

David Stock

Barrister & Solicitor

Level 3
White Fox and Jones House
22 Moorhouse Avenue
Addington, 8011
PO Box 29443, Fendalton
Christchurch 8540

Phone: +64 3 353 1036
Fax: +64 3 353 1038
Cell phone: 021 842 161
Email: djs@davidstock.co.nz

2 June 2011

Anthony Stewart
Senior Investigator
Commerce Commission
PO Box 2351
WELLINGTON 6140

EMAIL: anthony.stewart@comcom.govt.nz

Dear Anthony

**NEW ZEALAND WOOL SERVICES INTERNATIONAL LIMITED (WSI)
CAVALIER WOOL HOLDINGS LIMITED (CWH)**

- 1 Thank you for forwarding a copy of the letter dated 27 May 2011 from Bell Gully to the Commission.
- 2 I note that the letter refers to matters which have been raised by the Commission with CWH on how CWH would see the acquisition and ongoing sales process unfolding in respect of the WSI wool trading business. Could you please provide to my client a list of the issues and matters that the Commission has raised with CWH in respect of this proposed sale.
- 3 The responses made by CWH to the Commission do not make a great deal of sense to WSI because the sale of the wool trading division of WSI would be very difficult to achieve without a purchaser being satisfied that the vertically integrated model preferred by WSI under which it applies a marketing strategy that relies on expertise in processing and the provision of other services as an integrated part of its marketing expertise can be addressed.
- 4 Any prospective purchaser would not have control over the scouring process, the quality of the scoured wool or the blending of wools. The owner of the wool trading business may be unable to continue to give assurances on the quality of the scoured wool being delivered.

- 5 In addition any prospective purchaser would need to have funding lines of between \$40 and \$60 million available to them (or equity to the same levels) to be able to continue to trade at the existing level of WSI.
- 6 WSI is willing to provide further and detailed comments on the matters raised by CWH.
- 7 In summary WSI considers it would be very difficult to sell the wool trading business and maintain its present level of business if it becomes separated from the vertically integrated model applied by WSI which has been relied upon by the customers of WSI in trading with WSI.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Stock', with a stylized flourish at the end.

David Stock