

2003 AGM - CEO's Report

Transcript of 2003 AWI Annual General Meeting

CEO's Report

Len Stephens:

Good afternoon ladies and gentlemen, and thanks very much for making the effort to be here today. I'm very pleased to be working in the wool industry as Chief Executive Officer of Australian Wool Innovation. It's great working with Ian McLachlan and his team of directors. The support that they have given us over the last year has been wonderful and in this, my first address to a company's general meeting, what I'd like to do is to talk to you about growing the wool industry, and I mean 'growing' in the broadest sense of the word.

We all know that the drought has had an incredible impact on reducing the supply of our product and, until such time as the natural increase increases the supply of the product again, our manufacturing capacities are underutilised, the price of the product is considerably higher than its competitors, all of which means that our share in the market is progressively declining.

As an industry, we must turn these things around. We've got to grow the skills of the people in our industry. We've got to find more efficient ways of growing wool and more efficient ways of processing wool. We've got to grow the use of technology in our industry so that we can grow the markets. And in that sense, the WoolPoll result this week is incredibly significant. Through AWI, that WoolPoll result signifies the end of a period of massive disruption for you, the shareholders, for the company and for the staff. For me, the WoolPoll result indicates that the dust is now settling and we can get on with the business of trying to grow the Australian wool industry. So, let's get started.

If AWI is going to help in growing the wool industry, there are three things that are very important. We must have funds in the banks and we must manage them soundly. We've got to have a strong R&D portfolio and, together with the industry, we must have a clear view of the future. And what I'd like to do is spend the rest of my talk talking to you about those three issues.

You might ask yourself: what's different about AWI now compared to last year? Well, in financial management, the company has essentially reinvented itself. We have a whole new process of project approval, which involves internal peer review, technical assessment and then assessment of all major projects by the Board. We have a new system of scientific and producer advisor committees that involve over 50 producers now and 14 committees looking at individual projects and program areas. We have a whole new system of audit controls, review procedures and financial controls in place with a strong finance and audit committee.

I hope you will see - through our annual report, through the Chairman's report to shareholders, through the review of performance - that we have tried very hard to be very transparent in our reporting to you. And we have a whole new approach to working with R&D providers whereby we have a willingness to share intellectual property and manage that intellectual property better.

These arrangements are put in place to ensure that your funds are invested wisely. We need to remember that AWI rarely does research itself. We depend on CSIRO, the departments of agriculture, universities, and so on to do research for us and for you. That means that we have to be tight project managers. But I think it's very important that we don't lose the innovative spirit. AWI has got to be the kind of company that can respond quickly to opportunities and respond quickly to problems. Sure, we need to learn a little bit more and we're constantly learning. We need to get more commercial in some areas but I think that we are getting the balance right. We're moving in the right direction.

Financially, the company is in very good shape to be very innovative. Just moving through some of the financial reports now if I could, the statement of financial performance, which is in the annual report, shows that revenue in the year ended 2002/2003 was \$81 million, \$60 million of which was wool levies, \$16 million from the Australian government and a little under \$5 million interest royalties and so on. You can see that the planned expenditure was \$13 million below budget, which means that a number of planned projects were in fact not initiated. And in most cases, that was due to the disruption the company has suffered, particularly in the early stages of the financial year that we are talking about.

If you look at the statement of financial position or the old balance sheet, you can see a very solid company at the end of the financial year with net assets of \$107.7 million. The current assets are mostly cash in the bank, although importantly there is a sum of \$24 million there, which was expected. I'll talk about that in a moment. That was from the CSIRO property sale. The liabilities there are primarily accruals against outstanding contracts and creditors.

The sale of the CSIRO property was in fact completed in the last financial year but the funds were not received until after the closing date of the financial year. Those funds have now been received. They are in the bank and the Board has determined that they will not immediately be applied to operational activities, rather the Board has requested management to provide options for those funds to be invested as a trust and for the interest to be used on some major initiatives that we will announce later this year.

