



Parliament of the Commonwealth of Australia

**The Australian Wool Research and Promotion
Organisation Amendment (Funding and Wool Tax)
Bill 2000**

**Report of the
Senate Rural and Regional Affairs
and Transport Legislation Committee**

April 2000

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ABBREVIATIONS

AFFA	Department of Agriculture, Fisheries and Forestry
AWRAP	Australian Wool Research and Promotion Organisation
AWS	Australian Wool Services Ltd
CSIRO	Commonwealth Scientific and Industrial Research Organisation
R&D	Research and Development

THE AUSTRALIAN WOOL RESEARCH AND PROMOTION ORGANISATION AMENDMENT (FUNDING AND WOOL TAX) BILL 2000

Background

1.1 On 8 March 2000, the Senate referred the Australian Wool Research and Promotion Organisation Amendment (Funding and Wool Tax) Bill 2000 (AWRAP Bill) to the Senate Rural and Regional Affairs and Transport Committee for inquiry and report by 10 April 2000. The bill amends the *Australian Wool Research and Promotion Organisation Act 1993* to require the Australian Wool Research and Promotion Organisation (AWRAP) to assist financially in its reform, including its possible privatisation or abolition by 1 January 2001. The bill also amends the *Wool Tax Act (Nos. 1-5)* to reduce the minimum rate of the wool industry levy from 2.75% to nil.

1.2 In its terms of reference, the Committee was required to examine the impact of the rate of the wool levy on wool research and development (R&D) and promotion. The Committee held a public hearing in Canberra on Thursday 6 April 2000 attended by representatives from the Department of Agriculture, Fisheries and Forestry (AFFA), AWRAP and The Woolmark Company, the Wool Working Party, the National Woolgrowers' Forum and National Mutual Rural Enterprises. A list of witnesses at the hearings and written submissions received by the Committee is at Appendix One.

AWRAP and the Wool Industry Levy

1.3 Under the *Australian Wool Research and Promotion Organisation Act 1993*, AWRAP is responsible for the management of wool R&D funding in Australia. A subsidiary of AWRAP, The Woolmark Company, is responsible for wool promotion funding.¹

1.4 Expenditure by AWRAP and The Woolmark Company on wool R&D and promotion is funded by an industry levy. Currently the levy is 4 per cent of the industry gross clip income, of which 3½ percentage points is spent on wool promotion, and ½ a percentage point on wool R&D. In addition, the Commonwealth Government has a long-standing policy of matching wool R&D expenditure by AWRAP up to the value of half of one per cent of the gross clip income.²

1.5 Since compulsory levies commenced in 1936/37, woolgrowers have contributed \$4.7 billion in today's dollars for the conduct of wool R&D and promotion, with the Commonwealth contributing an additional \$2.8 billion. In addition, as part of the reserve price scheme for wool, a further \$5.2 billion in today's dollars has been contributed by

1 Australian Wool Industry Future Directions Taskforce, *Diversity and Innovation for Australian Wool*, Vol 1, June 1999, p 109

2 Australian Wool Industry Future Directions Taskforce, *Diversity and Innovation for Australian Wool*, Vol 2, June 1999, p A7.3

woolgrowers for marketing support. The total of these contributions in today's dollars is \$12.6 billion.³

1.6 The justification for compulsory wool R&D funding has been market failure – without enforced funding, the industry would not voluntarily invest sufficient capital in R&D. Promotion has traditionally been regarded as necessary to advance consumer awareness of wool and combat the promotion of alternative artificial fibres by large corporate manufacturers.⁴

1.7 However, despite the massive financial injections into wool R&D and promotion, the competitiveness of wool has fallen significantly in recent years. In November 1998, concern over the effectiveness and even appropriateness of compulsory wool R&D and promotion led Australian registered wool tax payers to pass a motion of no confidence (supported by 74 per cent of wool tax payers) in the AWRAP Board at a meeting in Goulburn.

1.8 The Board immediately resigned, and the Minister for Agriculture, Fisheries and Forestry at the time, the Hon Mark Vaile, established the Wool Industry Future Directions Taskforce, chaired by the Hon Ian McLachlan, to 'review the structures for wool marketing and promotion, and research and development.'⁵

The Report of the Wool Industry Future Directions Taskforce

1.9 The report of the Wool Industry Future Directions Taskforce was handed down on 30 June 1999. Most of the recommendations were addressed to woolgrowers and concerned decisions about the management of their businesses and the wool industry. However, the report also made recommendations concerning wool promotion, wool R&D, and the corporate structure of AWRAP and The Woolmark Company. These are discussed below.

Wool Promotion

1.10 The Taskforce was very critical of wool promotion conducted by The Woolmark Company. In essence, the Taskforce questioned whether woolgrowers should be involved in promotion via compulsory levies, or whether this should rest with retailers and brand owners. As the Taskforce stated, 'iron ore producers do not levy themselves to promote motor vehicles'.⁶

1.11 Furthermore, the Taskforce noted that even were it appropriate for the industry to be funding wool promotion, Australian woolgrowers do not have the financial resources 'to fund meaningful generic advertising programs throughout the developed textile markets of the world.' Accordingly, recommendation 26 of the Taskforce was that levy-funded generic advertising at woolgrowers' expense should cease forthwith in mature wool markets,

3 Australian Wool Industry Future Directions Taskforce, *Diversity and Innovation for Australian Wool*, Vol 1, June 1999, p 5

4 *Ibid*

5 The Hon Mark Vale MP, Minister for Agriculture, Fisheries and Forestry, *Media Release: Response to AWRAP "No Confidence" Motion*, 1 December 1998.

6 Australian Wool Industry Future Directions Taskforce, *Diversity and Innovation for Australian Wool*, Vol 1, June 1999, p 115

although tailored commercial funding symbols may have some applicability in some market segments.⁷

Wool Research and Development

1.12 While highly critical of levels of expenditure on wool promotion, the Taskforce indicated that ongoing wool R&D and innovation in Australia is essential if wool is to keep pace with other textile materials. This is especially the case since Australian woolgrowers are generally not able to free-ride on research conducted in other countries, as for example Australian cotton growers can free-ride on US cotton research.⁸

1.13 Accordingly, recommendation 27 of the Taskforce was that funds from the industry levy should primarily be invested in wool R&D, rather than wool promotion. Furthermore, the Taskforce differentiated between the benefits of on-farm R&D, which it argued are most likely to be captured by woolgrowers, and the benefits of post-farm R&D, which are more likely to be shared with other market participants.⁹

AWRAP and The Woolmark Company

1.14 The Taskforce made three recommendations (28-30) for reform of AWRAP and The Woolmark Company:

- a) Recommendation 28 – that the Minister appoint a new interim board of AWRAP which would have the responsibility of reforming AWRAP and The Woolmark Company into a new organisation which the Taskforce called Australian Wool Services Ltd (AWS). Woolgrowers would become shareholders in AWS, based upon their compulsory levy contributions since 1 July 1999.
- b) Recommendation 29 – that the new AWS adopt a mission statement focused upon maximising the value of existing wool intellectual property, including the Woolmark symbol, while facilitating wool R&D and innovation on a contestable basis.
- c) Recommendation 30 – that shares in AWS should be allocated to wool growing businesses based on one share per \$100 of levy paid.¹⁰

1.15 As part of the reform process, the Taskforce recommended a ‘spill of all staff positions’ within AWRAP and The Woolmark Company to ensure the necessary cultural change within the new AWS. The Taskforce also envisaged AWS as a considerably leaner organisation than AWRAP and The Woolmark Company.

