



19 September 2005

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~~PRIVATE & CONFIDENTIAL~~
BY COURIER

Mr Scott Gregson
General Manager, Adjudication Branch
Australian Competition and Consumer Commission
Level 35
360 Elizabeth St
Melbourne VIC 3000

Dear Mr Gregson

Application for Authorisation

Please find enclosed:

1. Form A - Application for Authorisation
2. Form B - Application for Authorisation
3. Submission in support of Application
4. Cheque in the sum of \$9,000 (application fees)

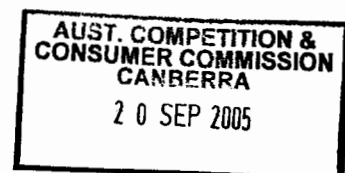
Please contact me if you would like to discuss these matters. Otherwise, we look forward to hearing from you in due course in relation to the matters discussed above.

Yours faithfully
MINTER ELLISON

Geoff Carter
Geoff Carter
Partner

Contact: Geoff Carter Direct phone: +61 3 8608 2090 Direct fax: +61 3 8608 1096
Email: geoff.carter@minterellison.com
Our reference: GRC 30-5008252

enclosures



Form A

Commonwealth of Australia
Trade Practices Act 1974 --- Sub-section 88(1)
**EXCLUSIONARY PROVISIONS:
APPLICATION FOR AUTHORISATION**

To the Australian Competition and Consumer Commission:

Application is hereby made under sub-section 88(1) of the *Trade Practices Act 1974* for an authorisation under that sub-section

- to make a contract or arrangement, or arrive at an understanding, where a provision of the proposed contract, arrangement or understanding would be, or might be, an exclusionary provision within the meaning of section 45 of that Act.
- to give effect to a provision of a contract, arrangement or understanding where the provision is, or may be, an exclusionary provision within the meaning of section 45 of that Act.

1. (a) Name of Applicant:

Federation of Australian Wool Organisations

(b) Short description of business carried on by applicant:

The Federation of Australian Wool Organisations is the peak Australian representative body for the wool and wool textile industry

(c) Address in Australia for service of documents on the applicant:

C/- Mr Geoff Carter
Minter Ellison Lawyers
Level 23, 525 Collins St
MELBOURNE VIC 3000

2. (a) Brief description of contract, arrangement or understanding and, where already made, its date:

An Implementation Deed dated [*insert date*] between the applicant, the National Council of Wool Selling Brokers of Australia Ltd, the Private Treaty Wool Merchants of Australia Inc and any selling agent who accedes to the deed.

The Implementation Deed establishes arrangements for the imposition of a levy to be imposed on all wool sold at auction or by private treaty for the purposes of raising funds for a test marketing campaign for the promotion of the wool industry.

Further details are set out in the attached submission.

(b) Brief description of the provision of the contract, arrangement or understanding that are, or would or might be, exclusionary provisions:

Pursuant to the contract, arrangement or understanding described in 2(a), the applicants may give effect to a provision which is, or may be, an exclusionary provision, including by refusing to supply goods or services to persons who have not agreed to pay the proposed levy.

(c) Names and addresses of other parties or proposed parties to contract, arrangement or understanding:

Private Treaty Wool Merchants of Australia Inc

691 Geelong Rd
BROOKLYN VIC 3012

Attention:
Dr Peter Morgan
Director
Tel: (03) 9318 0077
Fax: (03) 9318 0877
Email: awis@woolindustries.org

National Council of Wool Selling Brokers of Australia Ltd
691 Geelong Rd
BROOKLYN VIC 3012

Attention:
Mr John O'Connor
Executive Director
Tel: (03) 9318 0322
Fax: (03) 9318 0877
Email: ncwsba@woolindustries.org

It is anticipated that further persons will become parties to the Implementation Deed will by signing deed of accession, however details of those parties cannot be confirmed as at the date of this application.

3. Names and addresses (where known) of parties and other persons on whose behalf application is made:

Refer to 2(c) above.

4. (a) Grounds for grant of authorisation:

Refer to submission attached to this application.

(b) Facts and contentions relied upon in support of those grounds:

Refer to submission attached to this application.

5. This application for authorisation may be expressed to be made also in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding.

(a) Is this application to be so expressed:

No

(b) If so, the following information is to be furnished:

(i) the names of the parties to each other contract, arrangement or understanding:

N/A

(ii) the names of the parties to each other proposed contract, arrangement or understanding which names are known at the date of this application:

N/A

6. (a) Does this application deal with a matter relating to a joint venture (See section 4J of the Trade Practices Act 1974):

No

(b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

N/A

(c) If so, by whom or on whose behalf are those other applications being made?

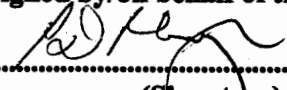
N/A

7. Name and address of person authorised by the applicant to provide additional information in relation to this application:

Mr Geoff Carter
Minter Ellison Lawyers
Level 23, 525 Collins St
MELBOURNE VIC 3000
Ph: 03 8608 2168
Fax: 03 8608 1096
Email: geoff.carter@minterellison.com

Dated.....16 September....., 2005

Signed by/on behalf of the applicant


.....
(Signature)
.....PETER DAVID MORGAN.....
.....
(Full Name)
.....EXECUTIVE DIRECTOR.....
.....
(Description)

Form B

Commonwealth of Australia

Trade Practices Act 1974 --- Sub-section 88(1)

AGREEMENTS AFFECTING COMPETITION

APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:

Application is hereby made under sub-section 88(1) of the *Trade Practices Act 1974* for an authorisation under that sub-section

- to make a contract or arrangement, or arrive at an understanding, a provision of which would have the purpose, or would have or might have the effect, of substantially lessening competition within the meaning of section 45 of that Act.**
- to give effect to a provision of a contract, arrangement or understanding which provision has the purpose, or has or may have the effect, of substantially lessening competition within the meaning of section 45 of that Act.**

1. (a) Name of Applicant:

Federation of Australian Wool Organisations

(b) Short description of business carried on by applicant:

The Federation of Australian Wool Organisations is the peak Australian representative body for the wool and wool textile industry.

(c) Address in Australia for service of documents on the applicant:

C/- Mr Geoff Carter
Minter Ellison Lawyers
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The Implementation Deed establishes arrangements for the imposition of a levy to be imposed on all wool sold at auction or by private treaty for the purposes of raising funds for a test marketing campaign for the promotion of the wool industry.

Further details are set out in the attached submission.

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Private Treaty Wool Merchants of Australia Inc
691 Geelong Rd
BROOKLYN VIC 3012

Attention:

Dr Peter Morgan
Director

Tel: (03) 9318 0077

Fax: (03) 9318 0877

Email: awis@woolindustries.org

National Council of Wool Selling Brokers of Australia Ltd
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Attention:

Mr John O'Connor
Executive Director

Tel: (03) 9318 0322

Fax: (03) 9318 0877

Email: ncwsba@woolindustries.org

It is anticipated that further persons will become parties to the Implementation Deed will by signing deed of accession, however details of those parties cannot be confirmed as at the date of this application.

3. Names and addresses (where known) of parties and other persons on whose behalf application is made:

Refer to 2(b) above.

4. (a) Grounds for grant of authorisation:

Refer to submission attached to this application.

(b) Facts and contentions relied upon in support of those grounds:

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5. This application for authorisation may be expressed to be made also in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding.

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N/A

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N/A

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No

(b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

N/A

(c) If so, by whom or on whose behalf are those other applications being made?

N/A

7. Name and address of person authorised by the applicant to provide additional information in relation to this application:

Mr Geoff Carter
Minter Ellison Lawyers
Level 23, 525 Collins St
MELBOURNE VIC 3000
Ph: 03 8608 2168
Fax: 03 8608 1096
Email: geoff.carter@minterellison.com

Dated.....*16 September*....., 2005

Signed by/on behalf of the applicant

[Handwritten Signature]
.....