The statement of cash flows showed we began the year pretty simply with \$64 million. As a result of the reduced activity and the better than expected wool price during 2002/03, we ended the year with a net increase of \$27 million. The cash flow of AWI in the future has been the subject of considerable discussion during WoolPoll and it's come up again this morning. This slide is from the WoolPoll documentation [reference to visual aid] and it

shows our estimated income from the start of this financial year until June 2007, the WoolPoll period. These were the figures which, to the best of our ability, were put together almost six months ago.

There are some important principles in this slide. You can see the opening balance of \$91 million and we estimated the average annual income over those three years to be about \$70 million. The strategic plan calls for an average annual expenditure of over \$82 million, which shows that we have a deliberate intention to wind down that cash balance to about \$43 million or thereabouts. Clearly, already those figures are out of date and we've had to revise our budget. As the Chairman said earlier, we've revised the estimated income for this year down to \$60 million and the expenditure this year will be reduced by at least \$10 million, possibly more. This situation - as the Chairman said - will be constantly evaluated on a month-by-month basis.

I'd now like to move on to some of our R&D projects. Our mission - as I hope you all know - is to drive research, development and innovation to increase your long-term profitability. The strategic plan was circulated to you a couple of months ago and I think you will see that the general thrust of the plan has not changed. We've made a few changes but the general thrust is as it has been for a while. Our main R&D strategies to deliver the strategic plan are shown there.

We must maintain demand and we need to do whatever we possibly can to maintain demand but we've also got to include efficiencies so we can try as much as possible to reduce the cost of the product to consumers. We need to improve the efficiency of the whole pipeline wherever possible. You may not like the message but we've got to continue to find ways of producing wool at a lower cost per unit and, of course, there's that important work we do on reducing disease and removing trade barriers.

There's over 300 projects that AWI has in operation across this whole world portfolio. Some of those, of course, won't succeed; some of those will succeed brilliantly. If you have a look at some of the results of investment of past projects, some of you might be aware of the Timerite program, which is very important here where at least some producers were able to receive up to \$49 per hectare net improvement in performance.

Triple P in Victoria: again, participants in that project in some cases were able to receive an additional \$59 net improvement in financial position per hectare after participating. The work that was done to reduce the tariff on wool going into India from 15% to 5% - as Bob Quirk mentioned this morning - put another \$18 million into the system to be distributed across all the players presumably.

It's important that we also try to apply these analyses looking forward. Last year, we conducted a benefit cost analysis on a little over 84 projects. Benefit cost analysis is a much debated process and it's important that we get these benefit cost analyses in context. These are tools that we use to try to make judgements between particular areas of activity and it's important that we remember that a lot of R&D programs can take at least 10 to 20 years until they go through to their final end point and deliver maximum benefit to industry.

The results of that program showed that on the textile area of our portfolio, on average the projects can bring us up to \$5.60 for each dollar invested and, similarly, of about \$4.50. Whether that's \$4 or \$5 or \$6 or \$2 is really not the point of my presentation today. I think that the point is that this is a very important tool that we use to determine the relative value of individual projects. The point that's most important is the return that you receive on your farm from our R&D but those figures are an indication of the value of investment if you take a look at our portfolio delivery over a long period of time.

This morning, you saw some fantastic R&D programs - an incredible variety of projects on farm, things like genetics and the effort we're making into shearing, pasture breeding; a lot of training activity as well. I'd like in the next few moments to emphasise just a few of the areas that I think we should be concentrating on in the future. Although, before I do that, let me just remind you of a significant investment that we have here in Western Australia. A little over \$16 million of the on-farm R&D portfolio is invested here in WA, which is about one-third of the total on-farm portfolio.

What I'd like to particularly emphasise, though, is the work that we need to do in fundamental science moving forward, particularly the area of functional genomics or molecular genomics that Paul Swan mentioned this morning. This science is about the discovery of genes. It's based on the human genome program. It's a global program that looks at all of our DNA and figures out what it is that makes us who we are and we can use that same technology to find the genes that effect sheep production.

