



Australian Wool Education Trust

Progress Report: December 2010

Background

In July 1997, the Australian Wool Testing Authority Ltd (AWTA Ltd) announced that it would donate \$3.00 million of its Unappropriated Profits to a trust vehicle to be known as "The AWTA Ltd Wool Education Trust". The Trust had the following objectives embodied in its Deed:

"The Trustees shall hold the Sum upon trust for the application of the income for charitable purposes being the advancement of education in wool and wool textile science and technology including, without limiting the generality of the foregoing, in all or any of the following methods:

- a) *to support the education of students, growers and others considered to be capable of contributing to the development of the wool industry, from the growing to the textile product stage, including in such subjects as:
 - i. *fibre science, including fibre and follicle development, fibre morphology and characteristics, and their effects on processing performance and product properties;*
 - ii. *wool production, including selection, preparation for sale and packaging;*
 - iii. *wool metrology, including testing technology, process control, Total Quality Management techniques and the prediction of processing performance;*
 - iv. *wool and textile marketing, including trading, processing and promotion of products made wholly or partially from wool;**
- b) *to fund attendance at educational conferences and to fund scholarships and prizes;*
- c) *to fund educational resources, educational conferences, educational programs and educational institutions and colleges; and*
- d) *to fund scientific research undertaken for the advancement of education."*

The Trust Deed provided for the appointment of 5 Trustees - 3 by AWTA Ltd (the Founder) and 2 by the Federation of Australian Wool Organisations (FAWO).

On 23rd May 2003, the Trust Deed was amended to broaden the objectives of the Trust to enable the Trustees to authorise expenditure outside the University sector.

In 2004, Australian Wool Innovation (AWI) agreed to donate \$4,000,000 to the Trust, subject to the Trust Deed being amended to provide for appointment of 3 Trustees by AWTA Ltd, 3 by AWI and 2 by FAWO. The new Deed came into effect on 25th June 2004, at which time the organisation was renamed "Australian Wool Education Trust".

Trustees

For the period covered by this report, the Trustees are:

Appointed by AWTA Ltd **Mr D. J. Ward OAM:** (Chairman of Trustees)
Principal, David Ward Consulting Pty Ltd

Mr P. J. Sommerville : (Secretary of Trustees)
Former Corporate Development Manager, AWTA Ltd



Mr M. A. Jackson :
Managing Director, AWTA Ltd

Appointed by FAWO

Mr J. A. Michell AM:
Immediate past Chairman, Michell Pty Ltd

Mr R. Thirkell-Johnston AM:
Woolgrower, Former President of Wool Council of Australia and of Australian Superfine Wool Growers Association

Appointed by AWI

Dr A. C. Archer PSM:
Principal, Tocal College

Professor A. L. Vizard:
Associate Professor, Faculty of Veterinary Science, Melbourne University

Professor K. J. Bell :
Professor Animal Science, Murdoch University

AWTA Ltd, FAWO and AWI may at any time, after providing written notice to the Trustees, remove any Trustee appointed by that entity and appoint a replacement Trustee. However, removal of a Trustee may only take place upon one or more of the following grounds:

- "(i) illness such that performance of normal duties as a Trustee is no longer possible or practicable;*
- (ii) cessation or change in employment or affiliation with industry bodies or associations;*
- (iii) disqualification to act as Trustee under the Trustees Act 1958;*
- (iv) acting in breach of the duties imposed on a Trustee under this Deed or at law; and*
- (v) where circumstances arise which otherwise justify the removal of the Trustee."*

A Trustee may resign at any time, by advising his or her fellow Trustees in writing to this effect and stating a date (at least 30 days after the date of such advice) on which the Trustee's resignation shall take effect. The entity that originally appointed the resigning Trustee shall, within 90 days of the vacancy occurring, nominate a replacement Trustee.

Assets Held by the Trust

As at 31st December 2010, the total capital held in trust was \$9.324 million. This was slightly below the 31st December 2009 total, reflecting the fact that the slow recovery in investment returns was insufficient to fund the Trust's increased commitments to various educational projects entered into before the Global Financial Crisis. Trustees' management of the Trust's funds is based on a long term investment strategy, having regard to revenue needs, rather than reacting to short term market fluctuations. Throughout 2010, Trustees maintained their commitment to the funding strategies developed over the previous 5 years.

