HISTORY OF THE STATUTORY AUSTRALIAN WOOL TESTING AUTHORITY 1957 - 1982

David J Ward OAM

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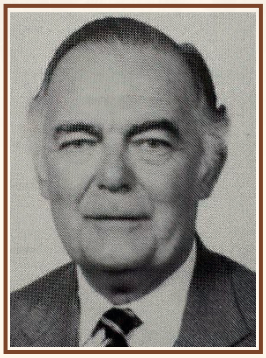
CONTENTS

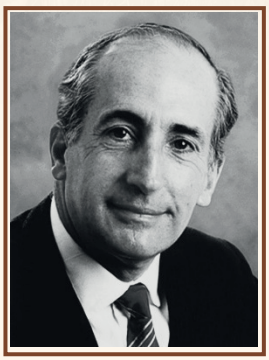
PREFACE 4
INTRODUCTION 7
GLOSSARY OF ACRONYMS 8
1. THE FIRST OFFICIAL WOOL TESTING IN AUSTRALIA 10
2. INDUSTRY DEMANDS A STATUTORY WOOL TESTING BODY 15
3. EARLY ACTIONS TO IMPLEMENT THE ACT 19
4. THE UNFORESEEN FINANCIAL STRUGGLE 23
5. WOOL INDUSTRY REORGANISATION 28
6. FUNCTIONAL INTEGRATION WITH THE AUSTRALIAN WOOL BOARD 32
7. NEW CHAIRMAN AND ACTING DIRECTOR ACT ON FAILURES 38
8. REBUILDING TECHNICAL EXPERTISE AND INTEGRITY 45
9. AWB APPROVES FUTURE POLICY AND BASIC FUNDING 50
10. NEW DIRECTOR IMPROVES MANAGEMENT SYSTEMS 52
11. ACTIONS TO DEVELOP AWTA'S INTERNATIONAL PROFILE 56
12. ADDRESSING WTS COMPETITION IN AUSTRALIA AND JAPAN 64
13. PROMOTION THROUGH EDUCATION IN JAPAN 67
14. GUNN PLEDGES AWB SUPPORT WITH A CHALLENGE 72
15. THE NEW TEAM COMES UNDER PRESSURE 77
16. POOR BROKER SERVICE THREATENS TESTING GROWTH 82
17. ACTIONS INITIATED TO REFORM IWTO CORE TEST MEETINGS 85
18. FUTURE OF AWTA TEXTILE TESTING IN THE BALANCE 92
19. INTERNATIONAL LIAISON STRATEGY PROVES EFFECTIVE 96
20. DEBATE ON BROKERS' CHARGES & COLLECTION ESCALATES 99
21. BREAKING EVEN UNDERPINS PLANS FOR A GREATER ROLE 103
22. PRESALE TESTING - A POSSIBLE SOLUTION TO AVOID CHAOS 107
23. LONG-RANGE PLAN RECOMMENDED FOR BOARD APPROVAL 111
24. RESEARCH PROPOSALS - A CATALYST FOR INDUSTRY REFORM 117
25. OBJECTIVE MEASUREMENT COMMITTEES PROGRESS RAPIDLY 122
26. BUILDING A STRONGER TEAM FOR THE FUTURE 127
27. MANAGING COMPETITION FOR TEST HOUSE ACCREDITATION 135
28. RESEARCH & DEVELOPMENT ROLE EXPANDS 143
29. PRAGMATIC SOLUTION FOR BROKERS' CHARGE COLLECTION 151
30. BAD KARMA STRIKES UNPRINCIPLED COMPETITION 155
31. PRACTICAL PLANS FOR PRESALE TESTING IMPLEMENTATION 162
32. DEVELOPING AN ACCEPTABLE LOW-COST AWTA PRESALE TEST 169
33. IWTO INSISTS ON FULL-TIME TEST HOUSE SUPERVISION 173
34. RECONSTITUTION IN THE AUSTRALIAN WOOL CORPORATION 179

35. INDUSTRIAL STRIFE FOLLOWS GOVERNMENT CHANGE IN 1972 186
36. TWO-MONTH STRIKE BECOMES THE LAST STRAW FOR WTS 191
37. WTS CLOSURE ASSISTS PLANNING, PRODUCTIVITY AND PROFIT 197
38. NEW TECHNOLOGY YIELDS MAJOR COST SAVINGS FROM 1976 203
39. INDUSTRIAL ACTION FOCUSES ON WORK VALUE CASES 207
40. CULTURE OF EXCELLENCE BUILT ON FACTS AND DATA 211
41. COLLABORATION AIDS INDUSTRY EFFICIENCY AND PRACTICES 216
42. REVIEW OF RELATIONSHIPS, POLICY AND PLANNING 222
43. PROPOSED SEPARATION EXPOSES AWC MOVES FOR CONTROL 226
44. DECISION TO PRIVATISE AWTA POLARISES THE INDUSTRY 234
45. 'GANG OF FIVE' DEMAND INDEPENDENCE FOR NEW COMPANY 243
46. CHALLENGE TO RECOVER LOST PRODUCTIVITY DURING 1981/82 247
47. IMPLEMENTING THE DIRECTIVE FOR AWC TO SELL THE ASSETS 250
48. FINAL AUTHORITY MEETINGS ENSURE A SEAMLESS TRANSITION 255
ACKNOWLEDGEMENTS..... 260
APPENDIX 1: AGENDA & FINAL DECISIONS OF THE INVESTIGATING COMMITTEE (1956) 261
APPENDIX 2: AWTA ACTING DIRECTOR'S REPORT (1964) 266
APPENDIX 3: LINDSDAY YEO SPEECH TO IWTO BASEL (1976) 272
APPENDIX 4: LINDSAY YEO SPEECH TO IWTO LONDON (1979) 274
APPENDIX 5: MINUTES OF JOINT AWTA/AWC MEETING (1981) 276
APPENDIX 6: AWTA & AWC REPORTS AND MINUTES RE SALE OF AWTA (1981-82) 281
APPENDIX 7: TRANSFER PACKAGE FROM AWC TO AWTA (1982) 314
APPENDIX 8: LINDSAY YEO SPEECH TO IWTO VENICE (1982) 317
APPENDIX 9: MEMBERS & PRINCIPAL OFFICERS (1957-1982) 319

PREFACE

I believe it can rightly be claimed that the greatest gains in efficiency during the entire history of the Australian wool industry resulted from the introduction of presale core and staple testing of wool samples, from the early 1970s onwards. The paradigm shift by the industry to rely upon objective data produced by sampling and measurement technology became a catalyst for major cost-saving changes to traditional wool handling, selling and marketing systems.





(L to R) Lindsay Yeo AO, AWTA & AWTA Ltd Chairman 1966 - 1992
Norman Yeo, Executive Member of CWC 1939 - 1945
Alan McGregor AO, AWTA Ltd Chairman 1992 - 2005
Sir James McGregor KBE, CWC Chairman 1942 - 1945

My interest in ensuring that the significant role played by the Australian Wool Testing Authority is published was shared by Lindsay Yeo AO, who was my Chairman from 1966 to 1992, and was strongly supported by his successor, Alan McGregor AO, the AWTA Ltd Chairman from 1992 until I retired in 2001. It is serendipitous that when the Central Wool Committee established the first official Australian wool testing laboratory in 1941, the 2 leading office-bearers were Norman Yeo and James McGregor KBE, respectively the CWC's Executive Officer and Chairman, who were their uncles.

My relationship with sheep and wool commenced at Jindalee, 5 miles north of Cootamundra, where I was raised on a farm specialising in crossbred prime lamb and grain production, with wool being an important by-product. After completing 1st Year of a Science Degree at the University of New England, I accepted an Australian Wool Board scholarship offer to study Wool Technology at the University of New South Wales, where 2 unrelated events shaped my subsequent career.

The first was a collision in 1962 at the School of Wool Technology, when a furious Dr Alec Dixie knocked me down with his swinging briefcase as he stormed out of Professor McMahon's office and kept on walking. When I called him back to find out the cause of the argument, he apologised, introduced himself as the Director of AWTA, and explained that he was upset by McMahon's refusal to cease providing subjective fineness appraisals of hand samples drawn from scoured wool deliveries to a large Middle Eastern processor. The bales had been tested by AWTA for moisture regain and fibre diameter, but the poor relationship between his appraisals and the diameter test results was confusing the client.

To understand why this was important, I needed more facts and, fortuitously, Dixie was willing to shout me a coffee in the UNSW Round House cafeteria. Every answer raised a new question, leading to 2 hours of interrogation during which he explained and promoted the benefits of testing vis-à-vis subjective appraisal, convincing me that objective measurement presented a novel employment opportunity. With greasy wool testing still in its infancy and AWTA struggling to survive, Dixie's enthusiasm for his challenge left me musing that I might have his job one day, so much so that I elected to study Wool Metrology and Biostatistics as my major 4th Year subjects.

The second career-defining event was a decision by the UNSW Council to approve my request to work at CSIRO, instead of spending the final 3 of 12 months prescribed practical work on another farm. At the Division of Textile Physics, I worked under the direction of Jim James on a fibre measurement project investigating the morphometry of 'doggy' wool fibres.

Our initial findings were so fascinating that I continued this research as my undergraduate thesis project, leading to the publication of a 'Letter to Nature' - the highly respected international scientific journal.

Upon completing the 4-year Wool Technology degree, I accepted an invitation from the Chief of Textile Physics, Victor Burgmann, to join the Division as an Experimental Officer on a 2-year fixed term contract, specifically to assess the efficacy of their novel technology for the automated testing of greasy wool core samples. There, my initial proving trials detected some serious flaws in performance that were corrected by equipment design changes.

However, subsequent trial results challenged the researchers' assumption that a high-speed centrifuge could separate chopped snippets of wool and vegetable matter in a liquid having a specific gravity between the specific gravities of keratin and cellulose. This was potentially a fatal flaw, requiring further fundamental research to be undertaken before my trials could continue.

Following Dixie's abrupt resignation in September 1964, Jim James was seconded as Acting Director of AWTA, where he convinced the Authority and the Australian Wool Board to provide management support for the new Director by creating 2 new technical supervisory roles - one specialising in raw wool testing and the other in textiles. He encouraged me to apply for the Wool Supervisor position, and in March 1965, I was released by CSIRO to take up that role, becoming responsible for developing and managing AWTA's raw wool sampling and testing operations under the direction of the new Director, Dr James Campbell.

After 15 months, I was promoted to a new Deputy Director position, and after a further 2 months, I was appointed as Director in September 1966, following Campbell's resignation. My most optimistic musings as a 20-year-old student never contemplated me having Dixie's job within 4 years of our fateful collision.

For the next 16 years, until the statutory AWTA was abolished in 1982, I was accountable to the Authority, the Australian Wool Board and their successor body the Australian Wool Corporation, for planning, directing and controlling the statutory AWTA's activities. The primary objective was to ensure that AWTA provided an efficient commercial service of high technical quality, at minimum cost.

In fact, as I have worked through the various AWTA records chronologically, memories of the challenges, difficulties, manoeuvrings and successes have been restored to such an extent that I realise this history is tantamount to a diary of my career in the Australian and international wool industries.

Thereafter, for the 19 years from May 1982 to May 2001, I was Managing Director of Australian Wool Testing Authority Ltd - the public company limited by guarantee which was formed to take over the functions of the statutory AWTA ... but that history is for another day.

Among the many wool industry leaders who provided valuable advice and encouragement to me, I must acknowledge Lindsay Yeo AO, for guiding me like a son and repeatedly insisting that the Authority Members must "*let the Managers manage*"; Sir William Gunn CMG KBE AC, for his foresight regarding the future impact of wool testing, his respect for my recommended strategy to involve all industry sectors in assessing the feasibility of presale testing, and for his willingness to ensure that the Board provided the essential capital funding enabling AWTA to expand capacity to test the entire wool clip; Al Wallace, the DPI appointee on both the Authority and the Wool Board, for his skill in ensuring that Treasury did not move to close the Authority when it was destitute, and for his guidance in dealing with government red tape; Jim James, for urging me to apply for the Wool Supervisor position and his commitment to fast-track the development of Australian Standards for submission to the International Wool Textile Organisation when he chaired the relevant SAA Committee; and Dick Bownass of the Wool Industries Research Association in Leeds, for expanding my knowledge of wool testing and mill processing and his leadership in forcing essential reforms to the IWTO Core Test Sub-committee structures and their modus operandi.

It would be remiss of me not to recognise those wool industry leaders who fought so doggedly to ensure that the new company formed to take over the functions and purchase the assets of the statutory AWTA was independent of control by any single wool industry sector. Dubbed the 'Gang of Five', they were Bob Chadwick (Private Treaty Wool Merchants), Graham Duncan (Wool Scourers and Carbonisers), Kevin Perrott (Wool Textile Manufacturers), Rene Vandervaere (Wool Buyers), and Bill Williams (National Council of Wool Selling Brokers).

In this regard, I must also acknowledge the pivotal role played by Ian McLachlan AO, President of the Wool Council of Australia, for recognising that the combined WCA/AWC voting power must be limited to

'significant policy issues' only, and for his insistence that the Government must legislate an income tax exemption for AWTA Ltd to minimise wool growers' costs.

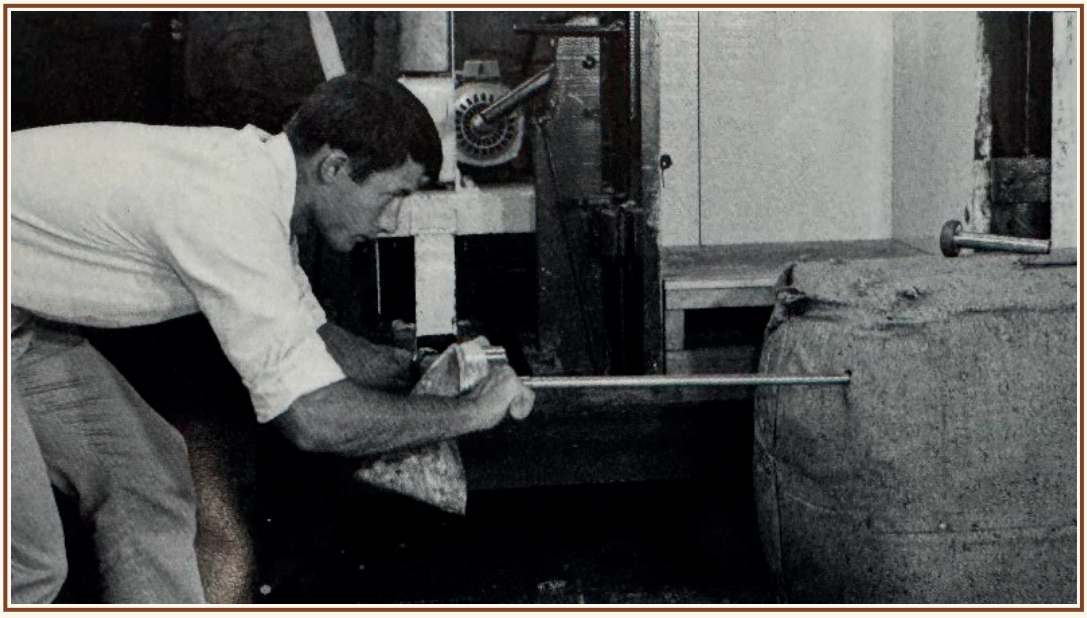
Last, but by no means least, I must place on record my great admiration and gratitude for the belief and focused commitment shown by the key members of my management team in fine-tuning, pursuing and achieving the Authority's published corporate objectives.

In chronological order of their years of appointment, they were Warren Longson (1958), Malcolm Clark (1961), Murray Mansfield (1962), Pat McGilvray (1966), Terry Dittmar (1967), Ian Treloar (1969), Wayne Nettleton (1970), Noel Emselle (1970), Sas Douglas (1970), Hugh Hopkins (1971), Alex Artomonow (1972), Peter Morgan (1972), and Ron Connors (1972).

The mutual trust within the team was so high that face-to-face, frank and open criticism of performance failures was accepted as being essential to achieving continuous improvement. In fact, the most complimentary recognition of our teamwork and common purpose came from the AWC's Chief General Manager, Arthur Farnworth, who confided to me that his senior management staff held the view that, regardless of which AWTA Manager they contacted, they would always receive the same answer.

David J Ward OAM
Director, Australian Wool Testing Authority,
26th September 1966 - 13th August 1982

Managing Director, Australian Wool
Testing Authority Ltd, 5th May 1982 - 20th May 2001



INTRODUCTION

In documenting this history, it has been important to recognise there is no single target group of readers. Those considered most likely to be interested fall into 3 separate categories, the largest of which are individuals who were and/or are now actively engaged in the wool marketing chain, from wool growing to wool textile manufacture. Their attention will be focused on the commercial reasons for introducing wool testing, the practical difficulties encountered, and the solutions found as post-sale and subsequent presale sampling and testing methods evolved and were implemented. The second category includes past employees of the statutory AWTA, together with past, present and future staff of the private enterprise AWTA Ltd; others having a direct or indirect connection with wool testing houses; and some who have been involved in the technical aspects of IWTO's standardisation and regulatory work. The third category includes newcomers to the wool industry, students undertaking sheep and wool studies, and an eclectic range of lay people, for whom technical and commercial explanatory footnotes have been provided.

All readers can be assured that the historical contents of this document are entirely factual, having been extracted from Central Wool Committee Minutes held by Commonwealth Archives, AWTA Minute Books, Australian Wool Board/Corporation Minutes, AWTA Meeting papers, IWTO papers and Minutes, a range of other wool industry reports, AWTA file notes, rural press clippings, and the comprehensive set of individual AWTA files still held by AWTA Ltd.

The early Chapters up to 1964/65 are somewhat dry, lacking personal anecdotes and being based almost entirely on documents held by Commonwealth Archives, in AWTA Minute Books, and in the few AWTA files that were found after the resignation of the original Director, Dr Alec Dixie. Thereafter, the Acting Director, Jim James, and the new Director, Dr James Campbell, kept personal file notes which have provided useful context for some of the Authority's important decisions.

At the time of his appointment, James Campbell knew little about wool testing, so David Ward and Murray Mansfield participated in most decision-making regarding the Authority's development. Upon appointment as Director in September 1966, David Ward became directly accountable for shaping and directing the Authority's future. Having held this pivotal role for almost 16 years, until the statutory AWTA was closed in 1982, he is uniquely placed to identify the key historical facts and explain their significance.

The Authority's early history was dominated by a lack of adequate establishment funding, and by an unexpected reluctance of overseas customers to accept grower-country Certificates. With the limited Treasury loan funding depleting rapidly, the Authority failed to meet their interest and loan repayment obligations, and their focus changed to survival. As a result, the initial testing laboratories were never properly equipped, and the quality of the test results suffered. However, they gained access to essential capital funding after being reconstituted as part of the Australian Wool Board, enabling them to upgrade the laboratories to international standard, perform much more reliably, and to build a reputation for technical expertise and integrity. To this end, the management team's service orientation was directed at providing accurate, impartial and efficient sampling, testing and certification services, at minimum cost.

This history confirms the importance of keeping accuracy, service speed and low-cost goals in balance, since overemphasis on any one of these 3 factors inhibited achievement of the others. In this regard, it records the extent to which industrial disruption disrupted this balance, contributing to the closure of the Authority's last competitor, albeit after a series of self-inflicted disasters had called their integrity into question and led to clients withdrawing support.

Contrary to concerns about the loss of a competitor, sampling efficiency rose significantly, service times were reduced, and huge gains in testing productivity enabled the Authority to hold fees constant for many years. Initial fears about AWTA's monopoly were annulled, when Lindsay Yeo reassured the IWTO Wool Committee that the Authority was controlled by appointees from all major client groups, who would not accept inaccuracy, inefficient service or unjustifiable fees.

AWTA's history supports the view that the role of a test house is analogous to that of a Court of Law. Certificates represent 'verdicts', which must be unbiased and equally acceptable to the parties concerned. Compliance with standard test methods and regulations is as fundamental as a Court's obligation to comply with legislation and have due regard for the legal doctrine of precedent. In both cases impartiality, integrity and independence are essential for their 'verdicts' to be respected.

GLOSSARY OF ACRONYMS

ACOF	Australian Clean on Floor (the basic bareme)
ACTU	Australian Council of Trade Unions
ACWB	Australian Council of Wool Buyers
ACWE	Australian Council of Wool Exporters (formerly ACWB)
ADCH	Australian Development Clearing House
A-G	Auditor-General
AML&F	Australian Mercantile Land & Finance Company
ANC	Australian National Committee of IWTO
AOMP	Australian Objective Measurement Project
APPU	Australian Primary Producers Union
ASAP	Australian Society of Animal Production
ASTM	American Society for Testing & Materials
AWB	Australian Wool Board
AWC	Australian Wool Commission (later Australian Wool Corporation)
AWGC	Australian Woolgrowers' & Graziers' Council
AWIC	Australian Wool Industry Conference
AWMPF	Australian Wool & Meat Producers' Federation
AWMSA	Australian Wool Measurement Standards Authority
AWRC	Australian Wool Realisation Commission
AWTA	Australian Wool Testing Authority
AWTA Ltd	Australian Wool Testing Authority Ltd
AWWTMA	Associated Woollen & Worsted Textile Manufacturers of Australia
BAE	Bureau of Agricultural Economics
BCH	Bradford Conditioning House
BOCT	Belgian Official Core Testing
BWF	British Wool Federation
BWK	Bremer Woll Kammerei in Bremen
CIL	Compagnie d'Importation de Laines
CPI	Consumer Price Index
CPR	Conditionment Publique Roubaix
CSIR	Council for Scientific & Industrial Research
CSIRO	Commonwealth Scientific & Industrial Research Organisation (formerly CSIR)
CTCRS	Centre de
CTS-c	Core Test Sub-committee
CWC	Central Wool Committee
CWFP	Clean Wool Fiber Present
DFC	Development Finance Corporation
DPI	Department of Primary Industry
ECH	Excelsior Conditioning House
ESGM	Elder Smith Goldsbrough Mort & Co Ltd
EWP	Economic Wool Producers Pty Ltd
FPS	Floor Price Scheme
FSPU	Federated Storemen & Packers Union
GWF	Gdynia Wool Federation
Interwoollabs	International Association of Wool Textile Laboratories
IR	Industrial Relations
IS	Information Systems
IT	Information Technology
IWA	International Wool Association
IWMF	Indian Woollen Mills Federation

IWS	International Wool Secretariat
IWTO	International Wool Textile Organisation
JCSY	Japanese Clean Scoured Yield
JWSO	Joint Wool Selling Organisation
LECARIM	Laboratoire d'Essais de Controle d'Analyses et de Reserche Industrielle de Mazamet
LOPS	Limited Offer to Purchase Scheme
LSC	Liquid Scintillation
NCWSBA	National Council of Wool Selling Brokers of Australia
NIR	Near-Infra-Red
NKK	Nippon Keori Kaisha Ltd
NSW	New South Wales
NZWTA	New Zealand Wool Testing Authority
NZWTA Ltd	New Zealand Wool Testing Authority Ltd
OCP	Objective Clip Preparation
OM	Objective Measurement
OMLG	Objective Measurement Liaison Group
PAP	Price Averaging Plan
PJT	Prices Justification Tribunal
PM	Projection Microscope
QANGO	Quasi Autonomous Non-Governmental Organisation
Qld	Queensland
RCF	Review of Commonwealth Functions
RPS	Reserve Price Scheme
RWCS-c	Raw Wool Certification Sub-committee
SA	South Australia
SAA	Standards Association of Australia
SAWB	South African Wool Board
SAWTRI	South African Wool Textile Research Institute (formerly SAWTRO)
SAWTRO	South African Wool Textile Research Organisation
SGWFE	Sydney Greasy Wool Futures Exchange Ltd
S x D	Sale by Description
S x S	Sale by Sample
STC	State Trading Corporation of India
Tas	Tasmania
TME	Test Method Under Examination (IWTO)
UK	United Kingdom
USA	United States of America
Vic	Victoria
VM	Vegetable Matter
WA	Western Australia
WIRA	Wool Industries Research Association
WRONZ	Wool Research Organisation New Zealand
WRTC	Wool Textile Research Committee
WSCFFA	Wool Scourers, Carbonizers & Fellmongers Federation of Australia
WTMA	Wool Textile Manufacturers of Australia
WTRAC	Wool Textile Research Advisory Committee (formerly WTRC)
WTS Ltd	Wool Testing Services Ltd (based in UK)
WTS	Wool Testing Services Pty Ltd (based in Australia)
WTSI	Wool Testing Services International Ltd (formerly WTS Ltd)

1. THE FIRST OFFICIAL WOOL TESTING IN AUSTRALIA

"*It is the hope of the Central Wool Committee that official Conditioning Houses will eventually be established in Australia, whereby Australian standards of percentage moisture regain may be determined which will be in line with normal Australian atmospheric conditions, and that scoured wool, carbonized wool, tops, noils, wastes, yarns and cloths, can thereafter be dealt with locally and/or be exported on the certificates of the Australian Conditioning Houses.*" [Central Wool Committee Report - 1942]

The commercial need for raw wool testing facilities in Australia was first recognised at an official level by the Central Wool Committee (CWC), the Australian body established to appraise and value the entire wool clip for acquisition by the British Government, during World War II.

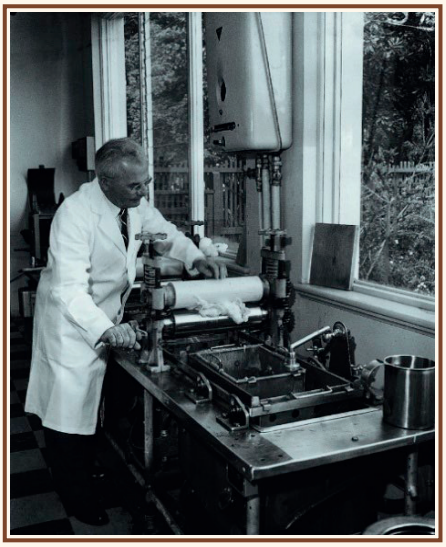
Under the free market conditions prior to the establishment of the CWC scheme, wool buying staff had been able to compare their own yield estimates against actual combing results from their clients' mills. However, with the interruption of normal trade relationships during the war, this comparative feedback was no longer available, leaving the CWC's appraisers in the situation of not knowing whether their valuations were close to commercial reality.

In January 1941, the CWC Board agreed to establish their first official wool testing house, on the recommendation of James McGregor and supported strongly by the CWC's Executive Officer, Norman Yeo. The primary function was to provide objective yield test results for a range of standard wool type samples, against which appraisal staff could assess the accuracy of their own subjective yield estimates.

This first yield testing house was established at 17 Randle Street, Sydney, headed by Martin Freney, who had been seconded to the CWC by the Council for Scientific & Industrial Research (CSIR) Division of Industrial Chemistry - Wool Processing Section. His first Chief Chemist was Menzie ('Pip') Lipson, a colleague at the same CSIR Division, who had to resign to take up the position.

The following extracts from the CWC's Report for the 1941/42 Wool Season describe the rationale and early progress:

"In the report for the season 1940-41, reference was made to the establishment of a Central Wool Committee Testing House. The installation of the necessary plant and machinery was completed in October 1941, and the testing house is now functioning successfully.



Manual 4-bowl scour for greasy wool

"The design and set-up of the testing house plant was carried out by Mr. J.R. McGregor, of the Central Wool Committee, and Mr. M.R. Freney, B.Sc., who is the officer-in-charge. They also collaborated in securing and training the staff required and the work of sample testing is now at a point of proper efficiency.

"Under normal trading conditions, a number of the large wool buying firms carried out extensive testing of the samples of their purchases, and buying interests generally had their estimations of yield confirmed or corrected by cabled combing results. Under present conditions appraisers lack these correctives, and in the absence of reliable sample testing there was a danger of a decline in the general standard of appraisement.

"The Central Wool Committee, accordingly, felt the necessity of setting up an efficient testing plant and the first unit has been established. It is the intention of the Central Wool Committee to establish similar units in all main centres."

In fact, the Report foreshadowed the local establishment of official Conditioning Houses. In this regard, it highlighted the fact that, although Australian semi-processed wool was sold on Bradford Standards of Condition (under which sellers were entitled to deliver scoured wool with moisture regain of 16%, and

carbonised wool with 17% regain), such high levels of regain were rarely, if ever, found under Australian conditions when weights were recorded for invoicing and shipping purposes.

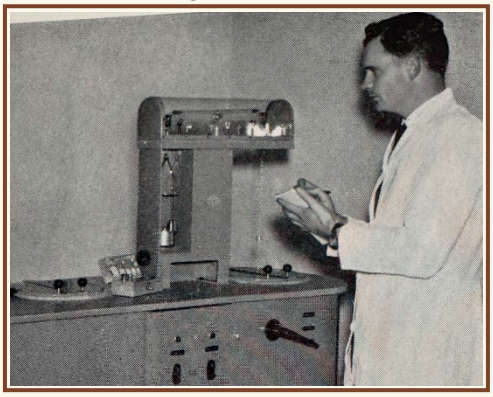
In conclusion, it declared that *"… where the moisture content in the wool has been less than the Bradford Standards, it is obvious that there has been a delivery of bone-dry wool in excess of the weights called for by the said Standards."* [1]

In October 1942, almost 12 months after the first laboratory had become fully operational in Sydney, the CWC accepted a recommendation by James McGregor for an additional CWC testing house to be established in Melbourne. As had been done for the first laboratory, CSIR agreed to make a staff member available to fill the Officer-in-Charge position. The selected appointee, Dr Rodger Watson, left the Animal Nutrition Laboratory in Adelaide to take up this position and he managed to have the new Melbourne laboratory operational by September 1943.

Despite CWC's declared intention in their 1941/42 Season Report, they did not establish yield testing facilities in any other location. However, having developed a significant involvement in scouring and carbonising wool, they decided to establish conditioning houses for their processed wool. This conditioning decision was taken in February 1944, when James McGregor and Norman Yeo wrote to the Chief Appraisers in South Australia (SA) and Western Australia (WA), Harold McGregor and A Gibson respectively, instructing them to establish suitable premises to install conditioning ovens.

They were also told to dampen any industry expectations by stressing that the use of these facilities will be *"… only for the conditioning of wool processed by CWC"*. Clearly, these facilities were not to be Public Conditioning Houses.

By October 1944, the WA conditioning oven had been set up in a new building attached to the CWC Store in East Fremantle, and the selected SA site was in CWC Standard Store Z in Rosewater. Martin Freney's 'Visit Report' dated 14 November 1944 recorded that he personally had unpacked and installed the SA oven en route to inspecting the WA laboratory and had commissioned both facilities after their successful completion of a series of comparative tests, from 1st to 11th November.



Conditioning oven for moisture testing

In "*Gentlemen's Agreements, Australian Wartime Appraisements*", Christopher Fyfe identifies James McGregor, not only as the key person who recognised and promoted the need for the CWC to establish testing laboratories, but also as a man of great foresight who understood that the wool industry would benefit from retaining such facilities, provided they were managed by an independent public authority. Based upon the CWC Meeting records, Fyfe reports that:

"McGregor had been the driving force behind the instigation of the testing houses and then guiding Freney and his colleagues as to what the CWC expected from them. Since the start of their activities, he had closely monitored their operations, scrutinising the results and bringing to bear on the efficacy of testing his vast knowledge of wool.

"At a meeting of the CWC in 1945, McGregor now raised his concerns about the future direction and continued operations of the testing houses. Although he recognised the value of the testing houses in the current scheme, where they afforded an invaluable guide to appraisers, McGregor voiced his opinion that with the resumption of normal trading they could become a menace. His reasoning was that, should the testing houses be conducted by any organisation other than an established authority and under the strictest control, any results could be suspect and there would be no way of confirming if the results were correct. In short, if the houses were conducted by any private enterprise selling agency, he feared that pressure could be brought to bear on such an entity, which in turn could affect the accuracy of the tests and the usefulness of the testing house.

"McGregor rued the fact that the trade had never pressed for conditioning houses to be set up in the Commonwealth which could cater for the unique moisture regain caused by the dry atmospheric climate

[1] By selling wool on unconditioned local mill weights, Australian exporters were missing out on their entitlement to sell a standard amount of water for the price of wool. Moisture uptake during the 4-5 months voyage to the Northern Hemisphere yielded a windfall profit for the importing buyer only.

of Australia and issue certificates which would be accepted world-wide. Indeed, McGregor went on, there was distinct opposition by most sections of the trade to such a move, at which he expressed great disappointment. He envisaged a lack of trained men to administer the testing houses when the appraisements ended and said that it was almost certain that the testing houses would have to be closed at the end of the scheme."

Having consistently demonstrated great respect for McGregor's knowledge and judgment over many years, Norman Yeo accepted these warnings unequivocally. In fact, it was Yeo who placed the future of the testing houses on the Agenda at the Inaugural Meeting of the Australian Wool Realisation Commission (AWRC), held on 15th and 16th November 1945, where he declared that *"… the testing houses were of great value for the Appraisement Scheme, but will have no value when the auctions resume."*

The Minutes record that, although the Fellmongers & Scourers Association had requested that the testing houses continue to operate, the greasy wool trade's support was only spasmodic. However, no decision was made at that meeting.

At the following meeting held only 2 weeks later, the Board discussed a letter from Martin Freney, reporting Dr Rodger Watson's concerns that the uncertain future was making it difficult to retain his Melbourne staff, and proposing the transfer of some Sydney staff if the laboratory was to operate beyond 30th June 1946. During discussion, the AWRC Chairman, J F Murphy CMG, informed the Board that the Minister had asked him to consider retaining the testing houses. With strong views being expressed both for and against continuation, Norman Yeo reluctantly agreed to hold the staff together, but only until 30th June 1946, which was barely 6 months ahead.

By early January 1946, it was clear that these temporary staffing arrangements were failing. Watson had given notice of his resignation to take up a position at the CSIR's Animal Health Laboratory in Parkville, and the successor chosen for his position had declined to take it up. Having expressed serious doubts about his own ability to continue supervising both Sydney and Melbourne past February, Martin Freney recommended that the Melbourne facilities be closed, at least temporarily, and that their samples be sent to Sydney for testing.

Yeo moved to bring the issue to a head at the AWRC Meeting held on 6th & 7th February 1946, when the Board accepted his recommendations to close Melbourne by the end of the month, to close Sydney at the end of June, and to cease all research activity. It was also agreed that the yet to be appointed Chief Technical Officers (later called Chief Valuers) would be allowed to retain only enough testing equipment to support their buying-in activities.

The Wool Scourers, Carbonizers & Fellmongers' Federation of Australia (WSCFFA) were strongly opposed to the closure of the Melbourne conditioning facilities, but their lobbying failed to have the AWRC decision overturned. That laboratory ceased operations at the end of February. Within a fortnight, CSIR had contacted Yeo to take over the lease on the premises and to acquire most of the plant and equipment for wool research use. This disposal was approved by the AWRC on 27th June 1946, after the Chief Valuer for Victoria had reserved the items he required for the Wool Disposal Plan, and they also agreed that the Sydney Conditioning House must close on 31st July.

Yeo then informed the AWRC Board that James McGregor had expressed the view that *"… those who took an active part in establishing the unit should have the opportunity to purchase the equipment."*

Clearly, McGregor was an interested party. Although Yeo was forced to agree that this would give his company an advantage over other trade members, he still argued it was justifiable because McGregor had allowed the CWC to use some of his private testing plant free-of-charge, pending the purchase and installation of their own and, in fact, some of his equipment was still on loan to the AWRC. The Board capitulated, agreeing that McGregor could have first option to purchase whatever equipment he wanted.

Despite their closure, the Sydney facilities were still intact when Martin Freney's secondment ended in August 1946. He was succeeded as Officer-in-Charge by Charles Jarratt, whose immediate priorities were to establish an inventory of testing plant, to list those items that must be retained for the Chief Valuer of New South Wales (NSW), B Monckton, and to supply some similar equipment to both SA and WA, to ensure that each Chief Valuer would have his own small testing plant.

In fact, the Chief Valuer for SA, Harold McGregor (a brother of James), had previously asked the AWRC Head Office to supply him with some specific items of yield testing equipment, including *"… scouring bowls and a boiling copper …",* which were installed in November 1946. At the same time, the Chief Valuer of WA, C H Johanson, was advised that *"… a 3-trough scouring plant, gas copper and* wringers" had already been dispatched to him.

In pursuit of his goal to dismantle the Sydney Testing House quickly, Yeo pressured James McGregor to remove all his own equipment and to exercise his option to acquire any other items that he might require, following which he would arrange for CSIR to take over any remaining plant and equipment.

By November 1946, Norman Yeo was able to announce to the AWRC Board that:

"*We do not now conduct testing in the Testing Houses. Each Chief Valuer has been allowed to install a plant similar to the plant used by a buying office, but there is no question now of any scientific test.*"

Yeo's statement was certainly correct for the 2 original testing houses, since Melbourne had been shut down some 9 months earlier and Sydney was then in the process of being closed. [2]

However, Yeo had forgotten that conditioning ovens were still installed in Adelaide and Fremantle. In the latter case, AWRC had received a letter from the WA State Wool Committee in late July 1946, seeking access to condition testing for local scourers, and stating that retention of the existing facilities in WA would be of great benefit to exporting interests. At the time, Yeo had responded negatively that:

"*The answer is that we will not be carrying on this conditioning plant on a commercial basis. If the trade wants a Conditioning House, let them provide one for themselves. They had the opportunity to set up a conditioning house in Australia when our testing houses were in operation, but the trade was too apathetic to do that."*

Nevertheless, Yeo failed to issue any instructions to dispose of the condition testing equipment.

Throughout 1947, and early in 1948, the Chief Valuers' yield testing facilities in Sydney, Melbourne, Adelaide and Fremantle were applied exclusively for AWRC's own purposes, but their testing workloads reduced inevitably as AWRC's purchases diminished and wool stockpile disposal progressed.

By March 1948, the AWRC again faced the prospect of their valuers having insufficient access to objective test data against which they could compare their appraisals and valuations. Faced with diminishing stocks of wool from which to take samples, the Board invited buyers to submit their samples for free testing.

Norman Yeo's agreement to this strategy was conditional on it not becoming a general practice for the buying trade, as he was very concerned that the trade might use the results to fight claims that might then come back to AWRC for resolution. To emphasise this point, he insisted that the practice must be publicised as being *"… for our purposes, not the buyers."*

This condition was either missed or ignored by the NSW Chief Valuer, Monckton, who issued an unqualified Circular inviting the trade to test their samples free-of-charge. Within 6 weeks, the Sydney laboratory had received more than 100 samples and the local Buyers' Association had written to the AWRC to express their members' appreciation for the service. When Yeo received this accolade, he was so furious that he forced the Board to agree that Monckton must issue a clarifying Circular which would be drafted by Yeo himself.

Nevertheless, the free testing service was well supported and, in fact, the Sydney Test House Report for the 1950/51 Season recorded that a total of 2,400 samples had been tested for the commercial trade, plus a further 32 samples tested for the East Sydney Technical College. The equivalent Report by the WA Chief Valuer stated that an average of 120 samples per sale had been tested in duplicate. Presumably, both the Adelaide and Melbourne laboratories were similarly active in testing samples for their local trade members.

[2] Between December 1946 and May 1947, most of the remaining Sydney items were acquired by Harold Carter for use in the CSIR Wool Biology Laboratories which had moved into the 17 Randle Street premises, and a few selected items went to Norman Roberts for use in the CSIR Fleece Analysis Laboratory at Villawood.

In September 1951, AWRC estimated that free testing was costing around £1.0.0d per test, which they considered as being too costly, particularly as their own role was about to end. Consequently, the Board decided that the Chief Valuers' laboratories would be shut down completely. [3]

On 24th September, the Chief Valuer of SA, Harold McGregor, was instructed to cease testing for wool buying houses immediately, to dismantle and package all the laboratory equipment, and to send it for storage in Store 7, Dudley Street, West Melbourne. This transfer was completed in November 1951, but the packing list did not include the scouring apparatus, confirming that this had been 'acquired' privately by Harold McGregor's company, H W McGregor Pty Ltd.

Responding to a similar instruction received the following day, the Chief Valuer of WA recommended that his laboratory should be sold as a going concern, since 4 local companies had already expressed strong interest. This was accepted and, when tenders closed on 14th November 1951, it was found that 2 companies had lodged the same top bid of £1,500. However, the bid from Dreyfus was accepted because they had also offered to make the facilities available for other buyers' use, they were also willing to take over renting the site at No 1 Store, Mandurah Road, South Fremantle, and would continue to employ the current Officer-in-Charge.

The sale of the Sydney laboratory was discussed at the AWRC Meeting held on 6th February 1952, when it was reported that the East Sydney Technical College and several buying houses had expressed interest, and that the CSIRO also wanted to acquire some specific items. Advice was also received that the Commonwealth Government might purchase this equipment as a gift to India under the Colombo Plan, so the Chairman was authorised to pursue the various options.

After the Wool Buyers' Associations and other potential purchasers had been alerted that a sale by tender would be held, it was discovered that the gift proposal had not only been submitted to the Indian Government, but it had already been accepted.

On 21st July 1941, the Commonwealth Government purchased the equipment at a total cost of £727, which covered 2 ovens (£395), one steel hydro-extractor (£152), one electric scour bowl (£82) and 5 wringers (£98). The Official Order specified that all documentation and each shipping crate must bear the following testimony:

"Presented by the Government and people of Australia under the Colombo Plan, as a contribution to the greater welfare of the people of India."

By December 1952, the AWRC's only remaining task was to realise all their remaining assets to enable the final accounts of the Joint Organisation to be completed. Pursuant to this, only the SA testing equipment, then greased and stored in Melbourne, was still to be sold. Before proceeding to a sale, Dr Lipson, then Chief of the CSIRO Wool Laboratory in Geelong, was approached to ensure that his Division had sufficient testing equipment to handle any foreseeable emergencies. Once this was confirmed in June 1953, the final decision was made to call for tenders from the trade.

On 28th September 1953, details of the tender were sent to the 3 Woolbuyers' Associations, to the Associated Woollen & Worsted Manufacturers Association, and to those individuals who had registered an interest. Tenders closed on 20th October 1953 and, on the following day, AWRC advised Kreglinger & Fernau (Aust) Pty Ltd that their tender price of £1,625 had been accepted.

Whilst the CWC and AWRC had operated official wool testing facilities for just over 10 years continuously, from 1941 to 1951, this final sale closed off any possibility of independent testing services being resumed in Australia – at least for the foreseeable future.

