

Senator the Hon Judith Troeth
Senator for Victoria



PARLIAMENTARY SECRETARY TO THE MINISTER
FOR AGRICULTURE, FISHERIES AND FORESTRY

Date? (Arrival to
2004/2002)

Ms Maree McCaskill
Chair
Australian Wool Innovation Company
Level 5, 45-47 York Street
SYDNEY NSW 2000

MD 11

Dear Ms McCaskill

I am writing to advise you of the Government's priorities for rural research and development. As you would be aware, the Government has a strong commitment to rural R&D and I think we should all take some comfort and satisfaction that this commitment has been re-affirmed in the Prime Minister's recent innovation statement, *Backing Australia's Ability*.

We can also be proud of the achievements of the R&D Corporations and the new companies in delivering very positive, tangible outcomes to industries in their ongoing quest to be competitive, profitable and sustainable. However, we cannot become complacent. We must continue to deliver results to our industries and be able to demonstrate that this is the best way for the Government to invest in rural R&D. I encourage you to take opportunities to promote your successes and when you do so to give the Commonwealth due recognition for its contribution.

I am pleased to note that the RDCs and Meat and Livestock Australia are working together to develop performance indicators that can be used to collectively demonstrate the value of this R&D investment. I hope that AWI will join in this important work. I look forward to seeing the results of this work and the subsequent reports to Government, as I believe that they will be very useful to me in demonstrating, within Government, the value of this investment.

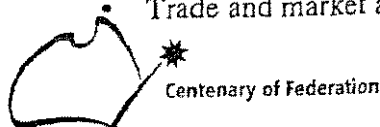
The Government invests in rural R&D with the expectation that the returns will benefit not only the industries directly, but also the wider community. While I appreciate that AWI is a private company, funding for R&D comes via levies collected by the Commonwealth and matching Commonwealth contributions. As such, and in line with the deed of agreement, I ask that AWI take account of the Government's priorities and respond accordingly.

The Minister for Agriculture, Fisheries and Forestry, the Hon Warren Truss MP wrote to all Research and Development Corporations, including the Australian Wool Research and Promotion Organisation, in December 1999 outlining the Government's priorities. The priorities remain the same, covering as they did:

- Sustainable management and use of our soil, water, air, vegetation and fauna resources integrated into farming and land use systems.
- A whole of industry approach to production, processing and marketing to ensure the chain works to its best advantage.
- Development of biotechnology, along with sensitive handling to accommodate consumers' concerns.
- Trade and market access negotiations.

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- Maintenance and enhancement of our clean green image.
- Addressing food safety concern of consumers.
- Cultivating creativity and innovation among our human resources.

I have attached for information details on each of the priorities.


I ask that as you prepare your plans for 2001-02 that you take these priorities into consideration and report against them in your next annual report.

I would like to wish you and your Board the very best in your pursuit of outcomes for your industry.

Yours sincerely



JUDITH TROETH



Fax 91813086



Department of AGRICULTURE FISHERIES & FORESTRY - AUSTRALIA



Mr Col Dorber
Managing Director
Australian Wool Innovation Pty Ltd
Level 5, AWA Building
47 York Street
SYDNEY NSW 2000

File sp
A/S CD
23/6

Dear Mr Dorber

Thank you for providing us with a copy of the draft Strategic Plan for Australian Wool Innovation Pty Ltd (AWI) for 2001/04 for comment. We appreciate the opportunity to comment on the draft Plan.

Firstly, I would like to take this opportunity to indicate our appreciation of your commitment to maintaining open lines of communication between AWI staff and this Department, particularly in relation to how the plans might best meet the requirements and intent of the Statutory Funding Agreement (SFA). The comments we offer, whilst certainly not prescriptive, are intended to help AWI satisfy the requirements of the SFA, as well as providing stakeholders with a more informative Plan which clearly articulates the future directions of the company.

We acknowledge the somewhat preliminary nature of the Plan as it is currently drafted, given that the company is still in the process of deciding which projects will be funded and, to a certain extent, the strategic directions for the business of the company. We would welcome a revised Plan as further detail becomes available, particularly regarding the allocation of funding against objectives.

As a large investor of wool industry levy and taxpayers funds in AWI, the Government is seeking a certain level of assurance and transparency regarding the manner in which levy monies and matching Commonwealth contributions will be spent during the period of the Strategic Plan. Some of the content of the Plan, as currently drafted, is unclear as to how this will be achieved. For example, no reference is made to the Government's research and development priorities which, under the SFA, the company is required to take account of in the application of the levy funds. There is also no yearly breakdown of resource allocations against projected levy revenue which could then be linked to strategies out to 2004.

It is difficult, by our reading of the draft Plan, to draw the linkages between objectives, strategies and outputs. For example, the Operating Environment recognises that "Australian wool producers are also under growing pressure in relation to their environmental impact and sustainability", but there is no Strategic Objective or Investment Goal to address this issue.

MD 11



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The Performance Indicators do not appear to be clearly linked to AWI's planned activities. We would also be happy to discuss or provide you with further information on the development of Performance Indicators as used by other organisations responsible for the expenditure of public funds. We would also suggest other inclusions to increase the transparency of the document, such as a governance statement on directors' responsibility for planning and reporting.

The Strategic Plan appears to indicate that AWI will be undertaking a series of projects. However, there is no mention of any longer term strategic programs, or broad directions of research and innovation.

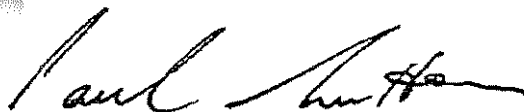
We note there is no reference to education and training programs for wool industry participants, which we would have expected would be seen as desirable as a means of ensuring faster adoption of R&D outcomes, and to achieve improvements in farm productivity. This area is one of the Government's priorities. The Government also puts a high priority on uptake of technology and commercialisation of statutory funded R&D, and performance assessments of AWI in the future will certainly look closely at these aspects. //x

With regard to the possible future de-merger of AWI from Australian Wool Services Limited (AWS), we suggest some contextual background to the references in the Plan, and some alternatives in case the de-merger does not eventuate as planned would be useful.

We appreciate the significant efforts AWI staff have put into ensuring the company is up and running and we recognise that this is the first phase of meeting the Government's expectations as set out in SFA's planning and reporting requirements. As the objectives and strategic direction of the company's business becomes more focused, we would encourage you to update the Plan. //x

We look forward to receiving a final copy of the Strategic Plan, and we would be happy to provide comment on the Operating Plan in due course, which I note in your letter of 29 May 2001 is still being completed. //x

Yours sincerely



Paul Sutton
General Manager
Wool & Dairy
Agricultural Industries

7 June 2001

24 September 2001

CC: DIRECTORS

The Hon Warren Truss MP
Minister for Agriculture, Fisheries and Forestry
Parliament House
CANBERRA ACT 2600

Dear Minister

**RE: AWI PTY LIMITED REPORTING REQUIREMENTS
STATUTORY FUNDING AGREEMENT**

As you are aware, AWI Pty Limited has a number of reporting obligations with the Commonwealth arising from the Statutory Funding Agreement.

