

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 26

Division/Agency: Australian Wool Innovation

Topic: Statistics on various organisations and levy payers they represent

Proof Hansard Page: 100-101 (24.05.2017)

Senator RICE asked:

Senator RICE: Do you have statistics on those various organisations and how many of your levy payers they represent?

Mr Merriman: We have a thing called the ICC. Do you know what I mean when I refer to the Industry Consultative Committee?

Senator RICE: Yes, I think we discussed that last time.

Mr Merriman: Okay. Because there is such a broad church in the wool industry and different people purporting to represent different interests, I established the ICC as a forum for the industry. All those different groups come there and discuss. Recently, one of those groups has asked people to put down their membership. Some have and some have not. That is the start of play. There are two groups there that have not given their membership, for an audit purpose.

Senator RICE: Which two groups?

Mr Merriman: I would not like to say. It is confidential to that group—confidential to the ICC.

CHAIR: I am not sure that you can respond in that way, Mr Merriman. There are three sets of circumstances in which you can decline to answer and provide information at estimates. They are called public interest immunity claims. You would need to convince the minister of that and the minister will make the claim to the committee. Otherwise, you have an obligation to answer questions that relate to estimates.

Mr Merriman: Daryl has come up with a—

CHAIR: An innovative solution—as he does!

Mr Merriman: Would you like it if I gave you the ones who have given the numbers for audit purposes?

Senator RICE: And if you then also provided the names of all of the organisations on your board.

CHAIR: What you have suggested is for the senator to be able to do her own calculations, so that is one and the same.

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Mr Merriman: The ICC is public knowledge. It is on our website.

CHAIR: So you just need to cross off the ones who have and you will know which ones have not.

Senator RICE: Yes, but I am not going to do that now as I do not have the list of your ICC members in front of me, sadly.

Mr Merriman: We can get you that.

Answer:

Table 1 lists AWI's woolgrower Industry Consultative Committee (ICC), and their membership levels as provided by each organisation.

| ORGANISATION | MEMBERSHIP OF ICC MEMBER |
|--|---------------------------------|
| Australian Superfine Woolgrowers Association (ASWGA) | Approximately 100 |
| Australian Wool Growers Association (AWGA) | Not provided at this time. |
| Broad wool | Approximately 1,650 |
| Australian Association of Stud Merino Breeders (AASMB) | Approximately 950 |
| WoolProducers Australia | Approximately 18,000 |
| PGA of WA | Approximately 1,300 |

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 27

Division/Agency: Australian Wool Innovation

Topic: Industry organisation representation on board

Proof Hansard Page: 101 (24.05.2017)

Senator RICE asked:

Senator Ruston: I am absolutely sure that you are wrong in that regard. I do not believe that you will find that any of the other RDCs actually have industry organisation representation on their board's. I know that for the RDCs that come under my jurisdiction in forestry, fisheries, horticulture and wine that is not the case. Perhaps it might be useful for AWI to perhaps explain to you how the board is appointed, in terms of the 39,000 levy payers, and, of those 39,000, how many are shareholders, so that you get an understanding. I think you are wrong in terms of where you are going.

Senator RICE: I am happy for that to be provided on notice, rather than taking up on the committee. It would be valuable. But if we could get the list of the members of your ICC that have provided their membership numbers?

Answer:

- As of the end of May 2017, there were 49,970 woolgrowers in Australia.
- Of these 39,903 are deemed 'eligible' consistent with the *Wool Services Privatisation Act 2000*, the *Wool Services Privatisation (Wool Levy Poll) Regulations 2003*, and AWI's Constitution. Being eligible means these woolgrowers pay at least \$100 every three years in levy to AWI to invest. This \$100 represents 2 per cent of their wool income.
- Every year AWI writes to all eligible levy payers and invites them to become a Shareholder of AWI, meaning they can participate in AWI Annual General Meetings (AGM), including vote directly for AWI Directors when Board elections are held every two years.
- Eligible levy payers are able to participate in WoolPoll, which is held every three years, regardless of whether they have chosen to become a shareholder of AWI. The vote at WoolPoll is voluntary, however the return rate of both votes and voters is on par or exceeds ASX listed companies for their AGMs.
- To become a Director of the AWI Board, individuals need to be nominated by 100 shareholders of AWI. Once this support is secured, the skills and experience of the individual is put forward to shareholders to vote.