[3] The AWRC Minutes and files held by The National Archives of Australia make no reference to tenders being called or to the sale of the Melbourne facilities. The most likely explanation is that these items were given to the CSIR for use in wool research.

2. INDUSTRY DEMANDS A STATUTORY WOOL TESTING BODY

"*Neither I nor my Department has had any idea of setting up a wool conditioning house under Government control. There are already several of these testing units operating commercially in Australia and it is a logical field for private enterprise as a section of the wool trade. If the wool-growing industry or the wool trade generally were to represent to the Government the necessity of extending wool testing or conditioning in Australia, then I would be prepared to seriously examine the position. However, you will appreciate that the wool industry and trade circles do not particularly welcome direct unsolicited Government interest in their affairs.*" [Hon Jack McEwen, Minister of Commerce & Agriculture - April 1952]

The Conditioning Houses established by the CWC for its own locally processed wool had received a mixed reception from the scouring and carbonising industry across Australia. This lack of support was a great disappointment for James McGregor, who had tried to encourage the trade to set up their own public testing house for the future. Aat the final CWC Board meeting in 1945, he had bemoaned the fact that:

"*What we dreamed of in regard to the development of the Testing Houses … has all gone by the board. This was a grand opportunity for the trade … money was available for carrying on the work … wherever we have turned, we have met with opposition.*"

Despite these views, within 2 months the Fellmongers & Scourers Association was urging the new AWRC to keep the laboratories open and they continued to resist all subsequent attempts at closure.

Central Wool Committee, c 1945
Seated:
N J Carson, N W Yeo, J R McGregor
Standing:
A A Burns, G H Buckland, G F Parkes, F E Hitchins, E A Buttenshaw, W J Scully, H R Crowdery, F C Laycock, W Brotherson, H B Leigh

Although initially some wool buyers had criticised the CWC's tests on greasy wool, the AWRC's free testing service from 1948 to 1951 had also given this sector of the trade an opportunity to gain insight into the value of measurement as an aid to appraisal of greasy wool. As a result, the tenders for the sale of the testing equipment were well supported. The losing bidders soon realised that they would be at a significant competitive disadvantage to the buying houses which had now established their own private laboratories. Acting on their behalf, William (Bill) Lempriere lodged a request with AWRC for the Sydney testing house to continue their services. However, this was declined by the Board in September 1951, on the grounds that AWRC would soon be closed.

The Sydney trade's interest in having access to an independent wool testing service was anticipated by Charles Jarratt. As Officer-in-Charge of the Sydney testing house, he had strong relationships with most processing and exporting companies and was highly respected. In fact, he had resigned from that position on 28th February 1951, with a view to setting up a service in conjunction with a former AWRC colleague, Philip Lenthall. Claiming strong support from the Sydney trade, Jarratt and Lenthall met with the Acting Minister for Commerce & Agriculture, Senator George McLeay, and the Department Secretary, John Crawford, to convince them that the Sydney laboratory should become a Government-authorised or licensed service, like the City of Bradford Conditioning House established in 1887 under UK legislation. However, despite months of hopeful correspondence, nothing had eventuated and, in the interim, the Sydney laboratory had been dismantled and transferred as a gift to India under the Colombo Plan.

At that time, Jarratt and Lenthall had been assured that they would receive the list of equipment being sold in WA, but the tender had closed before they discovered that they had been overlooked. This led Jarratt to protest to his local Federal Member, William Wentworth, who was so incensed he wrote to the Minister, Hon John (Jack) McEwen, expressing his dissatisfaction and calling upon him to re-examine the situation. In his letter, Wentworth stated that his own enquiries had confirmed *"… that the Australian wool trade as a whole is suffering large losses through the failure to establish conditioning houses …"* and, while acknowledging the difficulty of giving official recognition to a private firm, he argued that *"… the Department should be interested in organizing the thing so that status could be obtained on some other basis than that of official recognition …"* or, failing that, the conditioning house should be set up under Commonwealth Government control.

Despite these setbacks, the trade continued to offer Jarratt support, and in March 1953 the laboratory of Jarratt Pty Limited was established. By offering his services openly to the trade, Charlie Jarratt had earned the distinction of establishing the first independent wool test house in Australia.

Prior to the CWC being established and more so once all equipment was sold, a few wool buying companies enjoyed the advantage of having exclusive access to their own in-house testing facilities. This enabled them to identify wool clips and wool growing districts that were higher yielding than they appeared visually. In view of this, the members of the Australian Council of Wool Buyers (ACWB) urged their Chairman, Bill Lempriere, to approach the Commonwealth Government with the objective of gaining support for the establishment of an Australian wool testing service.

William Lempriere, first AWTA Chairman 1957-1964

His persistent lobbying was rewarded in 1955, when the decision was made to set up an official 'Investigating Committee on the Establishment of Conditioning Houses in Australia', for which he was appointed Chairman. The membership of this Committee comprised:

- 4 representatives of ACWB: W H Lempriere, L Harwood (as Acting Secretary), T Argyle and C Greenwood;
- 3 representatives of the Wool Scourers, Carbonizers & Fellmonger's Federation of Australia (WSCFFA): R W Duncan, A Biggar and I Morris;
- 1 representative of the National Council of Wool Selling Brokers: R Bebarfald;
- 2 representatives of the Commonwealth Government: A E Wallace and W Carney; and
- 2 representatives of the CSIRO: Dr G Lennox and T Pressley.

Given the scientific nature of the investigations to be undertaken, the full Committee appointed a Technical Sub-committee with Lempriere, Greenwood, Wallace, Biggar, Bebarfald and Pressley as members, and Harwood as Secretary. They were assisted by the head of the New Zealand Department of Agriculture's Wool Testing Service, John Duncan, who was co-opted to provide expert advice based on his extensive practical experience in condition testing of NZ scoured wools.

The final Meetings of the Technical Sub-committee and Investigating Committee were held on 17th and 18th July 1956 respectively, when it was resolved that "… *the Commonwealth Government be approached to create a Statutory Corporation for conducting Conditioning Houses in Australia"*. [4]

By way of additional advice to be submitted to the Government, it was proposed that:

- the Statutory body should be controlled by 2 Department of Primary Industry appointees, together with one (1) each representing the Australian Wool Bureau, CSIRO, ACWB, National Council of Wool Selling Brokers of Australia (NCWSBA), and the WSCFFA;
- Conditioning Houses should be established in both Sydney and Melbourne, but if funding was limited, Melbourne would be favoured because it was more central to processors Australia-wide;

[4] The Agenda and Final Decisions of these Meetings are reported in APPENDIX 1.

- an estimated 40% of the total scoured and carbonized wool production (i.e. 200,000 bales) was likely to be tested in the first year;
- establishment capital of £20,000 would be required per laboratory centre to handle 50 duplicate tests, being £10,000 for capital items and £10,000 for working capital;
- the budget per laboratory assumed a total income of £25,000, based on a fee of 5/- per bale and total expenses of £21,000, thus generating a profit of £4,000 to be appropriated as £2,500 for loan redemption and £1,500 for research;
- Bradford Conditioning House (BCH) testing standards would be used, initially for moisture regain testing of scoured and carbonised wools, then followed by wool top testing; and
- based on the New Zealand experience, condition testing in Australia would be expected to increase export income by 2.6%, which would equate to £340,000 in the first year.

On 14th December 1956, Cabinet approved establishment of a Statutory Corporation as recommended, with funding for 2 test houses to be via an interest-bearing loan of £40,000 to be repaid within 5 years.

However, implementation of this decision was delayed by a precondition that the Minister, William (Bill) McMahon, the Attorney-General, Neil O'Sullivan, and the Treasurer, Sir Arthur Fadden, must first agree that the obstacles to such a body being controlled by private enterprise were insurmountable. This consensus was achieved within a few months.

On 20th May 1957, the Cabinet Legislation Committee accepted the Draft Bill to establish the Australian Wool Testing Authority (AWTA). Whilst the Government's strong preference had been for control by private enterprise, the Committee accepted that this would prevent the Conditioning House from ever gaining the International Wool Textile Organisation's (IWTO's) highest status for official 'listing' – an accreditation only ever awarded to independently-controlled Public Conditioning Houses. Two days later, the Bill was introduced into the House of Representatives.

The Government's final position was summarised in the Second Reading Speech, delivered by Billy McMahon when presenting the Bill to the House, as follows:

"*The purpose of the Bill is to establish a Wool Testing Authority to control and administer a wool testing service in Australia. The legislation is the result of many months of investigation by a committee of wool buyers, brokers, scourers, fellmongers and carbonizers, CSIRO and officers of my Department, which examined in detail the possibilities of starting a testing service in Australia, the need for which has been felt for many years.*

The Australian Council of Woolbuyers was largely instrumental in the formation of the Committee and wide support for the proposals has been evident all through the negotiations."

"The Bill provides for the setting up of a Statutory Authority to be known as the 'Australian Wool Testing Authority' to conduct the scheme. The Authority will consist of one representative of each of

The Australian Council of Woolbuyers

The Australian Wool Bureau

The National Council of Wool Selling Brokers of Australia

The Wool Scourers, Carbonizers and Fellmongers Federation of Australia

CSIRO

The Department of Primary Industry and one additional Government representative to be recommended by the Minister for Primary Industry.

"The Investigating Committee advised that in setting up a testing service in Australia, it would be worthless to establish a controlling body whose certificates would not receive recognition by the International Wool Textile Organisation."

"The Government therefore decided that a Statutory Authority was the most satisfactory means of administering the testing service, first because it is essential that the form of the administering authority should be acceptable by international wool textile standards and secondly, it was desired that the wool trade in Australia should have the maximum participation in the venture in those circumstances."

"It is intended that the Authority will be self-financing. Initially it will operate on an advance from the Treasury … the capital expenditure should be repaid in approximately 5 years while the advance in respect of running costs should be repaid in approximately 3 years."

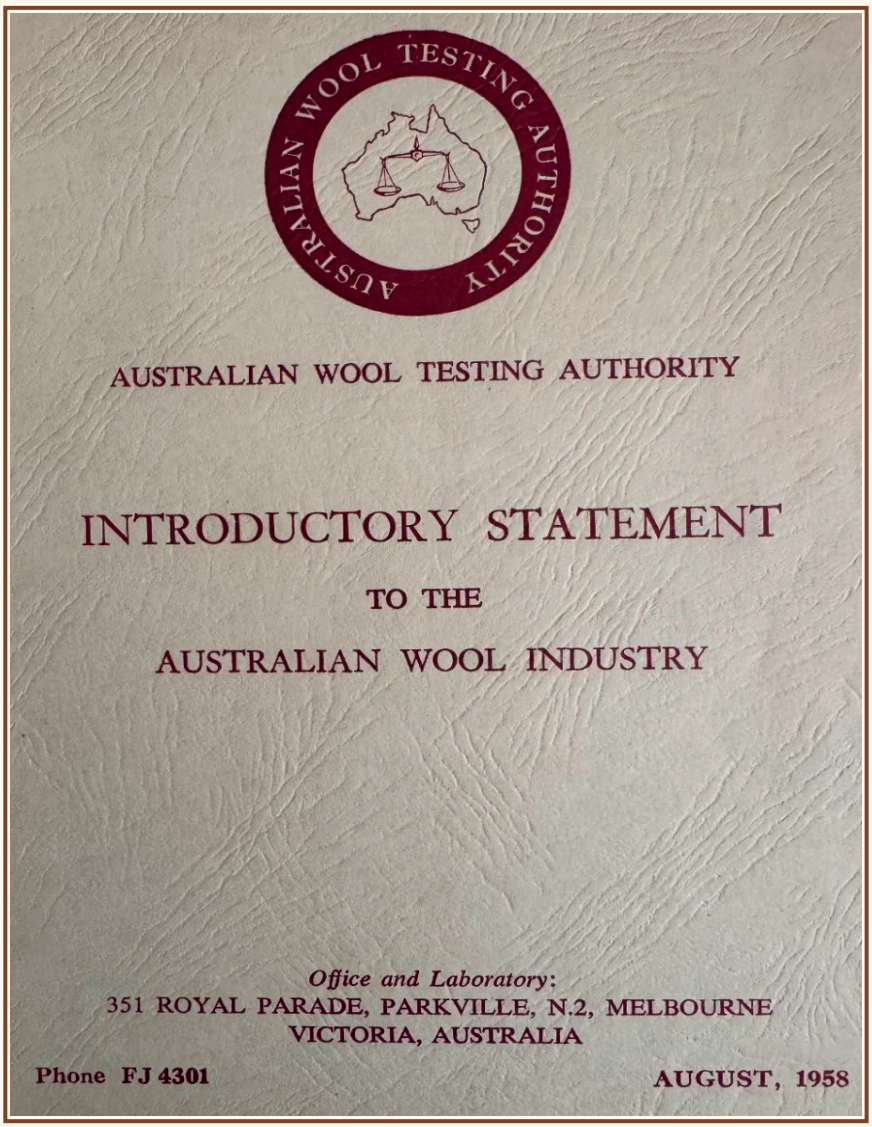
When the Bill was debated, it was emphasised that AWTA would not be a cost to taxpayers, since its entire funding would be provided via repayable interest-bearing Treasury loans.

The Australian Wool Testing Authority Act 1957 received Royal Assent and was effective on 12th September 1957.

The names of the Foundation Members appointed by the Minister were announced in the Commonwealth Gazette on 21st November 1957.

First representatives appointed as Members

Mr. W H (Bill) Lempriere, representing ACWB
Mr. J S (Jack) Gale, representing NCWSBA
Mr. R W (Roy) Duncan, representing WCS & FFA
Mr. T G (Tom) Carter, representing AWB
Dr F G (Gordon) Lennox, representing CSIRO
Mr. A E (Al) Wallace, representing DPI
Mr. I F (Ian) McLaren, Independent Member



3. EARLY ACTIONS TO IMPLEMENT THE ACT

"*…the establishment of the Authority marks the commencement of an essential service to the wool industry and is a necessary adjunct to the improved marketing of Australian processed wools…*" [Statement by the Minister's representative, A L Senger, in opening the Inaugural Meeting of the Authority]

The Inaugural Meeting of the Authority was held on Thursday, 12th December 1957. It was opened by the Acting Secretary of the Department of Primary Industry (DPI), A L Senger, who predicted that the Authority would provide essential services to the wool industry that would lead to improvements in the way Australian processed wools are marketed. On behalf of the Minister, he wished the Authority every success and called for nominations for the position of Chairman, following which Bill Lempriere was elected unanimously.

Members determined that the Authority's Head Office would be located in Melbourne and then addressed a number of essential administrative and governance matters. ACWB's Secretary, A L Harwood, was appointed as Acting Secretary and it was agreed that his office in The Wool Exchange at 120 King Street, Melbourne, would be the official address for correspondence.

The Chairman sought clarification regarding rumours that the Government was expecting the Authority to use existing testing laboratories throughout Australia, expressing his great concern that any such private involvement would disqualify AWTA from being listed by IWTO as a 'Public Conditioning House'.

Both Senger and Wallace assured the Members that this was certainly not the case, pointing out that under the provisions of the Act this was a matter for the Authority alone to determine. While it was possible for the Authority to use existing facilities, they were in no way committed to do so. Consequently, Members agreed "… *to strive for independence in all States …*" and further, that "… *this Authority agrees in principle to establish its own Laboratories in each centre in which it intends to operate.*"

This fundamental question of independence had to be resolved at the outset, since the original Cabinet decision had favoured private enterprise control, thereby encouraging several interested parties to make representations to politicians and individual Members of the Investigating Committee. [5]

It was noted that there had been strong lobbying in Canberra by the School of Wool Technology at the University of Technology (later the University of NSW), the privately owned Jarratt Pty Ltd, the Gordon Institute of Technology's Textile School, General Superintendence Company, the American Conditioning House Inc, the South Australian School of Mines & Industries, and Morris Wools Pty Ltd. In their responses, the Government had simply undertaken to refer their requests to the Authority, so it was up to the Authority alone to accept or reject their proposals.

The next decision was the location of the first laboratory. In this regard, Dr Lennox advised that CSIRO was in the process of negotiating to buy a property adjacent to his Wool Textile Research Laboratory at 343 Royal Parade, Parkville. If that purchase was agreed, he was prepared to make suitable space available to meet the Authority's initial needs, on a flexible lease basis that allowed for its progressive expansion in future years. Members agreed unanimously that this would be an ideal solution, as it would also ensure co-operation between the Authority's staff and CSIRO's own experienced researchers, particularly given that Dr Lennox was Officer-in-Charge of that Division.

Within the week, a formal request had been sent to the CSIRO Chairman, Sir Ian Clunies Ross, applauding Dr. Lennox' generous assurance that scientific advice would be freely available to the Authority, offering the reciprocal benefit of CSIRO staff having access to the Authority's equipment for research purposes.

Discussion then turned to the need to publicise the Authority's establishment, both nationally and internationally. The Chairman was authorised to convey the decisions of this Inaugural Meeting by letter to the Secretary-General of IWTO, David Price.

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[5] Each had claimed that their institution or company was best placed in its City or State to provide the testing service, either in lieu of or on behalf of the new Conditioning House, such that the Government could minimise its funding commitments by avoiding duplication of existing facilities.

It was also considered important to inform the IWTO member-countries buying Australian processed wool of AWTA's existence, and to foreshadow that they would seek recognition as an IWTO Listed Public Conditioning House, once operational. [6]

In addition to announcing the Authority's establishment and membership, the Chairman's letter informed IWTO members that AWTA's immediate priorities, included:

- *to establish the first Testing Laboratory in Melbourne for the commencement of the 1958/59 wool season, a second Laboratory in Sydney as soon as practicable and, only when demand required it, to open centres in other States;*
- *to advertise the position of Director, nationally and internationally, although a temporary Director may be appointed to expedite establishment of the laboratory facilities;*
- *to confine initial activities to Condition testing of scoured and carbonised wool, expanding later to testing and research into wool tops and later stage products;*
- *to adopt IWTO's standard methods for testing and to adopt the same core sampling practices that IWTO had accepted for New Zealand, due to the impracticality of bringing wools to its own Conditioning House premises for sampling;*
- *to adopt the Bradford standards of regain for scoured and carbonized wools, namely 16%, as had also been accepted for New Zealand exports; and*
- *to ensure that the Authority's governance arrangements comply fully with the IWTO's requirements for it to be classified as a Public Conditioning House.*

Within weeks, premises had been secured for the first laboratory and Head Office to be established on the verandah of an existing building on the site purchased for CSIRO's Division of Protein Chemistry, at 351 Royal Parade, Parkville.

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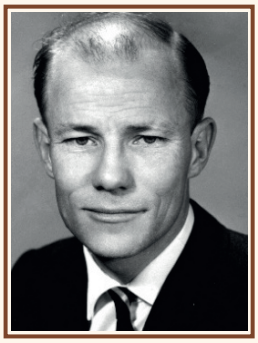
Dr Alec Dixie was appointed as the first Director of AWTA on 13th March 1958 and took up the position on 21st April 1958. He worked tirelessly for the initial 5 months to ensure that Condition Testing could commence in Melbourne by September that same year.

Given that his own technical knowledge and expertise had been gained in the textile industry, he decided to appoint a recent graduate from the University of Technology (later UNSW) School of Wool Technology, E P (Geoff) Gohl, who had been the Technical Officer-in-Charge of that School's wool testing laboratory.



Dr Alec Dixie, appointed the first Director of AWTA in 1957

Gohl's initial task was to document laboratory test methods and operating instructions for the limited range of services to be offered to industry clients and, by November 1958, AWTA had issued the following documents to its staff and prospective clients:

- Sampling Procedure for Core Sampling Scoured & Carbonised Wool & Fibrous Wool Waste;
- Laboratory Method No. 1, Procedure for Determination of Wool Yields;
- Laboratory Method No. 2, Determination of Vegetable Matter Content;
- Laboratory Method No. 3, Determination of Residual Fatty Matter in Scoured Wool, Tops etc.;
- Laboratory Method No. 4, Determination of Moisture Content and Regain; and
- Laboratory Method No. 5, Carbonising Yield Determination.

In retrospect, the Investigating Committee and the Government set an unrealistic timetable for AWTA to pay interest on loans annually, become self-supporting within 3 years, and to repay all loans within 5 years.

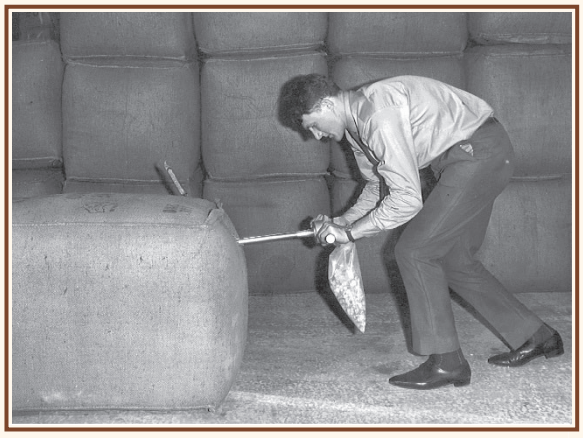
[6] At that time, IWTO membership was confined to countries having wool interests predominantly in the wool combing, spinning and weaving sectors. Grower countries such as Australia had never been invited to apply for membership, so there was no certainty that the letter would be circulated and/or placed on the Agenda. Fortunately, Bill Lempriere was well known to the Secretary-General, having attended several IWTO Meetings as an Observer, so his letter was circulated.

The time required to establish income-generating services was underestimated, and the bold assumption that Australian wool processors would rush to use the services proved to be overly optimistic. Inevitably, the availability of services was delayed by the time taken:

- to install laboratory fixtures and fittings, and to appoint and train staff;
- to source, purchase, ship and commission suitable laboratory equipment for condition testing of scoured and other semi-processed wools;
- to manufacture suitable scouring and drying equipment for yield testing of hand-drawn greasy wool samples submitted by wool buying clients; and
- to conduct extensive trials on a complete range of motor-driven rotating core tubes used by the traditional English & European conditioning houses, to assess their suitability for coring standard wool bales under Australian conditions.

Progress was slowed even further when these trials proved that rotating tubes were unsuitable, making it necessary for Dixie to commit funds to pursue the development of manually operated pressure coring tubes. Once AWTA's research confirmed that their new tubes were technically sound and efficient in obtaining representative core samples for testing, an extensive programme of research into core sampling commenced in conjunction with Norman Roberts of CSIRO.

Core sampling with a rotating tube



Core sampling with a manual pressure tube

While the establishment issues were being addressed by Dixie and Gohl, he also had to commit precious time to meeting the Authority's governance requirements, including preparation and presentation of a variety of written reports to the Authority Members, to implementing decisions arising from their frequent Meetings, and in responding to queries from DPI and Treasury.

For their part, the Authority Members spent most of the first 12 months setting policies, seeking IWTO recognition, approving leases for premises, negotiating terms for the Treasury loans, controlling the drawdown of those funds and monitoring expenditure. Good progress was also made in relation to:

- a policy to have identical charges Australia-wide regardless of airfreight costs to ensure that clients based interstate were not disadvantaged by the decision to centralise testing in Melbourne;
- the release by Treasury of an immediate advance of £6,000 for which interest would be fixed at the effective Bond Rate, with future advances considered on a quarterly basis, but on the understanding that no interest would be payable until the Authority was operating;
- an agreement for the Associated Woollen and Worsted Textile Manufacturers of Australia (AWWTMA) to apply for IWTO membership, on condition that AWTA met the cost of their annual membership subscription;
- the takeover of Jarrett Pty Ltd's laboratory to enable AWTA to open a greasy wool testing service in Sydney, whereby Charlie Jarrett would sample local scoured and carbonised wool for testing in Melbourne and also run yield testing operations in Sydney;
- consideration of proposals to rent laboratory premises in Fremantle and Adelaide, from the WA Technical Education Department and the SA School of Mines, respectively;

- the engagement of School of Mines staff for Adelaide sampling, and United Chemicals Pty Ltd staff to sample Queensland wool on behalf of the Authority; and
- developing a proposal for the Act to be amended to enable the Authority to establish and adopt their own by-laws governing testing, to replace the current bureaucratic requirement to document and publish any and all formal Regulations in the Commonwealth Government Gazette.

By August 1958, total Treasury Advances had already reached £18,000 and there was still no income from testing services, so Dixie approached his close contacts in the textile industry with a view to establishing a range of labelling 'guarantee' schemes. His plan was to assess wool textile products submitted by textile companies and/or retailers, enabling AWTA to issue a Seal of Quality in the form of a swing-ticket highlighting the specific product property that the client was marketing. If successful, the Authority would derive income from the fees charged for the regular technical assessments and from the sale of thousands of swing-tickets.

Despite setbacks, Dixie made remarkable progress during his first 9 months. This was applauded by the new Minister for Primary Industry, Hon Charles Adermann, at the Official Opening of AWTA's Melbourne facilities on 6th February 1959, when he noted that:

- commercial testing had commenced in Melbourne as early as September 1958, followed by Sydney and Perth only a month later, and both were well ahead of schedule;
- only a few days earlier, in January 1959, the IWTO Council had approved the listing of AWTA as an 'Official Public Conditioning Establishment', but only in their 3rd category because AWTA's sampling was being conducted outside their own premises;
- in addition to their initial moisture content testing service, the Authority was also testing wool textile products; and
- a most important new service had been developed in close cooperation with Australian wool textile companies, whereby the Authority would be certifying yarns and fabrics as the basis for issuing AWTA Seals of Quality.

Notwithstanding these public declarations of success, the Authority was far from covering its costs. They only started to generate income from moisture content testing of scoured and carbonised wool in September 1958. Contrary to the Investigating Committee's expectations, only a few companies made commitments to have their processed product sampled, tested and certified by the Authority.

In fact, most firms were only prepared to do this experimentally and on condition that AWTA's charges were waived. Whilst AWTA gained valuable experience from this conditional support, the lack of income caused the Commonwealth loan capital to be depleted much more rapidly than planned.

Ultimately, the routine uptake of AWTA's condition testing service was dependent upon Australian exporters being able to convince their customers to accept invoiced weights based on Certificates, adjusted to include internationally recognised Standard Allowances for Moisture Regain. [7]

It was also essential to convince overseas buyers to have confidence in AWTA's competence. This was made more difficult when some existing test houses tried to retain their 'test on arrival' business by sowing seeds of doubt as to the Authority's lack of experience and the potential for its test results to have a 'seller country bias'.

[7] Traditionally, Australian wool processors had been encouraged to pack their product quite dry, ostensibly to show 'a burst of life' when bales were opened for inspection at destination. For *tel quel* (as is) sales, it was customary to base the invoice on the processors' weights. However, when the same bales were reweighed on arrival overseas, it was common to find windfall weight gains of 3-4%, due to the ability of dry wool to take up moisture during the 4-5 months voyage to the Northern hemisphere. When changing from tel quel sales to the use of the regain adjusted weights recorded on Conditioning Certificates, the overseas buyer had to accept that the seller was entitled to receive this benefit.

4. THE UNFORESEEN FINANCIAL STRUGGLE

"*… with inevitable increases in overhead it appears that our scale of charges has been set too low and that increases are unavoidable if costs are to be covered … It should be remembered that the Authority was brought into being by the efforts of the Wool Buyers' Associations but … the Buyers' Associations have not been required to subscribe towards financing the undertaking ... I do appeal to your Council to make recommendations to its constituent Associations to financially assist this Authority in its solid establishment.*" [Letter from AWTA Chairman, W H Lempriere, to the Acting Chairman of The Australian Council of Wool Buyers, D A S Campbell – June 1959]

AWTA's poor financial position greatly concerned the Chairman and Members, as they feared that the Government would intervene unless the financial performance started to improve. It had become clear that Dixie's time was so committed to establishing the service that he needed support to deal with essential administrative and accounting matters. To assist in this regard, Lempriere, McLaren and Gale were appointed as a Finance Committee to monitor and control AWTA's financial position. This Committee's first actions were to seek a further Treasury Advance of £6,000, and to ask for all the interest payments due by 30th June 1960 to be waived. These requests were made in the context of an expected loss on operations of £13,900 for 1958/59, and a predicted further loss of £4,800 by the end of June 1960. At this point, Lempriere formally appealed to ACWB members for financial assistance, reminding them of their instrumental role in having AWTA established and the fact that they had not been required to provide any capital funding. To encourage a positive response, he referred to the losses being sustained and the potential need to increase charges, while also mentioning that a donation of £100 had been made by the Scourers & Carbonisers' Association of Victoria, and that the brokers had undertaken to fund the salary and expenses for a Wool Textile Research Officer.

In July 1959, Dixie's recommendation to increase fees was rejected by the Authority Members on the grounds that it would be opposed strongly by the wool trade, particularly since the NCWSBA members had decided to introduce a handling charge of 5/- per bale for the presentation of bales for sampling and weighing. The only real options to reduce losses were to gain new clients and/or to convince existing customers to increase their use of the testing services. Dixie had neither the time nor the funds to visit prospective interstate clients, so those Members of the Authority representing exporters of greasy and semi-processed wool agreed to seek official support from their industry sectors. For their part, the AWB announced that they would support AWTA by spending £2,500 per year to introduce objective test data into their Wool Statistical Service district surveys, commencing within a month. Regarding the request to waive outstanding interest, although Al Wallace had found his Treasury contacts to be supportive, the Treasurer only deferred the overdue 1959 payment until mid-May 1960.

Attempting to generate income, Dixie launched a range of additional services, including:

- yield testing of hand-drawn samples for wool buyers wishing to check valuations on their purchases and to identify higher performing clips in specific growing districts;
- the testing of scoured wools for residual fatty matter, to enable processors to control their output against the IWTO standard allowances and limits;
- expansion of his textile labelling schemes to cover wool blend products, contrary to the AWB's view that the "*wool and wool products*" stipulated in the Act was intended to confine such assessments to pure wool products only; and
- a sampling and testing service for the Sydney Greasy Wool Futures Exchange Ltd (SGWFE).

In addition to core sampling, SGWFE required AWTA to draw representative hand samples for the visual appraisal of wool being delivered onto the Futures market. The core samples were to be tested for yield, with results issued as Certificates for 'Wool Content at 16% Regain'. Once agreed, the Authority's Testing Officer, Geoff Gohl, documented all the necessary Futures Regulations, which detailed the procedures for controlling requests, identification, sampling, weighing, sample dispatch etc., plus the specific data to be reported on Futures Certificates. In this regard, he consulted closely with staff of Australian Development Clearing House Pty Ltd (ADCH) to ensure that their requirements were also considered. Besides gaining a new source of income, this development had the added advantage of exposing the greasy wool buying trade to AWTA's core test results.

By mid-January 1960, the Finance Committee estimated that the operating loss as at 30th June 1960 would be almost £10,500, which was more than double the previously budgeted £4,800. They recommended to the Authority Members that an additional £6,000 Treasury Advance be sought as a matter of urgency. If approved, total loans since inception would then exceed the maximum £40,000 set by the Government, making a rapid decision by Treasury extremely unlikely. Dixie was authorised to seek these funds immediately and, to improve the chances of Treasury approval, the Members reluctantly agreed to increase all fees.

Periodically throughout 1960, the Authority sought additional Treasury advances, while persevering with requests for interest to be waived or deferred until profitability was achieved. Responses from DPI and Treasury became increasingly slow. To avoid a financial crisis, it was agreed that the Independent Government appointee, Ian McLaren, would approach the Minister to ascertain the Government's views as to the continuance of AWTA as a loss-making body, and to open discussion on the possibility of legislating for compulsory testing of processed wool exports.

McLaren advised the Minister that the originally recommended £40,000 establishment funding for AWTA really should have been £100,000 and that an immediate injection of £20,000 was now essential. By way of explanation, he reported that the scope, duration and cost of core sampling research had never been envisaged and that the reluctance of overseas buyers to accept testing at origin had not been expected. The DPI Minister was sympathetic to the Authority's position and agreed to take the matter up with the Treasurer, while also suggesting that some of AWTA's ongoing research might qualify for funding via an annual research grant of up to £5,000. Despite this support, the Treasurer refused to provide relief from AWTA's interest obligations but agreed to consider deferring payments until AWTA was profitable.

For their part, the Australian Wool Bureau offered to assist AWTA by providing funds to improve the image and efficiency of Dixie's textile labelling schemes, since they were attracting criticism from some textile companies. However, their formal letter to the Authority made it absolutely clear that this support was conditional on the Authority limiting the scope to pure wool products only, which inhibited the client's ability to compare blends of wool and other fibres. On the positive side, the newly appointed Authority Member representing the Bureau, William (Bill) Gunn, provided some comfort by indicating that AWB would consider meeting AWTA's interest commitments, if the Government failed to assist. [i]

At the final AWTA Meeting in 1960, the Finance Committee sought and received approval to appoint an Administrative Officer experienced in accounting, servicing board meetings, general office administration, industrial relations etc. In particular, the appointee must have the ability to handle all routine correspondence on Dixie's behalf. The appointee, Lesley (Les) Burditt, took up these duties after formal approval at the February 1961 Authority Meeting.

Anticipating this appointment, Dixie had sent a report to the Chairman and Members, headed "*Some Immediate and Future Requirements*" outlining plans for 'aggressive' selling. He planned to use 2 current technical staff to promote condition testing of processed wool and yield testing of greasy wool. Other targets would be knitters who needed better control over moisture and oil contents in yarns, followed by the introduction of AWTA Seals of Approval for garment manufacturers.

Seals of Approval for textiles

This report also outlined an equipment expansion programme to improve the speed of fibre length testing in Melbourne and to equip both Sydney and Fremantle for both condition and yield testing. In addition, it foreshadowed the future purchase of a modified Shirley Analyser for the development of a 'Carding Yield Test' and to enable AWTA to provide yield tests according to the British Wool Federation's (BWF's) Mechanical Yield Test Method.

Dixie estimated the total capital cost as £5,500, which was a large sum in the context of AWTA's ongoing funding difficulties. One of the items listed was a prototype pre-drying unit he had developed with a local manufacturer, estimated to cost £300, which he was confident would sell very profitably to at least 6 Australian scouring plants for in-house monitoring to control the moisture levels in their processed products. When decisions on this Report were postponed to a future Meeting, Dixie decided to proceed in developing the rapid dryers and new conditioning ovens, without approval.

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At this time, the Authority had also decided to establish Trade Sub-committees in NSW and WA, to facilitate the resolution of local issues and to arrange for the State Wool Buyers' Associations to poll their members to assess their levels of support for mandatory testing of processed wool exports. The results of that poll were reported to the Authority in February 1961, showing strong support from both the Victorian & South Australian (Vic & SA) and the WA Woolbuyers' Associations, but significant opposition from the NSW & QLD Association members.

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Almost 4 months after the DPI Minister was told of the Authority's urgent need for £20,000, the Treasury advanced only half this amount, being the £10,000 requested some 3 months prior to McLaren's visit. The Authority Members were incensed at the covering letter received from the Treasurer, Hon Harold Holt, criticising their failure to meet the original Investigating Committee's commitments. While they considered his tone to be petulant, they decided that nothing would be achieved by trying to explain the unforeseen difficulties experienced or to justify the bone fides of their actions.

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As 1961 progressed, in addition to gaining significant increases in testing activity, several other important developments arose, including:

- the Government's acceptance of an application from the Australian Woollen & Worsted Textile Manufacturers of Australia (AWWTMA) to have a representative with specific textile interests appointed to the Authority; pending the Act being amended, it was agreed that this representative could attend future Meetings as a non-voting Observer;
- some of the larger greasy wool exporters agreed to have complete consignments tested to enable AWTA's core test yields to be compared with actual mill combing results; [8]
- the belated realisation that every greasy wool sampling centre and wool bale storage location Australia-wide had to be serviced regardless of volume, since most post-sale tests included sale lots from multiple centres; this added operational complexity and incurred such high travel and accommodation costs when samplers were sent to outcentres, that the decision was made to engage local people as contract samplers;
- the Sydney Trade Sub-committee negotiated an agreement with the Sydney wool dumpers for centralised floor space to be available to facilitate sampling prior to wool being shipped; this was followed by the Brisbane dumps making similar arrangements; and
- unexpectedly, CSIRO notified the Authority that their Parkville lease would be terminated in May 1963, since the site was to be redeveloped for the Division of Protein Chemistry.

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[8] Formulae to predict processing allowances had been established by the Wool Industries Research Association (WIRA) for the British Wool Federation (BWF) Test Method based on use of a Shirley Analyser to remove mechanically and measure vegetable matter content. The replication of this work was necessary because AWTA had decided to adopt the American ASTM's chemical method for measuring Vegetable Matter

Perhaps the most significant development in 1961 was the Government's establishment of the Wool Marketing Committee of Enquiry, chaired by Sir Roslyn Philp KBE, in response to requests from the 2 major wool growers' organisations. The Committee's Terms of Reference were:

- "*to enquire into the present systems of marketing and promoting the sale of the Australian wool clip and matters relating thereto, and to report on the efficacy of these systems; and*
- "*to report upon the merits of any other systems or of modifications of the present systems which may be advocated to the Committee of Enquiry or which the Committee itself considers would be of long-term benefit to the wool growing industry and in the best interests of the nation.*"

Dixie grasped the opportunity to make a submission to the Committee, in which he proposed that they investigate the practicability of having all individual sale lots core tested and certified for yield before sale. After several months of discussion in relation to the first of these 2 Terms of Reference, the Committee Secretary sent a formal letter to the national brokers, buyers and AWTA, requesting their considered opinions on the feasibility of presale testing, the practicability of reweighing wool lots at the time of core sampling in order to calculate clean weights, the practicability of certifying the wool type in bales to be sold at auction via scientific testing, and the feasibility of certifying the classing and quality of uniform, well classed lots for sales by tender. When representatives of the 3 organisations met to consider these topics, it soon became clear that neither the brokers nor the buyers had sufficient technical knowledge to discuss the issues objectively. Dixie became so frustrated at their apparent negativity that he accused them of coming to the meeting with "… *pre-determined ideas and closed minds*". Subsequently, when the brokers and buyers insisted that the written response must stress the current lack of trade acceptance of core sampling, Dixie insisted that his opposing views must be included. [9]

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During the second half of 1961, Gordon Miller, the Deputy Member representing DPI, corresponded with Chairman Lempriere and the Government-appointed McLaren suggesting that the full Authority should reduce the frequency and cost of their Meetings by forming a small Executive Committee. He proposed that its nucleus should be the existing Finance Committee, such that membership would be the Chairman plus 2 other Members, with both the Director and Administrative Officer to be in attendance. With this Executive Committee meeting as frequently as necessary, the normal schedule for full Authority Meetings could become 3-monthly, which would coincide with a recently agreed timetable for Budget reviews. Whilst the Executive would not have the power to make policy decisions, it could call Special Meetings of the Authority to deal with any issues that could not be deferred until the next quarterly Meeting.

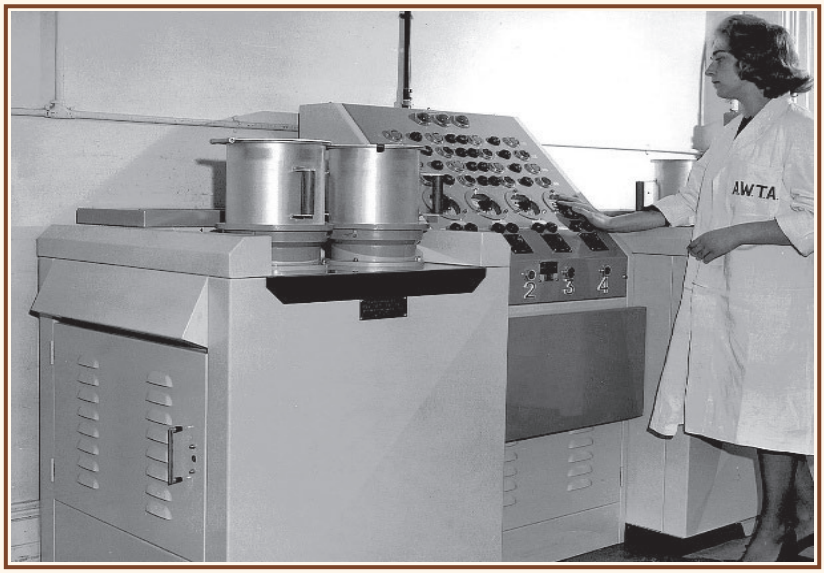
Once the Authority received an assurance that nothing in the AWTA Act would prevent such a move, they accepted Miller's recommendations, appointing Lempriere, McLaren and Gale as the first Executive Committee. At their initial meetings, this Committee addressed most of Dixie's previously deferred recommendations, including:

- the acquisition of rental premises, preferably in North Melbourne, and approval of a budget for the costs of removal, installation of essential services and offices, laboratory fittings and the recommissioning of equipment; and
- consideration of Dixie's Report on 'Some Immediate and Future Requirements' which had been pending for 2 years, following which they instructed Dixie to focus his recommendations on "*the minimum cost of items of equipment necessary to carry out core testing according to the requirements of the trade.*"

When discussing this latter item, they discovered that Dixie had proceeded with the development of his Max Davis rapid pre-dryer without the Authority's approval and, in fact, that he had already installed one unit in the Melbourne laboratory.

This action caused the Authority to exercise even greater control over his expenditure, and to this end they resolved that "… *the purchase of Capital Equipment must at all times receive prior approval of the Executive Committee and the Authority; in this way all Capital purchases will be minuted.*"

[9] In due course, the Philp Committee Report predicted a positive outlook for the increasing application of core testing to improve wool selling systems and to reduce the cost of claims arising from poor mill processing performance. Although no specific actions were recommended by the Committee, their report raised AWTA's profile in the eyes of the national wool grower organisations.



Multi-head Max Davis Rapid Pre-dryer

Negotiations with Treasury continued throughout the year with limited success, but the Authority did manage to pay the deferred 1959 interest, albeit 2 years late. When Treasury refused a further request for the existing loans to be reissued for 5 more years, the DPI only managed to have the capital repayment due in June 1962 deferred for one year.

On the business front, Dixie introduced contracts to yield test hand samples of greasy wool submitted by wool buyers, offering fee discounts for higher volumes. To gain the maximum benefit, the 3 largest French wool companies, namely Prouvost-Lefebvre, Wattine-Bossut and Emile Segard, were allowed to pool their tests under a single contract account, with the discounts only payable if their guaranteed volumes were reached. The growth of this new service during 1962 led to AWTA achieving its first above-budget income, thus enabling them to make the interest payment which had been overdue since mid-May 1960.