Shortly, Australian Wool Services will release the 2000/2001 Annual Report incorporating AWI's statutory reporting obligations. As soon as that report is released, I will forward a copy to you and your officers.

AWI Pty Limited has previously provided you with its three year Strategic Plan, endorsed by its Board of Directors, Australian Wool Services Ltd and by wool producers generally. The Company has also provided on a "commercial in confidence" basis a copy of its 2001/2002 Operating Strategy to Mr Paul Sutton, Business Manager, of the Wool Division at Agriculture, Fisheries and Forestry Australia.

Enclosed is a "commercial in confidence" Statement of Corporate Intent. This statement builds upon a more general document to be released publicly and to stakeholders. This document is intended to meet the further reporting requirements under the Statutory Funding Agreement governing both the immediate past financial year and this current financial year's known budgetary and financial commitments.

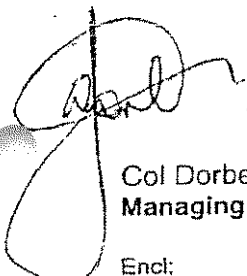
AWI Pty Limited is determined to further enhance and develop its reporting requirements so that at the conclusion of the next reporting period, all of the Statutory Funding Agreement Commonwealth requirements are met more fully.

...2/

Given my appointment was effective 1 March 2001, and the very short subsequent timeframe for complying with the Statutory Funding Agreement to 30 June 2001, I am seeking formal confirmation from the Commonwealth that the materials provided thus far, will be accepted as meeting and discharging the Company's obligations to this point in time.

Any further information required by the Commonwealth, will of course be readily provided upon request.

Yours sincerely



Col Dorber
Managing Director

Encl:

cc: Mr Rodney Price
Mr Paul Sutton



Department of
AGRICULTURE
FISHERIES &
FORESTRY -
AUSTRALIA



SECRETARY

Mr Col Dorber
Managing Director
Australian Wool Innovation Pty Ltd
Level 5
47 York Street
SYDNEY NSW 2000

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① *see average a meeting*
② *Attach 2 copies*
→ S/for operating strategy
→ S/for

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19 OCT 2001

BY:.....

Col
Dear Mr Dorber

I appreciated the opportunity to meet with you in Melbourne on 2 October 2001 and the brief discussion we had on the activities of Australian Wool Innovation Pty Ltd (AWI) and Commonwealth funding arrangements. I believe it important to ensure that both government and AWI understand the position of each other on issues of concern to either.

Before responding to your letter of 24 September 2001 in which you request endorsement of AWI's reporting as meeting the Statutory Funding Agreement (SFA) requirements, I would like to make some general comments about the working relationship I believe we need to establish. I am prompted to do so in the light of the matter you raised with me regarding AWI's participation in meetings such as that which Senator Troeth called in Melbourne. As a statutory funded body, AWI will continue to be invited to attend such meetings at which matters of mutual interest can be raised and discussed. *attach letter on file*

I note the concern that you expressed in our discussion in Melbourne that you had received advice (I presume from your company legal advisers) that certain provisions of the SFA may create problems for the AWI chair, or other representatives, responding positively to such invitations. I can assure you that from my, and AFFA's, perspective the SFA has no such intent. Moreover, if it were to prove a problem you have my assurance that in line with government policy relating to Ministers' accountability to Parliament for such funding the SFA would need to be amended to specifically provide for such attendance.

You will recall that at the Chair's meeting I emphasised that it was not the role of AFFA to interfere in the decision making processes of the R&D bodies. However, there were two important issues for the relationship between AFFA and the R&D bodies:

- reporting of performance of outcomes against the statutory levy on industries and the matched funding by government; and
- the governance arrangements that would ensure appropriate accountability and probity with respect to expenditure of these funds.



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MD17

On the first of these, I am aware that AWI has been established as a company limited by guarantee. Performance criteria other than "bottom line profit" are important as measures, in such situations, of the organisation's effectiveness in the use of both industry levy monies and the government's matching R&D funding. This will provide support for continued government matched funding of this activity. The RDCs have made considerable advances in this area over the past year and I look forward to continued cooperative efforts on this issue. In this regard, I am pleased to enclose the final printed version of *Innovating Rural Australia: Research and Development Corporation Outcomes 2001*.

On the governance issue, the establishment of AWI as a Corporations Law company brought with it opportunities for innovative ways of providing important industry services to wool industry levy payers. This change was a response by the government to calls from the wool industry for greater "ownership" and accountability of the wool service provider. However, despite these changes in the ownership structure, the essential elements of accountability and transparency in the application of statutory levies, which largely fund AWI's activities to the Minister of the day remain unchanged. The expected standards for planning, setting objectives and reporting against them remain the same as those required of the statutory authorities. V/A

I should say that AFFA appreciates the effort 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 provided to the Department also represent a commendable effort to show a level of transparency as to the company's future operations.

Although I appreciate the steep curve AWI has faced in establishing its business systems and operations since January this year, I think it important we identify clearly government's expectations in terms of financial planning and performance reporting. As I think has already been conveyed to you by my staff, the Operating Plan (or Operating Strategy, as AWI has called it) did seem to fall somewhat short of the requirements of the Statutory Funding Agreement. The Statement of Corporate Intent seeks to address these issues and you have sought confirmation that AWI has satisfied all its planning requirements under the Agreement.

The Statement has been examined to ascertain whether it is sufficient and the advice I have received is that it needs further inclusions (preferably incorporated into the operating strategy) before we would be in a position to recommend to the incoming Government after the election that AWI has met its reporting obligations under the SFA.

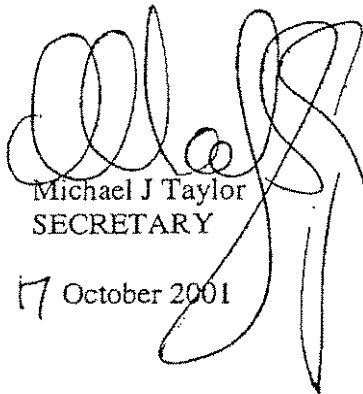
Specifically, I draw your attention to the reporting requirements under sections 16 and 17 of the SFA, which are one of the main means by which Parliament and levy payers would assess the performance of AWI and value for money contributed. In particular, there is a need to ensure performance indicators and other planning requirements are adequate to enable sufficiently transparent reporting.

