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**SENATE RURAL AND REGIONAL AFFAIRS AND
TRANSPORT LEGISLATION COMMITTEE**

**Government Response to the
Report on Australian Wool Innovation Limited Application
and Expenditure of Funds Advanced under the Statutory
Funding Agreement dated 31 December 2000**

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GOVERNMENT RESPONSE TO THE REPORT ON AUSTRALIAN WOOL INNOVATION LIMITED APPLICATION AND EXPENDITURE OF FUNDS UNDER THE STATUTORY FUNDING AGREEMENT DATED 31 DECEMBER 2000

Introduction

Following questioning at Senate Estimates Committee on 26 May 2003, this issue was referred to the Senate Rural and Regional Affairs and Transport Legislation Committee.

The Australian Government Department of Agriculture, Fisheries and Forestry, along with the Australian Wool Innovation Limited (the Company), WoolProducers, a former director of the Company and the former managing director appeared before the Committee. The Department also provided a significant amount of material to assist the Committee's deliberations.

The Minister for Agriculture, Fisheries and Forestry (the Minister) and the Company extended the original Statutory Funding Agreement (SFA) on two occasions. Firstly, it was extended in December 2003 for three months to allow time for the Committee to report and it was again extended in March 2004 to allow time for the Government to consider its response to the Committee's report.

Below is the Government's response to the Report on Australian Wool Innovation Limited Application and Expenditure of Funds under the Statutory Funding Agreement (the report).

Recommendation 1. The Committee recommended that:

The question whether AWI used company money to campaign for sitting directors during the 2002 Board election, in breach of Corporations Law, should be referred to the Australian Securities and Investments Commission.

Government Response: Agreed. The Minister will write to the Australian Securities and Investments Commission (ASIC) providing a copy of the report and drawing to ASIC's attention the views of the Senate Committee.

Recommendation 2. The Committee recommended that:

The Statutory Funding Agreement should have a condition that all the company's expenditure (not only the expenditure of 'the Funds') should be controlled by the Statutory Funding Agreement.

Government Response: Not agreed. The Government accepts that the SFA should cover all expenditure from the Funds (those being statutory levies and Commonwealth matching payments) and that this should be extended to monies derived from the Funds. The Government will refine the definition of Funds in future agreements accordingly. However, the Government does not consider that the SFA should cover expenditure from funds that the Company obtains from other industry sources.

Recommendation 3. The Committee recommended that:

The Minister should direct AFFA to pursue compliance and other reports pursuant to all Statutory Funding Agreements.

Government Response: Agreed. The Minister wrote to the Secretary of the Department of Agriculture, Fisheries and Forestry asking that he ensure that all the obligations of Statutory Funding Agreements are being enforced.

Recommendation 4. The Committee recommended that:

The Minister should give consideration to referring any breaches of the Corporations Act by AWI to the Australian Securities and Investments Commission.

Government Response: Agreed. See response to Recommendation 1.

Recommendation 5. The Committee recommended that:

Prior to a new SFA being agreed with AWI the Minister should review the effectiveness of remedies for breaches of the agreement currently available through the *Wool Services Privatisation Act 2000*.

Government Response: Agreed. The Minister obtained advice from the Australian Government Solicitor (AGS) on this issue and revised the SFA accordingly. AGS has advised that the revised draft SFA "contains the remedies exercisable by the Commonwealth that we would expect to see in an agreement of this nature".

Recommendation 6. The Committee recommended that:

The definition of 'agri-political activity' should be amended to explicitly include internal as well as external political activity.

Government Response: Agreed. The Government will amend future agreements accordingly.

Recommendation 7. The Committee recommended that:

The SFA should incorporate a requirement mandating that expenditure be consistent with the strategic plan, the operational plan and the R&D Guidelines.

Government Response: Agreed.

Recommendation 8. The Committee recommended that:

The Minister should give consideration to incorporating conditions in existing and future Statutory Funding Agreements as suggested by recommendations 2, 6, 7 and other relevant suggestions in this report.

Government Response: Agreed on the basis of the Government's response to Recommendations 2, 6 and 7. The Government will, of course, consider other relevant suggestions in the report as appropriate.