(Signature)

PETER DAVID MORGAN
.....

(Full Name)

EXECUTIVE DIRECTOR
.....

(Description)

FINAL

Federation of Australian Wool Organisations

Application for Authorisation

Supporting Submission

September 2005

Federation of Australian Wool Organisations

Application for Authorisation - Supporting Submission

Executive Summary	4
1. Introduction	6
1.1 Application for authorisation	6
1.2 Scope and terms of authorisation sought	6
1.3 The Applicant	7
1.4 Other stakeholders / interested parties	7
2. Background	8
2.1 Overview and importance of the Australian wool industry	8
2.2 Current state of the industry	8
2.3 The push for more promotion	10
2.4 Details of the test marketing campaign	11
2.5 Industry wide support	11
3. The Implementation Deed	12
3.1 Conditions precedent	12
3.2 Implementation of the levy	12
3.3 Collection and remittance of the levy	12
3.4 Management of levy funds	12
3.5 Application of levy funds	13
3.6 Target amount	13
3.7 Period in which Levy will be imposed	13
4. Trade Practices Issues	13
4.1 Applications for authorisation	13
4.2 Public benefit tests	13
4.3 Public benefit and public detriment	14
5. Public detriment	15
6. Public benefits	15
6.1 Increased demand for Australian wool	16
6.2 Increased efficiency	16
6.3 International competitiveness of the Australian wool industry	16
6.4 Increase in net exports	17
6.5 Higher employment	17
7. Precedent	18
7.1 The Tasmanian oyster levy	18
7.2 The South Australian oyster levy	18
7.3 The AWEX fee	18
8. Conclusion	18
Annexure 1 - Key provisions of Implementation Deed	19
Annexure 2 - List of Selling Agents	21
Annexure 3 - FAWO Resolution	25

Executive Summary

This submission is made by the Federation of Australian Wool Organisations in support of two related applications for authorisation pursuant to section 88(1) of the *Trade Practices Act 1974* (Cth) to enter into and give effect to a provision of an agreement, in the form of an Implementation Deed.

The Implementation Deed establishes the arrangements between the Federation of Australian Wool Organisations, the National Council of Wool Selling Brokers of Australia Ltd, the Private Treaty Wool Merchants of Australia Inc and selling agents under which a A\$1.50 levy will be collected on all wool sold at auction or by private treaty for the purposes of raising funds for a test marketing campaign for the promotion of the wool industry.

The Applicant submits that the arrangements to implement a levy should be authorised until such time as the target amount of funds for the campaign - US\$2,800,000 - is raised. The Applicant also requests interim authorisation be granted for the arrangements in order to permit the test marketing campaign to proceed during the upcoming Northern hemisphere winter.

In considering this application, the ACCC must balance the extent (if any) to which the conduct is likely to lessen competition against the public benefits that will result.

Implementation of the levy to fund an international consumer test marketing campaign will increase knowledge and know how relating to the most effective means to conduct consumer marketing campaigns promoting wool internationally and also directly increase consumer demand for Australian Wool.

Accordingly, the conduct for which authorisation is sought should result in significant public benefits in the following recognised categories:

- **Increased demand for Australian wool**
Implementation of the levy will both directly and indirectly increase consumer demand for Australian wool over both the short and the long term.
- **Increased efficiency in the promotion of Australian wool**
The test marketing campaign will also facilitate efficient investment in the promotion of the wool industry by measuring changes in demand so that future promotion can be appropriately targeted.
- **International competitiveness of the Australian wool industry**
Renewed promotion of wool should result in a stronger and more productive Australian wool industry which will be better able to compete internationally against alternative fibres (such as cotton and synthetics).
- **Increase in net exports**
With approximately 95% of wool produced in Australia exported, a principal benefit flowing from greater and appropriately targeted promotion of wool is likely to be an increase in the real value of exports.
- **Higher employment**
Increased international demand for wool can also be expected to have positive flow on effects for employment in the rural economy.

In contrast, there is likely to be little (if any) anti-competitive detriment. The proposal has widespread industry support.

Overall, the conduct for which authorisation is sought is expected to give rise to significant public benefits while creating little or no competitive detriment. The Applicant submits that the arrangements to implement a levy should be authorised until such time as the target amount is raised.

1. Introduction

1.1 Application for authorisation

This submission is made by the Federation of Australian Wool Organisations (ABN 38 979 046 569) (the **Applicant**) in support of an application for authorisation pursuant to section 88(1) of the *Trade Practices Act 1974* (Cth) (**TPA**) to enter into and give effect to a provision of an agreement, in the form of an implementation deed (**Implementation Deed**).

The Implementation Deed will be terminated if this application for authorisation is not granted.

Under the Implementation Deed, the parties agree (subject to the conditions precedent set out in the deed being satisfied) to implement a levy to be collected by selling agents on all wool sold at auction or by private treaty for the purposes of raising funds for a test marketing campaign for the promotion of the wool industry. The amount of the levy is proposed to be A\$1.50 per bale to be added to the post-sale service charge typically paid to selling agents by buyers at the point of sale. The objective of imposing the levy is to raise US\$2,800,000.00 to contribute to the campaign.

The Implementation Deed also provides for the collection and remittance of the levy by selling agents; as well as the management and application of funds raised by the levy (and any other funds received for the purposes of the test marketing campaign) by FAWO.

The key provisions of the Implementation Deed are summarised in Annexure 1.

The parties to the Implementation Deed are the Applicant, the National Council of Wool Selling Brokers of Australia Ltd (ABN 40 059 628 554) (**NCWSBA**), the Private Treaty Wool Merchants of Australia Inc (ABN 44 672 992 152) (**PTWMA**) and the wool brokers, private treaty merchants and other selling agents (**selling agents**) who become parties to the deed by signing a deed of accession. It is intended that most, if not all, selling agents currently operating in Australia will become parties to the Implementation Deed. A list of those selling agents is set out in Annexure 2.

This submission explains the history and commercial background to the proposed arrangements and then summarises, firstly, the possible public detriment associated with the arrangements, secondly, the public benefits that will arise from authorisation and, thirdly, relevant precedents which support the application for authorisation.

1.2 Scope and terms of authorisation sought

Given the implementation of certain terms of the Implementation Deed may arguably constitute 'per-se' contraventions of the TPA, the Applicant is applying to the ACCC for authorisation of the arrangements pursuant to sub-section 88(1) of the TPA. The relevant tests for authorisation are set out in sub-sections 90(6) and 90(8) of the TPA.

The Applicant seeks authorisation until such time as the target amount of funds for the campaign are raised. Given the pressing need to commence the test marketing campaign, the Applicant is also seeking interim authorisation to commence as soon as possible.

Interim authorisation is required if the test marketing campaign is to proceed in conjunction with the upcoming Northern hemisphere winter, the period of greatest demand for woollen products. If interim authorisation is not obtained the test marketing campaign may not proceed at this time or be significantly reduced in its scope (and therefore its effectiveness).

The Applicant notes that, depending on the outcomes of the test marketing campaign, the Australian wool industry may consider implementing the levy on a more permanent basis to continue to raise funds to apply towards similar marketing campaigns for the benefit of the Australian wool industry. However, in these circumstances, the Applicant would seek a variation of any authorisation to extend the period for which the levy is imposed or, alternatively, seek a separate authorisation for such conduct going forward.

1.3 The Applicant

FAWO is an unincorporated association that acts as the Australian National Committee of the IWTO (the peak international body in the wool and wool textile industries). With almost all industry sectors as members, FAWO is recognised (both domestically and internationally) as the peak Australian representative body in the wool industry (the peak body representing the interests of wool growers, brokers, private treaty merchants, buyers, processors and exporters).