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AWTA's Fifth Annual Report to the Minister for Primary Industry, Hon C F Adermann, recorded total income from all sources as £81,680 for 1961/62 and declared that a trading profit of £16,388 had been achieved. This exceptional achievement had resulted from a 35% increase in income, while costs had only risen by 8%. It also recorded that income from Conditioning Certificates for scoured and carbonised wool still accounted for more than 50% of the total, despite the growth of greasy wool testing.

The following data, extracted from the Report, illustrates the growth in AWTA's services for the wool trade during the first complete triennium.

SERVICE CATEGORY	1959/60	1960/61	1961/62
Conditioning Certification			
- Bales	134,054	163,122	193,281
- Tests	3,654	4,127	5,139
Greasy Wool Hand Samples			
- Tests	4,834	3,553	8,650
Core Test Yield Certification			
- Bales	0	18,060	65,258
- Tests	0	1,032	1,698

Early growth in sampling and testing activity

It was particularly noteworthy that the total number of bales covered by Conditioning Certificates in 1961/62 had reached 43% of Australia's total exports of semi-processed wool. The fact that this exceeded the original expectations, albeit 2 years late, was a remarkable result and a credit to Dixie's energy, commitment and determination to succeed.

5. WOOL INDUSTRY REORGANISATION

"*… this Authority should become part of such a central wool authority … this can best be achieved by extending the powers of this central body to include a wool testing division retaining the name Australian Wool Testing Authority.*" [Letter from the AWTA Chairman to the Minister for Primary Industry, Hon C F Adermann – August 1962]

In the early 1960s, the Australian Woolgrowers' & Graziers' Council (AWGC) and the Australian Wool & Meat Producers' Federation (AWMPF) lodged a joint request for the Government to establish an independent committee to enquire into the marketing and promotion of the Australian wool clip. The Government responded positively, establishing a 3-man 'Wool Marketing Committee of Enquiry' under the chairmanship of Sir Roslyn Philp.

During 1961, the Committee took evidence in Australia and from major players in key overseas markets, and their Report was presented to the Minister in February 1962. Their most important recommendation was to establish a Central Wool Authority, which initially received a mixed reception from both woolgrower bodies. Despite that early opposition, the grower bodies eventually agreed that such a body would be in the industry's long-term interest, provided growers were afforded a meaningful role in overseeing their direction, and in reviewing the expenditure of any levy funds raised from wool growers. The plan called for the establishment of 2 new bodies, namely a non-statutory Australian Wool Industry Conference (AWIC) and an Australian Wool Board (AWB), with the new AWB to take over the functions of both the Australian Wool Bureau and the Wool Research Committee.

Both Sir William Gunn and Al Wallace, the Authority Members representing the AWB and the DPI, respectively, advised their fellow Members that the possibility of AWTA being included in this reform had been overlooked, but they believed it warranted consideration. After discussion, it was clear that all Members were keen for AWTA to join the new Wool Authority, provided the Authority retained their independence and their employees were not subject to Public Service Board Regulations, which would make it difficult to compete with any private company entering the wool testing market. [10]

Members of the Authority agreed to inform the Minister that they wished to join the new body, subject to conditions yet to be negotiated. Sir William Gunn immediately drafted the following resolution, which was approved unanimously for inclusion in the letter to the Minister:

"*The Australian Wool Board shall establish a Wool Testing Authority as a separate division, and shall take over the present activities, liabilities and assets of the Australian Wool Testing Authority. The Committee of Management shall consist of the following:*

1. *A member of the Australian Wool Board*
2. *A representative of the National Council of Wool Selling Brokers of Australia*
3. *A representative of the Australian Council of Wool Buyers*
4. *A representative of CSIRO*
5. *A representative of the Wool Scourers, Carbonizers and Fellmongers Federation of Australia*
6. *Any other persons as the Board shall appoint.*

"*The Australian Wool Testing Authority shall receive its initial finance from the Board, and any profits earned by the Authority shall be retained by the Authority for its activities.*

"*The Australian Wool Testing Authority shall elect its own Chairman and, when the Authority is constituted, the membership of the Management Committee shall satisfy the requirements of the International Wool Textile Organization to allow the Authority to obtain listing as a public testing body.*"

The Minister responded immediately, agreeing to progress the proposal as soon as the Authority confirmed their wish to have the new AWB take over full responsibility for their financial affairs. The AWGC and AWMPF confirmed their agreement, and the draft legislation was amended accordingly.

[10] London-based Wool Testing Services Ltd (WTS Ltd) had only recently approached the Government with an offer to take over the Authority's greasy wool testing.

In the Cabinet approval process, Treasury support was assured, given that they would recover all the outstanding interest and advances, and would also be relieved of any future funding obligations.

The Government accepted these final proposals, and the Wool Industry Act 1962 received Royal Assent on 14th December 1962. The Act was divided into 5 self-contained Parts, each having a separate implementation date to facilitate AWB's progressive takeover of the functions previously carried out by the 3 separate statutory bodies concerned with wool. The Board's takeover of AWTA's functions was covered by Part III of the Act, for which the agreed implementation date was 1st July 1963.

30. – (1.) The *Australian Wool Testing Authority Act 1957* is repealed.

(2.) Upon the commencement of this Part –

(a) all rights, property and assets that, immediately before the date of commencement of this Part, were vested in the previous Authority are, by force of this sub-section, vested in the Board; and

(b) the Board becomes, by force of this sub-section, liable to pay and discharge all the debts, liabilities and obligations of the previous Authority that existed immediately before that date.

40. – (1.) For the *purposes* of this Part, there shall be an authority by the name of the Australian Wool Testing Authority.

(2.) The Authority –

(a) is a body corporate, with perpetual succession;
(b) shall have a common seal; and
(c) may sue and be sued in its corporate name.

(3.) The Authority has no power to acquire or hold real or personal property except moneys that become payable to it.

56. – (1.) It is a function of the Board to establish and maintain facilities in Australia, and to supply equipment and materials, for use by the Authority in performing the functions of the Authority.

(2.) The Board shall make available to the Authority such members of the staff of the Board as the Chairman of the Board, after consultation with the Chairman of the Authority, considers necessary for the purpose of enabling the Authority to perform its functions under this Part.

(3.) Any expenses or liabilities incurred by the Authority in the performance of its functions or the exercise of its powers shall be met by the Board and any moneys received by the Authority shall be paid to the Board.

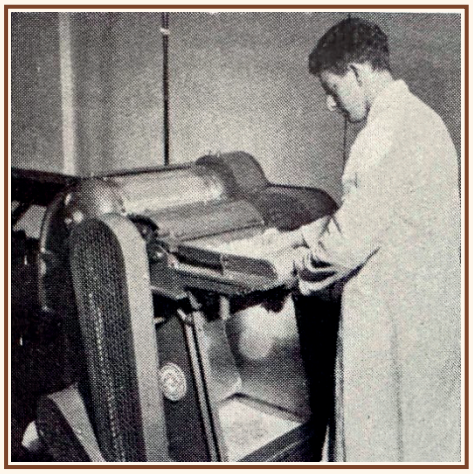
Extracts from Wool Industry Act 1962 regarding AWTA as part of AWB

During the 6 months leading up to implementation, the Authority was able to manage their own affairs and expand services as opportunities arose, while they also took actions to facilitate implementation of the new working relationship with the Board. Other developments during this period included:

- the CSIRO Member, Dr Lennox, represented AWTA at the January 1963 Meetings of the IWTO Wool Committee and its 'Core Bore Sub-committee';
- the International Wool Secretariat (IWS) gained access to AWTA's Textile Testing Standards for use in its technical research and development activities;

- a Modified Shirley Analyser was purchased, enabling AWTA to provide tests according to the BWF Mechanical Yield Test Method and thereby meet the requirements of the BWF Standard Contract used by the British trade;
- space was leased in AWB's No. 1 Store in South Fremantle, to be fitted out for AWTA's condition testing laboratory and sampling office;
- additional space was leased adjacent to the Sydney laboratory in Young Street, to be used for handling and storage of samples, and to provide some additional office facilities;
- building alterations and essential laboratory services for the North Melbourne Head Office premises at 22 Munster Terrace were completed at a cost of almost £12,000;
- the Authority's financial position continued to improve to the extent that Treasury was paid only 6 months late for the £5,383.8.2d interest outstanding to June 1962;
- in response to trade criticism of careless performance, the contract samplers in both Brisbane and Adelaide were replaced by permanent employees; and
- the senior Testing Officer in Sydney, Geoff Gohl, resigned to take up a teaching position at Sydney Technical College, as he was not enjoying having to deal with trade clients.

Head Office & Laboratory at 22 Munster Terrace North Melbourne



Shirley Analyser used to determine Vegetable Matter Content in BWF Tests

Also, the Authority's international profile was raised significantly when IWTO determined that core sampling outside a Conditioning Establishment's premises was acceptable. As a result, AWTA was 'Listed as a Public Conditioning House' in the most prestigious Category 1. [11]

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With the 1st July commencement date approaching, the Authority turned their attention to finding the best way to integrate their administrative procedures with those of the Board and, at the same time, to identify and deal with any current shortcomings. In this regard, Authority Members McLaren (Independent), Wallace (DPI) and Lempriere (Chairman) agreed in private that the scope, standard and regularity of management's reports to both the Executive Committee and the full Authority were less than satisfactory and would not meet AWB's requirements. Consequently, subject to gaining the other Members' approval, they sent a letter to Dixie which set out the following list of future reporting requirements:

- a Profit & Loss Statement to be produced monthly, regardless of Meeting dates, including comparisons of Actuals against Budget;
- a Balance Sheet to be produced quarterly;

[11] To support AWTA's request for elevation to this status, DPI Minister Adermann had taken the initiative to correspond directly with the then IWTO President, Dr Renato Lombardi, with whom he had established a rapport.

- Financial Statements to be produced monthly, reporting Liquid Funds less Creditors, Future Commitments, Debtors, Overdue Accounts, Monthly Capital Expenditure, and a Schedule of Payments to Treasury due within each coming quarter;
- a monthly list of all payments to be signed off by the Executive Committee;
- all the above to be accompanied by a brief Director's Report, commenting by exception only on any unusual features; and
- reports on the monthly and year-to-date testing activity, to be documented under Type of Wool, Test Category, Sampling Centre and Laboratory Location.

Their letter also drew attention to unacceptable delays previously experienced in receiving Minutes of Meetings and the need for papers to be received by all Members well in advance of Meetings, including those Members based interstate.

Dixie accepted most of this criticism, advising that the recent appointment of the Administrative Officer would make it possible to apply a greater degree of discipline. Privately, he was concerned at what he perceived as increasing interference because these increased administrative demands would impinge on his ability to develop the business, which he considered to be his highest priority.

At the Authority Members' final Meeting in June 1963, the Chairman reported on his meetings with members of the Wool Board concerning the practical arrangements for AWTA's functions to be taken over, and the nature and frequency of reports required by the Board regarding the Authority's activities. The specific matters agreed upon were:

- an expectation that AWTA's accounting processes would fit in with the Board's schedule;
- AWB would require monthly reports, which could be summaries of the detailed data prepared for the Authority;
- AWB would require copies of Agendas and Minutes of AWTA Meetings and, if required, would make a staff member available to act as Minute Secretary and provide other assistance;
- AWB would require a detailed report on the effect of the takeover on AWTA's internal systems, together with operating and capital budgets for the coming year; and
- on the matter of finance and loans, AWB would require the Authority to repay the £3,000 now due, but it would fund the total remaining repayments of £25,000 for 1963, as and when they fell due and for which the Act had now made the Board accountable.

Following that Meeting, the Authority advised the Board that the Schedule of Treasury Advances to be repaid beyond the 1963 financial year was as follows:

REPAYMENT DATE	AMOUNT DUE
5th January 1964	£5,000
21st April 1964	£3,000
8th July 1964	£1,500
11th September 1964	£1,500
22nd December 1964	£2,000
27th January 1965	£6,000
23rd August 1965	£2,000
10th January 1966	£500
4th March 1966	£500
16th March 1966	£10,000

The last action to be completed was the appointment of Members of the new Authority. Each organisation entitled to nominate a Member was invited to submit their nomination for AWB approval. The Government was no longer required to approve these appointments.

Although the Wool Industry Act 1962 was granted Royal Assent on 14th December 1962, the 3-year terms for the new Members did not commence until Part III of the Act commenced on 1st July 1963.

6. FUNCTIONAL INTEGRATION WITH THE AUSTRALIAN WOOL BOARD

"*Although the new Authority will be subject to the direction of the Board on major policy issues, it will be free to manage its own day-to-day affairs and will have complete discretion in deciding the manner in which it conducts tests on wool and wool products.*" [Second Reading Speech by Hon C F Adermann - 29th November 1962]

On 1st July 1963, in accordance with Part III of the Act, AWTA was reconstituted as a body corporate responsible to the AWB. The legislation vested all powers relating to property, finance, capital equipment, testing facilities, personnel, and administration in the Board. It had been considered important to underpin the Authority's future financial viability, particularly as their inability to cover costs had been problematic to date and it was expected to become even more difficult with the entry of a UK-based competitor, WTS Ltd, into the Australian wool testing market.

Reflecting this change, Section 56 of the Act specified the Board's obligations to enable the Authority to conduct the business, as follows:

- "*(1.) It is a function of the Board to establish and maintain facilities in Australia, and to supply equipment and materials, for use by the Authority in performing the functions of the Authority.*
- "*(2.) The Board shall make available to the Authority such members of the staff of the Board as the Chairman of the Board, after consultation with the Chairman of the Authority, considers necessary for the purpose of enabling the Authority to perform its functions under this Part.*
- "*(3.) Any expenses or liabilities incurred by the Authority in the performance of its functions or the exercise of its powers shall be met by the Board and any moneys received by the Authority shall be paid to the Board.*"

A strictly legal interpretation of the Act meant that the Authority was a body corporate constituted by a group of 8 Members appointed by the AWB. It owned no assets or supplies required for its business and employed no personnel in its own name. In fact, all the existing staff had become employees of the Board on 1st July and were provided thereafter 'on loan' to the Authority.

Sir William Gunn recognised that a literal application of these provisions would be cumbersome and inefficient for both organisations, especially when staffing adjustments were necessary to meet variable testing demand. He preferred a pragmatic approach of exercising essential oversight through a range of regular reports to the Board, including Authority Meeting Agendas and Minutes, but otherwise allowing the Authority to operate as though it was autonomous. His attitude acknowledged the fact that AWTA had retained the power to control all their technical operations and to set their own testing standards having regard to any relevant international standards. It was also consistent with the Authority having the obligation and powers to set the charges for its services at a level that was sufficient to cover its costs. The only potential area for conflict was the legislated requirement to comply with any major policy directives issued by the Board. In this regard, the Board had already stated their opposition to the Authority conducting tests on wool blends.

To implement Gunn's views, an AWTA/AWB Joint Policy Committee was established, to specify the reporting arrangements, financial requirements and to coordinate administration. The AWB members were David Campbell (Committee Chairman), Sandy Nevile, Dr Arthur Farnworth and Barry McMillan, and appointees from the Authority were Bill Lempriere and Drs Gordon Lennox and Alec Dixie. AWB's Chief Accountant, Don McKinlay and AWTA's Les Burditt were non-voting participants.

At their first meeting, this Policy Committee set up a Technical Sub-committee, the members of which were Drs Dixie, Farnworth, and Lennox. Their main purposes were to assess the Authority's capital equipment needs, to provide advice on any significant industry complaints, and to deal with any technical issues requiring a solution. They were also required to review the AWB Technical Department's testing requirements for product development,

Regarding other matters requiring early decisions, the Joint Policy Committee:

- accepted the AWTA's operating and capital budgets, for submission to the AWB;

- recommended that Dixie provide a report on the range of services offered by overseas testing houses before they would consider the introduction of any new services, such as fibre fineness testing and/or the expansion of conditioning and other tests to wool tops, yarns etc.;
- agreed that any yarn testing must be approved by the Wool Textile Manufacturers of Australia (WTMA) prior to being implemented;
- requested the Authority to exercise great discretion in conducting tests or issuing reports that might compare the performance of 'all wool' products with blends;
- noted that the Board's Accountant would provide a framework for AWTA to establish Terms & Conditions of Employment that must satisfy Commonwealth Audit's requirements; and
- agreed that opportunities should be explored to save costs by using services available from the AWB, such as publicity and printing.

There is no doubt that Dixie perceived some of these decisions as interference that would add to his workload and frustrate his ability to expand the services, but worse was yet to come.

The proposal to use the AWB's Publicity Department for promotion was welcomed. To raise AWTA's profile internationally, the International Wool Secretariat (IWS) was delegated to produce a positive story about AWTA for release via their IWS News Service. However, this goodwill was shattered when, instead of publicising the Authority, the published article promoted the services of WTS Ltd, which was about to enter Australia as a competitor.

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Soon after the Board was established, they had appointed a Director of Administration, Harold Lay, who had been a senior management consultant with J P Young & Associates. AWB saw him as the ideal person to oversee AWTA's integration with the Board. Given their responsibilities to clear the Authority's debts and provide future equipment, premises and staff, AWB unilaterally directed Lay to undertake a full investigation of all aspects of AWTA's operations.

Prior to commencing that study, the Authority had arranged for the Board to take over all personnel and pay matters, the payment of accounts and the preparation of all financial reports, leaving AWTA's accounts staff to collate all necessary data and send it to relevant AWB staff for action.

What later became known as 'The Lay Report' was delivered to the Joint Policy Committee in March 1964, with a covering explanation that "… *the study was designed to assist the Joint Policy Committee to evolve future policy, particularly in relation to the following matters referred to it by the Wool Board*". Those matters included Operating Policy, Budgets, Staff Organisation, and Research Funding.

The introduction to the Report stated that the study was based on the following assumptions:

(a) "*That technical standards should be maintained so that the image of the Authority may be built up and its Certificates accepted internationally.*

(b) "*That after a period of experimentation and establishment, the Authority should be moving towards a financial situation where income should cover expenditure.*

(c) "*Permanent accommodation will be necessary to cope physically with present and future demands for testing services.*

(d) "*That an adequate staff organisation should be created to cover existing demands for services and as a nucleus for meeting increasing demands by the wool trade.*"

Lay approached his task professionally, but his scant knowledge of the wool industry in general, and complete ignorance of the technical aspects of wool sampling and testing, meant that he had to be educated by Dixie before starting his in-depth study. Whereas Dixie had been disturbed by the unilateral manner of Lay's appointment, he became increasingly frustrated and irritated by the amount of his precious time being tied up in the process. Following Geoff Gohl's resignation a few months earlier, Dixie had been left with no qualified backup person to educate and work with Lay.

Lay's final Report covered 22 pages of commentary, data analysis and opinions. On the positive side, his conclusions gave Dixie credit for the ground-breaking work he had undertaken to date in establishing the Authority's services, by stating:

"*It appears that a high standard of technical competence has been achieved through the work of the Authority and its Director in the last five years. During this period a great deal of experimentation has been necessary in methods and equipment. Most of the equipment has been built to the Authority's specifications and the Director has kept himself informed on developments elsewhere, including some visits to overseas laboratories.*

"*It has not been possible in the time available to evaluate the technical work turned out by the Authority. Certainly, a great deal of effort has been expended to attain a high level of accuracy in testing and this has been costly. It seems a question of whether the Authority should not review its methods in order to reduce costs.*

"*Staff have not been available to assist management in building up statistical data covering the results of testing and to maintain a running list of complaints so that the Authority may review its standards from time to time. A way must be found to speed up the period required to complete tests.*"

In relation to Staff Organisation, Lay recommended that one Assistant should be appointed to provide Dixie with additional support. On the negative side, Lay's 'Summary of Recommendations' included many proposals beyond his brief and technical competence. Unfortunately, he did not know that several operations which he had perceived as being too costly were, in fact, essential controls required to ensure that core samples were fully representative of the wool bales, such that testing would be accurate and repeatable.

General

(a) Institute a programme of cost reduction;
(b) Plan future operations;
(c) Promote sale of services
(d) Initiate research into methods, standards, and equipment;
(e) Centralise processing to create volume and reduce costs;
(f) Speed up services;
(g) Provide a definition of operating policy.

Specific Recommendations

(a) Sampling
Increase percentage of junior labour.
Reduce the number of cores in large lots.
Employ casuals or revert to some contract sampling.
Study packaging and resealing of damaged bags.

(b) Testing
Reduce number of sub-samples.
Increase junior and female labour.
Employ casual labour for peak loads.

(c) Control Procedures
Adopt suggestions for amended returns and method of dealing with capital expenditure.
Studies in costing of services are warranted.

(d) Planning and Development
Transfer Sydney yield testing to Melbourne.
Retain Fremantle yield testing in Melbourne.
Sub-committee to study methods and equipment.
Establish programme for capital expenditure.
Transfer Sydney premises to Alexandria Wool Store area.
Defer building of yield testing laboratory in Fremantle.
Conduct further studies on future Melbourne premises.

(e) Selling the Authority's Services
Institute a sales and publicity drive.

(f) Core sampling in Brokers' Stores
Meet brokers in conference to discuss difficulties.

(g) Technical Competence
Conduct study on testing results and complaints.

Summary of Recommendations in Harold Lay's Report

The Joint Policy Committee agreed that all Authority Members must have the opportunity to consider and comment on Lay's Report, before any firm decisions were made. However, they did agree to refer the technical aspects relating to test methods, sampling procedures, equipment, technical competence etc. to their Technical Sub-committee.

Regarding the more general operating policy, it was agreed that the Authority should consider:

- reducing costs and improving efficiency in order to breakeven by 1st July 1965;
- holding charges at current levels until at least 1st July 1965;
- operating within total borrowings of £100,000 excluding any capital cost of premises;
- providing services that are at least equal to international standards; and
- leasing permanent accommodation in wool stores controlled by AWB.

At the subsequent Authority Meeting, Dixie declared that he could not reduce expenses enough to avoid a testing fee increase. Both he and the Chairman expressed their strong opposition to Lay's push for greater use of casual samplers to be contracted in outcentres, having previously abandoned this type of employment to improve technical control. [12]

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Drs Dixie, Lennox and Farnworth met as the Technical Sub-committee in early April 1964, when the following agreements were reached:

- the AWB would promote the AWTA Stretch Wool Fabric labelling scheme and raise its annual support from £1,500 to £2,000 for the coming year;
- compliance with the AWB pure wool policy had already cost AWTA business in its Seal of Approval schemes and would continue to have a serious impact into the future;
- AWTA would seek research funding for its evaluation of core tests yields against mill combing results for greasy wool; and
- Dr Dixie would arrange for the CSIRO Division of Textile Physics to survey the efficiency of AWTA's core sampling, sub-sampling and testing procedures, with their reports to remain confidential to the Sub-committee.

Later that month, the Authority provided the Board with its responses to Lay's proposals for AWTA's future staff organisation, including recommendations for the Joint Policy Committee to become a Joint Consultative Committee, for a new Administration Committee to be established and for the role of the Technical Committee to be expanded. Immediately following the Board's meeting only 2 weeks later, the Deputy Chairman, Alfred (Jack) Armstrong, sent a letter to the Authority setting out inter alia the following Board decisions:

- Harold Lay had been appointed as Administrative Officer of the Authority;
- AWTA's management staff would be Dixie (The Director), Lay (Administration Manager), Burditt (Secretary), plus a Technical Assistant yet to be appointed;
- membership of the Joint Consultative Committee would be 2 AWB Members (Farnworth and Lay), 2 AWTA Members plus Dixie, and they could be required to report to either body; and
- the Administration Committee would report to the Authority on matters relating to salaries and wages, finance, administrative issues etc., with Lempriere, McLaren and Lay as members.

Furthermore, the objectives of the Technical Sub-committee would be expanded to coordinate the textile testing facilities operated separately by AWTA and the AWB Technical Department, to ensure that AWTA complied with AWB policy on blends etc., to review CSIRO's research into test methods and sampling, and to survey AWTA's re-equipment needs. Armstrong's letter also made it clear that the Authority would have to pay for public relations programmes undertaken by AWB's Publicity Department on its behalf. [13]

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[12] AWTA had experienced repeated failures by contract samplers to follow procedures, which drew serious criticisms from the trade, and wool brokers had frequently complained about disruptions caused by casual employees' poor attitudes to punctuality.

[13] When this service was first proposed, Dixie had been led to believe that it was a free-of-charge gesture of goodwill intended to improve the Authority's financial position. He was not impressed by this change.

At their next Meeting, the Authority accepted Lay's appointment as AWTA's Administration Officer, much to Dixie's discomfort as he felt that the plethora of Committees would hinder progress and restrict his ability to manage. On the other hand, he now found that the Authority's approval of his recommendations for action was practically guaranteed if he first gained the relevant Committee's endorsement. This proved to be the case when his previously rejected recommendations for testing fee increases were reconsidered, and the Authority agreed to a 10% increase for condition testing and a 20% increase for greasy core testing. However, the Administration Committee's recommendation for the heavily discounted fees for contract testing to be increased by 50% was reduced to 20% by the full Authority. It is almost certain that the Members would have accepted this recommendation had they been aware of a serious charging blunder made by Dixie during the 1963/64 season. [14]

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The first meeting of the new Technical Sub-committee was held in August 1964. In his opening remarks as Committee Chairman, Dr Lennox stated that their main purpose was to "… *bring closer the relationship between the CSIRO and the AWTA on matters of mutual interest*". For this purpose, he had invited John Downes, a Senior Research Scientist at the CSIRO Division of Textile Physics, to participate as an Observer. Before reviewing AWTA's future needs for improved condition and yield testing equipment, Dixie summarised the work that he had already done:

- to assess optimum core tube sizes and reduce the number of cores per bale;
- to select robust plastic sample bags and fabric containers for sample transportation;
- to construct and assess potential mechanical sub-sampling equipment;
- to control fibre loss from samples by inserting 100-gauge mesh in the base of the scouring baskets, as required by the American Society for Testing & Materials (ASTM) standards; and
- to investigate problems experienced with core sample cutters, including their tendency to chip and significant difficulties found in grinding and honing them to achieve sharpness.

The Committee agreed that CSIRO's Division of Metallurgy should analyse the existing cutters, with a view to specifying a more robust, cheaper and more technically-sound design.

Regarding the testing of wool blends and yarns for the textile and clothing trades, they noted that AWB had not yet documented its position. However, Dr Farnworth reported that a recent decision to introduce an IWS 'Woolmark' Seal would generate an increase in work for AWTA's textile testing service. The Authority would receive adequate notice of any new facilities required and, by way of example, he advised that products qualifying for the Woolmark would need to pass performance standards for colour fastness to light, washing and perspiration, and eligibility for the Seal would be determined by testing.

For yield testing, Dr Lennox advised that CSIRO had ceased attempts to develop a better machine than the Modified Shirley Analyser for determining vegetable matter mechanically. The Committee agreed that this was of no great consequence, since AWTA's use of the ASTM chemical method was more efficient and produced much faster results. Referring specifically to the trade's increasing criticisms of AWTA's testing errors, he proposed that John Downes and Bruce Mackay, both from CSIRO's Division of Textile Physics, should inspect the Melbourne laboratory operations on 30th September and the morning of 1st October 1964, before reporting their impressions to the Committee that afternoon. After hearing Downes outline the inspection modus operandi, the Committee approved this technical audit.

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With Dixie becoming increasingly unsettled and needing reassurance, it was unfortunate that 3 of the 8 original Authority Members decided to resign at this time. NCWSBA's representative, Jack Gale, resigned with effect on 31st July due to pressure of business. He was followed by the Chairman, Bill Lempriere, who announced in August that his brother's health issue would compel him to resign to concentrate on

[14] Dixie had negotiated a special contract price with a major greasy wool buying company, Biggin & Ayrton Pty Ltd, in return for the company's agreement to test all its greasy wool exports. He had agreed to waive the £2.50 Base Fee component and only charge 5/- per bale, believing that consignments of 100 bales or so would be tested, in which case the waived Base Fee would have represented a discount of less than 5%. However, the company had seized the opportunity to test all individual sale lots from selected wool clips, thereby reducing the average test-lot size to less than 10 bales and increasing the discount to a completely unprofitable 30% below the standard fee.

the family wool business, effective from 11th September. Only 3 days before Lempriere left, the Deputy Chairman, Roy Duncan, tendered his resignation effective from 1st October, on doctor's advice to avoid "… *undue stress or frustration in business affairs*" - a less than subtle reference to AWTA's issues.

The loss of the 2 leading Members, who had been Chairman and Deputy Chairman throughout his AWTA career, caused Dixie to reassess his future. He had always viewed the Lay Report recommendations for management-by-Committee as both a breach of the terms agreed prior to the Authority's reconstitution within the AWB, and as unwarranted interference in his management of the AWTA's affairs. In August 1964, Dixie resigned effective on 30th September, causing the Chairman to call an Emergency Meeting on 3rd September attended by Lempriere, Wallace, McLaren, Duncan, Nevile, Lennox, Harwood (Deputy for Gale), Dixie and Burditt. When invited to explain the reasons for his decision, Dixie responded that:

- since April 1964, he had become dissatisfied with changes in the technical and administrative direction of the Authority which had taken important responsibilities from him, and he was no longer prepared to accept that situation;
- the AWB had restricted his technical operations and appeared to have acted to cut him off from various textile organisations;
- he strongly opposed the appointment of an AWB staff member, namely Lay, as the AWB's Deputy Member of the Authority;
- he concluded that the Technical Committee was "… *unsuitable and a waste of time*"; and
- he would not reconsider his decision, since he could not believe that changes would be made to satisfy his concerns and requirements.

In response, Dr Lennox attempted to justify the benefits of having close liaison with both the AWB's Technical Department and CSIRO, but Dixie responded that this liaison had been one-sided. In fact, he had been frustrated that people like Lay and some CSIRO staff, having been asked to prepare reports to the Board "*on subjects for which they were completely uninformed*", had eventually only put forward recommendations that he had made previously, which had not been accepted. Furthermore, he declared that he would never again cooperate with any people preparing such reports. On the other hand, he had enjoyed the cooperative relationships established with Arthur Farnworth and Don McKinlay, but regretted that other Board staff had not been so helpful.

Dixie and Burditt then left the room to allow the Members to discuss future actions 'in camera'. When the Chairman called them back to the Meeting, they were informed that the following decisions would be recorded in the Minutes:

"*Resolved:* *That the resignation of the Director, Dr J A Dixie, be accepted with regret, and to take effect 30th September, 1964.*

That Dr Dixie is to proceed on recreation leave as from 11th September 1964, and that in recognition of his service to the Authority, Dr Dixie be paid a retiring allowance of £250, and a recommendation to this effect be forwarded to the Australian Wool Board.

"*Resolved:* *That Mr L Burditt be appointed Office-in-Charge as from 11th September, 1964, for the period until the appointment of an interim or permanent Director. On matters of a technical nature, he will be in liaison with the CSIRO, as Dr Lennox had offered to provide an officer for this purpose. Dr Lennox also offered on behalf of himself and Dr Farnworth to be available at any time for technical advice.*

"*Resolved:* *That applications be called immediately for the position of Director, and that the terms of appointment be considered at the next meeting of the Authority on 11th September, 1964.*"

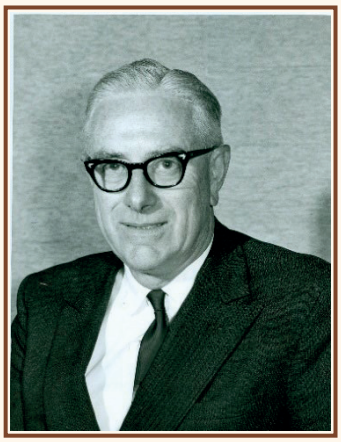
The Chairman then informed Dixie that he need not return to work on 11th September, as the Members considered that no useful purpose would be served by his attendance. [15]

[15] AWTA's foundation era came to a close on 11th September 1964, when Ian McLaren replaced Bill Lempriere as Chairman, Alec Dixie went on 'gardening leave', and the Officer-in-Charge role was taken up by Les Burditt.

7. NEW CHAIRMAN AND ACTING DIRECTOR ACT ON FAILURES

"*Excessive economy measures on staff, testing procedures and equipment maintenance have slowly run down the efficiency of the raw wool testing to its present state, which is far below that of an internationally accredited Testing House.*" [Report by Acting Director, J F P James, to the Authority – 15th December 1964]

Following Bill Lempriere's resignation, Ian McLaren was appointed as Chairman of the Authority. He had been a Commonwealth Government appointee since 1957, as an Independent Member, and had strong political connections in Canberra. He was also a highly respected Melbourne businessman, with strong analytical skills honed as a Chartered Accountant.



Ian McLaren OBE, AWTA
Chairman1964-1965

With Gale, Lempriere, Duncan and Dixie having now resigned, he immediately requested Burditt to produce a report on the impact of centralising Sydney and Fremantle tests in Melbourne, with particular attention given to the adequacy of premises, staffing considerations, equipment transfer and/or purchase costs, and the possible impacts on service times and relationships with local clients. Burditt's report concluded that, while small cost savings might be expected, the ramifications of any such decision could not be known or costed until the current Melbourne premises issues had been resolved. In this regard, the initial options were either to take a long-term lease with the option to purchase the North Melbourne building in Munster Terrace, or to construct and install new facilities in the AWB's wool store compound in Footscray.

Upon receipt of this report, McLaren set up an ad hoc group comprising Lennox, Lay and Burditt to consider all property issues. Lennox arranged for participation by Gordon Crewther, Assistant Chief of CSIRO's Division of Industrial Chemistry, whose experience with building issues made him well placed to advise on likely costs. In due course, this group recommended the transfer of all condition testing to Melbourne, thereby reducing the Sydney and Fremantle centres to sampling and greasy wool sub-sampling operations only and freeing the Testing Officers to increase client liaison. [16]

Another factor to be considered was the arrival of WTS Ltd as a competitor. Whilst their initial strategy was to send samples to London for testing, they would almost certainly bring forward plans to set up an Australian laboratory to take full advantage of any AWTA withdrawal from local testing. In this regard, McLaren acknowledged that full AWTA services might need to be re-established in Sydney to counter any such move. To limit this risk, the group deferred announcement of these decisions for at least 6 months.

In considering current and future Melbourne premises based on cost alone, purchasing the existing premises was assessed as the better option. However, the group believed that the advantages of building new premises would outweigh the disadvantages, provided the Board agreed to fund the higher capital cost. They also noted the need for early action, particularly since the expanded textile testing facilities for 'Wool Quality Mark' would be required by March 1966, including a controlled-atmosphere room estimated to cost £11,000 that would take several months to build and commission. Among the disadvantages of moving to Footscray, the group acknowledged the potential loss of employees due to poor public transport, increased inconvenience for clients, and the loss of prestige from being located in an industrial compound. Ultimately, they decided that further investigation was needed before they could make a final recommendation. Management would need to specify their space requirements for offices, reception, amenities and storage and, in addition, sectional plans for laboratory workflows would need to be drawn up to include provision for future expansion of services.

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[16] Testing Officer was the official title of the most senior manager in a State.

While working through these priorities, McLaren realised that he needed to appoint a scientific person to manage the Authority's operations, since Burditt did not have the required technical qualifications or experience for such a leadership role. Lay was delegated the task of producing an appropriate Position Description for the Director position, following which he engaged personnel consultants to conduct a worldwide search, expected to take up to 3 months. As an interim solution, McLaren asked Dr Lennox to negotiate for a suitable CSIRO wool scientist to be seconded to the Authority for a minimum period of 3 months, or until a new Director was installed. Within a few days, J F P (Jim) James, a Senior Research Scientist at the CSIRO Division of Textile Physics, had accepted the appointment as Acting Director, commencing on 1st October 1964.

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Having dealt with the highest priority matters, Ian McLaren then moved to address the relationship issues highlighted by Dixie as being the main reasons for his resignation. Most problems had related to the strictly controlling ways by which the AWB had attempted to integrate AWTA's functions, using committees and appointing Harold Lay to key roles, which Dixie and the Authority Members considered were against the spirit and the letter of the Minister's announcements. Importantly, he was aware that not only was Gunn sympathetic towards Dixie's criticisms, but he also wanted AWTA to operate as autonomously as his pragmatic interpretation of the Act would allow.

Consequently, Gunn held a private meeting on 9th October with McLaren and Sandy Nevile, the AWB Member of the Authority. According to his personal notes, McLaren then produced a detailed report of the agreed positions, which he sent to Gunn and Nevile within hours of their discussion. This action proved to be very constructive, leading to Gunn making the following recommendations to his Board:

- to disband the Joint Consultative, Administration and Technical Committees;
- to limit Lay's role to being available as a consultant to assist AWTA staff if/when required, provided he was allowed access to relevant AWTA information from time-to-time;
- to invite AWTA's Chairman to attend AWB Meetings whenever papers and/or other matters relating to the Authority were to be discussed, accompanied by the Director if he wished;
- to approve funds for any reasonable proposition brought to the Board, including a new laboratory estimated to cost £65,000, subject to AWTA producing a Long-Range Plan as the basis for forecasting their capital and operating requirements for the next 3 - 5 years - this Plan to also document the current and potential benefits of the AWTA's services to the Australian wool industry;
- to accept McLaren's proposal for AWB to set up a Capital Fund for AWTA to establish a new laboratory, which would reduce the present interest charge by up to £6,000;
- to request the Acting Director to investigate recent criticisms of the Authority's standards and the alleged inaccuracy of its test results, following its recent bungling of interlaboratory testing and combing trials being run by the IWS on behalf of the IWTO; and
- regarding staff matters, to accept the Authority's recommendation that the new Director and professional staff be offered membership of the Commonwealth Superannuation Schemes, subject to completing a minimum period of service yet to be defined.

Gunn also questioned whether the present policy requiring AWTA to cover its costs was in the industry's long-term interests. As far as he was concerned, if there was a sound case for subsidy, the Authority should not hesitate to present their case to the Board. At the end of this Board meeting, he handed McLaren a statement headed 'Board Policy on Testing of Blends and Yarns by the AWTA', which had recently been approved by the Board. This contained matters relating to yarn testing which would be discussed with the WTMA in October, by which time they expected that Dr Farnworth would have finished documenting a range of performance specifications for wool yarns. [17]

To maintain momentum, McLaren included a copy of his meeting Notes in a letter to Lay, to ensure that he was fully informed of the changes now being made to his role within the AWTA. He also wanted Lay to know that those changes had been recommended by both Gunn and Nevile.

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[17] Dixie's unexpected resignation had shocked Gunn, especially as his vision for the industry foresaw an important future role for objective measurement. With AWTA now part of AWB, he saw the opportunity for testing to improve the industry, provided the Authority developed a sound reputation and could be seen to be successful.

McLaren's letter also instructed Lay to undertake the following tasks:

- to prepare the document required by Gunn to highlight AWTA's benefits to the wool industry;
- to prepare capital and operating budgets and cash-flows for the 3-year period from July 1965 to June 1968; and
- to prepare a submission to the Authority Members in relation to the eligibility and cost of the Authority's staff becoming members of Commonwealth Superannuation funds.

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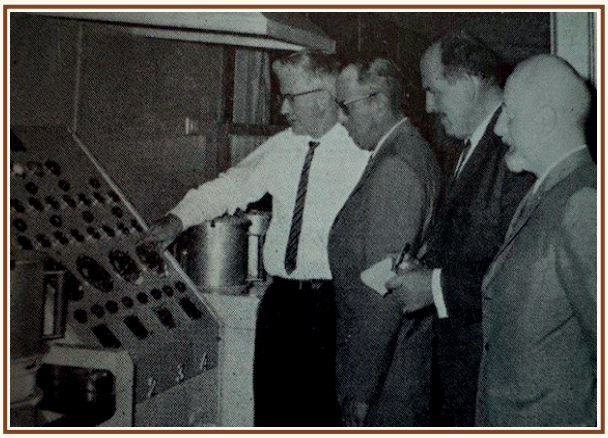
After Jim James' familiarisation period, McLaren asked him to investigate the serious IWS criticisms reported to Gunn concerning the current IWTO/IWS interlaboratory testing and combing trials. However, this was thwarted when neither James nor the secretarial staff who would have typed any technical records could find any trace of the trial documents. During this search, they also failed to locate any files relating to Dixie's Government-funded research project comparing test results with combing mill yields. More alarmingly, there was no evidence of routine laboratory quality control checks ever having been conducted.



Jim James, Acting AWTA Director 1964 -1965

When James contacted Dixie for assistance, he was met with uncooperative, resentful and often hostile responses, until he pointed out that Dixie's reputation was at stake, not his. Under persistent questioning, it became clear that many records had been destroyed for a variety of unacceptable reasons. James recorded Notes in his 'Director's Personal File', which summarised the following state-of-affairs:

- the IWTO core/comb tests had been botched and the reserve samples had been tested; Dixie was sure that a senior laboratory employee had tabulated the results on an IWTO/IWS form, but he had no idea what had happened thereafter;
- regarding the core/comb research commenced in 1961, Dixie admitted to throwing out the results on the grounds that there were too many anomalies requiring checking against AWTA Certificates, requiring too much time-consuming and unproductive correspondence with participating clients;
- even if the combing results were found, Dixie claimed it was uneconomical for James to analyse the data because he lacked the necessary commercial experience; in fact, Dixie admitted that he never had the time or the support staff to prepare detailed reports analysing the results;
- Dixie was resentful of any questions about records of quality control checks on his 'AWTA Test Method' and, when James mentioned he had found evidence of checks being initiated but no actual data, Dixie had stated that "… *they were thrown out, once he was satisfied*";
- when James questioned his lack of scientific rigour, Dixie protested and declared he would never accept criticism of his work from James or any other CSIRO Officer; however, after he calmed down, he offered to come to the office for a few hours to look for the missing records, but would first make a search at his home; and
- Dixie stated repeatedly that "… *I know I have no IWTO papers at all*", suggesting to James that they too had been thrown out.

Subsequently, the Melbourne Testing Officer found some reserve samples of Australian wools included in the combing trials, wrapped in canvas bags instead of being sealed in airtight bags. [18]

James concluded that the only explanation for this situation was that Dixie's instructions to retest the reserve samples had been overlooked, ignored or had never actually been issued.

[18] By that time, exposure to moisture change would have rendered any yield test results invalid, since the original sample weights had not been recorded and some wool material would almost certainly have been lost.