The short-term outcomes of that sort of work will be new tests that will be the same ones that are used for DNA fingerprinting that can be used to identify traits that are hard to measure in sheep, things like fertility, for example, and parasite resistance. But the exciting stuff is in the future where, when we understand the genes that really affect what happens in the wool follicle when the sheep grows wool or what gene turns on when a ewe begins to ovulate. Once we understand those things, then we can use a lot more tools to improve wool production.

We've got to do some work in the supply chain too, I believe. The industry will face a significant challenge early next year when we introduce the vendor declaration for dark and medullated fibres. If that system works, that will, all going well, I believe, draw another look at quality assurance type systems, particularly if we get the bale ID system right. I believe as a company, we should be continually working with the industry to see whether or not people want to try different selling options, working through with people who want to look in that area. And also we should always at least have a look at supply chain alliances. Many of them don't work but the ones that are driven from the top down, from retailers, often can work and we should be looking at those in the future.

In the textile area, some great projects that are leading us in, I think, some very interesting products: the washable suit, the non-woven vests, the Murata system, which may well significantly change thinking in the future. And of course, again, some major training activities, for example, the China/Australia Wool Innovation Network, which I believe will deliver huge dividends. But again, today, what I'd like to emphasise is where we need to be

going in the future and that's where our consumers are. We need to be working with people like The Woolmark Company and others to really get a handle on what consumers need for wool. We need to understand the market trends in those big markets - China, USA and Europe - each of which are unique and have their own challenges.

We need to be working better with designers and retailers and garment manufacturers, working with them to develop new innovative trendy wool products and particularly attracting them to come invest with us. And of course we've just got to keep working on those features that we know are important to consumers already - improving easy care, appealing colour, the right wool and so on. And I also believe that it's a little bit of if you can't beat them, join them a bit. Sure, there are plenty of markets for pure wool but there are a lot of new synthetic and natural fibres coming out and we must work hand-in-glove with those sorts of fibres, I believe, to make sure we can maximum the benefits of the use of wool in line with those fibres. We need to do both, not either/or.

It's very important of course that, if we do all this work, that we communicate it to you. Georgia told you a bit about that this morning. Beyond the Bale is our primary method of delivering information to you. Of course, there are Insight and Innovators fact sheets, which go into things in a little more detail. We are all aware of the problems with websites in general in terms of download times but, if you can at all, have a look at that website - it's a great site and it's kept up to date very well - or give us a call. Please have a look at the mobile showcase outside. It's a showcase that travels around Australia and I think presents wool very well to the public at large, and if you want to use the AWI film that I hope you saw this morning, then I'm sure Georgia will make it available to you to show other shareholders, groups of people and so on.

We're all acutely interested in the future of the wool industry and I've been talking about growing the wool industry and, no doubt, many of you think that's a bit of a task. However, the depth and the breadth of the R&D programs that have been conducted by AWI at the moment say to me that in future, there will be innovations and ideas and opportunities that each and every shareholder of this company will be able to use. After all, that's what you pay us to do. I believe very strongly that it's AWI's role to identify problems and opportunities in the industry and then to scour the globe for the best available information that can be brought to bear on those problems and opportunities; then package it up so that it can be delivered to individual farm businesses or textile businesses and let those businesses decide whether they will use the technology and how they'll use the technology, because it's the profitability of individual producers and individual businesses that lead to the growing of the wool industry.

Here are a few examples of how we might be able to grow the wool industry [reference to visual aid]. On farm, we've got to be able to make wool growing easier. We've heard a lot about this, this morning. It's a pretty simple, clear objective, technically difficult but we've got to make shearing easier. We can, I believe, produce blowfly and worm-resistant sheep. Chemical mulesing: we've got to win on that one. Why do we tolerate anything less than

100% weaning? It's possible. We must gain control of tensile and strength, rather than just being submissive to the vagaries of weather and climate and pasture production and, of course, we must continue to develop productive and sustainable pastures.