The Trust owns and manages the Woolwise Website - established with Trust funding towards the end of the CRC for Premium Quality Wool - which consists of the rights to the site and all material produced by that CRC held within the site.

In 2007, the Core Parties of the Australian Sheep Industry CRC assigned to the Trust all IP rights in the CRC-owned Educational Modules and related Additional IP and, during 2008, a Licence Agreement between the University of New England and the



Trust came into effect. This obliged UNE to continue to deliver, develop and maintain these materials and also, pursuant to this contract, UNE must transfer to the Trust electronic copies of all the materials and any updates undertaken during the term of the Licence Agreement.

The Educational Modules cover the following topics:

Item	Reference No.	Title
1	WOOL412	Sheep Production
2	ANUT300	Applied Animal Nutrition
3	RSNR421	Sustainable Farming & Catchment Management
4	WOOL472	Wool Biology and Metrology
5	MEAT418	Meat Technology
6	WOOL422	Wool Marketing
7	WOOL482	Wool Processing
8	GENE412	Genetic Evaluation and Breeding
9	ANPR420	Sheepmeat Production and Marketing
10	ANPR450	Managing Sheep Enterprises

In partnership with the CRC, the Trust directly funded development of the 4 Wool Modules, with the remaining 6 Modules being funded by the CRC, AWI and Meat and Livestock Australia (MLA). The development of all modules was co-ordinated by UNE.

The Licence Agreement allows UNE, subsequent to appropriate advice to the Trust, to withdraw from the delivery of one or more of these modules. Should this occur, the Trust may license another tertiary institution to deliver all or any of the modules from which UNE has withdrawn.

During 2009, UNE advised the Trust that it would no longer deliver ANPR420. Trustees reviewed the content of the units and observed that there was duplication of material within ANPR420 and that contained within WOOL412. Accordingly, they decided to merge both units, and have since committed the value of one Teaching Fellowship (\$46,000) to this project. A first offer for this funding was made to and taken up by UNE, which was then able to leverage a commitment of \$50,000 from MLA, thereby enabling the scope of the project to be broadened.

Consequently, a teaching fellow is being appointed for one (1) year at UNE, with AWET and MLA funding support specifically to:

- a) Integrate Sheep Meat Production and Marketing material (ANPR420/520) into existing Sheep/Wool units offered at UNE
- b) Facilitate the conversion of WOOL412 from external only to internal/external mode with development of associated tutorial and practical class material making use of the dedicated sheep teaching flock at UNE.

Other materials produced by the CRC and transferred to the Trust included:

- Farm, Fibre and Food: Sheep and Wool Industry Information Tool Kit;
- Internal Parasite Control in Sheep;



- Merino Sheep Breeding Trainer Guide; and
- School to Industry Links: National Pack.

These materials are available on www.woolwise.com, at no charge.

