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## **NATIONAL AUCTION SELLING COMMITTEE**

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### **SUMMARY OF OUTCOMES: MEETING NASC53-2017**

**FRIDAY 24<sup>TH</sup> FEBRUARY 2017, 9.00AM AEDT**

**AUSTRALIAN WOOL EXCHANGE LTD**

**2 EDEN PARK DRIVE, MACQUARIE PARK, NSW**

**FACE TO FACE**

#### **N53/17/1.0 PRESENT/WELCOME**

Les Targ	Chairman
Peter Brice	North Buyer
Jason Carmichael	Large Seller (Alternate)
Michael de Kleuver	South Seller
Lyndon Hosking	West Seller
Shane Kirkpatrick	West Buyer (Alternate)
Josh Lamb	4 <sup>th</sup> Buyer
Gordon Litchfield*	North Broker
Len Tenace	South Buyer
David Cother	Secretary
Andrew Rickwood	Secretary (Alternate/Observer)

#### Wool Selling Program (Agenda Item 5.0)

Gerard Buchanan	NCWSBA
Tim Marwedel	ACWEP
<i>*Gordon Litchfield</i>	<i>IWB</i>

The Chairman congratulated Peter Brice on his appointment to the Committee and welcomed him to his first meeting.

The Chairman also thanked the alternates, Shane Kirkpatrick and Jason Carmichael for attending.

The Chairman also thanked Josh Lamb and Michael de Kleuver for offering to stay on the Committee while the search for successors continues.

The Chairman welcomed Andrew Rickwood as Alternate Secretary assisting.

After addressing the Committee members, Gerard Buchanan and Tim Marwedel were welcomed and joined the meeting as Observers.

#### **N53/17/2.0 APOLOGIES**

Simon Hogan (Jason Carmichael attending as Alternate)  
Greg Horne (Shane Kirkpatrick attending as Alternate)

#### **N53/17/3.0 MINUTES PREVIOUS MEETINGS**

**NASC52** Accepted. No amendments.  
**NASC52B** Accepted. No amendments.

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### **N53/17/4.0 OPEN ACTION ITEMS/ISSUES ARISING (up to including NASC52B)**

Item ID	Description/Action/Comment	Status
<i>N42/10.5</i>	New entrant protocol	In progress
<i>N50/12.0</i>	Reconditioned wool guidelines <b>Look at developing joint doc. with AWTA</b>	In progress
<i>N50/14.0</i>	Room Sheriff – role and responsibilities	In progress

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## N53/17/5.0 WOOL SELLING PROGRAMS

### 5.1 2017/18 TENTATIVE WOOL SELLING PROGRAM

#### 5.1.1 AUSTRALIAN SUPERFINE (AS) SALES

The profile of Superfine fleece wool offerings by week in Northern Region was considered by the Committee.

It was AGREED:

The six (6) designated AS Sales in Northern Region are to be retained on a schedule similar to 2016-17.

#### 5.1.2 TASMANIAN FEATURE OFFERING

It was AGREED:

M33 would be retained as a Sale with a featured Tasmanian origin offering.

#### 5.1.3 EASTER RECESS

It was AGREED:

A one (1) week Recess for Easter would be programmed for Week 40.

#### 5.1.4 CHRISTMAS RECESS

It was AGREED:

A three (3) week Recess would be programmed for Weeks 25, 26 and 27.

#### 5.1.5 WESTERN REGION SALE SERIES

It was AGREED:

F01 was to be retained to the 2017/18 WSP (subject to July Recess outcome).

#### 5.1.6 NEW ZEALAND OFFERING

NZ Merino have confirmed they would be offering in the same weeks as 2016/17.

#### 5.1.7 WOOL WEEK

Wool Week was noted as being held in Week 8.

#### 5.1.8 JULY RECESS

A lengthy discussion was held on the July Recess and the varying positions and requirements of stakeholder sectors. The key points raised:

- Sellers advocate 7 weeks Recess per annum is too long without growers not able to access the auction.
- Not all Sellers or regions are seeking less Recess weeks in July.
- The volumes in Northern Region during July are able to sustain Sales, however, [volumes in] Southern and Western regions are generally lower than average at this time.
- There is not a requirement to roster more Sales at this time on the basis of increased volume. Forecast volumes in July are no higher than experienced in recent years.
- Buyers advocate that three weeks in July is required to visit clients, perform end of year bookwork and leave.
- Very few buying companies are able to release staff on annual leave when Sales are occurring. Most buying companies only have one or two buyers operating in a region.
- Buyers advise that the market during July is difficult to sell into. It is unlikely this will change with more selling weeks (as the volume will remain the same).