James' next priority was to have a comprehensive briefing with Dr Farnworth, the AWB's Technical Director, to gain his perspective on future opportunities for the Authority's textile testing services in general and the AWB's intentions to use their services.

The important points recorded by James for the 'Director's Personal File' included:

- Farnworth's admission that he preferred to use his own Department's Geelong laboratory, since their equipment was superior to AWTA's, and the staff had been engaged by him and were now his friends, whereas AWTA's facilities and staff were inadequate;
- AWTA should take the opportunity to expand its textile services, before the Gordon Institute and/or the University of NSW approached the Board to conduct the 'Wool Quality Mark' testing;
- Farnworth was not interested in the raw wool testing side, other than being sufficiently informed to advise the Board regarding criticisms of AWTA's technical standards;
- both agreed that CSIRO staff in Ryde and Geelong would be engaged to conduct a critical examination of AWTA's conditioning and yield testing operations to identify faulty practices, and to formulate low-cost improvements for implementation during the July/August off-season;
- decisions on new laboratories and textile testing staff must be left to the new Director;
- Farnworth predicted that the amount of product testing required to underpin the integrity of the 'Wool Quality Mark' would grow and was likely to require 2 senior technologists plus up to 3 full-time technicians; AWB would use AWTA for all such work, provided the competence of the new Director earned their trust and built confidence;
- a major complaint of the textile trade was that AWTA had conducted subjective assessments and certain other tests for which there were no approved standards; and
- Farnworth and James would engage relevant research staff from both CSIRO Geelong and Ryde to assist them in writing appropriate performance specifications for wool textiles.

Following this meeting, James arranged for Bruce Mackay, a Research Scientist colleague at the CSIRO Division of Textile Physics in Ryde, to examine faster methods for drying wool samples in AWTA's Sydney laboratory using CSIRO's new Type-22 Rapid Dryer, and to assess the feasibility of improving efficiency of the multi-head dryers developed by Dixie. Prior to this visit, James had briefed Mackay concerning the latent hostility of the Sydney staff which had resulted from previous CSIRO investigations, stressing that he should treat the staff sensitively and avoid any negative comments about their work.

Contrary to that briefing, after completing his drying work Mackay took the Testing Officer on a complete inspection of the laboratory, during which he criticised the operations extensively rather than simply taking notes as James had instructed. In his letter responding to Mackay's subsequently written report, James expressed dismay at the destructive impact of this provocative action. In particular, he protested that Mackay had exceeded his brief and had upset the staff by trying to tell them what to do. He also expressed grave concern at the potential long-term damage to future AWTA/CSIRO relationships, as follows:

"*I have found throughout the AWTA a definite and pronounced hostility to CSIRO, which I had previously been at a loss to explain. If this report to me, a colleague, is typical of those the previous Director of the AWTA received from Ryde, then the cause of the hostility is obvious.*"

James' protest had an immediate and positive impact. In fact, only 3 weeks later, he was able to report to the Authority that co-operation with CSIRO was excellent, and that his CSIRO colleagues were now engaged in a wide range of helpful investigations, including:

- the accuracy of sampling greasy wool bales by core-boring;
- methods of sub-sampling core-bored wool;
- test scouring of 200g greasy core-bore wool samples;
- quality control of test scouring;
- design of rapid dryers for test samples of wool;
- modifications to existing dryers to increase speed of drying and reduce heating load;
- design and testing of a new conditioning oven;
- investigation of burr separation from wool;
- investigation of burr drying;

- elimination of computation from some particular tests;
- studies of the optimum handling arrangements for sample flow through the laboratory;
- study of tests for the performance standards of textiles which are needed by the AWTA; and
- development of completely automatic yield testing equipment.

Although many of these projects had been underway for some time, James was able to encourage the scientists involved to inform him of any findings that might become useful for AWTA. In this regard, he had visited colleagues at the CSIRO Divisions of Textile Physics in Ryde, Protein Chemistry in Parkville, Textile Industry in Geelong, and Animal Production in Prospect.

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While James was bringing the technical issues under control, McLaren was making similar progress in ascertaining Gunn's view of the optimum AWTA/AWB relationship. Having sent the Authority's Minutes and James' Report to the Board, he accepted their invitation to attend the next AWB Meeting to provide any required explanations. When welcoming McLaren to his first AWB Meeting, Gunn announced that the Board had no wish to run the Authority's affairs, and that he now believed that the various Committees established by the Board were no longer necessary, especially now that policy issues could be raised directly through the Authority Chairman's agreement to attend the scheduled AWB Meetings. [19]

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Regarding appointment of a new Director, a Research Scientist at the CSIRO Division of Textile Industry in Geelong, Basil Ellis, had been offered the position after showing early interest, but he ultimately declined to accept. Shortly thereafter, Les Burditt resigned as Secretary, effective on 18th December, almost certainly because he had not been offered the top position. His parting gesture was to invite the Federated Storemen & Packers' Union (FSPU) to cover the sampling employees working in Sydney wool stores, knowing that this would create wage demands on AWTA and force them to establish a proper set of terms and conditions for employees.

Murray Mansfield was appointed as Administrative Officer based in Head Office, to take over most of Burditt's duties. Having joined the Authority in October 1962, he had progressed quickly to become Testing Officer in both Sydney and Melbourne, which gave him a good working knowledge of AWTA's operations and meant that he was well known to most employees. His prior experience proved to be of great assistance to James. [20]

At AWB's final Meeting for 1964, McLaren again reported that no progress had been made in appointing a new Director. It was agreed to re-advertise the position in mid-January targeting a wider range of applicants who had "… *management experience in a technical field, a science degree qualification and some familiarity with the wool industry*".

If the Authority's only option was to appoint a managerial person with little technical experience, it was agreed that a Technical Manager might also need to be appointed to support the Director by taking responsibility for standards and technical processes. With the Director position still vacant, Jim James' appointment as Acting Director was extended to the end of February 1965.

Prior to this Meeting, McLaren had received a comprehensive 'Acting Director's Report' in which James had presented his considered views as to AWTA's current technical status, its standing in the trade, its premises, staffing and capital equipment requirements for both 'Wool Quality Mark' and an expected growth of raw wool testing. To correct all the identified shortcomings, James had recommended that the Authority must be allowed to operate at a loss for a further 2-3 years. [21]

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[19] By this action, Sir William Gunn substituted a positive arm's length relationship for the AWB Members' previous tendency to exercise management control. Thereafter, whenever a Board Member suggested more direct intervention, Gunn brought them back into line by insisting that the Authority must be left to manage its affairs.

[20] Murray Mansfield had joined AWTA, after gaining wool industry experience as a wool sorter in Bradford and Melbourne, and as a wool and sheepskin buyer in Victoria.

[21] Note: Jim James' complete 'Director's Report - December 1964' is attached as APPENDIX 2.

Although the Authority had not yet seen it, McLaren included a 'Confidential Copy' of James' Report with the routine AWTA Minutes, Financial Reports etc. sent to Gunn. In a covering letter, he had drawn specific attention to those of James' recommendations that would require approval early in 1965. Notwithstanding the confidentiality classification and the fact that his own AWB Members had not seen the Report, Gunn decided to address those recommendations immediately, rather than wait for another 2 months until the Board's next scheduled meeting in February. With McLaren present to answer questions, Gunn convinced the Board to approve the following:

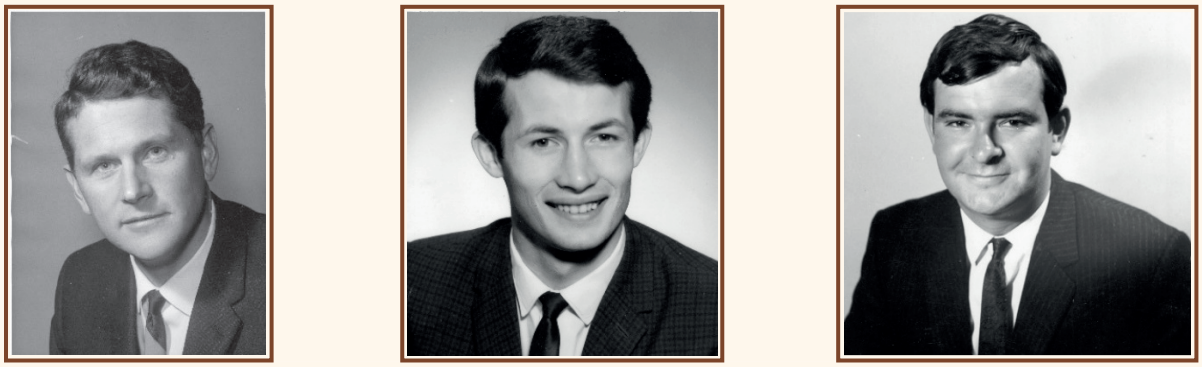
- funding of £23,600 for 'Wool Quality Mark' testing equipment, including the constant humidity room for this testing and for a new fibre diameter testing service;
- strengthening AWTA's management structure and setting a salary range for the new Wool Supervisor position which might be required to support a non-technical Director; and
- extending the lease for the premises in North Melbourne for a further 2 years, to provide a more secure basis for installing new facilities.

With the Melbourne premises location now fixed, AWB also agreed to lease a 2-level property in Stawell Street, North Melbourne, to accommodate the new textile facilities. It was close to Head Office and the Melbourne raw wool laboratory and accessible from the same street. Having resolved the urgent matters, the other recommendations were held over for consideration in the context of an AWTA Long-Range Plan.

Advertisements for the positions of Director, Wool Supervisor and Textile Supervisor were published in January 1965, and all interviews were completed by mid-February. On 18th February, the Board approved the appointments of Dr James Campbell as Director and David Ward as Wool Supervisor. However, the Textile Supervisor position remained vacant, in the absence of a suitable applicant. [22]

Ward took up his position on Monday 24th March 1965 and Jim James returned to CSIRO at the end of that week. With Campbell not commencing for another month, he was left to deal with the most difficult client complaints that James had been unable to resolve. [23]

Campbell took up his appointment on 26th April 1965, when his immediate priorities were to learn the basics of wool testing and to examine AWTA's policies, operations, and financial position, so he would be sufficiently informed to review and finalise the developing Long-Range Policy document, prior to its submission to the AWB.



The new 3-man management team in 1965 were (L to R) Dr James Campbell, Director, David Ward, Wool Supervisor, and Murray Mansfield, Administration Officer

[22] James Campbell was a nuclear physicist, who had worked in the paper industry for the previous 9 years, initially in research and later as Mill Superintendent at Australian Paper Manufactures Ltd in Fairfield, Melbourne. Being a senior executive at APM, he was required to give 2 months' notice before being released to join AWTA.

[23] In 1963, Ward had conducted his undergraduate thesis project at the Division of Textile Physics, researching 'The Morphometry of Doggy Wool' under the supervision of Jim James. Upon completion of his BSc in Wool Technology degree, he had been invited to take up a 2-year fixed term appointment at that Division to assess the efficacy of the CSIRO Automatic Yield and Diameter Testing Line which had been initiated almost 3 years earlier. After 15 months of trials, he had concluded that this prototype equipment could not produce results of sufficient accuracy and, consequently, he was released from his CSIRO contract to join the AWTA.

AUSTRALIAN WOOL TESTING AUTHORITY

1965

Telegrams and Cables
(All States): "TESTWOOL"

Head Office:
22-28 Munster Terrace,
North Melbourne, N.1,
Victoria, Australia.

Telephone: 30 4751

ACCURATE TESTING PROCEDURES.
WITHOUT BIAS OR FAVOUR.
TECHNICALLY PROGRESSIVE.
ACCEPTED INTERNATIONALLY.

8. REBUILDING TECHNICAL EXPERTISE AND INTEGRITY

"*The Wool Board has accepted that the Authority's immediate aims should be accuracy, speed of service and economy - in that order of importance. Considerable effort will have to be applied initially and continuously to provide and maintain a much higher standard of accuracy than is at present achieved.*" [Report to the Director, Dr James Campbell, from the Acting Director, Jim James – 1965]

David Ward took up his Wool Supervisor appointment a month before James Campbell commenced as the new Director. As part of the interview process, he had made a cursory inspection of AWTA's Melbourne premises for familiarisation purposes. However, on making his first detailed examination of the laboratory in operation, he was shocked by:

- the non-standard 'bucket chemistry' being used;
- the scarcity of essential residuals testing equipment, required to measure and account for the amounts of grease and dirt remaining in laboratory-scoured and dried samples;
- the absence of any written instructions to guide employees; and
- the use of visual estimation of vegetable matter content in the scoured content, in lieu of testing, whenever demand exceeded capacity for yield tests of buyer-submitted hand samples.

Worse still, to save cost and expand testing capacity, AWTA was testing only a single sub-sample. This practice incurred a high risk of error, since it eliminated the opportunity to detect scouring and/or drying problems by comparing the scoured oven-dry weights of duplicate sub-samples.

Fortuitously, Chairman McLaren had come to the Authority for Ward's first day and had decided to accompany him on this inspection. Having had his attention drawn to these specific problems, McLaren gained a full appreciation as to why James had reported that AWTA's technical reputation had become so tarnished. After the tour, McLaren informed Ward that James had also drawn Members' attention to the fact that the AWTA was not equipped to conduct residuals testing, but he had not then realised that this was an essential part of the testing process. McLaren immediately instructed Ward to examine every aspect of the testing operations, and to make recommendations for the purchase and installation of any essential equipment required to meet international standards. This report was to be ready for Dr Campbell to consider as soon as he took up his appointment.

Initially, Ward introduced several changes to remove poor laboratory practices and to address the most obvious operational risks, by providing basic in-house training to employees and displaying written instructions in each work area. With no office space available in the administration area, he set up a desk in the corner of a small disabled controlled-atmosphere room in the centre of the laboratory, where he was accessible to employees and able to monitor their laboratory practices. Regarding the urgent equipment upgrade, Ward decided that the relevant international standard to meet should be the draft IWTO Chemical Core Test Method. It was similar to Dixie's AWTA Method, being based on the chemical determination of vegetable matter content, and had been documented by the IWTO Core Test Sub-committee (CTS-c) and approved by the Wool Committee at the 1964 IWTO Conference in Bremen, Germany.

When he failed to find a copy of the draft in the AWTA files, Ward contacted Jim James who discovered the full text in the 'WTS Ltd Core Testing Manual' held in CSIRO's Textile Physics library. On reading the method, Ward found it was so vague and subject to interpretation that he could not determine with any confidence the amount of equipment required by any laboratory using it. In fact, he found there were 4 possible interpretations, and of these the most technically-sound procedures were those documented in ASTM Designations D1113 and D584. If the IWTO draft was intended to be practically identical to ASTM, an extra 15 testing operations per sample would have to be added to the AWTA Method, which Ward and Mansfield estimated would increase the cost per test by as much as 60%. Clearly, a more detailed and explicit description of the IWTO procedures was required as a matter of urgency. Fortunately, the opportunity to obtain clarification arose within a month, when Jim James and Campbell visited some overseas Test Houses en route to/from attending the IWTO Conference held in London.

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During his first 4 months at AWTA, Jim James had restored the Authority's credibility with IWS staff and especially with its Deputy Director of Research, Reg Bray, who was also the IWS member of the IWTO Core Test Sub-committee (CTS-c) Technical Advisers Group. As a result, Bray had written to the AWTA Chairman urging him to send James to London to participate in the next Advisers Group meeting on 6th April, and to attend the Wool Committee meeting at the IWTO London Conference being held from 24th to 28th May 1965. James' participation was supported by Sir William Gunn, who sent a cable from London to McLaren confirming that IWS would cover the airfare and most other costs involved. Recognising that this presented an excellent opportunity for Campbell to be introduced internationally by James, the Authority decided that he would attend the IWTO Conference and also accompany James on visits to selected test houses in the UK, before making similar visits to laboratories in Europe and the USA. The main purposes of the test house visits were to survey the equipment and facilities being used and to assess the extent of their compliance with the recognised standard methods. Both AWTA and CSIRO approved Jim James' itinerary, and the Authority agreed to appoint him as 'Special Adviser to AWTA', effective upon cessation of his term as Acting Director.

The Technical Advisers' Meeting was attended by representatives from WIRA, WTS Ltd, Belgian Official Core Testing (BOCT), Roubaix Public Conditioning House (CPR), Excelsior Conditioning House (ECH), BCH, IWS, and AWTA. John Barritt of WIRA was Chairman and Ken Turner of the BWF was Secretary, also being Secretary of the IWTO Wool Committee. After the April meeting, James cabled McLaren to report that:

- all laboratories had agreed to certify only results obtained from the IWTO, BWF and ASTM Standards and, consequently, the AWTA and the BOCT should drop their own methods;
- data from several laboratories, not only AWTA, had been excluded from the analysis of the IWTO core/comb interlaboratory trials, which had also been beset with other practical control issues in the combing mills; and
- with James being the only person against, WTS had successfully proposed amendments to the IWTO Core Test Regulations which would allow weighing and core sampling to be conducted up to 48 hours apart and by people other than employees of the test house.

After Bray had assured James that these issues would not be discussed in the coming full CTS-c or Wool Committee meetings, they separately advised McLaren to delay Campbell's visit until January 1966, by which time he would have gained more experience and be better briefed to participate. Whilst some Authority Members favoured this deferral, they changed their minds when the CSIRO Member, Victor Burgmann, pointed out that it was Campbell, not James, who must solve AWTA's problems, and urgently. Hence, Campbell departed for London on 22nd May 1965 and was fully briefed by James on his arrival the following day, when they agreed that James would be AWTA's spokesman and that they would stay together throughout the Conference.

Contrary to Bray's advice, the revised Regulations were discussed by the Commercial Section of the CTS-c, where Jim James argued so strongly in favour of sampling by test house staff that the Managing Director of WTS Ltd, Lesley Bunt, protested that "… *it sounds like an attempt by the Australian tail to wag the international dog.*" James had been a lone voice, until Bill Lempriere, the immediate past AWTA Chairman, intervened and described the problematic experiences leading to AWTA's policy. His elucidation of the practical and technical problems caused other commercial delegates to express reservations. According to the Notes written by both Campbell and James, these issues were unresolved at this Sub-committee level. However, when the official Minutes were circulated by Bray several weeks later, they included revised wording to the effect that agents and test house staff were equally acceptable, inferring wrongly that WTS Ltd's proposed change had been approved.

The second issue opposed by AWTA's representatives was the question of weighing bales at the same time as core sampling. Here again, the draft text reflected WTS Ltd's position by allowing a delay of up to 48 hours between these tasks. James pointed out that this was technically unsound because it failed to recognise that moisture loss or gain between the 2 operations could change bale weights significantly, especially during the summer months in Australia and most grower countries. Here again, the Notes taken separately by both James and Campbell clearly recorded that the need for simultaneous sampling and weighing had been accepted, but Ken Turner's Minutes and a new text distributed by Bray both allowed a reduced delay of 24 hours. This attempt at a compromise had not been discussed.

The CTS-c meeting was followed almost immediately by that of the Wool Committee, to which Bray reported as the CTS-c Secretary. Having been alerted to their opposing views, the Wool Committee Chairman, Herbert Waldthausen, invited both Bunt and James to present their opposing views. The ensuing debate alerted the commercial trade to the potential for costly errors to arise, if/when agents took short-cuts that could change results. While some UK and European delegates supported Bunt's view that the current IWTO Regulations were impracticable and too costly, others from Australia, New Zealand, the USA, and some from the UK were adamant that the test house must control all procedures and must also conduct sampling and weighing at the same time. To break this deadlock, Campbell proposed a compromise to allow the use of accredited agents on the strict condition that the test results must be issued only as a non-certified Test Report. The Chairman was attracted to this solution, but no formal vote was taken due to the lack of consensus. [24]

The conflicting views of AWTA and WTS Ltd became a lightning rod for competition and highlighted the fact that WTS Ltd was prepared to place cost-saving convenience ahead of the fundamental need for accuracy. This presented AWTA with the opportunity to draw local and international attention to the Authority's overriding commitment to technical excellence.

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Jim James and James Campbell produced separate Overseas Visit Reports for the Authority Members. In addition to covering the IWTO Meetings, their reports summarised important knowledge gained from individual delegates, and during their inspections of other Test Houses where their observations were relevant to AWTA's re-equipment programme. The key points noted were:

- the IWTO hierarchy for formal decision-making was cumbersome; for core testing matters, discussion commenced with Technical Advisers who reported to a CTS-c of commercial members, who reported in turn to the Wool Committee; if approved there, any new text must be checked and approved by a Statutes & Agreements Committee before final submission to the Council and subsequent ratification by the Plenary; however, if a proposal failed to gain approval at any stage, it was sent back to the start, rather than to the Committee which last accepted it; therefore, with IWTO Conference/Meetings being held only twice per year, it was possible for a National Committee(s) against a particular change to block progress for years;
- the IWTO Committees lacked discipline, being organised by part-time Secretaries and, since there was no Australian National Committee of IWTO (ANC), the only way for AWTA to remain informed was to negotiate for all future papers to be sent directly by Turner and Bray; and

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[24] The requirement for full-time Test House supervision remained the subject of debate at IWTO Meetings for more than 20 years, having been reignited when AWTA's competitors tried to use wool brokers as agent samplers for presale testing.

Whilst the IWTO Regulations have been substantially expanded and refined over many years, the essential requirements for sampling supervision by the Test House have always been retained, as illustrated in the IWTO Regulation below:

"Where an IWTO Certificate is required, weighing and sampling shall normally be carried out by the Test House staff. Alternatively, the core sampling and weighing functions may be performed by an accredited representative of the Test House, under supervision of the Test House staff.*

"Such supervision shall be full-time, except only where the National Committee of the country in which the Test House is situated:

- *concludes that full-time supervision is not feasible;*
- *approves alternative arrangements for supervision by Test House staff; and*
- *reports annually to the Commercial Regulations Sub-committee on the nature and frequency of supervision/inspection.*

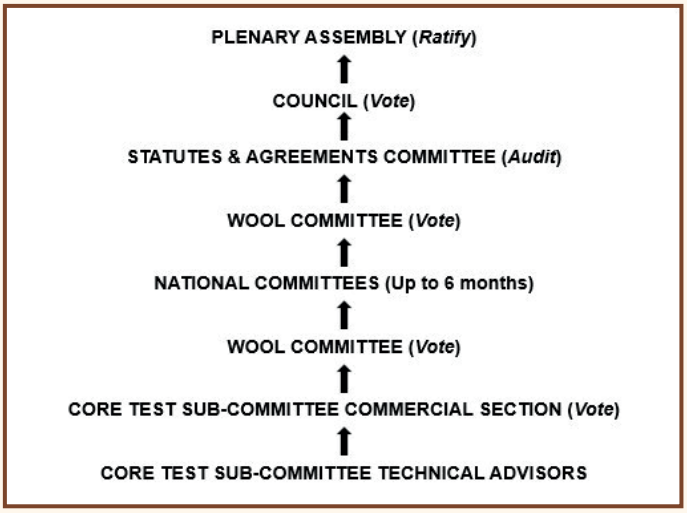
However, when a test is to be conducted presale on samples drawn manually, the National Committee may decide that weighing and sampling shall be carried out by Test House staff or an accredited representative.

** In all cases where accredited representatives are used, it is essential that:*

- *the sampling schedule is defined by the Test House in accordance with IWTO Core Test Regulations;*
- *the accredited representatives are not principals (or employees of principals) in the sale transaction, except where full-time supervision by Test House staff is operative;*
- *fully trained registered weighers and samplers are employed, whose registration is reviewed at least annually.*

"Where applicable a suitable declaration on oath is to be made by samplers and weighers."

- the IWTO Chemical Core Test Method was the official chemical method, but the Wool Committee was not prepared to recommend it to the Council until it was proved superior to the BWF Method, using a mechanical Shirley Analyser to determine VM content.



Approval sequence for IWTO Test Methods and Regulations in 1965

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At each of the 3 meetings attended by Jim James, he had raised the question as to whether IWTO Certificates should only certify the clean wool fibre content (i.e. Wool Base, Clean Wool Content at …% Regain and/or ASTM's Clean Wool Fiber Present), plus the vegetable matter content (VM Base). In this regard, he argued that the Processing Allowance formulae used to convert fibre content to a Top & Noil Yield were at best only averages and at worst would be quite inaccurate for inferior wool types combed in inefficient mills. In short, he contended that the test house should not be expected to certify results that purported to predict the actual combing result of an unknown mill, particularly when several non-measured characteristics could affect processing performance greatly. [25]

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Both James and Campbell confirmed that Ward's focus on the IWTO draft method would prove to be correct over time, although IWTO's lack of organisation and unwillingness to criticise the BWF Method would inhibit progress towards expanding the text to become a full IWTO Standard. Furthermore, they believed that the IWTO and ASTM Methods would become practically identical and, therefore, that AWTA should ensure that its equipment purchases were sufficient to meet the detailed procedures set out in the fully documented ASTM Methods. In this regard, Jim James visited Ward in Melbourne from 26th to 30th July 1965, where they defined and sourced the complete range of equipment required.

*****

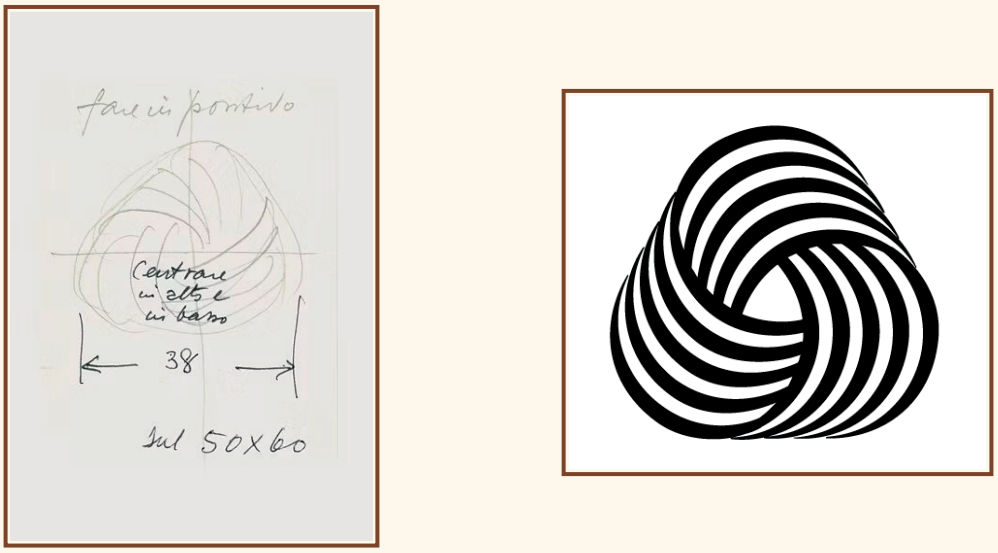
While in London, Campbell had also taken the opportunity to meet the IWS Managing Director, William (Bill) Vines, to discuss the perception that IWS was biased against AWTA and towards WTS Ltd. With Reg Bray present, Vines recounted AWTA's history of commercial and technical shortcomings which had complicated the analysis for the IWS/IWTO core/comb trials.

They also explained that the sole reason for WTS Ltd sampling the Australian wools included in the combing trials was simply the proximity of their staff to the 2 combing mills involved. In fact, AWTA would have been selected if sampling had been conducted in countries of origin, but IWS had decided to arrange for sampling to be conducted in the destination mills to simplify the logistics.

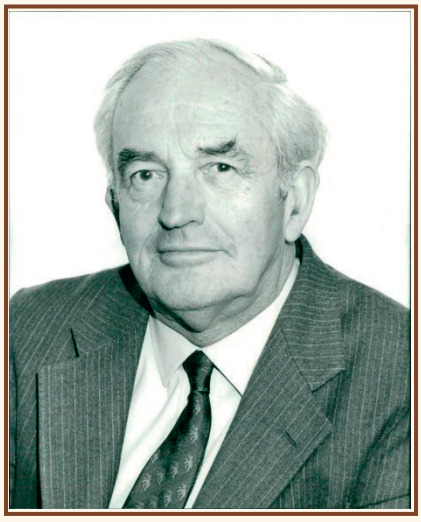
[25] As more IWTO members had adopted core test Certificates as the basis for trading, they were able to make their own core/comb comparisons and experience the variations to which James had referred. In due course, the IWTO Core Test Regulations were amended progressively, such that combing yields were eventually described on Certificates as 'Estimated Commercial Top & Noil Yields'.

While still in the UK, Campbell received a confirming letter from Vines, which summarised their discussion and repeated the assurance that both he and Bray would arrange for AWTA to rejoin the interlaboratory and combing trials "… *as soon as you personally advise us that you are satisfied that the AWTA is fully technically competent to carry out the work.*"

Campbell advised the Authority that he expected to provide Vines with that assurance within 2 or 3 months, after the new equipment was commissioned.



Original sketch and final Woolmark symbol, created by Italian Designer Franco Grignani -1963



Sir William Vines - IWS Managing Director
Chairman Australian Wool Commission
Chairman of Dalgety Limited

9. AWB APPROVES FUTURE POLICY AND BASIC FUNDING

"*… as to whether the Authority is likely to make a profit, it anticipates losses for 1965/66 and 1966/67. It will attempt to achieve profitability from 1st July 1967 …*" [Letter to AWB Deputy Chairman, A N Armstrong, from AWTA Chairman, I F McLaren – May 1965]

The 'Review of AWTA Policy', previously known as the Long-Range Plan, was considered by AWB on 4th June, 1965, when Ian McLaren and Harold Lay participated on the Authority's behalf. Although Campbell had not yet returned from overseas, he had reviewed and signed off the document prior to his departure. This submission concluded that AWTA was so under-capitalised that its facilities and equipment were inadequate and inefficient. The review noted that, in setting up the Authority's services, Dr Dixie had no option other than to develop his own rudimentary 'AWTA Test Method', since he had insufficient funds to purchase the full range of equipment needed to meet all the technical requirements of the official Standards issued by the BWF and ASTM. With AWTA's initial focus being on condition testing of scoured and carbonised wools, there had been no need to establish facilities for residuals testing. However, when Dixie initiated yield testing, they were already struggling financially, so he could only install the bare minimum of equipment for scouring, drying and weighing samples.

Before addressing the recommendations, Gunn reported on the effectiveness of Jim James' input at the IWTO Technical Meetings, emphasising the significant difference in attitude between WTS Ltd and AWTA, especially in relation to the need for sampling and testing operations to be properly controlled. After reporting on the unpredictability of knowing when important testing matters would be discussed by IWTO and criticising the repeated inaccuracies in the Minutes, Gunn gained the Board's agreement for the Authority to be represented at all future meetings to defend its policies.

Despite Gunn's comments applauding the Authority's emphasis on delivering accurate results, most of the Board held the view that the top priority should be focused on cost, as per the following Minute:

"*It was generally AGREED that if the AWTA could not compete on a commercial standard with Wool Testing Services, then those standards would have to be modified. However, this should not be done without the knowledge of the International Wool Textile Organisation.*"

This pragmatic decision to reduce costs by lowering standards confirmed that most of the Board had not yet accepted the policy shift argued by James, whose fundamental belief was that the AWTA would compete most effectively once its reputation for technical competence was raised to the point where it was recognised world-wide. Notwithstanding that Minute, Gunn convinced the Board to respond positively to the AWTA Plan. The AWB Minutes recorded the following discussion and Resolutions:

"*That the Board provide the Authority with the necessary capital to pay off its bank overdraft and Treasury loans amounting to approximately £107,000 at the end of June 1965; thereafter, the Board to consider providing further capital as required up to an estimated maximum of £175,000 in 1967.*

"*In carrying the resolution, the Board further AGREED that the Authority was expected within a reasonable period of time to place its operations on a proper business standard and be able to operate profitably. The Authority could not expect to be continuously subsidised by the Board.*

"*That the Board recognises the need for adequate finance for equipment to meet demands of the trade, and to erect permanent premises within the Authority's capital structure or the provision of premises by Wool Stores Administration.*"

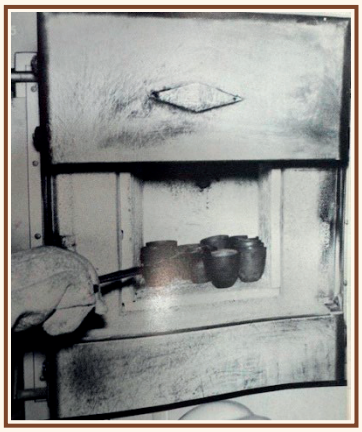
A further recommendation that AWB reimburse the Authority for the costs for any new services installed at the specific request of the Board, including 'Wool Mark' testing, was overlooked. However, it was resubmitted to the next Meeting in early July, when the Board resolved:

"*That the Board meet any excess costs incurred on work undertaken by the Australian Wool Testing Authority at the direct request of the Board on the Wool Mark or similar operations.*"

Clearly, these Board decisions represented a significant vote of confidence in the positive changes which had been engineered and guided by James and McLaren. At the same time, they provided a sound foundation for the new management team to move forward. Notwithstanding these approvals, the AWB's

Member of the Authority, Sandy Nevile, created last minute doubts which had to be resolved before AWTA could proceed.

When the AWB Members were about to approve the AWTA Operating and Capital Budgets for 1965/66, Nevile asked for the decision to advance £23,500 for the alcohol extraction apparatus and ashing furnaces required for residuals testing to be deferred. In his opinion, residuals tests would not be required if laboratory scouring was as well controlled as in a commercial scouring plant. This belated comment was quite improper. Had he raised his doubts before approving those budgets as an Authority Member, there would have been ample opportunity to explain to him the differences between mill and laboratory scouring.



Labour-intensive ashing furnace used to determine residual dirt

Soxhlet units used to determine ethanol-extractible residual grease

In fact, it was Nevile who had suggested that the Board ask IWS to propose changes to the IWTO method to reduce the cost of these tests, but he had dropped that idea when it was pointed out that any such approach would publicise the fact that AWTA was not yet meeting those requirements.

As a result of this intervention, AWTA had to suspend the installation of an electrical sub-station which was essential to provide the extra power needed for a battery of ashing furnaces, and the purchase orders for the residuals equipment had to be suspended. It took 4 months to convince Nevile that residuals tests were essential to establish the pure bone-dry wool fibre content of core samples being yield tested, finally clearing the way for the Board to approve the capital expenditure. Regrettably, his failure to understand that the purposes of most steps in the yield test method were to determine the pure wool fibre content resulted in the Authority being unable to conduct residuals tests and thereby improve the accuracy of their yield testing for a further 6 months.

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In August 1965, Ian McLaren was pre-selected by the Liberal Party for the vacant seat of Caulfield in the Victorian Legislative Assembly. This compelled him to resign from all ‘Offices Under the Crown’, which included his AWTA directorship.

He was replaced by C M (Mac) Scott, the Member appointed to represent the ACWB following Bill Lempriere’s retirement. Scott accepted this appointment on the specific condition that the Board must immediately commence the search for a new Independent Director to fill the Chairman role. Consistent with this condition, Scott insisted on being appointed as Acting Chairman only.

Subsequently, the Board appointed Lindsay J Yeo as an Independent Member and potential Chairman, with effect on 21st January 1966. Based in Melbourne, he was the principal of a prominent chartered accounting firm and Chairman and/or Director of several listed public companies. He was also a director of 2 significant pastoral companies which owned 3 large wool growing properties.

10. NEW DIRECTOR IMPROVES MANAGEMENT SYSTEMS

"*… we have been grossly overcharging large-lot clients and using them to subsidize small-lot clients. The immediate danger is that we could lose all our large-lot clients to W.T.S. and be left with only the unprofitable small-lot clients.*" ['*Revision of Charges*' Report to Authority Members by the Director, Dr J G Campbell – July 1965]

Dr James Campbell took up his appointment as the Director on 26th April 1965, when his immediate priorities were to learn the basics of wool testing and to examine AWTA's policies, operations and the financial position. During the month before travelling overseas, he held daily briefings with Ward and Mansfield to identify and discuss the various matters to be progressed by them during his absence, and to determine priorities for other matters he should address upon his return. While Ward was concentrating on the laboratory issues, Campbell agreed that the new Administrative Officer, Murray Mansfield, would continue to oversee the Authority's sampling operations for the foreseeable future.

With the imminent launch of the 'Wool Quality Mark' in June, it had become urgent for AWTA to install a controlled-atmosphere room and place orders for costly items of equipment to be imported for testing fabric tensile strength, yarn strength, yarn evenness, and colour fastness to light and washing. With the Textile Supervisor position still vacant, the Manager of AWB's Product Development Laboratory in Geelong, Ken Kelaart, was seconded as Acting Textile Supervisor, to ensure that AWTA had access to the necessary specialist knowledge. After 3 months commuting daily from/to Geelong, he was offered the position full-time but declined to accept as he did not want to transfer his family to Melbourne.

Prior to departing overseas, Campbell foreshadowed to the Authority Members that the main issues to be addressed upon his return would include:

- an overdue review of the salaries and wages, since WTS was now poaching AWTA staff;
- negotiations with wool brokers regarding their intention to charge for breaking bales from stacks for coring and weighing, and subsequent re-stacking;
- termination of the last remaining contract samplers in Launceston, Ballarat and Geelong;
- lodging an application for the Authority to become a Member of the Provisional Australian National Committee of IWTO (ANC), recently established by the WTMA; and
- engagement of costing experts to examine all AWTA operations and reporting systems.

While Campbell was overseas, Ward visited AWTA's premises in Sydney and Brisbane, where he met the local staff and key clients. When reporting to the June AWTA Meeting, he expressed the view that "… *the trade was sadly lacking in knowledge of wool testing procedures and were also anxious to meet the executive staff.*" Members of the Authority shared this opinion and agreed that Trade Meetings should be held in Sydney, Melbourne and Fremantle, which would cover most Head Offices of buying companies. Invitations were sent to the most senior Manager of each company listed on AWTA's debtors' ledger, including local scourers, carbonisers, fellmongers, and wool buyers.

The format for these meetings was for Mansfield to introduce Campbell and Ward, following which Campbell presented his credentials and Ward presented a technical overview of AWTA's raw wool testing procedures, illustrated with slides because few invitees had ever seen wool testing laboratory operations. The meetings were then open for questions, with drinks served to facilitate discussion.

All 3 functions were well attended and the feedback from participants was very positive. It was clear from the range and depth of questioning that AWTA could promote its services effectively by educating clients. Not only would this improve clients' understanding of the technology, but it would also help them to interpret and apply the test results commercially. To this end, each function ended with the attendees invited to write to the Authority if/when they had questions about technical testing issues. They were also encouraged to participate in the Authority's core/comb research project by submitting their core test and mill combing details for comparative analysis, free-of-charge.

The initial correspondence referred to historical problems that had never been resolved satisfactorily, leaving Campbell and Ward in the position where they could only apologise for the past and assure clients that they would accept full accountability for the future. Within weeks, the nature of these letters changed

to become a much more positive and genuine quest for knowledge. This correspondence highlighted the fact that many buyers had little understanding of the technical basis for differences between the various combing yields in common use. Specifically, it was not generally recognised that the official definitions for Noble Oil Combed, Noble Dry Combed and Schlumberger Dry Combed Top & Noil Yields each contained different standard allowances for fatty matter, added oil and moisture regain. [26]

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Having experienced the inefficiency of IWTO's organisation, the unpredictability of Meeting Agendas, the inaccuracy of Minutes, and the ongoing core sampling debate, the Authority and the Board reaffirmed that AWTA must attend future meetings of the CTS-c and the Wool Committee. This would ensure AWTA's policies were promoted and that commercial expediency did not supersede technical standards.

As foreshadowed before his overseas trip, Campbell believed that the best way for the Authority to keep informed of IWTO matters would be to become a member of the recently formed provisional ANC. Despite support from the ANC Secretary, Harold Lay, the Authority's application was rejected on the grounds that IWTO's own membership was only open to downstream processors and members of the textile trade. Nevertheless, Lay agreed to provide the Authority with copies of all relevant IWTO Meeting papers, and to consult AWTA staff on all matters relating to wool testing. [27]

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Campbell's next priority was to conduct a complete review of the Authority's charges, having become aware that WTS' fees for yield testing of greasy wool were increasingly cheaper for test lot-sizes from 60 bales upwards. With the average tested wool delivery then being of the order of 100 bales, AWTA's fees were uncompetitive. To better align fees with costs, he recommended a rebalanced charge structure, raising the Base Fee component and reducing the sampling fee per bale, advising the Members that:

"*We have been grossly overcharging large-lot clients and using them to subsidise small-lot clients. The immediate danger is that we could lose all our large-lot clients to W.T.S. and be left with only the unprofitable small-lot clients.*"

The Authority accepted these fee changes and, at the same time, agreed that all existing special contracts would be terminated and replaced by a sliding scale of discounts for increasing volumes of testing. The 2 clients most affected by these decisions were Biggin & Ayrton, which had been paying no Base Fee, and SGWFE, for which the test lot-size was only 4-5 bales due to the clean wool weight limit per Futures contract. Campbell and Ward flew to Sydney to present the facts as to why the current fees were unsustainable, following which both clients agreed to accept increased charges, albeit reluctantly.

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During the second half of 1965, Campbell progressed several important matters, some of which had been outstanding for years. Specifically:

- he gained AWB approval for staff of Testing Officer rank and above to join the Commonwealth Superannuation schemes;
- he successfully negotiated with AWB to repay the remaining Treasury loans, subject to AWTA paying them interest, which had not been budgeted;
- he engaged 'Rex O Thiele & Associates – Cost Consultants' to examine all AWTA services, to identify and examine each operating cost centre, to specify data to be recorded by staff for each operation, and to design reports that would facilitate analysis by management and lead to better cost control and improved profitability;
- to counter a move by WTS Ltd, to expand their international large users' discounts by allowing clients in the UK and Europe to add Australian tests to their total volumes for rebate purposes, he

[26] By educating clients on the technicalities of yield testing, the Authority generated confidence in its competence. As personal relationships became stronger, it was quite common for clients to seek AWTA's advice to assist them in defending claims for combing mill underyields, especially when poor mill performance was suspected. This strategy proved to be influential in gaining the trust of the Japanese Wool Spinners' and Wool Importers' Associations, when the Authority urged their industry to use core testing Certificates for future trading.

