



28 July 2003

One Percent Levy Enough

At last some new issues in wool. I write to express my concern and amazement at the reported assertion by Dr Len Stephens, CEO of Australian Wool Innovation, that AWI regards a shareholder vote of anything less than one per cent (for the wool levy effective 2004) as a 'massive vote of no confidence in the Company' which would lead to liquidation of the business. [The Land 10/7/03, 'New AWI Boss pins hope on levy vote']

Such comments are clearly designed to confuse shareholders. They are also misleading. Putting aside the actual percentage, the real issue is just how much in real dollars does it take to provide cutting edge research, development and innovation for the wool industry. That answer, considered in the light of history and based upon AWI achieving a genuine return on a substantial proportion of the \$100 million cash it must now be close to having in the Bank, suggests to me that a real income of \$30 million annually, is more than adequate.

The former AWI Board would have recommended a levy rate of 1% at this next (2003) vote and zero from 2007. [We were also looking at asking the government to grandfather its matching contribution, so that they were removed from having any further perceived control over the industry. This would ensure that small but noisy political groups were excluded from dominating the debate, with all future investment decisions being based solely on commercial advantage for AWI shareholders]

Reality says that whilst wool producers and indeed every other agricultural industry in Australia are learning to cut their cloth to suit their needs, that for wool R&D this is an absolute imperative which cannot wait. Getting off the taxpayer teat, making wool RDI contributions voluntary, sharing the rewards (through dividends and 100% ownership of innovation) with the rewards going to only those who pay and removing the government (and wool politics) from RDI would be a good start.

The time to abandon on farm RDI that doesn't earn, and to focus exclusively upon creating new products and cheaper harvesting, processing and manufacturing systems is a must, if wool is to maintain or, indeed ever increase its share of the global fibre market. Some big picture analysis about where we will be 10 years from now, tells me that the only viable future is one where Australian wool embraces absolutely a genuine commercial partnership with processors, manufacturers, designers, retailers and commercially focused researchers, scientists and other innovators. The key players in this should be AWI & The Woolmark Company.

Far from a vote of less than 1% for levies representing a vote of no confidence in AWI, it could be better interpreted as a vote for market driven RDI, free from all political and agri political constraints and a genuine desire by AWI shareholders to see money spent solely for the purpose of making Australian wool producers more sustainable and profitable.

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