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- It is unknown whether a reduction in the Recess will reduce volumes on the adjacent sale weeks. If moved to Weeks 1 and 2, it is possible weeks 52 and 3 could be large (due to end of season and new season/taxation sellers.)
- Sellers have previously rejected proposals to move the Recess earlier in July citing concerns re taxation and new season sellers wanting immediate access to market.
- Other selling systems are available during a Recess.

The committee believed that for any change to occur it would be necessary to develop a proposal where both sectors made concessions and receive benefit. Representatives noted they were concerned that members were not communicating their view to them and it was not always possible to know the full picture coming from their constituency.

The committee resolved the proposal to put to the market would be:

**The July Recess be moved to Weeks 1, 2 and 3 in 2017/18 and reduced to Weeks 1 and 2 in 2018/19. If there was insufficient market support for this proposal, the July Recess would remain unchanged, being Weeks 3, 4 and 5.**

In assessing this proposal individual NASC member companies would need to decide whether the benefits are such that outweigh the concessions.

It was AGREED:

The 2017/18 Wool Selling Program was to be held pending further consultation with constituents on the timing and length of the July Recess.

### 5.2 2018/19 TENTATIVE WOOL SELLING PROGRAM

It was AGREED:

The Tentative 2018/19 Wool Selling Program was to be held pending further consultation with constituents on the timing of the July Recess.

**ACTION(S)**     **A proposal/consultation paper is to be issued to market re the July Recess..  
NASC to convene on March 10 to review feedback.**

### N53/17/6.0     MAXIMUM LOT ALLOCATION FORMULA

The committee considered a request from AWEX to review the formula used to allocate auction lots when a sale or room is oversubscribed. The current formula is based on AWTA testing data for the last eight weeks.

The Secretary noted that the MLA was due to be invoked at the recent M30 sale (Room 2) however when preparing for this application a number of shortcomings were observed, namely:

- a) It was difficult for the administrators to allocate AWTA testing data accurately to some selling brokers when determining market share. Some subjective judgement was required to be made which was not thought appropriate when dealing in a commercially sensitive area of restriction.
- b) The question arose as to whether all wool should be used to determine market share or just the wool in the affected room (as only one Room was oversubscribed).

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The MLA was not subsequently used for M30 as the number of lots to be offered was reduced by sellers voluntarily. It was also noted that whilst this reduction was voluntary it was inequitable insofar that whilst most brokers assisted with the request to withdraw voluntarily a small number did not.

Mr. Litchfield noted he had experience with using AWTA data under previous Regional Committee administration and thought that it worked well. He noted however that the current warehouse configurations, movement of wool between centres and room level restrictions presented different challenges.

(Note – Using AWTA data may be revisited if consistent weekly restrictions are in place due to high production volumes however the auction data approach is recommended as most suitable for current environment).

It was noted that the use of the auction data over eight weeks would support those who use the auction system over this period. Eight weeks has been nominated as the suitable period to reflect seasonal changes in broker receivals.

The methodology presented used Auction offering market share to allocate quota. Where a broker required less than their quota, the excess lots were re-distributed to others (based on recalculated market share of brokers seeking more lots). This process is iterative until all lots are allocated. This formula needs additional conditions to address situations where oversubscriptions occur over multiple weeks.

It was AGREED:

- The MLA formula is to be modified to use auction offerings over the last eight weeks as a basis of determining market share.
- Market share is to be specific to room offerings, that is, if restrictions are required on a specific room, the market share calculation shall be based on offerings in that room.

**ACTION(S)**      **Update Auction Handbook**  
**A worked example of new formula be presented to Committee for review.**

### **N53/17/7.0    IMBALANCE DAYS – REBALANCE THRESHOLD – NORTHERN REGION**

The Secretary asked NASC to review the current lot imbalance threshold used in Northern Region as to request a broker to change selling days. Currently where a difference of 300 lots exists in a room between days a request is lodged.

It was AGREED:

A threshold figure would not be specified, however a request would be made where a significant imbalance exists.

**ACTION(S)**      **Update Auction Handbook**

### **N53/17/8.0    OTHER BUSINESS *(received after advertised submission close)***

#### **8.1 LUNCH BREAK TIMING**

The timing of the lunch break in Northern Region was raised particularly on smaller days. It was noted that some days a break would occur after 50 minutes selling which was thought to be too early. It was noted that room 1 at certain times of the year was small and that a break was difficult to program. Mr. Brice believed a break was useful

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to the buyers to allow an assessment of purchases. It was noted the Sheriff did communicate with brokers as to when a likely break would be taken. The Northern region representatives agreed to review this matter and resolve a suitable outcome.

**ACTION(S)**      **Northern Region Reps to work through locally.**

### **8.2 SHOWFLOOR SAMPLE SECURITY BREACH**

Mr. Brice briefed the committee on a recent sample security breach at Yennora. Whilst he believed this to be an isolated incident rather than a systemic problem, he believed it highlighted the need for vigilance by brokers and buyers. He sought clarification as to who was responsible for security of the samples. The broker representatives stated they have the responsibility to ensure samples represent the bulk either directly or through a showfloor provider.

