



COMMERCE COMMISSION

26 April 2011

Mr Derek Kirke
Chairman
New Zealand Wool Service International Limited
P O Box 29 383
Fendalton
CHRISTCHURCH 8540

Dear Mr Kirke

Re: Cavalier Wool Holdings Limited / New Zealand Wool Services International Limited

1. Thank you for your letter dated 23 April 2011, regarding the timetable notified by the Commission in respect of the above application for authorisation.
2. As you may have been advised, certain timeframes are set out in the Commerce Act 1986 for performance by the Commission of its functions in relation to clearances and authorisations. It is not always possible to achieve those timeframes, because the Commission must also balance the need to adequately investigate a proposal and allow all interested parties an opportunity to be heard. Nonetheless, in striking that balance, the Commission has always been cognisant of calls by the business community for expedition generally in such matters, since delay can cause uncertainty and damage to commercial interests.
3. That is especially so in a case such as this where a merger is proposed, with its commercial imperatives and employment implications. Unlike authorisations for restrictive trade practices, where there is no timeframe specified, the Act envisages in a case such as this that the Commission will make a decision within 60 working days (5 May 2011, which has already been extended by agreement with the applicant to 31 May 2011.)
4. The Commission has considered the points made in your letter.
 - The Commission is mindful of the disruption caused by the earthquake and the effect it has had on businesses based in Christchurch. The Commission has appreciated NZ Wool Services International's (WSI) commitment to responding to information requests during a difficult time. It does note however, that WSI's

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2.

Burnside offices suffered relatively minor damage and were inaccessible to its staff for only for a few days following the second Christchurch earthquake. Moreover, none of Dr Carnaby or Dr Layton or Mr Goddard, WSI's principal experts, had offices in the affected areas.

- WSI has been involved in the process leading up to the draft determination (as set out below in the table), including its experts and counsel receiving other parties' material and making submissions.

28 February 2011	Commission staff meeting with WSI Chair Initial draft timeline was discussed – advised 60 working days expired on 5 May 2011
8 March 2011	WSI makes submission on Cavalier application for authorisation
1 April 2011	WSI advised of timetable via email to David Stock (and on Commission website) as follows: Release of Draft Determination on or before 13 April; Submissions on Draft Determination to be received on or before 27 April; Conference to be held on 4 and 5 May ; and Final Determination to be made on or before 31 May
7 April 2011	Formal Notification of Conference published on Commission website
13 April 2011	Draft Determination released
14 April 2011	WSI advised that WSI counsel and independent experts may wish to receive a confidential version of the Draft, following receipt of signed confidentiality undertakings.
18 April 2011	Following receipt of signed undertakings, confidential Draft Determination and confidential information sent to WSI counsel, WSI consultant and WSI economic expert
20 April 2011	Following receipt of signed undertakings, confidential Draft Determination and confidential information sent to WSI independent accountant
26 April 2011	Commission receives letter from WSI dated 23 April 2011 objecting to the timetable notified to it on 1 April

3.

- It is significant that it has taken WSI 25 days to raise, for the first time, its problems in complying with the timetable.
 - The Commissioners working on this authorisation have other commitments during May, June and July. The dates in the timetable were arranged to accommodate the availability of the four relevant Commissioners. Not all of those Commissioners would be available under the revised timetable you have suggested.
 - The other interested parties have all been able to accommodate the Commission's timetable and changing it now would disrupt those parties' plans.
5. Therefore, the Commission does not intend to accept your suggestion of an altered timetable for consideration of Cavalier Wool's application for authorisation.

Independent Accountant Review

6. As you are aware all submissions on the Draft Determination are to be provided to the Commission on or before 27 April 2011. In light of the above, the date for receiving submissions will not be deferred.
7. You have stated that it is impossible for WSI's independent accountant to complete his review by 27 April 2011. The information he is reviewing pertains to WSI's current costs and related matters. In this instance, the Commission is prepared to accept a late submission from WSI, solely confined to issues raised by WSI's independent accountant. A public and a confidential version (if necessary) of this submission must be received on or before **9am Friday 29 April**. Any other submission from WSI on the Draft Determination must be received on or before 27 April 2011 in accordance with the timetable.
8. Following receipt of WSI's submission in relation to the independent accountant's review, the public version will be placed on the Commission's website and the confidential version sent to counsel and experts who have signed confidentiality undertakings.
9. If the Applicant and any other interested parties wish to raise issues for consideration that arise from WSI's independent accountant's submission, the Commission will accept any such list of issues if received on or before **9am Monday 2 May 2011**.

Conclusion

10. In summary, with the exception of WSI's submission in relation to the independent accountant's review, all other submissions on the Draft Determination must be received by the Commission on or before 27 April and the conference will be held on 4 and 5 May 2011 as advertised.
11. A copy of your letter and this response will be placed on the Commission website today.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mark Berry". The signature is written in a cursive style with a long horizontal stroke at the end.

Dr Mark Berry
Chair