Member organisations of FAWO include WoolProducers (the peak body representing the interests of wool growers), Australian Council of Wool Exporters Inc (**ACWE**) (the peak national body representing the interest of wool buyers), Australian Wool Processors Council Inc (**AWPC**) (the peak body representing the interests of early stage processors and later stage processors of wool products in Australia); the Australian Wool Testing Authority (**AWTA**), the Australian Wool Exchange Ltd (**AWEX**), PTWMA and NCWSBA. Its associate members include Australian Wool Services (**Woolmark**), the Australian Superfine Wool Growers' Association Inc, Australian Wool Handlers Pty Ltd, Australian Wool Innovation Ltd, CSIRO Textile & Fibre Technology. The Interactive Wool Group and various state departments for agriculture and primary industries.

The PTWMA and NCWSBA are industry associations representing selling agents. The NCWSBA represents the interest of the wool selling brokers while the PTWMA represents the interests of merchants buying wool directly from growers. This may include, but is not limited to, buying wool forward on the sheep's back, at farm at shearing, on farm by tender or on consignment at store door. PTWMA is widely recognised by government and others as representing the private buying sector of the wool industry and is a member of all major wool industry bodies.

1.4 Other stakeholders / interested parties

Other stakeholders in the wool industry, or parties who may otherwise be interested in the Application, include:

- members and associate members of FAWO (as listed above);
- Farming Federations/Associations in each State and Territory (other than the Northern Territory);
- Commonwealth Department of Agriculture, Fisheries and Forestry (specifically, the general manager of wool and dairy areas); and
- Department of Primary Industries (Vic), Department of Agriculture (WA) Department of Agriculture (NSW), Department of Primary Industries, Water & Environment (Tas), Department of Primary Industries (Qld), Primary Industries & Resources (SA).

Stakeholder contact details are set out in Annexure 6.

There may also be a small number of sellers or buyers who operate outside the mainstream areas of wool selling or buying. They are invariably small businesses.

2. Background

2.1 Overview and importance of the Australian wool industry¹

Australia is the world's largest producer of wool, providing nearly one third of the world's raw (greasy) wool and over one-half of the world's merino wool.

Wool is recognised as one of Australia's most important agricultural commodities with wool production being the second most common enterprise on Australian farms, with approximately one third of Australia's commercial farms producing wool as part of their enterprise. It is one the country's largest and most important forms of land use, accounting for approximately 11% of the gross value of Australian farm production in 2002/2003. Between 40,000 and 50,000 woolgrowers manage a total flock of 98 million sheep, which produced approximately 535kt of wool in 2002/2003.

Most wool produced in Australia is sold through public auctions, conducted by wool brokers (also known as selling agents) on behalf of wool growers at one of five major wool selling locations around the country. Prior to auction, all wool is tested by sending a sample to AWTA, which provides details of the micron and other characteristics of the wool to enable the buyer to assess whether the wool will meet the buyer's specific requirements. A proportion of wool is sold outside auction, through private treaty merchants who buy directly from wool producers.

Almost 95% of Australia's wool product was exported with a value of over A\$3.3billion (in 2002/2003) and A\$2.4 billion (in 2004/2005). In 2003/2004, wool accounted for 2.5% of Australia's total exports, 3.4% of Australia's primary industry (agricultural/mining) exports, and 9.4% of Australia's agricultural exports ranking third behind beef and wheat.²

Australia exports wool to over 50 countries with China the biggest purchaser of Australian wool (in 2004/2005, exports to China were valued at A\$1.25 billion) followed by Italy. Together these two countries took about 65% of Australia's total wool exports.

In 2003/2004, Australian wool accounted for 48% of the total used in global wool apparel. Wool accounts for 2.4% of total world fibre use and about 3.5% of apparel fibre.

2.2 Current state of the industry

Despite the general commodity boom and more positive international economic conditions, demand for wool is extremely depressed, prices are at a four year low and wool production is in sharp decline. There has been a 3% per annum decline in global wool volumes over the past 10 years, at a cost of \$690 million to the industry.

The Australian wool industry has declined in production from a peak of 1,030 million kilograms (mkg) in 1989/90 to 475 mkg in 2004/05 and an expected 470 mkg in 2005/06. A combination of factors (discussed below) are thought to have caused wool production to fall to a level not seen since 1947-48. Indeed, in the 1980s, Australian sheep flock numbered 172 million head but has since fallen to only 98 million head in 2004.

The decline started with the collapse of the Reserve Price Scheme³ in 1990/91, which saw an industry debt of A\$1.8 billion and a stockpile of 3.5 million bales. The stockpile was equivalent to

¹ Sources: Department of Agriculture, Fisheries and Forestry; Australian Wool Innovation Ltd, WoolFacts October 2004; Department of Primary Industries (Victoria); Australian Wool Testing Authority.

² Note in 2002/2003, these figures were, respectively, 2.4%, 4.1% and 13.1%.

³ In 1970, a wool deficiency payments scheme was introduced to protect wool growers from severe short term price reductions caused by fluctuations in demand for wool. In 1974, a reserve price scheme was introduced to provide growers with a guaranteed

one year's production at the time. Wool prices were expected to be, and were, adverse during the period of sell-off of the stockpile. Both stockpile wool and 'new' wool were sold during this period.

It was hoped that, following the disposal of the stockpile in August 2001, there would be a sustained lift in prices. While the Market Indicator lifted by 22% by February 2002 and by another 15% in September 2002 (sustained until Easter 2003), there has since been a steady fall in prices and a decline in Australian wool production.

Year	Average Market Indicator (¢)	Wool Production (mkg)
1999/00	625	620
2000/01	764	602
2001/02	837	555
2002/03	1,038	499
2003/04	821	475
2004/05	745	475
2005/06 (to date)	714	470*

* forecast

It is acknowledged by all sectors of the industry that unless action is taken to reverse the decline in prices in the near future, wool production is likely to decline further with a consequent loss in Australian export income. This, in turn, will have flow on effects for industry growth and employment (particularly in rural areas).

A combination of factors have contributed to the drop in wool prices and production including the collapse of the Reserve Price Scheme (discussed above), sustained drought conditions and the relative profitability of other farming enterprises (such as sheep meat production, beef cattle, grain, etc). However, there is also a clear view expressed by all sectors of the Australian wool industry (from grower to garment maker) that a lack of promotion since 2000 has been a critical factor in contributing to the decline in wool volume and value.

Prior to 2000, Australian wool growers contributed to R&D, marketing and promotion by way of a 4% levy collected on the gross price received for their wool. Between 1936 and 1999, wool growers spent some \$6 billion on promotion, collected through this compulsory levy.⁴ At a poll in 2000, wool growers voted to retain a 2% levy for R&D but abandon their contribution towards promotion. Australian Wool Innovation⁵ (AWI) is charged with responsibility for initiating,

minimum price, funded by a proportion of tax paid by growers on the value of shorn wool. The scheme was administered by the Australian Wool Corporation (AWC) which purchased all wool not meeting the minimum reserved price at auction and later sold the wool during periods of higher prices. The scheme worked effectively for nearly 20 years however, following a sharp decline in demand and high reserve price, the scheme was suspended in February 1991 when it was decided the scheme could no longer be maintained. At this point, the stockpile held by AWC was some 4.7 million bales. Source: ABS, *Agriculture: the wool industry*, ABS Yearbook Australia 2002.

⁴ Asa Wahluquist and Richard Yallop, 'Wool industry in meltdown' *The Australian*, 22 April 2005.