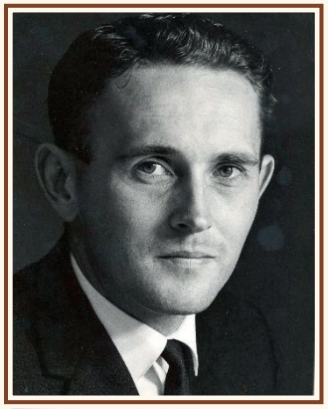
[27] In 1967, Ward was appointed as Technical Consultant to the Australian National Committee of IWTO.

convinced the Authority to approve a sliding-scale of rebates for volume to be paid to the Australian clients, who could then decide whether or not to share it with their customers;

- he negotiated a flat rate rebate of 20% for Biggin & Ayrton, in return for an assurance that they would test all their combing wool purchases at a minimum test lot-size of 40 bales;
- with the laboratories now under control, he decided that Ward would take over full accountability for all sampling operations from Murray Mansfield;
- he appointed a Clerical Officer/Bookkeeper to relieve Mansfield of routine accounting duties, thereby freeing his time to take a much greater role in client liaison;
- he convinced the Wool Textile Research Committee (WTRC) to approve a research grant of £3,500 for AWTA to continue its core/comb comparison research, whereby partial rebates of testing fees were paid for the supply of complete sets of core test and combing mill data;
- he entered negotiations with the FSPU, when it started to act on Burditt's invitation to sign-up the Sydney samplers as Union members, followed by those in Melbourne a few weeks later;
- he decided to improve AWTA's image by providing uniforms to all employees, so they would be identifiable and seen to be part of a presentable team;
- with the Authority's approval, he promoted Ward to the position of Acting Director, to be applicable whenever Campbell was on leave or travelling overseas; and
- he arranged for the AWB Members to make their first ever visit to AWTA's Head Office and Melbourne Laboratory premises in Munster Terrace, North Melbourne, where they inspected the raw wool and textile testing laboratories and gained essential context to facilitate their subsequent decision-making on capital expenditure and property matters.

Cambell made a further offer for Ken Kelaart to take up the vacant Textile Supervisor position and, when this was declined, he arranged for Kelaart to continue on a part-time basis, thereby ensuring that AWB's routine testing requirements were met efficiently.

In due course Dr Robert (Bob) Steadman was appointed Textile Supervisor, and AWB allowed Kelaart to continue part-time with AWTA for an extra month to familiarise Steadman with the special requirements for 'Wool Quality Mark' testing.



Bob Steadman

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In 1965, the Authority was involved in 2 other important developments, which ultimately proved to have great significance for AWTA's future growth. The first was an approach from a woolgrower, John Silcock, on behalf of the Australian Primary Producers Union (APPU), who were keen to conduct trials to assess the feasibility of having wool clips tested before sale. After discussing the logistics, Ward advised Silcock to expect opposition from wool buyers, as occurred in the early 1960s when Schute Bell Badgery Lumby arranged for some growers' lots to be tested by UNSW's School of Wool Technology. The results were printed in the sale catalogues, and the NSW & Qld Woolbuyers' Association reacted negatively, insisting that the data must be hidden under adhesive labels because "… our *members are not interested*". However, the veracity of that claim was tested when most buyers were seen positioning their catalogues towards the skylights to reveal images of the data.

As predicted, when Campbell reported this proposal to the Authority, the Members representing the trade expressed strong opposition to any AWTA involvement, on the grounds that:

- AWTA's participation would be viewed unfavourably by the trade;
- the Australian Wool Selling Regulations did not have rules allowing such a practice;
- AWTA's Certificates were likely to be rendered commercially invalid, due to buyers' post sale removal of several pounds weight of reference sample material;

- since core samples must be drawn prior to weighing the bales into store, this would be disruptive for wool brokers; and
- buyers would be opposed to the results being printed in the sale catalogues.

The second development was a serious deterioration in wool brokers' performance, when responding to requests for lots to be presented for core sampling and weighing. As the demand for post-sale testing increased, some broking functions were being disrupted. When sampling volumes were small and AWTA was the only test house to be serviced, it was easy for brokers to allocate storemen to break down stacks, present bales for weighing and coring, and then restack the bales. Stores that failed to allocate specific floor space or considered core sampling a nuisance also tended to have the worst systems for dealing with sampling requests. They were slow to respond and often tried to delay sampling until the bales were in the shipping flow. However, by delaying until shipping instructions were received, any inefficiencies in handling core test paperwork increased the risk of bales being shipped before coring.

With such failures becoming more widespread, Campbell initiated the establishment of a national Broker/Buyer/Test House Committee to define and monitor the service obligations of all parties. Local Broker/Buyer/AWTA Committees had been established by Dixie to deal with similar service issues when greasy wool testing was first introduced. At that time, brokers had agreed to absorb the handling costs, but this was now a national issue and the NCWSBA members had now declared their intention to introduce a charge. It had always been accepted that brokers must give top priority to their broking responsibilities of receiving, selling and delivering wool, but those who treated core sampling as a low priority nuisance were now causing major disruptions for test houses and their buyer clients. This raised the question as to whether presale sampling might offer a long-term solution.

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Campbell's focus on developing management systems led to more useful monthly reports being prepared for executive staff, the Authority Members and the AWB. Without support staff, Dixie's reports to the Authority were limited to responses to Members' requests or documenting cases for capital expenditure. Whilst he kept detailed statistical records for each type of test, these were not reported on a regular basis.

Assisted by Harold Lay, Les Burditt had expanded the scope of reports to Members, adding basic financial reports on income and expenses, capital expenditure, a chart of staff establishment, and interest payment schedules. Subsequently, Jim James introduced additional regular reports to ensure that the Members were aware of AWTA's technical challenges and the need to raise their standards.

Under Campbell's direction, by December 1965 the monthly Reports provided to Members were:

- an Income & Expenditure Statement, with comparisons against budget and the previous year;
- a Statement of Assets & Liabilities;
- a Debtors Report, including a list of individual debtors outstanding over 90 Days;
- an Estimated Capital Commitment Statement;
- a List of Capital Expenditure Passed for Payment;
- a Testing Activity Report, with comparisons against budget and the previous year;
- a Labour Establishment Chart; and
- a List of Outstanding Matters yet to be considered by the Members.

Campbell deserved great credit for releasing transparent performance data to both the Authority and the Board. As their knowledge of the AWTA's business operations became more comprehensive, they gained greater confidence in the Authority's ability to manage their affairs.

In addition to this range of reports, Campbell's brief for Rex O Thiele & Associates included the requirement for future reports to be constructed in a way that would facilitate cost analysis and be a valuable tool for management. This project was expected to be completed by April 1966.

11. ACTIONS TO DEVELOP AWTA'S INTERNATIONAL PROFILE

"*I am confident in his ability to take an effective part in discussions and to forcibly represent the Authority's viewpoint … he would benefit greatly, both from the meetings themselves and from visiting overseas test houses, and be able to do his job as Wool Supervisor better as a result.*" [Dr Campbell recommending David Ward to represent AWTA at the IWTO Paris Meetings – Authority Meeting, November 1965]

In November 1965, the Authority approved overseas travel by David Ward to attend the IWTO Core Test Sub-committee (CTS-c) and Wool Committee Meetings in Paris, from 24th to 26th January 1966, and to visit wool testing and research establishments in the USA, Belgium and the UK. It was also agreed that he would return via Turkey to renew contact with the major mills, since WTS Ltd had been making inroads into what had been exclusively an AWTA market developed by Alec Dixie.

The itinerary was arranged such that the individual visits were completed before attending the IWTO Meetings, so he could see the operations of leading test houses vis-à-vis AWTA's and examine the types of equipment being used. It also enabled him to have one-on-one meetings with some of the key people expected to attend the Paris Meetings, and to explain and promote the Authority's stance on the contentious core testing issues left unresolved following the London Conference.

In chronological order, the organisations and key people visited were ACH Fiber Services in Boston (Herbert Wollner), US Customs Laboratory in Boston (Louis Tanner), the BOCT in Verviers (Leon Bouchoms), IWS in London (Reg Bray and Dr Eric Carter), WTS Ltd in Alperton (Lesley Bunt and Alex Halker), WIRA in Leeds (John Barritt and Richard Bownass), BCH in Bradford (Edgar Priestley) and the BWF in Bradford (Ken Turner and David Knight).

The most interesting and beneficial discussion was with Tanner, who had worked under Wollner to establish the core testing methods used in the US since 1941, now issued as ASTM Designations. In those early days, the sole purpose was to determine the weight of clean wool, defined as 'Clean Wool Fiber Present at 13.64% Regain' (CWFP), as the basis for charging US import duty.

However, the USA Government was forced to change this basis when a major processor won a court case, on the grounds that duty should not be payable on wool fibre that could never compete against American wool, being fibre lost during the early stages of processing. As a result, the Government was required to apply a processing loss formula to convert CWFP to a new dutiable 'US Clean Content'. Tanner stressed that this so-called processing loss was simply a Customs Allowance for "… *acceptable scouring loss*" and, therefore, it was quite different from the processing allowance formulae adopted by IWTO and the BWF to establish top and noil yields after scouring, carding and combing.

In Tanner's view, this distinction was not understood by the wool trade or by the IWTO CTS-c and he urged Ward to make this clear at the IWTO Meetings. To place his request in context, he explained that the ASTM had recently provided constructive criticisms of the Draft IWTO Chemical Core Test Method on behalf of the USA National Committee of IWTO. Regrettably, IWTO had responded negatively because they had mistakenly assumed that the ASTM methods were developed as a basis for trading. IWTO had also criticised the US Customs use of proportional core sampling schedules issued by ASTM because they breached IWTO's requirement for every bale to be core sampled.

Whilst Tanner accepted that IWTO's sampling and testing objectives were to produce accurate results for individual sales, he reiterated that this was not required by US Customs. In short, their simple goal was to ensure that the correct amount of duty was charged for the total weight of wool imported over a 12-month period. Individual variations in the accuracy of duty collection were of no concern because they would average out over the year.

Ward undertook to pass on these clarifications in Paris, and to recommend a formal face-to-face meeting between IWTO and US technicians, since these finer technical points were too complex to be resolved efficiently through correspondence between non-technical, part-time Committee Secretaries.

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For the laboratory visits, Ward prepared a list of items to be examined and discussed. In the first instance, he wanted to assess the level of compliance with the recognised test methods and the way in which residuals testing apparatus was installed. Thereafter, he wanted to learn about other test houses' experiences with the difficult BWF Mechanical Method, and to ascertain their attitudes in relation to the potential unification of existing methods in favour of a single International Standard. [28]

Reporting on his visits to laboratories and research institutes, Ward noted that:

- the US Customs Laboratory was the best equipped of those visited; it had never used the BWF method, using the full ASTM Chemical Method exclusively to comply with US legislation;
- all laboratories considered residuals testing to be essential and believed that the IWTO and ASTM methods would merge in this respect; in view of this, AWTA's procedures must be raised to international standard as a matter of urgency;
- most laboratories would support a move for the IWTO Chemical Core Test Method to become the universal method, but not until the 1964 draft was documented in detail;
- all laboratories had problems using the Shirley Analyser and criticised its poor repeatability, but they could not cease the service whilst ever the BWF Mechanical Core Test Method remained an essential requirement in the commonly used BWF Contract for trading;
- ACH Fiber Services in Boston had been engaged to establish the WTS Ltd laboratory in London and they still had a contract to provide ongoing technical advice; the top priority for both was to make profit and they had both stated that test houses should "… *give the customer whatever yield he wants, even if it varies from the standard allowable residuals and/or regains*";
- WTS Ltd's laboratory at Alperton, London, was the most modern inspected, but it was smaller than expected and did not appear to have sufficient residuals testing equipment to handle the claimed daily volumes of tests received from around the world;
- AWTA should set up a workshop for laboratory maintenance and sharpening core sampling cutters, as both Tanner and Wollner found this essential to save cost and minimise service delays;
- due to increasing interest in the potential for fibre diameter testing of raw wool, AWTA and CSIRO should work together in the technical development of such a service; and
- through close liaison between CSIRO and AWTA, the Australian industry could become the world leader for wool testing, as there was nowhere else in the world where such a strong link existed between wool testing and wool research.

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Ward's meeting with Reg Bray and Dr Eric Carter at IWS London proved to be very productive and mutually beneficial. After outlining the history, structure and functions of IWTO, they referred to some of the issues to be discussed in Paris, including the IWS/IWTO combing trials and difficulties experienced in trying to have both the ASTM and BWF organisations accept IWTO's Method as the universal standard.

Regarding the IWTO core/comb trials, they explained that IWS had committed Stg £30,000 to facilitate this work. However, they now believed that those trials should be suspended, due to serious problems with supervision of the combing mills, ranging from being non-existent to being so excessively controlled that some mills were not operating normally.

When Ward described the AWTA core/comb research, they were impressed by the fact that the mill data was from normal commercial combing batches of fully tested wool, requiring no special planning or supervision. They were also attracted by the simplicity of paying testing fee rebates to acquire the complete sets of mill data directly from the test houses' clients.

[28] AWTA had found it impossible to achieve repeatable results for VM Content using the Modified Shirley Analyser specified in the BWF Mechanical Core Test Method. As a result, they had announced to the Australian trade that they would no longer certify BWF Mechanical results but would offer a hybrid alternative 'BWF Chemical Core Test' for those clients requiring Top & Noil Yields calculated in accordance with the BWF formulae. The BWF Committee had protested strongly against this action, so Ward had arranged to raise the issue with their Chairman and Secretary in Bradford.

Constant Pressure Airflow Meter developed by WIRA in Leeds

Ward found the visit to WIRA particularly informative. During the tour of the research laboratories and processing facilities, he learned that the WIRA organisation was motivated commercially. In fact, they only carried out basic research if/when this would lead to the development of new testing instruments, processes and/or processing machinery. To illustrate this, he was taken to the fibre fineness section where he met Dr Leslie Anderson, who had developed the WIRA Airflow Meter to replace the laborious projection microscope instrument used for quality control tests of fibre diameter in wool tops. This chance meeting led to a detailed discussion of the potential for the Airflow technology to be used for raw wool, which was of increasing interest for many of AWTA's clients. Anderson believed that this should be possible, although nobody had asked WIRA to research such an application.

The remainder of the day was spent with Richard (Dick) Bownass, who was WIRA's practical expert for wool processing, from pre-scouring blending to combing, and had also become their wool testing specialist. When Ward mentioned the problems experienced by laboratories using the BWF Method, Bownass declared that, in fact, he was the technician who had developed the BWF 'combing test' using the Modified Shirley Analyser, but he was definitely not responsible for it being misused and abused as a definitive core test method. [29]

Bownass explained that historically unacceptable delays in finalising contract payments had led the BWF to develop a new contract which allowed the final processing yield to be determined by 'test combing' only 10% of the bales, selected randomly from the delivery. However, this practice had lost support when suspicions arose as to the potential for mills to bias the bale selection in their own favour, and because long delays continued to occur during peak periods, due to the difficulty of squeezing such test combings into mill processing schedules.

Consequently, BWF had commissioned WIRA to develop a laboratory-scale alternative to test combing, using randomly drawn core samples. As WIRA's wool processing expert, Bownass had been tasked with this challenge. He had already known that the Shirley Analyser had proved successful in determining the 'trash content' in cotton and felt it might be the best available option for removing VM from wool samples.

In his early trials with wool, he found that the VM falling into the trash tray was taking so much wool with it that multiple passes were required. However, these repeat passes created an electrostatic charge problem, which he had corrected by attaching an anti-static device and by conditioning samples to absorb moisture. Finally, he had concluded that the optimum VM separation was achievable by fixing a maximum limit on the number of passes and ensuring that the scoured and dried samples were conditioned. In his opinion, most difficulties reported by test houses were caused by their failure to allow sufficient time for the bone-dry test samples to regain moisture.

In summary, Bownass was adamant that the BWF test was never designed to determine wool content accurately. To reinforce this claim, he pointed to the lack of residuals testing in the method, which was consistent with the fact that residual grease and dirt had never been measured in the test combings it had replaced. It was only intended to match the variability of mill processing.

[29] Historically, greasy wool trading contracts stipulated that the invoiced Top & Noil Yield was subject to final adjustment if/when the actual combing mill result differed from it by 1%, above or below. This meant that each delivery had to be combed separately as a single batch, since blending with other wool would render the mill result invalid. Given that some combing results might not be available for up to 18 months, a seller's prima facie profit could become a loss overnight, if a significant underyield claim had to be paid.

By way of example, Bownass stated that an IWTO Top & Noil Yield of 68% would be comparable to a BWF Yield in the range of 67-69%, each of which could be deemed correct. Therefore, it was impossible to convert mathematically from BWF to IWTO Yields and vice-versa. Consequently, the BWF Method would have to be abandoned, if the goal of having one universal method was to be achieved. Given these explanations, Ward agreed that AWTA must cease offering its hybrid BWF Chemical Core Test, immediately.

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Ward's final appointment in Bradford was a meeting with the Secretary of the BWF, Ken Turner, who was also Secretary of both the IWTO CTS-c and the Wool Committee. On arrival, he was also met by the BWF Chairman, David Knight, who had decided to join them. Before they could raise their objections to AWTA's hybrid 'BWF Chemical Core Test Method', Ward informed them that he had just been convinced by Bownass that the service should be dropped by AWTA.

Knight responded by expressing his personal view that the BWF Mechanical Method should be withdrawn completely from the BWF Standard Wool Contract, since its original purpose was no longer understood by people outside the UK. He was also highly critical of problems now being caused by WTS Ltd's recommendation for clients to have both the ASTM and BWF tests conducted and to use the average of the 2 results for trading. Whereas the average result had no industrial relevance, the practice generated almost twice the testing income for the test house. As the meeting was closing, both Turner and Knight assured Ward that AWTA's relationship with the BWF had not been damaged. Rather, it had been useful in forcing them to review their position.

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The IWTO CTS-c met in the French National Committee's building in Paris on 24th January 1966. Although the sampling and weighing issue had not been raised, Ward stayed with Bray to help him write the formal Report to the Wool Committee which was meeting later that day, particularly to ensure that no extraneous opinions were included.

From AWTA's viewpoint, the most important decisions taken by the Wool Committee were as follows:

- as the current core/comb trials were likely to produce atypical comparisons, they would not be extended; however, the CTS-c should bring forward a detailed proposal for collecting combing data from the trade, based upon AWTA's scheme of paying a rebate in return for receipt of complete testing and combing details, which IWS had now agreed to fund;
- ASTM and IWTO technicians would meet in April 1966 to resolve any remaining issues that might delay an agreement being reached at the IWTO Conference in Estoril for the IWTO Test Method to be adopted as the universal core test procedure; and
- the CTS-c must consider whether the use of processing allowances should be discontinued, such that IWTO Core Test Certificates would only certify the 'Clean Wool Content', as had been recommended by Jim James. [30]

In his Overseas Visit Report to the Authority, Ward concluded that:

- "*The Australian Wool Testing Authority's image has greatly improved overseas.*
- "*As soon as our new equipment is installed and operating, we will be the leading testing Authority.*
- "*It is most important that we are represented at the Technical Advisers' Meeting in April or May, when the American and IWTO technical people will be meeting to develop a unified method. It is at this meeting that Processing Allowances may be dropped from the procedure and also where the Regulations regarding coring and weighing will be once more discussed.*
- "*We should consider the pros and cons of installing a workshop on the premises.*
- "*All mills visited in Turkey prefer the AWTA Certificate. We should keep in close contact with the Turkish mills, particularly the smaller ones because they will be more interested in testing as production increases.*

[30] At the IWTO London Conference, Jim James had challenged the requirement for a test house to certify a Top & Noil Yield when it had no knowledge of the mill nor any control over its combing. Whilst no decision had been made at that time, it had stimulated discussion within National Committees and gained some support, particularly in the USA.

- "*There is a growing anti-Wool Testing Services feeling overseas, not only among test houses but also in the European trade.*"

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Campbell drew the Members attention to Ward's comments on the misuse of Test Reports in Turkey, where some mills had received fibre diameter test results on client-submitted samples, believing that the bales had been sampled and certified by AWTA. As there was no alternative way for the mill to know whether the tested sample was representative of the delivery, Ward had suggested that this malpractice could be thwarted by introducing a fibre diameter Certificate service for wool core sampled by AWTA.

However, the Members representing buyers and brokers expressed concern that the trade might react negatively to fineness testing and Campbell was requested "… *to ascertain the accuracy of testing greasy wool for micron values and report the matter back to the Authority.*"

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The largest wool processor in Turkey was the Government-owned Sumerbank Merinos mill in Bursa. They had been visited previously by Dixie, who had convinced them to test their purchases for yield and fibre diameter. In the absence of an Airflow fibre diameter method for raw wool, they had decided to apply the ASTM Fineness Grades to the descriptions of the standard Sumerbank wool types specified in their tenders, thereby setting maximum limits for both the mean and the standard deviation of fibre diameter, believing that this would control the uniformity of deliveries. These ASTM limits were strictly enforced by Sumerbank and they applied severe penalties for failure to comply.

To obtain the ASTM data, core samples must be tested using the Projection Microscope (PM) method, which was both labour-intensive and very slow. Sumerbank's standard practice of issuing large purchase tenders every 6 months caused a backlog of PM testing which exceeded AWTA's capacity when the successful suppliers were announced.

Projection Microscope used to measure mean fibre diameter and distribution as the basis for assigning USA Wool Grades in accordance with the above table

ASTM Wool Grade*	Mean Fibre Diameter (Micron Range)	Maximum Standard Deviation (Microns)
< 80s fine	Under 17.70	3.59
80s	17.70 – 19.14	4.09
70s	19.15 – 20.59	4.59
64s	20.60 – 22.04	5.19
62s	22.05 – 23.49	5.89
60s	23.50 – 24.94	6.49
58s	24.95 – 26.39	7.09
56s	26.40 – 27.84	7.59
54s	27.85 – 29.29	8.19
50s	29.30 – 30.99	8.69
48s	31.00 – 32.69	9.09
46s	32.70 – 34.39	9.59
44s	34.40 – 36.19	10.09
40s	36.20 – 38.09	10.69
36s	38.10 – 40.20	11.19
> 36s coarse	Over 40.20	n/a

* If Maximum SD is exceeded, the wool drops one Grade

The trade understood that AWTA had limited PM testing capacity and that, unless they purchased the wool early, there was a serious risk that test results might not be known until after the wool was shipped. Whenever this occurred, it was too late to take corrective action if the fineness limits were found to have been exceeded. Furthermore, successful suppliers faced another problem, when they attempted to deliver wool too close to the mean fibre diameter limit and found the test result was too coarse. Whereas they

could correct this problem by testing coarser lots and replacing them with finer tested wool, this frequently increased the diameter variability causing the standard deviation limit to be exceeded. [31]

Regarding the establishment of a single standard yield test method, the Authority agreed that this must be progressed through IWTO. Campbell's participation in the joint IWTO/ASTM Meeting was approved and it was agreed that the ANC and IWS would be kept fully informed. It was clear to Campbell and Ward that IWTO was not equipped to document the universal standard efficiently. With 6-monthly meetings only and IWTO's layers of decision-making, it would take years to gain approval for an official IWTO Test Specification. Consequently, Campbell agreed that Ward would expand the IWTO draft, adopting relevant sections of the ASTM and BWF texts, and adding his own 'Notes' and 'Explanatory Comments' to achieve sound laboratory practice. The immediate goal was to complete a definitive text for consideration at the IWTO Estoril Meetings in June 1966.

Coincidentally, the Standards Association of Australia (SAA) Committee TX/1 – 'Physical Testing of Textiles' had started to take an interest in drafting an Australian Standard for yield testing and, for this purpose, it had established a Sub-committee TX/1/1. From a tactical point of view, Ward decided that the most rapid progress would be achieved by preparing his draft in the format of an Australian Standard and submitting it to TX/1/1, where it could be reviewed by the Australian wool technologists and researchers before its submission to the IWTO CTS-c. This approach was encouraged by Jim James, the former Acting Director of AWTA, who was then Chairman of the SAA Sub-committee.

SAA released for comment Ward's draft headed 'Draft Australian Standard for Determination of Wool Base of Raw Wool' (annotated 'DJW/AL') in April 1966, following which Ward sent a 'Confidential Copy' to Reg Bray to ensure that he was informed. [32]

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In the months leading up to Campbell's departure for the IWTO/ASTM meeting, progress was made on a wide range of matters relating to AWTA's business operations. In particular:

- the Authority agreed to participate in the APPU presale testing trials, subject to Certificates bearing a declaration that core samples had been drawn prior to weighing the bales into store;
- a decision was made to remain in the North Melbourne premises, so the leases in Munster Terrace and Stawell Street were extended for a further 3 years;
- the Authority agreed that AWTA's Sydney premises were well below the professional standard required; subsequently, the operations were relocated on the opposite side of Young Street, in the basement of the AMP building previously occupied by a restaurant;
- the Australian Tax Office ruled that all equipment purchased for AWTA's Textile Testing services was exempt from Sales Tax under the 'Aid to Manufacture' provisions, and that tax refunds were claimable retrospectively for the past 3 years;
- CSIRO's Division of Textile Physics agreed that AWTA could use their textile testing facilities at Ryde for a trial period, to ascertain whether there was a market in Sydney for such services;
- the AWB installed new printing equipment for its Publicity Department and agreed to provide an at-cost printing service for the full range of documents used by AWTA, estimated to reduce costs by more than $2,000 per year;
- the Authority approved the Thiele & Associates Progress Report establishing a new basis for budgeting and analysing costs; reports to Members would be enhanced via a series of dashboards covering monthly and year-to-date operating statistics and financial results, with comparisons against both budget and the previous year;

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[31] During later visits, Ward attempted to convince Sumerbank to accept the Airflow method, describing the real difficulties faced by suppliers and pointing out that no other purchaser of greasy wool in the world specified PM test results in their contracts.

[32] This document was prefaced with the following Introductory statement:
"*This draft method has been drawn up by a Sub-committee to TX/1 - Physical Testing of Textiles and has been based on the Regulations for the IWTO Chemical Core Test Method (adopted by the IWTO Wool Committee in January 1965), the Standard Method of Test for Wool Content of Raw Wool (ASTM Designation D584-57), the Standard Method of Test for Vegetable Matter and Alkali Insoluble Impurities in Scoured Wool (ASTM Designation D1113-62) and the Method for the Determination of Corrected Invoice Weight of Textile Materials (AS L5-19). Reference to the Australian Standard for Conditioning Textile Materials for Test (AS L5-19) is acknowledged*."

- AWTA received a tip-off that WTS Pty Ltd (WTS) would soon announce the establishment of laboratory facilities in Sydney; as previously agreed, the trade was advised that yield testing facilities would return to AWTA's new Sydney laboratory for the 1966/67 season; and
- AWTA appeared before the Public Service Arbitrator after the FSPU lodged a claim for Juniors to be paid a special rate whenever in charge of Adults, together with a further claim to disallow AWTA's practice of granting time off in lieu of paid overtime; after a hearing, the Arbitrator directed the parties to negotiate mutually acceptable clauses to be inserted in AWTA's Determination No. 11 of 1965.

Regarding the limited Head Office accommodation, Campbell convinced the Authority that new offices should be constructed for Ward and himself, and that his office should be large enough for the Authority Meetings to be held on site. Construction was scheduled to commence the day after he departed for the overseas meeting of IWTO and ASTM technicians. [33]

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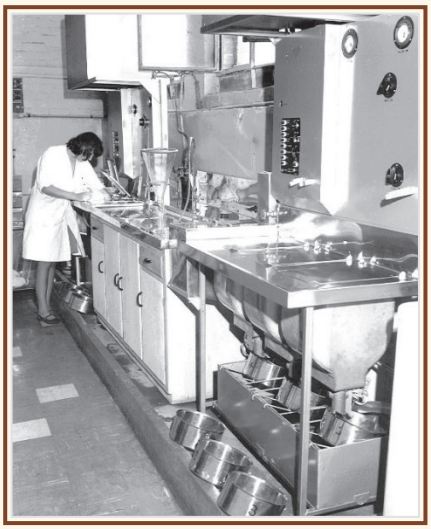
When the New Zealand Wool Testing Authority (NZWTA) heard that Campbell was attending the IWTO/ASTM meeting, they invited him to travel via Wellington, where they had started to install yield testing facilities and needed some technical advice. They were also keen to learn about the structure of IWTO and the issues likely to be discussed at the June Conference in Estoril, since New Zealand (NZ) was not yet an IWTO Member-country. [34]

The Authority agreed that Ward was better equipped than Campbell for this task and authorised him to accept the invitation, provided that NZWTA agreed to cover all airfares and accommodation costs. Once these conditions were accepted, Ward arranged to visit their laboratories in Wellington and Auckland, from 2nd to 6th May 1966. NZWTA's new yield testing service was centralised in Wellington, where Ward's initial action was to redesign the positioning of equipment to achieve more efficient workflows, reducing distances for sample movements between successive operations. [35]



Automated 3-bowl scour manufactured by NZWTA

By the mid-1960s, the NZ economy had become so poor that prohibitive tariffs had been placed on most imports and specific Government approval was required to obtain foreign exchange prior to the purchase of any equipment from overseas, however small. To avoid this problem, the NZWTA had established a complete engineering workshop to manufacture their testing and sampling equipment. Ward was particularly impressed by their semi-automated scour for greasy core samples, their mechanical core sample blender, their conditioning oven, and their core sampling tubes, cutting tips and mechanical sharpening equipment – all of which had the potential to improve AWTA's efficiency.

With a view to purchasing one of the scours, he arranged for samples of Australian greasy and burry Merino wool to be sent for trial scouring, since no such wools existed within New Zealand's VM-free and easily scourable crossbred clip. [55]

[33] Originally, Authority Meetings had been held in the ACWB rooms at the Melbourne Wool Exchange. When reconstituted as part of AWB in 1964, they had been conducted in the AWB's Boardroom at 578 Bourke Street, Melbourne.

[34] Historically, most of the NZ wool clip had been scoured locally and condition tested by the NZ Department of Agriculture. NZWTA had been established to take over this testing role and they operated small condition testing laboratories in almost every local processing centre. More recently, an increase in greasy wool trading had led to the establishment of yield testing services and, in fact, NZWTA had just issued their first Yield Test Certificate.

[35] In Wellington, Ward worked with the Laboratory Manager, an engineer named Stuart Leonard-Taylor, and the Secretary, Michael Golding. The Wellington laboratory was situated in a narrow 5-storey building, where the testing apparatus for VM and residuals testing had been installed wherever space was available, rather than sequentially. Ward convinced them that this complicated movement of test specimens would require additional control systems to coordinate and collate the worksheets generated within each separated section. Together, they redesigned the entire workflow from sample receival to certificate issue to resolve these issues.

After completing his Wellington tasks, Ward visited Auckland to meet NZWTA's General Manager, Derek Austin, where they agreed immediately that both Authorities would work closely into the future by sharing technological developments, collaborating on IWTO matters and adopting similar technical policies and standards. Since greasy wool testing was new for NZWTA, their paperwork systems for recording yield test data in Wellington were very basic, whereas AWTA was now using integrated documentation systems which had taken many months of experience and fine-tuning to develop.

To provide immediate assistance and demonstrate goodwill for the future, Ward arranged for Austin to receive copies of all the latest AWTA documentation, including Test Certificates, Test Reports, Laboratory Worksheets, Official Weight Lists, and the full range of Test Request Forms. This enabled NZWTA to adopt AWTA's latest operating procedures, the same formats and Declarations for Certificates, and to use identical wording to describe any limitations transparently.

After discussing the IWTO's Committee structure, the status of its Draft Chemical Core Test Method, and the current issues relating to the Core Test Regulations, Austin decided to apply for membership of IWTO's Technical Advisers' Group and the IWTO CTS-c. I addition, he recommended to the NZ Wool Board and to the trade representatives on NZWTA that the New Zealand industry should follow Australia's lead by establishing an NZ National Committee of IWTO. [36]

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"Weighing of the Fleece", by George Washington Lambert - 1921
It is part of the collection of the National Gallery of Australia, Canberra.

[36] The relationships established through this visit proved to be mutually beneficial and led to both Authorities collaborating before and during IWTO Meetings. Much of the subsequent drafting of IWTO Test Specifications for greasy and semi-processed wool was initiated by either AWTA or NZWTA, and subsequently enhanced by the other prior to submission to IWTO.

12. ADDRESSING WTS COMPETITION IN AUSTRALIA AND JAPAN

"*… Wool Testing Services Ltd are making very strong inroads … they are all out to let their potential clients know that they exist and are always there … this type of liaison with AWTA's customers is badly lacking…*" [Letter from Member representing ACWB, Mac Scott, to new AWTA Chairman, Lindsay Yeo – 17th March 1966]

James Campbell attended the IWTO Technical Advisers' Meeting held in London on 21st and 22nd April, chaired by John Barritt of WIRA. Agenda items for the first morning covered a range of outstanding issues, and the important session with Louis Tanner representing the US technicians was scheduled for the afternoon. Before the first meeting started, Reg Bray tabled several papers to be considered on the second day, which included a plagiarised version of Ward's expanded draft that Bray had rendered anonymous by removing any reference to SAA or the 'DJW/AL' annotation, and adding his own section headed 'Core Sampling Principles'.

In the afternoon, Tanner repeated the explanations that Ward had passed on to the CTS-c in January. He made it clear that US Customs had no reason to change the standard ASTM testing procedures, so IWTO could not expect the USA Congress to amend the current legislation. In his view, the ASTM methods for wool testing provided the comprehensive foundation upon which IWTO's Method should be based. Furthermore, he pointed out that at 0% Regain both the ASTM's CWFP and IWTO's Clean Wool Content could be made identical, if IWTO simply changed their total residuals allowance from 2.30% to 2.27%. The IWTO technicians agreed to recommend this minor change and to expand the text of the 'IWTO Draft Core Test Method' along the lines of the ASTM Chemical Method, as Ward had already done in the paper tabled by Bray – now referred to as 'the Australian Draft'. [37]

Regarding IWTO's requirement for every bale to be sampled and weighed at the same time, Tanner agreed that this was desirable if/when an accurate test was required for an individual sale, but he defended US Customs' use of a proportional sampling schedule for duty collection purposes. In the absence of a problem, it would be a waste of time asking the US Government to change the legislation.

In discussing the way forward, Lesley Bunt of WTS Ltd again pushed for clause 1(b) of the Core Test Regulations to be amended to allow sampling and weighing by accredited representatives of the Test House, and also to allow a delay of up to 24 hours for completion of both operations. With Campbell being the only dissenting voice, Barritt and Bray announced that these changes would be recommended to the IWTO CTS-c Meeting on 17th May and, if endorsed there, would be presented to the Wool Committee for approval at the IWTO Conference to be held in Estoril from 13th to 17th June 1966.

The other important item discussed was Jim James' proposal to discontinue the use of processing allowances for yield Certificates, such that only the calculated 'Maximum Top and Noil Yield' (i.e., the theoretical yield obtained if all wool fibre could be converted to top and noil without any fibre loss) would be certified. On this matter, it was agreed that, if the trade still required allowances to be used to establish the 'Estimated Commercial Top and Noil Yield' for invoicing purposes, this result should only be issued as an Appendix to the Certificate.

Following this discussion, it was agreed to defer consideration of AWTA's rebate scheme for core/comb comparisons, pending IWTO's decision on the proposal to abandon processing allowances which could make this research redundant. [38]

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While in London, Campbell visited Bill Vines to provide the personal assurance of AWTA's technical competence which had been sought 12 months earlier as a precondition for IWS support. After informing Vines that WTS Ltd were promoting their business by emphasising the benefits of their world-wide

[37] By definition, 100 parts of CWFP contain 12 parts of moisture, 86 parts of pure dry wool and 2 parts of residuals. The 2.27% figure was derived by expressing the 2 parts of residuals as a percentage of the dry 88 parts.

[38] The 'Australian Draft' was not discussed, since there had been insufficient time for the attendees to study the technical details having only received their copies on the previous day.

network, he asked whether IWS staff around the world might now be allowed to promote AWTA's services, particularly when making their regular visits to mills.

Vines undertook to put the issue to the IWS Board in June, as it was a policy matter. His personal view was that IWS should help promote AWTA, NZWTAand any future South African test house, since they were all linked to the Boards in the 3 IWS member-countries. If the Board approved, he assured Campbell that IWS would do the job professionally. It was now Campbell's task to lobby the AWB members.

After discussing Campbell's Overseas Report at their May Meeting, Authority Members decided to seek an official statement from ACWB rejecting WTS Ltd's proposed amendments to Regulation 1(b) and supporting AWTA's policy, which would become the official Australian view in Estoril. In response, the ACWB General Secretary, Howard Leigh, issued a statement supporting AWTA's stance on simultaneous core sampling and weighing only, but expressing the view that properly accredited representatives of the test house could undertake both functions. Despite this equivocation, the Authority reaffirmed their policy and instructed Campbell to oppose both amendments by arguing that "… *the only way for a representative to be 'properly accredited' is for him to be an employee of the testing organisation*."

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At this Meeting, Members also received the first sets of accounts, analyses and explanatory comments produced by Thiele & Associates, which highlighted that AWTA's financial position was deteriorating. Due to increased capital expenditure, the high cost of overseas travel, engagement of new staff, and the unbudgeted interest payments to AWB, it was estimated that a loss of $29,000 would be incurred for 1965/66, compared with a budgeted profit of $9,680. Knowing that this situation was likely to deteriorate even further during the final quarter of the year, Members placed a freeze on all capital expenditure, except for essential items which must be specifically approved by them. To assist in cutting costs, the AWB's Member arranged for 8 AWTA employees to be seconded to undertake general maintenance work in and around AWB's wool store compounds. Clearly, WTS was taking business from AWTA. [39]

Upon Campbell's return from the Technical Advisers' Meeting, he and Acting Chairman Scott discussed this position with Bill Lempriere, AWTA's first Chairman, who agreed that a 'Trade Liaison Manager' was needed. The ideal appointee would be a 35-50 years old, experienced and popular wool buyer, whom he envisaged would attend show floors during the Northern and Southern wool sales to deal with any buyers' criticisms and answer queries. For more technical issues beyond his knowledge, it would be essential for Campbell or Ward to translate those answers into "… *layman's language from a fellow wool buyer*". All 3 foresaw this role becoming more educational over time, and especially useful to inform the trade of any new services being introduced, such as the future testing of fibre diameter.

Pat McGilvray

With the Authority's approval, this position was advertised in late May, with applications to be sent to Ward while Campbell was visiting Japan with Mansfield, en route to the Estoril IWTO Conference. The quality of applicants was above expectations, reflecting the downturn in the wool industry at that time. A total of 25 applications were reviewed by a panel of Dave Campbell (AWB), Jim Young (Mac Scott's Deputy), Dick Gebbie (Scott's nominated successor) and Scott himself. The final selection was made by the Director and Chairman from a short-list of 7 prepared by the panel. In due course, the position was offered to Malcolm (Pat) McGilvray, who took up his appointment on 11th July 1966.

Before Campbell left the Authority Meeting to fly to London, he recommended that the previous decision for Ward to become Acting Director during his absences be rescinded and replaced, by promoting him to a new position of Deputy Director. In this role, Ward would retain his Wool Supervisor duties and also

[39] Earlier in the year, the ACWB-appointed Member, Mac Scott, had alerted the Authority to the fact that WTS' local staff were making weekly visits to most wool buyer's office, often accompanied by their Australian Manager, John Westmore. As a result, they were becoming well known on a personal level and the trade were now fully aware of their existence and availability. By comparison, Scott described the AWTA liaison activities as being practically non-existent, leading the Authority to instruct Campbell to consider the appointment of a representative to counter WTS' actions.

take on those of the Director. The Authority accepted this recommendation, which was approved by the Board on 1st July 1966, with immediate effect.

The decision to include Japan in Campbell's itinerary had been taken in October 1965, after an official Japanese delegation had inspected AWTA's raw wool testing during an 'Australian Wool Study Tour' arranged by the IWS Director for Japan, Ken Clarke. Although this inspection visit was expected to be of only general interest to the delegates, the scope and depth of their questioning made it clear that they were keen to learn how wool test results might be applied for the commercial benefit of the Japanese wool importing and processing sectors. When the Authority Members discussed this interest, Mac Scott informed them that WTS was already being active in Japan, convincing them that AWTA must make a promotional visit as a matter of urgency. Given that Clarke was highly respected by the Japanese wool industry leaders, it was agreed that his advice be sought to ensure that all local protocols were met.

In November 1965, Clarke delegated Paul Williams of IWS Hong Kong & Japan to brief Campbell, Lay and Scott, and to recommend a suitable itinerary. At this briefing, Williams explained that the key to a successful visit was to acknowledge the rigid hierarchy in the Japanese industry, which demanded that meetings must be held with the industry Associations before any appointments with individual companies.

Williams summarised the hierarchical structure of the Japanese wool industry as follows:

- there were 2 major groups, namely the Japanese Wool Spinners' Association (JWSA) whose members were all processors and/or downstream manufacturers, and the Japanese Wool Importers' Association (JWIA) with their membership being the companies having Japanese wool buying offices in Australia;
- JWSA was the main organisation to be convinced of the merits of testing because their members were disciplined and would adhere strictly to the official standard Japanese purchase contract; in fact, if this Association endorsed core testing, the Japanese contract would be amended and almost all wool entering Japan would be core tested;
- the Textile Bureau of the Ministry for International Trade (MITI) must be visited and briefed also, as they would legislate any amendments to this official purchase contract, if requested to do so by the industry; and
- whilst JWIA had less influence, AWTA must also meet them and their members to ensure they were sufficiently informed to discuss testing requirements if/when raised by the mills.

Based on his experience with the JWSA members, Williams stressed that AWTA's principal objective must be to convince them that core testing will make more money for them by reducing costs, such as having fewer arguments and less arbitration to resolve disputes. Unlike Western mills, they would not be attracted by time-saving benefits because Japanese people tended not to value time. Consistent with this, Japanese decision-making was a slow multi-tiered process within companies, making it essential to limit appointments to only 2 per day. If companies in Tokyo, Nagoya and Osaka were to be covered, Williams estimated that the trip should occupy at least 4 weeks. [40]

Williams' final recommendations were for Campbell to be accompanied by a second AWTA staff member, as it would be important to discuss each day's events and progressively fine-tune their presentations. Regarding the timing for the visit, the May/July period would be optimal because it coincided with the return of Japanese wool buyers from Australia for their annual briefings.

When William's advice was reported to the Authority, it was agreed that both Campbell and Mansfield would arrange for their initial meetings to be held in May/June, following which Campbell would proceed to the Estoril IWTO Conference and Mansfield would remain in Japan to make follow-up visits to any individual companies seeking more detailed discussions.