In the textile area, there's a lot of ways that we continue to grow the market for wool. We need to work on making sure that wool is setting the trends, that there are trend-setting woollen goods in the market. We can have faster machines; we can have more efficient machines, better processing techniques. We know processors and users of wool are screaming for a more efficient supply chain. We need to continue to work on that.

Then, of course, looking at new markets, for example, the USA, which is already a big market but not, relatively speaking, a big market for wool. There's got to be opportunities for us in that market.

These are some of the things that shareholders such as yourselves have told us that you want us to do, as we toured around Australia in the forums we held earlier this year. Our capacity to do these things has been made possible by your commitment to investing funds in this company through the WoolPoll, and I thank you very much for your commitment. While I'm thanking people, I'd particularly like to thank the staff for their hard work during a difficult year. They've had a tremendous commitment to working in partnership with the industry to deliver R&D results to you. I'd also like to acknowledge again the tremendous support provided by Ian McLachlan and his Board.

So we've got some big tasks ahead of us. We've got a lot to do but I believe AWI is now in a very healthy financial position. We've got sound financial management. We've got a very strong R&D portfolio and, I believe, a clear vision for the future. Moving forward, I think the company's in great shape to help you in doing that, which is growing wool. Thank you very much.

Chairman:

I now invite your questions and comments to Dr Stephens. If you'd be kind enough to hold any financial questions until the next item on the agenda, there'll be plenty of opportunity there. So can we get it through the same procedure as we went before: anybody holding the right coloured cards - yellow or blue - can ask a question because they're a shareholder and we should start with the gentleman on number one.

Question from the floor:

Len, I know Ian McLachlan, the Chairman, has already notified you on your charter and everything. I was at the AGM of AWS. It seems to have been that they market the Woolmark brand and they've bought into a machinery processing company in New Zealand - ANDAR, I think it's pronounced - but they do seem to be under extreme pressure. I don't know how you're going to do it, but somehow as producers, I think there's a lot in this room that are fully aware that it's okay to do all the R&D, but if you can't sell it outside the farm gate, it's a waste of time.

There has to be something done there. I think the staff has been reduced by about a third in The Woolmark Company. They had a bit of trouble with the Cape Wool incident.

Now, I'm not sure if it's your area to discuss or if Ian would prefer to discuss that, but I just think it's something that does have to be brought to our attention, even if it isn't in your charter. Thank you.

Len Stephens:

Look, I'll give a quick response and I'm sure the Chairman may want to add to it. As the Chairman clearly highlighted and as was made quite clear in the previous WoolPoll vote, this company has no capacity, right or mandate to become involved in generic promotion of any sort. We do, however, do a lot of product development and I do believe it's an area that the company needs to work very closely on.

Our relationship with The Woolmark Company at the moment is very clear: we are two separate companies. They are a full profit company; we are a not-for-profit company. Our relationship with them is a close one, but it's a supply and they supply services to us. Those services can be in the order of how do we develop new products, or they can be in the order of how do you get products to market. We're aware of, obviously, the debate - who isn't - and the potential debate that's likely to ensue in the next couple of months or so in the whole area of promotion and, clearly, it's a debate that needs to be had, but it's not an issue that's for this company at this point in time.

Chairman:

I can't add to that. Number three? Thank you very much.

Question from the floor:

Thank you, Mr Chair. Russell Coad from Victoria, also representing VFF Livestock. We represent approximately 5,000 members in Victoria and we wish to congratulate AWI on the manner in which the latest WoolPoll was conducted. On a personal note, I'd just like to acknowledge and thank the opportunity we had yesterday to visit a couple of these exciting projects that are happening in Western Australia. Five or six of us had that opportunity yesterday and we saw a very small part of Western Australia, but there's some pretty exciting stuff out there, so we certainly thank you for that opportunity.

