

## OVERSEAS SCOURING

### 2011 Application

- 1 In 2011, Godfrey Hirst investigated scouring in China as an alternative to New Zealand. We investigated around 15 scours that we could find including all of those contained in Cavaliers applications<sup>1</sup>. We did not receive a single response from any of the Chinese scours we tried to contact.
- 2 We established that most of the scours we could find in China were specialist fine wool scours and not interested in processing New Zealand coarse crossbred wool.
- 3 A letter from Tianyu Wool Industry Co was presented to the Commission in 2011 by NZWSI in 2011 stating that they were not interested in processing New Zealand crossbred wool, a copy of this letter is attached as Appendix 2.

### 2011 Visit to China

- 4 In June 2011 Godfrey Hirst visited China to investigate, amongst other things, wool scouring. This [REDACTED]
- 5 [REDACTED] Blending and Opening is an important part of the scouring process in New Zealand and requires a multi hopper blending system including weighbelts, short wool processors, decotters, at least one opener/blender and conveying.
- 6 [REDACTED] In New Zealand the standard for pressing is to enable 20T of wool to be packed into a 20' shipping container and all New Zealand scours can achieve this standard. Overseas the standard is around 12-13T per container resulting in significant additional shipping costs if the wool is to be returned to New Zealand for further processing.
- 7 Following our visit to China, Godfrey Hirst imported some foreign wool scoured in China, including English and Chinese. This enabled us to evaluate the quality of Chinese scouring. [REDACTED]
- 8 Godfrey Hirst has recently learned that many smaller scours in China have been closed by the Chinese government for environmental reasons. [REDACTED]

<sup>1</sup> The scours which are listed in the Cavalier Application, and the reasons why these are not seen as viable options for Godfrey Hirst are included at Appendix 1. Supporting documents are Appendices A-G.

**2012/13 [REDACTED] China**

9 In 2012/13 we learnt of a new Chinese scour [REDACTED]. This scour was vertically integrated to a fellmongery and specialised in slipe wools (including New Zealand wool). The scouring plant was new and built in China to a modern New Zealand design, [REDACTED]

10 [REDACTED] our last advice is that they are still not a viable alternative as per email attached at Appendix 3.

**2014 [REDACTED]**

11 Godfrey Hirst understands that [REDACTED] are presently installing a new wool scour and may offer commission processing for New Zealand crossbred wool.

**2014 [REDACTED]**

12 In December 2014 Godfrey Hirst visited [REDACTED], close to the border with Singapore. [REDACTED] are a newly established commission wool scourer [REDACTED]

13 [REDACTED] are the first viable and willing overseas processor that Godfrey Hirst have found however they share the same lack [REDACTED] as all others, together with an inadequate [REDACTED] capacity would be an ongoing issue.

14 Godfrey Hirst have obtained details of the scouring tariff from [REDACTED] as follows:<sup>3</sup>

14.1 [REDACTED]

14.2 [REDACTED]

15 This is a wharf to wharf service so the only additional costs are [REDACTED]

16 Godfrey Hirst has also obtained freight rates in and out of [REDACTED]

<sup>2</sup> See [REDACTED]

<sup>3</sup> [REDACTED]

<sup>4</sup> [REDACTED]

17 Until [REDACTED] all Godfrey Hirst wool processed [REDACTED] would need to be blended in New Zealand prior to shipping. This would add an additional [REDACTED] to the scouring tariff.

18 So, in summary, through the most viable alternative, the cheapest price at which Godfrey Hirst will be able to have wool scoured overseas is NZ [REDACTED] /kg, approximately [REDACTED] % more than the present cost of having wool scoured in New Zealand and this makes no allowance for the additional cost of capital required to fund overseas processing, at least three months. A comparison of New Zealand scouring costs to those overseas is included at Appendix 6.

#### **2014 Other Chinese Scours**

19 Godfrey Hirst has learned that many smaller Chinese scours have recently been forced to close by the Chinese Government for environmental reasons. This includes two scours previously known to us [REDACTED]

20 Godfrey Hirst has recently been provided with a scouring tariff from a Chinese processor [REDACTED]. The scouring plant would appear to be lacking any greasy wool preparation and blending equipment [REDACTED]

[REDACTED] The price indicated is US [REDACTED] /kg plus internal freight estimated at an additional US [REDACTED] /kg. This puts the scouring cost at around NZ [REDACTED] /kg slightly more expensive than [REDACTED]. Additionally, the cost of shipping [REDACTED]

#### **Other Barriers to Processing Off-Shore**

21 Godfrey Hirst has identified that Biosecurity presents another barrier to overseas scouring as a viable alternative to processing in New Zealand.

22 Any scoured wool returned to New Zealand would require an import permit, manufacturers declaration and a Veterinary Certificate from a suitably qualified person. The import permit and manufacturers declaration are not too problematic however, the veterinary certificate could require an independent qualified person to supervise the processing and packing and cost an additional several cents per kg. Investigations into this are ongoing.

23 Additionally, New Zealand wool scoured off-shore and returned for further processing would be treated the same as foreign fibre and subject to restrictions to any movement within New Zealand until it was either dyed or carded. Processing would only be able to be undertaken in licenced transitional facilities and all waste including packaging requiring either incineration or deep burial. This again adds a new level of administration and cost not previously considered but effectively further limiting off-shore processing as a viable alternative to processing within New Zealand.