[40] Dr Dixie had visited Japan briefly to publicise AWTA's services, but he was largely unsuccessful, having failed to involve the 2 industry Associations, being too technical, and because he made too many appointments in too few days. On the other hand, Lesley Bunt of WTS Ltd had just visited Japan for 6-7 weeks, starting with receptions for the Associations before making individual visits to numerous mills and importers. However, it was Williams' opinion that his impact had been limited, due to having a very poor interpreter and by not having brochures printed in Japanese.

13. PROMOTION THROUGH EDUCATION IN JAPAN

"*The outcome of these discussions will determine whether or not that country will swing over to buying the major portion of its wool on the basis of core test Certificates.*" [James Campbell's Report on Visit to Japan - May 1966]

Having been appointed to replace Ian McLaren as an Independent Member, Lindsay Yeo, attended his first Authority Meeting on 21st January 1966, when he was duly appointed as Chairman. At that Meeting, Mac Scott informed the Authority that some Japanese mills were already asking for core test data to be provided as a non-binding adjunct to purchase contracts. As a result, John Westmore, head of WTS in Australia, had already visited Japan to follow-up an introductory visit by Lesley Bunt, and WTS were now offering to issue a 'Japanese Clean Scoured Yield (JCSY) Certificate'.

When IWS Japan investigated the basis for this yield with the Japanese Standards Association, they discovered that the WTS version was incorrect. In fact, it favoured the Australian seller by including a 2% allowance for total residuals, instead of the 1.5% specified in the official Japanese Standard. Whether intentional or not, this 'error' was consistent with Bunt's and Wollner's view that the test should "… *give the customer whatever he wants, even if it varies from the standard residuals and/or regains.*"

Lindsay Yeo AO, appointed as AWTA Chairman in 1966

Upon learning that the Authority had already approved a visit to Japan by Campbell and Mansfield, Yeo urged Campbell to ask the IWS Director in Japan to recommend an itinerary urgently. Ken Clarke's immediate response suggested that Campbell should approach JWSA to arrange the itinerary instead, as this would provide a degree of official sponsorship that would raise AWTA's profile and attract the most senior industry people to attend the planned meetings. However, when the initial reply from JWSA was non-committal, Clarke made personal contact with the Managing Director of the Association, Mr Sakai, who willingly agreed to assist.

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Campbell and Mansfield arrived in Tokyo on 23rd May and, on the following morning, visited IWS to meet Clarke, his Technical Director, Dr Bekku, and other members of staff, who would be available as interpreters. In preparation for the visit, IWS had translated and printed a Japanese version of AWTA's International Brochure, and they also provided Campbell and Mansfield with a large supply of business cards, printed in both English and Japanese – a must in Japan. From there, they proceeded to the JWSA Office, where Sakai presented his very detailed plan for industry meetings, and offered to send out invitations and to make all meeting arrangements.

The following chronological list of all meetings held and people met between 24th May and 8th June, was set out in Campbell's Overseas Visit Report to the Authority.

Schedule of Meetings with the Japanese Wool Industry

Tokyo

- *IWS – Mr K C Clarke, Dr F Bekku and many others. This became our home base in Japan.*
- *JWSA - Mr Sakai (Managing Director) and Mr Kato. Also present were Mr Yoshida and Mr Iwase of the Japan Wool Products Inspection Institute Foundation (JWIF).*
- *Kanematsu – Mr Shiraishi (Managing Director), particularly in his capacity as President of JWIA.*
- *Daitobo – Mr Inoue (Director), Mr Nakajima and Mr Furata.*
- *Daido Keori – Mr Tazawa*

Nagoya area

- *IWS Technical Centre, Ichinomiya – Mr K Kato and many others (several visits).*
- *Chuwa Yomo – Mr Yamada (Managing Director) and 2 Messrs Karasama.*

Osaka area

- *Kanematsu – Mr Okamoto and others (several visits).*
- *Kanebo – Mr Kameyama (Manager, Raw Wool dept.), Mr Takeuchi and others.*
- *Mengyo Kaikan (Textile Club) – Meeting chaired by Mr Ueno of Toyobo, attended by about 15 men representing Nippon Keori, Kanebo, Toabo, Nichibo, and Toyobo (Spinners) and Kanematsu, Itoh, Toyo Menka, Mitsui, Marubeni-Iwai, Mitsubishi and Iwai (Importers).*
- *Nippon Keori Kaisha – Mr Tamate (Managing Director) and Mr Inoue (Manager of Purchasing Dept.) and others.*
- *Toabo – Mr Kamimura (Chairman), Mr Shinohara (Business Manager, Wool & Yarn) and many others.*
- *Nichibo – Mr Shibakawa (Director), Mr Sueyoshi (Chief, Raw Wool Section) and many others.*
- *Kurashki Boseki – Discussion with 4 staff members of Wool Department, at Kanematsu office.*
- *Mengyo Kaikan – Second meeting, also chaired by Mr Ueno, attended by about 35 representing Daiwa, Fujibo, Yasuno, Nakajima, Fukaki, and Nankai (Spinners) and also Kanematsu, Ataka, Mitsubishi, Gosho, Itoman, Okura Trading, Nichimen, Toyo Menka and Iwai (Importers).*

Nagoya area

- *IWS Technical Centre – Gave a lecture on core testing to the technical staff.*
- *Press Conference – Was interviewed by 3 reporters representing trade newspapers.*
- *Kanematsu Topmaking Mill, Inazawa – Mr Yasui (Managing Director) showed us over this mill, which is a showplace to which many visitors are brought.*
- *Japan Wool Products Inspection Institute Foundation – Mr Iwaze, Mr Hara and Mr Nagata. This foundation does core testing on request (actually very rarely), and also Woolmark testing in Japan. Unfortunately, did not see the core testing laboratory, which is separated from the office.*
- *Marubeni-Iida – Meeting chaired by Mr Mitsuda of Kanematsu, attended by about 70 men representing 25 spinning companies and 15 importing companies.*

Tokyo

- *JWSA – Revisited Mr Sakai to thank him for arrangements made by JWSA.*
- *Kanematsu – Revisited Mr Shiraishi to thank him for the part played by JWIA in the arrangements and also the help given by his Kanematsu people*

Unless otherwise stated, these visits were made to the Head Offices. All meetings have been listed rather than summarised, to illustrate the huge size and composition of the Japanese wool industry at the time, when Japanese mills were processing more than 1.5 million bales of Australian wool.

Campbell also noted in his Overseas Report that:

"On all these occasions, we were accompanied by members of the IWS technical staff, who acted as interpreters and made all the detailed arrangements for our accommodation and transport. I cannot speak too highly of the help we received from Mr Clarke and his staff.

"The procedure at most of the meetings was similar. After introductions, I distributed copies of the brochure, which I then went through page-by-page and developed. In some cases, we then showed slides of the testing procedure. A discussion then followed until, at a signal from our interpreter, we made our departure, after about two to three hours in all.

"Our aim in the meetings was to emphasise the commercial advantages of core testing for the spinners. However, on many of our visits we were accompanied also by Kanematsu staff, representing the importers, some of whom tried to deflect the conversation off the important commercial aspects onto the minor technical details. There are clearly conflicts of interest between spinners and importers on this subject, and when spoken to separately each side blames the other for not wanting to core test.

"The effect of our visit is likely to be that these conflicts will be brought into the open across the conference tables of the industry in Japan. The outcome of these discussions will determine whether or not that country will swing over to buying the major portion of its wool on the basis of core test certificates."

Campbell departed from Japan to Europe on 8th June, leaving Mansfield in Japan for another 3 weeks to visit every spinner and importer who invited him for more detailed discussion about the application of wool testing to their businesses. During this time, Mansfield developed trusting friendships with many key players which proved to be highly beneficial to AWTA's standing for years to come. With IWS providing contact details, Mansfield arranged for the Japanese version of AWTA's International Brochure to be distributed to more than 300 mills.

As previously agreed between Ward and Austin, he also delivered NZWTA's literature to companies known to be purchasers of New Zealand crossbred wool.

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En-route from Japan to Portugal, Campbell visited London to find out what the IWS Board had decided regarding international promotion by IWS to support AWTA and NZWTA. He was informed by Vines that they were not prepared to promote the Authorities' services actively, particularly in countries where a local testing house was sponsored by the textile industry which IWS wished to influence, such as in Belgium. However, where no such potential conflict existed, positive assistance could be expected, similar to that only recently provided in Japan. Subject to these constraints, it was left for Campbell to define more clearly the specific actions which IWS might be able to support.

Campbell then attended the IWTO Conference held in Estoril from 13th to 17th June. His Overseas Visit Report to the Authority Members, he recorded the decisions relating to wool testing as follows:

1. "*Because a satisfactory set of processing allowances had not been achieved, it was agreed that certificates should only go as far as wool content. If processing allowances were used to estimate a top and noil yield, this should be shown on a separate piece of paper, endorsed with 'the following particulars are given for information, without official authority'.*
2. "*The type of wool content to be used was entitled 'IWTO Clean Wool Content', having the ASTM allowance for ash plus alcohol extractives but at 17% regain. It amounts to Wool Base multiplied by 1.1972.*
3. "*Nevertheless, the Core Test Sub-committee was instructed to continue its endeavours to produce a satisfactory set of processing allowances, making use of the offer by IWS to finance a world-wide rebate scheme similar to that being operated in Australia. The core/comb comparison trials which have been underway for the last two years are to be terminated immediately.*
4. "*Any changes to the Regulations will become effective on 1st August in any year.*

"*The above decisions come into force on 1st August 1966.*

"*The proposals for sampling and weighing up to 24 hours apart, and by accredited representatives, did not arise at the meeting. They are to form part of a general revision of the wording of the Regulations, and the sub-committee doing that work had not completed it in time.*

"*Another aspect which is likely to concern AWTA in the future is a specification for wool tops adopted by the Conference. This involves a scheme for licensing 'Official wool test arbitration laboratories', and a committee to supervise this scheme is to be set up.*" [41]

Despite there being no discussion of the sampling and weighing issues, Bray was coerced by Bunt and Barritt to obtain approval from the new CTS-c Chairman, Robert Mignot de Chentinnes, for the Core Test Regulations to be redrafted ignoring AWTA's objections. As soon as this was discovered, Campbell escalated the debate by documenting all the facts and lodging a written protest at the lack of due process with all parties involved in the decision. His letter was also sent to the ANC, Bill Vines, Herbert Waldthausen, (Chairman of the IWTO Wool Committee), and the IWTO Secretary-General.

The ensuing flood of objections resulted in the redraft being suspended "… *until such time as proper decisions had been made by the Core Test Sub-committee and the Wool Committee and formally ratified by the IWTO Council.*"

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[41] Just before the Conference ended, Campbell managed to distribute copies of AWTA's International Brochure to all delegates' hotel rooms. This plan had almost been thwarted when the package failed to arrive at his hotel. However, the local IWS staff discovered it had been confiscated by Portuguese Customs, and they were able to negotiate its clearance.

Upon returning to Melbourne, Campbell moved into his new office, where the first in-house Authority Meeting was held on 22nd July 1966. The main Agenda item was the 'Operating and Capital Budgets Submission for 1966/67'. At the outset, the Authority Members were concerned that the expected result for the 1965/66 had now deteriorated to a nett loss of $31,600. In view of this, they considered that the budgeted loss of only $1,300 for 1966/67 was too optimistic, especially regarding the estimated increases in core testing from both Japan and the new 'Commonwealth Wool Gift' scheme for India. After rebudgeting, the nett loss for 1966/67 was increased to $21,800. The amended Budget was then presented to the AWB by Lindsay Yeo on 5th August 1966, when it was approved.

Prior to that meeting, Yeo had sent a confidential letter to the AWB informing them that Campbell had submitted his resignation as Director of the Authority, to be effective from 23rd September 1966. After discussing alternative actions to appoint a new Director, Yeo was assured that the Board would approve whatever decisions the Authority decided to recommend. [42]

Immediately following the AWB Meeting, Yeo informed the Authority Members of Campbell's resignation and that they were authorised to appoint a replacement. This precipitated a series of informal discussions between Members throughout the fortnight leading up to the next Meeting on 19th August 1966.

Under the heading 'Resignation of Director', the Minutes of that Meeting recorded that:

"*It was RESOLVED That the Director's resignation be accepted with regret.*

"It was further RESOLVED That this Authority records the satisfaction of all Members upon the outstanding service rendered by the retiring Director Dr James Campbell, who assumed office on 26th April 1965. In the short space of 16 months, the Authority has been welded into a smooth-running organisation. Under Dr Campbell's leadership, the confidence of the staff has been re-established, and clients of the Authority have regained confidence in its coring and testing procedures. During his period of office, the international image of AWTA has also been enhanced.

"*Dr Campbell leaves with the best wishes of every Member of the Authority.*"

At the conclusion of the formal Agenda, the Chairman asked Campbell and all other staff to leave the room to allow Members to discuss the actions required to appointment a new Director 'in camera'. Within minutes, Campbell and Ward were called back into the room, where Yeo announced that the Authority had agreed unanimously to offer David Ward the position of Director, with effect on and from 26th September 1966. In accepting this appointment, Ward assured the Members that he would strive to justify the confidence their decision had placed in him. [43]

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During his final weeks, Campbell worked on as many outstanding matters as time allowed, including:

- preparation and publication of an advertisement seeking applications for a 'Wool Manager' to fill Ward's Wool Supervisor role, with applications closing on Ward's first day as Director;
- the transfer of responsibility for preparation of all financial reports from Thiele & Associates to Murray Mansfield, so Thiele could concentrate on their cost analysis project;
- an agreement with the NCWSBA to postpone the increase in core test handling charges;
- pressing Bray, Barritt, Mignot de Chentinnes and Waldthausen, as the holders of positions responsible for the disputed sampling and weighing text, to acknowledge that due process had not been followed, and that the draft amendments must be suspended pending a final decision at the IWTO Paris Meetings in January 1967; and
- gaining Authority and AWB support for the Authority to compete with the Universities in the provision of Fleece Testing services for growers, which AWB had been subsidising at a cost of $30,000 per year.

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[42] At this time, no other Authority Members or staff were aware of Campbell's decision to resign, although Mansfield had noticed that Campbell had returned from the IWTO Conference via the USA. Campbell had accepted appointment as Managing Director of Perkin Elmer Australia, which was a branch of that large American scientific instrument-making company.

[43] Campbell advised Ward that he had not been involved in the decision. He believed that departing CEOs should never recommend their successors and, in his view, the Authority had demonstrated great confidence by appointing Ward without conducting a formal interview.

Unlike other raw wool services, there was no urgency for Fleece Testing results, provided they were available for selection purposes prior to mating each year. This enabled Universities to defer testing until holiday periods, when they could employ cheap student labour and had cost-free access to laboratory facilities not then being used for teaching, enabling them to set fees at marginal cost, which the AWTA could not match. In view of this, AWTA's strategy was to target the testing of rams, using more rigorous testing procedures to produce more accurate results, and explaining that the higher test cost for rams would be spread across all offspring sired by each selected ram.

Campbell's last day with AWTA coincided with the Authority Meeting held on Friday 23rd September. He concluded his final Director's Report to the Authority with the following statement:

"*As I shall be leaving the Authority after the Meeting, I wish to place on record my appreciation for the support I have received from both the Authority and the Board during my term as Director. I have great confidence in my successor, Mr Ward, and am sure that he will be given the same support, and that the Authority will go forward vigorously in the years ahead.*" [44]

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Another important Agenda item was Thiele & Associates' presentation of their first detailed Costing Report. Being one of Campbell's most important initiatives, it was fitting that this had become available before his departure. However, since the report had not been circulated prior to the Meeting, Yeo proposed that discussion should be confined to points requiring clarification, following which he, Ward and Mansfield would study the report in detail and present their recommendations to the next Meeting.

Finally at this Meeting, the Authority received the first written report from the Liaison Officer, Pat McGilvray, who had been requested to inform them regarding the trade's reaction to his appointment, and to provide his first impressions of the AWTA's standing in the eyes of the trade. McGilvray was pleased to report that his reception had been excellent. Having had a wool buying career of 13 years in Northern markets and 14 years in the South, he still enjoyed many long-term friendships and was well known to most senior personnel in the major buying houses. Practically all of those whom he had contacted had expressed satisfaction that AWTA had decided to employ a "… *practical wool man*".

Regarding the impressions gained so far, he made the following main points:

- by being represented in the UK and Europe, WTS were in a position to convince purchasers to direct business to them by offering special prices and/or rebates; despite AWTA's charges being cheaper, they must make regular personal contacts in UK, Europe and Japan;
- although the trade was aware of the charge differences between AWTA and WTS, it was likely that a special contract price would be requested for large shipments;
- rapid results are essential, especially early in the selling season when buyers want to know how the new clip is performing; the earlier test Certificates can be lodged with the bank, the quicker bills can be discounted to the exporters' financial advantage;
- the trade wants AWTA to be "*more commercial*", rather than always adhering to the strict international rules and regulations; WTS is prepared to give clients the highest result possible if/when the yield basis has not been specified fully by their client and, in this regard, WTS often issue Certificates based on non-standard regains, oil contents etc.; and
- many buyers are keen for AWTA to produce yield comparison charts, to facilitate conversions from one type of yield to another, and to improve their knowledge.

After detailed discussion, Members asked Ward to recommend future action for:

- the introduction of a 5% loyalty rebate for all clients spending more than $25,000 per year;
- the development of a strategy for higher fees to be charged for faster service; and
- to draft a policy to expose and counter the negative implications of WTS' certification of non-standard yields, which would unfairly advantage sellers.

[44] At the time of James Campbell's departure, AWTA had a total of 67 employees on the books who were located in Head Office (9), Melbourne sampling & laboratory (25), Textiles (7), Sydney sampling & laboratory (11), Fremantle sampling & laboratory (8), Brisbane sampling (3), Adelaide sampling (3) and Newcastle sampling (1).

14. GUNN PLEDGES AWB SUPPORT WITH A CHALLENGE

"*If you turn around the losses and make a profit within 2 years, there'll be no interference from my Board. I want you to run your own show and to treat the Wool Board as the Authority's bank. When you need capital, present a sound business case and we'll back you. Otherwise, just keep us informed of any problems we can help you to resolve.*" [Sir William Gunn's challenge to David Ward on his first day as Director of AWTA – 26th September 1966]

On his first day as Director, David Ward entered his office at around 7.30 a.m. and was surprised to find Sir William Gunn resting in the Director's chair with his feet on the desk, saying "*Welcome aboard, son*" as he vacated the chair and moved to the other side of the desk. After congratulating him on his appointment, Gunn explained that he had come to Melbourne to convey the Board's and his own expectations in person. In particular, he wanted to ensure that Ward did not feel constrained by the black and white wording in the Wool Industry Act.

AWB RESPONSIBILITIES IN RELATION TO AWTA – WOOL INDUSTRY ACT 1962

"It is a function of the Board to establish and maintain facilities in Australia, and to supply equipment and materials, for use by the Authority in performing the functions of the Authority.

"The Board shall make available to the Authority such members of staff of the Board as the Chairman of the Board, after consultation with the Chairman of the Authority, considers necessary for the purpose of enabling the Authority to perform its functions.

"Any expenses or liabilities incurred by the Authority in the performance of its functions or the exercise of its powers shall be met by the Board and any monies received by the Authority shall be paid to the Board."

Gunn accepted that, while this wording was necessary to specify the legal position, he considered that a literal interpretation would be unworkable in practice. As far as he was concerned, AWTA should act pragmatically in managing their day-to-day affairs, engaging employees, purchasing their own materials and supplies and so on, without having to refer such matters to the Board for a decision. He offered his personal support to Ward in the following terms:

"*I want you to run your own show and to treat the Wool Board as the Authority's bank. When you need capital, present a sound business case and we'll back you. Otherwise, just keep us informed of any problems we can help you to resolve.*"

Gunn explained that AWTA's capital budget for 1966/67 had sought much greater funding than the Board had expected and, consequently, they had only agreed to fund the essential items needed to meet minimum technical standards at current testing volumes. To back up his assurance of support, he advised Ward that he already had the Board's agreement to approve the additional capital funding, if AWTA proved it could turn around its loss-making performance and break even within 2 years. [45]

As soon as Gunn departed for the airport, Ward and Mansfield set about listing and prioritising the actions most likely to generate extra income, reduce expenses and/or increase productivity. Clearly, significant improvements in all 3 areas would be essential for Gunn's challenge to be met by the end of the 1967/68 financial year. To place this task in context, a nett loss of $33,685 had been incurred for 1965/66, largely due to stronger competition from WTS and deteriorating sampling productivity in brokers' stores. This result was of particular concern, since it was a reversal of almost $50,000 from the profitable 1964/65 result. With the current 1966/67 Budget already predicting a nett loss of $21,800, immediate corrective action was required. Adding to the challenge, the Authority had only learned in the previous week that a second competitor was about to enter the Australian testing market. [46]

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[45] Ward was impressed by the fact that the AWB Chairman had taken the time to travel to Melbourne to speak to him on his first day as Director. He felt even more grateful when he learned that Gunn had travelled from Goondiwindi to catch the last Sunday night flight from Brisbane to Melbourne for this sole purpose.

[46] The AWB Chairman had received a letter from Australian Development Clearing House Pty Ltd (ADCH), announcing their decision to establish a wool testing service in Northern markets initially, and assuring the Board that it would not seek to capture the Futures Exchange business, despite their close working relationship with the SGWFE.

To boost income, several targeted actions were implemented as the year progressed. In particular:

- McGilvray was directed to work more closely with the Testing Officers in Sydney, Melbourne and Fremantle to increase their client liaison activities and focus on regaining business from the largest buyers and processors;
- Mansfield was given the role of principal contact for all Japanese companies, to reinforce the personal relationships he had established in Japan and to ensure that local buyers could understand and respond positively to the increasing demands for core test Certificates from their spinner clients in Japan; this role included welcoming all important Japanese visitors to AWTA and accepting invitations from the Japanese buyers' association, known as Dogyokai, to discuss the Authority's services at meetings in Sydney;
- a contract was negotiated with Nippon Keori Kaisha Ltd (NKK) whereby all AWTA testing fees for their suppliers were charged to one single account for quantity rebate purposes; being the largest spinner in Japan, their decision to commit exclusively to using AWTA Certificates was adopted by other major spinners;
- a rebate scheme was restructured to encourage clients to maximise their use of AWTA's services; with these rebates payable to local Australian clients, this scheme was more attractive than WTS' international scheme which paid rebates to their overseas principals only;
- to reduce service times for Guidance Report yield testing in WA, laboratory facilities were installed in Fremantle, providing the extra benefit of eliminating the high airfreight cost incurred when samples were sent to Melbourne;
- AWTA's operations in Brisbane and Adelaide were expanded to include condition testing facilities, providing local processors with a much faster delivery of Conditioning Certificates;
- individual contracts were negotiated with 3 major French wool buying companies (Prouvost Lefebvre, Wattine-Bossut, and Henri Wattine) for AWTA to core sample bales in stacks, without weighing, for all their purchases and despatch those samples to laboratories in France;
- to counter ADCH's strategy of targeting Guidance Report yield testing to gain business, the AWTA introduced a more accurate 'Special Guidance Report', by scouring and drying 2 subsamples and incorporating checks of residuals in at least one of them; strong trade demand for this new service forced WTS and ADCH to follow suit; and
- the Authority made a public commitment to issue Certificates within a maximum service time of 4 days from the date of sampling, which accentuated the fact that WTS' results were taking up to 3 weeks, due to their centralisation of testing in London; this resulted in several large companies deciding to forego their WTS rebates and to redirect their business to AWTA, including J W McGregor, G H Michell, Hartwool Australia, Woolcombers Ltd, Jacques Segard, Emile Segard and Compagnie d'Importation de Laines (CIL).

Murray Mansfield explaining ashing to Alan Gotoh

Throughout this period, AWTA continued to promote its technical status and integrity, while McGilvray ensured that the trade was aware of any shortcomings in the competitors' procedures, such as their willingness to use agents for sampling and weighing.

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With a view to developing a new source of income, the Authority responded to increasing trade interest in the measurement of fibre diameter of greasy wool by publishing a comprehensive 'Fibre Fineness Bulletin'. In the first instance, this bulletin was drafted by the Textile Supervisor, Bob Steadman, following which it was reviewed by experts at both the University of NSW and the Gordon Institute of Technology in Geelong, prior to its release. It provided the trade with detailed technical descriptions of the Airflow and Projection Microscope testing technologies and discussed the significance of fibre diameter in downstream processing.

When distributed to all wool buying companies and textile clients, there were so many enquiries that the AWTA decided to invite small groups of trade members to a series of technico-commercial Fibre Diameter Seminars, which included laboratory inspections. [47]

Following these meetings, many buyers started to submit hand samples for educational Guidance Report testing. This soon led to requests for fibre diameter tests to be conducted on the core samples being tested for yield. With trade demand for these tests continuing to grow, Ward actively encouraged the IWTO Technical Committee to finalise their draft test method for 'Fineness of Loose Wool'. It was practically certain that AWTA would soon be asked to provide Fineness Test Certificates.

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Regarding cost reductions, Ward and Mansfield identified obvious targets for action, which included:

- an approach to the Commonwealth Department of Supply for AWTA to hire vehicles for samplers from their fleet of commercial vehicles; after successful trials were completed in Melbourne and Fremantle, access was extended to most sampling centres across Australia, generating large cost savings for AWTA because the rental costs were much cheaper than paying mileage allowances to samplers using their own vehicles;
- strategies to reduce soaring telecommunication costs, whereby 2-minute timers were provided to the few staff allowed to make trunk phone calls, with strict instructions to complete all calls within that period; arrangements were also made to transmit interstate test results via the AWB's extensive telex network; and
- ending the textile testing trial at the Division of Textile Physics in Ryde, after a survey of Sydney customers revealed that they would revert to sending samples to AWTA in Melbourne if the service was withdrawn.

However, opportunities to improve profitability through increased productivity were being inhibited by increasing difficulties in gaining access to wool for sampling and weighing, which were further exacerbated by brokers having to service the requirements of 3 test houses. To mitigate this problem, save cost and receive priority, both WTS and ADCH commenced using brokers' storemen as sampling agents, whereas AWTA was committed to using their own staff. In response, AWTA's senior samplers were directed to work cooperatively with local store managers, with a view to reaching agreement on the least disruptive arrangements for sampling and weighing. While this joint planning was effective in individual cases, a national agreement was essential to define the obligations of all parties, since most post sale tests included sale lots located in several stores across multiple selling centres. As a result, the actual service times experienced by clients were determined by the wool store presenting the last lot for sampling – hence the need for all brokers to provide access within the same agreed time limit.

This issue came to a head, when the Chairman of the NCWSBA, Arthur Dunstan, contacted Lindsay Yeo complaining about the cost and inconvenience of handling bales for core sampling by AWTA, and proposing that brokers should take over this role.

[47] Pat McGilvray found responses to the invitations to be instructive, in that some companies preferred to have a session for their own staff alone, whereas others nominated competitors that they would rather not have present. In other cases, the top man in the company asked to attend before his junior staff were invited, which McGilvray interpreted as a desire to appear more knowledgeable when the topic was later discussed in the office. To meet the demand, this education programme was run over several weeks in both Melbourne and Sydney, with McGilvray acting as coordinator and Steadman presenting the scientific facts before informal questions and discussions were encouraged over drinks.

When Yeo reported this to the Members, they appointed an ad hoc sub-committee to review AWTA's policy on this matter, with membership being representatives of AWTA (Ward and Mansfield), AWB (Harold Lay) and NCWSBA (George Laird of Dennys Lascelles, Geelong).

This sub-committee reviewed the scientific and commercial requirements set out in the IWTO Core Test Regulations, and the complex practical problems which had led AWTA to cease using agent samplers. After detailed discussion of the consequential staffing arrangements for each option, Lay and Laird were convinced that industry costs would increase if brokers took over sampling.

Ward was delegated to prepare a report for the sub-committee's approval and its subsequent submission to the Authority. This document explained AWTA's essential technical requirements, together with comments on potential sources of failure in the absence of Test House supervision, noting that:

- every bale in the test lot must be sampled; some AWTA agents had failed to sample every bale, obtaining the required sample weight by coring the more accessible bales only;
- AWTA's policy was to take a minimum of 2 cores per bale (i.e. at least one core from each end) to account for possible moisture gradients forming during storage on wooden or concrete floors; this practice had been introduced when agent samplers were discovered taking the easy option of coring from bale bases only, where there was only a single layer of pack material to penetrate; on the other hand, WTS and ADCH were prepared to accept coring at the IWTO minimum of only one core per bale;
- every bale must be weighed at the time of sampling; some brokers' employees sampling for WTS and ADCH had been found to reweigh only a few bales and then calculate an average adjustment to be applied to the broker's in-store weights recorded weeks earlier;
- AWTA's samples must be drawn at random and sealed separately in both an inner and outer polythene bag; the AWTA used robust bags of 0.006-gauge thickness, whereas WTS used only a single bag of 0.002 gauge, which was susceptible to tearing and unlikely to remain air-tight;
- sample bags must be checked routinely for damage by AWTA's samplers before each use; experience had shown that agents were inclined to ignore this precaution;
- core cutters must be kept sharp to avoid sampling biases, and must be replaced as soon as they became chipped or blunt; AWTA samplers sharpened a supply of cutters at the end of each day to ensure they could start work at the appointed time the next morning; it had been difficult to exercise quality control over agent sampers' equipment; and
- identical diameter cutters must be used and the same number of cores must be drawn per bale in all cases where samples from various locations were to be blended for a composite test; without centralised control over sampling by the test house the risk of failure was extreme.

Further complications would arise when clients were unsure as to whether they would complete an order before shipment. In such cases, AWTA drew sufficient sample material for a complete test, and a second sample was also drawn at 2 cores per bale for testing, if more wool was added to the delivery.

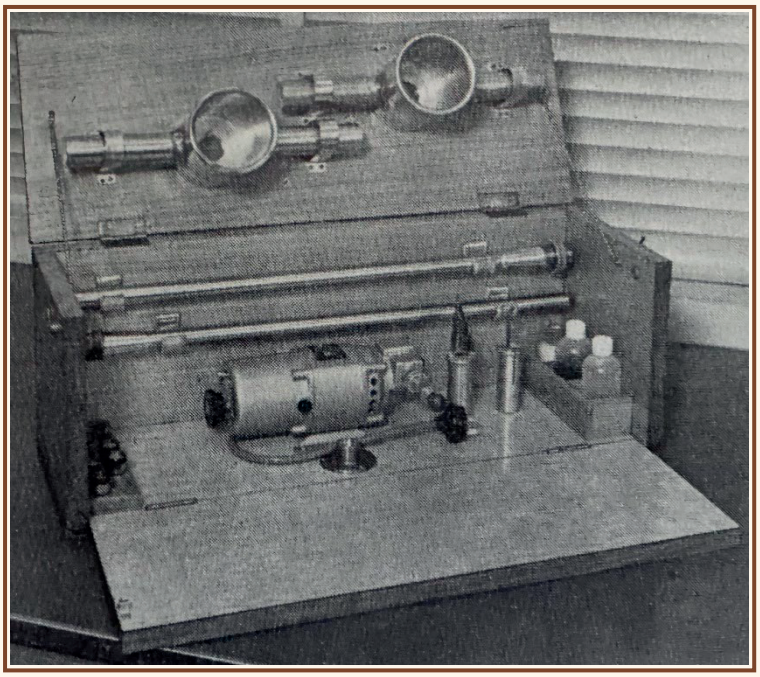
The sub-committee's report concluded that control over the range of different instructions to samplers must be centralised in the test house. It was also noted that manual core sampling was such hard physical work that new samplers were prone to take short-cuts as they started to tire. AWTA could counter this temptation by including inspections of laboratory operations in the training programme for new samplers, to ensure that they had some appreciation of the critical importance of following rigid procedures. On the other hand, storemen were unlikely to appreciate the finer points of sampling, due to their involvement in a wide range of physical bale handling activities.

The report also acknowledged that the problems in stores were being exacerbated by the growth in testing demand, raising real concerns as to whether the expected surge in demand from Japan could be handled in the short term. In the longer term, once the majority of purchases for Japan required testing, AWTA would be able to locate samplers in all major stores to reduce down-time, increase productivity, and thereby reduce the per bale cost of sampling, such that only a small increase in supervisory staff would be required. On the other hand, if brokers were to undertake sampling, they would need to employ many more storemen and AWTA would be compelled to replace their own sampling teams with more highly paid supervisors, to ensure that the IWTO Regulations were being followed in full.

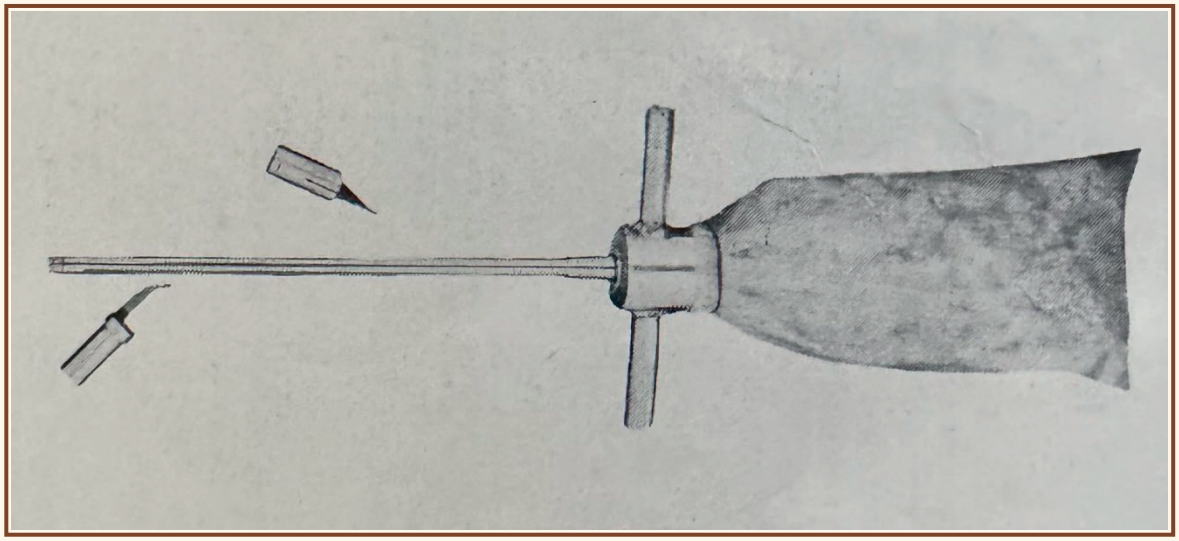
The nett result would be an overall increase in costs for the industry. Finally, the sub-committee's report to the Authority recommended that:

- AWTA's sampling policy should remain unchanged;
- AWTA's staff should collaborate with store management to review and improve sampling arrangements, where necessary; and
- if future sampling problems in wool stores increased to the extent that only one test house could operate efficiently, AWTA should provide the sampling service for them all.

These recommendations were approved unanimously by the Authority. Harry Roberts, the NCWSBA's Member, was authorised to provide the 'Report on AWTA Sampling Policy' to Dunstan. As predicted, brokers had been unaware of the complexities of post-sale sampling and the central controlling role of test houses. They had also overlooked the fact that post-sale manual sampling would continue for the foreseeable future, where the use of sampling machines was not warranted. Better informed, the issue of brokers becoming agent samplers for the Authority was dropped.



AWTA designed box containing manual pressure coring tools and sharpening equipment



Assembled coring tube and handle, with plastic sample bag attached. Including pack cutter and tube-clearing devices - 1963

15. THE NEW TEAM COMES UNDER PRESSURE

"*I appreciate that you're fully committed to managing AWTA's operations, producing reports for the Authority and Board Members, dealing with IWTO issues, and countering competition, but the Long-Range Plan for the Board is well overdue. It really is time you filled your old position.*" [Lindsay Yeo to David Ward – December 1966]

As 1966 ended, the roles of the small executive management team had been bedded down. Murray Mansfield was now responsible for all office and premises administration, the purchasing of materials and supplies, employee records and payroll, handling general correspondence and for the preparation of routine statistical reports for Authority Meetings. He had also become the focal point for liaison with the Japanese wool companies. In addition to controlling Textile Testing operations, Bob Steadman had taken on responsibility for fibre diameter and fibre length testing of raw and semi-processed wools, since those activities had to be conducted within the controlled atmosphere room established for 'Woolmark' testing. With so many issues occupying Ward's attention in the greasy wool testing business, it was left to Steadman to develop and manage the textile services, and to Pat McGilvray to educate the trade by fielding their technical questions on the show floors in Northern and Southern markets.

Yeo was concerned that Ward was becoming over-committed, and it was now urgent for the Wool Manager (formerly Wool Supervisor) position to be filled by a wool technologist who could deal with day-to-day technical matters. When Yeo and Ward discussed this situation, they agreed that there would be significant advantages in basing this position in Sydney, where both competitors' Head Offices were located. A paper headed 'Report on Consolidation of Sydney Operations' was approved at the next Authority Meeting, following which the position was re-offered to and accepted by David Charlton, who commenced his duties on 3rd April 1967 at AWTA's Sydney laboratory.

David Charlton, Wool Manager for Australia, based in Sydney - 1967

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Following up the issue concerning WTS' certification of non-standard yields to the Australian seller's advantage, Ward developed a detailed policy document in which he set out the strictly limited conditions under which AWTA might be prepared to provide such Certificates.

It was most important to demonstrate impartiality, so the fundamental objective was to ensure that both trading parties were aware of any variations from normal, and to reject multiple variations. To this end, he recommended that AWTA could certify non-standard yields when only one component was abnormal, on condition that the Certificate was annotated to disclose transparently and precisely the non-standard element. If more than one non-standard component was requested, AWTA would not issue a Certificate, but could issue a Test Report, again bearing a clear statement disclosing all the non-standard changes.

The Authority approved this 'Policy for Issuing Non-Standard Yields' and agreed to its release to the local trade and internationally, thereby enabling McGilvray to promote AWTA's integrity and place pressure on competitors to adopt similarly transparent practices. [48]

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Having thoroughly examined opportunities to expand the textile testing services and improve profitability, Bob Steadman presented 3 important reports to the March 1967 Authority Meeting. The first was an analysis of the 'Scope of Textile Testing and its Expansion', in which he argued that the AWB's policy

[48] The release of this policy effectively countered the rumours that AWTA testing would favour Australian sellers, which had been initiated by WTS Ltd in London to retain their testing at destination business.

direction for AWTA to test only pure wool products was a huge impediment because the textile industry was also interested in testing wool blends. In view of this, the Authority agreed that Ward and Steadman should prepare a submission to the AWB in favour of testing wool blends.

When the Board considered this submission, some grower members were fearful that comparison tests on fabrics might show blend products to be superior to those made of pure wool. They viewed this as potentially undermining the 'Woolmark' scheme, which promoted pure new wool products only. With a view to making progress, Farnworth proposed a minor change to the current policy, which was recorded in the Minutes as follows:

"*That the Authority adopt the following policy on blend testing, for a trial period of twelve months:*

"*That when items are submitted which, in the opinion of the Director, may be for comparative purposes, the Director is to ascertain as discreetly as possible the precise purpose for which the tests are required. If it appears that results could be detrimental to wool, the present policy holds i.e. accept the sample for testing on a 'Pass' or 'Fail' basis only. If it appears that there is no real danger for wool, the Director provides full test results but ensures that, through either discussion or a statement on the Report or both, the client is made fully aware of the significance of the test and the proper interpretation of the results.*" [49]

Steadman's other 2 reports covered 'The Feasibility of Providing a Carpet Testing Service' and 'The Possibility of Undertaking Routine Testing on Behalf of the Defence Standards Laboratory'. Both were accepted by the Authority, and Steadman was authorised to further develop those plans.

Following the positive reaction to his Technical Bulletin on Fibre Diameter, Steadman prepared a second comprehensive Bulletin covering the 'Making-up Properties of Wool Fabrics', which was well received by the textile trade and generated increased interest in the AWTA's services - again confirming the effectiveness of management's promotion through education strategy.

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From 14th January to 3rd February 1967, Ward travelled overseas to attend the meetings of the IWTO CTS-c and Wool Committee, and to promote AWTA's policies and services to major purchasers of Australian wool in India, Turkey, France and the UK. At the IWTO Meetings, despite previous opposition, Bray made another attempt to circumvent AWTA's policy by circulating a new text proposing that "*Weighing and sampling shall be carried out by accredited representatives of the testing authority*", which now completely removed any reference to test house staff. However, when it became clear that Ward's objections had gained strong support from the commercial members, the new CTS-c Chairman, Jan Holsboer, ruled that no decision would be taken and that he, Barritt and Bray would prepare and send a new text to National Committees, for a final vote at the coming Brussels Conference.

Despite Holsboer's ruling, Bray's Minutes failed to record any of Ward's objections to his draft. Ward then wrote to Holsboer to have this omission corrected, reminding him that, as Chairman, he had ruled that "… *the Australian position appears to be the consensus view*". Rather than embarrass Bray publicly, Holsboer gave Ward a written assurance that the issues would be determined via a democratic vote of National Committees in May. To demonstrate good faith, he also enclosed a copy of a letter he had sent to Bray on the same day, issuing instructions to circulate their final draft text to all National Committees without delay, and to set a deadline for responses to be received in writing so they could be collated and circulated with the Agenda and other meeting papers.

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In India, IWS had arranged for Ward to be guest speaker at a full session of the Indian Woollen Mills Federation (IWMF), where the members were highly critical of the poor quality of wools being delivered from Australia. This led to an animated discussion of the relative weaknesses and benefits of specifying purchase requirements in subjective and objective terms.

Upon closing the meeting, the IWMF Chairman, Gopal Krishna "GK" Singhania, asked Ward to continue private discussions at The Raymond Woollen Mill Ltd in Thane, located some 20 miles from Bombay.

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[49] The literal application of this policy was both impractical and time-consuming, so Ward delegated these judgements to Steadman on condition that he be advised if any problems arose. In practice, Farnworth's minor tweaking of the Board policy made very little difference to the prospects for gaining new business.