X || In relation to the expectations for the Strategic Plan (SFA section 16), AWI's current plan would probably meet minimum expectations, but I welcome your intention to refine it further in the future. As regards expectations for the Operating Plan (SFA section 17), much more specific information is required than has been provided in the "Statement of Corporate Intent" and "Operating Strategy" submitted by AWI.

Without wanting to direct AWI as to the fine detail, I can say that there is a need for greater specificity in projected expenditure for project areas in 2001-02, clear linkages between projects and the Strategic Plan and the Government's R&D priorities and adequate performance indicators.

If you would see it as useful, I would be more than happy to arrange a meeting to discuss both these reporting requirements, the interpretation of the SFA, as well as expectations as to how AWI might fit in with the normal consultative processes between Ministers, AFFA and other statutory funded bodies.

Yours sincerely



Michael J Taylor
SECRETARY

17 October 2001

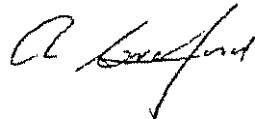
22 October 2001

Mr M Taylor
Secretary
Department of Agriculture, Fisheries & Forestry
GPO Box 858
CANBERRA ACT 2601

Dear Mr Taylor

Thank you for your letter dated 17 October 2001 together with the printed version of *Innovating Rural Australia: Research and Development Corporation Outcomes 2000*. I am writing to advise you that your correspondence has been received and that Mr Dorber will respond to you at his earliest opportunity.

Yours sincerely



Anne Crawford
Personal Assistant
to Col Dorber

14 November 2001

Mr Michael J Taylor
SECRETARY
Department of Agriculture, Fisheries & Forestry
GPO Box 858
CANBERRA ACT 2601

Dear Mr Taylor

RE: OPERATIONS OF AUSTRALIAN WOOL INNOVATION PTY LIMITED

Thank you very much for your letter of 17 October 2001. I apologise for the delay in responding however, I wanted to ensure that I gave maximum consideration to the many important issues that you raised. I am also very pleased to accept your invitation to meet to discuss the matters raised in your final paragraph and to establish an appropriate ongoing working relationship between us.

I would like to make it clear from the outset that the Board of AWI and I, as Managing Director, have formally committed ourselves to establishing excellent working relationships with the Federal Government both at the Australian Public Service level and with the relevant Ministers and interested Parliamentarians. The AWI Board acknowledges the fundamental importance behind the Government's commitment to research, development and innovation and its role as a key partner with AWI Pty Limited in delivering outcomes to both levy paying Australian wool producers and the broader Australian community.

Reflecting the immediate and early recognition of the Commonwealth's role I am pleased to enclose a small selection of AWI brochures now distributed to over 33,500 levy payers. As you can see from the brochures, (*Attachment 1*) AWI recognises consistently and frequently the role of Government in this vital area of activity. Included in the brochures, is the necessary detail of our Board members and the key AWI staff contacts. The company is happy to provide additional copies if requested and will shortly be mailing a set of these documents together with other relevant information to all Australian Parliamentarians at both the Federal and State/Territory levels.

Before dealing with the substance of your letter I also wish to identify a number of other attachments which build upon the earlier material forwarded to you under cover of my letter of 24 September 2001 addressed to the Hon Warren Truss MP.

Attachment 2

Two copies of the Australian Wool Innovation Pty Ltd audited Annual Accounts for the period 1 January 2001 to 30 June 2001. In accordance with the Corporations Law, a copy of these accounts has been filed with the Corporate Regulator – *[Note: As AWI Pty Limited is a subsidiary of Australian Wool Services Limited, the audited financial report has been aggregated in the AWS Limited Annual Report].*

Attachment 3

Two copies of the Australian Wool Services Report 2001 incorporating the annual report of Australian Wool Innovation Pty Limited (and consolidated audited accounts) formally tabled at the Annual General Meeting held in Melbourne on Monday 12 November 2001.

Attachment 4

Two copies of the Australian Wool Innovation Strategic Plan July 2001 – June 2004 as adopted by the Board of AWI Pty Limited. (A copy of this strategic plan has been forwarded to all wool levy payers and is displayed on the AWI Corporate website – wool.com.au.)

Attachment 5


Issue 2 of Australian Wool Innovation Pty Limited's Operating Strategy. This document is the internal company operating protocol, approved by the Managing Director, following a review carried out by the AWI Board.

Attachment 6

One Copy of the Human Resource Management Policy and Procedures Manual developed internally by AWI Pty Limited. (This document spells out in exhaustive detail, the Company's administrative policies, organisation management, recruitment practices, leave entitlements, remuneration and benefits, performance management, unsatisfactory performance guidelines, termination of employment rules and related attachments).

Attachment 7

Two copies of the AWI Pty Limited, Board approved, Statement of Corporate Intent 2001. This document is a 'commercial in confidence' document prepared exclusively for AFFA and contains additional commercial information concerning contractors and funding made by the Company that has not been generally distributed. All levy payers have received an abbreviated version of this document.



Attachment 8

The Land Water and Wool Business Plan and appendices for the major AWI Pty Limited Land and Water Australia \$60m Natural Resource Management Program for the Australian wool industry. (Printed copies of the Business Plan minus the annexures are being prepared for distribution to all interested Australian Parliamentarians and other key stakeholders).

Attachment 9

Letter to Mr Gavan Cattanach dated 14 November 2001 regarding AWI's submission concerning the AFFA Interim Report on levy collection practices.

AWI Pty Limited was formally established on 22 November 2000, its true legal character only emerged on 1 January 2001 consequent upon the enactment of the Ministerial Declaration. The Company's proper operations however, did not commence formally until 1 March 2001, the date of my appointment. As you are aware, subsequent to my appointment the Board of AWI Pty Limited accepted a recommendation to restructure the "inherited" business and relocate to Sydney, New South Wales. I believe it is pertinent to record this information, given the suggestion made to me that AWI had not provided adequate information to the Federal Government about its activities. The Chair of Australian Wool Services Limited, Mr Rodney Price and the Board of AWI Pty Limited and certainly myself as Managing Director, believe that the level of information to Government and to levy payers, far from being inadequate, has in fact, been exceptional. In this eight month start up phase, the Company has gone from an effective zero position (ie. a complete recruitment of new staff, facilities and operating systems), to a fully fledged efficient and commercially driven research, development and innovation facilitator, already managing a committed program of \$96m in expenditure between now and the end of the 2005/06 financial year.

It is also important for me to clarify your comments about the level of exchange of information between the Company and Government and particularly to address inferences that such information flow may have not been adequate.

