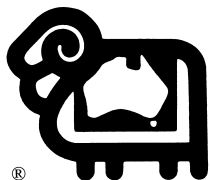


AUSTRALIAN COUNCIL of WOOL EXPORTERS & PROCESSORS INC



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6 September 2015

ACWEP-15-140

Mr John Roberts
Executive Officer
AWI Wool Selling Systems Review Panel

By Email: wssr@wool.com

Dear John,

Second Submission from Australian Council of Wool Exporters and Processors to the AWI WSSR

Please find following the Australian Council of Wool Exporters and Processors' (ACWEP) Submission to the WSSR Second Round.

ACWEP has been a supporter of the Review and had hopes that it will achieve lasting benefits for the Australia wool industry; and for its global and Australian customers. This may still be possible, but ACWEP has become less confident about what might be achieved since the release of the Discussion Paper and subsequent developments.

We are aware that some others have similar reservations.

Our concerns / reservations are addressed in more detail in the following paragraphs:

1. The Issues Paper indicated that the Review would be wide ranging. It asked a comprehensive series of questions that related to the exchange of ownership, perceived impediments / opportunities for improvement; and asked for comments about methods of exchange of ownership that had been tried in the past, but had not proved to be commercially sustainable.

ACWEP addressed all questions raised in the Issues Paper in its First Submission. It does not believe that it can add to the information already supplied. Rather, ACWEP's comments will refer to matters of concern with recent developments that it thinks need to be addressed if the opportunity for success is to be maximised.

2. ACWEP (and others) have noted that the Panel's subsequent public attention has been almost exclusively directed towards the development of a Wool Exchange Portal.

From a process perspective:

- 2.1 ACWEP has no problem with any new ideas coming forward; and as such had no issue with the Panel proposing the establishment of a Wool Exchange Portal. Members noted that it was described as a concept. They understood this to be the case; and expected that more details would become available at a later date.
- 2.2 However, ACWEP's view is that it was no longer seen as a concept after the Press Conference and the subsequent media coverage that followed the Stakeholders' Meeting on 21 July.
- 2.3 This scepticism was given extra weight last week when the rural media reported comments attributed to the AWI Chief Executive Officer that:
 - * Were critical of the industry's heavy dependence on the open cry auction; and
 - * Referred to the possibility of AWI funding the development of the Portal, subject to industry support.

The industry has not yet seen any data to support whether the heavy dependence on the open cry auction is a problem, or otherwise. ACWEP also believes that any commitment to funding a Portal is premature until more detailed analyses of the costs, benefits and likely uptake by buyers and sellers is better known.

These comments, if correct, were surprising, given earlier comments from AWI about the Review being at arm's length from AWI.

3. The focus on the Portal has meant that other potential opportunities to improve the profitability of wool growers through other means appear to have taken a back seat, or to have largely been ignored since were raised in the Issues Paper.

ACWEP believes that a number of issues raised in its first Submission and in Submissions from others appear to have been given inadequate attention, despite the Panel's request for wide-ranging information in the Issues Paper. Re-reading the Issues Paper has confirmed this view.

For example:

- 3.1 Costs along the pipeline and the transparency of charges were a significant part of the questions raised in the Issues Paper. ACWEP believes that they are key issues in the exchange of ownership, but they received relatively little attention in the Discussion Paper and since then.

ACWEP's first Submission expressed strong support for the concept of:

- * If a service is provided, or a cost is incurred, then a charge should be raised.
- * All charges (direct and indirect) should be transparent to the grower, as he / she ultimately bears the cost of all charges; and should have access to this information when making his / her selling decisions.

It is well known that exporters regard the Post Sale Charge as an example of a non-transparent charge. It is not the only example.

- 3.2 ACWEP, and others, provided significant input on different forms of exchange of ownership that had been tried in the past, but had not proved to be commercially sustainable. They also provided feedback on the reasons why they had not been sustainable.

Once again, ACWEP believes that little attention was given to this information in the Discussion Paper and since then.

Failure in the past does not mean that former unsuccessful business models (or similar models) will not be successful today. But, it is important to be aware of the reasons for past failures in assessing the likelihood of success today.

- 3.3 Structural issues such as the question of whether AWEX and AWTA should be merged were raised in the Issues Paper, but appear to have received little attention since then.

- 3.4 ACWEP argued strongly in its first Submission that analysis of the potential costs and benefits must be an essential part of any potential changes, whether they are to remove something, e.g. access to the samples (which exporters are opposed to) or the introduction of something new.

The Portal is obviously something new. As such, it is important that it should undergo cost / benefit analysis. This may not be possible before the Panel submits its recommendations to AWI. If not, ACWEP believes it is imperative that such analysis forms part of the Panel's recommendations.

- 3.5 ACWEP notes that the recent criticism of the heavy dependence on the open cry auction, and the implied assumption that it does not serve wool growers well, has not been accompanied by any analytical data.

ACWEP would expect this to be forthcoming, as it does with proposals for any other form of exchange of ownership.

4. Looking ahead, ACWEP believes it is essential that:

- 4.1 The Recommendations Paper should draw attention to the issues (including those above), that appear to have received little attention since the release of the Issues Paper.

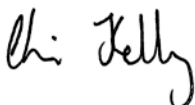
- 4.2 The Recommendations Paper must provide greater detail about the Portal and how it might operate.

- 4.3 Both of the above should identify areas that need further analysis and industry consultation.

ACWEP acknowledges that this may well be the Panel's intention.

ACWEP is happy to discuss its concerns with the Panel.

Kind regards,



Chris Kelly
President



Peter Morgan
Executive Director