



Australian Wool Education Trust

Progress Report: December 2008

Background

Prior to its closure in 1999, the Department of Wool & Animal Science, within the School of Fibre Science & Technology at UNSW, provided the only Australian specialist tertiary training in wool & wool textile science and technology.

Following the death of Professor P.R. McMahon, the Chair of Wool Technology was never filled and, as a consequence, the School gradually lost its specialist wool focus. Ultimately, deteriorating profitability in the wool industry reduced student numbers to unviable levels.

The UNSW decision to close the course created a void in the tertiary wool training of undergraduates and graduates and also reduced the facilities available for post graduate training and research - a situation which had already deteriorated with the closure of the CSIRO Division of Wool Technology Laboratory at Ryde.

AWTA Ltd's then Strategic Plan highlighted this as a Key Strategic Issue and the following specific objective was incorporated within the Plan:

" Assist and promote the future development of the wool and wool textile industries by investing surplus funds in support of relevant tertiary education. "

After extensive discussions with UNSW staff and wool industry interests, in July 1997 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 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".

Current Trustees

Appointed by AWTA Ltd

David Ward: (Chairman of Trustees)
Principal, David Ward Consulting Pty Ltd

Peter Sommerville : (Secretary of Trustees)
Former Corporate Development Manager, AWTA Ltd

Michael Jackson :
Managing Director, AWTA Ltd

Appointed by FAWO

John Michell:
Immediate past Chairman, Michell Pty Ltd

Rod Thirkell-Johnston:
Woolgrower, Former President of Wool Council of Australia
and of Australian Superfine Wool Growers Association



Appointed by AWI

Cameron Archer:
Principal, Tocal College

Andrew Vizard:
Associate Professor, Faculty of Veterinary Science,
Melbourne University

Kevin Bell :
Professor Animal Science, Murdoch University
Director, Australian Wool Innovation (AWI)

Objectives of the Trust

The Trust's objectives are documented in the Trust Deed, and are reproduced below

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.

Assets Held by the Trust

As at 31st December 2008, the capital held in trust was \$8.328 million. This has declined since 31st December 2007, due largely to the decline in financial markets during the year, but also reflecting increased expenditure by the Trust as educational programs initiated during the previous 3 years became fully operative. However, the 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.

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 contract between the University of New England and the Trust came into effect, which licensed UNE to continue to deliver and maintain these materials. Also, pursuant to this contract, UNE was obliged to transfer electronic copies of all the materials to the Trust, and this was completed by the end of the calendar year.

Other materials produced by the CRC and transferred to the Trust in 2008 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.

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.

In 2005, Trustees adopted the following funding policy with more specific 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 |
|-------------------------------|---------------------|-------------------|--------------------|
| % of Annual Funding Committed | 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 continued to implement this strategy throughout 2008.

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."

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 the 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.

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 |
|----------------|------------------|----------------------|
| Schools | 5% - 10% | 7.5% |
| VET | 15% - 25% | 20.0% |
| Undergraduates | 45% - 60% | 52.5% |
| Postgraduate | 15% - 25% | 20.0% |

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.

Schools

During 2007, the Trust provided \$10,000 to the NSW DPI to develop 4 mini wool classroom exhibition boxes for trial use by NSW primary students and teachers. The mix of materials, resources and activities were chosen to appeal to students from Kindergarten to year 6, so that multiple classes were covered within a single school. A pilot trial to evaluate the value of these materials was conducted during 2008.

The Trust has provided \$25,000 via Australian WoolProducers, to assist in the revision of the Kondinin Project Workboot series. Work on this project proceeded throughout 2008 and is continuing into 2009.

During 2008, the Primary Industry Education Foundation was established. Once this Foundation progresses beyond its formative stage, Trustees expect it will develop as a partner through which the Trust can leverage target funding into the schools sector.

Vocational Education Training

The Trust supports the VET sector via 15 scholarships, valued at \$3,000 each, being made available per year to students attending institutions in this sector. Three of these were awarded to students attending Tocal College in NSW, during 2006, 2007 and again in 2008. Responses from other VET institutions invited to apply for such support continues to be disappointing.

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

In 2007, the Australian Wool Textile Training Centre (AWTTC) concluded its pilot program to evaluate the viability of offering annual courses of intensive training for individuals working throughout the wool industry in Australia and internationally. The Trust's initial commitment of \$100,000 was augmented by a further \$25,000 during 2007, to allow the project to be completed. In 2008, after receipt of the Management Committee's Progress Report and its recommendations, AWI committed an additional \$60,000 towards the delivery of a reduced program in 2009, contingent upon an additional \$40,000 being provided by the Trust and the International Fibre Centre. The Trust has agreed to contribute a further \$20,000 to the AWTTC.

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.

To facilitate management, updating and delivery of these modules, the Trust decided to fund a lecturer at UNE and, in 2007, the first Trust-funded lecturer (Dr Emma Doyle) was appointed. This strategy has been highly successful. The table on page 6 confirms the significant increase in enrolments, both internal and external, since her appointment.

Total enrolments for 2008 were double those for 2006 and 2007. Notably, there was a significant increase in the number of cross-institutional students enrolled at UNE in 2008, particularly from CSU. Due to excellent collaboration between Dr Doyle and CSU staff, CSU students have been allowed to substitute UNE units for core units offered at CSU.

To encourage and support enrolments in these units, the Trust also provides funding for the following targets.