Since start up, I have met formally with the Hon Warren Truss MP, Minister for Agriculture on two separate occasions to discuss AWI business. I have appeared before the Government Parliamentary Agriculture Fisheries, Forestry and Conservation Committee, chaired by Senator Winston Crane on two occasions. On both occasions I was subject to searching enquiry for periods in excess of one hour. I have met formally with Mr Paul Sutton of your Department on two occasions, and on one occasion have also met with Mr Bernie Wonder an Assistant Secretary. Individual members of my staff, particularly the Business Manager have met on numerous occasions with the management of the Levy Collection Unit.

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In fact, every request for information has been met. In the case of the AWI Strategic Plan and Operating Strategy, both of these documents were submitted to the Wool Division for comment and review in addition to extensive industry and levy payer consultation before they were forwarded to the AWI Board for its consideration.

I have been quite amazed at the proposition that AWI has in any way shown any lack of desire to work proactively and consultatively at Government level and I must say to you that such views are entirely inconsistent with the feedback I have received, at least at Ministerial and Parliamentary levels. If there is anything that can be added to the consultative process to improve the relationship please do not hesitate to let me know.

Turning now to the substance of your letter, I would like to deal with the issues raised.

Research Development Corporation Chairs Meeting

Only today was I made aware of a view, apparently circulating within your Department, that a concern existed over the decision of the AWI Board to have the Managing Director carry out this representative role on behalf of the Company, rather than the Chair of AWI Pty Limited being the nominee.

For AWI, the decision to delegate the task to its Managing Director related directly to the Board's view, that in terms of the provision of information and/or advice, and consistent with the operation of a Board of Directors under the Corporations Law, our role under the AWI Constitution and the day to day operations of the company, the Managing Director was the person best placed to constructively contribute to the operations of the Chairs meeting.

The Chair of the AWI Board, Ms Maree McCaskill, is also the full time Executive Director of the Beverage Industry Environment Council. This task already requires Ms McCaskill to commit herself to a minimum 50 hour week plus. It has therefore been considered appropriate and logical, that whilst she is regularly briefed, and has input into the agendas provided for the Chairs meeting, despite her not being the AWI delegate, the views required at that meeting could, and would, always incorporate any views she might hold as the Chair acting on behalf of the Board. As the Managing Director is also a member of the Board, it was not considered that any detriment was occasioned to the Chairs meeting by my exercising this function.

If there is a protocol issue concerning AWI's representative to the Chairs meeting, then that matter should be spelt out to us. For AWI, we note that the unique arrangements for us as a Proprietary Limited Company and the respective roles of the Chair and Managing Director, under such a framework, means that logically the incumbent Managing Director is the best person to represent the Company's interests at such meetings.

Agri-Political Activity

You refer in your letter to concerns I had expressed in Melbourne to the effect that certain provisions of the Statutory Funding Agreement may create problems for AWI, its Chair or other representatives, responding to invitations to attend the RDC's Chairs meeting. There is in fact no issue of concern about this by AWI other than the obvious need to demonstrate the practical relevance and importance of the meetings to the company's operations. (Given our desire to have harmonious relationships with Government, Parliamentarians and other RDC providers, it can be taken as a given that the relevance and importance is acknowledged).

The issue that I raised went directly to the suggestions made at the Chairs' meeting and in the lead up to it, to the effect that the Chairs ought to engage in lobbying of Government to protect the interests of RDC's in respect of any potential decision a Government, now or in the future, might take to reduce the level of funding provided for research, development and innovation, either by intervention in the way levies are collected and paid or by changes to the level of Government contribution.

The point I sought to make was that AWI Pty Limited was expressly excluded in the Statutory Funding Agreement in existence between the Federal Government and itself from engaging in or funding activities described as constituting "agri-political activity". That phrase is defined in the SFA as follows:

***Agri-Political Activity** means "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"*

From the beginning of my tenure as Managing Director, I have been encouraged by the Chair of AWS and by the Chair and Directors of AWI, to interpret broadly this prohibition in order to maximise the elimination of any political or similar activities of the kind defined above, occurring. I have been made aware of the overwhelming desire of Australian wool producers to eliminate political and quasi political activity from the delivery of research, development and innovation in this industry. Such views have been reinforced at very senior levels of Government and at briefing sessions with Ministers and Parliamentarians.

To demonstrate why I entertained a concern, I point to the advice from your Department that led to AWI withdrawing from the initiative of Mr Keith Lambert, Chief Executive Officer of Southcorp, for the establishment of a business coalition to lead to the establishment of a United States – Australia Free Trade Agreement. AWI Pty Limited had agreed to participate, initially by the provision of formal support for a presentation to United States Secretary Powell during his recent Canberra visit.

We then intended to formally join the business coalition so that the interests of Australian wool producers could be vigorously pursued within our Trade Policy Portfolio. [The conduct of Trade Policy and particularly research, is carried out by AWI Pty Limited under its Strategic Plan as a "wool service" an activity permitted by both our Constitution and under the Statutory Funding Agreement].

It is important to note that what AWI would have done in this particular coalition would have been to provide some financial support to both establish and maintain the Australian coalition, which would mirror an existing entity known as "The American-Australian Free Trade Coalition". The role of the group that we were to join would "show the US Administration and Congressional leaders that there is widespread private sector support in Australia for the Free Trade Agreement".

On 31 August 2001, your Mr Cattanach, Manager Governance of Portfolio Agencies and RDC Policy, advised that in the opinion of your Department, "AWI involvement in such a business coalition, we believe, does constitute *"agri-political activity"*. As such the Statutory Funding Agreement prevents AWI from using monies from the Government for such activities".

Whilst I, as Managing Director of AWI Pty Limited, do not agree with those views because the Statutory Funding Agreement represents a partnership between us, I reluctantly accepted AFFA's determination and declined to participate in the coalition, notwithstanding the obvious benefits for Australian wool producers should greater access to the American market emerge.

If an activity to be primarily conducted in the United States of America for the benefit of Australian wool producers is rejected by your department because of its alleged agri-political stance, then would you be surprised if I entertained concerns and reservations about what your Department might say should AWI engage in "lobbying activities" directly designed to influence Government policy on R & D contributions through the RDC Chairs Group?

I note that the direct opinions expressed by your Department in respect to the above matter appears to be inconsistent with your own much appreciated comment that it was not the role of AFFA to interfere in the decision making processes of the R & D Bodies.

Reporting and Governance Arrangements

You have raised in your letter the importance of the reporting of performance of outcomes against the statutory levy on Industries and the matched funding by Government; and the governance arrangement that would ensure appropriate accountability and probity with respect to expenditure of these funds. AWI Pty Limited acknowledges and agrees with the importance of these matters. In that context, I am pleased to inform you that in addition to compliance with the Statutory Funding Agreement, AWI seeks to go further by negotiating in advance with your Department before formally adopting protocols relating to those two matters.

