



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

**Reference: Australian Wool Innovation - expenditure of funds under statutory
funding agreement**

THURSDAY, 26 JUNE 2003

CANBERRA

CORRECTIONS TO PROOF ISSUE

This is a **PROOF ISSUE**. Suggested corrections for the Bound Volumes should be lodged **in writing** with the Committee Secretary (Facsimile (02) 6277 5811), **as soon as possible but no later than:**

Thursday, 17 July 2003

BY AUTHORITY OF THE SENATE

[PROOF COPY]

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

WITNESSES

DORBER, Mr Colin John, (Private Capacity).....1

SENATE**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE****Thursday, 26 June 2003**

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

Participating members: Senators Abetz, Boswell, Brown, Carr, Chapman, Coonan, Eggleston, Chris Evans Faulkner, Ferguson, Harradine, Harris, Hutchins, Knowles, Lightfoot, Mason, Sandy Macdonald, McLucas, Murphy, Payne, Ray, Santoro, Stephens, Tchen, Tierney and Watson

Senators in attendance: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Buckland, Cherry, Colbeck, Ferris, Sandy, Macdonald and Stephens,

Terms of reference for the inquiry:

Australian Wool Innovation—expenditure of funds under statutory funding agreement.

Committee met at 7.02 p.m.

DORBER, Mr Colin John, (Private Capacity)

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. This is the committee's second hearing to consider matters in relation to the inquiry into application and expenditure of funds by Australian Wool Innovation Ltd, pursuant to a statutory funding agreement. This matter was adopted on 26 May 2003 by the committee for inquiry pursuant to Senate standing order 25(2)(b), which empowers the committee to inquire into all matters administered by agencies and department's within the committee's responsibility. The specific subject of this inquiry is the administration and operation of the statutory funding agreement dated 28 December 2000 between the Commonwealth of Australia, represented by the Minister for Agriculture, Fisheries and Forestry, Australian Wool Innovation Pty Ltd, and Australian Wool Services Ltd, and the expenditure and application of funds paid to Australian Wool Innovation Ltd under the terms of that agreement and any other relevant matters arising from the reference.

Today's hearing is public and open to all. The committee has authorised the recording, broadcasting and re-broadcasting of these proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990 concerning the broadcasting of committee proceedings. Before the committee commences taking evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it. Any act by any person which may operate to the disadvantage of a witness on account of evidence given by him or her before the Senate or any committee of the Senate is treated as a breach of privilege. While the committee prefers to hear all evidence in public, if the committee accedes to such a request the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Senate. The Senate also has the power to order production and/or publication of such evidence. I should add that any decision regarding publication of in-camera evidence or confidential submissions would not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

Mr Dorber, I understand you have an opening statement. At the conclusion of your remarks, I will invite members of the committee to submit questions to you.

Mr Dorber—Thank you for the opportunity to address you tonight. Australia is blessed with a robust democracy and is probably one of the world's leading parliaments. After over 30 years of observing this place, I have learned that this parliament has generally been very careful not to traduce the reputation of its citizens without affording them the right of reply. Under the guise of the Senate estimates committee, and now this review of the wool statutory funding agreement, there can be little doubt that an agenda of personal character assassination has been launched by Senator Ferris, acting on behalf of the old guard of the Australian Wool Industry. I have been astounded at the venom and vitriol that has been used to attempt to not only blacken my name and those of the former AWI board members but to also seek to destroy an innovative, young and progressive research and development company that the record clearly shows was focused, for the first time in decades, absolutely on responding to the needs of wool growers.

This current inquiry reflects the continuing failure by some in the wool industry to recognise that the Australian parliament responded to the former distress of the industry by agreeing that it should step away from government management and control and allow wool growers to take responsibility for their own destiny. The legislation and the statutory funding agreement, when read and understood and applied properly, achieved this goal. I see the current campaign by Ian McLachlan, the unrepresented political lobby group WoolProducers, and some of the major blue-blood wool growers as a failure of leadership by them. Rather than working for the betterment of their shareholders, the majority of the current board have allowed former executives from the entrenched Australian Wool Testing Authority, aided and abetted by a personal friend and business associate of Mr McLachlan, Mr Les Targ—formerly of Australian Defence Industries and a director in a private failed company with McLachlan—to undo all of the positives of AWI, to destroy the morale of the staff and to very quietly, without breathing a word to shareholders, from next week commence a purge of its staff.

The evidence I will present tonight supports my assertion that, at all times, I and the former board behaved in accordance with corporate law, good corporate governance principles, the constitution of AWI and the policies and delegation of the company. An objective analysis of the huge achievements in the first 22 months under the former board's management—allowing for the inevitable mistakes made whenever risky research and development is instigated outside the traditional arena of the wool science fraternity or the courageous attempts by a board to undo a tradition of funding RDI simply to feed a legion of hangers-on—shows clearly that AWI was on the way to success.

I acknowledge our biggest mistake. We did not recognise the willingness of our opponents to lie, distort and otherwise abuse the truth or to call upon their friends in this place and the media to blacken our names when we foolishly decided, without any legal obligation to do so, to put the whole board up for election. We have learned from that, and we are certain that Ian McLachlan would never have the courage to test his administration of AWI Ltd by putting up all his current board for election. It is a pity, because I am certain that a disgusted and offended shareholder base would hound him out of office.

I have prepared three written statements. Two deal directly with matters raised at the first committee hearing and at the Senate estimates committee, and one deals extensively with the operation of the statutory funding agreement and the third term of reference of the committee. I have also brought a substantial bundle of documents that are commercially sensitive, and it may not be in the best interests of the company, AWI, that they be made public. That is a judgment for this committee. For my part I seek consideration that they be marked confidential and not be published. My statements are all tabled in electronic format, together with hard copies.

Finally, before addressing specific detail, I ask you, Chair, to take note of the failure of Senator Ferris to declare a serious conflict of interest which, in the interests of justice and in order to protect the good name of this parliament, should see her disqualified from these proceedings. It is an indictment of the Senate that it can allow a senator to pursue personal and business interests for friends and associates in this place without punishment. Senator Ferris may be feeling pretty hot tonight, having seen herself identified as a champion boxer who, at least according to the *Land* newspaper, thinks she has taken me down. All she has really done is to harden my resolve to see that every wool grower in this country knows the truth. Personally I would not think that today's front-page cartoon in the *Land* does anything for the dignity of this place. I would hope that you, Chair, or those responsible for such matters would have the Senate Privileges Committee look very closely at Senator Ferris's role in this affair and indeed in any other committee she has sat on when a known conflict of interest between her and Mr McLachlan can be seen or should have been declared.

CHAIR—Let me just interrupt, Mr Dorber, while we deal with the documents you have so far identified. I move that we receive these documents as confidential, and we will make a decision on where we go with their confidentiality after we approve the documents. There being no objection, they are so received and they are now admitted into the committee as confidential documents.

Mr Dorber—Members of the committee have asked a series of questions concerning the operations of AWI Ltd, of departmental officers of the department of agriculture. The answers received have sometimes been incorrect, misinformed and on occasions factually misleading. Key issues raised, in particular by Senator Ferris, have been based on a fundamental misunderstanding of the proper reading of the constitution of AWI Ltd, the operations of corporate law and the role of the department in the administration of AWI. Claims that taxpayer funds have been misused or that established breaches of the statutory funding agreement have been

identified have no basis in fact and appear not to have been properly investigated. They have been generalised imputations and no evidence has been offered that establishes the allegations as truth.

Claims of corporate governance failings by the former board or management of AWI Ltd have not been clearly identified. Allegations of mismanagement, inappropriate funding allocations and improper board operations, especially concerning a quorum, are simply fanciful, inaccurate and unhelpful to wool grower shareholders of AWI Ltd. Determination of a quorum for a corporate entity is dealt with in both corporate law and the constitution of AWI Ltd. Corporate law requires a minimum specified number. A constitution can, subject to the desire of shareholders voting as prescribed, have other requirements added.

In the case of AWI Ltd, the requirements for a quorum are set out in the formal constitution, which, I might add, was adopted, approved and implemented under legislation by this government. The constitution was not drafted by the former directors or by me. It is the instrument with which we were provided. The confusion at the committee on this matter was not helped by the complete absence of knowledge or understanding by the departmental officers. The constitution of AWI Ltd, and its predecessor AWI Pty Ltd, has been on the AWI web site since early 2001. The quorum determined by the board is prescribed as two, unless varied by the board. For AWI, this represented one-third of the elected and/or appointed directors. This is consistent with normal board practice. Notwithstanding this, there was never a board meeting, telephone or face-to-face, between January 2001 and December 2002 when fewer than five out of six or six out of seven directors participated. Given the high attendance of directors, it was never necessary to consider the quorum provisions of the constitution.

The right to face one's accuser is a long established principle of law. In my case, as former managing director of AWI Ltd, I record that I have not been approached by any person about allegations of impropriety. I have never been asked to comment on the alleged mid-term audit conducted by PricewaterhouseCoopers. However, I note the extraordinary addition of an important and absolute disclaimer by that company, appended to the conclusion of the recent letter to shareholders issued by McLachlan. PwC record that they make no allegation of error or fraud and that they have acted only in accordance with instructions they were given. I am willing to have the audit report tabled and to be examined on it line by line in this place. I deny absolutely any wrongdoing or impropriety, and I add that I have never seen it or a summary of it.

I invite my accusers, and especially Senator Ferris, who hides behind parliamentary privilege to make baseless and generalised allegations based on ignorance—not properly in her role as a senator but improperly because of her personal friendship and sponsorship into this place by Mr McLachlan—to repeat the allegations outside the parliament so that these matters may be properly tested in a court of law. I believe I have been unfairly attacked in this place under the guise of a Senate inquiry and that my attackers should now have the courage to be tested on their claims. I have absolutely no doubt I would be exonerated in any court of law in this country.

Finally, I attach to this statement a list of documents representing a minor proportion of the amount of material produced by me whilst I was managing director of AWI Ltd. This material discloses a consistent adherence to the best principles of corporate governance and a strict compliance with the AWI policies and delegations. It directly, in many instances, addresses issues wrongly or incorrectly presented to the committee. I take it, Mr Chairman, that it is not necessary to read out the list of attachments, but I seek to highlight that I have taken the opportunity to include the letter dealing with the termination of the employment of my son Luke and my daughter Holly. It is highly recommended reading.

CHAIR—I move that we receive those documents. There being no objection, it is so ordered.

Mr Dorber—I have a further response to the specific issues raised in the Senate, concerning the Hon. Peter Anderson, of Peter Anderson and Co. Ltd. These relate to claims of reporting concerns raised by AFFA departmental officers and the administration of the statutory funding agreement. On 23 June 2003, Senator Ferris raised allegations about Mr Peter Anderson. She said that he was:

... not only the primary referee for the chief executive when he was appointed but an early recipient of a research and development contract of around \$50,000 to travel to Europe to research the issues of chemical residues in wool.

She further said:

... that same Mr. Anderson got another contract for \$1 million for some form of IT services ... given that it was a single individual who received that amount of money.

Senator Ferris also said:

... that same Mr. Anderson appears to have received regular monthly payments of \$10,000 or so for confidential work which ceased when the chief executive left and there was never a disclosure of what that work was for ...

Senator Ferris again abused the privileges of the high office she holds by making unsubstantiated and ill-informed comments about a person solely for the purposes of political point scoring. Senator Ferris's allegations are untruthful, deceitful and misleading. Her comments do not assist in the resolution of the terms of reference before the committee and they reflect poorly upon her.

A more balanced approach might have been to ask about projects also conducted for AWI Ltd and carried out at my direction by ACIL Consulting—Mr David Trebeck is a close personal friend of Senator Ferris and a business associate of Mr McLachlan—or about Mr Trebeck's attempts to interfere with the proper administration of AWI Ltd in respect of the delivery of trade policy services generally, and specifically in China. She could have asked about Government Relations Australia Ltd, operated by Mr Michael Yabsley, which carried out specific project work for the company in respect of matters related to the Sheep CRC. I record that both ACIL and Government Relations Australia Ltd did excellent work for AWI Ltd in respect of their contract obligations. However, no great import as to their political connections apply and nor did it in the case of Peter Anderson and Associates. The firms were retained because of their known ability to do the job, not because of their connections with any particular political party or party members.

I rebut certain claims as follow: Mr Peter Anderson was not a referee for me in relation to my appointment to AWI Ltd. Indeed, I did not apply for the position but was invited to be interviewed for consideration, as I understand it, along with a number of other potential appointees. Mr Anderson did not receive funding from AWI to travel to Europe and did not in fact travel to Europe on behalf of the company. Mr Anderson or any person connected with him, his company Peter Anderson and Co. Ltd or any related entities did not receive a payment of \$1 million or any similar amount in respect of IT services, or indeed for any other services, provided to AWI Ltd. Mr Anderson's company did not receive monthly payments for which there was either no documentation or disclosure to the company and its board about the work being done.

The truth is that Peter Anderson and Co. did sign a contract to deliver a report to AWI Ltd concerning pesticide residues in Australian wool exports to the European Union. That report was received in writing—and I seek to table the only copy that I possess—and consisted of approximately 90 pages. It included an executive summary and a two-part analysis identifying the challenges and the remedies and possible actions likely to occur in Europe, together with recommendations. That report was reviewed internally by AWI staff and submitted to the managing director.

The report was found to have met its contract obligations and approval for payment was given. The terms of reference were: to identify the likelihood of a prohibition being imposed by the European Union on pesticide or chemically contaminated wool from Australia, and specifically to identify the likelihood of an attempt by the EU or any of its organisations to prohibit the import of, or to impose sanctions against, pesticide or chemically contaminated wool from Australia and, if such a risk existed, to advise whether the risk was one of a short- medium- or long-term nature; to identify who and to ascertain why such action may be under consideration; and to gauge the potential level of support for such action being taken. The project staff included Mr Anderson, a former European Union trade expert and a United Kingdom based trade policy operative with extensive connections into the European Union. Upon request, I will provide extensive further detail as to the rationale for the project, the selection of the consultant and the report, which I have tabled.

The report falls within the provisions of the statutory funding agreement; however, it was paid for from shareholder levy funds and was not subjected to a claim for matching Commonwealth moneys. By way of background, the CSIRO lobbied me when I was in France to get AWI to spend some millions of dollars, allegedly because the European Union was about to ban the import into the EU of chemically contaminated wool. I was extremely cynical about the proposition, knowing that the European Union can take decades to make a simple decision. It was far more cost effective for me to spend \$50,000 to conduct this project than to succumb to the pressure of the CSIRO to spend millions of dollars that our shareholders would get no return for. I also knew it to be factually true that the alleged level of chemically contaminated wool that is exported to Europe or to the European Union is considered to be less than five per cent of the total export clip.

I cannot assist the committee on the claimed \$1 million for IT, beyond what I have said, without some specific information. The claim is malicious, mischievous and untrue. Peter Anderson and Associates were retained on contract by AWI Ltd for the period 2 October to November 2002, at a rate of approximately \$10,000 per month, to carry out a specific project in relation to complaints by AWI shareholders concerning

the rationale and science behind the OJD management restrictions imposed by the New South Wales and Victorian governments.

Senator O'BRIEN—That is two months, isn't it?

Mr Dorber—I think it is two—from October to November. I will qualify that by saying that I do not have access to any records. What I do say is that, yes, he was paid \$10,000 a month for a number of months, because the shareholders of the company asked the company to do it and my board approved it. Mr Anderson's company was required to work with the key government stakeholders, scientists, representative groups and individual AWI shareholder wool growers to provide expert advice and assistance. His specific role related to facilitation of discussions with key public sector and political policy makers, the identification of government review processes and to assist in identifying solutions to a long-standing and vexed problem that directly affected the financial wellbeing of many shareholders.

Mr Anderson's company was assisted by Hassall and Associates based in Dubbo, New South Wales. The work only concluded, as I understand it, because the parties reported directly to me as managing director and, upon my dismissal—not my resignation—a vacuum was created. No contact was initiated with him by AWI Ltd. Again I will, if required, provide further extensive detail about this matter. During my tenure, the costs of this contract project were not claimed by AWI as a charge against matching Commonwealth government funds.