As the Board would be aware, VFF Livestock supported the two per cent levy option in WoolPoll and are pleased with the results of the latest poll. However, our support was contingent on R&D gains actually flowing onto the bottom line of producers. Our concern is that for some projects - such as those projects referred to in the annual report on page 79 as wool processing, engineering efficiencies and economies - that result in positive benefits to processors may not actually flow through to the producers. You've probably partly answered that question in your summary of financial return on investment.

The question is: what safeguards and strategies are in place to ensure R&D projects such as those referred to in the annual report as I've indicated, that produce positive outcomes of a financial nature in the off-farm sector of the wool pipeline, will flow through to producers, funders and part-funders of this R&D?

Len Stephens:

Thanks, Russell. I'm aware of the concern that VFF has on this. Your organisation sent us a letter during WoolPoll expressing those concerns and I appreciate that. I'd be more than happy to have the opportunity to come down and talk to VFF in great detail about our off-farm portfolio because fundamentally, it's about creating demand for wool. Whether or not it's working with processors to improve their efficiency, whether it's working with processors to try entirely new ways of putting wool together or whatever it might be, it's all about getting more wool into the market at a better price. If we do that, there's a clear follow-through back to producers, increased demand for wool and increased price, so the economic theory goes.

I think it's very important. In terms of the safeguards that you mentioned, one of the important principles that we have when we invest in those sorts of project is that they must share the risk, okay? I think that's the most important principle and the most important safeguard. We don't simply write out cheques to the processing companies or textile manufacturers. We sit down with them and go through quite a rigorous process about - as much as we possibly can - if we give you this money, can you guarantee that you will use more Australian wool? It's a bit of a hard guarantee to extract from them, but the measures that we use are that they've got to put in their own cash, their own money pool, their own management time or their machinery. The work takes some risk in the process.

I hope that answers your question.

Comment from the floor:

Thanks, Len. Certainly, we'll look forward to having some further consultation in the new year, no doubt.

Chairman:

Russell, can I just add that in one meeting that Len and I were at, I followed that up and gave us three minutes of why we shouldn't do any on-farm research at all and we answered that and said we got to [inaudible]. And so the next fellow got up and gave us three minutes on why we should do nothing but.

Can we take number four, please?

Question from the floor:

Dale Park, [inaudible]. I'd just like to reflect for a moment. My first twenty years in the wool industry, we concentrated or were told that we have to watch the price of wool vis-à-vis cotton and synthetics, make sure that we stay within three times the price and all that sort of thing. That was really the key that drove our production.

I like your theme of growing wool because now we're almost in the opposite end where the amount of wool we're growing is more dependent on how we're competing as an industry versus grain and meat production. The real emphasis is now how can we earn more money growing wool than we can growing either grain or meat?

I would just ask you to keep that in mind. A lot of the things that you had up there, things that we should be aiming for - 100% weaning, all those sorts of things - are just as important in the meat production industry. But I'd like to see a real focus on making sure that we are looking at growing wool and making that a lot more profitable because my real worry is that we're having people move out of the industry and into the competitive land usage, rather than staying in wool. It's just a concern.

It's quite interesting to reflect that the sheep meat producers are screaming because they can't get more merino ewes to produce more sheep meat animals, but maybe that's our role in life.

Len Stephens:

Thanks, Dale. My response to that would be that absolutely we're committed to putting the processes, procedures, information, tools in your hands. But at the end of the day, it's your decision whether you grow wool or prime lambs or canola or grain or whatever it might be. We're there to help you grow wool if you want to.

Chairman:

Okay. Number three and then number two.

Question from the floor:

David Lindsay, a woolgrower from Western Australia. When Peter Ralston(?) was up here this morning he said, "You have to say something positive before you say something negative". You had very nice slides [laughter] and really I must say, quite genuinely, I believe that AWI this year is going a whole lot better than AWI was 12 months ago.

However, there was one aspect that hasn't been covered in the strategic plan and, Len, you didn't cover a great deal this afternoon and that is the aspect that you alluded to that AWI doesn't do any research. It is CSIROs, departments, universities and others who do that research, which means that one of your most important assets, one of two assets you have, in fact. The first is the money that you get from us woolgrowers and some from the government; the other one is the people who do the research for you, the human resource asset.