GK explained that Raymond was in the process of developing new contracts to specify their purchase requirements in objective terms, and he would appreciate having their draft texts checked to ensure they were technically sound. Ward worked through the documents with Messrs Kedia and Iyer. [50]

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In his Overseas Report to Members, Ward reaffirmed that AWTA must be represented at all IWTO Conferences and Working Meetings. Besides continued participation in discussions concerning Test Methods and Regulations, there were excellent opportunities for private discussion with overseas users of Australian wool, without having to incur the high costs of visiting their individual offices.

Having sought advice from key clients contacted at IWTO, and in Turkey, France and the UK, he concluded that AWTA's overseas promotion would best be handled by their own executive staff, rather than by engaging overseas representatives. Clearly, since a person representing the Authority must have up-to-date knowledge of current developments in the rapidly changing testing environment, AWTA would have to incur the costs of bringing them to Australia regularly for extra briefings. On the other hand, the use of staff provided the extra benefit of broadening their international knowledge and experience.

Having endorsed this strategy, the Authority agreed that Murray Mansfield should revisit Japan for up to 4 weeks in May/June to strengthen relationships and further promote AWTA's services, which were now being taken up strongly by the larger Japanese mills.

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The management team's focus on profit improvement during the 9 months ended June 1967 resulted in the previous nett loss being reduced by $20,950 to $12,725 for the year, which also exceeded the budget by a healthy $9,065.

Prior to preparing the 1967/68 Operating and Capital Budgets, Ward and Mansfield analysed the data now available from the Thiele system for cost reporting, to identify unprofitable activities and ensure that the fees for service were closely aligned with known costs. They produced a comprehensive 'Report on Costing and Charges for 1967/68' which was approved by the Authority as the basis for the new budget. In due course, the Authority and the Board approved the Operating Budget for 1967/68, which predicted a nett profit of $12,950, and also the Capital Budget of $126,500 which included $68,000 to purchase the Head Office & Melbourne Laboratory premises in Munster Terrace, North Melbourne.

Demonstrating their growing confidence in AWTA's management, the Board advised Yeo that it was no longer necessary to seek their approval for budgeted capital expenditure prior to purchase, except for contingency items costing more than $1,000.

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In April 1967, the Wool Marketing Committee made a formal request for the Authority to estimate the cost of core testing the entire Australian wool clip before sale, with the data to be submitted to P.A. Management Consultants. It was soon realised that this detailed research work could not proceed efficiently until the consultants gained a sound working knowledge of wool sampling and testing, the preliminary lotting operations in shearing sheds, brokers' receival activities, and the complications caused by growers delivering part clips, due to their lack of storage space on-farm. Fortuitously, this project coincided with David Charlton's induction into AWTA, so the opportunity was taken to involve him in those briefings so he could also gain immediate insights into the Authority's operations. Whilst this was another time-consuming distraction for Ward and Mansfield, it was important for AWTA's future.

Once the consultants had been educated regarding the wool industry's operations, they agreed that the following assumptions should be applied for costing purposes:

- no profit margin was to be included;
- bales would be sampled on arrival in-store;
- a minimum of 315 samplers were required to cover all Australia-wide receival points;
- sampling costs would also include weighing operations;

[50] IWS had advised that Raymond was the largest and most sophisticated wool processor in India and, consequently, their decision to have combing wool purchases tested by the AWTA would almost certainly be followed by other mills.

- the total clip would be 5,000,000 bales, with an average nett bale weight of 305 lbs;
- wool receivals would occur on 261 working days per year;
- when wool receivals were not uniform, peaks and troughs would be handled by temporary staffing and staff movement between stores;
- test results would be available within 2 days of sampling, with laboratories located in Brisbane, Sydney, Melbourne, Adelaide and Fremantle; and
- current sampling and testing techniques would apply.

Due to more pressing service priorities for the Authority's management, this detailed costing exercise had to be conducted intermittently over a period of months.

The resultant costings for an agreed range of lot-sizes were as tabulated below, including the then current average sale lot-size of 4.7 bales. [51]

LOT-SIZE	TOTAL TESTS	COST/BALE	CENTS/LB (KG)
1 bale	5,000,000	$6.67	2.19 (4.83)
4.7 bales	1,063,830	$1.51	0.49 (1.08)
8 bales	625,000	$0.97	0.32 (0.71)
25 bales	200,000	$0.45	0.15 (0.33)
50 bales	100,000	$0.33	0.11 (0.24)

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On the competition front, AWTA was gaining new business from several previously strong WTS supporters. Coupled with the pro-AWTA testing demand from Japan, the Authority's market share for greasy wool Certificates was estimated to be approaching 75%, Australia-wide. Desperate to gain some of the growing Japanese testing market, WTS' John Westmore visited the major firms in Japan, this time claiming that WTS' standards were identical to AWTA's. To back this up, he made a false claim that WTS and AWTA were now working closely together and, in fact, would soon establish a joint sampling operation. As soon as this was reported back to AWTA, Mansfield's already approved trip to Japan and Taiwan was brought forward, so he could counter this claim within days of Westmore leaving Japan.

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Other significant developments during the 1967 calendar year included:

- the NCWSBA giving notice that their members intended to charge the test houses for the handling charges associated with core sampling, which they had previously charged directly to buyers; both WTS and ADCH had already agreed to pay these charges as part of their negotiations for wool storemen to act as their agent samplers;
- when it was realised that the on-charging of these invoices to buyer clients would create major accounting complexities and risks for all parties, Ward and Mansfield arranged a meeting with 3 representatives of NCWSBA, namely Bill Williams, George Laird and Bob Harwood, to explain the problems; after describing those issues, it was agreed that the test houses would not be responsible for bad debts, and that a further meeting was required to include the other 2 test houses and ACWB, although the brokers were reluctant to include the buyers;
- WTS commenced issuing Conditioning Certificates in Fremantle, using CSIRO Rapid Regain Testers instead of the conditioning ovens specified in the new IWTO Test Method; this quality control equipment was known to produce regain results which were biased on the low side, such

[51] Some AWTA Members were concerned that the costing of such a range of lot-sizes might be misinterpreted as the Authority being in favour of presale lot building. Consequently, when Yeo sent these data to the Board, he requested that they be kept confidential unless he approved otherwise. However, details of these estimates were obtained by the Wool Section of the Commonwealth Bureau of Agricultural Economics (BAE), where Bob Whan was undertaking research into wool marketing systems, and was already convinced that wool testing should play a greater role in future wool marketing. Having access to these details, he had promoted his views at wool grower meetings to which he was invited as a speaker, which generated significant antagonism from the Australian Council of Wool Buyers.

that a greater weight adjustment would be applied when adjusting invoice weights to the standard allowable 16% or 17% regain; since this bias favoured Australian sellers, WTS was starting to take business from AWTA;

- the other competitor, ADCH, continued to focus on Guidance Report yield testing, extending their service by opening a small laboratory in Fremantle; coincidentally, AWTA also installed yield testing equipment in Fremantle to offer the same service locally; and
- the first clear sign that ADCH were struggling financially came when the SGWFE recommended that their members should experience ADCH's testing service to provide their opinions as to whether ADCH should become the back-up laboratory for the Exchange.

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As the year progressed, AWB continued to press for regular updates regarding progress of the Long-Range Plan, which had become Ward's highest priority. With Mansfield going overseas and the latest broker issues remaining unresolved, the Authority agreed that he should remain in Australia, and that David Charlton would deputise for him at the Interwoollabs and IWTO Conference Meetings being held in Brussels from 29th May to 1st June. En route, Charlton would examine NZWTA's operations to gain first-hand knowledge of their in-house equipment developments, and he would also be able to assess the benefits of establishing workshops in each of the AWTA's laboratories.

The papers for the IWTO CTS-c Meeting in Brussels included the summary of National Committees' responses regarding the sampling and weighing issues. Whereas most National Committees now favoured these operations being conducted by test house staff wherever possible, others were prepared to allow accredited agents to do the work, provided they were independent and subject to strictly defined controls monitored by the test house.

In view of this, Bray et al had produced yet another revised draft, which attempted to place agents on an equal footing with test house employees. This was opposed by Charlton, a majority of the commercial members of the CTS-c, and the Chairmen of both the CTS-c Technical and Commercial Sections, who finally resolved that the use of test house staff must apply under normal circumstances. [52]

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In late 1967, the Authority Members made 2 significant decisions to broaden the scope of AWTA's services, particularly in relation to the provision of fibre diameter testing. The first was to allow Certificates for Airflow and Projection Microscope fibre diameter tests to be issued, provided AWTA had conducted the sampling. To support this, Ward had consulted both CSIRO and IWTO and had also been assured of strong support from leading wool buyers, brokers, and the AWB.

The second was to upgrade the Fremantle laboratory to enable both yield and fibre diameter test Certificates to be issued locally, thereby improving service times for WA clients and avoiding the high cost of air-freighting core samples to the Melbourne laboratory.

The Authority was already concerned that the increasing demand for post-sale yield Certificates had exposed serious weaknesses in brokers' store management that would retard progress and reflect on AWTA, unless they were resolved as a matter of urgency. In fact, the future introduction of fibre diameter certification into sale contracts would create even greater urgency for sampling to be completed.

In this regard, sale contracts would specify a maximum mean fibre diameter and, if the test result exceeded this limit, the client would be forced to either replace the wool or to renegotiate the contract price and accept a large claim. To minimise the risk of a delivery being rejected, it would be essential for sellers to receive their fibre diameter results prior to shipment. However, AWTA's ability to meet clients' deadlines was becoming increasingly dependent on solving the core sampling handling problems in brokers' stores.

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[52] Decades later, AWTA Ltd took possession of the IWS/IWTO Technical Report files, which were about to be destroyed. These files included all of Bray's correspondence as Secretary of the Core Test Sub-committee – Technical and Commercial Sections. As suspected, the contents confirmed that a clique of Bray, Bunt and Barritt had tried to circumvent AWTA's policy through blatant manipulation of the non-technical Chairman, Robert Mignot de Chentinnes, and via obfuscation in preparing Minutes of Meetings. Several personal letters from each to the other 2 expressed concern that AWTA's position had been gaining support at WTS' expense. Most importantly, they clearly acknowledged that, unless accredited agents were allowed unconditionally, they could not be used in Australia because AWTA had demonstrated that it was both possible and practicable to use its own staff.

16. POOR BROKER SERVICE THREATENS TESTING GROWTH

"*The NCWSBA expects its member brokers to present bales for sampling in a timely manner, but it needs to receive a factual report before it can take action against those causing problems.*"
[NCWBA's representative, Harry Roberts, to fellow Members – AWTA Meeting December 1967]

When core testing of greasy wool was first introduced in Australia, the NCWSBA had agreed to provide access to wools in stores and to assist by presenting bales for core sampling and weighing. At that time, meetings were held with individual brokers Australia-wide to explain the essential operational and technical requirements for these tasks to be handled correctly. While testing activity was small, the additional work could be handled without disrupting normal broking activities.

By 1965, it was apparent that yield testing had become an accepted part of wool trading and that future increases in sampling activity would only be handled efficiently if brokers and the Authority each acknowledged the other's requirements and adhered to jointly planned schedules. As the demand for sampling increased, a small number of stores treated these operations as low priority, causing AWTA service times to blow out to unacceptable levels. [53]

SELLING SEASON	BALES SAMPLED	WORKLOAD INCREASE
1960/61	181,182	47,137
1961/62	261,637	80,455
1962/63	331,370	69,733
1963/64	350,479	19,109
1964/65	413,763	63,284

To address the delay problem, AWTA staff met with the NCWSBA Procedures Sub-committee in late 1965 to reiterate the test house requirements, to report examples of shortcomings being experienced at current levels of demand, and to foreshadow that major service issues would increase into the future unless corrective action was taken now. Data was tabled summarising the total number of bales sampled and tested annually since 1960/61 and predicting that the rate of increase was expected to soon exceed 60,000 bales per year.

AWTA outlined the following 6 actions, which they considered necessary to achieve optimal efficiency:

(a) Bales to be made available within 24 hours of receiving requests for access to sample.
(b) Bales to be pulled out of stacks prior to the appointed sampling time to avoid delays.
(c) Bales for sampling to be located at a central point, where scales are located.
(d) Bale brands must be visible and, where possible, bales to be set out in buyer's reference order with individual sale lots grouped together.
(e) Direct reading clock scales to be provided.
(f) Adequate store labour to be provided to reduce sampling times to a minimum.

It was noted that, if these requirements were met and 3 storemen were provided to move bales to and from the weighing scales, a 2-man sampling team could core and weigh at least 60 bales per hour. The meeting ended with the NCWSBA Sub-committee undertaking to request their members to adopt these practices, and both parties agreed to review the situation after 6 months. Immediately following this meeting, most brokers improved their procedures and achieved higher sampling productivity, but a minority continued to treat core testing as a nuisance. Brokers with limited floorspace or multi-level stores were unwilling to allocate central floorspace, relying instead on moving portable scales to locations where bales were stacked, and productivity remained low in stores failing to provide more than 2 storemen.

As predicted, the demand for testing increased during 1966 and 1967 to the point where brokers could no longer ignore the need to integrate core sampling with their normal wool store operations. To make matters worse, by that time brokers faced the additional complication of having to deal with sampling requests from 3 test houses, rather than only AWTA. Poorly managed stores remained disorganised,

[53] These delays, and the fact that no handling fees were charged overseas, provided WTS Ltd London with strong arguments to convince clients to sample and test on arrival at mills, rather than in Australia.

failed to install systems to control test request paperwork, did little if any preparatory work before sampling appointments, and rarely provided enough manpower to keep samplers busy. Productivity became so unpredictable that it was impossible to schedule appointments in a sampling roster, without running the risk of missing appointments with other stores later in the day. This meant that AWTA had to employ more sampling staff than should have been required.

Another problem was worsening at peak shipping times, with bales being shipped before they had been presented for core sampling. In these cases, the test Certificates did not cover the entire delivery, and exporters were forced to negotiate remedies with their clients. Inevitably, ACWB instructed their Authority Member to lodge an official complaint at the AWTA's Meeting in December 1967, when Ward confirmed that sampling delays were causing buyer dissatisfaction and AWTA was being blamed.

In providing examples of this widespread problem, Ward reported that sampling delays in the Elders Fremantle store were averaging 4-5 days and could be up to 10 days. In Winchcombe Carson Newcastle, delays were often 7 days, with some appointments cancelled after samplers had arrived. Sampling productivity was often as low as 100 bales per day due to insufficient storemen being made available. However, the most serious situation was in Sydney, where Country Producers' Selling had just advised that they could not guarantee sampling access for 4 weeks, due to a rush of pre-Christmas shipping.

The Member representing NCWSBA, Harry Roberts, expressed great concern that so many brokers were failing to meet their obligations to present wool in a timely manner. Whilst he was willing to intervene via the NCWSBA Executive Committee, he considered this would be ineffective unless he had a factual report covering every individual broker's performance, including those who were meeting the requirements satisfactorily. Members accepted this approach and agreed with Ward's suggestion that the data should be collected over a minimum of 3 months.

For this purpose, Ward and Charlton developed a survey questionnaire to be completed by Sampling Supervisors in every centre and covering every wool store. The principal aims were to assess the degree to which each broker complied with the 6 agreed performance obligations, and to obtain data on average bales/hour productivity. Regarding coring of bales in stacks for guidance yield tests without weighing, comments were to be recorded as to each broker's timeliness in providing the relevant lot locations. [54]

The comprehensive report, headed 'Australia-wide Survey of Broker/AWTA Activities in Sampling Greasy Wool for Scientific Measurement', was considered at the Authority Meeting on 5th May 1968. The diversity and unpredictability of performance was highlighted in a detailed Appendix listing the survey findings for each of the 63 individual stores located across Brisbane, Sydney, Goulburn, Newcastle, Albury, Melbourne, Hobart, Launceston, Fremantle, Adelaide, Ballarat, Geelong, and Portland.

To provide context, the report also summarised the progressive growth of testing to date, and explained the disruption faced by exporters in the following terms:

"In considering the future growth of raw wool testing in Australia, the following points require consideration:

(a) There is a growing tendency for mills, particularly in Japan and the United Kingdom, to blend wools from different suppliers prior to processing. Under these circumstances, the core test result must be used as the basis for settlement, since individual machine yields cannot be established.

(b) Processors are aware of the distinct advantage held by synthetic fibres with respect to the accurate description of fibre characteristics. The processor must know the properties of the raw material supplied to be able to predict its processing performance, to initiate adequate quality control, and to ensure that the goods produced meet the requirements of his clients. This is reflected in the extremely rapid increase in fibre diameter (micron) testing since 1965/66.

(c) An increasing number of contracts specify that a fixed clean weight and/or maximum fibre diameter must not be exceeded. In these cases, the supplier must have his wool tested prior to shipment or run the risk of losing the bank credit.

[54] Most buyers now considered that core samples for guidance testing were more representative than the traditional hand-drawn samples submitted for testing. For this service, they lodged requests immediately after purchase, so the core samples were drawn on sale day and tested overnight, with the results then available the following morning. The earlier the broker provided the required lot locations, the faster the service, and the quicker the buyers could adjust valuations.

(d) *Greasy wool testing is used by buyers in Australia to provide guidance for subsequent yield appraisals. In these cases, the wool rarely requires weighing as the degree of accuracy required is not critical.*

(e) *High density dumping and containerisation will create difficulties with respect to sampling wool for testing at destination. It is anticipated that much of the wool currently sampled at destination will be sampled at origin.*

(f) *There is a growing interest in the application of wool testing procedures before auction.*

(g) *Research and development aimed at the automation of sampling and testing procedures for greasy wool is continuing.*

(h) *Broker co-operation and planning to meet future sampling requirements could become a limiting factor in the development of scientific measurement. Where test results are required prior to shipment, wool must be sampled in brokers' stores. It follows that wool buyers requiring results urgently may be forced to purchase "core test" wool from brokers who can handle the volume of work efficiently."*

One of the most important findings was a widespread lack of appreciation that a test could not commence until the most delayed lot was sampled. For example, although more than 95% of lots in a delivery might have been sampled within 24 hours of the request for access, the actual service time experienced by AWTA's client was dictated by the time taken for the last component lot to be sampled in the worst performing store. In this report, Ward stressed that these serious problems must be addressed immediately because the situation in some stores would become critical during the forthcoming 1968/69 season, particularly in view of the extremely strong growth now expected from the Japanese industry. The Authority accepted the recommendation that another special Broker/Buyer/Test House Committee be established urgently to undertake the following:

- to outline the requirements of each party;
- to establish procedures and responsibilities of each party;
- to define free sampling periods;
- to define and establish standard procedures in relation to charges levied; and
- to review the above points periodically so that changes within these sections of the industry can be implemented efficiently.

Further, it was proposed that 9 representatives be appointed to this Committee (i.e., 3 brokers, 3 buyers and 3 test houses) and, in view of the urgency, they must have the authority to speak on behalf of their national bodies. Both WTS and Auscore had already agreed to participate, having advised the AWTA that they were suffering the same service problems. Accepting the survey report, the Authority agreed to send copies immediately to both NCWSBA and ACWB, together with their recommendation to establish a tripartite Broker/Buyer/Test House Committee. NCWSBA arranged for representatives from all 6 States to meet with the test houses on 18th June 1968, but wool buyers were not invited.

At the Authority Meeting 3 days later, Harry Roberts reported that NCWSBA had reacted positively to the survey and now fully understood why the 6 actions, proposed to the Procedures Sub-committee almost 3 years earlier, had been essential to achieving efficiency. He confirmed that NCWSBA would now define the standards of service to be delivered for each level of charge, and that charge increases should be expected as a result. When queried, he declared that the new charge levels would not be negotiated with ACWB or the test houses. He also reiterated NCWSBA's opinion that the test house was the broker's client for handling services and, as such, they should be charged directly for handling and then recover those costs from the buyer client. With a view to streamlining these accounting procedures, he advised that brokers wished to discuss the issue with the test houses and buyers' clerical staff.

The Authority was appalled by this unilateral stance, particularly since Australia-wide charge increases at this stage would be based on the current costs of the wool stores having the lowest current productivities. In their view, the costings should not be done until the agreed 6 essential actions had been implemented, as they were expected to increase productivity significantly. Led by the Members representing the AWB, Sandy Nevile, and the DPI, Al Wallace, the Authority urged Yeo to refer these issues to the AWB immediately, in view of the Board's legislated functions to oversee all wool industry costs.

17. ACTIONS INITIATED TO REFORM IWTO CORE TEST MEETINGS

"… it has been impossible for us to arrange for a representative to be in attendance or to prepare comments on the items for discussion." **[Letter from Ward to IWTO CTS-c Chairman, Jan Holsboer, protesting at lack of notice – April 1968]**

The difficulties experienced by AWTA during the sampling and weighing debates included the impromptu calling of CTS-c meetings, frequently late notice of Agenda items, regular failures to send meeting papers in sufficient time for members outside Europe/UK to receive them before starting to travel, lack of any formal membership structure, and the absence of proper oversight to prevent the Secretary from issuing inaccurate and/or biased Minutes. While this lack of structure and discipline also inconvenienced some European members, it created much greater difficulties for organisations such as AWTA, CSIRO and NZWTA, which were dependent on international postal services and needed a reasonable time to plan and arrange travel and appointments.

Despite these difficulties, except for the unresolved core sampling and weighing issues, the CTS-c Technical Section had made good progress in revising and expanding the IWTO Core Test Regulations and in developing a detailed text for the 'Method for the Determination of IWTO Clean Wool Content in Greasy Wool'. Regarding the latter, Bray had unofficially delegated checking of the final text to Ward and Jim James, having now based his penultimate draft on the SAA text initiated by AWTA and developed by SAA Sub-committee TX/1/1 chaired by James. The only significant addition still required was the inclusion of a mandatory requirement to apply a correction to scoured and dried subsample weights to account for the humidity of the drying air, based on CSIRO's latest wool drying research which had been reported by Bruce Mackay and accepted by the IWTO Technical Committee as recently as 12th December 1967.

In fact, the Technical Committee had fast-tracked the approval process by authorising the Chairman of their Sub-committee for Methods & Experimental Values, M Robinet, to approve the final text to ensure that National Committees received it at least 6 weeks before the next IWTO Conference in Montreux. The CTS-c Commercial Section would not consider the final draft in January, unless it was recommended by the Technical Section. To achieve this, Bray belatedly called a Technical Section meeting to be held at IWS London on 10th January 1968, but he failed to post the Agenda and papers until 29th December, by which time Ward had already left Australia.

The attendees at this meeting were Barritt (Chairman, ex WIRA), Bouchoms (BOCT), Bownass (WIRA), Bray (Secretary, IWS), Bunt (WTS Ltd), Priestley (BCH) and Ward (AWTA), with Holsboer (Chairman of CTS-c Commercial Section) attending for part of the time. In opening the meeting, Barritt announced that he had recently accepted an appointment as a Director of WTS Ltd and had advised Holsboer that he would resign from the chairmanship of the Technical Section but would remain a Member. At this point, Holsboer announced that he and Bray had agreed on Bownass becoming the new Chairman, since he was independent of any commercial involvement in core testing. This appointment was approved.

Dick Bownass' appointment as Chairman was seen as a positive development by AWTA. Through previous contact, Ward had established a good working relationship and personal friendship with him. In particular, he knew that Bownass was a no-nonsense Yorkshireman, who would address Bray's lack of organisation and facilitate participation by AWTA, NZWTA and other organisations located at a significant distance from Europe and the UK. With Bownass in the chair, Sub-committee meetings became much more focused on making progress and coordinating the decision-making processes to meet IWTO's timetable for hierarchical approvals. As a result, the following decisions were made:

- the final changes to the Test Specification for Clean Wool content would be ratified by Robinet, checked by the IWTO Statutes & Agreements Committee, and submitted to the IWTO Council for approval in Montreux; if this smooth passage was achieved, the official IWTO Yield Test Method would be published in the IWTO 'Red Book' of Specifications by 1st August 1968; and
- rather than incorporate the Core Test Regulations within the IWTO 'Blue Book' covering the 'Arbitration Agreement and Other International Agreements', they would be issued as a separate 'White Paper', as had been done for the 'International Regulations for the Conditioning of Wool', and the CTS-c would draft a text linking them to the Blue Book.

Richard Bownass, chairing a CTS-c Technical Section Meeting, with
David Ward and Bill Ainsworth assisting

Under a separate Agenda item, Bray reported that Interwoollabs had contacted the IWTO Technical Committee for advice regarding the introduction of a form of international control over laboratories issuing IWTO Certificates for fibre diameter of wool tops. When first discussed in December 1967, the question had been raised as to whether such control should be extended to cover core testing for yield and fibre diameter of raw wool, and Bray had undertaken to seek the CTS-c Technical Section's views. The Sub-committee agreed that, whereas preparation of uniform wool top samples for interlaboratory trials was simple and inexpensive, there were serious practical and technical difficulties in attempting to provide similarly uniform greasy core sample material, especially if the trials involved too many laboratories. Their consensus was to await the outcome of the proposed control scheme for wool top testing and, in the interim, to encourage laboratories within countries and/or geographical regions to run their own round trials. In this regard, Ward was able to advise that trials were already planned for Australian laboratories, with CSIRO acting as the independent control and analysis body.

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Since it was now almost certain that the Yield Test Method would now be approved without dissent in Montreux, the Authority confirmed that Ward should remain in Australia to complete the Long-Range Plan, deal with the ongoing sampling issues, and commence preparation of the 1968/69 Budgets. AWTA would be represented by Mansfield and McGilvray, as both would already be overseas. [55]

Following the January 1968 IWTO Meetings, IWS sponsored a trip to Australia for Bownass to study developments in core testing research at CSIRO and to inspect AWTA's operations. During his meetings with AWTA staff, he agreed that Bray's poor organisation and laissez-faire attitude were no longer tenable. To make progress, Ward undertook to document suggestions for reform and to consult with relevant CSIRO staff before sending their joint views to Bownass and Bray.

Ward's discussion paper titled 'Suggested Standardization of Activities for the IWTO Core Test Sub-committee' had only just been endorsed by CSIRO, when a letter arrived from Bray on 8th April announcing

[55] Following the decision for overseas liaison to be handled by Australian staff, the Authority had agreed that McGilvray would be based overseas for 3 months to visit overseas wool buyers and users, commencing in late April 1968. Being mainly in Europe, it was easy to include the IWTO Conference in his itinerary, presenting an excellent opportunity for him to follow up his previous liaison activities with many of the delegates. From early April, Mansfield would be visiting clients in Taiwan, Korea and Japan. With Ward's trip cancelled, he was in the best position to deputise at an important meeting with the State Trading Corporation in India, who were then considering mandatory core testing of all wool imports. Being better informed of IWTO issues than McGilvray, Mansfield was appointed as AWTA's principal delegate in Montreux.

that the CTS-c Technical Section would meet on 24th April at Paris Orly airport. The effective notice period was barely 16 days, and the timing left a 5-week gap before the start of the Montreux Conference. This unilateral action provided a perfect example of the need to formalise procedures for the CTS-c and to reduce the time between their meeting and the Wool Committee.

Most of the Agenda items were important for AWTA, being topics on which it had led previous discussions. Immediately, Ward wrote to Holsboer and Bownass, with a copy to Bray, protesting at the lack of notice and pointing out that Bray's timing meant that Southern Hemisphere participants would have to remain in Europe for a minimum of 6 weeks, if they wanted to attend all relevant meetings. At the same time, he took the opportunity to enclose copies of his discussion paper, requesting that it be added to the Agendas for both the Technical and Commercial Sections. Since AWTA was unable to send a representative to the CTS-c Meeting, he also documented AWTA's views on all other items.

The joint AWTA/CSIRO structural proposals were comprehensive and sufficiently detailed to identify issues and suggest practical solutions. It was hoped that agreement might be reached immediately, to avoid having the problems drag on for several more 6-monthly periods between meetings. At the April meeting, Bray responded negatively, expressing the alternative view that the biggest problem was the tenuous path of IWTO Sub-committees and Committees through which proposals had to pass for consecutive approval. On the other hand, Holsboer reacted positively, agreeing that participants in distant countries must be able to rely upon a predictable timetable to plan their travel, and must also have adequate time to study the papers prior to meetings if they were to participate fully. Because the proposals had only recently been received, it was agreed that an informal meeting of CTS-c Members would be held on 29th May 1968, when they could be discussed in detail during the Montreux Conference.

The attendees at this informal meeting were Barritt and Bunt (WTS), Bouchoms (BOCT), Bownass (WIRA), Downes (CSIRO), Ducoulombier (France), Mansfield and McGilvray (AWTA), Flipo (Argentina), Mazingue (CTCRS Roubaix), Priestley (BCH) and Roberts (WRONZ). Unfortunately, Holsboer was unable to attend, leaving Bray to chair it. The following extracts from Bray's Minutes summarised the outcomes of discussion on each issue.

Regarding the CTCS-c Technical Section,

"*membership should consist of:*

(a) representation from core testing houses on a country basis, preferably through one representative per country who would be responsible for the co-ordination of views within his territory; an exception to this would be WTS Ltd in recognition of its world-wide activities

(b) representatives from research organisations making a practical contribution to the technical development of core testing."

For the CTS-c Commercial Section,

"*Members of this section are nominated by IWTO National Committees on the basis of one member per country, but countries with no interest in core testing do not nominate a representative. The function of such members was to act as a liaison with the National Committees on all commercial aspects of the Core Test Sub-committee's work and to act as an informed body of opinion when core test proposals are made to the Wool Committee.*"

Regarding an 'Information List',

"*Bray said that in addition to the Sub-committees' membership he kept a list of core testing houses and others interested in core testing to whom all non-confidential information on IWTO Core Test activities was sent, so that substantial coverage was maintained.*"

On the issues of 'Timing and Arrangement of Meetings', Bray again described the difficulties created by IWTO's overall committee structure and the reporting relationships between them. He announced that Test Specifications now had to be approved by the Technical Committee, before passing through the normal route for official texts to be submitted for approval to the next IWTO Council meeting at an Annual Conference. In this regard, he suggested that the CTS-c Technical Section should meet in early October, if it wished to gain approvals from the Commercial Section and the Wool Committee at their January meetings before preparing final submissions for Council approval in May/June.

PROPOSED RESTRUCTURE FOR CORE TEST SUB-COMMITTEE

a) *ORGANIZATION*

(i) *Formal lists of Members and Deputies for both the Technical and Commercial Sections to be prepared and revised when necessary. Also list of observers.*

(ii) *Deputies to be nominated by Members.*

(iii) *Technical Section membership to be restricted to the following:*
- *Research organisations e.g. WIRA, CSIRO, USDA, and interested Universities – UNSW, Leeds*
- *Public Conditioning Houses e.g. NZWTA, BCH, BOCT, Roubaix, US Customs, AWTA, (Gdynia)*
- *only one official member per organization*
- *recognized testing houses e.g WTS*

(iv) *Technical Section observers to be restricted to the following:*
- *other private testing organizations*
- *one observer per organization*

(v) *Commercial Section membership to be restricted to the following:*
- *Members endorsed by National Committees*
- *one member per country.*

b) *FUNCTIONS*

(i) *To discuss all matters connected with the testing of greasy wool core samples e.g., yield, fibre diameter etc.*

(ii) *To discuss all matters connected with the testing of scoured, carbonized and other semi-processed wools e.g., regain (moisture content), ash content etc.*

(iii) *To constantly review existing test procedures by maintaining close liaison with research and commercial developments and by undertaking such interlaboratory trials as are considered necessary by Members.*

(iv) *Official Members in each country to maintain close liaison with National Committees and listed observers.*

(v) *Members to be responsible for submitting Agenda items arising from their countries and also to be responsible for the distribution of documents to all interested parties in their countries.*

(vi) *Members wishing to submit Agenda items to be responsible for circularizing all other members on the official list and for supplying sufficient copies to be circulated to interested parties within other countries, to prevent delay (i.e., copies of the document for consideration, not merely the title).*

c) *MEETINGS*

(i) *A closing date for submission of Agenda items to be established and rigidly maintained. (Suggest a minimum period of 8 weeks prior to the proposed meeting date to allow for thorough consideration by Members and further, to allow sufficient time to seek the views of observers and National Committees within each country).*

(ii) *Wherever possible Members should seek views of observers and National Committees prior to the Core Test Sub-committee meeting. (Suggest this will avoid the situation where items are referred back to the Sub-committee, by the Wool Committee, with requests that National Committees be contacted. At present this duplication hinders progress).*

(iii) *Technical Section to meet 2-3 weeks prior to Annual Conference. (This will allow sufficient time for preparation and distribution of Minutes prior to Conference).*

(iv) *Technical Section meeting to be a minimum of two days to allow thorough and detailed consideration.*

(v) *When possible, third day to be set aside for Joint Meeting of Technical and Commercial sections i.e., if Commercial section meets early also.*

(vi) *Technical and Commercial Sections to meet jointly at least once per year. (To allow complete interchange of views and to ensure that each section is aware of the other's activities).*

(vii) *Technical Section to meet only once per year. (Suggest this will facilitate participation by all Members. The need for more frequent meetings will be reduced by both the proposed extended meeting period and the proposed closer liaison with National Committees).*

(viii) *In cases where items require immediate consideration the Chairman of the Subcommittee, together with the Sectional Chairman and Secretary will have the power to act on behalf of Members. Members are to be informed of decisions arising from such discussions and will have the opportunity to comment by correspondence, in which case the Chairman will be the final arbiter.*

(ix) *Minutes of Meetings to be prepared by the Sectional Chairman and Secretary and circulated as quickly as possible, prior to the (full) Conference.*

(x) *Meetings to be arranged for Sunday night or Monday morning prior to the Wool Committee Meeting to discuss Minutes and to endorse them together with any agreed amendments only.*

(xi) *Minutes and amendments, if any, to be presented to the IWTO Wool Committee by the Chairman of the Sub-committee.*

(xii) *Agenda items received late and also those items not resolved to be listed as "Outstanding Matters" as an Appendix to the Minutes. (Suggest that this will be beneficial for both the Wool Committee and the Sub-committee; particularly for Members unable to attend meetings)."*

Despite arguments to the contrary, Bray's Minutes recorded that it was finally agreed that:

- "*for matters requiring official IWTO approval, a recognised annual date be fixed for a Core Test Sub-committee meeting, preferably early in October*
- "*that Mr Bray discuss with IWTO officials the possibility of organising a one or two-day Core Test Sub-committee meeting during the IWTO Annual Conference."*

With respect to the 'Submission and Distribution of Documents', it was agreed that central control was necessary, and in this regard Bray reported that:

"*Any member initiating proposals should first submit them to the officers of the Sub-committee; in practice communications should first go to Mr Bray as Secretary. After consideration and approval of the officers, which would ensure that duplication of effort was avoided, it could be very helpful to the Secretariat if the member could furnish sufficient copies for circulation to all members. It would save much time if laboratories within a country or, in the case of the southern hemisphere those in Australia and New Zealand, could consult before submission of papers.*"

Regarding the suggested extension of the CTS-c's 'Functions' to include other greasy wool parameters, such as fibre diameter and tests on scoured, carbonised and other semi-processed wools, Bray stated that the Wool Committee's terms of reference for the Sub-committee did not go beyond examination of core testing for the determination of Clean Wool Content and Vegetable Matter in greasy wool, plus the consideration of processing allowances. He also stressed that other IWTO Technical Working Groups were already concerned with the measurement of fineness, regain, and the like. Finally, it was agreed that "… *for the time being at least, the Sub-committee should not extend its scope beyond the allotted task but concentrate on problems still associated with the determination of the yield testing of greasy wool by core testing.*" [56]

Upon receiving the Minutes, both John Downes and Norman Roberts wrote to Bray pointing out that his Minutes were incorrect in relation to the timing of CTS-c meetings. They each insisted that it had been agreed to adopt a standard practice whereby the meetings of the CTS-c Technical Section would be held just before the Commercial Section and the other commercial IWTO meetings, and that this would commence in 1969. Regarding Bray's proposal for an October meeting, they believed this was to be called only if it was essential to complete additional work. Bray responded by circular letter advising Members that he had now fully discussed the timing of meetings with the IWTO Secretary General, who had considered it desirable for the benefit of the overseas members for the Technical Section to meet approximately one week before the start of each Conference. Not to be outdone, Bray added that such meetings could only deal with technical matters not requiring decision/approval by the Wool Committee and IWTO Council in the same year. Clearly, Bray was unaware that the IWTO Secretary General had already responded positively to a letter from the ANC supporting the AWTA/CSIRO proposals. [57]

While not recognised at the time, Bray's view that Working Groups of the IWTO Technical Committee were more appropriate for the development of raw wool test methods raised a further obstacle for Southern Hemisphere participants, when it was discovered that from time-to-time these Working Groups held supplementary meetings outside the Technical Committee's official timetable.

Historically, IWTO had established the Technical Committee to consider specific issues for scientific investigation, and to facilitate communication between wool research institutes around the world. As the major funder of most technical projects undertaken by these institutes, IWS had allowed its Technical Director, Dr Eric Carter, to act as Secretary. They had also provided a translation service, whereby every technical paper was translated into English, French and German, to encourage full cooperation and interaction between wool textile researchers.

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[56] The Australasian participants reported that Bray seemed intent on retaining control and, by proposing an October Meeting, he had continued to ignore the difficulties faced by Southern Hemisphere attendees.

[57] History had proved that AWTA must attend both the CTS-c Commercial Section and Wool Committee meetings in January and May/June, so Bray's proposed meeting in October would have incurred the cost of a third overseas trip. With only a few of the proposals having been resolved, the next challenge was to have the remainder considered in detail, especially to facilitate greater interaction between the CTS-c Technical and Commercial Sections and thereby hasten the approval of new texts for Regulations and Test Specifications.

The Technical Committee's only regular contact with the IWTO commercial sectors was the presentation of a Chairman's Report to IWTO's General Assembly at each annual Conference. This lack of commercial interaction had allowed the Technical Committee to hold their main meeting in November/December, rather than at the end of January when all other IWTO Committees and Sub-committees met.

Perhaps their most important function was the conduct of a research forum, where technical reports were presented for peer review and IWTO endorsement for publication. Topics were divided into Physical and Chemical streams which met concurrently, with each stream establishing its own ad hoc Working Groups to study specific topics. Given that the technical staff of test houses like AWTA were involved in both streams, it was impossible to attend all meetings of interest, due to clashes of meeting times.

The 3 Working Groups of particular interest to AWTA and other Southern Hemisphere attendees were those developing test methods for 'Fineness of Loose Wool', 'Conditioning', and 'Fineness of Wool Tops'. Whilst participation in December would have been beneficial, the Authority had decided it was more important to attend the January meetings of both the CTS-c Technical and Commercial Sections, and to be available in Wool Committee Meetings to explain the significance of any recommended amendments to Core Test Regulations that might otherwise be delayed.

If AWTA also wished to participate in these Working Group meetings, they would either incur the cost of an additional overseas trip each year or leave their representative overseas for up to 10 weeks, including the Christmas/New Year holiday period. Whilst neither of these options was acceptable, the Technical Committee was unlikely to change their meeting dates.

From AWTA's viewpoint, the only viable course of action was to gather support for the CTS-c's terms of reference to be expanded officially to cover all tests conducted on raw wool. To this end, Ward presented the case for change to all the technical organisations that would benefit from consolidation, which included the major test houses, CSIRO, WRONZ and other institutes interested in core testing.

Having also gained the support of Holsboer and Bownass, he visited all key members of the CTS-c Commercial Section before their forthcoming meeting, to ensure that they were aware that the test specimens used for fibre diameter tests were drawn from the scoured and dried subsamples also being tested for yield. Being so intrinsically linked, both test methods must be the responsibility of the same single working group and, logically, this must be the CTS-c, whose membership include all test houses, wool testing research institutes, and commercial delegates appointed by National Committees. However, a move in this direction was certain to be opposed by the Technical Committee Chairman, who was already concerned that the CTS-c Technical Section reported directly to the Wool Committee, rather than being one of his Working Groups. [58]

Despite strong commercial support, the Technical Committee thwarted the move, albeit temporarily, by announcing that Bownass would represent the CTS-c as an official member of the 'Working Group on Fineness of Loose Wool', chaired by S Deli of Laboratoire d'Essais, de Controle d'Analyses et de Reserche Industrielles de Mazamet (LECARIM) in France.

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With the Authority Members having agreed to AWTA issuing fibre diameter Certificates based on the IWTO Method, it was now urgent to finalise those testing procedures. Urgent action was also important because the AWTA and CSIRO had recently proved that fineness test results on scoured core samples would be biased if the Airflow instruments used were calibrated using standard full-length tops. This bias did not occur when the standard calibration tops were cut into core sample lengths and then carded by hand to randomise their fibre orientation. The critical issue was to ensure that the calibration tops and test samples were measured in the same physical state.

Although this finding had been reported to Deli's Working Group via Bownass, it had been ignored. Arrangements were made for the Authority to receive the Working Group meeting papers to enable participation by correspondence. At the Working Group meeting, Bownass and James supported AWTA's recommendation, urging the group's laboratory members to conduct trials comparing both calibration

[58] The loss of his Fineness and Conditioning Working Groups would mean that some of his venerable colleagues would lose their Working Group Chairman or Secretary status - not to mention their travel opportunities.

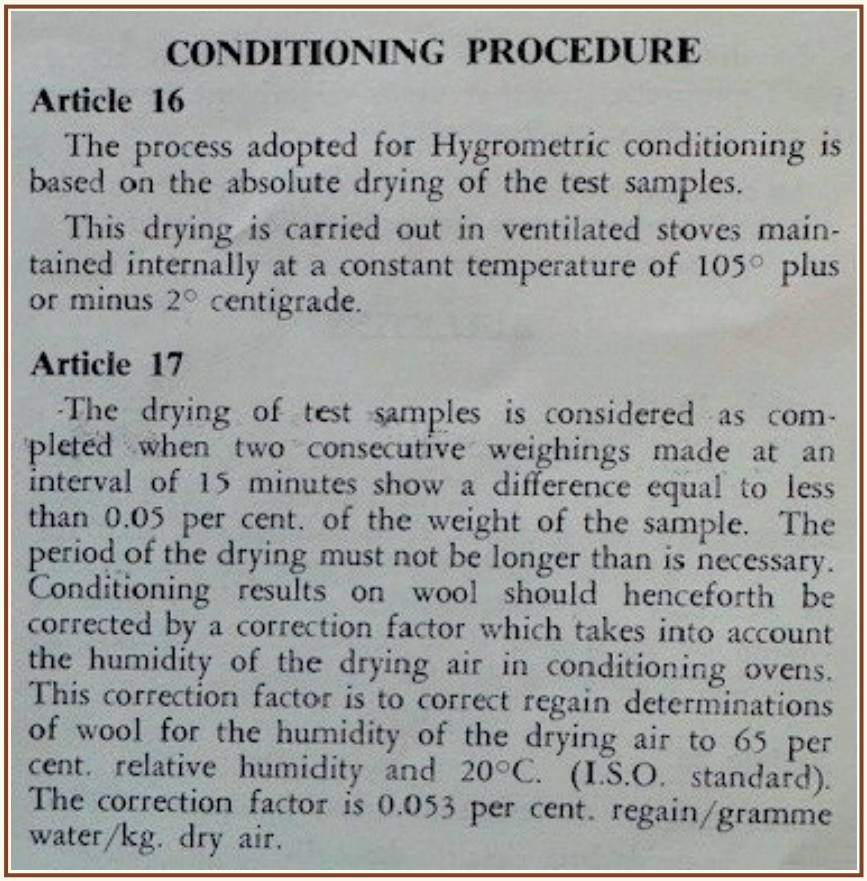
preparation methods. When these trials confirmed the AWTA/CSIRO findings, the new calibration procedure was endorsed by Deli.