7 *Ibid*, p 115

8 *Ibid*, p 106

9 *Ibid*

10 *Ibid*, pp 27-29

WoolPoll 2000 and the Two per cent Funding Model

WoolPoll 2000

1.16 On 23 September 1999, the new Minister for Agriculture, Fisheries and Forestry, the Hon Warren Truss, announced an eight-point plan implementing the recommendations of the Taskforce report. This followed their acceptance at a meeting of the National Woolgrowers' Forum.¹¹

1.17 Stage one of the plan included a national ballot of wool tax payers called WoolPoll 2000, seeking woolgrowers' views on the percentage levy (from 0 per cent to 4 per cent) which they would be prepared to pay to fund future R&D and promotion activities. The Minister also announced a reduction in the wool tax levy from 4 per cent to 3 per cent from 1 July 2000, subject to the result of WoolPoll 2000.¹²

1.18 As foreshadowed in the eight-point plan, on 15 October 1999 the Minister in turn appointed a Wool Working Party charged with advancing some of the recommendations made by the Taskforce. Included in this, the Wool Working Party was directed to identify the advantages and disadvantages of the funding levy alternatives from 4 per cent down to 0 per cent.

1.19 Details of the funding levy alternatives are included in Attachment Two. Importantly, the options developed by the Wool Working Party reflected the shift advocated by the Taskforce away from industry funding of wool promotion in favour of R&D. Only under the 3 and 4 per cent funding models was it envisaged that any funding be directed towards retail and consumer marketing.

1.20 Also reflecting the shift in focus, the funding models developed by the Wool Working Party all included the privatisation of The Woolmark Company to form a commercialised Woolmark Label business. It is envisaged that this commercialised business will be self-funding from accumulated intellectual property, but nevertheless operated on behalf of Australian woolgrowers.¹³

1.21 WoolPoll 2000 closed on 3 March 2000. The Minister for Agriculture, Fisheries and Forestry released the final results on 6 April 2000. These indicated that on a preferential basis, 62 per cent of woolgrowers favoured the 2 per cent levy, and 38 per cent the 3 per cent levy. Votes were received from just under 50 per cent of Australia's 46,000 woolgrowers, although they represented well over 50 per cent of the national woolclip.¹⁴

The 2 per cent Funding Model

1.22 Under the 2 per cent funding option developed by the Wool Working Party and endorsed by WoolPoll 2000, it is proposed that the available funding of \$55 million (\$44

11 The Hon Warren Truss MP, Minister for Agriculture, Fisheries and Forestry, *Media Release: Wool Industry 8 Point Plan*, 23 September 1999.

12 *Ibid*

13 Evidence, RRAT, 6 April 2000, p 8

14 Wool Working Party, *Results of the WoolPoll 2000 Ballot*, March 2000, p 9

million annual levy and \$11 million government R&D contribution) be delivered in the following areas:

- a) \$24 million for investment in R&D, including both on-farm R&D and post-farm R&D, to create new textile technologies to increase the competitiveness of wool. An important initiative in this area is the availability of \$5 million each year for five years for grower initiated schemes. This funding will be completely separate from the other pool of R&D funding for conventional research.
- b) \$16 million for investment in technology transfer and delivery, focused on extending wool R&D and the wool processing pipeline through commercialisation.
- c) \$2 million for woolgrower industry services, which include grower communications and global market information, intelligence on market access and industry issues such as chemical residues, and representation on trade policy.
- d) \$7 million for the development of commercial business enterprises such as Sportwool and Total Easy Care to operate in conjunction with the privatised Woolmark Label business. These businesses would be given necessary seed funding, in anticipation that they would develop into self-sustaining commercial enterprises.
- e) \$6 million in unallocated overheads.

1.23 As indicated, the 2 per cent funding option does not provide funding to conduct any retail and consumer marketing activities. By comparison, the 3 per cent funding option, which WoolPoll 2000 revealed to be the second preference of woolgrowers, proposes \$10 million for retail and consumer marketing activities. Under current arrangements, up to \$30 million is spent annually on retail and consumer marketing activities.¹⁵

1.24 Despite its emphasis upon R&D, the 2 per cent model nevertheless cuts R&D funding by approximately \$2 or \$3 million compared with current funding under the 4 per cent levy. However, Dr Keniry, the Chair of the Wool Working Party, indicated to the Committee that he believed the new level of R&D funding to be adequate:

It is my view that the amount of money that is available in this Model 2 is slightly less than what is currently spent but adequate in terms of R & D... I think if we voted for 1 per cent we would be starting to scratch the bottom of the barrel.¹⁶

1.25 In this regard, the Committee raised with Dr Keniry attempts by CSIRO and AWRAP to quantify the financial returns from investment in wool R&D. In response, Dr Keniry noted that different projects tend to have quite different returns, and that the Working Party decided there is nothing to be gained by trying to quantify those returns:

I would have to say, in my experience in industry we have generally taken the view that investment in research has to be guided by where you stand competitively

15 Evidence, RRAT, 6 April 2000, p 15

16 Evidence, RRAT, 6 April 2000, p 14

against your competitors. The fact that it will give a return has to be taken as an act of faith.¹⁷

1.26 The Committee also raised with Dr Keniry whether the \$2 million for industry services would provide any meaningful support program. Dr Keniry stated that it would, and that he had also indicated so to woolgrowers. However, he acknowledged that from time to time a significant industry matter might arise in relation to an issue such as pesticide residue that would require additional temporary funding for grower communication.¹⁸

1.27 Finally, Dr Keniry also noted that although the 2 per cent option has currently been adopted, this is not set in concrete. In subsequent years, it is proper that the industry should again be consulted regarding the level of the industry levy, and the distribution of funding between R&D and retail and consumer marketing activities.¹⁹

Restructuring of AWRAP and The Woolmark Company

1.28 With the results of WoolPoll 2000 now finalised, the second stage in the implementation of the eight-point plan set out by Minister Truss on 23 September 1999 is the restructuring of AWRAP and The Woolmark Company by 1 January 2001.²⁰

1.29 As part of the transition, the Minister will appoint an interim Board to work with the Minister and industry to develop a business plan for the new AWS.