Again, until today, I had understood both from the briefings I had received prior to my appointment and from the legal advice I have been given concerning the Wool Privatisation Act, AWI's Constitution and the Statutory Funding Agreement that AWI's reporting requirements concerning expenditure were expressly and definitively spelt out in the Statutory Funding Agreement. I was somewhat surprised this morning when Mr Sutton informed me that it is the view of your Department that legislation other than that which I have referred to, and that protocols other than the Statutory Funding Agreement (and its annexures) apply to AWI's accountability requirements. I am now seeking some urgent advice about that matter, as all of the operational procedures introduced into the Company have been focussed around the Statutory Funding Agreement as the key compliance document underpinning the company's relationship with Government. Whilst Mr Sutton makes the strong point that our relationship should not be "legalistic" I note that in terms of compliance and an assessment of performance by Government, that it is in fact the Statutory Funding Agreement in detail that will be the "measure" of AWI.

We do not intend that our relationship be legalistic, however, we do think it proper that the relationship have a formal legal structure that ensures that successive AWI Management, has well established and properly agreed minimum reporting requirements. Certainly, we intend as a matter of course, to significantly exceed them, but when it comes to the actual accounting of expenditure we see the Statutory Funding Agreement as the key relevant document against which we report. (In that context, I have made a separate submission to you concerning the AFFA Interim Report – Review of Commonwealth Contributions identifying a number of issues relevant to AWI). I enclose at Attachment 9 a copy of that submission.

In your letter you also refer to the establishment of AWI as a Corporations Law Company. Your statement "However, despite these changes in the ownership structure, the essential elements of accountability and transparency in the application of statutory levies, which largely fund AWI's activities to the Minister of the day, **remain unchanged**. The expected standards for planning, setting objectives and reporting against them **remain the same as those required of the statutory authorities**." (bold emphasis is mine).

These statements are crucial to AWI's interpretation of its responsibilities to Government. Whilst AWI management is committed to a very strong relationship, I must record that the words I have highlighted are significantly at odds with the instructions I have received from both the AWI Board and the AWS Board. In particular, the Chairman of the AWS Board, Mr Rodney Price and the legal and other consultants engaged in the formal negotiations with Government for the establishment of AWS and its related entities, have emphatically and repeatedly emphasised the direct accountability of AWI to its shareholders, and the significant differentiation in the role it is now engaged upon, in respect of research development and innovation, when measured

against the delivery of that role as a former Statutory Corporation of Government.

Whilst many of these issues will be addressed in the ongoing development of our relationship, because they significantly underpin the philosophy of the Company, I have sought the advice of the two Boards, and will seek to pursue this matter further with you in a constructive and non-confrontational manner, when their views are made known.

Strategic Plan

I have deliberately included in this letter a series of attachments, particularly the Strategic Plan, Operating Strategy and Statement of Corporate Intent. You have indicated the view that *"(these items) did seem to fall somewhat short of the requirements of the Statutory Funding Agreement"*. You have further indicated that the Statement of Corporate Intent *"needs further inclusions"*. As all of these documents have been subject to a most exhaustive development process, and have subsequently been formally ratified by the AWI Board, I would be grateful for your urgent advice as to what additional information is required in these documents, that will allow you to recommend to the incoming Government that AWI Pty Limited has met its reporting obligations under the Statutory Funding Agreement, for the financial year ended 30 June 2001.

I am also particularly concerned at the request for *"much more specific information than has been provided"* in relation to the Statement of Corporate Intent, the Operating Strategy and I presume, whilst not mentioned, the Strategic Plan.

Finally, you refer to the need for greater specificity in projected expenditure for project areas in 2001/02, clear linkages between projects and the Strategic Plan (presumably AWI's) and the Government's priorities and adequate performance indicators. Yesterday, at my direction, AWI commissioned Consultant Ms Sandra Welsman and Ms Kirsty McCann, the AWI Policy Officer met with your Mr Gavin Cattanach and others concerning these issues.

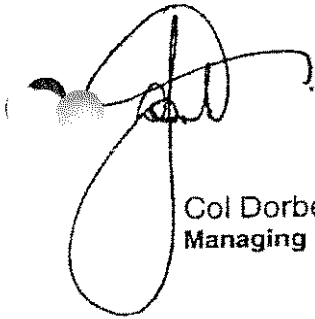
It is intended that the outcome of those discussions, (which I note canvassed a period in excess of two hours), will be incorporated into the development of the next phase of the current strategic plan. Unless you indicate to the contrary, it was not my intention (nor do I believe that we are adequately resourced to do so), to further change or add to the documents provided herewith, but rather to incorporate the many additional matters identified by your Officers in the ongoing post July 2002 development program of AWI. It is against this backdrop that I sought the necessary agreement that the materials provided (and now further supplemented) be deemed to meet the requirements of the Statutory Funding Agreement for the financial year ended 30 June 2001. Perhaps the more comprehensive data included with this letter

will allow you to make that determination, albeit qualified by the additional matters you have outlined above.

I do apologise for the length of this correspondence however, it does seem to me that if we are to jointly and positively pursue a relationship between AWI and Government, then there should at least be a strong underpinning statement of goals that can be the subject of robust debate and review when we meet.

I look forward to our future meeting.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Col Dorber', written over a circular stamp or seal.

Col Dorber
Managing Director

ATTACHMENTS

1. **AWI Brochures**
2. **AWI audited Annual Accounts for period 1 Jan-30 June 2001**
3. **Australian Wool Services Annual Report 2001.**
4. **Australian Wool Innovation - Strategic Plan July 2001-June 2004**
5. **Australian Wool Innovation – Operating Strategy**
6. **Australian Wool Innovation - Human Resource Manual**
7. **Australian Wool Innovation – Statement of Corporate Intent**
8. **Land Water and Wool Business Plan**
9. **Letter to Mr G Cattnach dated 14 November 2001**

19 November 2001

Our Ref: MD17

Mr Michael J Taylor
SECRETARY
Department of Agriculture, Fisheries & Forestry
GPO Box 858
CANBERRA ACT 2601

Dear Mr Taylor

RE: OPERATIONS OF AUSTRALIAN WOOL INNOVATION PTY LIMITED

I write further to my correspondence of 14 November 2001. Thankfully it is much shorter than the last letter!

I now provide on a 'commercial in confidence' basis further information relevant to the Company's reporting requirements under the Statutory Funding Agreement.

