

MEMORANDUM



TO **Mya Nguyen**
OF Commerce Commission

FROM **Torrin Crowther / Phil Taylor**

BY EMAIL

MATTER NO. 400-4888

Confidential

DATE 29 September 2015

Response to NZCC information request of 24 September 2015

We set out below information from Cavalier Wool Holdings (**CWH**) in response to the Commission's request of 24 September 2015 for additional information. The numbering follows the questions set by the Commission.

1. **Cost and revenue figures for the year ended 30 June 2015**

Spreadsheet

- 1.1 See the **attached** Excel Spreadsheet which updates the "Synergies Summary" tab as requested.

Clive

- 1.2 As regards Clive, the table below sets out the number of days Clive has been operated.

Months utilised	Days
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

- 1.3 As noted, CWH is a service provider (it does not own wool) and its customers require that it has available capacity to be able to scour customers' wool at short notice. Seasonal fluctuations in both wool volume and wool style are common and therefore it must have the head room capacity to be able to process its customers' wool in a timely fashion. If it cannot, then in all likelihood it would lose even more volume to greasy exports.

- 1.4 While CWH [REDACTED] this was a direct result of a [REDACTED].

- 1.5 Clive is typically used to [REDACTED] the year to 30 June 2015 [REDACTED]:

(a) [REDACTED];

(b) [REDACTED];

(c) **[REDACTED]**; and

(d) **[REDACTED]**.

- 1.6 Given the particular scouring conditions present this particular season, **[REDACTED]**.
- 1.7 The underlying (overall) volumes scoured during the peak season of the previous three years **[REDACTED]** volumes – see table below at 3.1 – **[REDACTED]**.
- 1.8 **[REDACTED]**. Indeed, given the harsher winter this year, CWH anticipates that absent the merger it would need to operate Clive in 2016, consistent with its historical practice.
- 1.9 **[REDACTED]**, as the numbers make clear – **[REDACTED]** the strongly held view of CWH that retention of Clive is a sound commercial strategy. The ability to continue to be able to service customers in a timely fashion throughout the year, to compete strongly for all wool types, and to ensure sufficient capacity to service merchants' current *and future* volumes, is why CWH requires Clive in the counterfactual. CWH, which has more experience in wool scouring than probably any other entity in the world, has made this strategic decision for sound commercial reasons.

Forecast volumes

- 1.10 Because it is difficult to tell what seasonal or other factors may give rise to the need to run Clive, CWH has not sought to predict the following year's Clive volumes for at least the past three years, yet as the table sets out above, Clive was utilised at various times over that period.
- 1.11 Accordingly, and consistent with previous years, there is no formal figure forecast for Clive volumes in 2015/16. That said, and as noted above, CWH expects that absent the merger it will be needed in 2016 on account of the harsher 2015 winter.

2. Cost and revenue estimate/forecasts for the year ending 30 June 2016.

2.1 Please refer to the **attached** Excel Spreadsheet.

3. Total tonnage scoured at Awatoto scoured during the peak season for 2014 and 2015

3.1 As set out in the table below, the peak season historically spans February, March and April. During the 2014 peak season **[REDACTED]** greasy tonnes were scoured at Awatoto, and **[REDACTED]** greasy tonnes were scoured during the 2015 peak season.

SUMMARY: VOLUMES BY MONTH BY SITE														
		July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
2011/12	Awatoto	[REDACTED]												
	Clive	[REDACTED]												
	Monthly Total	[REDACTED]												
2012/13	Awatoto	[REDACTED]												
	Clive	[REDACTED]												
	Monthly Total	[REDACTED]												
2013/14	Awatoto	[REDACTED]												
	Clive	[REDACTED]												
	Monthly Total	[REDACTED]												
2014/15	Awatoto	[REDACTED]												
	Clive	[REDACTED]												
	Monthly Total	[REDACTED]												

3.2 In October, Awatoto had a [REDACTED].

4. **Estimated/forecasted tonnage to be scoured at Awatoto during the peak season in 2016**

4.1 Forecasts are dependent entirely on wool type and what volumes of wool are available and if the merger is effected. However, CWH would expect broadly similar volumes to be scoured in the 2016 peak season as was scoured in previous seasons.

5. **Confirmation of the maximum capacity for each scour at Clive and Awatoto**

5.1 The maximum capacity of each scour at Clive and Awatoto is as follows.

Scour	Maximum Capacity (greasy tonnes)
Awatoto	[REDACTED]
Clive	[REDACTED]
	[REDACTED]

NB: Total capacity is based on annual figures whereas wool scouring is based on high and shoulder seasons - in the high season, it is not possible to predict the size of demand which is why capacity in the counterfactual is tight and often requires overflow to Clive.
[REDACTED].

6. **Scouring Agreement with Cavalier Bremworth**

6.1 Cavalier Bremworth has [REDACTED].

7. Total volume scoured by CWH

Total volume scoured (greasy tonnes)		
	Year ended 30/6/2015	Forecast for Year ended 30/6/2016
North Island	[REDACTED]	[REDACTED]
South Island	[REDACTED]	[REDACTED]
Total New Zealand	[REDACTED]	[REDACTED]