In respect of reporting concerns raised by AFFA and the administration of the agreement, at no time did any officer of the company report to me that there were any problems or issues of concern raised by government concerning the reporting relationship between AWI Ltd and the government. In fact, the responsible AWI officer, the company operations manager, reported monthly in writing and advised me, the board and the financial and audit committee that the relationships were first-class, that improvements and that suggestions for greater efficiency between the company and the government were constantly being initiated by both parties and being implemented.

In an exchange of correspondence between me and the secretary of the department, Mr. Mike Taylor, mutual recognition of the challenges confronting us in implementing the effective privatisation of wool RDI was discussed. In a letter dated 17 October 2001, the secretary stated, *inter alia*:

I should say that AFFA appreciates the efforts of AWI, and you personally, have made to make AWI's operations and activities open and accessible to levy payers through the Internet and other means of release of information to producers and other stakeholders. The planning documents also represent a commendable effort to show a level of transparency and to the company's future operations.

On 5 February 2002, the secretary wrote further and said in part:

Thank you for your letters of 14 and 19 November 2001 ... I believe these represent an adequate response to the requirements of our Statutory Funding Agreement. I appreciate the efforts of AWI in engaging with the Department of Agriculture, Fisheries and Forestry Australia (AFFA) on so many matters where we have a shared interest ...

He went on to say:

It is pleasing to note that Mr. Mal Thompson and Mr. Phillip Lee were recently in Canberra to talk to AFFA staff, including Mr. Morris and relevant members of his team.

On 27 May 2002, Mr Gavan Cattanach, who was interviewed by this committee the other night, said in a letter:

Thank you for the opportunity to meet with you on 8 May 2002 and for the update on the progress being made on a range of issues. With regards to the draft 2002-07 strategic plan, I would like to commend AWI on the progress made on this difficult task.

I am aware that a search of AWI records and AFFA records will disclose further complimentary remarks of this kind throughout my tenure as managing director. In respect of comments from members of parliament which further support my assertion of good relationships and information exchange I refer to the following and note that I am aware that many other similar letters are available through AWI Ltd. On 29 January, Senator Judith Troeth, said, amongst other things:

I am pleased to note that the AWI Company has given a detailed response to the government's priorities ...

On 4 July 2002, Mr. David Hawker, federal member for Wannon makes reference to the wool backbench committee. At least one of the senators here was present on that occasion:

Thank you very much indeed for coming to address members of the Government Backbench wool committee last Tuesday. All members were very impressed with the positive approach you are taking to the operations of AWI. We certainly hope that your enthusiasm and determination is translated into real results as indeed everyone expects. It is most refreshing to no longer feel that wool producer problems are primarily directed at government. I trust this welcome change will continue.

On 17 August 2002, the Hon. Warren Truss said:

I note that extensive industry consultation has been undertaken as a basis for developing the plans, which include investment of nearly \$400 million over the next five years ... It is in this respect that I consider both the Strategic Plan in conjunction with the Operating Plan meet the requirements of Sections 16 and 17 of the Statutory Funding Agreement (SFA). They will also provide a sound basis for the forthcoming SFA performance review in 2003.

On 9 August 2002, Senator Judith Troeth said:

The significant improvements in Australian wool production profitability through investments in research, development, innovation envisaged in the AWI Investment Vision 2002-2007 have the potential to deliver real benefits to industry, and provide challenging targets for AWI in the tough competitive market faced by the wool producers. The scheduled work on performance measures to improve the linkages between targets for each project or action included in the operating plan and the overall strategic investment vision will help provide a sound basis for AWI's planning and reporting.

She went on to say:

I look forward to being involved in the launch of the plans.

Administration of the Statutory Funding Agreement is complex and is not properly understood by this committee. In particular, the assertion that matching government funds are sent to AWI without proper accounting, or in advance of their expenditure, is untrue. I am willing to explain in detail the recoupment and accountability processes of the SFA.

Finally, I want to record that the complex and detailed project management and assessment tool, correctly identified by Senator Stephens, can be demonstrated to the committee by AWI Ltd. It was known as the Innovar model and was designed, developed and implemented under my direction. It was used for almost every project and concept assessment from approximately May 2001, two months after the company commenced business.

CHAIR—Mr Dorber, is this the final 14-page statement?

Mr Dorber—It is. During that period I was responsible for reporting to the board of the company and to the minister for agriculture in respect of compliance with the SFA entered into between the Commonwealth of Australia, Australian Wool Innovation Ltd and AWRAP. During the period, I certified in writing on a number of occasions, by way of a signed certificate, that the expenditure claimed under the agreement had complied with the requirement of clause 4.1(b) and schedule 4 of the agreement. Indeed, I might add as an aside that, during the first eight months, I directed that spreadsheets be prepared and be sent to the Commonwealth that itemised against schedule 4 of the Statutory Funding Agreement every single item of expenditure. The Commonwealth wrote and said, 'Would you please stop doing that? There's too much paperwork.'

Recital C of the Statutory Funding Agreement required that AWI be declared to be a research body for the Australian wool industry. It was so declared. In respect of the operations of the agreement, I say that the agreement is an effective operational tool designed to ensure proper governance of Commonwealth matching funds and compulsory wool levies. It is designed to strike a balance between the independence of a limited proprietary company and the oversight of Commonwealth funds. As such, the agreement is an effective operational instrument. Further, the reporting and audit rules specified in the agreement are adequate to safeguard the interests of shareholders and the government. Further increases in the role of the government in the operation and administration of AWI would be contrary to the intent of the process, contrary to the interests of shareholders and represent a further and unnecessary cost burden to both the company and government.

The agreement defines the activities of the company upon which one may spend funds provided under the agreement. In particular, the agreement defines agri-political activity as 'political campaigning or funding, developing, designing, resourcing or participating in activities intended to exert political rather than advisory influence on government policies or in activities intended to exert political influence on public opinion'. At no time during my period as managing director were any funds of the company, subject to the provisions of the Statutory Funding Agreement, expended on agri-political activity. Moreover, during my time as managing director, no allegation to the contrary was ever made to the company, its board or its officers, and none has been made to me since. The agreement requires that Commonwealth matching funds be only paid equal to 50 per cent, capped, of the amounts already spent by the company on eligible R&D activities. Schedule 4 defines

eligible R&D activities. The Commonwealth does not allow the company to receive matching funds other than against already expended moneys that have been certified as being properly spent. During my period of management, at no time was a claim submitted for matching funds other than in respect of eligible R&D activities. At no time during the period was any allegation made that any funds had been claimed contrary to the agreement.

In respect of public allegations that the alleged 'donation' to the Farmhand drought appeal in October 2002' constituted a breach of the Statutory Funding Agreement, I say that such a claim is untrue. Details of the circumstances surrounding the negotiations of funding were provided to the Commonwealth in writing upon request. At no time has the Commonwealth, or any minister, suggested such negotiations breached the agreement. The public claims made by certain current directors of AWI about the project funds are untrue. In particular, the claim by the current chair that he, or any member of his board, issued any instructions revoked or otherwise acted in respect of the Farmhand drought relief appeal funds are untrue. I say that the conduct of Mr Ian McLachlan and Mr Simon Campbell, and the New South Wales Farmers Association amongst others in respect of this matter, has been deceitful and that they have been untruthful to AWI shareholders. I believe that Mr McLachlan and some other current AWI directors improperly used this issue as a pretext to justify my dismissal as managing director.

At no time since my dismissal as managing director has any person sought advice clarification or information from me concerning this matter. I note that I was legally bound under my contract to give that advice for six months after my dismissal and would have, had I been asked, done so. The written records of AWI support my contention that this matter was handled correctly at all times. My decision to terminate the proposed funding agreement was due to my dissatisfaction with the conduct of certain officers acting on behalf of the organisers of the appeal. It had nothing to do with the criticism that I received for the decision to support the project.

The decision to support the drought relief appeal was based on the announcement by Mr Alan Jones, radio broadcaster, that the fund would not only provide assistance to farmers but would also engage in research to address major issues concerning the use and management of water, especially in the context of drought but more specifically to identify potential future solutions. AWI had already signalled an intention to engage in this form of research and my approach to the Farmhand appeal was based upon seeking mutual advantage and leverage of funds to increase the potential total available moneys available for such research. It was not my intention that any AWI funds be spent on financial relief to farmers for the following reasons. Firstly, I had no power to do so. The managing director's delegation to make such grants was limited to \$150,000 per approval. Secondly, I was aware that appropriate state and federal government funds were available for such purposes. Thirdly, I could and would only ever support expenditure of AWI funds for the benefit of wool growers as required by the constitution of the company

This matter became the subject of public comment only because I exercised the consistent practice endorsed by the former board to be open and transparent in all my dealings with shareholder funds. Had I not made a public statement about this matter or any other funding decision of the company, then the information would not have appeared in the public forum.

Termination of the proposed Farmhand drought appeal agreement was undertaken by me and, in part, the previous board. It was not an initiative of the current board or chair. Upon requests made to me by the Secretary of the Department of Agriculture, Fisheries and Forestry, I provided a detailed written explanation of the process, reasoning and outcomes. The letter was provided within six hours of the request. I then discussed it with Mr Taylor, who thanked me for it and indicated he would be providing it to the minister. He said that it addressed all of the concerns raised with him by external parties. At no time did he suggest or infer there had been a breach of the agreement. That letter should be provided to the committee by the department. I am aware that at least one senator was given that letter on the day that Mr Taylor received it.

In respect of the deed of release between me and AWI and its breach by AWI, my termination of employment was the subject of a mutual deed of release dated 2 December 2002. One of the terms of that release required that both parties:

... covenant and agree that each will refrain from any direct or indirect disparagement or criticism of the other in public or by any means of publication. The obligations set forth in this clause apply to AWI using its reasonable endeavors to ensure that its employees, servants, agents and contractors also comply with these obligations in relation to conduct in the course of their employment, agency or contracts.

In my view, by his consistent criticism of the management and governance of the company during my stewardship, Mr McLachlan has breached the terms of the deed of release and demonstrated a lack of honorable conduct in this and other matters by taking advantage of the deed of release. This release has precluded me from making public comment on claims he has made in the media about the management of AWI Ltd whilst I was managing director.

By way of example, I point to the letters to shareholders of March 2003 and June 2003. Some 36,500 people received these letters. He made public and reported comments, including a speech to the New South Wales Farm Writers Association on 31 March 2003. There were public and reported comments made by Mr Simon Campbell, President of the agripolitical body WoolProducers, a commodity council of the NFF, and comments made by Senator Ferris, amongst others, which were based on information which could only have been supplied by or through Mr Ian McLachlan, including, as I found out just before this hearing, the supply to the media of my curriculum vitae. That could only have come from the personnel file held by AWI. I understand that to have given that out improperly would have at least been a breach of some privacy legislation. I believe that the material constitutes a carefully calculated campaign to circumvent the obligations of that deed of release, whilst at the same time ensuring that such opportunity was not afforded to me, without the threat of instant legal action.

Allegations of a failure of corporate governance by the former directors have not been substantiated. In particular, claims that the former AWI board failed to disclose a 'failed AGM' in respect of the election of certain directors is untrue. The claim was made by Mr Simon Campbell who, at the time he made the assertion, knew it to be untrue. He had received comprehensive written advice and had been briefed verbally. The facts are that, when I identified to the then board deficiencies surrounding the demerger process because of oversights in the constitution of AWI Pty Ltd, subsequently AWI Ltd, those matters were reported immediately to the board, subjected to immediate legal investigation and disclosed in a timely and proper manner to shareholders.

Claims that the former board showed a lack of respect to shareholders were false, illogical and had no basis in corporate law. The claims were made as part of a deliberate political campaign to destabilise the former board in a climate of longstanding political mistrust, engendered by wool industry political bodies who deeply resented the decisions of wool growers to establish AWI Pty Ltd as a corporate entity, free of the previous control exercised by those political bodies.

As a demonstration of the former board's commitment to informing shareholders, I record the following: publication of *Beyond the Bale*, a bi-monthly newspaper; circulation of the second strategic plan and operating plan, which I have tabled copies of here tonight, to 36,500 shareholders; an average of two informative press releases weekly; conduct of face-to-face shareholder meetings, known as 'barbeques and bashes'—how appropriate, given today's paper—at least monthly; conduct of industry-wide acclaimed forums in March 2002; attendance at many industry functions throughout Australia; frequent shareholder approval of the new level of contact and communication; meetings and letters to major wool grower groups and face-to-face briefing of key, large shareholders.

Claims that I, as the managing director lied to the shareholders at the 2002 AGM are untrue and defamatory. At the time of the AGM I reported to shareholders the truth as I knew it at that date concerning the proposed lease and/or sale of company property in York Street, Sydney. My advice was based upon a written report received from the AWI operations manager concerning the sale or lease of the subject property. The subsequent failure of the proposed lessee to complete the contract was a direct result of a disagreement over removal of certain fixed objects from the site. This disagreement occurred after the AGM.

Claims that I lied to the shareholders about the number of full-time permanent AWI employees as at the date of the 2002 AGM are also untrue. I note that the 2002 AGM was recorded by tape. The committee could, if it wished, access that tape and hear the words that substantiate my claims for themselves. At all times I acted in accordance with the constitution of AWI, the provisions of Corporations Law and the statutory funding agreement. The board approved delegations. I have brought a copy with me because it is quite clear that no-one here knows what authority I had as managing director, sanctioned by the board, approved by the board and documented. I table this document spelling out my precise powers and delegations.

CHAIR—I move that we receive that document. There being no objection, it is so ordered.

Mr Dorber—No person has ever suggested directly to me, or through my lawyers, anything to the contrary. Generalised slurs have been made against me by the present Chair of AWI but none of these are substantiated

or would be able to be substantiated. In my belief these comments are based on the politics of the wool industry, not on fact.

My comments on the ‘unpublished internal mid-year audit’—bearing in mind that I have never seen it or a summary of it—follow. For the financial years 2001 and 2002 the independent auditors of the company, PricewaterhouseCoopers, had unfettered access to the chief financial officer, all staff, the books and records of the company. The board had a finance and audit committee, on which I sat as an observer only. It generally met monthly and carried out regular oversights of reports to the board, financial matters and other issues relating to the good corporate governance of the company. At no time did the auditors raise with management, the finance and audit committee or the board any allegations or suggestions of improper conduct. Indeed, the audited accounts of the company were presented to the shareholders and were adopted without dissent at the AGM last year. In fact, Mr Campbell moved the motion.

In September-October 2002, at the initiative of management—me and the chief financial officer—PricewaterhouseCoopers reported in writing to the board concerning the financial management of the company. The report found that, proportional to the exponential growth of the company, the financial affairs of the company were properly and prudently managed. The report made a number of recommendations concerning process, all of which were received, implemented and monitored by the finance and audit committee of the board.

On the issue of political pursuit of former board members, I say that the current public campaign against the former board of AWI is motivated by the politics of the industry; designed to create prejudice in the minds of shareholders and government against the former board members of AWI Ltd; constitutes a breach of the statutory funding agreement in respect of the use of funds for agripolitical activities; based on deliberate untruths, distortions of facts and misinformation; and untruthful in that a letter to shareholders purporting to be the outcome of an audit by PricewaterhouseCoopers is not in fact a fair reflection of that report.

CHAIR—Mr Dorber, you have been going for three-quarters of an hour. We will move to incorporate the rest of your report. There being no objections, it is so ordered.

The document read as follows—

Comment on McLachlan letter to shareholders—June 2003. I refute as untruthful and mischievous, allegations made concerning management practices referred to in a letter to shareholders of June 2003 and released to selected rural media outlets seven days prior to dispatch to AWI shareholders.

32. In particular I say in respect of that letter that the following additional information or clarification is required and would provide AWI shareholders with a more truthful and transparent report on the state of affairs at AWL

33. Under the heading ‘Management consolidation’ Mr. McLachlan reports on the appointment of a Mr. Les Targ.

34. In the interests of good corporate governance, the current Chair of AWI, Mr. McLachlan should have (but has failed) disclosed the long-standing personal/business relationship between himself and Mr. Targ.

35. Mr. Targ and Mr. McLachlan are both (and have been for some years) Directors of the recently announced, failed Space Lift Pty Ltd. Further, Mr. Targ and Mr. McLachlan should have also disclosed their business relationship and connections when Mr. Targ was employed at Australian Defence Industries, whilst Mr. McLachlan was the Minister for Defence.

36. Neither Mr. Targ nor Mr. McLachlan have disclosed to AWI shareholders that receivers and managers have been appointed to Space Lift.