Item 1 - 2001/02 Budget

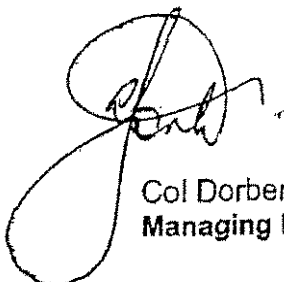
This budget document has been refined to reflect a series of Board decisions and the inevitable structural changes that have occurred as the business settles.

Item 2 - Five Year Project Expenditure Commitment Register

This document sets out in detail the reference numbers, project names, participating providers and five year approved expenditure levels (subject to contract compliance) committed by AWI Pty Limited. Included in the document are known forward commitments subject to finalisation.

I trust that this further extensive detail is of assistance to you as you review the matters raised in my previous correspondence.

Yours sincerely



Col Dorber
Managing Director

SENATOR

PARLIAMENTARY SECRETARY TO THE MINISTER FOR AGRICULTURE, FISHERIES AND FORESTRY



Senator the Hon. Judith Troeth
Senator for Victoria

RECEIVED
29 JAN 2002

BY:-----

Mr Col Dorber
Managing Director
Australian Wool Innovation Company
Level 5, 45-47 York Street
SYDNEY NSW 2000

Dear Mr Dorber

Thank you for your letter of 21 November 2001 regarding the Government's priorities for rural research and development.

I am pleased to note that the Australian Wool Innovation Company (AWI) has given a detailed response to the Government's priorities. I am sure the staff of AWI have a busy year ahead of them, and I wish you well in progressing your plans. I look forward to being kept informed of the progress against the priorities and reading about their outcomes in your next Annual Report.

Yours sincerely

Judith Troeth

JUDITH TROETH
23 JAN 2002

Good
File with
Dorber
20/1/02

Unit 1, 322-332 St Kilda Road, ST KILDA VIC 3182
Tel: (03) 9593 9511 Fax: (03) 9593 9971
Parliament House, CANBERRA ACT 2600
Tel: (02) 6277 3002 Fax: (02) 6277 3205



Department of
AGRICULTURE,
FISHERIES &
FORESTRY -
AUSTRALIA



MD 17

RECEIVED
11 FEB 2002

SECRETARY

BY:-----

Mr Col Dorber
Managing Director
australian wool innovation pty ltd
Level 5, AWA Building
47 York Street
Sydney 2000.

Dear Mr Dorber

Thank you for your letters of 14 and 19 November 2001 in which you raised a number of issues and provided a number of documents. I believe that 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. The new private company arrangements within the portfolio present a new challenge to all concerned and it is important that we work together to clarify the nature of the arrangements to ensure that we deliver positive outcomes for the wool industry.

On the issues you have raised, while I have addressed some of these below, I believe that generally these are best pursued through the ongoing dialogue AWI has established with Departmental officers. In this regard it is important to note some of the recent changes within AFFA. Mr Paul Sutton's group has relinquished responsibility for the corporate governance and contractual issues associated with the R&D corporations and companies, but will continue his responsibilities for wool industry policy matters. Mr Paul Morris, Executive Manager of Innovation and Operating Environment, has now assumed full responsibility for governance issues associated with the four industry companies so as to ensure that their contracts are managed in a consistent fashion. It is pleasing to note that Mr Mai Thompson and Mr Phillip Lee were recently in Canberra to talk to AFFA staff, including Mr Morris and relevant members of his team.

Before responding to some specific issues you have raised, it is important that I put AFFA's responsibility with respect to wool R&D funds into perspective. As a Commonwealth Department AFFA is accountable, through the Minister, to the Parliament for the expenditure of monies appropriated by Parliament. Monies raised through the wool levy and the additional monies paid as matching R&D funds fall into this category. Accordingly they are subject to the same level of scrutiny and accountability as other public monies and to do so effectively with respect to private companies, AFFA has contractual relationships with them requiring robust, performance-oriented planning and reporting systems to be in place so that we can collectively respond to the needs of the Minister, particularly in regard to his Parliamentary obligations. Although I understand your comment that AWI's primary obligation is to its shareholders, the nature of its operations including contractual relationship with my Department makes AFFA an important stakeholder in your operations. While the Statutory Funding Agreement does

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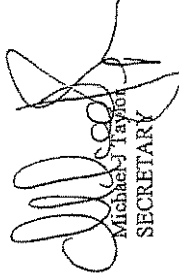
define the legal parameters of this relationship, I hope that we can also work cooperatively on the basis of a mutual understanding of each other's obligations. I am pleased to note that you have engaged a consultant, Ms Sandra Welsman, to prepare your next strategic plan and that she has had discussions with AFFA officers where our views on what constitutes good planning were presented. I trust that these views will be taken into account in the preparation of future documents.

Turning now to some of your specific issues. You raised the question of AWI's attendance at the annual RDC Chairs meeting. From AFFA's perspective these meetings have evolved to become an important forum for RDC collaboration and cooperation on strategic issues facing the rural sector. While representatives of a Chair have participated at these meetings it is important to note that the very nature of a Chair's position means that the chair is the one who is generally best placed to deal with and commit their corporation to the management of strategic threats and opportunities, and generally forge collaborative activities across the various corporations. As such I would very much encourage your Chair to attend.

On the question of agri-political activities, I believe there is a subtle difference between the activities associated with the RDC Chairs and those proposed by the "American-Australian Free Trade Coalition". The former is more concerned with the collective promotion and communication of the benefits of rural R&D, with a special emphasis on the public benefits delivered by the various corporations. The "Trade Coalition" is, on my understanding, more concerned with the direct lobbying of governments on trade issues. As you will know AFFA is already actively working on world trade issues, and while the activities of the two groups may be complementary, there is always the possibility that their interests may diverge and create confusion during trade negotiations.

In closing I would like to reiterate my desire that we work cooperatively and constructively to deliver the best possible outcomes for the Australian wool industry. In doing so we need to recognise that ultimately, Minister Truss is responsible for accounting for AWI's activities to the Parliament, and it is of critical importance that we work together to ensure that he has adequate briefing and all the information necessary to discharge his responsibilities.

Yours sincerely



Michael Taylor
SECRETARY

5 February 2002

28 February 2002

Mr Michael J Taylor
Secretary
Dept of Agriculture, Fisheries & Forestry
GPO Box 858
CANNBERRA ACT 2601

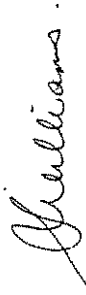
Dear Mr Taylor

STATUTORY FUNDING AGREEMENT – AWI/AFFA

Thank you for your letter of 5 February 2002.

I am writing to acknowledge receipt of your correspondence and to advise that Mr Dorber will respond to you at his earliest opportunity.