⁵ Following the Wool Future Directions Taskforce report in 1999, the Federal Government announced that Australian Wool Research and Promotion (AWRAP) would be converted into a private company, with woolgrowers as shareholders. Legislation providing for the privatised structure was passed in December 2000 and provided for the formation of a holding company, Australian Wool Services (AWS), with two wholly owned subsidiaries, Australian Wool Innovation (AWI) and The Woolmark Company (Woolmark). An option to separate the holding company from its subsidiaries was exercised in 2002, when AWI separated from AWS. It has recently been proposed that AWI and Woolmark be merged together to form one organisation.

administering and delivering R&D to Australian woolgrowers from funds collected through this levy.

Although Woolmark (a wholly owned subsidiary of Australian Wool Services (**AWS**)) is the Australian wool industry's 'official' marketing arm (as the entity charged with sales and marketing new technology and innovation in wool), it has received no funding since the levy funds for promotion were withdrawn in 2000. Woolmark also operates the global Woolmark quality certification and licensing scheme, and has been running for the past five years on the licence income generated from manufacturers who use the Woolmark icon.

As such, there has been no coordinated funding for marketing and promotion of the industry since 2000. Promotion has been conducted on an ad hoc basis by industry participants and retailers, and there has been little success with such fragmented marketing and brand building campaigns.

By way of comparison, cotton growers in the United States support their fibre through the activities of Cotton Incorporated and Cotton Council International. In 2002, from an annual budget of US\$63 million, Cotton Incorporated spent US\$45 million on marketing their fibre to the textile user, garment makers, retailers and the consumer.⁶

It should also be noted that Australian wool growers have also been the target of a high profile animal rights campaign and law suit against the practice of mulesing (where farmers cut skin folds from the sheeps backsides to prevent flystrike). The industry acknowledges that such bad publicity will also need to be addressed.

2.3 The push for more promotion

The International Wool Textile Organisation (**IWTO**) expressed concern for the deteriorating situation of the wool industry in 2003 and commissioned Kurt Salmon Associates (**KSA**) to conduct a global survey, *'Vision and Perspective of Consumer Behaviour and Trends in Clothing'*. The results of the survey highlighted:

- a loss of share in the apparel market, in particular an almost complete loss of market share in respect of women's fashion wear (formerly one of the most affluent markets for wool); and
- such loss in market share was due to a lack of promotion and communication with the market (including the withdrawal of grower levy funds for wool promotion in Australia).

KSA recommended that more promotion and motivation aimed at retailers and consumers was needed. Following on from these findings and recommendations, IWTO appointed an Apparel Taskforce with terms of reference to develop recommendations designed to increase the demand for wool apparel. The Apparel Taskforce also concluded that the lack of promotion since 1999/2000 was a critical factor contributing to the reduction in demand for wool and consequent poor prices.

At the Hobart IWTO Congress in April 2005, the Apparel Taskforce declared that greater promotion was needed and recommended that a test marketing campaign be initiated with the aims of increasing demand in the test market and of assessing the effectiveness of the campaign by measuring the changes in demand. The IWTO endorsed the recommendation and has since sought funding from its member nations to initiate the campaign (most of whom have positively responded by making individual pledges).

⁶ Dieter Vollstedt, 'A Profitable Future for Wool' IWTO Publication, April 2004.

The findings and recommendations arising from the KSA survey and Apparel Taskforce have also been confirmed by recent analysis undertaken by AWS (the body charged with promoting Australian wool, through its subsidiary Woolmark, in the absence of a specific grower levy for promotion) and the Boston Consulting Group which indicates that the forecast for wool prices and production will worsen without reversing the lack of investment in promotion and that doing no marketing was 'no longer an option.' It was also emphasised that the industry must avoid the mistakes made in the past where significant amounts of growers funds were spent on broad-ranging but fragmented brand building campaigns.

2.4 Details of the test marketing campaign

The test marketing campaign is to be the first industry consumer marketing campaign for wool in 6 years. It is proposed that it be conducted by Woolmark and have dual objectives:

- increasing demand for wool products in the test market by improving the profile and recognition of wool; and
- assessing the effectiveness of the campaign by measuring changes in demand and other benefits arising out of the campaign. (As such, the test marketing campaign is effectively R&D into the best and most effective way to promote the wool industry).

The estimated cost of the test marketing campaign is US\$7 million and will be targeted at the United States. The US has been identified as an excellent prospect market for high value, high growth returns, given a wealthy consumer base currently under-consuming wool. The campaign will be focused and target men's and women's apparel, aiming to lift the profile and appeal of wool products to meet modern consumer demands and value expectations.

Demand for wool is cyclical, largely determined by economic conditions (particularly in countries considered to be large purchasers of wool), consumer confidence and world wide trends in fashion and lifestyle. Such trends in recent years have been towards more informal, casual and sports wear, which has favoured cotton and synthetic fibres on price and performance grounds. To the extent that wool can be better positioned in the global textile and apparel market, the test marketing campaign will examine mechanisms to increase consumer demand for wool and explore ways to get a premium return for wool growers and other industry participants.

The industry is optimistic that, in the short term, a lift in volume can be achieved which will then translate into an increase in price.

2.5 Industry wide support

The Australian wool industry supports, and wishes to contribute funds to, the test marketing campaign and wishes to raise funds from as broad a cross section of the industry as possible. To date, significant one-off pledges have been received from AWI, AWS and AWEX.

The AWI contribution is contingent on the international wool industry (that is, IWTO) raising a matching amount. There is agreement within the Australian wool industry, specifically between the various industry associations which represent buyers and selling agents (brokers and private treaty merchants), that a transaction based contribution is an equitable and efficient way to raise funds imposed on all wool sales for the purposes of the test marketing campaign. These industry-raised funds will be remitted to IWTO for the purposes of (when combined with individual pledges from member nations) matching AWI's contribution towards the test campaign.

The test marketing campaign and the arrangement to implement the levy to raise funds for the campaign have received wide industry support, as evidenced by the recent resolution at the AGM

of FAWO (see Annexure 3) which include representative from all sections of the Australian wool industry. Notably, this includes support from WoolProducers, the peak national body representing wool growers, and the ACWE.

3. The Implementation Deed

The conduct for which authorisation is sought is to enter into and give effect to the Implementation Deed.

3.1 Conditions precedent

The operative provisions of the Implementation Deed are conditional upon either interim or final authorisation being obtained. If interim authorisation is obtained, but final authorisation is denied, the deed automatically terminates.

A further condition precedent is the requirement that PTWMA and NCWSBA have received at least 75% of consents by number of members of their respective associations to become parties to the Implementation Deed by way of return executed deed of accession. It is anticipated that 100% of members will, in fact, consent.

3.2 Implementation of the levy

Under the Implementation Deed, the selling agents agree to collect a transaction based contribution (that is, the levy) on all wool sold at auction or by private treaty.

The proposed amount of the levy is A\$1.50 per bale of wool. The amount is equivalent to 0.85¢ per kg, or less than 0.2% of the current average price of a bale of wool. As such, this amount is considered insignificant in relation to the total purchase price of wool and will be fixed at this level.

3.3 Collection and remittance of the levy

In order to ensure that the procedures used to collect the levy are administratively simple and as low cost as possible, the levy will be added to the post-sale service charge typically paid to selling agents by buyers at the point of sale. The point of first sale has been chosen given this is when the change of ownership occurs in its most concentrated form. The post-sale service charge is normally charged by the selling agent in addition to the invoice price which the buyer pays to the wool grower via the selling agent. For the avoidance of doubt, the post-sale service charge will otherwise continue to be individually negotiated between each selling agent and buyer in all cases.

Selling agents will collect and remit the levy to a special purpose bank account established by FAWO for the collection and management of funds raised through the imposition of the levy (and any other funds received for the purposes of the test marketing campaign).

3.4 Management of levy funds

FAWO will independently and appropriately administer the funds raised to ensure that the individual transactions between selling agents and buyers are kept confidential and not disclosed to any other selling agent or buyer (other than in an aggregated form which does not disclose the individual identity or volume of trade of any individual entity).

