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10 January 2006

Attention:
Mr Scott Gregson
Mr Jason Byrne

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
470 Northbourne Ave
DICKSON ACT 2602

Dear Scott and Jason

**Applications for Authorisation lodged by Federation of Australian Wool Organisations
Views on circumstances where the levy would be paid more than once**

We refer to your recent discussions with Miranda Noble and your request for additional detail with respect to the possibility of the levy being paid more than once. We are instructed to respond as follows.

1. It is intended by FAWO that the levy be only paid *once* on each bale of wool sold. However, it is acknowledged that a very small amount of wool will be sold more than once where the buyer buys wool at auction or from a private treaty merchant and 're-offers' it for sale.
2. The frequency of buyer re-offers is, relatively, very small. FAWO estimates that it is normally less than 2% of the wool offered for sale by auction and probably less in the current wool market. There are two types of buyer re-offers:
 - (a) wool which has been bought for a particular order, but was ultimately found to be not suitable and could not be placed in another order; and
 - (b) wool bought for speculative reasons in a rising market. Such re-offers are virtually non-existent in the current market, or in the expected market environment during the period of the Test Marketing Campaign. The market has been in steady decline since March 2003, when Australian Wool Exchange Eastern Market Indicator (AWEX EMI) was 1079¢ per kg, to 633¢ in December 2005. The Australian Bureau of Agriculture and Resource Economics (ABARE) forecast in December that the average price paid in 2005/06 will be 10.1% below that for season 2004/05.

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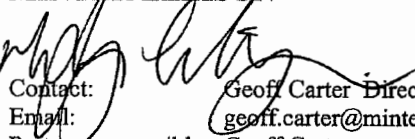
These 'buyer re-offers' should be distinguished from 'grower re-offers' where the grower (or their selling agents) pass-in wool which does not meet their expected (or sought) price and subsequently re-offer this wool for sale. In these circumstances, the levy will only be paid when the wool is finally sold, and therefore, only paid once.

3. It is submitted that it would be unreasonably costly and complex to implement procedures to monitor these buyer re-offers to ensure that the levy is only paid once, when weighed up against the relatively small amount of wool affected by buyer re-offers (equivalent to less than 0.04% of the total) and the relatively small amounts involved.
4. FAWO, however, will undertake to communicate, by way of formal written advisory, with all brokers, private treaty merchants and buyers to minimise any incidences of the levy being paid more than once and advise these parties that it is intended that the levy should only be paid *once* on each bale of wool sold. Further, in circumstances where a buyer can affirmatively demonstrate to FAWO's satisfaction that the levy has been paid more than once on a particular bale of wool, FAWO will refund the additional levy payment to the buyer.

Please contact Geoff Carter of our office if you have any further questions.

Yours faithfully

MINTER ELLISON



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