1.30 The Committee notes that appropriate qualifications for prospective interim board members, and also the size of the board, are not set out in the current bill. The appointment of board members will be addressed in subsequent legislation to be brought before the Parliament in the spring sitting to enable the incorporation of AWS.²¹

1.31 In the meantime, AWRAP will continue to approve research and development funding, and is currently developing an operating plan to run from 1 July until the formation of the new AWS. Similarly, The Woolmark Company will continue Woolmark marketing over the 9 months to 1 January 2001.²²

Restructuring Costs

1.32 Mr Connors, the CEO of the Woolmark Company, estimated the cost of the transition arrangements in the lead up to 1 January 2001 at approximately \$20 million, a large proportion of which is to fund staff redundancy, principally in The Woolmark Company. At the beginning of April, there were an estimated 336 staff employed by The Woolmark

17 Evidence, RRAT, 6 April 2000, p 12

18 Evidence, RRAT, 6 April 2000, p 18

19 Evidence, RRAT, 6 April 2000, p 13

20 The Hon Warren Truss MP, Minister for Agriculture, Fisheries and Forestry, *Media Release: Wool Industry 8 Point Plan*, 23 September 1999.

21 Evidence, RRAT, 6 April 2000, p 6

22 Evidence, RRAT, 6 April 2000, p 11

Company. This is down from 385 at the end of the 1999 financial year, and is expected to decline further to 265 by June 2000 and approximately 130-140 by 1 January 2001.²³

1.33 Under current arrangements, these costs will be funded by the industry. As foreshadowed by the Minister in his eight-point plan, the levy rate will be reduced from 4 per cent to 3 per cent on 1 July 2000. The 3 per cent rate will then continue for a further 12 months, generating an additional \$22 million in revenue, before being reduced to the 2 per cent voted for in WoolPoll 2000 on 1 July 2001.²⁴

1.34 During hearings, Mr Laird from the National Woolgrowers' Forum argued that these changes to the rate of the wool levy to 3 per cent on 1 July 2000, and subsequently to 2 per cent on 1 July 2001, should be included in the provisions of the AWRAP Bill. The basis for this proposal was concern that a different minister might be influenced by a minority group to implement a different rate of wool levy.²⁵

1.35 The Committee also notes the concern expressed by Dr Keniry that the cost of restructuring AWRAP and The Woolmark Company, estimated by Mr Connors at \$20 million, may in fact exceed the additional \$22 million generated over the course of 2000/01 by the 3 per cent levy. This would largely depend upon decisions made by the interim board. However, other witnesses such as Mr Laird, representing the National Woolgrowers' Forum, argued that the additional \$22 million would be sufficient.²⁶

1.36 Following the restructuring of AWRAP and The Woolmark Company, the ongoing costs associated with the new Woolmark Label business will not be borne by the industry. Mr Connors indicated that in the commercial year to 31 March 2000, The Woolmark Company generated \$23 million, which he estimates would enable the new Woolmark Label business to employ approximately 130-140 staff. Accordingly, the only ongoing staff salaries that will be funded from the industry levy after 1 January 2001 will be for the estimated 50-70 staff with the new AWS.²⁷

Industry Concerns

1.37 The Committee is aware of broad concern amongst woolgrowers that when the industry passed a motion of no confidence in the AWRAP Board in November 1991, woolgrowers did not anticipate 18 months of delayed reform. Equally, when they voted for a 2 per cent levy, they did not anticipate the expenditure of several million dollars in redundancy payments.²⁸

1.38 The Committee raised these concerns with the National Woolgrowers' Forum. In response, Mr Laird from the Forum acknowledged that there is a lot of discontent in the industry, and that woolgrowers want the reform process expedited. At the same time, he argued that significant progress has been made since the vote in Goulburn, and that there is a

23 Evidence, RRAT, 6 April 2000, pp 8-9

24 Evidence, RRAT, 6 April 2000, p 9

25 Evidence, RRAT, 6 April 2000, p 20

26 Evidence, RRAT, 6 April 2000, p 16

27 Evidence, RRAT, 6 April 2000, p 7, 9

28 Evidence, RRAT, 6 April 2000, p 23

clear direction for the future of the industry. In addition, as indicated, the industry will not fund staffing of the new Woolmark Label business, while the new AWS will be a very much leaner organisation.²⁹

1.39 The Committee also raised with Mr Sutton from AFFA the possibility of government assistance to the wool industry, similar to that recently provided to the dairy and pork industries. Mr Sutton argued that such assistance would not be appropriate, noting that the financial assistance for the dairy and pork industries was provided in compensation for the effects of government intervention, whereas the issues in the wool industry simply relate to the market situation of wool.³⁰

1.40 However, Mr Tehan, representing the National Woolgrowers' Forum, argued that some form of government assistance should be provided to the wool industry. He claimed that following the vote in Goulburn, the industry was suddenly thrust into a very different environment as a result of a 'policy failure' of the board, resulting in restructuring costs that are currently being borne exclusively by wool growers.³¹

1.41 Also in relation to additional government assistance, Mr Plain from the National Woolgrowers' Forum argued for Item 1C of the AWRAP Bill to be changed to prohibit the interim board from reimbursing the Commonwealth, including AFFA, for costs incurred in the restructuring of AWRAP and The Woolmark Company.³²

1.42 In response, Mr Sutton from AFFA indicated that any costs recovered would largely be to cover additional staff salaries, should additional staff be required to facilitate the restructuring process. Existing staff level costs would not be recovered.³³

Committee Recommendation

1.43 The Committee recommends that the Australian Wool Research and Promotion Organisation Amendment (Funding and Wool Tax) Bill 2000 be passed without amendment.