3.5 Application of levy funds

FAWO will apply such funds for the purposes of the test marketing campaign. As such, the funds will be remitted to IWTO on a dollar for dollar basis with AWI funds, as required. Woolmark will be the body commissioned to undertake the test marketing campaign and report the results to the industry.

3.6 Target amount

The objective of implementing the levy is to raise sufficient funds to contribute to the test marketing campaign. These industry-raised funds will be remitted to IWTO for the purposes of (when combined with individual pledges from IWTO member nations) matching AWI's contribution towards the test campaign, currently US\$5 million.

While the target amount to be raised through implementation of the levy is currently estimated at US\$2.8 million, the Implementation Deed has been drafted to allow the parties some flexibility to revise this target amount in certain limited circumstances, for example, in the event that additional funds are needed to cover either a shortfall from the other IWTO member nations or an overrun in the costs of the test marketing campaign.

3.7 Period in which Levy will be imposed

The levy will be collected until FAWO gives notice that the target amount has been raised.

4. Trade Practices Issues

4.1 Applications for authorisation

The implementation of the levy raises the question of whether the arrangements involve a contravention of Part IV the TPA. To provide legal certainty to the industry, the Applicant has lodged an application for authorisation under sub-section 88(1) to:

- (a) make and give effect to a contract, arrangement or understanding a provision of which is, or may be, an exclusionary provision within the meaning of section 45 of the TPA (**Application A**); and
- (b) make and give effect to a contract, arrangement or understanding a provision of which would have the purpose, or would have the effect, of substantially lessening competition within the meaning of section 45 of the TPA (**Application B**).

4.2 Public benefit tests

The ACCC may make a determination granting authorisation where the relevant public benefit test in section 90 of the TPA is satisfied, namely:

- (a) in respect of Application A, that the provision would result or is likely to result in such a benefit to the public that the proposed contract, arrangement or understanding ought to be authorised (section 90(8)); and
- (b) in respect of Application B, that the provision would be likely to result in a benefit to the public and that benefit would outweigh the detriment to the public constituted by any lessening of competition that would be likely to result if the provision concerned was given effect to (section 90(6)).

Until recently the ACCC adopted the view of the Australian Competition Tribunal (formerly the Trade Practices Tribunal) (**Tribunal**) that, in practical application, the two tests are essentially the same.⁷ The Tribunal has since formed the view that the two tests are not precisely the same, in particular, that the test under section 90(6) is limited to a consideration of those detriment's arising from a lessening of competition, while the test under section 90(8) is not so limited.⁸

The Applicant submits that, with respect to its applications, the public detriment (if any) resulting from the conduct arises directly from a lessening of competition and, as such, the differences in the two tests do not affect the assessment of the applications.

4.3 Public benefit and public detriment

Public benefit is not defined in the TPA, however the Tribunal and the ACCC have given the concept a wide ambit. In *Queensland Cooperative Milling Association (1976) ATPR 40-012, 17, 242* the Tribunal stated that public benefit may constitute:

'anything of value to the community generally, any contribution to the aims pursued by the society including as one of its principal elements...the achievement of the economic goals of efficiency and progress.'

The Tribunal has since expanded on the meaning of 'efficiency and progress':

*'Plainly, the assessment of efficiency and progress must be from the perspective of society as a whole; the best use of society's resources. We bear in mind (in the language of economics today) efficiency is a concept that is usually taken to encompass 'progress'; and that commonly efficiency is said to encompass allocative efficiency, production efficiency and dynamic efficiency.'*⁹

The ACCC has recognised a range of matters as constituting a public benefit. Its guide to the authorisation and notification lists a range of public benefits including:

- economic development, eg. in natural resources, through encouragement of exploration, research and capital investment;
- fostering business efficiency, especially where this results in improved international competitiveness;
- industry rationalisation resulting in more efficient allocation of resources and in lower or contained unit production costs;
- expansion of employment or prevention of unemployment in efficient industries and employment growth in particular regions;
- industrial harmony;
- promotion of industry cost savings resulting in contained or lower prices at all levels in the supply chain;
- promotion of competition in industry;

⁷ *Re Media Council of Australia (No 2) (1987) ATPR 40-774; Re 7-Eleven Stores Pty Ltd (1994) ATPR 41-357.*

⁸ *Australian Association of Pathology Practices Incorporated [2004] ACompT 4 (7 April 2004).*

⁹ *Re 7-Eleven Stores Pty Ltd, Association of Australian Convenience Stores (1994) ATPR 41-357, at 42, 667.*

- promotion of equitable dealings in the market;
- growth in export markets;
- development of import replacements;
- economic development, for example, of natural resources through encouraging research and capital investment;
- assistance to efficient small business, eg. guidance on costing and pricing or marketing initiatives which promote competitiveness;
- improvement in the quality and safety of goods and services and expansion of consumer choice; and
- supply of better information to consumers and business to permit informed choices in their dealings.

Similarly, public detriment, although not defined, has been given a wide ambit. The Tribunal has stated that detriment to the public includes 'any impairment to the community generally, any harm or damage to the aims pursued by society including as one of its principal elements...the achievement of the goal of economic efficiency.'¹⁰

5. Public detriment

There is likely to be little, if any, public detriment arising from the collection of the proposed levy. As noted above, the levy is intended to raise \$US2.8 million, a relatively small amount compared to the annual \$2.4 billion value of wool exported from Australia. The levy is estimated to amount to less than 0.2% of the average price of a bale of wool. It is submitted that any adverse impact on the demand for Australian wool as a result of the levy is likely to be immaterial. It is further noted that, as over 95% of wool is exported, the cost of the levy will be largely passed on to foreign customers and very few Australian consumers will be directly affected by the collection of the levy.

The ACCC should also note that the Implementation Deed does not affect the process of competition between selling agents, nor wool producers and buyers. In particular, it is noted that selling agents will continue to make decisions as to the level of their post-sale service charge (or indeed whether to impose such a charge at all) on a completely independent basis having regard to market conditions.

Overall, therefore, it is submitted that the proposed levy will result in little (if any) public detriment.

6. Public benefits

In contrast, the public benefits which will result from the implementation of the levy are likely to be significant. Given that implementation of the levy is unlikely to give rise to any material detriment in terms of lessening of competition, the case for authorisation is compelling.

As discussed above, there is wide industry support for implementation of the levy. The procedures used to collect the levy are also supported by industry as administratively simple and as low cost as possible.

¹⁰ *Re 7-Eleven Stores Pty Ltd, Association of Australian Convenience Stores* (1994) ATPR 41-357, at 42, 683.

The levy will raise funding for the purposes of a test marketing campaign with the aim of increasing demand for wool products in the test market. Importantly, it will also assess the effectiveness of the campaign and include methods for measuring changes in demand and other benefits arising out of the campaign. The test marketing campaign is an investment being undertaken for the benefit of the entire wool industry and is tantamount to R&D into the best and most effective way to promote the wool industry.

This will pave the way for further, appropriately targeted, promotion of the Australian wool industry with the objective of arresting the decline in demand, and prices, for wool and wool products - ensuring the continued economic viability of one of Australia's most important agricultural industries.

The public benefits expected to arise from implementation of the levy and the test marketing campaign includes benefits in the following recognised categories:

- increased demand for wool and wool products;
- increased efficiency;
- increase in net exports of wool;
- international competitiveness of the Australian wool industry; and
- creation of additional employment, particularly in rural areas.

6.1 Increased demand for Australian wool

The test marketing campaign can be expected to have a direct effect on demand for Australian wool in its own right. Also, irrespective of whether the campaign is extended or expanded in its own right, there should be flow on impacts on demand as a result of private parties having greater confidence to undertake higher levels of consumer promotion of Australian wool internationally, on the basis of the know how developed and shared with the industry from the test campaign.