37. Mr. McLachlan should also identify to the shareholders (beyond generalisations) the formal qualifications of Mr. Targ and the basis for appointing him from consultant to full time employee on \$250,000 plus per annum and why within three weeks of that appointment, he arranged to have him receive an alleged \$40K increase on the grounds that an ‘unknown entity’ was going to headhunt him away from AWI.

38. Mr. McLachlan has not disclosed to the shareholders that having appointed Dr Stephens on \$360,000 per annum (approx) within four weeks he asked the Board to increase that amount by between \$30K-\$40K.

39. In respect of the AWI project and subsidiary company ShearExpress Pty Ltd, AWI should release the ‘secret report’ written by the latest AWI Board appointee into ShearExpress and justify the claims it makes about the ‘optimistic assumptions’.

40. The statement in the McLachlan letter to shareholders is not an accurate reflection of the former Board’s deliberations on this matter.

ShearExpress Pty Ltd

41. A full report of the process followed by the former AWI directors before approving the ShearExpress project would disclose a probity driven review process, driven extensively by the importance of protecting shareholder funds.

42. In respect of the AWI Global Pipeline Study I note that the study was not completed at the time of the Board changeover.

43. The former management should have been given the opportunity to comment on these assertions, before they were published.

Project Management

44. The former directors and I have been subject to considerable criticism in respect of the management of AWI projects. This has been a theme of many public comments made by Mr. McLachlan and others.

Advance payments -

44. There is nothing unusual in making advances under properly controlled conditions (letters of comfort, legally binding exchanges about commitments. etc), in respect of certain classes of advances in complex research and development work is normal practice. Mr. McLachlan has failed to point out that 'on his watch' over \$1 million in such payments has been made in 4 four months. The practice of advance payments under these conditions in Research, Development and Innovation, is not uncommon. It is certainly not evidence of poor management practices, as has been alleged.

45. Under the former Board payments were approved by the Managing Director under written delegation to the CSIRO, Victorian Government, University of Adelaide and The Woolmark Company—all substantial entities and all with proper legal arrangements in place.

46. Mr. McLachlan refers to "Unusual or poorly substantiated payments". In reading this letter, the auditors qualification published at the conclusion is very important; there can be no improper inferences. Yet Mr. McLachlan has made such inferences and has done so to all shareholders. I assert there has been strict compliance with probity, AWI Board delegations and the Statutory Funding Agreement in respect of all these matters.

47. The alleged payment of fees to a former Director of ShearExpress. This remuneration has not been raised with any former Director for clarification. If it relates to any payments to me, I am unaware of them and in any event I note that they are governed by the signed Deed of Release between AWI and me. The matter has never been raised with me.

48. Public claims of advance payments to Directors of fees. It has been suggested that directors improperly received large and improper payments of advances. This is simply not true. The payments referred to relates to an FBT rebatable allowance, paid only after the Chief Financial Officer sought and received written advice from PriceWaterHouseCoopers about the processes for such payments. It was entirely proper. It was done on the advice of the auditors. That this should be used as an example of profligacy or waste is quite improper.

49. Requests for repayment are being negotiated at the current time. There was nothing improper about the payments, which were subject to audit in the 2001-02 financial years and published in the 2002 annual report. This matter was not raised with any former Director until after publication to the media by Mr. McLachlan. There is no proper basis for seeking repayment.

50. The statement in this letter is designed to infer some wrongdoing—which is absolutely denied.

51. Payment to a former director of travel costs—which may not have been incurred. This is absolutely untrue. AWI is aware that this claim is untrue and is currently accessing QANTAS flight records, which substantiate proof of travel. The claim relates to travel conducted with former AWI Board approval by the former Chair of the Board. The costs were approved for the Chair of the Board to attend the an AWI China Wool Textile Association in Shanghai in place of the Managing Director, following advice from AWI's legal counsel that the managing director was needed in Australia. The Chair attended the conference, delivered the keynote address for AWI and generally enhanced the reputation and image of AWI and its shareholders.

52. The insinuation of wrongdoing is denied.

53. Claims by McLachlan about a contract for payment of \$55,000 not supported by documentation—no claimed proof of supply. Payment of \$44,000 services unsubstantiated. These claims are generalised and should be clarified. No payments were made at any time whilst I was Managing Director, without written supporting documentation and taxable invoices. I have never been asked to comment or give advice about these matters. Insufficient material has been provided to identify what these claims refer to.

54. No former Board member has been asked about these matters. They are general and spurious allegations—again designed to infer wrongdoing. The information is inadequate to test the truth of the allegations and Mr. McLachlan should be required to substantiate his claims. I should then be given an opportunity to respond.

55. Termination payments. All payments are documented, and were made after the receipt of written or verbal professional advice, which was placed on each former employees file. Each approval was within the written and Board approved delegations in operation as at the date of termination. No attempt to seek advice as to the basis of payments has been requested of the delegated officer—the former Managing Director.

56. Bonuses. All payments comply with a Board approved policy and were within the published delegation to the MD. No impropriety of any kind occurred and again the letter seeks to infer (wrongly) some error or misconduct.

57. The claim that payments in excess of \$800,000 were made without approval, in the absence of a proper performance appraisal system or without the proper exercise of due process, independent review and objective assessment is completely untrue and is a fabrication.

58. The former AWI Board had both a written, externally prepared performance review program in place, together with a defined bonus pool of funds specified in the annual budget and a formal written delegation exercised by the Managing Director.

59. Alleged Inconsistencies with the Statutory Funding Agreement. This is denied. In respect of a payment to the NSW Sports Council—payment was from the non-government component of AWI funds—no breach of SFA occurred. No claim was (or would have) been submitted for ‘matching Commonwealth Funds for this expenditure’. The statement by Mr. McLachlan either demonstrates an absence of understanding of the SFA or is designed to bring the former management into disrepute.

60. The payment to the Charles Sturt University. There is a proper recorded basis for the payment to Charles Sturt University. The project involved a major program in wool education, building on an initiative developed between AWI and the University. The disparaging remarks about a ‘rock collection’ are again designed to infer wrongdoing. The investment is defensible when the facts are known. Those facts are readily available within the records of the company.

61. Project with the Royal Society of the Arts. These payments relate to use of innovative wool (Australian content) and again were proper payments. They were unanimously approved by the Board of AWI and comply with SFA. The project is consistent with the overwhelming support of shareholders (see survey of 2,500 shareholders) about expenditure on educating young, future users and designed in Australian wool, about the benefits of the product.

62. Ideological/cultural differences between Boards. The comments about the above project reflect the fundamental differences between the former Board and the new Board. The former Board considered the collected views of the shareholders and recognised the importance of finding new markets for wool, winning over potential large scale users and turning back the attack on Australian wool as a fibre of choice.

63. The former Board believed (and still believes) that Australian wool’s future will be determined not by the growing practices of wool growers in Australia, but by a direct assault on the cost of the product, innovative new uses and its rebirth as the fibre of the 21st Century. AWI shareholders have consistently endorsed this view.

64. \$500,000 for a film. This payment was made against a formal contract after a tender process. The nature of the payment for work of this kind is standard practice for the type of work. The project continues under proper management and the current AWI Board has proceeded with it on the same terms as originally approved. Mr. McLachlan’s reference to the payment being made to a ‘sole trader’ is disparaging but has no substantive meaning. The majority of Australian corporate film production companies are small and their size is not determinative of the quality of their product.

The film is in fact an international standard 35mm film, cd-rom, series of educational cuts and related material about the global wool industry.

64. The ‘wool awards consultancy’ of \$404,560. The inferences in Mr McLachlan’s letter to the shareholders are again designed to falsely infer wrongdoing. This payment was in fact the European Wool Awards—the same event to which the current AWI Board is sending three Directors (and their wives to) in Paris in June 2003. The project was secured by a binding letter of agreement signed by The Woolmark Company, AWI, The International Wool Textile Organisation and Interlaine (Europe) before any payments were made. The letter constitutes a binding agreement with proper reviews, stop/go clauses etc.

65. The awarding of ‘significant and lucrative consultancy contracts to an individual consulting group’. This allegation is extremely defamatory in its inferences and has no basis in fact of which I am aware. Insufficient material has been provided to identify to what McLachlan refers. No requests for advice about this matter have been made to me.

66. If the senate committee is prepared to assist in providing access to AWI data in respect of the comments made about ‘Review of project approvals’. I would be able to prepare a full and comprehensive analysis. This would demonstrate that the processes adopted were appropriate.

65. Nothing demonstrates more the political nature of the McLachlan letter to shareholders than the section entitled, Review of calculation of overheads. The readiness with which people like the current President of the NSW farmer’s Association, Mr. Mal Peters have jumped on the bandwagon clearly demonstrates the damage that these imputations have had on my reputation and that of the former directors.

66. Overhead Costs. The PwC (audit) document dealing with this matter says that the practice of the former Board in apportioning project ‘overhead costs’ was normal accounting practice. They recommended the current Board do the same. The claimed \$20 million is a spurious and untrue figure.

67. The current Board should publish their definition of overheads and agree to debate this matter in front of the shareholders. I am willing to front the shareholders over every issue raised in the McLachlan letter.

68. Operational Matters:

- election expenses

No impropriety has occurred. No breach of the AWI Constitution or Corporations Law has taken place. AWI's own Lawyers acting for the Dept of Agriculture as well have already made this statement. All expenses were cleared through the AWI Board's lawyers at the time they were incurred.

- Voting entitlements

A large amount of money was spent to get the information on voting rights as accurate as possible. As the current Board will find out at its own peril, this is a complex area. Again the inference of some wrongdoing is offensive and untrue.

- Staff Numbers

McLachlan is playing with numbers and needs to go back to what was actually reported to shareholders at the AGM.

Senate Estimate Committee comments

The committee member who made adverse remarks alleging that in one year a director's income was \$100,000 and in the next it was \$400,000 and that was a surprising outcome for a person who was an 'acting CEO', was wrong in the following respects:

1. The first year 'band' income in the Annual report related to three months of employment
2. The band \$400,000 did not relate to the managing director whose gross income (as per AWI group certificate) for the relevant full year was in fact \$305,000 (inclusive of bonuses)
3. The former managing director was never an acting CEO.
4. The comments were either intended to be malicious or aimed for media consumption, or the author of those comments cannot read and understand an annual report.

CHAIR—I am a wool grower. They say there is only one thing sillier than sheep and that is the people who look after them. I am one of those people.

Senator FERRIS—I note that on page 3 of Mr Dorber's first statement, he makes a reference to a failure on my part to declare a serious conflict of interest which should in the interest of justice see me disqualified from these proceedings. I would like to say at the outset I have no financial or personal interest in the wool industry. I have no financial or personal interest in any wool growing property. My personal and business telephone records for the past six months would show that I have had no contact either in a personal or a business sense with the chairman of AWI, and I have no personal or financial interest in any business that he has ever run. My contact with Mr McLachlan in relation to the National Farmers Federation goes back to 1983, when I worked for two years for that organisation. I want to put that on the record.

CHAIR—Mr Dorber, I have a couple of questions and then I will throw it to Senator O'Brien. I have a question relating to the implementation of 22.2 of the funding agreement, which deals with the audit report. Do you have the funding agreement there?

Mr Dorber—No.

CHAIR—We will give it to you. That clause requires that the AWI must ensure that, as part of the annual audit of its activities, the audit is to report on the company's compliance with its obligations under this agreement in relation to the funds advanced. Reading the auditor's report to shareholders for 2001-02, on page 64 of the financial statements, there appears to be no statement of that nature. Can you tell the committee where the auditor's statement appears in the 2001-02 annual report and why it is not included in the auditor's report to shareholders, as appears to be required by the funding agreement?

Mr Dorber—I understand from the auditors that the writing of the annual report and that component of it was exclusively their responsibility. They had in front of them at the time they prepared that report the letter from Mr Michael Taylor acknowledging compliance with the statutory funding agreement. The only people who could tell you why the precise words are not published there are the auditors themselves. What I can tell you is that the compliance did take place.

CHAIR—The AWI annual report for 2001-02 states on page 47 of the financial statements that, with regard to a number of activities, AWI made a decision on what information was contained in its annual report, which appears to severely limit the amount of information contained in the annual report. The statement is that, in reporting on a list of issues and expenditure, AWI will report against a number of items direct to government. This raises two questions for the committee. Which part of government did AWI report to and what, generally speaking, was in the report? The second question is: how was this report conveyed, and on what basis was it decided and by whom that this information would not be included in the AWI annual report? Similarly, how

was it decided that a separate in-confidence report would be made to the Commonwealth on a number of R&D activities?

Mr Dorber—I can indicate that the provision to do that is prescribed in the statutory funding agreement and it relates in particular to ensuring that commercial-in-confidence material does not appear generally in an annual report. I can say that no written report of a general nature was prepared for the Commonwealth. The Commonwealth indicated that they did not desire to receive it at that time and it was agreed that, as the company was very young, a more detailed and exhaustive reporting would occur over the second year of the company's activities. Each time the Commonwealth's officers sought information, it was provided. For example, I came to Canberra on numerous occasions to brief senior officers of the department face to face about things like Shear Express Pty Ltd and a number of other investment proposals. The key message consistently returned to AWI by the department was—and I might add this was said to my face by Minister Truss—that the government had stepped away from the day to day management of this business and that what the government sought was for the wool industry get on with the game and do what it was required to do. The government had said to me on numerous occasions that AWI was a corporate entity managed by a board of directors and acknowledged that compliance with the statutory funding agreement would emerge over time. I had some sympathy for the departmental officers who were here on Monday night, because neither of them had been directly involved in great detail in the affairs of AWI. Certainly Dr Samson had never been. I have never met him; I do not even know who he is. But the senior officers of the department who were involved are apparently no longer there.

Senator O'BRIEN—Who were they?

Mr Dorber—I cannot remember the name of the man who was in charge when I arrived. It has slipped my mind, but it will come to me.

CHAIR—You can take that on notice.

Mr Dorber—Yes. I am sure I will remember it, Senator. He was a longstanding player in the wool department, and he retired or was relocated. I think his name is in the letter that Mr Taylor wrote to me that is with the papers I have tabled.

Senator O'BRIEN—And who was it that told you—

CHAIR—It wasn't Mr Paul Sutton, was it?

Mr Dorber—Yes, it was Mr Paul Sutton.

Senator O'BRIEN—And who was it who told you that the department did not want substantial information in compliance with the statutory funding agreement?

Mr Dorber—What Mr Sutton told me was that the information that we were regularly producing was at or above the level that was expected. There was an agreement that the annual report would be provided in draft form to the department before it was finally published, which was done, and indeed the statutory funding agreement requires that we provide that report to the department. Those officers of AWI who were responsible for developing the annual report and for liaising with the auditor, the chief financial officer in particular, were constantly contacting departmental officials to find out what was missing and what else they needed. My understanding from the letters from Mr Taylor are that the annual report was accepted by the department and that the financial reports were deemed to have met the provisions of the statutory funding agreement. I quoted from that letter earlier—those precise words.

Senator O'BRIEN—Could you supply a copy of the letter?

Mr Dorber—I have included it with the bundle of attachments. If that letter is not there, I will try to find it.

Senator O'BRIEN—Are all the letters that you have referred to in your statement contained in that?

Mr Dorber—No, I have some of them in my personal possession. They are not my letters to release, but AWI has them on file and I am sure the proper course would be that they give you all of them.

Senator O'BRIEN—Thank you for that. As you were the first CEO of AWI, as I understand it, you would probably be best placed to have a clear understanding of the CEO's obligations under the Corporations Law.

Mr Dorber—I am also a director of the company and have even more obligations.

Senator O'BRIEN—The main obligation is in general terms an obligation to run the company in a manner to protect the interests of the shareholders, is it not?

Mr Dorber—Yes.

Senator O'BRIEN—So you have to comply with the laws of the land and protect the interests of your shareholders, as I am sure you are aware, and there is also a requirement to comply with all the obligations placed on the company in relation to the accurate reporting of the company's activities in compliance requirements—that is correct. Is it not?

Mr Dorber—Yes. And that was always done.

Senator O'BRIEN—Given the timing of your appointment and your position, it would be fair to say that you were instrumental in setting this company up, or at least bedding in the management structure, wouldn't it?

