

March 31, 2010

The Hon. Tony Burke MP
Minister for Agriculture, Fisheries and Forestry
Parliament House
Canberra, ACT 2600
AUSTRALIA

Dear Minister:

We write to you as U.S. trade associations representing apparel and retail industries and U.S. apparel retail companies and brands that account for the vast majority of wool apparel manufactured, imported, and sold in the United States. As major users of Australian wool, we are keenly interested in the state of the Australian wool industry and its continued competitiveness and viability as a supplier. Therefore, it is with growing alarm that we send this letter to express our concern and frustration with the Australian wool industry, and particularly its marketing and research arm, Australian Wool Innovation (AWI), regarding efforts to address the mulesing issue.

As you know, six years ago, U.S. apparel retailers and brands were the targets of a campaign by the People for the Ethical Treatment of Animals (PETA) to boycott Australian wool. PETA's aim was to eliminate the practice in the wool industry of mulesing merino lambs as a preventative measure against potentially fatal infestation by blow-fly maggots. In response, AWI issued a declaration of commitments on behalf of the wool industry in 2005, which promised to replace the practice of mulesing with a commercially-viable alternative by the end of 2010. For nearly four years, AWI and the Australian Veterinary Association (AVA) provided our associations and companies with quarterly updates on the progress and resources committed toward reaching that goal.

It appeared the Australian industry was well on the way to replacing surgical mulesing by the 2010 target date, and over the longer term to institute an effective genetics program to breed bare-breech sheep. Then unexpectedly, AWI announced in July 2009 that it was effectively abandoning the statement of commitments – promises that we had relied upon. This move came several months after AWI installed a new board of directors. Since then, there appears to be growing political dissension within the leadership of AWI, culminating with the recent resignation of Brenda McGahan as CEO, the third change in that position in as many years.

American retailers and brands take corporate social responsibility and ethical sourcing matters very seriously. At the same time, we understand that mulesing is a complex issue, and that finding an alternative would require a reasonable period of time to address. Thus, AWI's decision to abandon the declaration and its internal problems this late in the game has left us in a very difficult position. Our companies cannot afford to put our credibility and brands at risk over disagreements regarding the propriety and effectiveness of particular animal-husbandry techniques, particularly at a time when apparel made from competing fabrics is on the rise in the U.S. market.

As a result, many companies in North America and Europe have directed their suppliers to use non-mulesed wool, or are actively seeking sources of non-mulesed wool including from outside Australia. However, it is unclear whether the amount of non-mulesed or ceased mulesed wool, especially in the fine-gauge categories, is sufficient to meet market demand, particularly when information is not even reported on the mulesing status of a substantial amount of the wool sold through the Australian Wool Exchange (AWEX).

Given the seriousness of this situation and to ensure that Australia will continue to be a viable and key supplier of wool to the U.S. market, we feel the time has come to communicate our concerns directly to the Australian Government. In order to overcome the impasse in which we find ourselves, we request that the Australian Government use its influence to encourage its wool industry to:

1. Improve communications with their customers - North American and European apparel retailers and brands;
2. Engage PETA in a good faith effort to address the mulesing issue with a focus on what is and is not working;
3. Lay out a roadmap for resolving the mulesing issue, with specific steps and timeframes, and to communicate their progress in meeting those goals to their customers in North America and Europe; and
4. Encourage the listing and certification of all wool sold on the AWEX as mulesed, ceased-mulesed, or non-mulesed to provide effective traceability for retailers and brands.

We would also appreciate your assistance in communicating these points to the various groups representing the wool industry in Australia and to the appropriate state government officials responsible for regulating the industry.

With the Australian wool industry facing huge challenges, including increased competition from alternative fibres (e.g., cashmere, performance synthetics, and fine-gauge blends), weak consumer demand, and a resulting precipitous decline in the overall size of the flock, we feel strongly that the industry must address the mulesing issue head-on. As we are now well into 2010, the original deadline under the declaration of commitments, we believe time is of the essence.

We look forward to hearing back from you on this important issue and appreciate any assistance you can provide.

Yours Faithfully,

American Apparel & Footwear Association (AAFA)
Ann Taylor Stores Corp.
Gap Inc.

Liz Claiborne Inc.
Macy's, Inc.
National Retail Federation (NRF)
Nordstrom, Inc.
Phillips-Van Heusen Corporation
Perry Ellis International
Retail Industry Leaders Association (RILA)
The Talbots, Inc.
Wool Working Group
USA-ITA – U.S. Association of Importers of Textiles and Apparel
VF Corporation
Warnaco, Inc.

cc: The Hon. Simon Crean MP
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