Senator Winston Crane Chairman

29 Evidence, RRAT, 6 April 2000, p 24

30 Evidence, RRAT, 6 April 2000, p 4

31 Evidence, RRAT, 6 April 2000, p 22

32 Evidence, RRAT, 6 April 2000, p 21

33 Evidence, RRAT, 6 April 2000, p 29

APPENDIX ONE

SUBMISSIONS AND WITNESSES

List of Submissions

- 1 The Australian Superfine Woolgrowers' Association
- 2 The National Woolgrowers' Forum

List of Witnesses

Department of Agriculture, Fisheries and Forestry

Mr Paul Sutton, Assistant Secretary, Wool and Dairy Branch

Mr Matthew Bartlett, Assistant Director, Wool and Dairy Branch

Mr Anthony Harman, Wool and Dairy Branch

AWRAP and The Woolmark Company

Mr Doug Carty-Salmon, Secretary, AWRAP

Mr David Conners, CEO, The Woolmark Company

The Wool Working Party

Dr John Keniry, Chair, The Wool Working Party

The National Woolgrowers' Forum

Mr Brian Plain, Executive Director, The Wool Council of Australia and Forum Secretariat

Mr Peter Laird, Chairman, The National Woolgrowers' Forum

Mr Rob Tehan, Member, Victorian Farmers Federation

Mr David Webster, Member, The Woolgrowers' Association

National Mutual Rural Enterprises

Mr Colin Sleep, Portfolio Manager (Rural)

Mr Michael Field

APPENDIX TWO

WOOLPOLL 2000 VOTOR INFORMATION

Important
**VOTE
TODAY!**



Your Wool. Your Future.

VOTER INFORMATION

This is a one-off opportunity to have your say in the future of your levy and of the delivery of woolgrower services and wool marketing.

As a woolgrower, your opinion is important.

Please complete the WoolPoll 2000 voting paper included with this Voter Information Kit and return it ASAP.

Votes Close – Friday 3 March 2000

Woolgrowers of Australia

WoolPoll 2000 is a unique opportunity for you to have a direct say today in the future of the wool levy and wool services and marketing.

The release of the McLachlan Wool Industry Future Directions Taskforce report last year has given rise to often heated debate about the best way to fund and deliver those services.

Following extensive representations and consultation with woolgrowers, the Federal Agriculture Minister, Mr Warren Truss, established the Wool Working Party in October last year.

Our role has been to independently:

- Identify a range of national wool levy funding options from the current equivalent level of 4 per cent down to zero per cent,
- Recommend a set of strategic Service Models for future wool research and development and wool marketing activities in respect of those funding options, and
- Conduct a poll among woolgrowers to ascertain their views on the future levy and the strategic use of woolgrower funds collected.

The Working Party has now identified five Service Models linked to 4, 3, 2, 1 and 0 per cent wool levies. The zero levy option would provide for self-funded commercialisation of past woolgrower investment in the Woolmark. Under this option, no funds would be available from Woolmark licensing for research, development, innovation, provision of industry services or targeted wool marketing.

As levy funding increases, the Service Models provide for a business which has increasing capacity to undertake larger scale innovation projects more rapidly and introduce innovations further along the wool pipeline.

The Working Party's terms of reference do not allow it to comment on structural issues about how these Service Model options might be delivered. In line with the McLachlan Taskforce report, however, we have assumed that services would be delivered by a shareholder company owned mainly by woolgrowers. In this document, we call that organisation 'the Company'.

Also in line with our terms of reference, we have not recommended a particular Service Model. Whichever model you favour, you will be voting for a structure which – when compared with what has gone before – would be more commercially driven and focused more clearly on innovation along the entire wool pipeline.



• Wool Working Party chairman, John Keniry

I would like to thank all those, particularly Minister Truss, the National Woolgrowers' Forum and members of the Wool Working Party, who have helped bring this vital restructuring initiative to this point.

After literally years of debate and controversy, the industry today stands poised to step into the future. So please think carefully about these important issues and vote ... now.

Dr John Keniry
Chairman
Wool Working Party
10 January 2000

What's New?

In WoolPoll 2000, you are being asked to help define a level of funding for a new commercially focused Company representing the interests of Australian woolgrowers. This Company would have a number of important characteristics that will set it apart from its predecessors.

Accountability?

Woolgrower Empowerment

- The new Company board would be accountable directly to woolgrowers. It would develop a structure for woolgrowers to have input into the planning of R&D, marketing programs and in wool project performance evaluation.

Innovation?

Commercial Innovation

- A key focus of the new Company would be to concentrate on wool product innovation and to aggressively market the uptake of new wool products. In the Company, the expenditure on innovation for all levy options is estimated to be not less than 70% of the total levy received, compared with about 40% of the levy received in the previous company, where consumer promotion was a key activity.

Contestability?

Project Contestability

- Funding for R&D and innovation projects and project management would be awarded on a competitive basis designed to enhance returns for wool levy payers and to deliver improved accountability from service providers.

Participation?

Woolgrower Participation

- Increased Grower-initiated R&D and wool pipeline marketing activities – built on grower ideas – would be a core focus of the Company.

Generic Ads?

No Generic Advertising

- Woolgrowers levies would no longer fund global advertising for wool as a generic product.

Woolmark?

Woolmark's Future

- Woolmark brand licensing would be established as a commercial business trading without woolgrower levy funding.

WoolPoll 2000

Milestones

November 1998 –

A woolgrower No Confidence vote leads to the dismissal of the board of the Australian Wool Research and Promotion Organisation (AWRAP)

December 1998 –

The Hon Ian McLachlan AO is appointed to lead the Wool Industry Future Directions Taskforce to help set directions for future woolgrower profitability

June 1999 –

The McLachlan Taskforce recommends the establishment of a new Company to commission wool innovation for the maximum benefit of woolgrowers. This Company would:

- Be established as a conventional company limited by shares, with the shares issued to growers in proportion to their compulsory wool levy contributions
- Be commercially focused with its key attributes being innovation, implementation and customer service
- Have a mix of commercial (self funded) and levy funded activities
- Be controlled by a newly formed board of directors with wide commercial experience

August 1999 –

The Taskforce recommendations are described as broadly consistent with Government policy of encouraging increased industry ownership and leadership.

September 1999 –

Following consultation with woolgrowers, a two-stage approach for progressing McLachlan's recommendations on future levy arrangements and industry structures is announced:

- WoolPoll 2000 would provide woolgrowers with an upfront say on the type of services they want and how much they are prepared to pay for these services
- A new Company based on the information provided in the poll would then be established

October 1999 –

An independent Wool Working Party, including woolgrower representatives, is set up to implement WoolPoll 2000

March 2000 –

WoolPoll 2000

January 2001 –

Target date for start up of the new Company set by Federal Agricultural Minister, Mr Warren Truss

Wool Service Models

The Wool Working Party was asked last October to independently evaluate and recommend a range of commercial Service Model options to woolgrowers. The Service Models which appear on the following pages are based on research and business analysis by independent consultants KPMG in consultation with the National Woolgrowers' Forum and other relevant organisations.