Mr Dorber—The government decreed the company would come into existence and signed a transitional arrangement, and on conversion time, which was midnight on 31 December 2000, the company came into being. I was recruited in January 2001 but not appointed until 1 March 2001. Between January and March, my principal role was to resolve the question of the future of the former AWRAP personnel and to seek and obtain extensive advice from Australian Wool Services Ltd, particularly from its chairman, Mr Rodney Price, and from the chair of AWI, Ms Maree McCaskill. The new AWI board met two and three days at a time from January onwards, developing the structure of the company. The structure, the staffing and the very early decision making was a joint activity of the board. In fact, the records show that, in my time as managing director, only once did a member of the board vote against a recommendation in front of the board.

Senator O'BRIEN—So the board would act upon recommendations put to it which, presumably, you would put before it?

Mr Dorber—Yes.

Senator O'BRIEN—Would you make the recommendations or would others be making them?

Mr Dorber—In the very beginning—the first three months—there was only me, and I made all the recommendations. As staff came on, particularly senior staff, we started working together. A number of board members made themselves available outside of board meetings to work with us. For example, one of the earliest things we did was to implement the Innovar concept project and proposal assessment model that Senator Stephens referred to the other night. It was my initiative to go to the board and recommend that the Innovar model be introduced. It is a very effective model, and it was used in every instance, including on the famed and poorly named woodlot project. Those records were placed in front of the board so that, when they made a decision, they had the original project proposal, the Innovar score sheets, the reports of the project officer and the program manager, and my recommendations arising from that.

Senator O'BRIEN—You mentioned Mr Price in your answer. Were you appointed by the board on his advice, do you know? Was it he who recommended your appointment to the board?

Mr Dorber—I think Mr Price appointed me. He was the chairman of the holding company that owned AWI Pty Ltd, and I think that was one of the issues that caused anxiety for two of the directors from the very first day.

Senator O'BRIEN—That may be the case. Was it the board or Mr Price who appointed you?

Mr Dorber—Mr Price appointed me.

Senator O'BRIEN—When did AWI officially open its doors for business?

Mr Dorber—On 1 March 2001.

Senator O'BRIEN—And you were appointed in January.

Mr Dorber—I commenced duties on 1 March, officially, but I did a number of tasks and attended a number of meetings in my own time between January and March.

Senator O'BRIEN—This was the period when, as I put it, the management structure and the arrangements of the company were being bedded down and decisions were being made—

Mr Dorber—No, there was no structure developed before 1 March.

Senator O'BRIEN—Sorry, I misunderstood your answer. You had a very small staff of about 30 or so.

Mr Dorber—We had permanent full-time staff of 27 as at last year's AGM, but we also had contracted project managers—they have staff as well, of course. AWI's permanent full-time staff grew quickly.

Senator O'BRIEN—At the start, would it have been around 30?

Mr Dorber—At the start, it was three. We did not get a full complement of staff until a month before the annual general meeting last year. When I was appointed, the words that were used to me were: you will manage a budget of about \$30 million, we expect you to have a maximum of 15 staff and there will be no politics. I used to chant that mantra back to them on a regular basis.

Senator O'BRIEN—Why?

Mr Dorber—Because it was not true. The politics started from the first minute. The money was more than double what was anticipated, which meant that the management issues involved a much broader range of staff. The issues of conflict over winding down former projects, changing some of the culture and the traditions that had previously existed—some of which were very good and some of which were not—initiated passion from the first day. I can still recall an e-mail being inadvertently sent to me from a scientist in Victoria, recommending that somebody should get a stiletto and apply it firmly between my shoulder blades. I had been there less than six weeks, and I did not even know these people. It is a very political, very intense environment. I never realised—and I probably would never have recommended to the board that we all stand for election had I known—the intensity, the passion and the hatred that exist.

Senator O'BRIEN—Surely you just told us you did, if someone sent you an email in the first couple of months of your appointment saying that they wanted a stiletto planted in your back.

Mr Dorber—I was not counting one person's opinion as representative of the entire R&D fraternity.

Senator O'BRIEN—Clearly, the statutory funding agreement with the Commonwealth was the critical document in your understanding of the board's and the company's obligations.

Mr Dorber—Yes, to the point that the board and I spent an entire day studying it and discussing its application. The delegations that I tabled spring directly out of the structure of the statutory funding agreement.

Senator O'BRIEN—It was originally drafted with parties between the Commonwealth and the Australian Wool Services, and then AWI became a party once it officially came into being. Did you have any involvement in the form of the agreement or was that before your time?

Mr Dorber—None whatsoever. I understand it was entered into in late December 2000 and that it was a negotiation between, amongst others, Mr Price, some of the then political bodies that existed and key stakeholders that had been involved in the famous Goulburn affair. It was presented to us as a *fait accompli*. I actually raised with AWS Ltd some concerns that the document, which contained certain provisions for the payment of moneys for ongoing contracts, was not necessarily completely in AWI's best interests, but it was made clear that this was a hard-fought, difficultly-resolved issue and that we would accept that and negotiate improvements next time around.

Senator O'BRIEN—I see it as a key instrument in the management of AWI. That is a fair comment, isn't it?

Mr Dorber—I agree with you.

Senator O'BRIEN—This is the basis on which the company received around \$16 million in taxpayers' funds and around \$55 million in grower levy funds.

Mr Dorber—The statutory funding agreement deals particularly with the Commonwealth's matching funds and deals with the mechanisms for collecting the levy.

Senator O'BRIEN—Is it both?

Mr Dorber—What it does not deal with and what is still a problem is the leakage from uncollected levies. The key issue about the statutory funding agreement that I think has to be emphasised to this committee is that the agreement does not permit the Commonwealth to simply collect and send the Commonwealth's contribution to the company. The company must submit a retrospective application and certify the expenditure complies with schedule 4 of the statutory funding agreement.

Senator O'BRIEN—Are you suggesting to us that this agreement is only about the Commonwealth contribution?

Mr Dorber—No. Its primary interest is in guarding the Commonwealth's interest in making sure that the Commonwealth's share of the money is spent only on the matters listed in schedule 4.

Senator O'BRIEN—Which provision of the statutory funding agreement will tell us that?

Mr Dorber—I will just flick through it; it has been a while since I have seen this.

Senator O'BRIEN—You have the advantage on me. You spent a day at the board meeting researching it and worked with it for a couple of years, so please humour me in my attempt to have you assist me with my understanding.

Mr Dorber—Clause 3 in particular deals with the payment of funds by the Commonwealth. It particularly spells out how those payments are to be made at page 5.

Senator O'BRIEN—Can I take you to something that strikes me, because we may be able to short-circuit this. Page 2 says:

'Funds' means the Wool Levy Funds and the Commonwealth Matching Funds paid to the Company under this Agreement.

Mr Dorber—Yes.

Senator O'BRIEN—On page 5 there is a clause entitled 'Payment of funds'. That deals with both wool levy funds and Commonwealth matching funds. I am interested in how you would differentiate between, for example, the receipt of those funds and emphasis in the agreement as to one sort of fund or another.

Mr Dorber—Clause 3(2) deals particularly with the levy funds and refers you to schedule 1, which then defines what those funds are. The remaining parts of clause 3 deal with the Commonwealth's matching funds and the rules to be applied and then refer you to schedule 4.

Senator O'BRIEN—Schedule 1 has category A and category B payments—that is, levy funds and matching funds. So it is both, isn't it?

Mr Dorber—The category A payments are at schedule 1, which are for wool levy funds—

Senator O'BRIEN—Yes, that is what I just said.

Mr Dorber—and the category B payments—that gives the broad definition, but you then need to read schedule 4 to know what the actual activities that meet that test are. They are very wide provisions. Essentially, the company could spend the money on anything except agri-political activity. But it could spend money on agri-political activity, provided that was not either Commonwealth money or levy funds. For example, a board of the company could spend the \$24 million of funds that I negotiated from the sale of the properties in any way that corporate law permitted it to, without referral to this agreement or to the Commonwealth.

Senator O'BRIEN—Where would I derive that interpretation from?

Mr Dorber—The statutory funding agreement spells out which money the agreement deals with. It goes all the way through clause 5. Clause 7 deals with what happens if you spend it the wrong way and how it is to be paid back, and the role of the Commonwealth in dealing with that. Clause 10 deals with transferred money; we started with a \$5 million kitty, and there were rules about how that \$5 million could be spent. There was a provision made that wool growers were required to pay an additional levy of one per cent for 12 months. That raised a very substantial sum of money, which was used to meet what were defined as transitional costs for the Woolmark Company and AWI. About 95 per cent of those funds—some \$8.4 million—was transferred to the Woolmark Company.

Senator O'BRIEN—Clause 10 says:

The Company must spend or otherwise apply the Transferred Moneys and any proceeds from the sale or other exploitation of Transferred Assets ... and must apply the Transferred Assets only on eligible R&D Activities ...

Mr Dorber—The properties were not transferred assets.

Senator O'BRIEN—What were they?

Mr Dorber—The properties were wholly owned by the CSIRO, and there was a 45-year legal stoush between the wool industry and the CSIRO about what share was owned by whom and why, and how it should be realised.

Senator O'BRIEN—So how did those properties come to AWI?

Mr Dorber—They did not get any properties.

Senator O'BRIEN—How did the money come to AWI?

Mr Dorber—We basically fronted the CSIRO and, with board approval at AWS and AWI level, said, 'If we don't resolve this longstanding problem by 30 June this year it will be unlikely that we invest any more money with the CSIRO.' That focused a lot of people's thinking. There was in existence at that time a memorandum

of understanding, some nine years old, that said that, in the event that any moneys are raised from the sale of these properties, those moneys have to be paid as an untied grant to the CSIRO. One of the early things we did, with the clear and implicit assent of our shareholders, was tear that up and tell the CSIRO that we could demonstrate a contribution by wool growers over decades to the acquisition of these properties—and we are talking about very expensive properties; a \$45 million property has recently been sold at Prospect. In a hardnosed negotiation we negotiated a cultural change that resulted in a complete agreement that 50 per cent of the proceeds, untied, remained with AWI and 50 per cent went to the CSIRO to do with as they saw fit.

In that process we also agreed, because of the history of the Falkiner Memorial Field Station, that AWI would buy that property for cash from the CSIRO—and that is what we did. With those moneys, which I think are due to be paid shortly, an agreement was entered into, a deed was signed and, if and when those moneys came into the possession of AWI, it would be a matter for the board to determine what it would do with it. We made some earlier recommendations about what should be done, following a very extensive survey of over 2,500 shareholders as to what they felt AWI should be spending its money on. We put that survey on the web site and we published it internationally. We had many strong discussions with the International Wool Textile Organisation, which wanted all the money spent post the farm gate, whereas some of our shareholders had another view.

Senator O'BRIEN—I want to go to the detail of the statutory funding agreement, which you ensured your company complied with in terms of your dealings with the Commonwealth. Part 4 relates to management of funds. Can you tell me what sorts of accounting systems were required to comply with that part of the agreement?

Mr Dorber—Firstly, we had to appoint a chief financial officer at a level with the competence and stature to properly manage the funds—a chartered accountant—which we did. We spent quite a substantial sum of money, in conjunction with PricewaterhouseCoopers and Innovar and some other contractors, to develop a financial system. We had many meetings with the Commonwealth. Ultimately, AWI unilaterally introduced a system whereby we took schedule 4 of the statutory funding agreement and we itemised every dollar spent, line by line, against each of the sections of section 4. This was done by the chief financial officer and his staff. We then sent that spreadsheet, which ran to hundreds of pages, to the Commonwealth, with a certificate signed by me saying that the moneys had been spent in accordance with the statutory funding agreement and defining every expenditure item. That happened for some months and then the Commonwealth said, 'What we want from you is a single piece of paper—a certificate—signed by the managing director, certifying truthfully that the retrospective claim for matching capped funding has been spent in accordance with the statutory funding agreement.' We still maintained the internal spreadsheet system to break down that expenditure so that AWI could at any time, if an auditor asked, say, 'Yes, we spent \$39 on clause (f) of schedule 4 and \$2.5 million on clause (y) or whatever it might be.'

Senator O'BRIEN—So that was something the board would have access to on a regular basis?

Mr Dorber—During my management the board had access to everything: the staff, the accounts, the committees, me. There were no rules about who you could or could not talk to. That is not the situation today but, when I was there, that was how it was run.

Senator O'BRIEN—Was the material provided, in the form you provided it to the Commonwealth, to the board?

Mr Dorber—It was. In fact, the board expressed great frustration that it was getting far too much paperwork. The board papers included many folders at a time. In the early year, I took the view that it was best to tell them absolutely everything and let them whittle it down to the point where they as a board felt that they were adequately served. In addition to board papers, I wrote to the board every fortnight and sometimes more often, listing every new project—who was getting the money, how much money it was and what it was for. There was nothing that the board of AWI, which I was a member of, did not know or could not know about the business.

Senator O'BRIEN—Were all payments authorised in this fashion—in arrears or in advance?

Mr Dorber—All payments for Commonwealth matching funds were claimed in arrears.

Senator O'BRIEN—No, I mean the spending of the company in your process. Did the board authorise payments that had been made?

Mr Dorber—It was not that the board did not authorise payments; the board was not responsible to authorise payments. That was my job. That delegations folder that I have tabled is very helpful in that respect.

Senator O'BRIEN—So you had an authorisation to expend funds?

Mr Dorber—I could spend up to \$2 million without referral to the board, but in practice, let me tell you, there was nothing that did not go to the board. There was no project that I did not run past the board formally or informally. The one time that I approved a project with an inappropriate name, that had not been seen by a couple of board members, it blew up in my face, and I changed the name of the project.

CHAIR—If you came up with an idea to fund a certain project—

Mr Dorber—I did not come up with the ideas. We would receive applications.

CHAIR—Did you actually go to the board and say, 'I think we ought to think about funding this,' or did you go to the board and say, 'This is what we've decided to fund'?

Mr Dorber—Within three months of commencing operations the board met and adopted a strategic plan and an operating plan for the first two years. Every concept proposal and project proposal was required by board dictate to be measured against that strategic and operating plan. The concept proposals and project proposals would be received by the operations manager. We never rejected any proposals at that point. We preferred applicants to put in a concept proposal because it was quicker and cheaper for all concerned. The project officer and/or program manager would then go and talk to them. I would not even know that a concept proposal or a project proposal was with the company until either I received a written recommendation or the program manager said at the fortnightly executive meeting, 'We have received 39 concept proposals to do the following.' Then we would all talk about them and we would sometimes set up a project committee, if they were quite complex. We would sometimes appoint an outside consultant to advise the staff. Any project proposal that exceeded my delegation or appeared to be on something of interest to the board would go to the board. The board would then have a discussion, and the board could—and sometimes did—vary the recommendations in front of it.

CHAIR—Did you place an ad to come up with ideas?

Mr Dorber—No.

CHAIR—How did you identify opportunities?

Mr Dorber—In the first year we said to the research and development industry: 'There is nothing we won't look at in order to start looking for some very new, innovative ways of taking the wool industry forward.'

CHAIR—But how did you let the world know that?

Mr Dorber—We published a concept proposal application form on the web site. I went and addressed the CSIRO and the major universities and research bodies in Australia. We convened for the first time in the history of the wool industry—an astounding situation—a meeting of the six major R&D providers across the globe. They came to Australia and said, 'We have never met each other like this before'. It was discovered that a number of them were doing common research. We said to them: 'Go away and come back with a suite of projects that you can collectively work on over time, with each of you picking up on your particular strengths. We will take it to the board. Here's our strategic plan, our operating plan, the survey of our shareholders telling you what they want and all the history which you should make yourselves familiar with about what wool growers are expecting. Here are our demands about intellectual property and our requirements about royalty payments. Now go away and, as far as you can, meet all of our demands. If you hit a problem, come back.' They would come back, and we would negotiate. Either I would go across the world or a project officer or manager would fly somewhere. We would meet, and we would hammer it out.

CHAIR—You could commit up to \$2 million without reference to the board?

Mr Dorber—I could have if I chose to.

Senator O'BRIEN—But you did not?

Mr Dorber—I did not. I was a new managing director with a new board in an industry that, I was learning very quickly, was passionately interested in everything that happened. There was a Senate committee that wanted to see me often and ask me questions—which they did—and it was obvious that it was going to be some years before a more formal private arrangement came into being.

Senator O'BRIEN—Which Senate committee are you referring to?

Mr Dorber—I have appeared in front of a wool committee and twice in front of another committee that Senator Ferris sits on that asked me lots of questions—

Senator FERRIS—They are not Senate committees, Mr Dorber.