Yours sincerely



SUSAN WILLIAMS
PA to Col Dorber



DEPARTMENT OF
AGRICULTURE
FISHERIES &
FORESTRY -
AUSTRALIA



S E C R E T A R Y

Mr Col Dorber
Managing Director
Australian Wool Innovation Company
Level 5, 45-47 York Street
SYDNEY NSW 2000

Dear Mr Dorber

*Innovating Rural Australia - Research and Development Corporation
Outcomes 2002 Report*

As foreshadowed at the Chairs' meeting of 4 March 2002, I am writing to seek the assistance of your Corporation/Company in preparing the next edition of the *Innovating Rural Australia - Research and Development Corporation Outcomes Report*.

Firstly, I would like to commend the contribution made by your Corporation/Company in the preparation of the first edition of the Report and I am pleased to say that it has been very well received. As you would be aware, Senator Troeth officially launched the Report at the Outlook 2002 Conference on 5 March 2002, and tabled the Report in the Parliament on 20 March 2002.

As with the first edition, the intention of the 2002 Report is to demonstrate to key decision-makers the importance of rural R&D to Australia's prosperity. I believe we successfully achieved this in the first edition by providing an overview of the achievements of the rural R&D corporations and companies over the last ten years.

While we can be proud of our first compilation of collectively reporting to our Government stakeholders, it is important that we continue to demonstrate that this is the best way for the Government to invest in rural R&D.

As you would appreciate, the first edition of the Report was based on case studies, particularly demonstrating the benefits over the past 10 years. While I agree that case studies will be important in future editions, I believe that we need to ensure that we have creditable performance information that supports our arguments. I consider that it is important that corporations and companies continue to develop and improve their performance information, and while I recognise that it is often a difficult task to identify meaningful measures (particularly for environmental and social indicators), we must persevere in our attempts to develop these indicators, in order to be assured that R&D funds are being invested to achieve maximum benefits.

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ABN 74 113 085 695

MD 17

RECEIVED
21 MAR 2002

BY:.....

FILED
21/3/02

As with the first edition, we propose to structure the next edition of the report based on the four objects of the *Primary Industries and Energy Research and Development Act 1989* (the *PIERD Act*), that is: Economic; Environmental; Social; and Accountability.

In relation to the economic chapter, I believe that, in addition to information on benefit-cost analysis and internal rates of return, we need to focus on the levels of innovation and adoption that result from the R&D investment. As you would appreciate, one of the strengths of the R&D program is the involvement of industry in determining the R&D priorities. It is therefore important that we demonstrate that we are delivering to our industries. I would ask, therefore, that the information that you provide to us particularly focus on this area.

I understand that the performance measures for the environment are difficult to determine and there are long lead times before real outcomes are demonstrated. One useful suggestion that has been made is that we report on the extent to which industries have adopted R&D outputs that are known to improve environmental outcomes. Any information that you can provide in this area would be appreciated. In addition, as a special feature, I believe that we should focus on case studies on R&D outcomes that have assisted in addressing dryland salinity. We would ask relevant RDCs to provide us with information in this area. We can do this with a combination of input and output measures.

In relation to the social objective, I believe that we should focus on the value that we have created, both to our industries and to the science/educational communities, by our investment in post-graduate scholarships, etc. We would still report on our investment in regional development, food safety and health, and occupational health and safety.

The chapter on accountability will draw heavily on the findings of the corporate governance consultancy that has just commenced, but any additional material from RDCs, such as innovative approaches that have been adopted and any awards received, would be useful.

The last chapter of the Report will demonstrate how the RDCs have responded to the Government's priorities. As this is a new Government, Ministers will be considering the current priorities and there may be some refinement in the future. This Report, however, is an opportunity to report on the achievements against the current set of priorities over the past 3 years.

Participation by RDCs will be an integral part of this report, as most of the information will need to come directly from the RDCs. As well as collecting information as indicated above, we will also be looking for ideas, success stories and photographs that highlight the benefits achieved.

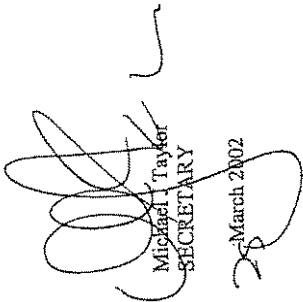
The Governance of Portfolio Agencies area within AFFA, will again be managing the production and publication of the report. Specifically, Gavan Cattaneach (02) 6272 4476, Wayne Ralph (02) 6272 5128 and Maria Charlton (02) 6272 5774, will be undertaking this project.

I have attached, for your information, an outline of the structure of the report (Attachment A) and a copy of the production schedule (Attachment B).

3.

I would appreciate if you would nominate a contact within your organisation and advise Maria Charlton on (02) 6272 5774 or via email maria.charlton@affa.gov.au. The Governance of Portfolio Agencies area will then liaise with your organisation's contact officer on specific information requirements.

Yours sincerely



Michael Taylor
SECRETARY

March 2002

Innovating Rural Australia: Research and Development Corporation Outcomes
2002

DRAFT OUTLINE OF PUBLICATION

General layout

- ♦ Approximately 80-100 pages in length
- ♦ Size: B5
- ♦ Use of pictures, graphs and tables to demonstrate points

Components of Publication

- ♦ Foreword (1-2 pages)
- ♦ Contents (1-2 pages)
- ♦ Glossary (1-2 pages)
- ♦ Executive Summary (5-7 pages)
- ♦ Introduction (2-3 pages)
- ♦ Chapters 1 – 5 (45-70 pages)
- ♦ Appendix – RDC Contact details (8 pages)
- ♦ References (2 pages)

A brief outline of what we expect to report under each chapter is as follows:

Chapter 1

Improving the competitiveness of rural industries (Economic) (10-15 pages)

Headings for reporting in this chapter are the same as the first edition, however our main focus will be on innovation and adoption, including figures and studies undertaken to demonstrate this.

- ♦ Returns on rural R&D
- ♦ Innovation and adoption
- ♦ Market development activities.

Chapter 2

Improving the sustainability of rural industries (Environmental/Sustainability) (10-15 pages)

For this edition, we will again report under the following headings:

- ♦ Better understanding and managing natural resources
- ♦ Rehabilitating previously degraded resources
- ♦ Reducing adverse impacts on the environment.

We will have a special section on dryland salinity, and as such RDCs should consider some input related measures such as adoption of certain farm practices that are known to contribute to improved NRM outcomes.

Chapter 3
Delivering benefits to the wider community (Social) (10-15 pages)

We will again report under the following headings:

- ♦ Regional development
- ♦ Investment in human resources -- scholarships/training programs, more systematic collection of information
- ♦ Food safety and health
- ♦ OH&S.