### **8.3 DRESS CODE (SHOWFLOOR)**

The Committee noted that suitable footwear must be worn on the showfloor. Thongs or uncovered footwear was unacceptable and unlikely to meet WHS standards.

### **8.4 REQUEST FOR WEEK 48 TO BE TUESDAY/WEDNESDAY SELLING (ALL CENTRES) FOR OLD BOYS LUNCH**

Mr. Tenace spoke to a request, made on behalf of the organisers of the biennial Wool Buyers Old Boys lunch held in Melbourne, to change selling days in all centres to give attendees time to attend the lunch particularly from other regions. Mr. Tenace supported the application. The prevailing view however was for the application to be declined as:

- a) It was a social event with no business objectives,
- b) It impacted on business activity, and
- c) Concern about setting a precedent for future applications to change national Selling Arrangements for social events,

It was suggested the organisers could consider re-scheduling this lunch to the “No Sale” week in Fremantle (F49) if travel from the West was a problem.

### **8.5 NETWORK OUTAGE AFFECTING TALMAN EDI NETWORK AND CLIENT ACCESS**

NASC was provided with a briefing by the Secretary on the events preceding and post the network outage affecting Talman services (EDI Network and ASP clients). The committee were provided with a technical report by Talman detailing the reasons for the outage/slow performance at the data centre (i.e. a Denial of Service attack (DDOS)).

Comments arising during this discussion include:

- a) The question as to whether protocols are to be reviewed to specify the minimum infrastructure requirements for a Sale to proceed given the increased reliance on data and software services. The validity of “selling in manual mode” if systems, communication or power are down may need to be re-examined given buyer use of and reliance on systems and data feeds from the rooms.
- b) It was noted that this was the first outage of this type and scale.
- c) Once advised by Talman of difficulties with connections the issue was managed by NASC by:
  - a. Surveying market participants to establish who was experiencing difficulties and likely recovery time,
  - b. Liaising with Talman on technical situation and status,
  - c. Calling NASC meeting(s) to advise situation status,

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- d. On information to hand and advice provided by Talman and affected clients NASC deferred the start times of the eastern state Sales by 30 minutes. Both rooms in the North commenced at 11.30AM.
- e. One South buying company reported they would be slightly late. Auctioneers were asked to hold sale start for short time until buyer arrived. Room 1 in the South commenced at 11.33 and Room 2 at 11.45.
- d) The reason for the delay was linked to difficulties experienced by ASP buyer clients in printing bidding catalogues. The EDI network was tested prior to Sale by AWEX and found to be operating adequately to be able to transmit sale results.
- e) Committee members expressed concern about the timing and impact of this outage and asked that Talman review this situation with their data centre provider.

### 8.6 MISSING SAMPLES

The Secretary noted that AWEX had noted a number of samples were not in the boxes when AWEX auditors were appraising (with no indication as to why). Some of these were subsequently sold at auction.

**ACTION(S)** Sellers recommended to plate any box with sample removed or withdrawn from Sale. Plate should indicate reason (e.g. Withdrawn/No Lot/Removed for Testing). AWEX to auditors to query any missing samples.

### 8.7 GOULBURN

Mr. Litchfield provided a brief update on the proposal to move northern region Sales to Goulburn.

### N53/17/9.0 NEXT MEETING SCHEDULE

Meeting Code	Week	Date	Time	Type
NASC-54	47	Friday 19 May 2017	9 AM AEST	TELE CONF
NASC-55	9	Friday 1 September 2017	9 AM AEST	TELE CONF
NASC-56	20	Friday 17 November 2017	10 AM AEDT	TELE CONF
NASC-57	34	Friday 23 February 2018	9 AM AEDT	FACE TO FACE
NASC-58	46	Friday 18 May 2018	9 AM AEST	TELE CONF

Meeting Closed: **12.55pm AEDT**

For more information: NASC representatives

Name	Position	Contact No	E-mail
Peter Brice	North Buyer	0457 553 849	<a href="mailto:pbrice@australianmerino.net.au">pbrice@australianmerino.net.au</a>
Michael de Kleuver	South Seller	0428 643 745	<a href="mailto:mdekleuver@rodwells.com.au">mdekleuver@rodwells.com.au</a>
Simon Hogan	Large Seller	0417 858 420	<a href="mailto:simon.hogan@elders.com.au">simon.hogan@elders.com.au</a>
Greg Horne	West Buyer	0411 066 271	<a href="mailto:g.horne@modiano.com.au">g.horne@modiano.com.au</a>
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Les Targ	Chairman	0414 365 933	