

AUSTRALIAN COUNCIL OF WOOL EXPORTERS INC



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13 October 2005

ACWE-05-132

The General Manager
Adjudication Branch
Australian Competitor & Consumer Commission
PO Box 99
DICKSON ACT 2602

By E-mail: adjudication@accc.gov.au

Dear Sir,

Application for Authorisation by Federation of Australian Wool Organisations

I refer to your invitation for submissions from interested parties.

Australian Council of Wool Exporters (ACWE) represents Australian wool buyers and exporters. Its Members buy and process/export the bulk of wool sold in Australia, whether it be at auction or from a private treaty merchant. It is these companies which will be paying the Transaction Based Contribution levied by broker and private treaty merchants to raise funds for the Test Marketing Campaign.

Test Marketing Campaign

ACWE supports the International Wool Textile Organisation (IWTO) Test Marketing Campaign. It believes that demand and prices in the industry are at a level where the ongoing sustainability of one of Australia's major export industries is at risk. The value of wool exports fell from \$3.5 billion to \$2.4 billion between 2000/01 and last year. There is considerable anecdotal evidence that wool growers no longer have their traditional attachment to wool production are increasingly replacing wool with other farming enterprises.

ACWE has contributed to the development of the Transaction Based Contribution to help fund the Test Marketing Campaign. The procedures are seen as the most efficient means of raising funds in Australia.

ACWE Members, through their international contacts, are also well placed to judge the views of Australia's customers. There is little doubt of their support for the Campaign. Many of them are contributing towards its cost. This in itself is a first in the wool industry and demonstrative of the widely recognised need for this project to take place and to succeed.

Claimed Public Benefits from the Test marketing Campaign

Increased Demand for Wool

Australian wool production is at a 60 year low. This is a consequence of a number of factors including, better returns from other farming enterprises, below average rainfall in much of Australia in recent seasons, redirection of discretionary spending by consumer on textile products, more effective promotion of other textile fibres, lack of promotion (and consequent consumer awareness) of wool. The latter two items have resulted in reduced demand and prices for wool.

Exports of Australian wool have progressively fallen from 639 million kilograms (mkg) in 2000/01 (when wool growers voted to cease direct funding of promotional activities) to 434 mkg last year. During that period, wool prices rose sharply in January 2002, not long after disposal of the stock pile, and prices were maintained at very good levels until April 2003, since when prices and demand have been in a continual downward movement.

The negative impacts of lack of promotion and consumer awareness were highlighted in a study conducted by Kurt Salmon Associates (KSA) for IWTO in 2003/04. ACWE agrees with the KSA conclusions.

Increased Efficiency in the Promotion of Australian Wool

ACWE is not an expert in the business/efficiency of wool promotion. However, it notes that the Test Marketing Campaign includes provision for detailed analysis of its impact. ACWE believes that proper use of these analyses will lead to efficient future wool promotion.

International Competitiveness of the Australian Wool Industry

Any increase in demand, in particular increases in demand, which are reflected in increased prices for wool will lead to improved profitability and competitiveness for all sectors of the Australian wool industry.

Increase in Net Exports

Despite the reductions in demand, prices and supply, Australia remains the dominant international supplier of wool to the international market, particularly at the higher priced apparel end. Australia exports around 95% of its wool production.

There is little doubt that Australia is better placed than any other country to take advantage of an increase in international demand for wool, with a consequent increase in net exports. A mere 10% increase in demand/prices would add \$250 million to the Australian wool industry and to the nation's exports.

Higher Employment

Suppressed demand and prices affect the ability to employ people in the wool industry. An increase in demand and/or prices should stimulate employment in the industry.

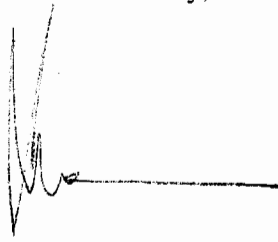
Interim Authorisation

ACWE supports the Application for Interim Authorisation. Timing is critical if funds are to be raised for the Campaign to be in place for next years Northern Autumn and Winter.

With regard to changes in industry dynamics, Interim Authorisation will have no different effect for two reasons:

- * The proposal to raise funds for the Campaign has a sunset clause of approximately 12 months, after which matters will return to their current "dynamics".
- * The granting of Interim Authorisation merely alters starting and end points of any changes to the industry dynamics which the Transaction Based Levy may influence.

Yours sincerely,



David Nancarrow
President