Mr Dorber—Well, they are committees of the parliament.

Senator O'BRIEN—They might be House of Representatives or party committees; I am not sure.

Mr Dorber—I am not sure what they are, but they ask a lot of questions; I can tell you that.

Senator O'BRIEN—So do I, but I am not part of those committees. I do not believe I am allowed in the door of those ones.

Mr Dorber—I should tell you that I went out of my way to make sure that we tried to brief as far as possible any politician, any member of parliament, who expressed an interest. It was clear that we were meant to be an apolitical entity.

Senator O'BRIEN—Did the management tiers below you all report to you? Did you have the final decisions, or did they make decisions on funding expenditure?

Mr Dorber—In the delegations it is clear that program managers could spend up to \$100,000 without referral to me. The practice was, because it was a very intimate company—we were all passionate and excited—that we talked about everything together.

Senator O'BRIEN—When you say they could spend up to \$100,000 and you could spend up to \$2 million, is that per transaction, per month or per year?

Mr Dorber—Per project.

Senator O'BRIEN—So you could spend \$2 million per project times however many projects, and they could spend \$100,000 per project times however many projects?

Mr Dorber—Yes, subject to the strategic plan, the operating plan, the ever-interested board and the finance and audit committee, who would—

Senator O'BRIEN—So all of those projects, all of those expenditure decisions, were reported to the board?

Mr Dorber—Every dollar of expenditure was reported, usually within 24 hours of it actually being determined.

Senator O'BRIEN—No, I mean the board papers process. Did members of the board before they attended receive papers which set out the expenditure for the relevant period?

Mr Dorber—Yes, and recommendations for future expenditure. They had a spreadsheet as big as half the size of your table sent to them every month consisting of about 15 pages, with a complete breakdown by strategic plan, operating plan, project section, on-farm, off-farm, intellectual property, royalties; it was all there in massive detail. I understand that the former chair still has a copy and is going to table it when she makes a submission to you

CHAIR—Could I ask a question about the funding. On what basis did you decide to do some projects without the assistance of government funding? What was the logic there?

Mr Dorber—The clear requirement in both the constitution and the statutory funding agreement was that, if we were going to do any projects that were agri-political in nature, they could only ever be funded from money sourced from other than the levy or the matching grant. But the practice of apportioning the Commonwealth's contribution that I adopted, given the government's view, was to apportion expenditure against the very long letter written by Senator Judith Troeth—the parliamentary secretary assisting the minister—which set out the government's priorities for rural research, development and innovation. We had a policy of apportioning our retrospective claim for funding against the government's determined priorities. For example, the \$20 million natural resource management package fitted precisely with what the government wanted done, so we claimed 50 per cent of that expenditure up to the cap from the Commonwealth.

CHAIR—I think in your preamble you mentioned some projects where there was no government money, where there was just AWI money.

Mr Dorber—Yes.

CHAIR—Did that mean that you did not think they would have had the priority the government required to put government money into it? What did that mean?

Mr Dorber—You could reasonably argue that we would try to make sure 99.9 per cent of the time that the \$14 million out of the \$80 million, which was the government's capped taxpayer contribution, was

apportioned against those priorities that the government itself had identified, recognising that the board as a corporate company could change that if they wanted to, but they never did.

Senator O'BRIEN—You had a similar reporting mechanism for government where you had the program that would print out a report which gave itemised details of every item of expenditure relevant to Commonwealth expenditure and levy funds.

Mr Dorber—In the first year, until the Commonwealth said, 'We don't want to receive this anymore.' They had a very good reason for it. It was a massive amount of information, they did not have the resources to check it and their attitude was, 'You're a corporate entity; it's your responsibility.'

Senator O'BRIEN—That is a fairly significant statement, given the statutory funding agreement and the detail of reporting that is required. Did you get that in writing?

Mr Dorber—The administration of the recoupment of funds was conducted by the chief financial officer and the operations manager. It was not a matter that I was involved with on a day-to-day basis.

Senator O'BRIEN—But did you get it in writing? That was the question.

Mr Dorber—I do not know the answer. You would have to ask AWI to search their records or ask the responsible officers. I only know that it was reported to me and that, when I came to Canberra and met with officials informally, the arrangement was referred to and nobody said to me that it should not happen.

Senator O'BRIEN—In essence, the practice changed with your knowledge and approval, I take it.

Mr Dorber—Yes. I had to sign the certificate every month.

Senator O'BRIEN—It went from a very long and detailed statement to something much more abbreviated.

Mr Dorber—The certificate that went to the Commonwealth was abbreviated; the supporting data continued to be published but was seen only by me and my board.

Senator O'BRIEN—I am asking about reporting to the Commonwealth.

Mr Dorber—We gave them the general ledger. We gave them everything. They said, 'What the agreement requires is a certificate by the managing director attesting to the truth of the claim.' That is where I am personally accountable under both corporate law and the agreement. If it could be shown that those claims retrospectively made were false, I would be in serious trouble.

Senator O'BRIEN—If there is something in writing about that, AWI would have it on file?

Mr Dorber—Absolutely, or at least the staff responsible would have diary notes or be able to report to you the conversations.

Senator O'BRIEN—That is how you reported. Are you saying that there was no issue taken with that by officers of the department, the minister or the parliamentary secretary?

Mr Dorber—Absolutely.

CHAIR—Do you regret that you changed that arrangement?

Mr Dorber—It was not really our call. The Commonwealth told us what they wanted and we gave it to them. The point was that we still produced the records months in and month out. If they had wanted to, they could pick them up and ask for them. They had the power. They could have come and audited them or they could have asked our auditors for a report. The Commonwealth was not constrained. We used to invite them to Sydney and they used to say, 'We've never been asked to do this before. Fancy being invited up here to meet with you all.' I had a policy that said, 'Get very close to the levy collections unit because we're going to have to find out how to recover the leakage of nearly \$9 million annually of unpaid wool levy.' They were the ones that collected the levy, and they needed an incentive to collect more. We were developing strategies with them to do that. They are a very hardworking unit. I met all of them on one occasion in Canberra. It is a big job collecting that levy. As I say, never ever in my time did someone say casually, informally or formally, 'We don't like the way the system is going.'

CHAIR—What do you mean it was difficult to collect? Was that black market sales of wool or cash sales?

Mr Dorber—I cannot answer that. I can only say that we were in the throes of organising a project to investigate levy leakage with a view to recouping it. One of my performance indicators, which the former board had introduced, was that I would be rewarded according to my ability to recover this lost levy leakage.

CHAIR—Which, I take it, comes from the sales of wool?

Mr Dorber—Yes; the gross sales.

CHAIR—That is a bit of a mystery to me: how people could sell wool and be almost on the black?

Mr Dorber—I have no basis to make a comment at all. It would be grossly wrong of me to try and infer anything.

CHAIR—I was just curious, being in the business.

Mr Dorber—I can say that the records, particularly of the Australian Wool Production Forecasting Committee that I established with board approval, were often at variance with other organisations' records as to the volumes of wool produced in any one year or month. It was clear that counting all that wool was difficult on occasion.

CHAIR—The mind boggles!

Senator O'BRIEN—In terms of clause 18 of the agreement, can you tell me how you implemented the obligations placed on AWI by that clause?

Mr Dorber—We prepared the report in accordance with schedule 3. Indeed, you will notice at the end of the report, it goes straight back to the earlier issue that you raised, Senator, that commercial-in-confidence material 'may be provided to the Commonwealth'—I presume it means 'or to members of the Commonwealth parliament'. The 'may be provided' is interpreted by me as meaning 'when they ask for it'.

Senator O'BRIEN—That is a good thing.

Mr Dorber—Nobody ever asked for it—ever.

Senator O'BRIEN—Things may change. How was the report—the schedule 3 report in particular—structured? I want to know how you report to the Commonwealth on those matters listed under the second dot point of schedule 3, where it says that the annual report, or a separate report if desired by the company, should cover R&D activities, with reference to items (a), (b), (c) and (d).

Mr Dorber—We dealt with that firstly by my writing a 15-page letter, I think, to Minister Truss telling him what we were doing. Indeed I have quoted Senator Troeth's reply to the same letter that she received dealing with point (a) of the second dot point, as to how we were implementing the government's priorities. We had not reached the point, in respect of items (c) and (d), of formalising those arrangements; however, the Commonwealth were aware of the third-party list and had access to it if they wanted. Under schedule 3, it was optional to the company whether or not they did those things. We said in the annual report that these matters would be dealt with separately. My dismissal occurred not long after the annual report, so it did not happen in my time.

Senator O'BRIEN—There was not an annual report or—

Mr Dorber—Yes, there was. I have tabled the annual report.

Senator O'BRIEN—But there was not a separate report?

Mr Dorber—There were matters in that report that, if a company desired, should be reported to the Commonwealth. They were (a), (b), (c) and (d). Items (a) and (b) had been, independent of the annual report, reported by me to the Commonwealth in writing on numerous occasions. Items (c) and (d) had not been reported. The annual report last October was the first-ever annual report of the company to its shareholders.

Senator O'BRIEN—So there has been a report—not annually but on an ongoing basis—of items (a) and (b), and you would say they are the separate reports that are authorised?

Mr Dorber—Yes.

Senator O'BRIEN—So rather than an annual report or a separate report, if I interpret that—

Mr Dorber—I sought advice from our lawyers and we interpreted that to mean that the annual report would deal with matters that were generally publicly and freely available, and separate reports—particularly in relation to items (c) and (d) if they were commercially sensitive—may be produced and provided to the Commonwealth. The proposal was that we would say to the Commonwealth: 'Do you want them? We will produce them.' I just repeat that the first annual report was presented at the end of October last year, and four weeks later I was dismissed, so I never got to implement those last two items—(c) and (d).

Senator O'BRIEN—So the Commonwealth never received the details of R&D agreements entered into by the company with third parties in your time?

Mr Dorber—I am not aware of that happening.

Senator O'BRIEN—You would be aware if it had happened?

Mr Dorber—In my time it never happened that I am aware of.

Senator O'BRIEN—And in your time the Commonwealth never received a report on the management of intellectual property rising from R&D activities? I suppose there would not have been any.

Mr Dorber—We spent a large sum of money combing the records of the former entities—there are over 7,500 boxes of files—trying to source intellectual property about which many wool growers had expressed frustration to me that it had been paid for but had never been exploited or that they had never received a return for. We had an expert lawyer from—I cannot recall the company name—a very prominent law firm, an in-house lawyer that was drafted in and two staff based in a warehouse in Gosford whose sole job was to spend the next two years of their lives searching all this data, bringing the intellectual property records up to date and identifying all of the liabilities of owners, shareholders or partners in any of that intellectual property. Our sole purpose was to get out of them every dollar we could that ought to go back to the wool growers because we as a board had announced a strategy of reducing the levy and ultimately abolishing it. We had even had some informal discussions with government about ending the Commonwealth matching grants because of our belief that the wool industry wanted freedom from the government for ever.

Senator O'BRIEN—That would impress them, of course.

Mr Dorber—And they could not have that whilst they were taking the government's money.

Senator O'BRIEN—They certainly could not, but they probably could not while the Commonwealth was collecting statutorily authorised levy payments either.

Mr Dorber—That is why we as a board wanted to abolish the levy when the company could generate enough revenue from owning its own intellectual property to do so. It is my very strong view that the company could operate quite effectively on no more than \$30 million a year, and that means that we could dramatically reduce the call on both government and wool growers.

Senator O'BRIEN—Looking back at item (c), which refers to R&D agreements entered into by the company with third parties, would those agreements invariably involve a formal contract?

Mr Dorber—They would always involve a contract or a letter that constituted a contract. There were no verbal approvals to spend money.

Senator O'BRIEN—They say a verbal contract is not worth the paper it is written on, of course.

Mr Dorber—Some contracts that are written down are not worth much either; take it from me.

Senator O'BRIEN—I have heard what you have said so far. So, each and every funding agreement entered into in your time with AWI was the subject of either a formal contract or a letter of authority?

Mr Dorber—Yes. Some of the contracts are very complex. For example, the final, formal contract for the European Wool Awards, which has figured prominently in this committee's considerations, had not been completed upon my dismissal, but the four parties had signed a 10-page letter which detailed all of their mutual obligations. I have tabled a copy of that letter in my submission tonight. I think Senator Ferris referred to these 'wool award things' as being for \$405,000 with no contract—a clear inference of improper conduct. That is absolutely untrue. Indeed, the current board must be happy with it, because they just sent three directors and their wives to Paris to have a very nice party to celebrate the first presentation of those awards.

Senator O'BRIEN—Was it part of the contract arrangements that you would have people in Paris?

Mr Dorber—Sending the directors?

Senator O'BRIEN—That people would represent AWI at the awards?

Mr Dorber—The contract arrangements specified the chairman and the managing director were the members of the board to manage the European Wool Awards on behalf of the company. Who attended was obviously always a matter for the AWI board. Paris is very nice at this time of year.

Senator O'BRIEN—I will take your word for it. The traffic is a bit daunting, however. To be absolutely clear, there were no item (c) reports in that second dot point area—the R&D contracts entered into by the company—lodged by AWI with AFFA?

Mr Dorber—Not that I am aware of.

Senator O'BRIEN—Not in your time. What do you say about the reference in the AWI letter sent out to growers last month to a large number of research projects being put in place with no contract?

Mr Dorber—I say that a truck ran past my house and deposited into my hands two sheets of paper which disclosed the PricewaterhouseCoopers analysis, that the claims in the letter are a lie—they are untruthful and deceitful—and that PricewaterhouseCoopers should be called before this committee. They could present to you, in black and white, what they told the chairman of the AWI board. The chairman of the AWI board would have to then admit to you that he misled his shareholders and that whoever briefed Senator Ferris misled her. I do not have to disprove it. I can tell you that the number of projects approved without final contracts—and they were always covered by letters of agreement which included a requirement that if a final contract was not signed the funds had to be returned—did not exceed nine in my time. They involved the Woolmark Company, the University of Adelaide, the Victorian government and one other large entity.

It is the same as the mythical story about \$500,000 to a sole trader for a film. I sought advice from a lawyer who specialises in film making and media, and he said to me, ‘Everybody who makes a film is a sole trader.’ I should take advantage of this moment to tell you that there were three tenders for that film; there was a signed contract in place. The advance, I am informed, is common practice across the globe for projects of that kind. There are very few film makers who will make a film on a promise that they are going to be paid afterwards. If I am required, I can vouch for the justification of that film, for the proper contract negotiations and for proper tender. There were three tenders on the AWI files. Why somebody would choose not to tell a senator that and allow her to say something that is not correct, I find appalling and offensive. Also, it has done dreadful things to my family as they are constantly assailed, everywhere they go, with the suggestion that their father might be corrupt or in some way had behaved improperly. How that could be said in this parliament last Monday night, I just do not understand.

Senator O’BRIEN—So you are essentially saying that there is evidence on AWI files which will substantiate everything that you have said—

Mr Dorber—Absolutely. There are documents that I have tabled, there is my statement and, more importantly, I think there is the disclaimer published by PricewaterhouseCoopers on the shareholder letter, which says:

There has been no error or fraud detected. We have only responded according to how we were instructed.

I invite the committee to ask to be shown the written instructions they got that led to the report that they allegedly produced. I understand Senator Ferris has a 10-page summary of that, but no-one has shown it to me. If you want to show it to me, I will respond to it line by line.

Senator FERRIS—I have no 10-page summary.

Mr Dorber—They are the words you used last Monday night, Senator. They are on the *Hansard*.

Senator FERRIS—It is the letter to the shareholders that I was referring to.

Mr Dorber—The only letter to the shareholders published on the web site has seven pages, so I do not understand.

Senator FERRIS—Mine has probably got a cover sheet and an end sheet, and I can assure you that I had no other statement.

CHAIR—We will not get into the—

Mr Dorber—I have tried, in the statement—which has not been read onto the record but, I understand, will be incorporated in the *Hansard*—to address every single issue that Senator Ferris raised and that has been raised in the media about the payments of moneys. I have also added a new one—which has not been raised yet, but is worth investigation—about what the current board has done in terms of Mr McLachlan employing a director of a company that he is in private business with, as an employee of the company, that has now failed. It gave him a \$40,000 pay rise within three weeks of being appointed to a full-time position, after he was appointed as a consultant to the company. If people are going to go for me and allege that I have done things wrongly and if this committee says that it is a committee of the parliament that is objective and fair, I beg the committee to look at some of those issues, too.

