

For disclosure purposes I am the General Manager of Victoria Wool Processors, a director of AWTA and an elected representative on the ACWEP. The comments in this submission are my own, they have not been discussed with the named organisation above and should not be taken as reflecting their position, and it is simply mine.

I put in an initial submission, attended the industry briefing day and was present at the ACWEP General Meeting that invited 2 members of the Wool Selling Review Panel to attend and explain the WSSR.

I welcomed the establishment of the Wool System Selling Review and have been actively participating in the discussion in the hope that all the issues and cost that exist between the grower and the processors/dump would be reviewed. It is noted that the review panel found that the cost was AUD 0.95/kg greasy. It is also noted that AUD 0.2429/kg greasy being Wool R&D and marketing levy and dumping charges (other than an industry owned dump) have been excluded. So that looks as if the panel is examining the remaining AUD .70/kg. While it is still a significant cost it is unlikely that any savings you could find would lead to any substantial increase in wool production or profitability to wool growers. On most issues in relation to these costs the panel has chosen to sit on the fence rather than give a strong clear answer.

I asked the question at the industry briefing day could the panel or advisor give me an example of where savings in a supply chain in the agriculture industry lead to higher prices being achieved by the farmer. The answer I received was an economic one based on price elasticity rather than an example and to me with economics training I understood the answer. For the individuals who have not had economics training or to those who were not there the answer was none and if you need convincing I simply ask them to talk to a farmer who supply Australian supermarkets on whether they benefitted by the supply line saving achieved by the Australian supermarkets. No the shoppers did and the owners of the supermarkets did. The farmer got nothing other than a few really big ones. I suggest that any savings in the supply line will be kept by those further down the supply chain rather than the grower. So it begs the question on why the grower would finance in any substantial way any development in this area.

However despite these concerns I still have an open mind as to the wool portal. My main concern is the lack of detail as to the cost, how it will derive revenue, who owns it, who finances the initial development and future upgrades and how it will benefit users other than more transparency. Transparency on its own does not led to more money in wool growers a pocket which is the issue.

I find it difficult to understand how a committee that states that they are concerned that AWTA (I think it should read the whole industries) fixed costs are being amortised over a declining amount of wool so unit costs rise yet then propose a portal that in their words does not replace anything but duplicates and compliments existing systems and in doing so simply adds more fixed cost to the system that needs to be amortised over reduced offerings. A surprising piece of logic.

I see the portal as described in the paper as a big offer board with a few more bells and whistles. A number of brokers already offer such a service. In doing so I see it as a selling tool that any broker could offer. I am a firm believer in private enterprise and that if there is a financial benefit to be had then someone would offer it. Given that a large broker has not offered such a service I assume that it is because they have done a study and found that it would not provide sufficient return to be worth investing. If it is not viable for a private individual then I doubt that the fall back position is that the industry should fund it.

To be financially viable the portal would need to take over some of the functions out of existing WEP like options (or the WEP would simply be further overhead for the industry) so I am most critical of the panel in its discussion in the last paragraph on page 31 to the point that I feel the panel is being misleading and deceptive as to the true intentions of the portal. I would actually support the position that it does take over some of the functions as it is the portal revenue stream that it needs to be viable but at this stage I do not believe that is my role.

In terms of issues I believe the panel should have reviewed I stand by my original submission and do not plan to repeat them here.

I think it is essential that the panel clearly spell out in relation to the portal

Costs they believe that can be reduced or eliminated

Establishment cost

Running cost

Estimate of what the portal would charge users

Expected advertising revenue

Who owns the portal?

Time it would take to implement

Until this is published it is difficult to offer a positive or negative view on the portal.