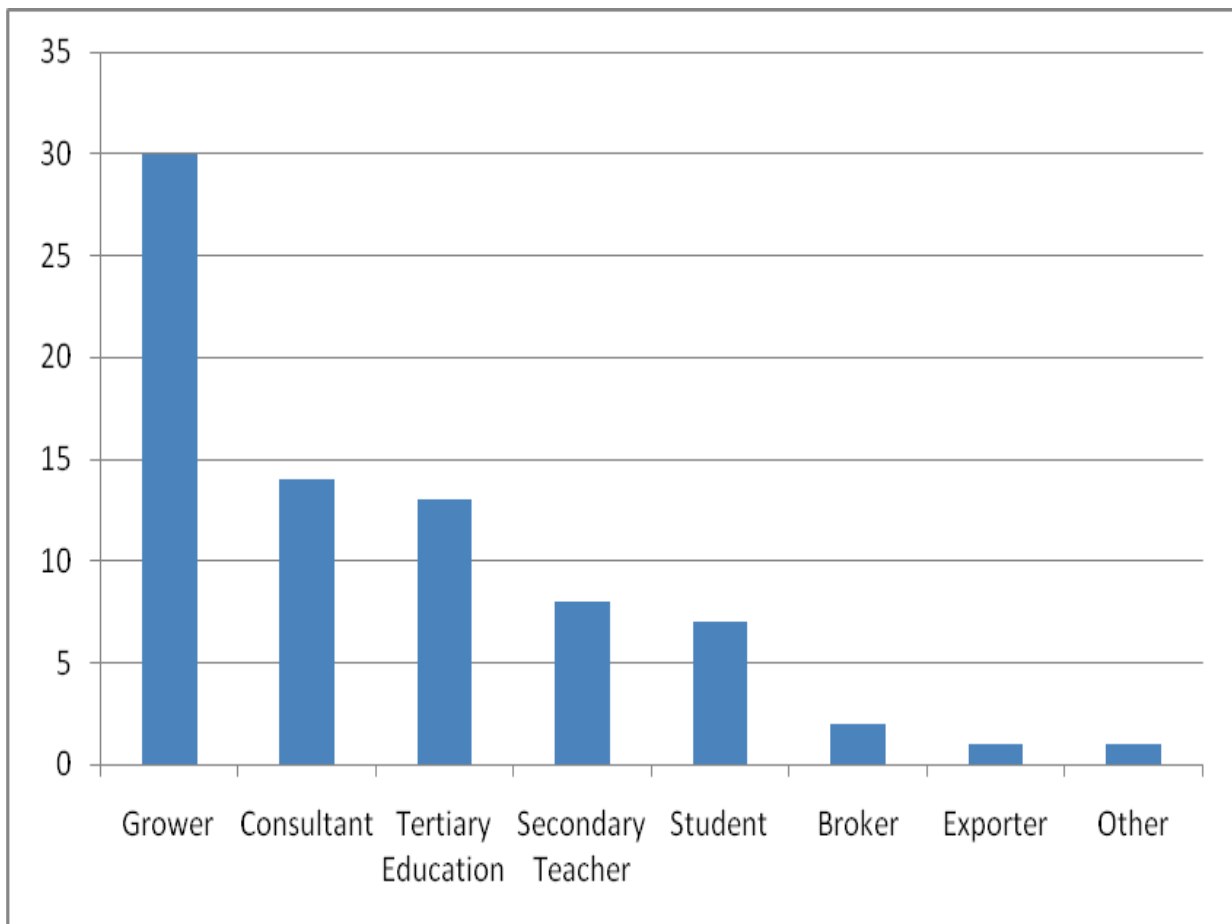
Also available on www.woolwise.com, at no charge, are the educational materials produced by the first CRC (Co-operative Research Centre for Premium Quality Wool), which operated from 1993-2001.

The Trust now also holds the lecture materials produced for the Australian Wool Textile Training Centre.

Pursuant to the Assignment Deed, the Trust provides copies of all the Educational Modules and the other materials produced by the CRC to interested parties, subject to acceptance of Terms of Use designed to ensure that there will be no breach of the Licence Agreement with UNE. To maximise the use of these resources, no charges are raised by the Trust.

Two (2) types of licence are available. The first provides all lecture notes and references, with lecture notes available in both PDF and MSWord format. This licence is designed primarily for Tertiary Institutions wishing to incorporate material from the modules within courses they offer. As at 31st December 2010, a total of 7 such licences have been issued.

The second type of licence provides all the same material, minus the MSWord documents. This is designed specifically for individuals who wish to use the materials for reference purposes. As at 31st December 2010, a total of 76 such licences have been issued, distributed by sector as illustrated in the following graph.





The DVD containing the Modules also contains all the other educational materials assigned to the Trust by the CRC, with the exception of a series of supplementary videos. These are currently being re-edited to correct some errors and also to improve the production quality.

Funding Strategies

Trustees recognise that, to ensure that the Trust has a long term future and maintains its spending power, some investment earnings must be retained to offset the effects of inflation on its capital. In this regard, a target cap on total expenditure over time has been set at 51% of earnings.

The Trust aims to leverage funds by playing a catalytic / facilitation role whenever opportunities arise, with emphasis towards targets that will produce a large impact (preferably Australia-wide), rather than spreading available funds too thinly. In short, the Trust aims to make a significant difference.