That is something which the strategic plan does not cover very well. How you are going to manage that human resource asset? In fact, it is more than that. You follow a long string of organisations that have changed their names along the way that have raped and pillaged that particular asset, so that it would be fair to say - in fact, it would be generous to say - that there would be no more than a handful of researchers, scientists, around the countryside who would genuinely declare that they are researchers in the wool industry.

Now, there are number of people working for the wool industry based on contracts that they are doing, but they don't think wool, they don't think about the wool industry when they're thinking about their mortgage and the roof over their heads and other things, and they realise that in fact history has said that you have a very short time as a researcher in the wool industry as it has been over the last ten or fifteen years. Somehow or other, that's got to be turned around until you get people who in fact believe they are part of that wool industry, who are thinking about things that may improve the industry. If they are just waiting for the staff of AWI to tell them what to do, then you are never going to get any good research.

The research that really matters is the research that you don't even know about. There is some biochemical process somewhere that only a handful of people might know about and who can say, "If we tweak this a little here and a little there, we may actually be able to do something that can give us a whole revolutionary new process. At the moment, what we're doing is messing around at the edges, taking the research we know, trying to get a dollar out of it by the end of the next month and it is a very, very simple piece of research. The answer is certainly to manage the human resources so that you have people who can do that sort of thinking for the industry because that's what it needs. Research is about ideas and you need brilliant people - a lot of good people and one or two brilliant people - who can actually provide those ideas.

Now, you suggested in your talk that one of the answers was better project management and you immediately followed that up with cost benefit analysis. You must have cost benefit analysis. Now, I can quote a couple of fairly important, fairly successful research and develop companies - like, for example, Dupont or IBM, although it's a magnitude bigger than this one - who actually forbid the use of cost benefit analysis as a means of deciding on projects. It goes well beyond that and there are several reasons. I could go into them later with you if you like, but the main thing is you do not know what the benefits are of something you haven't discovered yet. No matter what economists can tell you, it is a whole lot of crap to say that you can. Now --

Chairman:

David, I'm going to have to -- your two minutes has gone to six, but just --

Question from the floor:

Right. Well, I'm saying the thing is not project management but it is people management. I'm hoping that now that things have settled down, both the Board and the CEO will in fact start looking at that as one of the important things to change the strategic plan so that we've got a process in which we can do that.

Len Stephens:

That's great. Thanks, David, because I was going to say to you - if you could make it a bit shorter, I must admit - but apart from that, please keep delivering that message on behalf of scientists.

AWI recognises very strongly that the future of science in this wool industry needs scientists; not only science, but scientists. They're human beings and they have careers and lives and all the rest of it. We don't have enough of them. The man who was on your right while you were talking, and Hugh Nivison, will be standing beside the Minister of Science in a couple of weeks' time in Canberra, where we will be announcing the \$3 million scholarship and studentship program, which we think is probably the biggest any of the R&D corporations have put in place for the last little while. So I think that's one example of what we're doing in that area.

Another I'd like to point out is, as Paul Swan mentioned, there's a \$30 million frontier science program with genomics in place at the moment. A vast amount of that money is not even spent or not committed. Here, I'll have a little bit of a shot at my scientific colleagues and that is that the whole process of intellectual property management and so on and so forth is seriously getting in the way of us putting that money into the market and letting people use it.

There's a lot I could say about science management in Australia, as you can too. Let me just say that I passionately believe that the system can work better. As the CEO of a company that's owned by woolgrowers, I need to have a balanced portfolio. We need to create opportunities and we need to create a little bit of freedom. But at the end of the day, we have to deliver to the shareholders, and that's the balance we work on.

Chairman:

Okay, last question.

Question from the floor:

Thanks, Len. Don Hamblin, NSW Farmers.

Chairman:

Second to last question.

