

PRIVATE TREATY WOOL MERCHANTS OF AUSTRALIA INC



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28 October 2005

PTWMA-05-034

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Sir,

Application for Authorisation by Federation of Australian Wool Organisations

I refer to your invitation for submissions from interested parties.

The Private Treaty Wool Merchants of Australia (PTWMA) represents a key sector of the Australian wool industry. Private treaty merchants buy wool from wool growers for on-sale to local and international buyers and processors of Australian wool. They may also offer wool for sale at auction.

PTWMA is a co-applicant with the Federation of Australian Wool Organisations (FAWO) for ACCC Authorisation. Private treaty merchants will, if Authorisation is granted, collect the Transaction Based Contribution on wool they sell to raise funds for the International Wool Textile Organisation (IWTO) Test Marketing Campaign.

Test Marketing Campaign

PTWMA supports the 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. It is expected that further falls will occur unless positive steps are taken to increase the international demand for wool. In the current rural environment, better prices for alternate farm enterprises are causing wool growers to decrease or cease wool production.

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

PTWMA through its participation at IWTO Conferences is well aware of the international support and contributions for the Test Marketing Campaign.

Claimed Public Benefits from the Test marketing Campaign

Increased Demand for Wool

While a number of factors influence the demand for wool, PTWMA, like others in the industry, believe that there is a link between the cessation of funding for direct promotion of wool since 2000 and the decline in demand, price and production since then.

Australian wool production at a forecast 470 million kilograms (mkg) for 2005/06 is at a 60 year low and will fall further without an increase in demand.

Research commissioned by IWTC in 2003 identified lack of promotion and communication with customers as key issues affecting the current demand for wool.

PTWMA shares IWTO's view that promotion is a key to the industry's future and increasing demand. It strongly supports IWTO's initiative in establishing the Test Marketing Campaign, particularly as it includes provision for measuring the effects of the Campaign.

Increased Efficiency in the Promotion of Australian Wool

PTWMA 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. PTWMA 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. This is particularly so at the higher priced apparel end. Australia exports around 95% of its wool production.

These factors put Australia in a better position 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 \$240 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.

Yours sincerely,



Neville Armstrong
President