CHAIR—Can I just say that goes without saying.

Mr Dorber—Thank you.

Senator O’BRIEN—I take it that you, as the former CEO, would not have a problem with this committee having access to material provided to the department and administered by you in accordance with schedule 3 of the agreement?

Mr Dorber—I would not have a problem if you saw every bit of paper, every diary note or every record that I ever produced as managing director of AWI Ltd. I recall that on another occasion when the Senate thought they should inquire into me that they even asked for my bank records. If you want those, you can have those too. I did nothing other than be passionate and committed and do what I was instructed to do, which was to change the culture of research, development and innovation in the wool industry, and do something shocking, which was putting the wool growers first and the entrenched interests and the trough feeders last. My punishment for that was to get sacked. As people keep saying to me, ‘We didn’t know you could get sacked for doing a good job.’ As to the pretext of the Farmhand drought relief appeal, there is no truth to it.

To this day the board, other than saying, ‘We have no confidence in you,’ has never told me why they sacked me, and it has cost them a lot of money to do it. I would give that money back tomorrow if I was reappointed, because I believe that we have an exciting, vibrant company which was delivering to its shareholders. We were slowly extricating ourselves from wool politics and we believed passionately that the time was not far away when there would be a zero levy and no government money being given to woolgrowers, and that if they wanted a future they would have to pay for it themselves.

Senator O’BRIEN—I take it you have looked at the submissions that this committee has received.

Mr Dorber—I was told by the secretary that they would be posted to me by express mail. They have not arrived. I am very keen to read them.

Senator O’BRIEN—I wanted to ask you about some of those submissions and I also want to ask you questions about the audit report when I see it. We should have another opportunity to discuss them.

Mr Dorber—I will come back for as many days as you want me. When this committee is finished, I want it to say, ‘He may be a bit bombastic and all those other things, and he may be overly passionate and he may not have any formal qualifications—which appears to get up some people’s noses—but he knew what he was doing. He believed in his shareholders and he behaved properly and didn’t break any laws or do anything wrong.’ That is where I am coming from. At the moment, seven months on, I cannot get employment because of what has been said, and I blame Mr McLachlan, Mr Campbell and Senator Ferris for that.

CHAIR—I think we should call a five-minute break.

Senator FERRIS—I would prefer to keep going because I have other commitments.

CHAIR—Are you all right to continue, Mr Dorber?

Mr Dorber—Yes.

Senator FERRIS—Mr Dorber, you have talked about how you were appointed to the position of CEO. I note that you were quoted today as saying that you were not an applicant for the position. Can you confirm that you did supply a CV to the board?

Mr Dorber—I was appointed to the position of managing director. I did not supply a CV to the board for the purposes of my application. I did give them a copy of my CV marked ‘confidential, personal and private’, which I never used for a job application and have not used since they received that document.

Senator FERRIS—Can you confirm, Mr Dorber, that you list the Hon. Peter Anderson—former New South Wales minister for police and former New South Wales minister for health and current chair of the Darling Harbour Board and the New South Wales tow truck commission—as the first person to give a preliminary assessment of your character?

Mr Dorber—I can. And I can say, Senator, that for you to know that, someone has given you a private document that you had no right to see.

Senator FERRIS—Can you also confirm that you listed the Hon. Bob Carr as your second referee?

Mr Dorber—I did not list him as a referee because I have never asked his permission. I listed him as one of the multitude of names—including Michael Yabsley and a number of Liberal ministers—of people I would approach if asked to select the final one or two referees for a future job. But it was never a document used by or seen by Mr Price, who appointed me to AWI. In fact, Mr Anderson did not even know I had gone to AWI until nearly two months after I got there.

Senator FERRIS—How was your appointment ratified by the board?

Mr Dorber—I do not know what you mean. I was appointed, with a signed contract, by Mr Price, who was the chairman of Australian Wool Services Ltd, which was the sole owner of AWI Pty Ltd. I do not think it needed the AWI board’s ratification. He ratified it and it was approved at the AWS board, and it happened.

Senator FERRIS—How was it approved at the AWS board?

Mr Dorber—I do not know; I was not a member of that board.

Senator FERRIS—Were you present when the board discussed your appointment?

Mr Dorber—No.

Senator FERRIS—Was it a face-to-face meeting of the board?

Mr Dorber—I have no idea. I started after they had appointed me, not before.

Senator FERRIS—Were you present at a telephone conference link when your appointment was discussed by Mr Price with members of that board?

Mr Dorber—Which board?

Senator FERRIS—The AWS board.

Mr Dorber—Not that I am aware of. The only meeting I was present at was a board meeting of AWI Ltd when directors Vizard and Patten demanded an explanation as to how I had been appointed. I said, ‘Go and ask Mr Price. How would I know?’

Senator FERRIS—So you were present when two directors raised your appointment at a board meeting—

Mr Dorber—An AWI—

Senator FERRIS—at an AWI board meeting.

Mr Dorber—I was—and they knew I was there, too.

Senator FERRIS—How did they know?

Mr Dorber—They spoke to me. They asked me questions.

Senator FERRIS—So it was a face-to-face board meeting.

Mr Dorber—I cannot recall. It may or may not have been. I do not know. It was a long time ago. Either way, I can recall one of those two directors asking me some direct questions about my appointment and my saying, ‘What are you asking me for? Ask Mr Price.’

Senator FERRIS—Can you confirm that, in March 2002, your salary was in the range of \$200,000 to \$250,000 per year—which I think is documented in the annual report of that year—and that, although it was committed for a period of two years, by the AGM in October 2002 your salary was between \$410,000 and \$420,000?

Mr Dorber—I would be so lucky, Senator Ferris. In the reporting time, my group certificate shows that my gross income from AWI Ltd for the period ending 30 June 2002 was \$305,000. I am not responsible for what the auditors put in the annual report about bands, but I can invite you to look at my tax records. I was paid for that full financial year \$305,000, inclusive of bonuses, and that was paid against a board approved contract.

Senator FERRIS—I am not interested in looking at your tax returns, but I am interested in looking at the list of the remuneration of directors, where it is shown that, in the 2002 reporting period, there was one director who was earning between \$410,000 and \$420,000 a year. There was no director in that category in the year 2001. Can you confirm, if it was not you that was earning between \$410,000 and \$420,000 a year in the year 2002, whether another director was? If so, can you tell us who that director was?

Mr Dorber—I can tell you that, for the 2001 year, the report relates to a three-month period, so naturally it is going to be a smaller amount. I can tell you that, for the 2002 year, no director, non-executive or managing director received any amount even remotely approaching \$400,000.

Senator O'BRIEN—Can I just jump in—

Senator FERRIS—Excuse me, I just want to clarify this point. If the annual report is wrong in relation to directors' remuneration, did you take any action to have this matter corrected?

Mr Dorber—The report relates to a band and is prepared by the auditors and certified by the auditors. It is an information report. My recollection of a discussion with the auditors was that we would leave it alone. I can just assure you, Senator, that no director received that amount of money. I never did.

Senator O'BRIEN—There is a point which seems to me to be valid, which might explain the difference. Perhaps if I can put this question to Mr Dorber, he can assist us. You have talked about your tax return, and the

annual report talks about remuneration. Would it be fair to assume that the difference between your salary and the annual report would cover benefits such as superannuation, vehicle and other fringe benefits?

Mr Dorber—My understanding from my accountant is that the \$305,000 relates to all of my entitlements rolled up together, and that that was my gross taxable income for the year.

Senator O'BRIEN—Your superannuation would not necessarily be on your group certificate.

Mr Dorber—I cannot answer that. All I can say to you is that no director received those payments, but I can tell you that at least one director on the current board will have to be in that band in the next reporting financial year.

Senator FERRIS—That is clearly a matter we will need to take up with the auditors. You said in the lead-up to the annual general meeting last year that your contract was watertight for the next five years. How did this contract come to be renegotiated to include such a significant salary increase, accepting that the figure you are giving us is still significantly more than the previous year? How did it come to be, as you put it, watertight?

Mr Dorber—If it was watertight, I would not be sitting here talking to you as an unemployed person, but I would say this to you—

Senator FERRIS—I am quoting you, Mr Dorber.

Mr Dorber—I am telling you that Mr Price appointed me on a written contract which required a review at the end of year one. The board of AWI Ltd initiated that review. It took six months. The chairman of the board appointed a company to do the review. That company's written report was tabled to the board in my absence. The board resolved that they wanted a much larger firm to do the review, so they commissioned a second review, which was conducted by Pricewaterhouse Coopers. The first review recommended a salary and certain benefits. The second review, conducted by Pricewaterhouse Coopers, recommended salary benefits and bonuses substantially higher than the first report. The board took the second report.

Senator FERRIS—How many members of the board made that decision?

Mr Dorber—I was not present, but my understanding is that the non-executive directors met and passed a resolution. I was not present for any part of the discussions about my salary.

Senator FERRIS—Can you confirm that Mr Luke Dorber and Miss Holly Dorber were employed by the AWI?

Mr Dorber—I can.

Senator FERRIS—Can you tell us how they came to be employed?

Mr Dorber—With pleasure. A number of approaches were made to me by the operations manager and the company solicitor to recruit Luke, following their failed attempts to get an appropriate administration officer who could be placed into project work. I declined to employ him. The operations manager came back to me and said, 'We can't find anyone. We know Luke, we know his work and we would like to employ him.' I said, 'Go and talk to the chairman of the board.' The chairman of the board subsequently conducted a recruitment process, including interviews. She documented that process and directed that all of the documentation concerning his appointment be placed on file.

In fact, Senator, yourself and Mr Schultz asked me all this a year ago. I gave exactly the same answer then. Ultimately, the chairman wrote to me and said, 'I am satisfied that, notwithstanding the fact that he bears your surname, he has all of the skills and qualifications to do the job and I recommend that you exercise your delegated power to appoint him.' I did. Subsequently, he was appointed. He was responsible, among other things, for the much acclaimed mobile wool innovation showcase, which cost \$600,000. He was responsible for the purchase of the Gosford warehouse, which is now worth \$300,000 more than we paid for it, and he supervised two staff at that site.

Senator FERRIS—Would the papers which determined the advertisement for the position be available? Was there a position advertised that Mr Luke Dorber applied for? If so, would those papers be available to this committee?

Mr Dorber—I do not know what the operations manager did about the recruitment. My program managers and operations managers were not required to report process to me. They only had to comply with the human resource manual in terms of equitable recruitment. But I can tell you that all of his records should be available.

Senator FERRIS—Given that this was your son—and you would have realised that there would have been certain sensitivities associated with this—did you not request that there be a position advertised, to absolutely satisfy yourself that, in the eventual outcome that your son might be found to be the best applicant, there was a totally transparent process which included advertisements and applications for the position?

Mr Dorber—I did not request or do anything. The matter was taken over by the chair of the board, who dealt with the entire process. The sensitivities, I thought, were no different than the sensitivities of members of parliament employing their spouses and family, or members of the wool fraternity employing their sons and daughters. At the end of the day, it is clear from his file and from the chairman's written report that he was considered by her to be the most suitable applicant for the job. She recommended his appointment and he was appointed. He was reviewed by his various supervisors on two occasions, in writing, and was found to have met and exceeded all requirements placed upon him.

Senator FERRIS—Are you able to give the committee details of his salary, and any package that he received when his employment was concluded?

Mr Dorber—I am able to indicate to you that in the tabled documents is a letter I handed to the chief financial officer on the day that they were terminated which sets out the advice I had received about their termination. To the best of my recollection, each of them received the equivalent of 12 months salary on termination. I can say unequivocally that the wool producer group, you, Mr Shultz and the newspapers had a great feast on persecuting my 20-year-old son; I will never forgive you for that.

Senator FERRIS—I am not interested in engaging in that conversation.

Mr Dorber—I'll bet you aren't.

Senator FERRIS—I am interested to know what those figures are and I am interested to know about the transparency of the appointment of Mr Luke Dorber. I would now like to move on to the appointment of Ms Holly Dorber. Could you please outline the circumstances under which Ms Holly Dorber was appointed? Perhaps you could just let us know how long each of these people worked for AWI to the extent that they received 12 months salary in some form of settlement when they left.

Mr Dorber—Holly was recruited initially as a part-time employee at the reception desk. All receptionists employed by the company were given the opportunity to fill positions before they were advertised generally, and every receptionist employed by the company in my time ultimately moved on to a better position. Some months after Holly was employed, the program manager of policy approached me and indicated that a vacancy for a policy officer had been created by the secondment of the then appointee to London for some months and needed to be filled. The manager asked if she could have permission to appoint Holly to that position. I contacted the chairman of the board to discuss the matter and received approval. Holly was so appointed. I cannot tell you off the top of my head what the appointment dates were, but I am sure that AWI could—and I would be astounded if they have not already. I would imagine that those records ought to be tabled for the committee.

Senator FERRIS—How was Ms Holly Dorber appointed as a part-time receptionist?

Mr Dorber—My understanding is that she was appointed by the operations manager following the appointment of two receptionists to job share. We provided opportunities for people to work half a day or a day.

Senator FERRIS—So there was a position advertised and she was an applicant?

Mr Dorber—I do not know if there was an advertisement; you would have to ask the operations manager who recruited and appointed her. I did not get involved in the appointment of staff at that level.

Senator FERRIS—Mr Dorber, you must have realised when you had your son and your daughter on the staff of AWI that it would attract attention. I am simply giving you the opportunity to clarify things. What I understand from what you have said is that both your son and your daughter worked at AWI as a result of appointments which were not advertised publicly as vacancies and for which there were no applications received. I am asking you if you would clarify that for me with facts and not opinion.

Mr Dorber—I think I am entitled to answer the question any way I like; I am not an obsequious public servant here tonight.

Senator FERRIS—I will just continue to ask you the questions until you answer with the facts.

Mr Dorber—I can tell you that more than half the positions at AWI were never advertised and that in a private corporate entity like AWI Ltd or any other company that is not an uncommon practice. The recruitment of those two persons was sensitive and because of that I announced it to the shareholders within days of it having taken place. I travelled all over the country and shareholders said to me, ‘My son and daughter work for me’ or ‘So and so works for his mother or father’.

Senator FERRIS—They may be a private company.

Mr Dorber—It happens in this place regularly.

Senator FERRIS—I am not interested in opinions about what other people do with their sons and daughters; I am simply asking you questions in relation to your son and daughter and how they came to be appointed to lucrative positions at AWI. That is what I am trying to establish.

Mr Dorber—I reject the opinion in the use of the word ‘lucrative’ and I say to you that they were appointed in accordance with the proper process, administered by the operations manager, supervised by the chair of the board and reported to the shareholders across the country. They performed in exemplary fashion. I believe I have answered your question.

Senator FERRIS—Given that we have not yet had an opportunity to look at the documents you have brought along this evening, are you able to tell us now the value of each of their redundancy packages?

Mr Dorber—I can tell you that it was equivalent to one year’s salary plus entitlements. I cannot tell you what that monetary figure is because the chief financial officer dealt with that and I do not think I have ever actually seen the paperwork.

Senator FERRIS—Are you telling us that it is not included in the submissions which you have brought tonight?

Mr Dorber—I do not have it. You will have to ask AWI for it.

Senator FERRIS—I thought you told us that you had provided it.

Mr Dorber—I told you that I included in my submission a letter that I handed to the chief financial officer setting out the basis for their termination following the attacks upon their employment and the comments of the new chairman of the board to me in respect of their employment. It was made clear to me that they were not wanted on board.

Proceedings suspended from 9.05 p.m. to 9.29 p.m.

CHAIR—We have been handed some letters. Thank you very much, Mr Dorber.

Senator FERRIS—I think we were trying to establish whether the material that you have supplied to the committee contains the details that you have outlined to the committee in relation to the employment of your son and daughter. Did you have an opportunity during the break to refresh your memory as to what is in that material?

Mr Dorber—The material contains a letter written by me to the chief financial officer. It instructs him to terminate the two employees and sets out the advice I had received as to the grounds for termination and the likely actions they might have for unfair dismissal or discrimination. It directs him to pay them 12 months salary on termination.

Senator FERRIS—What was the decision to pay each of them 12 months salary based on, Mr Dorber?