6.2 Increased efficiency

The test marketing campaign will also facilitate efficient investment in the promotion of the wool industry by measuring changes in demand so that future promotion can be appropriately targeted to bring about high value, high growth returns for the industry. In other words, the outcome of the test marketing campaign will enable promotional dollars to be spent by the industry in a manner that maximises the likely impact on demand for Australian wool on a dollar for dollar basis.

6.3 International competitiveness of the Australian wool industry

It is in the national interest that the Australian wool industry remain internationally competitive. Increased international competitiveness of Australian industry is recognised as a public benefit by the ACCC.

The Australian wool industry plays an important role in the Australian economy, with wool production being the second most common enterprise on Australian farms. Approximately one third of Australia's commercial farms produce wool as part of their enterprise, with some 40,000 woolgrowers alone. The wool industry accounted for approximately 11% of the gross value of Australian farm production (in 2002/2003) and 2.5% of Australia's total exports (in 2003/2004).

Since the Reserve Price Scheme collapsed, the Australian wool industry has been in a state of flux with demand and prices fluctuating (on a downwards trend) leading to a decline in wool

production. Re-direction of resources towards appropriately targeted investment in long term promotion will have attendant consequence of raising demand and production over the longer term. This will assist wool producers to focus on these longer term trends in demand rather than short term price changes and thereby better assess whether it is productive and profitable to remain in the wool industry. Combined with higher levels of properly targeted promotion, this will assist the industry to better compete internationally against alternative fibres (such as cotton and synthetics).

Absent authorisation of the conduct and therefore absent renewed investment in consumer promotion of wool internationally, the Australian wool industry's presence and position in key overseas markets will be weakened and its ability to support and benefit the Australian economy and society will be lessened.

6.4 Increase in net exports

The ACCC has stated that it accepts that an increase in the value of exports constitutes a public benefit.¹¹ Indeed, in the context of a merger authorisation, subsection 90(9A) of the TPA specifically directs the ACCC to have regard to a significant increase in the real value of exports or a significant substitution of domestic products for imported goods as a public benefit.

While the conduct is being assessed under the tests set out in sub-sections 90(6) and 90(8), given the important contribution the wool industry currently makes to the level of Australian exports (in particularly, agricultural exports), the Applicant submits that the guidance provided to the ACCC by Parliament under sub-section 90(9A) should nonetheless be given weight in this context.

With approximately 95% of wool produced in Australia exported, a principal benefit flowing from greater promotion of wool is likely to be export enhancement. As an industry which exports between A\$2.5 - 3.5 billion of product each year, even a 1% increase in the real value of Australian wool exports will benefit the Australian economy by upwards of A\$25 - 35 million each year.

6.5 Higher employment

As acknowledged by the ACCC¹², many towns in rural and regional Australia are substantially maintained and/or affected by primary production, such as wool production, and benefit from the maintenance of employment and commercial activity.

The wool industry provides employment (both direct and indirect) and economic stability to tens of thousands of Australians. If demand for wool products continues to weaken, a significant proportion of these jobs may be lost. There are also likely to be adverse flow on effects for associated service industries and employment in the wider economy. The recent sharp decline in demand for wool demonstrates that this risk is material and that the case for remedial action is in fact urgent.

Reversing the decline in demand, prices and production of wool and wool products will have important flow on effects, protecting regional employment opportunities both within the wool industry and in the wider economy.

¹¹ *ACI Operations Pty Ltd* (1991) ATPR 50-108; *Re Electric Lamp Manufacturers (Aust) Pty Ltd* (1996) ATPR (Com) 50-240.

¹² *ACCC Guide on Rural Industry and the Trade Practices Act*, August 2002, 35.

7. Precedent

The Applicant believes there are number of precedents which support its application for authorisation.

7.1 The Tasmanian oyster levy

In 1991, authorisation was granted by the ACCC in relation to a proposal to collect a levy on all purchases of oyster spat for cultivation within Tasmania and all hatcheries for oyster spat retained and cultivated in Tasmania. The levy was to be used to fund scientific research (specifically, to improve the quality and safety of oysters).

It was held public benefits resulted from ensuring that oysters were of the highest quality and free of contamination, fostering the development of aquaculture and business efficiency and opening up export markets and employment opportunities in an environmentally sustainable industry. This was held to outweigh the possibility that the anti competitive nature of the levy could result in oyster farmers who objected to paying the levy being forced out of the industry with no other alternative source of supply. Further, there was strong public support from all oyster farmers involved.

7.2 The South Australian oyster levy

Similarly, in September 1999, and again in August 2005, the ACCC granted five year authorisation to the South Australian Oyster Growers Association in relation to the imposition of a levy on buyers of oyster spat (used to cultivate oysters) in South Australia.

It was held that the levy would result in public benefits in the form of improved husbandry knowledge, production technology, the environmental management in the South Australian oyster industry and the quality and safety of oysters. Like the public benefits expected to flow from implementation of this levy by the wool industry, it was held that the oyster levy would increase the industry's export potential and develop opportunities in rural areas.

7.3 The AWEX fee

In 1993 and 1998, AWEX received authorisation for the introduction of a fee (which subsequently became known as the 'common fee'. The common fee is used to fund services within AWEX which are seen as for the common good of the Australian wool industry. These largely relate to technical matters which benefit the entire industry. The Applicant believes that such a precedent within the Australian wool industry itself, provides strong support for authorisation of implementation of the levy.

8. Conclusion

Authorisation will give rise to significant public benefits including increased demand for wool and wool products; increased efficiency in the promotion of wool; increased international competitiveness of the Australian wool industry; an increase in net exports of wool and additional employment opportunities in rural regions.

Against this, there is little or no public detriment arising from the proposed conduct. Pursuant to section 88(1) of the TPA, therefore, it is submitted that the ACCC should grant authorisation for the proposed conduct until such time as the target amount is raised.

Annexure 1 - Key provisions of Implementation Deed

Parties	Federation of Australian Wool Organisations, National Council of Wool Selling Brokers of Australia Ltd, Private Treaty Wool Merchants of Australia Inc and each selling agent that executes a deed of accession agreeing to be bound by the terms of the Implementation Deed.
Purpose	Establishes industry arrangements under which a A\$1.50 levy will be collected on all wool sold at auction or by private treaty for the purposes of raising funds for an international test marketing campaign for the promotion of wool.
Conditions Precedent	<ul style="list-style-type: none">• Interim or final authorisation is obtained from the ACCC.• 75% of members of NCWSBA and PTWMA have executed deeds of accession.
Term	Until target amount of US\$2,800,000 has been raised, unless earlier terminated (for example because final authorisation is not obtained from the ACCC).
Obligations - PTWMA and NCWSBA	<p>PTWMA and NCWSBA each authorise FAWO to apply on their behalf for interim and final authorisation from the ACCC and further undertake:</p> <ul style="list-style-type: none">• to use their best endeavours to obtain executed deeds of accession from their respective members;• to promptly notify FAWO, in writing, when such deeds are executed and from which members;• to provide FAWO with copies of all deeds executed by their respective members; and• to otherwise use their best endeavours to assist the parties to implement the levy, including complying with conditions of authorisation (if any) that may be imposed by the ACCC.
Obligations - Selling Agents	<p>Each selling agent undertakes:</p> <ul style="list-style-type: none">• after being notified that the conditions precedent have been satisfied, to impose and collect the A\$1.50 levy on all wool sold by the agent by adding the relevant amount to its post sale service charge;• to remit all monies collected to a bank account nominated by FAWO;• to keep up to date and accurate records of all monies collected and remitted to FAWO;• if requested by FAWO, to permit those records to be audited by FAWO or an auditor nominated by FAWO; and• to otherwise use their best endeavours to assist the parties to implement

the levy, including complying with conditions of authorisation (if any) that may be imposed by the ACCC.