Service Model activities are based on broad assumptions. It must be recognised that future governments or a future board of directors would not be bound by the assumptions of the Wool Working Party. The Working Party points out also that, depending on the outcome of the poll, restructuring costs for The Woolmark Company may be incurred. If necessary, such costs could be recovered by continuing or phasing down the wool tax levy over an appropriate period.

Government

The general direction of the government's policy in agriculture has been to support moves away from government intervention in industry affairs towards commercially based organisations with full accountability to levy payers.

- Federal Agricultural Minister, Mr Warren Truss

Growers have keenly debated the merits of Government involvement in the wool industry. Because the broad community benefits from R&D, the Commonwealth contributes up to 0.5% of the gross value of annual wool production on the basis that funds are matched dollar for dollar by woolgrowers and used for eligible R&D.

It is important to recognise that if a compulsory levy of any kind continues, Government will play an on-going role to ensure accountability to levy payers and to Parliament for the expenditure of those funds.

Information from WoolPoll 2000 will help set a new wool levy rate.

Toll free phone number: 1800 000 912

Toll free fax number: 1800 000 913

Return address for Voting Papers:

WoolPoll 2000

GPO Box 4565 SS

MELBOURNE VIC 8131

**Lost Your WoolPoll 2000
Voting Paper?**

**Please have your woolgrower
details at hand and call
1800 000 912
to arrange a replacement**

At a Glance

Legend

This voter kit contains seven major activity icons to help you quickly identify functions of the Service Models described on the following pages. When icons are only partially shown, this indicates lower level funding – but not to scale – for the services represented in that model. In the detailed description of each Service Model, figures are provided showing the indicative breakdown of expenditure in Years 1&2 of operation. The icon matrix is designed to show projected activities when the Company is up and running.



Commercial Business – Woolmark Licensing

The Woolmark icon depicts the self funded licensing business that would own and exploit accumulated intellectual property existing from past grower investment. The business would operate for the benefit of woolgrowers and have relationships with the international textile industry on behalf of woolgrowers.



Commercial Business – Innovations

The Key Commercial Businesses icon depicts the commercial business units that would license and commercialise major innovations in the wool industry. These business units would operate as separate cost and profit centres but may require seed capital, from levy funds, in their establishment phase. These businesses include Sportwool/blends, Total Easy Care and the sale of textile technology plus other projects as they are proven.



Wool Industry Services

This icon depicts services which offer benefits for all woolgrowers but that do not form part of commercial businesses and would need wool levy funding. Services would include grower communications, global market information, intelligence on market access, chemical residues and information, and representations on trade policy.



Innovation – On Farm R&D

This icon represents on-going wool research and development up to the farm gate. An important new feature in this area would be that woolgrowers would be encouraged to apply for R&D grants for grower-initiated programs.



Innovation – Post Farm R&D

This icon depicts on-going wool research and development activities beyond the farm gate. An important new feature in this area would be that woolgrowers would be encouraged to apply for R&D grants for grower-initiated programs.



Innovation – Technology & Delivery

This icon depicts the services that are required to extend the uptake of wool R&D into the wool process pipeline. It includes industrial and product marketing. An important new feature in this area would be that woolgrowers would be encouraged to apply for R&D grants for grower-initiated programs.



Retail & Consumer Marketing

This icon depicts targeted consumer retail marketing of innovative new products and includes advertising and point of sale programs. It does not represent the marketing of wool as a generic product.

At a Glance

Service Models

The following Service Models depict probable activities linked to levy rates on grower gross wool proceeds from four per cent to zero per cent.

- Future trading income from existing Woolmark Company businesses has not been included.
- Where relevant, matching Government R&D contributions of up to 0.5 per cent are included.
- The levy amounts quoted are based on projected wool production and price levels.

A legend explaining the activity icons appears on the previous page.

4%



Commercial Business - Woolmark Licensing



Commercial Business - Innovations



Wool Industry Services



Innovation - On Farm R&D



Innovation - Post Farm R&D



Innovation - Technology & Delivery



Retail & Consumer Marketing

Service Model Four

- Annual Levy Revenue \$88 m
- Government R&D contribution \$11 m

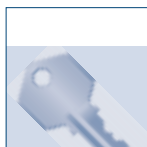
The Company income level described in this Service Model is equivalent to the current wool levy rate but the proposed activities differ
 This model would deliver 'significant' funding for world scale innovation projects requiring critical mass - 'bigger, better and faster' outcomes for wool businesses
 Funding for Grower-initiated R&D is included
 The model would allow greater visibility and commercial effectiveness in targeted retail and consumer marketing programs

\$99 million

3%



Commercial Business - Woolmark Licensing



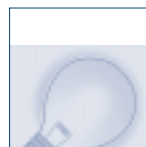
Commercial Business - Innovations



Wool Industry Services



Innovation - On Farm R&D



Innovation - Post Farm R&D



Innovation - Technology & Delivery



Retail & Consumer Marketing

Service Model Three

- Annual Levy Revenue \$66 million
- Government R&D contribution \$11 million

Compared with Service Model Four, this model provides a reduced rate of funding for innovation and targeted marketing programs
 It would deliver medium level funding for large scale R&D projects
 Funding for Grower-initiated R&D is included
 Funding would be available at a reduced level by comparison with Model Four for targeted retail and consumer marketing programs

\$77 million

2%



Commercial Business - Woolmark Licensing



Commercial Business - Innovations



Wool Industry Services



Innovation - On Farm R&D



Innovation - Post Farm R&D



Innovation - Technology & Delivery



Retail & Consumer Marketing

Service Model Two

- Annual Levy Revenue \$44 million
- Government R&D contribution \$11 million

This model delivers lower range funding options for wool R&D and innovation. Under this model, the operating Company would have no funds available for targeted retail and consumer marketing activities.

Available funds would allow lower range R&D and delivery programs including funding for Grower-initiated R&D and some Industry Services.

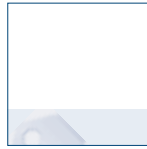
Because of limited capability to finance larger scale projects, this model would mean a lower probability of commercialisation of innovation for wool businesses.

\$55 million

1%



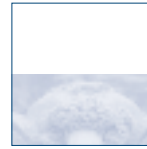
Commercial Business - Woolmark Licensing



Commercial Business - Innovations



Wool Industry Services



Innovation - On Farm R&D



Innovation - Post Farm R&D



Innovation - Technology & Delivery



Retail & Consumer Marketing

Service Model One

- Annual Levy Revenue \$22 million
- Government R&D contribution \$11 million

This model provides for basic R&D and delivery to be carried out on behalf of woolgrowers.

Service Model One allows for the establishment of a basic R&D and delivery program.

The opportunity for joint ventures on targeted projects starts at this level. Funding is available for some Grower-initiated R&D and for basic Industry Services.

