

SUBMISSION TO THE AUSTRALIAN SENATE
Rural & Regional Affairs & Transport
Legislation Committee

Re: Statutory Funding Agreement between the Commonwealth of Australia, Australian Wool Innovation and Australian Wool Services, the operation and expenditure of Australian Wool Innovation and other relevant matters.

The concepts used for the development of Australian Wool Services (AWS), The Woolmark Company (TWC) and subsequently Australian Wool Innovation (AWI) were formed from extensive consultation with industry and the expertise of the Future Directions Taskforce Group, headed by Mr Ian McLachlan.

Right from the beginning of its operation, the new AWS and AWI organisations were seen to be different to the previous research organisation AWRAP and its predecessors. With a totally new team of operators, the excitement and challenge coming from AWI to make Research, Development & Innovation for wool have the relevance as set out in the "McLachlan Report" for the profitability of wool growers was sure to create discomfort for previous beneficiaries of compulsory woolgrower funding. It was the "McLachlan Report" that steered AWI in developing its commercial strategies, seeking to gain long term wool grower benefits brought about from "thinking outside the square" that had not previously been considered.

Expenditure and application of funds paid to Australian Wool Innovation Pty Limited

There was immense pressure for AWI to demonstrate the new Future Directions pathways outlined in the "McLachlan Report" through the commencement of new research, development and innovation. At the same time the AWI Strategic 5-Year Plan was being developed to encompass these ideas. Perhaps it was an unwise consideration of the authors of the "McLachlan Report" to even consider that statutory funding and innovation might conceivably be compatible, given the very nature of innovating – i.e. the actioning of creative ideas, and almost by necessity this means taking some calculated risks.

The current AWI Board and Management have, during the last 8 months, been issuing information on new project releases of which nearly all of them are familiar to me as a WAG member as being instigated by the previous incumbents. It would appear these projects meet the endorsed Strategic Plan, funding application, and are considered worthy projects. However, considering the sizeable funds that are now in the hands of AWI, one would have thought that more projects would have been reviewed and approved.

Alternatively, the amount of levy funds being paid by wool growers should be considered to be excessive if worthy projects cannot be found.

The planned expenditure and application of funds to develop a commercial approach to R,D & I should be encouraged. The long-term view by the McLachlan Board of reliance and acceptance of statutory funding from woolgrowers and government is appalling when there is an opportunity for AWI to move towards a more self-sufficient system providing benefits to wool growers through developing competitive self funding wool research development and innovation programs.

Other relevant matters

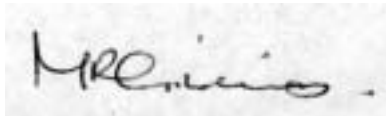
A letter from Mr Ian McLachlan to woolgrowers dated 6 June 2003, outlining some of the review results undertaken by PriceWaterhouseCoopers at AWI's request and the attached disclaimer is a major cause of concern with regard to the AWI leadership purpose. It appears that the WoolProducers organisation has drafted a response to this letter even before it was formally written. I received this letter on 23rd June, some 2 ½ weeks after it was given to the media for release and comment. It is a damning letter on the operation of a very few areas of AWI's management – this should be investigated further to ascertain the real truth behind the allegations. It would appear from the disclaimer that the very people who wrote the report might have concerns with regard to its outcome through not having access to all the information? The review report is not available for release so therefore as shareholders we have to believe the disclosure letter but with many unanswered questions and much doubt about the real facts and the intent of the current AWI Board's actions.

To consider that AWI has improved its corporate governance since late 2002 is a furphy. What it has done is deliberately tried to defame the organisation and the first Board who had a vision for making the wool industry proud of its achievements in a commercial setting and who contributed positively to the international wool market signals. If there has been fraudulent activity, the place for this is with ASIC and/or the courts and I would fully endorse this action if it is required.

Two new projects approved and funded since November 2002 have not been universally accepted as being appropriate. The first is quite political – that of the New England NSW Wool CRC funding which previously was rejected due to the political influence being brought to bare on AWI and AWI's lack of input despite the large amounts of funding requested.

The second is the public release outlining the capital infrastructure to be spent on the Falkiner Research Farm north of Deniliquin and consideration of changing the farm management due to a lack of 'profile'. This funding is an absolute disgrace. Any wool producer, if gifted some millions for upgrading fencing, irrigation and cosmetics, could make their farm look "best practice". The Falkiner station should be able to use its profits (like every other farmer) to make these upgrades. If it can't make enough profit then maybe the farmers can show the researchers a thing or two and it should be disbanded. Falkiner station is designed to demonstrate to farmers how to do it better!

With the return of a conservative perspective in 2003, which strangely is not in accord with the Future Directions outlook, it is very sad to see the 'opportunity cost' to whole wool grower communities arising from not looking forward. AWI's current views on non-commercial activities, a focus of on-farm rather than off-farm innovation and commercialisation, and reliance on never ending statutory and government funding has not only set this industry back 10 or more years, but has possibly irreparably destroyed what could have been an positive and challenging experience in wool industry R&D.



Marion Gibbins
Former member of Wool Advisory Group to AWI
Director of Australian Wool Growers Association
Family member of wool growing enterprise

"Little Gums"
RMB 5395
Noradjuha Road
Lower Norton Vic 3401

Tel. 0353 848201
Fax 0353 848256
Email: mga@netconnect.com.au