However, we will concentrate on the human resource development and in particular, the value of RDCs sponsorship of post-graduate education.

Chapter 4
Improving accountability to industry and Government (Accountability) (5-10 pages)

For this edition, we will concentrate on the results of the corporate governance consultancy as the basis for the chapter, although other information on innovative approaches that have been adopted and any awards received would be useful.

Chapter 5
Government R&D priorities for rural R&D (10-15 pages)

This chapter will report on how the RDCs have responded to the Government's priorities. As this is a new Government, Ministers will be considering the current priorities and there may be some refinement in the future. This Report, therefore, is an opportunity to report on the achievements over the past 3 years.

Attachment B

Innovating Rural Australia: Research and Development Corporation Outcomes
2002
Report

Preliminary Production Schedule

Date	Action
March	<ul style="list-style-type: none"> • Letter from Secretary to RDC CEOs, detailing outline of Report, and seeking input
April	<ul style="list-style-type: none"> • Send comprehensive instructions to RDC Contact officers on information requirements • Commence drafting Foreword, Introduction and Appendix
May/June	<ul style="list-style-type: none"> • Preliminary input due back from RDCs • Follow-up outstanding input from RDCs • Commence incorporating material provided by RDCs • Finalise first draft
July/August	<ul style="list-style-type: none"> • First draft to Secretary, Deputy Secretaries and RDCs for comment (allow 1 week) • Incorporate comments from Secretary, Deputy Secretaries and RDCs • Follow-up any outstanding information and finalise Report
September	<ul style="list-style-type: none"> • Final draft to Secretary, Deputy Secretaries, Ministers and RDCs for final comment (allow 1 week) • Incorporate final comments/amendments • Obtain Parliamentary Secretary/Secretary's sign off (allow 1 week)
October	<ul style="list-style-type: none"> • Report to Typesetter (allow 4 weeks)
November	<ul style="list-style-type: none"> • Report to Printer (allow 2 weeks)
11/18 Nov	<ul style="list-style-type: none"> • Publication release (including public launch and Tabling)

RECEIVED
30 MAY 2002
BY:

Mr Col Dorber
Managing Director
Australian Wool Innovation Company
Level 5, AWA Building
47 York Street
Sydney NSW 2000.

Dear Col

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 regard to the draft 2002/07 AWI Strategic Plan, I would like to commend AWI on the progress made on this difficult task. I have provided Ms Sandra Weisman with some comments of a very minor nature and remain happy to assist wherever I can.

Yours sincerely



Gayan Cattinach
Manager
Governance of Portfolio Agencies and RDC Policy

27 May 2002



DEPARTMENT OF
AGRICULTURE
FISHERIES &
FORESTRY -
AUSTRALIA



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FAX +61 2 6272 4414
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ABN 24 113 695 695

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30 May 02

Mr Gavan Cattanach
Manager, Governance of Portfolio Agencies & RDC Policy
AFFA
GPO Box 858
CANNBERRA ACT 2601

Dear Mr Cattanach

Thank you for your letter addressed to our Managing Director, Col Dorber, which was received by us on 30 May.

As Mr Dorber is currently overseas I am writing to acknowledge receipt of your letter in his absence.

X I will bring your correspondence to his attention on his return, at which time he will respond personally.

In Mr Dorber's absence I have forwarded your kind comments regarding AWI's Strategic Plan on to Dr Sandra Weisman for her information.

Yours sincerely



SUSAN WILLIAMS
PA to the Managing Director

03 June 02

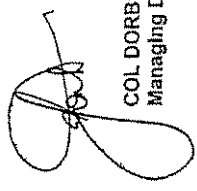
Mr Gavan Cattinach
Manager
Governance of Portfolio Agencies
& RDC Policy
AFFA
GPO Box 858
CANBERRA ACT 2601

Dear Gavan

Having now returned from overseas I would like to thank you for your letter of 27 May and for the kind remarks on the AWI 2002-2007 Strategic Plan. I appreciate also your contribution to the Plan provided to Dr Sandra Weisman.

We expect to have the final version of the Plan finished shortly and will send you a copy at that time.

Yours sincerely



COL DORBER
Managing Director

Senator the Hon Judith Troeth
Senator for Victoria



PARLIAMENTARY SECRETARY TO THE MINISTER
FOR AGRICULTURE, FISHERIES AND FORESTRY

RECEIVED
9 AUG 2002
BY: _____

MD 11

Mr Col Dorber
Managing Director
Australian Wool Innovation Limited
GPO Box 4177
SYDNEY NSW 2000

Dear Mr Dorber *col*

Thank you for your letter of 26 June 2002 attaching a copy of the Australian Wool Innovation Limited (AWI) Strategic Plan 2002-2007 and Operating Plan 2002-2003. I note the plans were developed following extensive industry consultation and anticipate an investment of some \$400m over the next five years.

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.

I would appreciate being kept informed of the progress being made on the implementation of the plans and will be happy to discuss with Ms McCaskill and you any issues relating to the plans which might arise from time. I look forward to being involved in the launch of the plans, the details of which I understand are being discussed by our respective offices. *llx*

Yours sincerely

Judith Troeth

JUDITH TROETH

- 6 AUG 2002

*Attention:
Chris Rowley
Please discuss
No 17/8/02*



2002 Year of the Outback

Unit 1, 322-332 St Kilda Road, ST KILDA VIC 3182
Tel: (03) 9593 9511 Fax: (03) 9593 9971

Parliament House, CANBERRA ACT 2600
Tel: (02) 6277 3002 Fax: (02) 6277 3205

RECORDED

14 AUG 2002

BY: _____



HON WARREN TRUSS MP

Minister for Agriculture, Fisheries and Forestry

17 AUG 2002

MD107

MT/DL
File - this is compliance with SFA.

Mr Col Dorber
Managing Director
Australian Wool Innovation Limited
GPO Box 4177
SYDNEY NSW 2000

Dear Mr Dorber

Thank you for your letter of 26 June 2002 in which you outlined a number of factors influencing the determination of priority areas for research and development investment and attached copies of the Australian Wool Innovation Limited Strategic Plan 2002-07 and Operating Plan 2002-03.

I note that extensive industry consultation has been undertaken as a basis for developing the plans, which include investments of nearly \$400 million over the next five years. Well-targeted investments in the identified priority areas have the potential to enhance the future viability of wool production. 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.

x key approval

I look forward to being kept informed of the progress being made in the implementation of the plans and will be happy to discuss with Ms McCaskill and you any matters relating to the plans which may arise from time to time.

(1) CR Press Release required
(2) DL File + copy on next Board papers under SPlan.

Yours sincerely

WARREN TRUSS

14/8/02



2002 Year of the Outback