Since 2005, Trustees have developed the following Funding Policy and guidelines.

FUNDING POLICY

To fund worthwhile projects that fully comply with the objects of the Trust Deed while:

- maintaining the purchasing power of the Trust’s assets in perpetuity;*
- committing to some long-term projects, without removing the ability to fund new projects in subsequent years; and*
- concurrently funding at least 2 major projects.*

To achieve these objectives, Trustees have determined the following:

A) LEVEL OF FUNDING

On an annual basis, approximately 4% of the asset value of the Trust is expected to be available to be distributed to funded projects. (Note: This figure is calculated from the expected long-term nominal return on investment of 8% less CPI (2.5%), investment management fees (1.0%) and other administrative costs (0.5%).)

B) LENGTH & TIMING OF FUNDING COMMITMENTS

The following table represents the maximum funding commitments for future years:

	Current Year	1 Year Out	2 Years Out
<i>% of Annual Funding Committed</i>	100%	60%	30%

C) SIZE OF MAJOR PROJECTS

Typically, the Trust funds projects up to approximately \$50,000 per annum for up to 3 years.

It should be noted that these guidelines are subject to some flexibility, dependent on the specific circumstances and details of any projects being funded. They are not finite limits to be applied annually.

The Trustees have applied this strategy throughout 2010. Since its inception, the Trust has expended 51.9% of earnings on educational projects/programs.



Future Strategic Directions

General Policy

The objectives of the Trust clearly allow funding across all educational sectors, but do not prescribe the proportion of funding to be allocated to each sector. However, given the limits on available funding dictated by the Funding Policy, it is logical for Trustees' decisions in apportioning funds to be circumscribed by the Trust's Principal Objective, namely:

"To support the education of students, growers and others considered to be capable of contributing to the development of the wool industry, from the growing to the textile product stage."

As is the case for the Trust's investment portfolio, the policy for apportioning funds is described as ranges, rather than as finite targets, to ensure that they are not overly prescriptive. In practice, the actual mix of project/programme funding between the sectors is influenced by the circumstances and perceived needs at the time decisions are made.

Sector	Percentage Range	Percentage Mid-point
<i>Schools</i>	<i>5% - 10%</i>	<i>7.5%</i>
<i>VET</i>	<i>15% - 25%</i>	<i>20.0%</i>
<i>Undergraduates</i>	<i>45% - 60%</i>	<i>52.5%</i>
<i>Postgraduate</i>	<i>15% - 25%</i>	<i>20.0%</i>

The long term percentage range applies over a 10-year funding cycle, but within any particular year these may be exceeded, depending upon the quality of the applications received.

The capability of students, growers et al to contribute to the development of the wool industry is clearly related to the degree to which any assistance provided by the Trust is contiguous with their career choices and/or their motivation to become leaders. This suggests that the majority of the funding should be directed at the tertiary rather than the secondary education sector. Within the secondary sector, exposure to wool and sheep education might influence employment choices, but the effectiveness of the Trust's funding will be proportionally diminished the further away it is in time from when such career decisions have to be made.

The justification for allocating lower funding to the VET sector than to Colleges and Universities relates to the fact that VET courses are normally shorter and less costly to deliver. In addition, academically-trained professionals are generally recognised in the employment market as being more valuable and more likely to develop as leaders. Of course, this is not always the case.

New Target

In 2008, Trustees decided to review the needs and opportunities for investment in a significant downstream sector – the Australian Fashion & Design Schools. An exploratory Meeting was held with representatives from this sector (mainly from Victoria), during which it became clear that access to wool fabric resources would have a positive influence on students. This was followed up with AWI in 2009, when Ms Brenda McGahan agreed that AWI and the Trust should work together in developing education strategies appropriate for this sector, especially given AWI's access to resources and Woolmark contacts not readily available to the Trust.

A further Trust-funded meeting with all major Fashion & Design Schools across Australia was attended by AWI staff. They confirmed their interest in collaborating

with the Trust and the Schools, recognising the potential for AWI to replicate a successful Australian project internationally. It was agreed unanimously that a sub-committee of those represented be organised to define the nature and extent of required resource material, under the leadership of RMIT. Given this strongly positive support, the Trust decided to commit initial project funding of \$40,000 to develop and purchase swatches of selected wool fabrics to be made available to the schools, Australia-wide.

