skins processed by the merged entity)</i>	[ ]	[ ]	[ ]
<i>Total</i>	<i>1,945,156</i>	<i>1,424,456</i>	<i>100</i>

110. As with fellmongery, the market share of the merged entity would fall within safe harbours. However, any assessment of the competitive effects of the proposed acquisition must also recognise that the merged entity processes a significant number of the hides supplied by independent meat processors.

111. In this market, the merged entity could express market power through its ability to increase the processing fees it charges for tanning services under a toll processing arrangement. Under a green schedule purchasing arrangement it could reduce the price paid to meat processors for green hides. The level of concentration in this market is less than that in the North Island market for the acquisition and supply of fellmongery services with AFFCO, CML, LCL, Tasman Tanning and Wallace Corporation currently supplying tanning services to independent meat processors.

#### Vertically Integrated Businesses

112. As with fellmongery, LCL submits that attempts by the merged entity to exercise power in this market would be constrained by the ability of tanneries operated by Richmond and AFFCO to increase the volume of hides they process. However, a high proportion of this processing capacity will be committed within the business, as described in Paragraph 79.

113. AFFCO sources most hides from its own meat processing plants. It also processes hides from independent meat processors, including Auckland Meat Processors, Matakana Abattoir and Wanganui Abattoir. AFFCO is able to process approximately [ ] additional hides per year during peak season within its current capacity and existing resource consents. This figure is based on its spare processing capacity during peak season and does not account for significantly greater spare capacity that exists outside peak season. AFFCO could further expand its current processing capacity beyond these levels without seeking additional resource consents, but may need to alter plant management and invest in new equipment to do so. [ ]

]

114. Richmond does not currently process any hides supplied by independent meat processors. [

]

#### Independent Tanneries

115. Wallace Corporation Limited purchases green hides from a number of suppliers. It submits that with substantial supplies of green hides committed within vertically integrated businesses, independent tanneries need to compete strongly for the available supply of green hides. Wallace Corporation considers that this would continue post acquisition [

]. It is able to process between [ ] additional hides per year within current capacity and existing resource consents. This figure is based on its spare processing capacity during peak season and does not account for significantly greater spare capacity that exists outside peak season. [

]

116. Tasman Tanning Company Limited purchases green hides from independent meat processors including Riverlands Group and Canterbury Meat Packers Limited. It considers that the market for the supply of hides will remain competitive if the proposed acquisition proceeds. [

]

117. Piako Processors Limited set up a tannery two years ago. It purchases green hides from a range of suppliers including independent meat processors. It has encountered difficulty securing supply of animal skins hence the low number of skins it processed in the 1999/2000 season. Piako Processors processed approximately [ ] hides and [ ] deer skins in the first six months of 2001. [

]

#### Salting Hides

118. Setting up an operation for salting hides can be done in much the same way as a skin salting operation. Salted hides can be stored for a similar period of time to salted skins. There is an international market and strong demand for salted hides. There are also similar issues in relation to the higher cost of transporting salted hides overseas

#### Conclusion



119. The merged entity will continue to face competition through the current processing capacity of existing competitors to process additional hides. A number of existing competitors also appear able to expand their current processing capacity and have expressed a willingness to do so in order to process additional hides if supplies became available. The ability of existing competitors to process additional skins would provide a threat of diversion by suppliers and this would be likely to act as a significant constraint on the merged entity.

#### *Potential Competition*

120. The Commission has assessed whether a potential competitor could enter the market if the merged entity were to impose a snip. An assessment of the conditions and barriers to entry is made below.

121. Entry into this market can occur either by constructing a new plant or by recycling an existing plant.

#### *Conditions/Barriers to Entry/Expansion*

122. Conditions of entry into this market are similar to those that exist in the market for the supply and acquisition of fellmongery services, and include initial capital costs, access to supply of green skins and hides, locating an appropriate site and securing resource consents.