Mr Dorber—Firstly, it was based on the written delegation that I held as the managing director to make those decisions. Secondly, I sought professional advice which I reduced to writing and handed to the chief financial officer. That advice indicated that an industrial commission, reasonably instructed, would regard the terminations as unfair and potentially might award them the maximum available amount of six months salary. The advice I received also indicated that there might be a reasonable action to suggest that they had been discriminated against unfairly and that it might lead to some other action and/or public embarrassment for the company. I handed that written advice to the chief financial officer and he then proceeded to prepare their dismissal notices.

Senator FERRIS—And he actually doubled the amount that you believed that an industrial commission would reasonably award them. Is that correct?

Mr Dorber—No, he paid the amount I directed him to pay which was 12 months salary, which consisted, in my thinking, reasonably of a payment for unfair dismissal and a payment for discrimination.

Senator FERRIS—Did it concern you in any way that there maybe some public perception that you had authorised the payment of a year's salary to each of your children on their dismissal when they had been in the employ of AWI for a very short time? We are yet to confirm the length of time. Did it concern you in any way—given that both of them had been appointed to positions which were not publicly advertised and for which they had not publicly applied and been chosen—that in some way that would lead to wool growers having the perception at least that they had been discriminated against positively in a financial sense?

Mr Dorber—It would have, had that not been the practice in relation to other terminated or dismissed employees. In fact, in the first year of the company, an employee was dismissed for a very serious matter that involved extensive legal advice and the employee received 12 months salary in respect of that because of the difficulty that a company has in dealing with these sorts of matters in industrial tribunals. They were not treated differently in any way to the termination practices—

Senator FERRIS—Other than that you were their father and you have come here tonight and talked about a conflict of interest. I have said to you that I have no professional, financial or private interest in the wool industry. You came in here tonight and accused me of having a conflict of interest, yet you authorised cheques to be written for a year's salary for each of your two children.

Mr Dorber—The payments were conducted in accordance with the policies of the company and the delegations I possessed. Advice was sought before those payments were made. The payments were not inconsistent with previous practice. My comments about you related to none of the matters that you have raised but rather to your relationship, in a different way, with Mr McLachlan and my belief, wrongly or rightly, that Mr McLachlan, directly or indirectly, has somehow used you unfairly and improperly to start this witch-hunt.

Senator FERRIS—Let me assure you, Mr Dorber, that Mr McLachlan has not in any way contacted me nor has he supplied any documentation to me. He has not spoken to me on these matters and nor have I spoken to him. As I said at the outset of this hearing, my private and my professional telephone accounts will show that on no occasion has Mr McLachlan contacted me nor have I contacted him. So let us lay that one to one side because it is very easy to destroy the credibility of a critic. What I am trying to do here tonight is to get to some facts, get them clarified and get them on the table. Can we now proceed to a statement that was made in relation to an invoice received from a journalist who attended, as I understand it, a meeting of the Rural Press Club in Victoria—

CHAIR—Excuse me, Senator Ferris. Before you move on, there is something in relation to a previous point raised by Mr Dorber.

Senator BUCKLAND—Something was raised by Mr Dorber. I have not heard the whole argument but he mentioned that there had been other terminations of employment—for a serious breach in one case. Was that matter taken to a tribunal?

Mr Dorber—No, it was not because the advice we received led to us making payments which were the potential maximum payments a tribunal could make and therefore there were no grounds for the employee to make the claim.

Senator BUCKLAND—Where are you getting the advice you received?

Mr Dorber—I talked to our lawyers, a professional industrial relations adviser and people who worked for the company and advise on these matters.

Senator BUCKLAND—How many of the 'many'—I think that was the word you used—terminations have been tested before a tribunal?

Mr Dorber—I did not use the word 'many'. No terminations that I conducted have led to any proceedings, other than my own, which was the subject of an application to the Federal Court.

Senator BUCKLAND—Based on what has happened in the past, you just determined to pay a year's pay and get rid of the problem?

Mr Dorber—That is not what I said at all, Senator.

Senator BUCKLAND—It is certainly what it sounded like.

Mr Dorber—I will have to replay the tape. I did not say that to you. I said I sought professional advice, I identified the basis for the payments, I reduced that advice to writing, I handed it to the chief financial officer and I gave him a direction.

Senator BUCKLAND—At no time did you ever attempt to test the rightness or wrongness of the terminations?

Mr Dorber—It is not the employer's job to test whether or not his decision is right or wrong. It is up to the employee if they do not like the decision to go to an industrial tribunal.

Senator BUCKLAND—In this case the employees being your own family members.

Mr Dorber—Any employee, be they my family members or not, have the right to file, if they want, unfair dismissal proceedings against AWI Ltd.

Senator BUCKLAND—File it against their father. I just wanted to be clear on that.

Senator FERRIS—I am glad we were able to clarify that, Senator Buckland. Can we now go back to the matter of the invoice that was sent to AWI by Mr David Everest. Can you tell me the circumstances under which Mr Everest sent an invoice to AWI?

Mr Dorber—I have never read anywhere in the media nor seen in any releases or letters from AWI any reference to that matter. I have heard anecdotally of a journalist. You now tell me it is Mr Everest. I can tell you that in the run-up to the AGM the Victorian Rural Press Club, I think it is called, organised a luncheon at which they invited Mr McLachlan to be the speaker. I contacted the convener who informed me that I would not be granted speaking rights, and that indeed I was not an invited participant. I sought advice from the chairman of the board and two other directors and received permission to invite a journalist to attend the meeting and report on it. Mr Everest was spoken to by a staff member. Subsequently, I received a phone call from the convener apologising to me for what was happening and saying to me that if I did come he would let me make a statement from the floor. I subsequently attended the function and made a statement from the floor. I heard Mr Everest ask a couple of questions. He subsequently invoiced the company for a modest amount, and I authorised the payment.

Senator FERRIS—Was it more than \$2,000?

Mr Dorber—Not to the best of my recollection.

Senator FERRIS—What is your recollection of the figure?

Mr Dorber—Less than that.

Senator FERRIS—How much less?

Mr Dorber—I have no idea. It was such a minor matter it was not something that occupied my mind.

Senator FERRIS—I think it is quite an interesting matter. I am wondering what were the instructions given to Mr Everest to attend such a function, and did those instructions include him being given the job of asking questions of Mr McLachlan?

Mr Dorber—I vividly recall the instructions.

Senator FERRIS—Were they written instructions?

Mr Dorber—No. I sought advice from the communications manager about who should do the job and subsequently I had a conversation with Mr Everest and I said to him, 'I understand that you journalists basically write what you want and I am not telling you what you have to do or say but we want a journalist present who will ask some of the questions that we think do not get asked.' I did not give him any questions to ask nor did I suggest to him what he might ask. In fact, he was a very insignificant player in the day's events.

Senator FERRIS—Given that he was being paid by AWI to attend that press club lunch, did he make a disclosure that he was there to represent AWI when he asked the questions?

Mr Dorber—I do not recall that he did.

Senator FERRIS—Did it concern you that you had engaged somebody who appeared to be asking those questions as an independent journalist when he was in fact given the job and was paid by AWI to go and ask those questions?

Mr Dorber—The questions he asked disclosed his partisan attitude very quickly, and—

Senator FERRIS—Did he ever say at that public function that he was being paid by AWI to go along to that function appearing to be an independent journalist whilst in fact in the employ of AWI?

Mr Dorber—He did not, and I am not aware that anyone else there did either. I know that other people were present as paid journalists for people too.

Senator FERRIS—I am just trying to get to the bottom of this question, and I am glad that we finally have.

Mr Dorber—I would like to say that there was absolutely nothing improper about the arrangement. It was within my power as the managing director to do it.

Senator FERRIS—I am not questioning whether it was in your power, Mr Dorber; I am simply asking whether you told the journalist to do what he did and whether he did that on your instructions. We have now established that the answer to both of those questions is yes and that he was paid for the job and did not disclose that he had a commercial relationship with AWI. That is what I wanted to know.

Mr Dorber—He had no duty to.

Senator FERRIS—You might say that, but the fact of the matter is that he appeared there to be an independent journalist when in fact he was not. Could we now move on to a couple of other things. When you talked earlier tonight—and I have not had the opportunity to read all the documents that you have presented here this evening—you referred to the York Street and Barrack Street offices. Can you take us through the process of the purchase of the York Street property and the circumstances under which that was undertaken?

Mr Dorber—I can recall the board being asked whether they wished to rent or purchase property in Sydney and the board agreeing that the benefits from purchase were such that we should do so. The principal driving factors were, firstly, the existence of transitional funding to allow the purchase to take place which meant that it would not detract from any funds provided for RDI and, secondly, the known appreciating values of property as opposed to the very high rentals that were required.

As a result of the board's decision I directed the operations manager to commence a search for a property and, over a period of some months, he searched and identified many properties. We looked at many properties. We missed out on a couple of potential properties and eventually he identified level 5—I think it was 60 York Street; I cannot recall the number today—and we carried out an inspection. We then invited the members of the board to inspect the property. Negotiation took place between the operations manager, our lawyers and the agents concerning the purchase, and a recommendation then went to the board. I had no delegation to buy the property without board approval. The board authorised the purchase of the property, and we bought the property.

Senator FERRIS—How long was it before the property you had occupied became too small and you were required to rent additional space within that property?

Mr Dorber—I think 13 months after moving into York Street we moved into Barrack Street.

Senator FERRIS—What were the circumstances under which, 18 months after the purchase of York Street, it had become too small?

Mr Dorber—There was the reality that the estimated \$30 million of annual income was closer to \$80 million, the fact that the number of projects—far from being the 15 that were suggested or the 30 that it might be—had grown to over 100, and the agreed increase in staff that was identified by the auditors, by the finance and audit committee, by the board and by management. It was simply inadequate, and therefore it was resolved to search for property. The property we identified, interestingly enough, was owned by a very large company, Deutsche Bank. It was on a sublease to a branch of PricewaterhouseCoopers. It had been vacant for many months. The property was available on a fixed five-year lease at below-rental rates. The operations manager was able to negotiate a package which the board approved, and we subsequently rented the premises and moved in.

Senator FERRIS—How many floors of the York Street property were ultimately occupied?

Mr Dorber—We owned one floor.

Senator FERRIS—How many floors were ultimately occupied?

Mr Dorber—We rented two offices on the floor below as an interim measure, pending the move.

Senator FERRIS—When you moved to Barrack Street, what happened to the York Street premises?

Mr Dorber—The operations manager was directed to find a tenant, and negotiations took place. On a number of occasions, he thought he had tenants. Some weeks before the AGM he wrote me a letter, which I sent to the board, identifying a tenant. A real estate agent had written to the company and said: 'We have identified a tenant. This is what they want to pay. These are the terms. Are you agreeable?' The board and I subsequently approved those negotiations. I reported those negotiations to the AGM. Approximately a fortnight after the AGM, following a dispute over the removal of a safe from the property, the tenant indicated

they would not proceed to the rental. I then gave a written direction that the new board was to be consulted before any further action was taken about sale or rental. I was dismissed shortly thereafter.

Senator FERRIS—How long were the premises in York Street in fact vacant after you moved to Barrack Street?

Mr Dorber—August, September and October—three months.

Senator FERRIS—What was the cost of the vacancy to AWI in terms of lost income?

Mr Dorber—There was no real cost, because we owned the property and it was appreciating in value.

Senator FERRIS—No. The premises were empty and, presumably, you were trying to rent them. What was the amount that you were trying to secure as a rental which then became income forgone?

Mr Dorber—I was not aware of that figure. That was a matter for the operations manager. I can say to you that there are written documents at AWI that would identify that.

Senator FERRIS—Can you confirm that you quoted the return on York Street as 11 per cent at the AGM?

Mr Dorber—Yes.

Senator FERRIS—Do you believe that that was a correct figure?

Mr Dorber—I had a written report from the operations manager that said that was the figure. I quoted his report.

Senator FERRIS—Did that take into account that you thought you had rented those floors?

Mr Dorber—Yes.

Senator FERRIS—When, in fact, you had not?

Mr Dorber—As it subsequently turned out, the tenant did not take up the lease. That is correct. At the time I made the statement, it was true and correct in all respects.

Senator FERRIS—Can you take us through the executive gym and the two personal trainers?

Mr Dorber—I love the title; I do not know where you came up with that one. It was just a room which had in it an exercise bike, a walking machine, some weights and some mats. There was a staff meeting—

Senator FERRIS—Who owned those?

Mr Dorber—AWI.

Senator FERRIS—And under what circumstances were they purchased? Were they purchased for the executives?

Mr Dorber—They were purchased for the whole staff. We did not have executives at AWI—

Senator FERRIS—So it was, in fact, an executive gym?

Mr Dorber—we just had everybody. The gym was set up in this room. All of the staff had a meeting with me before it was done, and all of the staff—myself included—agreed that we would pay, out of our weekly salary, the sum of \$15 so that AWI would recoup the total \$50,000 expenditure on setting up the gym. I might add that the gym was established for the use of all staff because of our obligations under the occupational health and safety act to provide an appropriate workplace. I reported to the board that we were going to do this, and the board endorsed it. I also told all the shareholders as I travelled round the country, and I informed the Wool Advisory Group that we were doing this and why we were doing it. Until it became the subject of some speculation by the national wool producer group in the media, nobody had ever actually complained. It was only when it assumed this new title of a 'gym' and the untruthful claim that personal trainers—

Senator FERRIS—It clearly was a gym. It had gym equipment.

Mr Dorber—But it was not an 'executive gym'.

Senator FERRIS—Executives used it. Did you use it?

Mr Dorber—Of course I did.

Senator FERRIS—Well, you were an executive, so it was an executive gym.

Mr Dorber—That is a very clever play on words. It was a gym for all of the staff of the company.

Senator FERRIS—Let us get on to the people who were the personal trainers in the gym.

Mr Dorber—Singular.

Senator FERRIS—Let us get on to that. That was my first question to you.

Mr Dorber—No; you asked me about the set-up of the gym.

Senator FERRIS—No; I asked you to take me through the executive gym and the trainers.

Mr Dorber—I have described the set-up of this gym that you call an ‘executive gym’. I have described the resolution of the staff to pay for it.

Senator FERRIS—Let us move on to the other part of the question, please.

Mr Dorber—Please do not hector me. I am trying to answer you properly.

Senator FERRIS—I am trying to keep you to the point and the facts.

Mr Dorber—As a result of the decision of the staff to pay for the facility, it was agreed that a personal trainer would be available for two hours per day for five days a week on condition that all staff use the facility and attended when they had voluntarily rostered themselves on. That is what took place. The staff paid for that service.

Senator FERRIS—How much did all of that cost?

Mr Dorber—I do not recall. You would have to ask AWI. It was not a matter that I dealt with.

Senator FERRIS—Can I now turn to some R&D projects that AWI has been involved with. I came into the meeting tonight when you were making some comments about Mr Anderson. Can you please take us through the skill base that Mr Anderson was able to supply to enable you to give him a contract to study chemical residues in Europe?

Mr Dorber—I am pleased firstly to tell you that that was not what the contract was to do. I have read onto the record here the terms of reference of the project and they are in written form in front of you. Do you want me to repeat those?

Senator FERRIS—No. I would like you to draw to my attention where they are because I have not had a chance to look through the documents.

Mr Dorber—They are in the document with the heading ‘Further response to specific issues raised in the Senate committee concerning the Hon. Peter Anderson’ from page 3 and thereafter. The terms of reference are reported and the project staff are identified. I can report to you, as I have already informed the chair, that when I was in France I was lobbied very vigorously by the CSIRO, who did a major presentation to the International Wool Textile Organisation claiming that the European Union was intending to ban the importation into the European Union of chemically and pesticide contaminated Australian wool. I was extremely cynical about that, particularly when I was made aware that the cost of the CSIRO project was in the millions of dollars. When I returned to Australia, I had a discussion with the board and we agreed that what we needed to know was: how did the European Union operate, how did trade commissioners go about their business, how did the political process work and what was the nexus between the European Union and the Australian government?

It was agreed that we should identify a politically savvy consultant to bring a team together. As you have already identified, I knew Mr Anderson well from over 10 years of professional contact, both as a member of parliament and a consultant operating internationally. I rang him and he identified a number of experts in Europe and in the United Kingdom who could do what we wanted. I said earlier and I repeat, Mr Anderson did not, as you said on Monday, travel to Europe to carry out this contract. He was charged with facilitating the project, and I have tabled the report here tonight. He was paid something less than \$50,000 for the total project.

