

# David Stock

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Barrister & Solicitor

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29 April 2011

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Commerce Commission  
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Dear Anthony

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

- 1 You will be aware that when Dr Layton's report was provided to you it was on the basis that he only held draft figures from Garry Forward and these needed to be finalised. The information provided to you was draft and was not to be taken as a final version. A new version has been prepared over the last two days and I now attach the following:
  - 1.1 The Cavalier scour merger financial analysis with comments from Garry Forward;
  - 1.2 A commentary from Garry Forward on the Cavalier Merged Scour Model;
  - 1.3 Minor changes will be required to Dr Layton's report as there have been non material changes to the numbers prepared by Garry Forward since the report was prepared by Dr Layton.
- 2 There are a number of important issues that arise regarding the information which is attached:
  - 2.1 These numbers of have been prepared under pressure by a person who has no previous experience in the operating of scours and therefore some of the numbers may not be completely accurate. As you will be aware confidentiality prevents WSI's staff from being engaged to analyse the numbers and therefore these numbers are without the benefit of an overview from an expert in scours.

- 2.2 The information is being provided to the best of the knowledge and ability of Garry Forward taking into account his lack of experience in scour operations.
- 2.3 In an analysing these numbers there are three main issues all of which relate to the electricity charges or the charges for gas and coal where in each case this is considered to be wealth transfer and not a long term efficiency gain. All of the other figures are minor in comparison with these three major figures. The Commission may need to carry out a body of work to verify the numbers and ensure the correct numbers are used in considering whether or not to allow a monopoly to be created.
- 2.4 If further work is required then it would be necessary to appoint an expert in the operation of scours to provide detailed information to the Commission.
- 3 Dr Layton has not seen the latest figures commented on by Garry Forward nor the commentary from Garry Forward. Accordingly he must reserve the right to amend clause 17 of his report if these final figures disclose any material matter which could affect the outcomes and conclusions in this report. A copy has been forwarded to Dr Layton for his urgent comments.
- 4 If you require clarification on any of the above matters please contact the writer.

Yours sincerely

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

David Stock