#### Capital Costs

123. Capital costs of setting up a new tannery are similar to those proposed for setting up a fellmongery. A tannery requires specialised equipment such as fleshing machines, perching machines and wooden drums, as well as appropriate premises. In the case of Piako Processors second-hand equipment, such as chromium extractors, was obtained from a gold mine in Waihi. This enabled it to make substantial savings on the capital costs associated with entry. Piako Processors has said that if it had been unable to obtain second-hand equipment from this source it would have been less likely to have considered entry.

#### RMA

124. The tanning process involves use of heavy metals such as chromium, which may make resource consents more difficult to secure for tanning than for fellmongery. Nevertheless, Piako Processors advises that it did not have difficulty obtaining changes to its resource consents allowing it to operate a tannery at its fellmongery site.

Secure Supply

125. As with fellmongery, securing supply of a minimum volume of raw material is a vital precondition to setting up a tannery.

De Novo Entry

126. LCL submits that attempts by the merged entity to exercise power in this market would be constrained by the ability of independent meat processors to invest in tannery assets. No independent meat processor has been identified as a possible new entrant into this market. The conditions of entry applicable to this market are substantially similar to those discussed above for fellmongery.

Extended Operations

127. The case of Piako Processors indicates that it is possible for an existing fellmongery to expand into tannery operations. As stated in Paragraph 104, the processes employed in tanning are very similar to those used in fellmongery. An existing fellmongery is likely to have the technical knowledge required to operate a tannery, and could potentially expand operations.

Conclusion

128. The Commission has not identified any candidates for immediate entry into this market. However, the barriers to entry and expansion are not onerous.

*Conclusion on the North Island Market for the Acquisition and Supply of Tanning Services*

129. The Commission notes that:

- ? the merged entity has a strong incentive to retain existing supply streams, depends on independent meat processors for the supply of raw material, and must enable independent meat processors to offer competitive prices in livestock acquisition markets in order to procure livestock
- ? current spare processing capacity within this market would allow between 19% and 23% of the hides currently supplied to the merged entity to be diverted elsewhere
- ? current spare processing capacity *and* potential spare processing capacity within this market would allow between 49% and 57% of the hides currently supplied to the merged entity to be diverted elsewhere
- ? AFFCO can process additional hides during peak season
- ? Wallace Corporation can process additional hides during peak season
- ? [ ]
- ? Piako Processors can process some additional hides, depending on the extent to which its processing resources are committed to fellmongery
- ? Richmond could supply tanning services to independent meat processors if certain conditions were met
- ? some constraint may be provided by the threat of new entry.

130. The Commission considers that the above factors would be likely to act as a significant constraint on the merged entity. Accordingly, the Commission is satisfied that the proposed

acquisition would not result, or be likely to result, in any person acquiring or strengthening a dominant position in this market.

### **The National Market for the Supply of Semi-Processed Leather**

131. Within this market, any market power could express itself through efforts by the merged entity to extract higher profits.

132. Purchasers of semi-processed leather spoken to state that there are distinct demands for different types of semi-processed leather. However, most of the purchasers of semi-processed leather spoken to consider that the proposed acquisition would be unlikely to lessen competition irrespective of whether the market is defined narrowly or widely. Accordingly, the Commission does not propose to determine whether there are distinct markets for semi-processed leather derived from different animal species. For the purposes of competition analysis, the result is the same whether there are distinct markets or a general market for semi-processed leather.

#### *Current and Potential Competition*

133. A number of businesses other than LCL and CML currently supply ovine semi-processed leather within New Zealand, including Alliance, AFFCO, PPCS and Richmond. Bovine semi-processed leather is currently supplied within New Zealand by a number of businesses, including Alliance, AFFCO, PPCS and Richmond.

134. Imports of semi-processed leather are also likely to be competitive. Indeed, there is evidence that pricing in this market is influenced by import parity pricing.

#### *Conclusion on the National Market for the Supply of Semi-Processed Leather*

135. The proposed acquisition would result in minimal aggregation in this market. A number of businesses (both domestic and import) would continue to supply semi-processed leather in competition with the merged entity. Accordingly, the Commission is satisfied that the proposed acquisition would not result, or be likely to result, in any person acquiring or strengthening a dominant position in this market.