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 \$1000 for Western Australia 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.

| Unit | Code | 2006 | | | 2007 | | | 2008 ³ | | |
|--|-------------|------|-------|-------|------|-------|-------|-------------------|-------|-------|
| | | UNE | Other | Total | UNE | Other | Total | UNE | Other | Total |
| Wool Biology & Metrology ¹ | WOOL472 | | | | 3 | 1 | 4 | 4 | 4 | 8 |
| Wool Metrology | WOOL432 | 1 | 1 | 2 | | | | | | |
| Sheep Production | WOOL412 | 21 | 4 | 25 | 7 | 6 | 13 | 22 | 28 | 50 |
| Applied Animal Nutrition | ANUT300 | 25 | 1 | 26 | 26 | 3 | 29 | 42 | 6 | 48 |
| Sustainable Agriculture | RSNR421 | 18 | 0 | 18 | 30 | 0 | 30 | 31 | 2 | 33 |
| Meat Technology (Semester 1) | MEAT418 | 14 | 0 | 11 | 15 | 0 | 15 | 12 | 0 | 12 |
| Meat Technology (Semester 2) | MEAT418 | 9 | 2 | 11 | 10 | 2 | 1 | 14 | 5 | 19 |
| Sheep Meat Prod'n & Marketing ² | ANPR420/520 | 1 | 3 | 4 | | | | 5 | 11 | 16 |
| Wool Marketing | WOOL422 | 9 | 4 | 13 | 6 | 7 | 13 | 14 | 9 | 23 |
| Wool Processing | WOOL482 | 0 | 1 | 1 | 4 | 3 | 7 | 5 | 1 | 6 |
| Genetic Evaluation and Breeding | GENE422 | 11 | 2 | 13 | 18 | 1 | 19 | 13 | 0 | 13 |
| Managing Sheep Enterprises ² | ANPR250/450 | | | | | | | 10 | 14 | 24 |
| TOTAL | | 109 | 18 | 127 | 118 | 23 | 114 | 172 | 80 | 252 |

| | | |
|---------------|----------|---|
| NOTES: | 1 | Wool Biology & Metrology was created for delivery in 2007 by merging WOOL432 with topics from other units |
| | 2 | ANPR420/520 and ANPR250/450 were not offered in 2007 |
| | 3 | Enrolments for 2008 are actual enrolments reported in UNE Milestone Report. |

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 types of scholarships are supported:

- 3-Year Undergraduate Scholarships; and
- 1-Year Honours Scholarships.

The former was originally established as a co-sponsorship arrangement whereby AWI, MLA, AWET and a number of industry sponsors each provided a contribution to 6 scholarships. At the end of 2007, AWI announced that it would be withdrawing its support from this scheme and, consequently, AWET undertook to become the major sponsor with an annual contribution of \$18,000 for both 2008 and 2009.

The latter provides 15 Honours scholarships per year (available to suitable applicants from any University), each of which is valued at \$5,000 - with \$2,500 being allocated to the student and the balance paid to the University to cover its costs in supporting the student. For the 2008 academic year, suitable candidates were found for all of these scholarships.

Post Graduate Scholarships

The Trust is currently providing \$28,000 each for 2 PhD/MSc scholarships and an additional \$44,000 p.a. for one Post Doctoral Scholarship. This funding commenced in

2008, and scholarships have already been awarded for 2009. Once the PhD/MSc program is fully operative, funding for these scholarships will be \$168,000 per annum.

Consultative Mechanisms

Having initially focused on funding the establishment of a resource hub for sheep and 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 Meetings with the wool “product champions” from all those Universities that incorporate sheep and wool components in their undergraduate and post graduate degrees.

The Trust support for 15 Honours scholarships per year, 2 PhD scholarships per year and a Post Doctoral Scholarship is a direct consequence of these meetings.

At the most recent meeting held during 2008, Trustees agreed to extend the Honours Scholarship funding to Master-by-Course work studies.

As reported earlier, the Sheep CRC, AWI, MLA and UNE assigned to the Trust the IP associated with the educational modules developed by those parties during the course of the Sheep CRC, conditional upon UNE being granted a licence to continue delivery of courses based on those modules. Importantly, the parties also granted the Trust the right to provide other institutions and organisations with access these resources.

At the 2008 meeting, the Trust advised the “wool product champions” of the terms and conditions under which they could use these materials as reference sources for courses offered within their universities. Subject to acceptance of these Terms of Use, the materials are now available on a single DVD, together with all the other CRC materials, free-of-charge.

Funding Allocations

The following table illustrates the allocation of funding between the different educational sectors, as at 31st December 2008. The commitment detailed against each sector is projected over a 5-year period.

| Project | Actual Commitment | Amount Paid |
|---|------------------------------|--------------------|
| Agricultural Colleges One Year Scholarships | \$180,000 | \$9,000 |
| Australian Sheep Industry CRC | \$0 | \$35,000 |
| Australian Wool Textile Training Centre | \$145,000 | \$125,500 |
| Industry Co-op Sponsorship | \$81,750 | \$54,000 |
| Marcus Oldham College | \$30,000 | \$20,000 |
| Education for Schools | \$11,731 | \$15,663 |
| University Honours Scholarships | \$440,000 | \$105,000 |
| Postgraduate University Scholarships | \$1,238,768 | \$109,384 |
| University of New England | \$534,584 | \$314,231 |
| TOTAL | \$2,661,833 | \$787,778 |

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