The project was reviewed internally by AWI staff and a formal recommendation that the project met the contract requirements identified the issues of concern, albeit the staff did not completely agree with all of the recommendations, but they recommended that the contract be paid as the terms had been met. That report was then provided to members of the board and when I next went to Nice to the IWTO I spoke with the then president and many of the wool manufacturers and processors. I told them that AWI would not be investing in this proposal by the CSIRO or in a proposal that had been put to us by a Danish consortium to produce this thing they call clean, green wool. My rationale was that the report made clear that there was no intention within the European Union, as claimed by the CSIRO, to ban the importation of Australian wool. More importantly, we had found out that less than five per cent of the Australian wool clip that was exported to Europe was contaminated.

Senator FERRIS—Before you decided to engage Mr Anderson, did you do any kind of study to determine whether that material was already available or any of that work had already been done?

Mr Dorber—I directed the trade policy manager to do some research, which she did. She reported to me. I then said to her, ‘I know an international consultant; an ex-politician. They often have very good contacts. They go on all these various activities over the years and they establish liaisons professionally across the world. I will ring my contact and see if they can help us.’

Senator FERRIS—Given that Mr Anderson was on your CV as your principal referee and that that was already on the files of AWI, did it concern you that you might be accused of hiring a personal friend whom you just said you have known for 10 years? You rang Mr Anderson to do that work instead of putting out a tender and having it clarified in a transparent way. Did you think that hiring the police minister of a former government from the time you were a policeman would create a perception among at least some members of the wool growing community that a conflict of interest might occur?

Mr Dorber—I do not believe that would be a reasonable assessment, any more than using Mr Michael Yabsley from Government Relations Australia Advisory to do work or Mr David Trebeck from ACIL is faulty.

Senator FERRIS—I am not asking you about Mr Yabsley or Mr Trebeck.

Mr Dorber—Of course not. My answer is no.

Senator FERRIS—I am asking you about your principal referee and—

Mr Dorber—He was not my principal referee for his job.

Senator FERRIS—the fact that he was the Minister for Police during the period you were a policeman. He had absolutely no connection with the wool industry and no skills in the wool industry. You made the decision to ring this man on the basis that you knew him and engaged him and a team of people who were not publicly identified in a transparent process to carry out work of this nature for the wool industry. You are telling me that wool growers should not have been concerned about that?

Mr Dorber—Absolutely. He was not recruited for what he knew about wool but for what he knew about politics. When he was the Minister for Police, I never met him. There were 15,000 of us running around at the time and the inferred connection you make does not exist.

Senator FERRIS—If you never met him when he was the Minister for Police and you were a policeman, were you surely not then aware that connections could be made in a perceptual sense between the two of you that you would want to make sure could not be wrongly interpreted because you were the chief executive of a company that represented an industry that had come through a very difficult period?

Mr Dorber—I suppose you mean—

Senator FERRIS—Can I finish my question please? The last thing that would be needed would be more perception among the wool growing community of the wink wink, nod nod behaviour that had gone on the past, which you have already said you knew about.

Mr Dorber—Like the perception I had about the relationship between you and Mr McLachlan, you mean?

Senator FERRIS—I am asking you about the link between the former police minister and you—

Mr Dorber—I say there was no such perception.

Senator FERRIS—and the basis on which this contract was let. I am not interested in Mr Yabsley or Mr Trebeck or Mr McLachlan or anybody else; I am interested in the question that I am asking you. I want the answer via fact and not opinion.

Mr Dorber—My answer is no.

Senator FERRIS—Thank you. I will take you through the process of your R&D analysis. You said earlier tonight that you identified projects that needed to be done and then people were asked to do them.

Mr Dorber—I did not say that, sorry.

Senator FERRIS—Projects of one sort or another were identified as being necessary to be done and there were two separate streams which undertook that process.

Mr Dorber—Yes.

Senator FERRIS—I was trying to abbreviate it; I apologise.

Mr Dorber—Did you want me to explain that process?

Senator FERRIS—I beg your pardon?

Mr Dorber—Did you ask me to explain that process?

Senator FERRIS—No, I did not.

Mr Dorber—I am sorry.

Senator FERRIS—I said that you said that earlier tonight. I am moving on to some of the projects that were undertaken as R&D projects during the period in which you were the chief executive. Can tell me a little bit about the Wool Profit Map project? Can you tell me the circumstances under which that project was undertaken? Can you also take me through the reasons why that project was closed down and any payments that were made to the person who was carrying out that work?

Mr Dorber—I do not know what document you refer to, but the Wool Profit Map was a project of the former AWRAP, not a project of AWI Ltd. I had no role in the design, development, implementation or approval of the project. My role was to conclude it. The project was concluded under the former arrangements during my regime. I had no role to play in that.

Senator FERRIS—What were the circumstances under which the project was concluded?

Mr Dorber—The contractual relationship between it and AWRAP. I am not aware, from my memory, of any intervention that I took, but I do not have access to the documents to check.

Senator FERRIS—It is my understanding that the project was concluded during your term as the chief executive.

Mr Dorber—Yes, I have said that. I said that it was not started in my term.

Senator FERRIS—No, I did not say that—

Mr Dorber—It met its scheduled finishing date during my term.

Senator FERRIS—It was not closed down early?

Mr Dorber—I cannot recall, without being shown the files.

Senator FERRIS—That is perhaps something we will pursue with AWI. Can you tell me the name of the person who was involved in that project?

Mr Dorber—I have absolutely no idea.

Senator FERRIS—Can I ask you about a project called on-farm fibre measurement, which was carried out by a firm called Creative Logistics Pty Ltd. Are you aware of that project?

Mr Dorber—I am.

Senator FERRIS—What can you tell me about that project and the people who carried it out?

Mr Dorber—I can tell you that it was a project developed under the on-farm fibre measurement strategic plan adopted by the board, a copy of which has been tabled here tonight. That project was designed and developed under the auspices of Dr Paul Swan and his staff. That project ultimately was recommended to me and the board as one of a suite of projects for on-farm fibre measurement. The project involves a new way of using radio frequency identification on livestock. Beyond that, without access to the file, I cannot tell you any more.

Senator FERRIS—Who were Creative Logistics Pty Ltd?

Mr Dorber—They were one of the consultant companies appointed to do the work.

Senator FERRIS—How were they chosen?

Mr Dorber—I have no idea. I do not have access to the file at the moment. I am happy to be shown the file and answer the question. The file will disclose how they were appointed and what their contract was et cetera.

Senator FERRIS—Who set up the AWI web site?

Mr Dorber—I think it was done internally, from memory. It was managed by the communications manager, Mr Rowley, and an employee that he recruited from MLA.

Senator FERRIS—How much did that cost?

Mr Dorber—I have no idea.

Senator FERRIS—Was that arranged under a transparent process?

Mr Dorber—Everything was transparent. The company as a corporate entity was not required, for instance, to have the sorts of tender or other processes that apply in the government sector. We had a formal published policy on tendering, which forms part of the board-approved policies. I have no recollection as to how it was dealt with, but my best memory is that most of it was done internally.

Senator FERRIS—That is something else we will have to ask the AWI people. Can we move to ShearExpress. What was the circumstance under which you took on the chair of the ShearExpress board?

Mr Dorber—The AWI board had received many documents, culminating in a 33-page board minute that I and a consultant prepared. I have tabled that minute here tonight. Included in the minute was advice from the consultant that it was in the best interests of AWI Ltd, as the 70 per cent shareholder, to maintain control. The board agreed that I should be the chairman of ShearExpress. I announced publicly that I was doing it and that the purpose was to be held accountable for the potential \$6 million that would be invested in ShearExpress. We sought and received legal advice about the appropriateness, and it was made clear that it was common for directors of parent companies to sit on subsidiary boards as directors and/or chairs. Indeed, a current director of the AWI board now sits on ShearExpress as its chair.

Senator FERRIS—Did you earn fees as a director of ShearExpress?

Mr Dorber—There was a resolution that I put to AWI that I not be paid for being a director of ShearExpress and until Monday night I was under the understanding that that was the situation. I sought some advice yesterday and I am advised by my lawyers that, if a payment was made, that payment would have been dealt with by the deed of release negotiated between my lawyers and Mallesons and AWI.

Senator FERRIS—Are you able to confirm that you received fees as a director of ShearExpress?

Mr Dorber—No.

Senator FERRIS—You are not able to confirm it?

Mr Dorber—No. I have no records that tell me that.

Senator FERRIS—You did say, I think, at the time you were appointed chair, that you would take no fees.

Mr Dorber—I did. That was my intention.

Senator FERRIS—You believe that you did?

Mr Dorber—I said that I was not going to take any fees.

Senator FERRIS—But it now appears that you may have?

Mr Dorber—It has been suggested I may have been paid an amount of \$17,000. Other than reading it in the newspaper or hearing it from you, Senator, I have never had that matter raised with me. If it is true, it is covered by a binding legal deed of release prepared by, and at the insistence of, Mr McLachlan.

Senator FERRIS—Perhaps you might care to clarify that and let the committee know.

Mr Dorber—I think it is a matter for AWI. Why should I have to go and pay my accountant to give me advice that AWI could tell you in a minute? If they paid me, couldn't they tell you?

Senator FERRIS—You should do that simply because you said you were not taking fees.

Mr Dorber—If they have paid me, can't they just tell you?

Senator FERRIS—I have no idea.

Senator BUCKLAND—If they had paid you, surely you would know it?

Mr Dorber—Not necessarily. I did not check my salary every fortnight.

Senator FERRIS—If you said, publicly, that you were not being paid, wouldn't you worry about your personal credibility if subsequently it appeared that you may have been paid?

Mr Dorber—Absolutely.

Senator FERRIS—Well, then, why don't you want to clarify it?

Mr Dorber—I am waiting and I want to know why AWI does not write me a letter and tell me that they think I have been paid. I have no ability to clarify it because I have no access to their records.

CHAIR—This is a very disjointed process, Mr Dorber, but we have to go to a division.

Proceedings suspended from 10.07 p.m. to 10.19 p.m.

Senator FERRIS—Mr Dorber, I understand that you expressed to the chair a question as to the relevance of the issues that I have been raising tonight. I would just like to point out to you that I have been raising them under section 5.3(d), which says, amongst other things:

In determining how to spend the Funds, the company must have regard to:

... ..

(d) the Guidelines (to the extent applicable to the type of expenditure concerned),
and must apply the Funds in a manner that is otherwise efficient, effective and ethical.

It is under that section of the funding agreement that I have been asking these questions. Quite obviously, we will need to continue this questioning at some other time, but, before we close, can I ask you what the circumstances were in which you made the decision to ask the Red Cross to repay the half a million dollars that you had given to the Farmhand appeal. Was that because you came to understand that it breached the statutory funding agreement?

Mr Dorber—There was no breach of the statutory funding agreement—

Senator FERRIS—What was the basis on which you asked for the money to be repaid?

Mr Dorber—I am seeking to answer the question. You said that there was a breach of the statutory funding agreement.

Senator FERRIS—No, I posed the question.

Mr Dorber—My answer to that is that, as the statutory funding agreement requires the retrospective payment of moneys spent on RDI, it is physically impossible, even if that payment had gone ahead, for there to be a breach of the statutory funding agreement unless a claim had been made to the Commonwealth for matching funds. No breach occurred. The decision to withdraw, which I have documented in my submission, was based upon a conversation that took place between the senior officer of AWI who was doing all the negotiations and a senior officer of the Red Cross, who advised that the verbal agreement to sign a letter that the funds would be spent in accordance with that letter could not be honoured and that the Red Cross would not sign the letter. I subsequently rang the finance director at the Red Cross and we discussed the matter at some length. I noted to him that it had been unfortunate that the chief financial officer had paid in the belief that the letter was already signed when in fact the invoice only had attached to it an unsigned copy.

Senator FERRIS—Isn't it a fact that you actually transferred the money electronically but the amount was so great that the Red Cross was not able to accept the money electronically?

Mr Dorber—No, I have never heard that one; I have no knowledge about that one.

Senator FERRIS—So you actually did not try to transfer the funds electronically?

Mr Dorber—I have no idea how it was paid. My understanding—

Senator FERRIS—So you do not know that it was not attempted?

Mr Dorber—My understanding is that the chief financial officer, to the best of my recollection, hand delivered a cheque.

Senator FERRIS—Was it after he attempted to transfer half a million to a Red Cross account and the Red Cross was not able to accept such a large amount of money that a cheque was subsequently sent around to the Red Cross?

Mr Dorber—I have no knowledge of any of that at all. I am trying to say why the funds were not subsequently paid.

Senator FERRIS—When you—

Mr Dorber—I have not finished answering the question you asked me. You asked me why I terminated the project—

Senator FERRIS—Why you got the money back.

Mr Dorber—and my answer was that the letter of agreement—and I set out the whole story in detail in my submission—was not signed and therefore to not seek the return of the funds would have meant I had breached the board delegations. I explained this to the finance manager, who said, 'I have received a call from Mr McLachlan. He said there is no hurry about this; we'll sort it out later.' My reply was: 'It is nothing to do with him; I want the money back today.' The money was paid within 20 minutes.

Senator FERRIS—How was it that you came to send the half a million dollars donation when all the publicity about the Farmhand appeal made it clear that in no way could the Farmhand appeal differentiate between growers of wool, growers of beef and growers of anything else, for that matter, in the way in which they were going to disburse that funding? How was it that you ever—

Mr Dorber—I have tabled—

Senator FERRIS—Can I finish the question so that you can answer it comprehensively.

Mr Dorber—I understand the question well.

Senator FERRIS—How was it that you ever thought that that half a million dollars could be differentiated in a way that would benefit only wool growers when the Farmhand appeal was never intended to only give drought assistance to one particular commodity?

Mr Dorber—I can rely on the email I sent to Mr Alan Jones, the broadcaster, a copy of which I think is in my documents, but which is available on the public record. Mr Jones read my email on air and read my reference to projects in relation to water, drought management and other matters facing the wool growing industry. I can only refer to the subsequent discussions between a senior member of staff and the Red Cross, who were nominated to represent the board of the Farmhand Drought Relief Appeal. One of the members of the board was Mr Sam Chisholm, who was also a member of the Woolmark board. When they said, ‘We are sorry but, although the Farmhand Drought Relief Appeal has announced that it will fund research, development and innovation—particularly in respect of water management—we as the Red Cross are not set up to do that. We can’t sign the letter which it was agreed between the chairman of AWI and a senior member of the Red Cross would be signed.’ At that point I said, ‘If you can’t sign the letter, you cannot have the money. We have to get it back.’ I got the money back.

I did not make my decision because the *Land* and the Herald and Weekly Times spent their entire lives trying to attack AWI. I would have done no work at all if I had relied on the media in those newspapers to make my decisions. I got the money back because I decided as the managing director that they could not meet the terms of the proposed contract, which included a written offer by AWI that we would identify the projects, that we would manage the projects and—as required by point C of the letter—that every dollar would be spent on Australian woolgrowers.

Senator FERRIS—It is extraordinary that the money was sent before the contract was signed.

Mr Dorber—It is. Action was taken and the money was got back. No—

Senator FERRIS—It is a very interesting way of doing business. I do have a lot of other questions.

Mr Dorber—Senator, you asked the question with an opinion, after telling me I was not allowed to have opinions myself. Your throwaway line is offensive because it is wrong. There were a series of events that took place.

Senator FERRIS—It was not wrong at all.

Mr Dorber—The problem was rectified and I fixed it.

Senator FERRIS—The fact is, the letter was sent and the money was given before the agreement was signed. I am saying to you that it is an extraordinary way to do business and I think most people would agree.

Mr Dorber—I think people would say that mistakes occur from time to time.

Senator FERRIS—I do have many more questions but I am looking at the time.

Mr Dorber—Are you telling me as a private citizen that I need to come back? Is that what you are saying to me?

Senator FERRIS—I think that was the understanding under which you came: that you were happy to come back at any other time.

Mr Dorber—Will I have any indication when this might be?

Senator FERRIS—Unfortunately, we do need, as a committee, to go down and take part in the wheat debate in the chamber.

CHAIR—I think we should conclude these proceedings tonight. Mr Dorber, you will be given ample warning on when we might reconvene this committee. I thank you for your attendance tonight and the way in which you answered your questions. I bid everyone a good night.

Committee adjourned at 10.27 p.m.