Question from the floor:

Thanks for the good working relationship we now have with the CEO of AWI. This is in some trepidation I ask the question after the previous question and I know you have previously part-answered the question I've put to you on notice before, but anyway, here we go.

It is noted in the letter to shareholders that the results of independent cost benefit analysis calculated the return on on-farm projects at \$4.50 for each dollar invested and \$5.60 on return on textile projects. In relation to that, has AWI applied the return on investment criteria to each of its projects individually in the current portfolio? Will AWI use the projected return on investment as criteria when evaluating future projects? Given the retraction in production and price and therefore the likely fall in wool levy and revenue, will AWI use the actual return on investment of each project to evaluate that project for future funding?

Len Stephens:

Thanks, Don. I think I have, as you say, answered half of that question. Could I just expand it on a little bit and say that, despite David's comments, benefit cost analysis is one tool - not the tool - one tool as a producer-owned company that we can use when we have a lot of choices to make. For example, if we've got a limited amount of money to spend on, say, animal health and we have 20 ideas, it's a great tool to be able to say, "Well, you invest in that part or that part". But it's a tool that you can't use for all projects. You can't use it for basic frontier science. That, at the end of the day, is an investment in a person and it's a value judgement. It's very difficult to use it in environmental work.

So we certainly don't use it for all activities; it's just one of several tools. We will continue to use it in future, as we think we should.

Chairman:

Thank you. Could we go to number one, please?

Comment from the floor:

Len, talking about focusing on wool, that's your job. But since the 1990s with the crash in wool and the problems we've had on farms, there's been a big move towards diversification and what are called complementary diversifications.

What a lot of people have found with this is that they've amazingly been able to keep their wool production up higher than they thought they would. I think this is a big part of Australia's rural industry these days and this is this mix of farming. I hope that AWI will just keep an eye on that because these things work together. That's the point I wanted to make.

Chairman:

That question was from Ian Campbell.

Comment from the floor:

That wasn't a question --

Chairman:

No, I mean the comment, sorry. We just need to know your name, that's all, for the record.

Question from the floor:

Oh, sorry. Yes, Ian Campbell. My question really is are you keeping an eye on the diversification that goes on within the whole farm situation? Wool's fixed into that area in a lot of Australian farming areas.

Len Stephens:

Yeah, we are. One of the things that I particularly enjoyed about coming into the wool industry was that it's an industry that's full of very passionate people and they're passionate about wool. That's great and most of them are also passionate about making money, which is also great, and we're here to help them do it.

We keep an eye on it but I just strongly believe that at the end of the day, it's the individual businesses that need to make their decisions. If those businesses are deciding not to grow wool, then we need to pick up on that pretty quickly and find out why. That's our job, to keep an eye on that.

Chairman:

Okay, this is the last question, thank you, on this subject, if that's okay?

Question from the floor:

Malcolm Edward, Brighton(?). Several years ago, I was privileged to be on the steering committee of Woolpro and witnessed the regional work on Timerite. As such, I've used it myself and have yet to find red-legged earth mite on the blade(?). What concerns me is that to get that information, you've got to go and buy it. Now, it's \$70, which is neither here nor there, but it's a fact you've got to go and purchase that information. Now, to me that information should be readily available, it should be on the wireless and everyone should be able to have access to it, either through the Ag Department or what have you.

I am concerned that I gather through the previous Board that they were going to have all these intellectual property rights and we were going to buy it back again. Is that the policy of the current Board, that that's going to happen? Thank you.

Len Stephens:

No. We are here as a company to make profits for you, not to make profits for the company. So, in particular relation to on-farm activities, there always needs to be an ongoing cost to deliver services. Someone has to pay the people at the end of the phone or driving the computer or whatever it might be. To the extent that we can, we will use our influence to try to minimise that and when we're talking about high-tech inventions that might relate to outside the wool industry, then we'll put our hand up for as many royalties as we possibly can.

But let me just repeat what I said at the start. Our primary aim is to help you to make a profit, not to take money out of your pocket and put it into our bank.