

4 May 2018

Mr Andrew Metcalfe  
Partner  
Ernst & Young

Dear Sir

**RE: AWI Performance Review  
Submission from AWEX\***

Whilst acknowledging many areas of achievement by AWI against its objectives, AWEX suggests there are areas for further enhancement of AWI's performance. The following observations and recommendations, if successfully implemented, would provide the potential for major improvement in efficient resource allocation through collaborative, industry-led initiatives.

This submission specifically responds to Terms of Reference section 1.

1. *Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in:*
  - d. *delivering benefits to woolgrowers and, where appropriate, the community in general (including the achieved value for money and return on investment and the contribution of its investments to increasing farm-gate returns)*
  - e. *engaging, consulting, and communicating with stakeholders, including the opportunities for levy payers and industry representative bodies regarding the investment of levies*
  - f. *monitoring and evaluation of investments (including whether its current framework is adequate and links to its current strategic plan)*

**Achieving value for money, return on investment and collaboration**

In 2017, there was an opportunity for AWEX and AWI and other industry players to collaboratively deliver an industry wide electronic solution, which would have capitalised on current services to and investments in the industry, including online real time market information and linkages to other programs in development, such as the electronic identification (RFID) of wool bales, a major leap forward in traceability. The potential of this type of collaboration would be of benefit to all sectors of the industry and the Australian wool industry's position globally.

This opportunity arose from the research and development work by AWI on the Wool Exchange Portal (WEP). AWEX approached AWI with a proposal to manage the WEP (now known as WoolQ) once development was completed.

As outlined in our objectives below, WoolQ operational management would fit within the remit of AWEX, capitalise on extensive existing technical expertise within our organisation, and commercialise an AWI innovation.

The AWEX proposal was declined in the first instance with no further opportunity for discussion or exploration of partnering. The resulting WoolQ, recently released, has been resourced as a new enterprise under the AWI umbrella, involving separate funding, and developed with largely external technical expertise. AWEX concurrently was and is developing an electronic supply chain tool to achieve greater traceability and efficiencies with its release imminent.

An additional complexity also arose in relation to AWI's request for certain data from AWEX, which would have compromised AWEX's responsibility in assuring the security and confidentiality of such information for a number of industry participants. The request for data by AWI was declined by AWEX, as an independent, trusted keeper of this data for industry. This was another logical reason for exploring the opportunities offered through an AWEX WoolQ relationship.

In summary, duplication of effort could have been avoided with collaboration, and streamlining of services to wool growers and other industry players enhanced. We believe that this was a missed opportunity to ensure the efficient use of available funding and existing industry expertise.

AWEX will continue to consider any partnership proposals, or seek cooperative arrangements across the wool industry, where better value for money and return on investment are the outcomes. AWEX suggests that AWI also consider a more open and cooperative approach to the effective management of its wool grower levies so, that together, we might achieve potentially higher returns on investment and broader benefits across industry.

### **Engaging, consulting and communication with stakeholders**

The disparity of revenue streams between industry bodies creates an imbalance in the level of true partnerships on existing and potential programs. Monopolist behaviour, driven by the large pool of funds accumulated through the wool levy, has resulted in a dominating governance relationship with industry stakeholders.

This approach is not conducive to the best outcomes to industry.

### ***Recommendation:***

***AWI explores further opportunities for industry collaboration including the full commercialisation of R&D projects that reach that stage of development and maturity.***

## **Suggestions for possible future collaboration across industry**

- (1) The wool industry faces significant challenges with attracting enough people with requisite skills at the coal face who will find the wool industry as a suitable career path with adequate remuneration, and therefore are willing to commit in the long term.

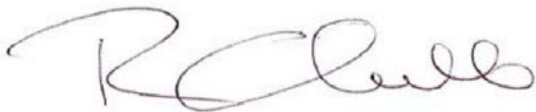
In most sections of the supply chain there is an age profile that is increasing.

There is a significant, immediate challenge for the wool industry with no 'quick fix' in the areas of wool classing, shearing, handling, and buying and selling. This major trend is on top of the ageing wool grower profile.

- (2) Technology platforms, administration and other back office services also present other fields for investigation of industry-wide solutions.

We welcome further discussion or inquiries in relation to our comments.

Yours sincerely



Robyn Clubb  
Chair  
Australian Wool Exchange Limited.

## **\*Australian Wool Exchange**

*The Australian Wool Exchange (AWEX), a not for profit entity, was established by the wool industry, to be an independent service provider.*

*In order to meet its objectives, AWEX adds value for the benefit of its stakeholders by providing trusted services and functions for the effective and efficient trading of wool in Australia. Some of these services and functions include:*

- *monitor and administer trading rules in Australia;*
- *manage wool industry self-regulation through the provision of a framework of business rules governing the trade of wool between buyer and seller members of AWEX;*
- *maintain recognised standards and codes of practice;*
- *value add by providing pre and post-sale market information.*