



Christchurch Yarns NZ

Cavalier Wool holdings proposed purchase of NZWSI

Re ISSN No 0114-2720 12675.

Dear Sir

I am a co owner, and Manager/ Director of Christchurch Yarns NZ ltd, (CYNZ) a Spinner based in Christchurch. We employ 108 people producing yarn for the carpet trade, we export all over the world, but our main export market is Australia. I have been following with alarm the case of Cavalier, (CAV) wanting to gain a monopoly of the NZ scouring industry, by the purchase of the shares of NZWSI held by the receiver.

NZWSI supplies approximately 70% of our New Zealand wool supply, which is about 45 tones per week!

The main reason we use NZWSI, is that they are an independent supplier, who have no allegiance to a competitor, this is the same reason why VCC and Tuftmaster in Melbourne Australia, also purchase the majority of their wool from NZWSI.

The customers we supply in Australia are Tufting mills that are not big enough for their own spinning operation, and so purchase woolen yarn from an Independent spinner. These customers do compete in the market, with Cavalier Carpets, so if CYNZ had to pay more for the scouring of wool than CAV BREM, our customers would be disadvantaged, and CAV BREM would have an advantage in the market.

I also purchase wool scoured at the CAV scours, and I do this to make sure there is honesty between the 2 scours, as I can see if prices vary from one to the other. The 2 scours tend to keep their prices level, they have to do this, or production would be moved, this is a natural check, and gives credibility to the trade.

This Credibility issue, that people are getting a fair price for the scouring, affects the whole NZ wool trade. How can NZ wool be credible in the world market if all the wool is scoured by one company, owned by a local carpet company that exports carpet! Even if CAV did not increase tariffs, the perception of NZ wool being controlled, could be catastrophic for the industry! This could cost NZ tens of millions of Dollars! So why even take the chance!



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The Idea that Chinese scours are the competition for Scouring run by CAV, is a strange notion. Can you see local manufactures shipping wool to China, having it scoured, and then shipping it back to NZ! The shipping charges alone would be more than the scouring tariff!!!

If Chinese scouring tariffs are low, and CAV scouring tariffs higher, the only one that would benefit from the lower Chinese tariffs would be Chinese manufacturers! Higher local tariffs will disadvantage NZ industry, and Advantage Chinese industry!

We in Canterbury have just gone through 2 earth Quakes; this has graphically demonstrated the logic of not putting all your eggs in one basket. If CAV purchases NZWSI and close the 2 scours, this will mean that all the NZ scouring will be located in just 2 areas, one on the North Island, one on the South. Madness with what Mother Nature has just taught us.

The control of the Scours is too important a Strategic asset for NZ, to let just one company have a monopoly.

I note that in the DRAFT DETERMINATION, there is much made about it being easy to start a scour if wanted, if you are thinking this way, why let the scour that is there be closed in the first place. Both NZWSI and CAV are profitable companies, so there must be enough volumes of wool to make 2 scours worth while, why create a problem and risk the NZ wool industry, when there is no need.

If CAV are given the go ahead to indulge in the purchase of NZWSI, they will get the company. NZWSI is worth a lot more to CAV than to any one that wants to keep the company as a trading company, simply because CAV gain a monopoly, which of course gives them the power to earn a lot more than as a trading company. This reason is why CAV want NZWSI. I don't blame CAV, if I were running them I would try to do the same. The purchase of NZWSI, is good business for CAV BREM.

For CYNZ, the farmers, other manufacturers, both abroad and in NZ, the MONOPOLY of the scouring industry would be a Disaster.

CYNZ have had a recession, high exchange rates, soaring wool prices, and 2 Earth Quakes, we are still trading and providing much needed jobs. The last thing we need is a Monopoly of the NZ scouring industry by a company that most of our customers are competing against, in the market.

Glenn Wilcock



General Manager/ Director

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