**OVERALL CONCLUSION**

136. The Commission has considered the likely effects of the acquisition in the following markets:

- ? the North Island market for the acquisition and supply of fellmongery services
- ? the North Island market for the acquisition and supply of tanning services
- ? the national market for the supply of semi-processed leather.

The Commission is satisfied that there are sufficient constraints in the above markets such that dominance will not be acquired or strengthened.

137. Having regard to the various elements of section 3(9) of the Act, and all other relevant factors, the Commission concludes that it is satisfied that the proposal would not result, or would not be likely to result, in any person acquiring or strengthening a dominant position in any market.

**DETERMINATION OF CLEARANCE**

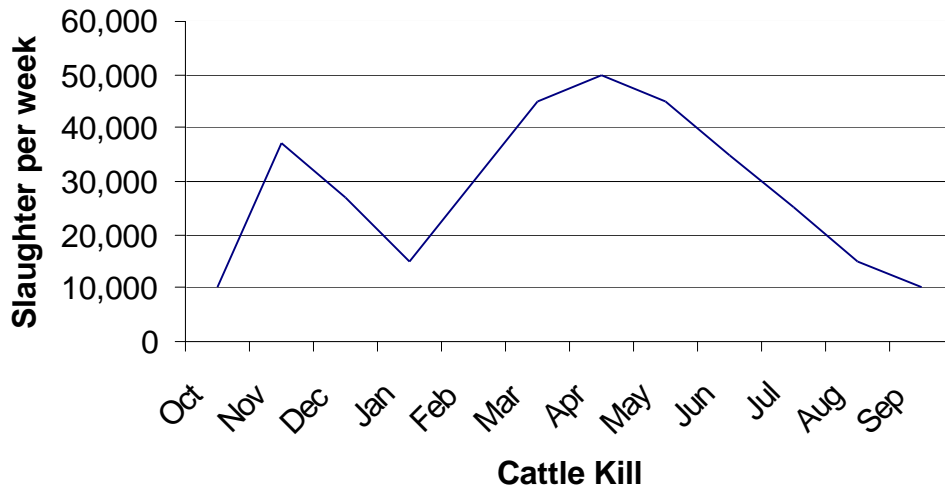
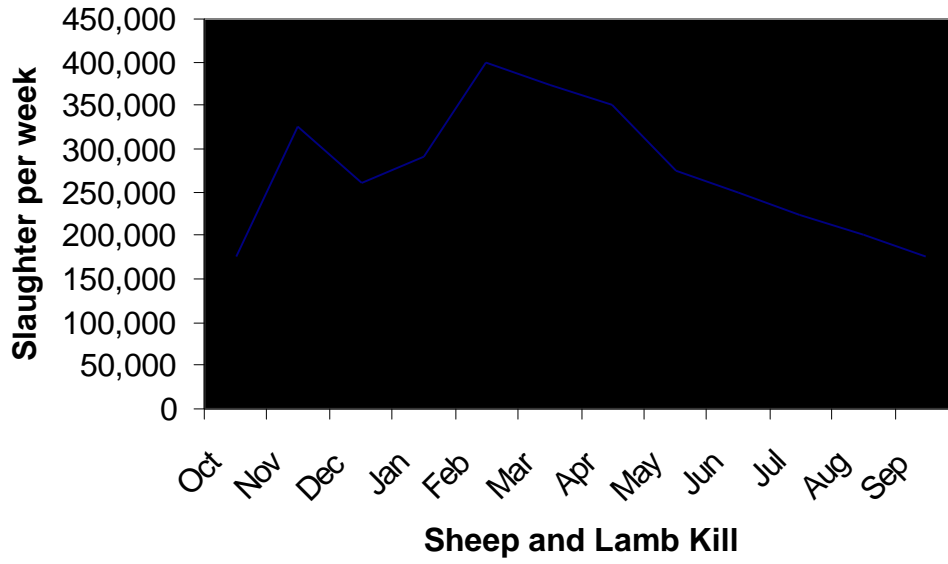
138. Accordingly, pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance for the proposed acquisition by Lowe Corporation Limited of 100% of the shares and the business of Colyer Mair Limited.