\$33 million

0%



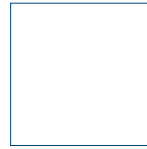
Commercial Business - Woolmark Licensing



Commercial Business - Innovations



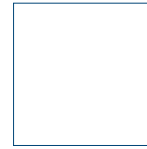
Wool Industry Services



Innovation - On Farm R&D



Innovation - Post Farm R&D



Innovation - Technology & Delivery



Retail & Consumer Marketing

Service Model Zero

- Annual Levy Revenue Zero
- Government R&D contribution Zero

This is the 'No Wool Levy' Option. The new Company would function as an independent entity operating the Commercial Business - Woolmark Licensing business and holding intellectual property on behalf of woolgrowers. No wool R&D funds would be available nor would there be matching Government funding. Voluntary R&D, product development and marketing programs would be carried out by private enterprise. The Company would not be required to account to Government for levy funds collected. There would be no funds for Grower-initiated R&D.

\$0 million

WoolPoll 2000

Key Factor Analysis

Businesses and Services

The Wool Working Party has identified four core business and service areas to provide wool innovation and commercialisation of innovation for woolgrowers. These are:

- **Commercial Businesses**
- **Innovation – Research, Development & Delivery**
- **Industry Services**
- **Retail & Consumer Marketing**

Commercial Businesses

Commercial activities are considered in this document under two scenarios:

- **Commercial Business – Woolmark Licensing**
This relates to the 0% option, where the Commercial Business – Woolmark Licensing would be a self-funding stand-alone business owned by woolgrowers as a separate legal entity. Under this scenario, woolgrowers would own the Woolmark brands and intellectual property and continue to receive the benefits of QA brand marketing. Revenue to cover operating costs would be generated almost exclusively from brand licensing.
Several Woolmark brand extensions have been developed, including:
 - Woolmark blend (apparel) – at least 50 per cent pure new wool
 - Wool blend (apparel) – at least 30 per cent pure new wool
 - Woolmark Interior Textile (carpet, bedding, furniture)
 - Woolmark Blend Interior Textile (carpet, bedding, furniture)
- **Commercial Business – Innovations**
This relates to all options where levies are collected from woolgrowers. New commercial businesses have evolved from existing technologies, such as Total Easy Care, Sportwool and textile hardware technology. It is envisaged that additional such businesses would develop from future innovation programs.
These businesses would be set up to develop as profitable and self-sustaining commercial enterprises, although some seed funding from levies may be necessary in their early stages.

In the event that woolgrower levy funds are insufficient to provide the necessary seed funding, additional capital for the commercialisation of technologies might also be generated from a number of alternative sources. These sources – each of which will be associated with some loss of control – might include:

- Woolgrowers investing in projects on a voluntary basis
- Partnerships with other entities and agencies in wool and related activities

- Genuine venture capital from venture capital funds or through equity raised either privately or publicly

Innovation - Research, Development & Delivery

This group of activities and services consists of six main prescribed components for the delivery of innovative technologies.

The level of activity for each of these core business and service units varies with each Service Model option. Generally, the higher the woolgrower levy, the greater the level of innovation and the further along the wool pipeline innovation activity can take place.

■ **Contestability**

A fundamental element of the assessment process of new innovation projects and marketing initiatives for the Company should be contestability among competing projects for the available funds. An important part of this process includes competition for management of projects.

■ **Research & Development**

R&D is the first step in the innovation cycle leading to technology delivery, commercialisation and, ultimately, benefits for woolgrowers and their businesses.

Investment by woolgrowers in R&D would result in additional direct contributions from Government and other organisations, which would have the effect of providing leverage on this investment. Some of these contributions would include:

- Government contributions providing substantial additional funding for woolgrower R&D
- Joint venture R&D programs with organisations such as CSIRO and State government agencies
- Partnerships with private players in the wool business

■ **Innovation – On-farm R&D**

Innovation – On-farm R&D offers a number of significant benefits for woolgrowers:

- It captures and returns benefits directly to woolgrowers, potentially in the shortest timeframe
- It can assist with fibre improvements to meet changing market needs
- It addresses quality issues including fibre contaminants
- It is critical to the long term survival and profitability of woolgrowers by enabling them to reduce costs and to compete with other fibres whose costs continue to fall

■ **Innovation – Post-farm R&D**

Innovation – Post-farm R&D focuses on creating new textile technologies to increase the competitiveness of wool at different stages in the wool pipeline from early stage processing to garment making.

WoolPoll 2000

Key Factor Analysis

The primary objectives of Innovation – Post-farm R&D are to:

- Pursue radical wool fibre re-engineering by altering the fibre structure to create totally new and innovative high-tech and high performance wool fibres which, for example, build easy-care performance into the wool fibre and/or make the wool fibre softer and finer
- Enhance wool's natural comfort and moisture management properties by developing new performance enhancing technologies and proving wool's benefits vis-a-vis competing high-tech fibres. Sportwool, which is the first version of this technology, could enable wool to capitalise on the growing sports and active leisure apparel segments
- "Break the Rules" in the process of converting wool fibre to finished product by using processing routes not presently used for wool, for example non-wovens and short-staple spinning. New competitive advantages for wool can be secured through substantial reductions in conversion costs (such as fibre to fabric in one step) and through blending with other fibres, for example, value added wool and man-made fibre blends
- Continue to improve wool's quality, performance and natural image in areas such as easy-care and dyeing without adding cost
- Deliver new information, specification and measurement technologies to increase the quality and reduce variability in processing of the wool fibre

■ Grower-initiated R&D

The McLachlan Taskforce recommended that woolgrowers should take control of their future and their fibre. The Wool Working Party embraces these recommendations and recommends the introduction of Grower-initiated R&D projects by the Company.

Such a program would embody a number of key principles, including:

- Setting aside dedicated funding for the program. The Working Party recommends that an amount of up to \$5 million per annum be set aside for this initiative. It is envisaged that not all the Grower-initiated R&D funds would be allocated in the first year. If this was the case, these funds should be held for future years
- The program would be for an initial period of, say, five years. At the completion of the initial period, the performance of the program would be assessed to determine its success with regard to delivery of technology to woolgrowers and to wool businesses

■ Innovation – Technology & Delivery

Technology transfer and delivery is focused on extending R&D into the wool processing pipeline through commercialisation.

Activities would include maintenance of Regional Development Centres (RDCs). These are centres of technical expertise established in Europe and Asia to work directly with industry partners to test, prove and transfer wool innovations arising from Post-farm R&D.