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- As part of this direct election model, reflecting improvements in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, in the 2010-2013 Statutory Funding Agreement, the Department required AWI to establish a Board Nominations Committee (BNC), consistent with the ASX Principles for Governance. The role of the BNC is to review those nominating for the Board and to make a non-binding recommendation to shareholders.
- AWI is committed to engaging as many growers as possible and consequently communicates directly to over 40,000 woolgrowers each quarter through our popular "Beyond the Bale" magazine, and to around 9,000 monthly who subscribe to AWI's grower newsletter.

The list of ICC membership levels is provided in question on notice 26.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 28

Division/Agency: Australian Wool Innovation

Topic: Current structure of AWI

Proof Hansard Page: 102 (24.05.2017)

Senator RICE asked:

Senator RICE: All right. It is an issue of governance and representation on your board, but I will leave it at that, given the time. If you want to provide more information to me on notice as to why you feel that your current structure is the appropriate one, I would be pleased to receive the information.

Mr Merriman: We will certainly do that, but that is not our idea of it. I would like to take you back in history to how AWI was born.

Senator RICE: Can we take that on notice, because we are pushed for time.

Mr Merriman: We have taken note and we will show you the history of how this organisation came about.

Senator RICE: Thank you.

Answer:

1. As outlined in AWI's Corporate Governance Policy (https://www.wool.com/globalassets/start/about-awi/who-we-are/corporate-governance/corporate_governance_policy_2015.pdf), AWI's Governance framework is based on written procedures, policies and guidelines and organisational structures adapted from the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations. AWI's Governance framework also addresses the requirements of the:
 - a. *Wool Services Privatisation Act 2000*;
 - b. *Wool Services Privatisation (Wool Levy Poll) Regulations 2003*;
 - c. *Corporations Act 2001*;
 - d. Statutory Funding Agreement with the Commonwealth, through the Department of Agriculture and Water Resources; and
 - e. AWI Constitution.

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These instruments combined mean that AWI is accountable. In compliance with the Statutory Funding Agreement (SFA), in 2015 Deloitte conducted an independent review of performance, which found that AWI operates effectively, complies with its obligations, and focusses on delivering and enhancing value for woolgrowers.

2. While the ASX Corporate Governance Principles are not binding on AWI as an unlisted public company, the Board of AWI has decided to adopt the Corporate Governance Principles, where applicable. This is consistent with requirements in the Statutory Funding Agreement for AWI to maintain, implement and regularly review a framework of good corporate governance, which draws on better practice guides, including the ASX Corporate Governance Principles. While the ASX guidelines are targeted at listed-entities, they are referenced in all RDC funding agreements as they reflect a contemporary view of appropriate corporate governance standards.
 - a. AWI is accountable to woolgrowers, as both levy payers and shareholders in the Corporation. This includes an independent poll of levy payers every three years to determine the amount of levy to be collected from woolgrowers (WoolPoll). Under the regulations, the WoolPoll must include an option for growers to set the levy rate to zero, which would effectively shut down AWI. Levy payers that choose to become AWI shareholders have the right to vote at Annual General Meetings, to nominate a candidate for election as a Director, and to vote in the election of Directors. Only eligible levy payers are entitled to be AWI shareholders.
 - b. In addition, the government applies broad controls through its funding agreement with AWI. These controls include requiring regular independent performance reviews and legal and contractual rights to respond to significant incidents or events (such as requiring directed audits and, ultimately, terminating a funding agreement).

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 29

Division/Agency: Australian Wool Innovation

Topic: Workshops

Proof Hansard Page: Written

Senator O'SULLIVAN asked:

1. Has the Agency through its R&D arm developed workshops for the membership such as the "realising the productive potential" workshop or others?
2. Who is responsible for the delivery of these workshops and what entity has been commissioned for their delivery - are they being delivered by AWI or has AWI contracted a third party to deliver?
3. If a third party has been commissioned to deliver these workshops, what is the industry background of the entity or individual that has been commissioned?
4. What costs if any are being charged to the membership to attend these development workshops?
5. If a third party has been commissioned to deliver these workshops, what is the length of retainment and is it exclusive? What Selection criteria or Tender process was used in the determination of the successful candidate?
6. What costs and payment structure are AWI responsible for in delivering these workshops?
7. Are AWI still working with La Trobe University on the development of the "Smart Tag," or similar "Smart Sensors,"?
8. Who was responsible for the R&D within AWI on these Smart sensors/Smart Tags?
9. Are there any commercial entities now working with AWI on the Smart Tag or other Smart Sensors? Who are they? What selection criteria or Tender Process was used in the determination of the successful entity?
10. Has the R&D completed by AWI in conjunction with La Trobe University reached the point of potential commercial production of the Smart Tag or Smart Sensors?