**Obligations -
FAWO**

FAWO undertakes:

- to use its best endeavours to obtain authorisation from the ACCC to enter into and give effect to the Implementation Deed;
- to comply with any conditions of interim or final authorisation that may be imposed by the ACCC (to the extent relevant to FAWO);
- to establish a special purpose bank account for the purpose of receiving levy funds and to notify each selling agent of the relevant details;
- to accept monies remitted by the selling agents;
- to independently and appropriately administer the monies to ensure that the individual transactions between selling agents and buyers are kept confidential and are not disclosed to any other selling agent or buyer, other than in an aggregated form that does not disclose the individual identity or volume of trade of any individual entity;
- subject to any condition of interim or final authorisation (if any) imposed by the ACCC, to apply the monies towards the IWTO test marketing campaign (including legal, administrative and other costs associated with collecting and administering such monies) or, if those monies are not required for the test marketing campaign (in part or in whole) for any reason, in its discretion towards any similar marketing campaign or otherwise for the benefit of the Australian wool industry;
- if it considers that it is necessary or desirable to do so, to revise the target amount in order to cover a shortfall in funding from other IWTO member nations and/or an overrun in the costs of the test marketing campaign;
- to give notice to all other parties if the target amount is revised;
- to give notice to all other parties once the target amount has been raised and that the selling agents should cease collecting the levy; and
- to otherwise use its best endeavours to assist the other parties to implement the levy.

Annexure 2 - List of Selling Agents

SELLING AGENTS - MEMBERS OF NCWSBA

Name	Company Name	Address
Mr Ross Bowden	Landmark Limited	GPO Box 4562 MELBOURNE VIC 3000
Mr Mike Bowden	Bowden Wool Auctions Pty Ltd	PO Box 386 ACACIA RIDGE QLD 4110
Mr Patrick Byrne	Western Wool Marketing	PO Box 130 PARKES NSW 2870
Mr Don Fraser	Wool Independent Selling Services Ltd	PO Box 426 ALTONA NORTH VIC 3025
Ms Emma Goddard	Goddard Wool Marketing Pty Ltd	PO Box 393 INVERELL NSW 2360
Mr Miles Hampton	Managing Director	Roberts Ltd GPO Box 65A HOBART TAS 7001
Mr Bob Howard	Wool Auctions of Australia	PO Box 4021 WEST GUILDFORD NSW 2161
Mr David Landini	Landini & Company Pty Ltd	27 Flinders Street WAKOOL NSW 2710
Mr Colin Major	Rodwell & Co Pty Ltd	PO Box 147 ALTONA NORTH VIC 3025
Mr Mark Rodda	National Manager Wool	Elders Limited GPO Box 551 ADELAIDE SA 5001
Mr Robert Ryan	Schulte Bell Badgery Lumby	GPO Box 63 SYDNEY NSW 2001

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SELLING AGENTS - MEMBERS OF PTWMA

Mr Jim Alchin	Conn Wool Pty Ltd	PO Box 452 LAUNCESTON TAS 7250
Mr Bob Amos	Adelaide Wool Co	133 - 136 Bedford Street GILLMAN SA 5013
Mr Neville Armstrong	ACF Wool Traders Pty Ltd	229 Barrington Street BIBRA LAKE WA 6163
Mr Geoffrey Beath	Bryton Wool	PO Box 49 CANOWINDRA NSW 2804
Mr Stephen Dill	River Wool Pty Ltd	F.A.R.M Industrial Park 101 Bynes Road WAGGA WAGGA NSW 2650
Mr Mark Dyson	Quality Wool Exports Pty Ltd	PO Box 3045 PORT ADELAIDE SA 5015
Mr Mal Edinger	West Coast Wools Pty Ltd	PO Box 1367 BIBRA LAKE WA 6163
Mr Dean Hackworth	Southern Wool (SA) Pty Ltd	PO Box 572 STRATHALBYN SA 5255
Mr Shane Jones	Dyson Jones Wool Marketing Services	PO Box 1119 BIBRA LAKE WA 6965
Mr Stephen Keys	General Manager	TWG Wool PO Box 147 GUILDFORD NSW 2161
Mr Ross Langwill	Monaro Wool Services	PO Box 272 COOMA NSW 2630
Mr Laurie Miller	Techwool Trading Pty Ltd	PO Box 437 LAVERTON VIC 3028
Mr Graeme Ostini	Ostini Wool Pty Ltd	PO Box 28 PARKES NSW 2870
Mr Peter Scanlan	Peter Scanlan Wools	PO Box 255 HAMILTON HILL WA 6963
Mr Geoff Stooke OAM	Standard Wool Australia Pty Ltd	PO Box 618 FREMANTLE WA 6160
Mr Les Sugars	AR Rhodes & Company	PO Box 431 PORT ADELAIDE SA 5015
Mr Rob Thorn	Spearwood Wool Handlers	PO Box 1543 BIBRA LAKE WA 6965
Mr David Willson	Willson Wool Pty Ltd	PO Box 102 CLARE SA 5453

**EXCLUDED FROM
PUBLIC REGISTER**

SELLING AGENTS - OTHER

Name	Company/ Title	
Mr Mark Bazeley	Riverina Wool Brokers	PO Box 219 MOAMA NSW 2731
Mr Wayne Beecher	Beecher Wool Services	Young Road COWIRA NSW 2794
Mr Rob Brown	NGS Wool (Queensland) Pty Ltd	PO Box 386 ACACIA RIDGE QLD 4110
Mr Cameron Coggan	Coggan Wool	PO Box 1887 DUBBO NSW 2830
Mr John Colley	Australian Wool Network Pty Ltd	PO Box 80 VILLAWOOD NSW 2163
Mr Duncan Davis	Davis Wool	77 Randolph Street ROCKLEA QLD 1426
Mr Ray Dillon	Acacia Wool	PO Box 386 ACACIA RIDGE QLD 4110
Mr Craig Finlay	General Manager	Australian Wool PO Box 283 LARA VIC 3212
Mr Brian Hodge	Hodge Wool Pty Ltd	PO Box 259 ALBURY NSW 2840
Mr Stephen Jarrett	TL Tournier & Co Pty Ltd	PO Box 386 ACACIA RIDGE QLD 4110
Mr Graham Knight	Tradeswool Country Woolbuyers Pty Ltd	PO Box 256 KYNETON VIC 3444
Mr Gordon Litchfield	Gordon Litchfield Wool Pty Ltd	"Polo Flat" Geebung Street COOMA NSW 2630
Mr Don MacDonald	Managing Director	Lanoc Wool PO Box 1075 DUBBO NSW 2830
Mr Ian Meyer	Wool Marketing Manager	United Farmers Co-operative 2 Birksgate Road Rous Head PMB 10 NORTH FREMANTLE WA 6159
Mr Ken McFeeters	McFeeters Wool	PO Box 606 COWRA NSW 2794
Mr Marty Moses	Moses and Son	PO Box 85 TEMORA NSW 2666
Mr Andrew Partridge	Lempriere Fox & Lillie Pty Ltd	Store 7 Holcourt Road LAVERTON VIC 3026
Mr Trevor Pedler	Primitives of WA Pty Ltd	PO Box 1563 BIBRA LAKE WA 6965