The initial phase of this project is expected to be completed by May 2011, following which the Trust will sponsor a further meeting of the Fashion & Design Schools to establish arrangements for these resources to be managed and regularly updated into the future.

Schools

The Trust has provided \$25,000 via Australian WoolProducers, to assist in the revision of the Kondinin Project Workbook series. Work on this project commenced in 2008 and continued throughout 2009. It was finally completed during 2010.



During 2008, the Primary Industry Education Foundation was established. The Foundation now has an interim Board, chaired by Dr Cameron Archer PSM, which is now developing its operational and financial strategies. Once this Foundation progresses beyond its formative stage, Trustees will consider opportunities to leverage targeted funding into the Schools sector.

During 2010, Trustees agreed to commit \$25,000 to AWI's Fashion For Schools project, to fund development of swatches of fabrics to be distributed to the participating schools. This project aims to develop interest in wool fabrics within secondary school students by organising a school uniform design competition. The





project commenced in 2011 and, as at 28th February 2011, some 40 schools have expressed interest in participating.

Vocational Education Training

The Trust offers the VET sector 15 scholarships, valued at \$3,000 each, being made available per year to students attending institutions in this sector. Three (3) of these have been awarded annually to students attending Tocal College in NSW from 2006 to 2010, inclusive. In 2009, WA College of Education successfully nominated their first scholarship recipient and, in 2010, another 3 of their students were awarded AWET scholarships.

The Trust also provides funding of \$10,000 per annum to support the Alastair Mackenzie Scholarship at Marcus Oldham College, in Victoria.

Undergraduate Studies

Teaching Support for Undergraduate Studies in Sheep and Wool

Initially, by investing in the Sheep CRC's education programmes, the Trust facilitated the development of a comprehensive range of sheep and wool education modules, which are now available at the University of New England (UNE) and also, via its long distance learning initiatives, to students in other institutes. The Trust directly funded the development of 4 Wool Modules (Wool Processing, Wool Marketing, Sheep Production, Wool Biology and Metrology). AWI and MLA were the major funders of the other 6 Modules.

To facilitate management, updating and delivery of the Wool Modules, the Trust decided to fund a lecturer at UNE and, in 2007, the first Trust-funded lecturer (Dr Emma Doyle) was appointed.

Enrolments in 2009 and in 2010 were below the peak numbers achieved in 2008. However, Dr Doyle took maternity leave throughout 2009 and Trustees' believe that UNE's marketing of the courses suffered as a consequence, leading to a decline in enrolments during 2009 and 2010.

The Trust and UNE have negotiated an improved 3-year contract for 2010-2012, which maintains support for the Lectureship position occupied by Dr Doyle and also integrates all other related funding contracts designed to support the Wool Modules.

These related Trust-funded contracts were targeted as follows.

Travel Awards:

These are for students enrolling in Wool Units delivered by UNE. They subsidise costs associated with workshops and are available to external students at other Universities. Funding ranges from \$700 for students from Eastern State institutions to \$1,000 for Western Australian students.

Performance Awards:

These are for students enrolling in Wool Units delivered by UNE. Awards are based on personal performance and are made to 2 students per Unit, as nominated by their lecturer. The prizes are \$350 for the top student and \$200 for the next best student.

Support to Universities:

Supporting funds are allocated to non-UNE Universities to offset any loss of income arising from their students enrolling externally in units delivered by UNE. These funds are distributed directly to the Universities by the Trust, based on enrolment records



provided by UNE. The Trust provides \$1,000 per student for the first 10 students and \$1,200 for each additional student.

Undergraduate Scholarships

To attract enrolments in the Units offered by UNE, the Trust is continuing to fund a number of undergraduate scholarships for students across Australia who wish to undertake sheep and wool education via these Units. Two (2) types of scholarships are supported, namely:

- 3 or 4-Year Undergraduate Scholarships; and
- 1-Year Undergraduate Project Scholarships.