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Answer:

1. Australian Wool Innovation's (AWI) core role is to improve the profitability of woolgrowers and we deliver on this objective through a number of activities focused on improving productivity, reducing costs of production, and working with supply chain partners to strengthen the demand for wool. The programs and activities that AWI develops are open to all woolgrowers.

In relation to workshops for "realising the productive potential", since 2010 AWI has specifically invested in programs including the initial phase of eight workshops for 'Realising Performance Potential', in addition to other programs such as 'Lifetime Ewe Management', 'Making More from Sheep' and 'Bred Well Fed Well'.

AWI commissioned the development and running of the initial phase of eight workshops for the 'Realising Performance Potential' project. The initial phase is proving successful and is likely to lead to a more comprehensive national roll out.

As an example of the benefit generated and delivered for growers from these types of activities, an independent evaluation of the Lifetime Ewe Management program has shown a \$10 return to growers for every dollar invested by AWI, delivering on farm productivity benefits to growers involved including increase in weaning rates between 5-10 per cent and reduced lamb mortality by 30 per cent.

2. In general, AWI funds or commissions the most appropriate partners to develop, extend or disseminate programs, depending on their experience, expertise and involvement with woolgrowers to ensure the most effective delivery and chances of adoption by growers. This can include a range of private or public providers, AWI staff and also AWI's six state-based extension networks involving 9,000 woolgrowers.

Specifically, for 'Realising Performance Potential' project, AWI's former General Manager of Research oversaw the development of the 'Realising Performance Potential' workshop resources while an employee of AWI. AWI then contracted SCAA Shearer Woolhandler Training Inc to oversee the initial delivery of the initial eight 'Realising Performance Potential' workshops. AWI owns the intellectual property for 'Realising Performance Potential'.

3. SCAA Shearer Woolhandler Training Inc has extensive background in the preparation and delivery of agricultural training and accreditation schemes. The organisation has been involved in the provision of services to the agricultural sector and wool industry since 1997. SCAA will engage specialist trainers to deliver the workshops as required. SCAA has engaged Dr Paul Swan, former General Manager Research for AWI, as a specialist trainer. Dr Swan has extensive high-level sheep and wool industry research and development experience and skills.

AWI has requested SCAA Shearer Woolhandler Training Inc to also look into the development of train the trainer material and program for this initial phase of 'Realising Performance Potential'. This will equip other appropriately skilled providers to deliver the 'Realising Performance Potential' program should it be extended more widely post AWI review.

4. The initial eight 'Realising Performance Potential' pilot workshops are being conducted at no cost to participating woolgrowers. Post review it is anticipated that 'Realising Performance Potential' workshops will be offered at a comparable level to similar AWI one-day workshops to ensure engagement of those participating.

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5. AWI has contracted SCAA Shearer Woolhandler Training Inc to only deliver the initial eight 'Realising Performance Potential' workshops. After the initial phase, AWI will determine the future of the project, including how it is managed and delivered, if at all. As such, a formal tender process was not undertaken.
6. In general, when commissioning or contracting third parties to deliver services or activities for AWI, payments are made only on the satisfactory delivery of milestones.

For the eight initial 'Realising Performance Potential' workshops, AWI will meet professional fees and ancillary costs for SCAA Shearer Woolhandler Training Inc., in addition to agreed workshop costs and catering for participating woolgrowers. Following the review of the initial phase, it is anticipated that 'Realising Performance Potential' workshops will be offered at a comparable level to similar AWI one-day workshops to ensure engagement of those participating.

AWI has allocated a total budget of \$50,000 to support this initial phase.

7. As part of the Government's 'Rural R&D For Profit Program', AWI was involved with other consortium partners to create a project bid in 2016. The consortium partners included AWI, Murdoch University, La Trobe University, Charles Sturt University, and Central Queensland University. La Trobe University were contracted by the consortium to develop the project proposal.

The proposed 'Rural R&D For Profit Program' project was going to address the development and application of sensors, with La Trobe University involved with this sensor development. The bid was cancelled in late 2016 due to repeated failure of La Trobe University to meet contracted milestones.

8. The CEO of AWI is responsible for all operational activities within AWI. The General Manager R&D is delegated to oversee management of the R&D department, and in turn, various program managers are responsible for the day-to-day management of AWI-funded projects with its various partners.
9. AWI has been working with Farmtek to develop a sensor to determine maternal behaviour and pedigree. Before working with Farmtek, AWI undertook an analysis of the technical capabilities and commercialisation prospects of potential partners. Farmtek satisfied these criteria.
10. AWI has not completed any R&D with La Trobe University regarding Smart Tag or Smart Sensors.