**EXCLUDED FROM
PUBLIC REGISTER**

**EXCLUDED FROM
PUBLIC REGISTER**

Name	Company / Title	Address
Mr Bob Saunders	Saunders Wool Pty Ltd	PO Box 428 LAUNCESTON TAS 7250
Mr Andrew Scott	AES Scott & Co Pty Ltd	PO Box 124 WEST WYALONG NSW 2671
Mr Scott Shenbin	Wool Agency Co Pty Ltd	4 Clontarf Road HAMILTON HILL WA 6163
Mr Milton Smith	Fibres (Australia) Pty Ltd	7 Lloyds Rd BATHURST NSW 2795
Mr Graeme Turner	Arcadian Wool Brokers Ltd	16 -18 Brougham Street GEELONG VIC 3220
Mr Rowan Woods	Managing Director	Jemalong Wool P O Box 127 FORBES NSW 2871
Mr Peter Wright	Murrumbidgee Wool Brokers Pty Ltd	PO Box 8140 KOORINGAL NSW 2850

Annexure 3 - FAWO Resolution

FEDERATION OF AUSTRALIAN WOOL ORGANISATIONS

GENERAL MEETING (04/05)

Held at RACV Club 501 Bourke Street, Melbourne

Friday 19 August, 2005 at 1.30 pm

MINUTES

PRESENT:	John Lewis	Chairman
	David Nancarrow	ACWE
	Andrew Blanch	ACWE
	Ian McIvor	AWEX
	Mark Grave	AWEX
	Jim Marler	AWTA
	Michael Jackson	AWTA
	Michael Lempriere	IWTO
	John O'Connor	NCWSBA
	Ross Bawden	NCWSBA
	Bob Amos	PTWMA
	Robert Pietsch	Wool Producers
	Alix Turner	Wool Producers
	Jim Kennedy	Wool Producers
	Greg Weller	Wool Producers
	Matthew Flugge	AWI
	Mark Dolling	Department of Agriculture WA
	David Marland	Department of Primary Industries Vic
	Chris Wilcox	Australian Wool Services/Woolmark
	David Cottle	Sheep CRC
	John Michell	Chairman IWTO Contracts & Specifications Committee
	Allan De Boos	IWTO Technical & Standards Committee
	David Ward OAM	Contracts & Specifications Chair
	Kerry Hansford	Teckel Consulting Pty Ltd
	Peter Morgan	Secretary

4. IWTO TEST MARKETING CAMPAIGN

4.1 Presentation by Brenda McGahan

Brenda presented the IWTO test marketing campaign proposal the summary is attached to these minutes.

4.2 International Progress (Michael Lempriere)

Mr Lempriere expressed that this campaign is an absolute must and encourage FAWO to endorse. There needs to be a better demand for wool or the future will be bleak if we don't do anything. It has to be made a reality.

4.3 Australian Progress (John Lewis)

Mr Lewis expressed that most if not all groups during wool week have given approval. The time line for funding set by AWI is coming soon. This needed to worked through to proceed or not.

Discussion took place on the Test Marketing Campaign and the follow resolution was MOVED by Mr John O'Connor and SECONDED by Mr Bob Amos.

It was RESOLVED that, subject to legal advice, FAWO supports the implementation of a surcharge of \$1.50 per bale to be added to the buyers surcharge to fund the IWTO Test Marketing Campaign. Further, the FAWO Executive Committee be authorised to develop the necessary procedures to facilitate the collection and remittance of this contribution.

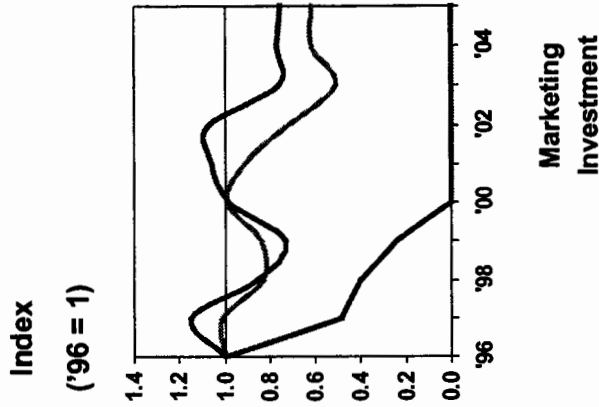
Annexure 4 - Woolmark / BCG Scenario Analysis

Scenario

WORSE CASE SCENARIO IS A DAUNTING PROPOSITION

If Wool Demand Trend continues at the same rate as the past (all other parameters being constant)

Demand For Australian Wool



CAGR
(96 - 05f)
(%)

Value (3.1%)
Volume (5.2%)

3 yrs
02-05F

5 yrs
00-05F

10 yrs
96-05F

Decrease in Australian Annual Wool Volume by 2010 of:

74 Mkg

126

79 Mkg

With current estimated demand elasticity (and keeping everything else constant), wool price would be expected to decrease by 2010 by:

7 - 11%

12 -

8 - 12%

This would imply a decrease in value of Australian wool by 2010 of:

A\$0.7 - 08b (28-)

A\$1.2 - 1.3b (45-)

A\$0.8b (~30%)

Note: Assumes all other factors affecting price are constant, supply of other fibres constant i.e. no substitution
Source: ABS; The Woolmark Company; International Wool Monitor; BCG Analysis

Annexure 5 - Stakeholder contact details

STATE FARMING ORGANISATIONS

Name	Company / Title	Address 1
Mr Will Banks	Sheep & Wool Policy Director	Agforce Queensland PO Box 13186 BRISBANE QLD 4003
Mr Angus Dixon	NSW Farmers Association	GPO Box 1068 SYDNEY NSW 1041
Mr Seamus Hoban	Victorian Farmers Federation	24 - 28 Collins Street MELBOURNE 3000
Mr Jed Matz	Executive Officer Livestock	South Australian Farmers Federation PO Box 6014 ADELAIDE SA 5000
Mr Frank O'Connor	President	Australian Superfine Wool Growers Association Inc Victorian Wool Centre 691 Geelong Road BROOKLYN VIC 3012
Mr Chick Olsson	Managing Director	The 4 Season Company Pty Ltd 9 - 11 Platinum Street CRESTMEAD QLD 4132
Mr Danny Pagoda	Wool Executive Officer	Western Australian Farmers Federation (Inc) PO Box 6291 EAST PERTH WA 6892
Mr Edgar Richardson	Wool Director	Pastoralists & Graziers Association Pastoral House 277 Great Eastern Highway BELMONT WA 6104
Mr Nick Steel	Executive Officer	Tasmanian Farmers & Graziers Association PO Box 193 LAUNCESTON TAS 7250
Mr Greg Weller	Executive Director	WoolProducers PO Box E10 KINGSTON ACT 2604

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DEPARTMENT OF AGRICULTURE

Name	Company / Title	Address 1
Dr Mark Dolling	Wool Program Manager	Department of Agriculture WA 3 Baron-Hay Court SOUTH PERTH WA 6151
Mr Andrew Johnston	Department of Primary Industries Water & Environment	PO Box 46 KINGS MEADOWS TAS 7249
Ms Sally Standen	Department of Agriculture Fisheries & Forestry Australia	GPO Box 858 CANBERRA ACT 2601
The Director General	Department of Primary Industries	1 Spring Street EAST MELBOURNE VIC 3002
The Director General	Department of Primary Industries & Fisheries	GPO Box 46 BRISBANE QLD 4001
The Director General	Department of Primary Industry & Resources SA	GPO Box 1671 ADELAIDE SA 5001
The Director General	NSW Department of Primary Industries	161 Kite Street ORANGE NSW 2800

**EXCLUDED FROM
PUBLIC REGISTER**

OTHERS

Name	Company / Title	Address 1	Address 2
Mr Mark Grave	Chief Executive Officer	Australian Wool Exchange Ltd	PO Box 849 LANE COVE NSW 1595
Mr Michael Jackson	Managing Director	Australian Wool Testing Authority Ltd	PO Box 240 NORTH MELBOURNE VIC 3051
Dr Nigel Johnston	Chief of Division	CSIRO Textile and Fibre Technology	PO Box 21 BELMONT VIC 3216
Mr Richard Manning	Interactive Wool Group Pty Ltd	PO Box 296	TAMWORTH NSW 2340

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