The principal benefits of Innovation – Technology & Delivery are:

- Wool innovation is introduced at all stages of the processing and textile pipeline
- Wool decision makers are directly involved in expanding the benefits and attributes of wool as a product

Industry Services

Industry Services are seen as important to industry development generally.

These are services which offer benefits for all woolgrowers but that do not form part of commercial businesses and would need wool levy funding.

Services would include grower communications, global market information, intelligence on market access, industry issues including chemical residues and information and representations on trade policy.

Retail & Consumer Marketing

The McLachlan Taskforce recommended that: "Levy funded generic advertising at woolgrowers expense should cease forthwith in mature developed wool markets".

The responsibility for advertising the availability, attributes and benefits of wool products was seen to be "principally the responsibility of retailers and (manufacturing) brand owners".

The Taskforce report also noted "the most important marketing responsibility is to influence decision makers to use wool" and to commercialise and implement the innovation brought about by R&D.

The Working Party adopts the recommendation of the Taskforce and does not support levy funded generic advertising of wool.

It does, however, support marketing initiatives and activities based on specific business plans within the Commercial Businesses group plans for Total Easy Care, Sportwool and other future innovations.

In the "pull" marketing strategy that draws innovation projects through the wool pipeline – ultimately to the consumer – competitive advantage would be achieved through jointly funded retail and consumer marketing campaigns.



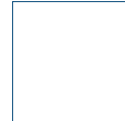
Commercial
Business –
Woolmark
Licensing



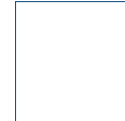
Commercial
Business –
Innovations



Wool Industry
Services



Innovation -
On Farm R&D



Innovation -
Post Farm R&D



Innovation –
Technology &
Delivery



Retail &
Consumer
Marketing

Service Model Zero

A 0 per cent wool levy

Under this option, the new Company representing woolgrowers would be a stand-alone commercial business owned and controlled by woolgrowers. Its core focus would be Commercial Business – Woolmark Licensing. It would own the intellectual property in technologies and products already in existence which are currently managed by The Woolmark Company.

Model Advantages

- Zero levy
- A stand-alone commercial business
- A business that is owned and controlled by woolgrowers*
- Maintenance of the Woolmark QA system through the textile pipeline*
- Continued brand visibility of wool at retail level through the Woolmark brand logo*
- Continued but limited commercial exploitation of existing intellectual property*
- Links to the international textile industry for direct marketing opportunities*

Model Disadvantages

- No levy funded investment in innovation
- No access to a matching Government contribution for R&D
- R&D would be dependent on voluntary contributions and funding from commercial activities
- A probable loss of leverage funding on wool innovation from other research organisations, such as the CSIRO and other State government agencies
- No Industry Services
- No Retail & Consumer Marketing. This would be left to industry to fund on a voluntary basis.
- The further development and delivery of certain technologies already in existence, such as Total Easy Care, Sportwool and textile hardware technology would be dependent on alternative funding.

Woolgrowers in the past have built valuable intellectual property and other assets – in particular the Woolmark brands – which would be transferred to the Company.

With the significant reduction in the amount of funds available under this Service Model, there would be a substantial limitation on the innovation activities of the Company when compared with subsequent Service Models. For example, present services provided to woolgrowers such as R&D, Industry Services and targeted Retail & Consumer Marketing would no longer be available.

On-going development and delivery of technologies already in existence, such as Total Easy Care, Sportwool and textile hardware technology would be dependent on alternative funding becoming available.

This is the only Service Model that would remove direct Government involvement from the ongoing operation of the Company, as levies would not be collected from woolgrowers. There would be no matching Government funding for R&D activities.

** These advantages are carried forward through the Service Models described on subsequent pages.*

1%



Service Model One

A 1 per cent wool levy

A 1% woolgrower levy is projected to raise \$33 million including a Government contribution to wool R&D. Under this Service Model, innovation and delivery activities would be undertaken at a very basic level for woolgrowers.

Model Advantages

- Limited funds would be available for investment in Research, Development & Delivery*
- An expansion of Commercial Businesses would be possible. Businesses would receive some funding for faster delivery of existing technologies*
- Availability of a Government contribution of funds for R&D*
- Funds available for Grower-initiated R&D*
- Compared with the zero levy option, there is now limited potential to leverage research funding from other providers.*

Model Disadvantages

- Funding would be available to undertake only essential Industry Services
- Innovation and commercialisation including product and industrial marketing would be constrained due to low level funding
- A probable loss of leverage funding on wool innovation from other research organisations, such as the CSIRO and other State government agencies
- Due to limited funding, the Commercialising Innovation group would be required to continue to play a role in the management and funding of technology development, which may impact on its ability to focus on commercial activities

Innovation and commercialisation, including product and industrial marketing, would be inhibited, although some activity would be affordable but at the expense of competing projects.

Wool Regional Development Centres (RDCs) would operate in a very limited form.

Pre-determined project assessment criteria would be used to allocate funds among competing projects based on assessments of the benefits and timeliness of returns to woolgrowers.

This Service Model only goes part of the way towards meeting the main recommendations of the McLachlan Taskforce report because of its inability to create sufficient innovative technology and transfer in the wool pipeline with available funds.

An investment in R&D of \$20 million is assumed in the financial model, while an amount of \$5 million is assumed to be allocated to Technology Transfer & Delivery. Only \$1 million would be allocated to fund Industry Services. These would be defined as being the bare essential for woolgrowers.

Innovation expenditure projected in this model would initially be focussed on R&D, with on-farm R&D likely to be a high priority due to its more direct and timely benefit to woolgrowers and the lower cost of delivery to adoption.

Indicative Breakdown of Expenditure Years 1&2

R&D	\$20 million
Technology Transfer & Delivery	\$ 5 million
Retail & Consumer Marketing	\$ 0 million
Industry Services	\$ 1 million
Commercial Business Capital Allocation	\$ 4 million
Unallocated Overheads	\$ 3 million
Total	\$33 million

* These advantages are carried forward through the Service Models described on subsequent pages.

2%



Commercial Business – Woolmark Licensing



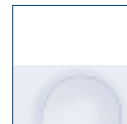
Commercial Business – Innovations



Wool Industry Services



Innovation - On Farm R&D



Innovation - Post Farm R&D



Innovation – Technology & Delivery



Retail & Consumer Marketing

Service Model Two

A 2 per cent wool levy

This 2% Service Model is forecast to generate approximately \$55 million including the Government contribution to R&D. The major part of the increased funds in this scenario would be allocated to Technology Transfer & Delivery, which would allow for a much higher investment in Innovation – Post-farm R&D.

