

**By email**

marette.morrissey@comcom.govt.nz

Commerce Commission  
Wellington

**Attention** Marette Morrissey

FROM **Phil Taylor**  
DDI 64 9 916 8940  
MOBILE 64 21 994 216  
EMAIL phil.taylor@bellgully.com  
MATTER NO. 02-341-9209  
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**Intended Wool Trading Division Sale Process**

The Commission has raised with CWH the question of how CWH would see the acquisition and on-sale process unfolding in respect of the WSI Wool Trading Business. The response from CWH is as follows:

1. CWH has made a bid for all the business, assets and the liabilities of WSI, including both the wool scouring business and the wool trading division as a going concern. That acquisition will include all assets including contracts for acquisition of wool and contracts for supply to buyers.
2. The transaction is no different to any other acquisition of a business as a going concern. The wool trading business is, or is capable of becoming quickly, a distinct stand-alone business with its own infrastructure. The wool trading arm of WSI provides services similar to those provided by other wool merchant and there is no reason to believe that the wool trading business will not be able to trade in the same way as it currently does post-sale, although once sold and delinked from the scouring operation, it will be incentivised to trade profitably as a standalone business.
3. The CWH offer specifically offers employment within the CWH Group to all employees of WSI (including wool trading employees). To the extent that any members of the WSI wool trading management team do not wish to take up that offer of employment (which would be very disappointing and surprising to CWH) CWH will reluctantly have to resort to the pool of available very experienced and senior wool traders that would be available to step in to the business at short notice.
4. The current CWH offer price places a full value on both the wool scouring and wool trading businesses as going concerns. In respect of the WSI wool trading business, it is the intention of CWH to on-sell that business for the best price it can achieve as soon as practicable. Having said that, it is not the intention of CWH to engage in any fire sale transaction, rather it is incentivised to obtain the best value for the business. CWH already has interest from multiple parties wishing to negotiate an acquisition of the wool trading business and has commenced preliminary discussions with some of them.

5. For three reasons CWH is strongly incentivised to maintain the wool trading business as a going concern business:
  - (a) First, it wishes to realise the best price it can for that business to off-set against the overall acquisition price and believes that the best way to achieve that is to keep this business intact and operating.
  - (b) Secondly, CWH believes that this business will become a key customer of the enlarged wool scouring business and will continue to play a key role in promoting and selling New Zealand wool overseas.
  - (c) Thirdly, with a large part of the value of the WSI wool trading assets to be acquired comprising scoured and greasy wool, brands and customer relationships and contacts, there is every incentive for CWH to act positively and responsibly to maintain that value.
6. CWH has in place all necessary funding arrangements enabling it to acquire the overall WSI business and to carry on the wool trading operation for as long as is necessary.
7. CWH *has no incentive* to, and does not intend to, wind down or dismantle the wool trading business following the purchase. To do so would be to act contrary to the strong incentives discussed above. CWH is committed to operating the wool trading business as usual, including honouring its long term contracts, honouring its (CWH's) offer of employment, and maintaining direct farm contracts.

Yours sincerely

*[Sgd: Phil Taylor]*

**Phil Taylor**  
Partner