Dated this        day of July 2001

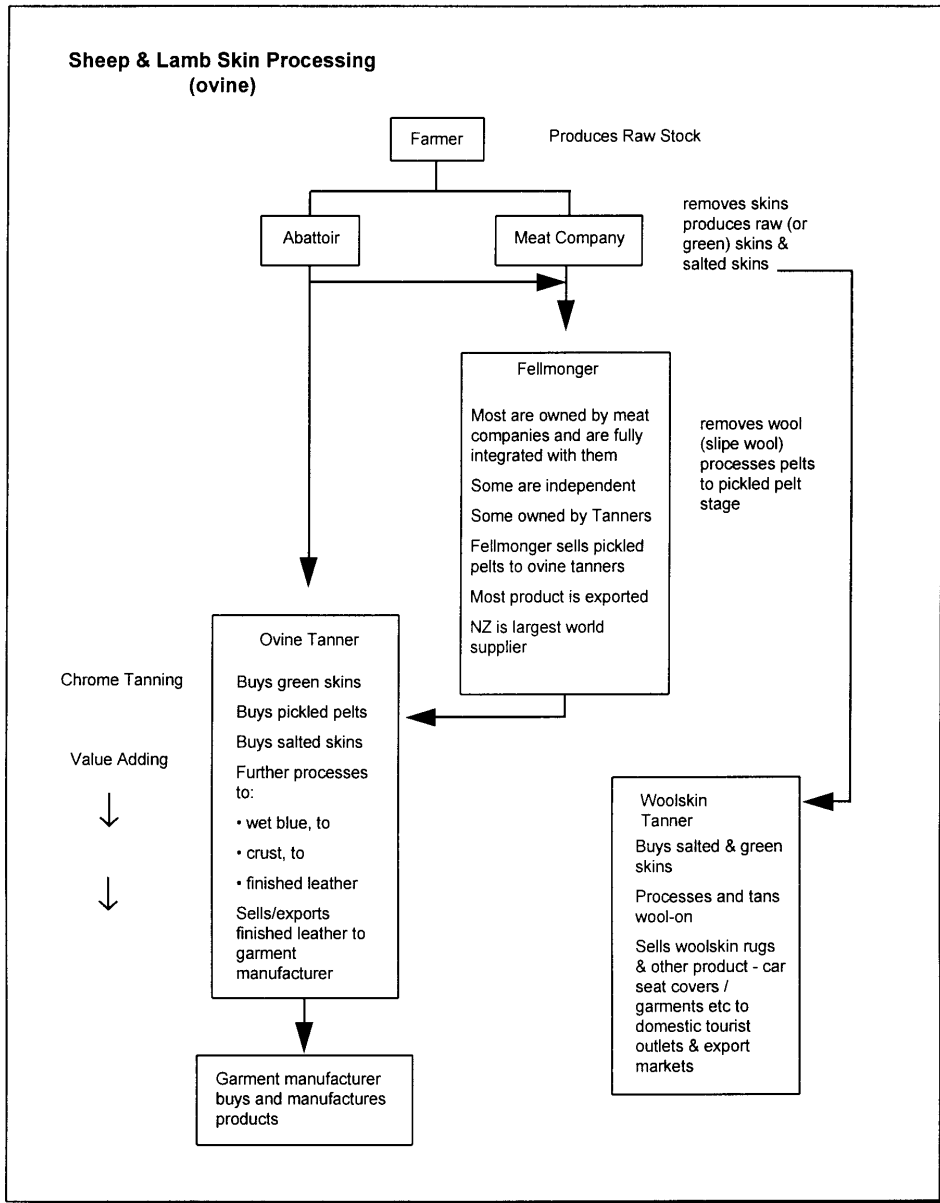
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M J Belgrave  
Chair

**Appendix A: Sheep, Lamb and Cattle Kill Numbers**



**Appendix B: Ovine Skin Processing**



**Appendix C: Bovine Hide Processing**