Model Advantages

- A substantial increase in available funds for investment in innovation and delivery
- Funding becomes available for a reasonable level of Research, Development & Delivery activities including Innovation – On-farm and Post-farm R&D; significant Technology Transfer & Delivery; and product and industrial marketing along the wool pipeline
- Sufficient funding to undertake product and industrial marketing, wool pipeline partnerships, and funding of RDCs*
- Additional funding of Technology, Transfer & Delivery is likely to increase the speed of delivery of technologies to the wool industry*
- Increased funding to undertake more discretionary Industry Services for woolgrowers

Model Disadvantages

- There are still insufficient funds available to conduct Retail & Consumer Marketing activities
- Provision of woolgrower Industry Services remains limited
- Still only able to undertake limited innovation projects.
- Speed of technology delivery may continue to be inhibited.

The major portion of the increased levy income in this scenario would be allocated to Technology Transfer & Delivery, which would allow for greater investment in post-farm innovation. Areas of investment would include product and industrial marketing, wool pipeline partnerships and improved funding of RDCs.

Funds will continue to be allocated between projects based on assessments of the benefits and timeliness of returns to woolgrowers.

This Service Model allows for increased funding and greater development of R&D projects up to around \$24 million a year and increased funds to about \$16 million for Technology Transfer & Delivery in conjunction with commercial business and market development activities.

The increased R&D expenditure at this level becomes more discretionary and the focus could begin to cover areas such as basic on-farm quality, productivity, and profitability – such as bio-technology and farm ‘threats’. This model may also provide funding for applied wool education and product packaging activities.

Indicative Breakdown of Expenditure Years 1&2

R&D	\$24 million
Technology Transfer & Delivery	\$16 million
Retail & Consumer Marketing	\$ 0 million
Industry Services	\$ 2 million
Commercial Business Capital Allocation	\$ 7 million
Unallocated Overheads	\$ 6 million
Total	\$55 million

* These advantages are carried forward through the Service Models described on subsequent pages.

3%



Commercial Business - Woolmark Licensing



Commercial Business - Innovations



Wool Industry Services



Innovation - On Farm R&D



Innovation - Post Farm R&D



Innovation - Technology & Delivery



Retail & Consumer Marketing

Service Model Three

A 3 per cent wool levy

Service Model Three based on a wool levy rate of 3% is projected to raise approximately \$77 million including the Government contribution to R&D. This model allows for expenditure on a more complete range of wool industry services and activities, including the ability to undertake some investment in Retail & Consumer Marketing.

Investment in Retail & Consumer Marketing projects would be assessed on a competitive basis against other projects and would have to demonstrate real benefits before funds would be allocated to them.

The ability to provide a greater range of industry activities results in this model being more closely in line with McLachlan Taskforce recommendations than previous models.

Model Advantages

- Further increases in the level of expenditure on innovation through R&D, Technology Transfer & Delivery and market development activities
- The availability of some funds – possibly up to \$10 million a year – to undertake targeted Retail & Consumer Marketing
- A significant increase in funding to undertake comprehensive Industry Services*
- Sufficient funds to undertake substantial innovation projects
- Increased speed in delivery of projects
- The ability to retain a greater level of control over technologies for longer periods*

Model Disadvantages

- A limited ability to undertake a broad range of targeted Retail & Consumer Marketing programs

Examples of R&D projects that could more easily be undertaken at the higher wool levy rate include on-farm wool measurement, assessment and management of environmental issues, hydro-entanglement, short staple technology and ultra high performance sportswear development.

Both R&D and Technology Transfer activities would have greater funding. R&D funding could increase to around \$27 million a year and Technology Transfer & Delivery funding would be at levels of around \$21 million a year.

Indicative Breakdown of Expenditure Years 1&2

R&D	\$27 million
Technology Transfer & Delivery	\$21 million
Retail & Consumer Marketing	\$10 million
Industry Services	\$ 4 million
Commercial Business Capital Allocation	\$ 7 million
Unallocated Overheads	\$ 8 million
Total	\$77 million

* These advantages are carried forward to the final Service Model.

4%



Commercial Business - Woolmark Licensing



Commercial Business - Innovations



Wool Industry Services



Innovation - On Farm R&D



Innovation - Post Farm R&D



Innovation - Technology & Delivery



Retail & Consumer Marketing

Service Model Four

A 4 per cent wool levy

Total funds generated from a 4% wool levy are forecast to increase to about \$99 million including the Government contribution to R&D.

The model allows for increased funding of R&D, Technology Transfer & Delivery, Industry Services and Retail & Consumer Marketing. Subject to the competitive process for the selection of projects, up to \$19 million a year could be directed to targeted Retail & Consumer marketing.

Model Advantages

- The major benefit of this model is the availability of increased funds to pursue a broad selection of wool innovation and commercialisation projects
- The ability to participate in large-scale innovation projects could have a substantially beneficial impact on the businesses of woolgrowers in Australia

Model Disadvantages

- No reduction of the wool levy rate which would remain at its present 4% level but within a significantly altered management environment

Funding under this model for Retail & Consumer Marketing would increase to around \$19 million a year while allowing for significant increases in innovation investment.

A major benefit of this model is the availability of increased funds to pursue a wide selection of wool innovation and commercialisation projects. It would allow the Company to participate in a number of large scale innovation projects, which could have a substantially beneficial impact on woolgrowers and their businesses without inhibiting expenditure on smaller projects.

Such large scale projects are likely to embrace innovative features and opportunities for woolgrowers.

Under the Service Model Four scenario, up to two thirds of the funds generated from the woolgrower levy are proposed to be dedicated to large scale projects with the balance earmarked for smaller projects and for funding other activities of the Company.

Funding levels for technology transfer and delivery would be at levels up to \$30 million a year. Available R&D funding could be at similar levels. In summary, Service Model Four would provide the board of the new Company with increased levels of expenditure for a broad range of innovation, product development and marketing activities.

Indicative Breakdown of Expenditure Years 1&2

R&D	\$30 million
Technology Transfer & Delivery	\$30 million
Retail & Consumer Marketing	\$19 million
Industry Services	\$ 4 million
Commercial Business Capital Allocation	\$ 7 million
Unallocated Overheads	\$ 9 million
Total	\$99 million

Wool Working Party

Wool Working Party members are:

Chairman John Keniry – *Sydney New South Wales*

Denis Byrne – *Brisbane Queensland*

David Conners – *Gisborne Victoria*

Margaret Gibson – *Runaway Bay Queensland*

Lindsay Godfrey – *Cunnamulla Queensland*

David Webster – *Dudinin Western Australia*

David Wolfenden – *Rand New South Wales*



WoolPoll 2000 Internet Website

www.woolpoll2000.com.au



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The results of WoolPoll 2000 will be used to assist in considering future industry services, but are not binding upon any person.



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