The Undergraduate scholarships were first established on a co-sponsorship basis, whereby AWI, MLA, AWET and a number of industry sponsors each provided a contribution to 6 scholarships. At the end of 2007, AWI withdrew its support from this scheme. Consequently, AWET became the major sponsor, with an annual contribution of \$18,000 for both 2008 and 2009. During 2009 and 2010, the Trust was the sole sponsor, enabling only 3 scholarships to be offered each year. However, UNE has been able to attract new industry co-sponsorship for 2011.

Formerly known as "Honours Scholarships", the Trust now offers 15 Undergraduate Project scholarships per year. These are available to suitable applicants from any University and are each valued at \$6,000 - with \$3,000 normally being allocated to the student and the balance paid to the University to cover its project support costs. However, the applicant and the sponsoring University can negotiate a different split of the total value, if this better suits the requirements of the student and the institution.

The change in scope from "Honours" to "Undergraduate Project" was recommended at the annual Trust-funded meeting with teaching academics from Universities across Australia that offer Sheep & Wool studies, to overcome problems arising in some institutions from the restructuring of degrees.

Whilst 17 applicants were offered scholarships for 2010, only 13 suitable candidates were found for 2011.

Post Graduate Scholarships

The stipend for each PhD/MSc scholarship sponsored by the Trust is \$30,000 with a \$5,000 operating component available upon separate application.

The stipend for the Trust's Post Doctoral Teaching Fellowship is \$46,000. This scholarship was previously called a "Post Doctoral Fellowship", but it was renamed in 2010 when Trustees decided that the recipient must participate actively in the delivery of Sheep & Wool education resources.

One PhD scholarship has been awarded for 2011 and, as reported earlier, the Post Doctoral Teaching Fellowship has been awarded to UNE to facilitate the merging of ANPR420 and Wool412.

Consultative Mechanisms

Having initially focused on funding the establishment of a resource hub for Sheep & Wool education within the Sheep CRC/UNE arena, Trustees were keen to dispel any perception that this relationship inhibits or prevents them from investing funds more widely. To this end, Trustees hold an Annual Meeting with the "wool product champions" from all those Universities that incorporate Sheep & Wool components in their undergraduate and post graduate degrees.



The Trust’s support for 15 Honours scholarships per year, 2 PhD scholarships per year and a Post Doctoral Scholarship is a direct consequence of these Meetings and the monetary value of each scholarship is reviewed with the academics attending.

The next Meeting with these “wool product champions” is scheduled for July 2011.

If, as expected, the targeted introduction of wool education resources for Fashion & Design Schools is successful, the Trust will fund a similar strategy for annual consultation with this sector and AWI, to ensure that the resources provided are updated and remain relevant.

Funding Allocations

The following table illustrates the allocation of funding between the different educational sectors, as at 31st December 2010. The commitment detailed against each sector is projected over a 5-year period.

Project	Actual Commitment	Amount Paid
Agricultural Colleges One Year Scholarships	\$72,000	\$9,000
Industry Co-op Sponsorship	\$342,000	\$60,000
Marcus Oldham College	\$30,000	\$0
Education for Schools	\$25,000	\$0
University Honours Scholarships	\$516,000	\$6,000
Postgraduate University Scholarships	\$780,152	\$398,536
Fashion Schools	\$40,000	\$0
Delivery of Sheep and Wool Education	\$1,158,601	\$236,087
TOTAL	\$2,963,753	\$709,623

The Trust’s Funding Allocation Policy is being reviewed during 2011 to formalise an ongoing commitment to the Fashion School Sector. The existing policy incorporates four sectors (see below). Whilst the Fashion Schools generally fall within the undergraduate sector in some cases they also fall into the VET sector and fashion education is also undertaken in the schools sector

Sector	%Range	Mid-point
Schools	5% - 10%	7.50%
VET	15% - 25%	20.00%
Undergraduate	45% - 60%	52.50%
Post Graduate	15% - 25%	20.00%

Distribution

This Progress Report has been prepared for distribution to the Boards and Executives of those organisations which are responsible for appointing the Trustees, namely, AWTA Ltd, AWI and FAWO.



D.J. WARD OAM
CHAIRMAN