

BELL GULLY

By email

Mya Nguyen

Commerce Commission
Wellington

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PARTNER Haydn Wong
DATE 15 June 2015

Dear Mya

Follow up matters

1. Letter of 18 May 2011

- 1.1 As the Commission has noted, we referred to a letter sent to the Commission on behalf of CWH during the previous authorisation process (dated 18 May 2011) by email 9 June 2015 and during the conference on 10 June 2015, in the context of previous uses for wool scouring sites. CWH confirms it wishes to re-submit several sections of the letter for the current record, and has attached the sections which it considers continue to be relevant (with the remaining sections deleted). CWH draws the Commission's particular attention to section 3.3 which deals with historical alternative uses for closed scour sites.
- 1.2 The yellow highlighting in the attached letter indicates information confidential to CWH from 2011, all of which continues to be confidential. Information highlighted in red was confidential information belonging to other parties. CWH cannot comment on whether this information continues to be confidential to third parties.

2. Comment by Mr Dawson

- 2.1 We also wish to follow up on the point raised during the confidential session as to a clarification by John Dawson of NZWSI regarding his statement that he considered it unlikely merchants would collaborate to set up a competing wool scour in New Zealand. Mr Dawson has advised that he was responding on the basis of the likelihood of entry in existing market conditions (i.e. in the counterfactual). He has requested us to clarify that in his view merchants would likely consider entry in the manner suggested if a significant increase in the scouring price occurred. In his view, a price rise of 15% would be significant.

3. Redundancies

- 3.1 Finally, CWH has recently received information on the maximum redundancy exposure pursuant to the intended rationalisation post-merger. As set out in CWH's response to the Commission's request of 5 January 2015 (submission dated 15 January 2015), the current redundancy figure included in CWH's application for authorisation and used by the Commission in its draft determination was calculated based on due diligence employment information provided by NZWSI in 2012. To be conservative, CWH assumed the highest possible exposure based on that information (as it did not have more up to date information at the time of the authorisation application). CWH expected actual redundancy costs to be

lower than calculated at the time because as staff left following 2012 with natural attrition, they were generally replaced by casual staff.

- 3.2 CWH, working with NZWSI / Lempriere, has since been able to finalise necessary redundancy payments in conjunction with its specialist adviser, David McLeod, an employment consultant. Mr McLeod has set out the maximum redundancy exposure in the attached report, having now had the opportunity to view all of the employment contracts at both NZWSI sites. Mr McLeod has calculated the maximum redundancy exposure to be \$[REDACTED], substantially lower than the \$[REDACTED] currently allowed for. As set out in the attached report, this figure continues to be a conservative one as staff choosing to transfer to CWH current sites will reduce this exposure. Given redundancy costs are currently netted off from wage and salary savings, net benefits will accordingly increase by \$[REDACTED].

Please let us know if you would like any further clarification.

Yours faithfully
Bell Gully

[Sgd: Phil Taylor / Penny Pasley]

Phil Taylor / Penny Pasley
Consultant / Solicitor