Subsequently, IWTO approved the recommendation from both the CTS-c Technical and Commercial Sections for the Airflow method developed by AWTA/CSIRO to be issued as an *"IWTO Draft Tentative Test Method*" - a new category created to standardise its practical use by all laboratories. By so doing, they had recognised indirectly that the CTS-c was the appropriate body to develop and regulate all raw wool test methods.

However, any move to transfer condition testing to the CTS-c would face strong opposition from a different quarter, namely the Union of Public Conditioning Houses, whose members held a special status within IWTO. Not only had they automatically been granted the highest official listing status by IWTO, without any independent assessment of their operations, they also chaired and dominated the Working Group on Conditioning and only allowed non-members of the Union to attend their meetings as Observers.

There was an urgent need to prepare a comprehensive Condition Test method for inclusion in the IWTO 'Red Book' of Specifications and, as the CTS-c had done for greasy wool tests, there was a similar need for the IWTO Conditioning Regulations to be expanded, especially to include instructions for test houses issuing IWTO Conditioning Certificates.

Inevitably, the Union's dominance started to weaken when WRONZ, CSIRO and the major test houses drew attention to the fact that there was no IWTO test method, except for the following 2 short paragraphs included in the IWTO Conditioning Regulations.



CONDITIONING PROCEDURE

Article 16

The process adopted for Hygrometric conditioning is based on the absolute drying of the test samples.

This drying is carried out in ventilated stoves maintained internally at a constant temperature of 105° plus or minus 2° centigrade.

Article 17

The drying of test samples is considered as completed when two consecutive weighings made at an interval of 15 minutes show a difference equal to less than 0.05 per cent. of the weight of the sample. The period of the drying must not be longer than is necessary. Conditioning results on wool should henceforth be corrected by a correction factor which takes into account the humidity of the drying air in conditioning ovens. This correction factor is to correct regain determinations of wool for the humidity of the drying air to 65 per cent. relative humidity and 20°C. (I.S.O. standard). The correction factor is 0.053 per cent. regain/gramme water/kg. dry air.

IWTO Conditioning Regulations

Finally, the IWTO Management Committee determined that the CTS-c would be responsible for all tests conducted on core samples and it was renamed the Raw Wool Certification Sub-committee (RWCS-c).

By way of compromise, it was agreed that all Test Specifications for raw wool must be approved by the Technical Committee before being accepted for inclusion in the IWTO 'Red Book', whereas the approval of IWTO Regulations remained a function of the RWCS-c Commercial Section and the Wool Committee.

18. FUTURE OF AWTA TEXTILE TESTING IN THE BALANCE

"*It is unreasonable for the Board to expect the Textile Section to operate profitably while it insists that we only test pure wool products. The Act does not define 'wool products' so narrowly.*" [Dr Steadman urging Ward to challenge AWB Policy – March 1968]

While David Ward was focusing his attention on plans for the growth and future development of AWTA's raw wool testing services, Bob Steadman was required to draft the equivalent Long-Range Plan for the Textile Testing Section. His review of current trends confirmed that 56% of the total income was from Woolmark and product development testing for AWB, a further 37% was generated from fibre testing of raw wool, and the balance of only 7% was derived from the textile trade. During the 12 months after the Woolmark scheme was launched, AWTA had enjoyed a sustained surge in 'acceptance testing' to assess whether wool products met the required quality standards, but this had then fallen to a level of testing for monitoring purposes only. AWB staff felt responsible for AWTA's Textile Section being over-equipped and, as a short-term measure, they agreed to increase their budget for product development testing. However, in practice this testing was concentrated in the first 3 quarters of each financial year, and it then practically ceased as the budget ran out.

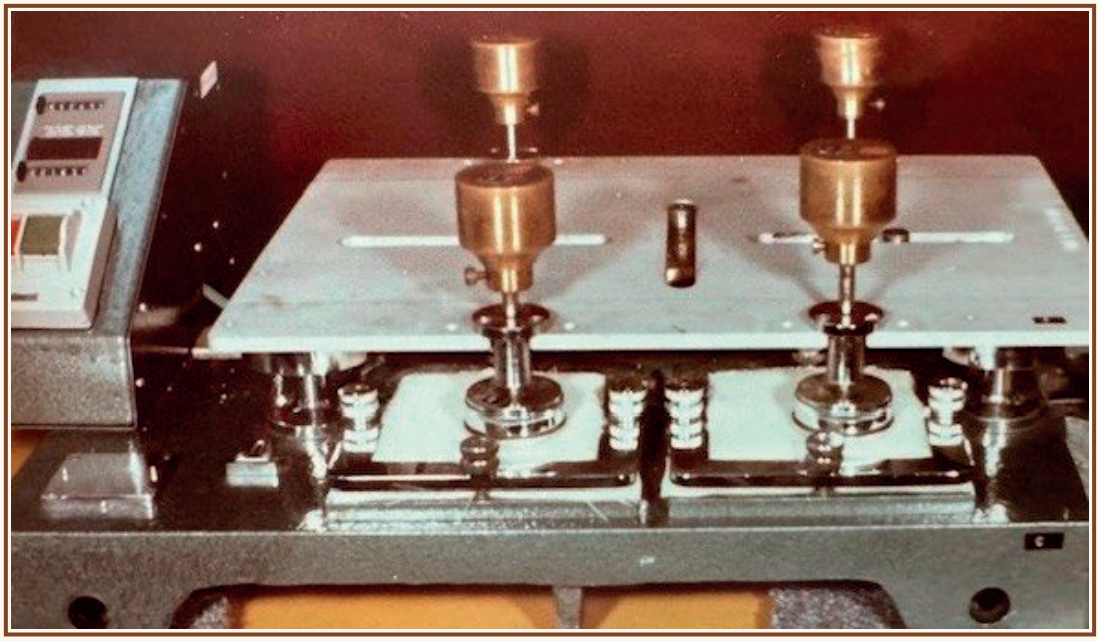
The only potential sources of new business were companies engaged in textile manufacturing and retail, which Steadman had been targeting with limited success. When contacting these potential clients, he became convinced that the Board's restrictions on testing of wool blends must be removed completely for there to be any chance of increasing income. He considered it quite unreasonable for the Board to expect the Textile Section to operate at a profit, without allowing him the commercial opportunity to chase business in the textile clothing and carpet industries, where wool blends were becoming increasingly dominant over pure wool. Frustrated, he recommended that this issue be brought to a head before he wasted any more time developing a plan for a future that might not exist.

Instron Instrument purchased at AWB request for Woolmark assessments of tensile strength

The future of the Textile Section was debated extensively at the Authority Meeting in March 1968, when Members expressed their doubts about its commercial viability and discussed options for its closure. In this regard, they noted that the facilities for fibre diameter, fibre length and other tests on raw wool, semi-processed wool and tops must be retained, but textile testing per se could be transferred to AWB's laboratory in Geelong or to other laboratories such as Melbourne College of Textiles, the Gordon Institute of Technology and/or the School of Textile Technology at UNSW.

Members agreed that Ward must discuss this situation with AWB's Technical Director, Farnworth, as a matter of urgency. Further, they resolved to advise the Board that they would only continue operating this unprofitable section for as long as the Board was willing to cover the losses incurred, or until the Board offered a counterproposal achieving a similar outcome.

To reduce losses, AWB's approval would be sought to sell redundant equipment at or around their total book value of $18,000 with AWB being given first option to purchase.



Martindale Abrasion Tester for fabrics

When the AWB discussed this matter in April, they agreed that Ward and Farnworth would prepare a joint paper on the subject, including options for handling and testing Woolmark products. Their submission headed 'Submission on the Future of the AWTA Textile Testing Section' was endorsed by the Authority on 10th May 1968 and forwarded to the Board for a final decision. Key points in the submission were that:

- the volume of Woolmark testing had never reached the level projected by the Board, when it had asked the Authority to expand and relocate its textile testing in a new rental property;
- AWTA's approaches to the wool textile and clothing industries had met limited responses, as the more enlightened companies had installed their own quality control testing facilities, and the rest only showed interest when they had a specific problem;
- there appeared to be an expanding carpet testing market, but only a small share came to AWTA because clients invariably required comparative reports on a range of carpet types including pure synthetics, whereas AWTA could only test the pure wool part of the carpet range; and
- there were 4 possible courses of action, each of which had merits and demerits, namely:
    - to close down the textile testing section completely;
    - to discontinue public testing activities and transfer facilities to the AWB;
    - to continue operating the textile section charging the Board at cost; and
    - to continue operating the existing public textile testing facilities.

The pros and cons of each option were discussed in detail, leading to the following conclusion:

"*It is recommended that the Australian Wool Testing Authority should continue its operations of the public textile testing facilities.*

"*In view of the Board's original request for the AWTA Textile Testing facilities to be expanded and the recent request for the Authority, as a whole, to be placed on a commercial basis, it is further recommended that the Board write off Plant & Machinery, Building Alterations, Laboratory Fittings, Office Machines etc., originally costing $79,082, at its written-down value as at 30th June 1968, thereby relieving the Authority of depreciation charges of $13,035 per annum.*"

The specific commentary relating to this option was recorded as follows:

"*Although it could be argued that the profitable operation of a public testing laboratory is not a proper function of an organisation such as the Australian Wool Board, of which the AWTA is a part, there are obvious advantages in continuing the testing service. In particular, the Authority constitutes a potential source of information about properties and trends in pure wool, blends and non-wool textiles, which might not be so readily obtained from other sources. Further, the Authority can employ testing apparatus and issue reports interpreting results in a manner which does not discriminate unrealistically and/or unfairly against wool.*

"*The availability of testing facilities closely associated with the Board affords close control over testing, flexibility, and ease of obtaining priority treatment for urgent testing.*

"*It could also be argued that the existing facilities should be maintained, since other fibre producers operate a free testing service for the benefit of their customers and for quality control on products made from their fibre. By comparison, the Board has the advantage of claiming technical independence for its testing service.*

"*However, the present situation involves three factors which are considered to be incompatible:*

(i) operation as a public testing house

(ii) the need to operate profitably

(iii) scope for testing is restricted to a small range of textile products and prohibits testing of textiles even where these do not compete with wool.

"*Assuming that it is desirable to maintain the public testing laboratory image, the present problems can be resolved either, by waiving the necessity for this section to return a profit or, by removing all restrictions on products that may be tested. This latter question has been debated on previous occasions by the Board which has consistently refused to accept the risk that the Board may find itself supplying test reports which may influence wool users to turn to blends.*

"*However, it is difficult to assess whether outside parties associate the Authority with the Board.*

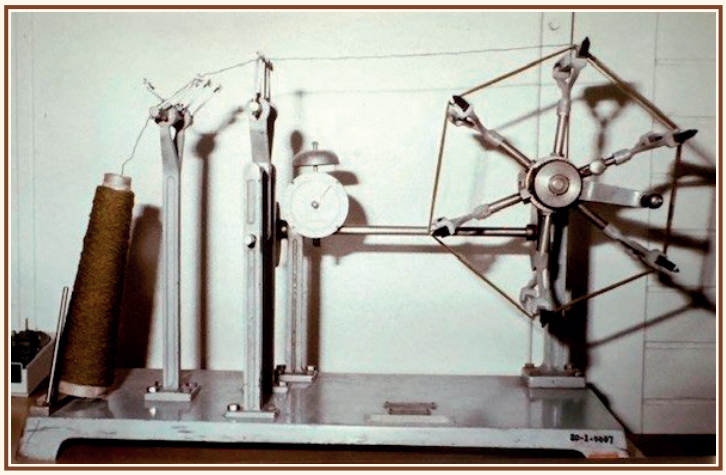
"*If all three of the above factors are to be retained and reconciled, special consideration could be given to offsetting total capital cost (or depreciation) in this section.*

"*The total capital cost, as outlined previously, has been $79,082 with an annual depreciation of $13,035. If either of these charges could be eliminated, the textile section could achieve profitability. Another alternative would be to continue showing depreciation charges as a cost but to ignore these when assessing the section's profitability. From an accounting point of view, this last alternative may be preferred as it reflects the true position. However, it does not represent any significant change from the current position.*

"*It is therefore suggested that the Board should consider offsetting the capital costs.*"

In a letter advising the Board that AWTA would accept this solution, Yeo reiterated that the Authority remained convinced that the longer-term profitability of the section was dependent on removing all restrictions limiting AWTA to testing only pure wool products. Notwithstanding, AWB decided that the prohibition on testing blends to remain in place to protect the 'Woolmark' programme. However, they did acknowledge the impact of this policy on the Authority's profitability and agreed to make an annual cash contribution of $13,000. While this outcome facilitated Steadman's drafting of the Long-Range Plan for Textile Testing, he was so disappointed at not being able to grow the business that decided to resign and seek employment elsewhere. Shortly thereafter, he accepted appointment as Associate Professor of Textiles at the University of Manitoba, Canada, and tendered his resignation to be effective from 26th July 1968. However, when his departure from Australia was delayed for several weeks, he was retained part-time to provide technical advice to the new incumbent.

Applications to fill the vacancy closed on 10th July, after which Fred Alexander was appointed as Textile Supervisor commencing on 12th August 1968. He had been the Textile Development Manager for a synthetic fibre manufacturer, Fibremakers Ltd, making it almost certain that the AWB's policy constraints on blend testing would again be challenged, particularly in relation to carpet testing where wool-rich blends were being recognised for their superior all-round performance.



Wrap Reel used to prepare yarn for Linear Density testing

The future of the Textile Section again came into question some 3 years later, when the Authority was considering the 1971/72 Budget. Members were concerned that the profitability of the Textile Section was falling again.

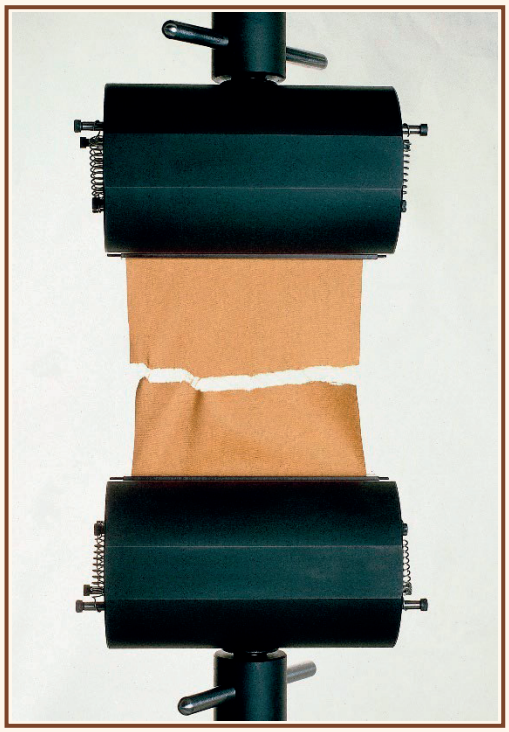
Accepting that the only potential source of growth was in carpet testing for wholesalers and architects, which was still being held back by the AWB's policy on blend testing, the Authority Members resolved to:

- recommend that the Board allow AWTA to test materials other than wool and wool products;
- request payment of the final $13,000 contribution to offset depreciation costs incurred at the Board's request when Woolmark testing had commenced; and
- if these were rejected, to close the Textile Section and seek AWB compensation for future rent until the current lease expired, thereby ensuring that the cost was not borne by raw wool testing.

In response, the Board approved the $13,000 payment and agreed to request DPI to add the testing of non-wool products to the Authority's functions, when the Wool Industry Act was next amended.

While seeking new business, Fred Alexander had found that Government agencies and most major retailers would prefer to use laboratories that were registered by the National Association of Testing Authorities (NATA). With the Board allowing testing of non-wool products, the Textile Testing Division successfully applied for registration for both Mechanical and Chemical Testing of Textiles.

Colour Fastness to UV test



Breaking strength test

19. INTERNATIONAL LIAISON STRATEGY PROVES EFFECTIVE

"*The Japanese mills are committed, signs are good in Korea, Taiwan and India and Pat McGilvray is confident of increased support in the UK and Europe. The budgeted income is probably now too low.*" [Mansfield's advice to Ward on returning from overseas – June 1968]

Having decided that overseas liaison would be undertaken by AWTA staff rather than by representatives, the Authority had agreed that Pat McGilvray would visit overseas wool buyers and users over a period of 14 weeks, commencing in April 1968. With most of his time to be spent in Europe, it was beneficial to include the Montreux Conference in his itinerary, as he would be able to meet more potential clients there and also follow-up discussions with people he had met previously. Simultaneously, the Authority had approved another liaison trip for Murray Mansfield to visit Japan, Taiwan and Korea, commencing earlier in April. Now having 6 years' experience with AWTA, he was well qualified to deputise for Ward at a scheduled meeting with the State Trading Corporation (STC) in India, which was on the verge of requiring all Australian wool imports to be core tested.

Mansfield returned from his overseas trip buoyed by the reception he had received and assurances of increased testing, so much so that he was confident that the Authority's budgets had underestimated the growth in demand for greasy core test Certificates. In Japan, the IWS Director for Asia, Ken Clarke, had again arranged for his staff to make appointments and act as interpreters when required. After making courtesy calls at the JWSA and JWIA offices, where both Associations endorsed his visit and offered full cooperation, Mansfield visited a total of 22 mills and 24 importers' offices located across Nagoya, Ichinomiya, Toyohashi, Osaka and Tokyo.

EXTRACT FROM OVERSEAS VISIT REPORT

"*The volume of wool tested by AWTA for Japan in the 1967/68 season increased rapidly. Some mills are testing large quantities and, following discussion, have indicated an intention to increase. Others had conducted small trials and welcomed discussion on the results. Any hesitations they may have had to increase the percentage of purchases have now been eliminated and as a result we may expect large increases from this section of the trade.*

"*Other mills that have been watching industry reaction and have studied testing over the past year, raised any doubts during my visit and indicated their intention to start trials or test on a large scale. There are only a few mills where AWTA testing may be limited.*

"*The importers state that 90% of mills now specify AWTA when issuing orders. The only serious complaint made by all importers was the delay in issuance of results. It was therefore necessary to describe the broker problem.*

"*All companies visited showed great interest in fibre diameter testing and it is anticipated that this type of test will become very popular over the next few years.*"

In Taiwan, Mansfield addressed the Taiwan Regional Association of Woollen Textile Industries, where he explained recent testing developments and also promoted the use of AWTA's Conditioning Certificate and Textile Testing services. He also held individual meetings with the 3 local mills and all the importers supplying greasy wool to Taiwan. During those discussions, he was informed that:

- Chuwa Wool Industry had tested large quantities with AWTA and would test more this year;
- a recently established mill, Fengtar Wool Industry Co Ltd, intended to buy all wool on the basis of AWTA Certificates;
- Reward Wool Industry Corporation had not yet used testing, but might now conduct trials; and
- all importers were happy with AWTA's performance, except for the sampling delays, and were actively encouraging Reward to start testing.

The visit to Korea was AWTA's first direct contact with wool users in that country. As had been the case for Campbell's and Mansfield's initial visit to Japan, IWS staff in Japan prepared an itinerary and arranged all appointments. Due to IWS' high standing in the East Asian region, Mansfield was able to meet the top decision-makers in the Korean industry.

At each of the 4 mills visited, there was great interest in the technical basis for yield and fibre diameter testing, which then facilitated discussion of the potential processing benefits to be gained. Following these visits, Mansfield was able to report that:

- Dae Han Wool Textile Industrial Co Ltd would test all purchases in the coming year;
- Kyung Nam Woolen Textile Co Ltd had just made their first greasy wool purchase, for which their sole supplier had provided AWTA Certificates, and they would now have all purchases certified by AWTA;
- Hankuk Wool Textile Co Ltd would have their first wool topmaking plant operational within 6 months and would then buy greasy wool on the basis of core tests by AWTA; and
- the largest mill, Cheil Wool Textile Industrial Co Ltd, made their purchases through only one supplier, enabling them to buy on a 'mill result final' basis and make claims for any underyields obtained; however, they would consider specifying fibre diameter tests in lieu of quality numbers in their contracts, and use AWTA yield Certificates if/when they had multiple suppliers.

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On his arrival in India, Mansfield received excellent assistance from the Australian Trade Commissioner in New Delhi, who provided advice regarding the general role of the State Trading Corporation (STC). He then met the IWS Director for India, who explained that the STC had been given control over all wool imports by Indian companies, despite opposition from the powerful members of the Indian Woollen Mills Federation. Fully briefed, his meeting with the 3 senior executives in the Wool Division of the STC was mutually beneficial. They were now very interested in developing a standard purchase contract based on objective test specifications, since they believed that the current subjective descriptions were allowing Australian sellers to deliver inferior wools to India's disadvantage. This allowed Mansfield to describe the technical basis and commercial benefits of using AWTA's services. After further discussion, they announced that key STC staff would be sent to Australia soon, to continue these discussions and inspect the Melbourne laboratory, following which they expected to mandate that all importers must supply AWTA Certificates to them for every purchase.

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Pat McGilvray undertook his comprehensive 14-week liaison programme from late April to early August 1968. The off-season period had been selected to coincide with the major Australian wool buyers' visits to overseas principals, thus improving the chances of their participation in meetings to confirm and help explain the Authority's services. En route to Europe, he had also visited existing and prospective clients in most countries known to be significant buyers of Australian wool. [59]

His modus operandi was to make appointments with the most senior executives available at each company, to ensure they were fully conversant with AWTA and its services. To facilitate discussion, he provided a copy of the new international brochure and tabled detailed comparisons of testing charges for AWTA and its competitors. In cases where companies were already known to use AWTA services, his visits enabled them to raise and discuss any complaints, such as the sampling delays, and to seek clarification of any statements being made by WTS Ltd about AWTA. Many technical questions were answered on the spot, but those requiring more complex answers were passed back to Australia for Ward and/or Charlton to handle, often sending relevant educational material with their responses. After each meeting, a letter was sent to each company expressing AWTA's appreciation for their frank discussion and enclosing the latest bulletin on 'Wool Fineness Measurement at AWTA'.

In his formal report to the Authority, McGilvray recorded the following conclusions:

- "*The visits have confirmed my confidence in the future growth of wool testing.*
- "*Further, the visits have consolidated, encouraged and/or gained positive support for the use of AWTA services.*

[59] In total, McGilvray visited 120 individual companies across 22 countries, where he engaged in detailed discussions with some 350 executives. The countries and total number of companies visited in each were Pakistan (3), Iraq (2), Iran (1), Israel (1), Turkey (7), Bulgaria (2), Yugoslavia (2), Romania (2), USSR (1), Poland (2), Czechoslovakia (1), Hungary (1), Italy (19), Spain (2), Portugal (2), France (17), Belgium (8), Germany (10), Denmark (2), Netherlands (4) and UK (22). Many useful follow-up discussions were also held during the IWTO Conference in Montreux.

- "*Degrees of knowledge of the AWTA were found ranging from absolute ignorance of its existence to complete satisfaction with service. Statements associated with the above positions were on the one hand – "Now AWTA, that is Bunt's show", or "AWTA, that is Basil Ferns' crowd" (indicating previous public relations efforts by each of the above on behalf of their Houses).*
- *On the other hand, statements such as "We will continue to use AWTA services and you can tell the Director we are now 100% AWTA" indicated good service in the past, and effective trade relations at the present.*
- "*Direct liaison as carried out between AWTA and overseas mills and wool buying principals is a necessary part of the Authority's activities.*
- "*It is considered that the International Wool Textile Organisation Conference is an excellent location for such liaison and that timing liaison to coincide with the off-season for wool selling in Australia is extremely beneficial, because of the opportunity to combine liaison with Australian executives and their overseas principals.*
- "*There is intense interest in the technicalities of mean fibre diameter measurement. Further, there is also a demand for an examination of the relationship between mean fibre diameter measured in the raw wool and mean fibre diameter of the same wool measured in the top.*
- *So great is the demand for this information that it is considered that AWTA would gain prestige with both wool buyers and wool users if they were to undertake the research.*"

IWS' willingness to assist the Authority internationally, excluding direct promotion of services, had contributed greatly to the efficiency and success of McGilvray's visits. Whilst the involvement of highly respected IWS staff had enhanced AWTA's credibility, those who acted as interpreters had also gained valuable knowledge about the production end of the wool pipeline, which raised their profiles in the eyes of the mills and manufacturers with whom they had contact.

When IWS Managers reported these reciprocal benefits to Vines, he contacted Ward to express his appreciation for the way in which AWTA staff had developed the AWTA/IWS relationship, and to assure him that any future requests for assistance would be received favourably.

AWTA International brochure
(Opening the red plastic cover, reveals the answer!)

20. DEBATE ON BROKERS' CHARGES & COLLECTION ESCALATES

"*… the 1967/68 handling charges and methods of collection are to continue. Test houses will not be able to collect or pay Brokers' invoices for these charges. You are requested to advise your members not to invoice test houses.*" [Message to NCWSBA – AWTA Minutes August 1968]

When the Authority met on 19th July 1968, they were informed that the NCWSBA intended to increase the handling charges for core sampling, and that they expected test houses to pay those charges. Regarding both matters, NCWSBA claimed the right to make the decisions without prior reference to the test houses, the buyers or to AWB. The Authority Members considered this unilateral action to be unwarranted, and that any increase in cost at this time would seriously affect the demand for testing. Regarding the charge increases, they noted that many brokers had not yet implemented the agreed 6 actions to improve productivity and, consequently, the costing should not be undertaken until that was done. Ward was asked to prepare a report on the issues for the next Authority Meeting in August. When these views were reported back to Bill Williams, Secretary of NCWSBA, he tried to pre-empt debate by notifying the Authority in writing, only 7 days later, that the Annual General Meeting of his Council had decided that:

"*All charges raised by selling brokers for work done on behalf of core testing organisations will be debited to the respective organisation, which will reimburse individual Brokers for the full cost of work done on its behalf.*

"*The following charges will apply as from the resumption of sales on 20th August 1968:*

1. *Coring of wool without bale movement, either in stacks or on show floors, without store assistance other than provision of location details – no charge.*
2. *Breaking out wool for coring only, adjacent to stacks – 35 cents per bale.*
3. *Breaking out, assembling at central points on each floor for coring and weighing – 65 cents per bale.*

"*It was also agreed that certain rules would be followed relating to core sampling, and these are repeated for your information:*

(a) *Bales to be made available within 48 hours of receiving requests for access to core and testing staff to make themselves available within this period.*

(b) *Bales for coring and weighing to be located at central floor points and clock or direct reading scales to be provided.*

(c) *Bale brands etc. to be visible.*

(d) *Adequate labour to be provided by the Store and Testing Service concerned.*

(e) *All shipping orders to be stamped in red in lower left-hand corner – 'Wool to be Core Sampled'. This notation supercedes any delivery instructions, unless it is withdrawn in writing by the buyer.*

(f) *Testing staff to leave with each Broker a list showing details of samples drawn.*"

Williams sent a further letter on 1st August correcting an omission by stating:

"*I have now been instructed to inform you that a charge of 50 cents per bale will apply for breaking out, coring and weighing during the 'delivery flow.*"

Upon receipt of these letters, Ward contacted WTS to verify whether they were collecting brokers' charges, as reported by Harry Roberts at the previous Authority Meeting. Before any exchange of views, Westmore declared that WTS had no intention of collecting the charges in future and would support any actions that AWTA might take to oppose charge increases. By way of explanation, he confirmed that WTS had paid both handling and coring charges, but only to those brokers who were acting as their sampling agents. However, they had found the accounting aspects to be extremely time-consuming and very difficult to control. Furthermore, when NCWSBA had recently raised the collection issue, WTS had done a costing which estimated the cost as 5 cents per bale. More recently, brokers in WA and SA had found the arrangement to be so messy that they had reverted to debiting charges directly to buyers, and Westmore now expected that discussions he was about to have in Qld and NSW would reach the same conclusion. As for Victoria and Tasmania, WTS had never collected the brokers' charges or used them as agents.

Westmore was adamant that NCWSBA had no legal basis to enforce their decision. In his view, test houses were engaged by buyers and matters regarding handling charges should be negotiated between brokers and them. Nevertheless, WTS would collect brokers' charges for a profitable fee, but they would not accept responsibility for bad debts under any circumstances.

For the August 1968 Authority Meeting, Ward and Mansfield produced a detailed paper headed 'Report on Recent National Council of Wool Selling Brokers' Decisions Relating to Charges for Handling Core Test Wools', which included:

- the history of relevant decisions recorded in AWTA Minutes since 1957, which proved that AWTA had repeatedly been informed that brokers would debit handling charges to the company requesting the test - not to the Authority;
- a 1966 record confirming that NCWSBA had accepted that AWTA had minimal accounts staff and could not be held responsible for bad debts, thereby acknowledging that brokers were in a much stronger position to recover charges promptly than were the test houses;
- a 1967 analysis showing that the average number of debit notes from brokers per test Certificate was then 14, all of which must be reconciled individually before payment;
- details of other broker services charged on a per bale basis, which showed that the core test handling charges were already too high by comparison; and
- a list of all pre-conditions to be accepted by individual brokers and enforced by the NCWSBA, in the unlikely event that Test Houses did agree to collect charges for a profitable fee.

At this Meeting, Roberts was unable to justify the increases of 30% and 43%, for presenting bales within 48 hours and in the 'delivery flow' respectively, but he now accepted that NCWSBA had underestimated the accounting complexity involved. On his suggestion, the Authority agreed that the NCWSBA be advised that the following decisions had been agreed unanimously:

"*A meeting of Brokers, Buyers and Test Houses will be convened by Mr R H L Roberts on Friday 30th August 1968 to consider the National Council of Wool Selling Brokers' decisions relating to charges for handling core test wools. The Authority would be represented by Mr Wallace, Mr Nevile and Mr Ward. Mr Mansfield would also be in attendance.*"

Notwithstanding this action, the Authority Members representing the AWB and the DPI, Sandy Nevile and Al Wallace respectively, urged Yeo to refer these matters to the Board, since one of AWB's principal responsibilities under the Wool Industry Act was to oversee wool industry costs for the benefit of wool growers. Yeo agreed to do so, as soon as the draft Minutes were available. Less than a week later, Williams sent a letter to the Authority advising that wool selling brokers would continue to collect their own charges from buyers for the time being, since it was not possible to fix a meeting date to suit all parties. However, the letter stressed that this deferral "… *in no way prejudices this Council's decision that Test Houses, in principle, should be responsible for collecting Brokers' handling charges."*

By that time, the Wool Board's Secretary had received Yeo's covering letter, the AWTA Minutes, and the detailed report prepared by Ward and Mansfield. When the Board met on 6th September, they were critical of NCWSBA's *fait accompli* attitude and the fact that the new selling season had started without buyers being advised of the charge increases. They were even more concerned to learn that the cost of invoicing buyers for handling charges and reimbursing brokers was estimated to be in the order of $35,000 per year. Consequently, the Board resolved:

"*That a letter be written to the National Council of Wool Selling Brokers, expressing the Board's extreme concern at the notification received by the Australian Wool Testing Authority regarding the increase in Brokers' charges, the letter to point out that the Board could find no documentary evidence either for the existing charge or for the proposed increased charge; further that the Board would welcome a meeting at the earliest possible moment with representatives of the National Council of Wool Selling Brokers.*"

"*That the Australian Wool Industry Conference be advised of the action taken by the National Council of Wool Selling Brokers to increase handling charges for core testing; full details to be provided to the Conference, together with a copy of the Board's letter to the Brokers requesting an early meeting; Conference to be advised that the Executive of the AWIC would be kept informed of developments.*"

"*That the letter sent by the Board to the National Council of Wool Selling Brokers and the Australian Wool Industry Conference point out the effect on the cost of running the Authority if the Authority was required to collect charges.*" [60]

At the next Authority Meeting, when Roberts expressed NCWSBA's concern at AWB's decision to intervene in what they considered to be a matter between the test houses and the brokers only, Al Wallace informed him that he had been present at the AWB meeting and could assure him that the Board's decisions were pursuant to their responsibilities to wool growers and AWIC regarding costs.

At this point, the new Member representing buyers, Colin Stagg, reported that both the Vic & SA and the WA Buyers' Associations had written to their local brokers opposing any charge increases, although the federal ACWB had not yet taken a formal position. Regarding the charge collection issue, he advised that all 3 constituent State bodies of the ACWB were now in favour of test houses recording the handling charges on test Certificates. Given that buyers were AWTA's largest client group, the Authority urged management to seek a mutually beneficial compromise that must be acceptable to Commonwealth Audit. To this end, the Authority should offer full cooperation at the Board's proposed meeting.

The new NCWSBA Chairman, Arthur Dunstan, responded to Sir William Gunn setting out the brokers' justification for their decisions and accepting the invitation to meet representatives of the Board and the Authority. His letter did not mention buyers' representatives and they were not invited to attend. The AWB/NCWSBA/AWTA meeting was held on 7th November 1968.

At the Board's request, Ward had provided the AWB representatives with folders containing all relevant papers and correspondence. The AWB Members were Sir William Gunn, David Campbell (a wool buyer), Sandy Nevile (a wool processor), Claude Renshaw and Don von Bibra (both large woolgrowers), thereby covering a broad cross-section of interests. The Authority was represented by Ward and Mansfield.

Initial discussions focused on the performance issues identified by AWTA's Australia-wide survey, which Dunstan confirmed were already being addressed positively by NCWSBA. Moving on to the main issues, the brokers stated immediately that none of the matters surrounding handling charges were negotiable, and that their costings would not be disclosed or referred to AWB, or any other third party, for independent assessment. Furthermore, brokers wanted the previously proposed Broker/Buyer/Test House Sub-committee to review the charge collection procedures. Ward offered AWTA's cooperation on a without prejudice basis, provided that WTS also agreed to participate.

Prior to this tripartite Sub-committee meeting, AWTA and WTS discussed the various collection problems experienced by WTS. Westmore advised that the factors causing the worst complications and cost were the lack of standard Australia-wide definitions for each type of handling service, the lack of standard documentation, prolonged delays in receiving the last of the many individual broker's invoices for each Test Certificate, and the fact that charges varied across States and across brokers.

The meeting was held on 24th January 1969, chaired by Harry Roberts, with the attendees being Yeo, Ward and Mansfield (AWTA), Westmore and Brown (WTS), Williams, Harwood and McNabb (NCWSBA) and Stagg (ACWB). When Westmore was invited to comment on WTS' experience, being the only party present to have faced the practical problems of charge collection, he recounted the issues previously discussed with Ward.

During subsequent discussion, it became clear that the critical problem was the existence of variable charge levels, which meant that the test house could not provide the single invoice required by buyers until the last broker's invoice had been received and checked. This delay prevented the charges from being shown on test Certificates, as required by buyers to facilitate sharing of total testing charges with their customers.

The meeting noted that the alternative, whereby test houses could invoice buyers progressively as/when individual brokers' invoices were received, would be extremely inconvenient and costly for all parties. Consequently, it was agreed that having clearly defined standard charges was an essential prerequisite.

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[60] The Board's decision to escalate this matter to the AWIC was an astute political move, since the AWIC was the peak body representing woolgrowers - the direct clients of brokers. Fundamentally, the NCWSBA would not want to engage in a conflict over charges, particularly now that several influential growers were interested in having their own wool clips tested.

To avoid any ambiguity and optimise efficiency, it was also agreed:

- to survey the buying trade to determine the maximum acceptable delay for brokers to present bales to a test house after receiving the request for a sampling appointment;
- in the light of that survey's findings, to define the test houses' requirements for access to and the presentation of bales for coring and weighing; and
- to establish a standard level of broker performance as the basis for determining the various handling charges.

Referring to his accounting experience, Lindsay Yeo expressed his confidence that the test houses would be able to establish a streamlined system for charge collection based on these points. He believed that brokers' administration costs would be reduced and, for the benefit of the industry, he hoped that those savings would be reflected by way of a reduction in the brokers' handling charges. [61]

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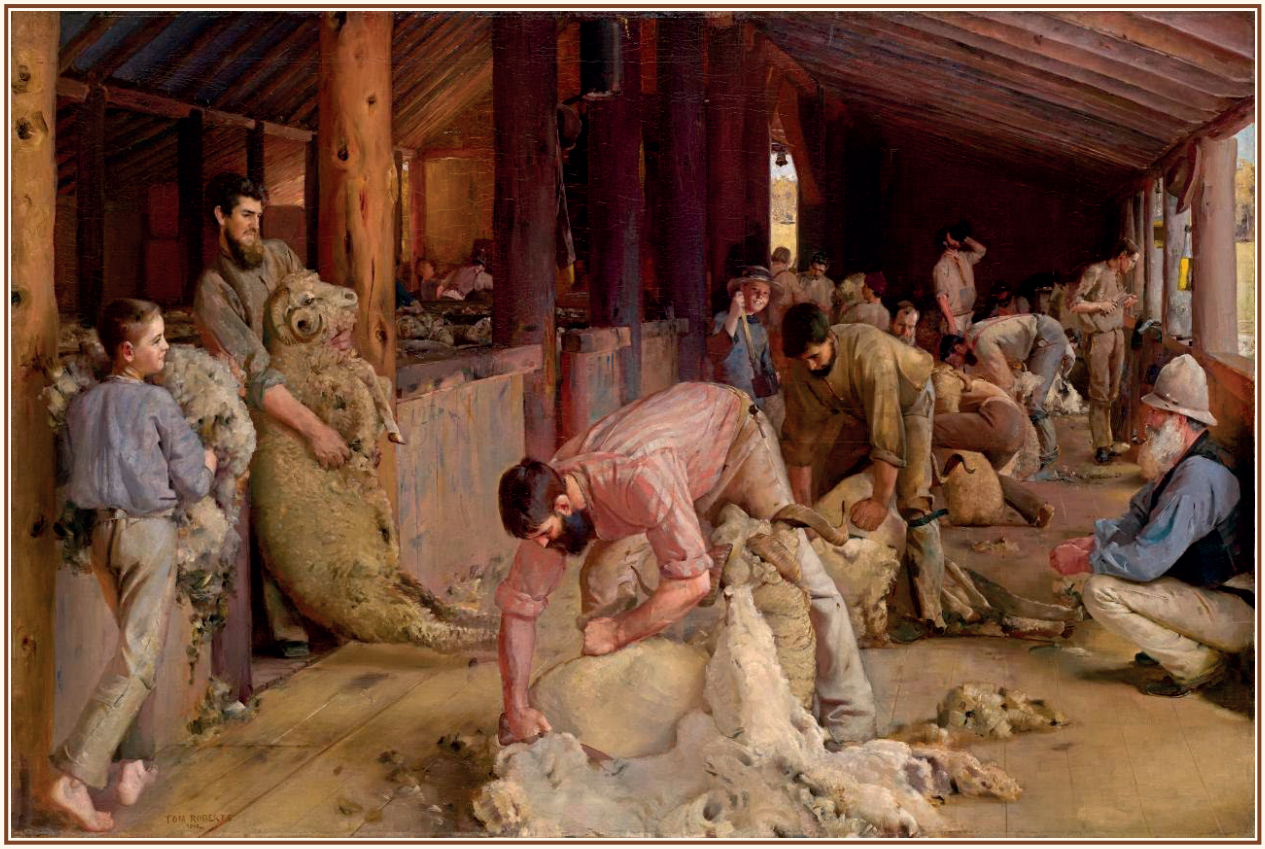

"Shearing the Rams", by Tom Roberts - 1890
It is part of the collection of the National Gallery of Victoria, Melbourne.

[61] Whilst the handling charge collection system remained unresolved, it was no longer considered a high priority by the wool buyers and, consequently, further negotiations were allowed to lapse for more than a year.

21. BREAKING EVEN UNDERPINS PLANS FOR A GREATER ROLE

"*Well done son. Now you have the Board on side, you should use your Long-Range Plan as an opportunity to expand the Authority's role and influence. We need to modernise the industry and I'm sure core testing will be the key to bring about change.*" [Sir William Gunn to Ward on achieving profitability – June 1968]

When Sir William Gunn had visited Ward on his first day as Director, he encouraged him to focus on turning around AWTA's financial performance and achieving a break-even result within 2 years. If this was done, the Board would then have enough confidence to allow the Authority to manage its own affairs. Thereafter, whenever capital was required, they should present a proper business case to the Board as would be required if seeking a loan from a bank. Both appreciated that this would not be easy, since the audited financial result for 1965/66 had just confirmed that a nett loss of $33,685 had been incurred, which was a serious reversal of the previous year's nett profit of $15,766.

During the first of those 2 years, the Authority gained the full benefits of the data recording and cost analysis systems installed by Thiele & Associates, which had led to a closer alignment of charges with costs. AWTA's profitability was expected to improve, due to increased demand from the UK, Europe and Japan. However, those gains would be partly offset by new costs arising from the installation of the extra equipment required to meet international testing standards. The result for 1966/67 was a nett loss of only $12,735 - an improvement of $21,000 over the previous year.

In the second year, 1967/68, AWTA focused on cost control strategies and stepped up their promotion activities. In addition to yield tests, current and prospective clients were encouraged to undertake fibre diameter testing trials, to establish the relationship between tests conducted on greasy wool and the wool tops produced by their mill customers. This educational strategy encouraged some WTS clients to switch business back to AWTA.

However, by the end of April it appeared almost certain that the break-even target would be missed, but a late surge in demand for testing from the Japanese industry closed the gap over the final 2 months.

In fact, the final accounts for 1967/68 confirmed that an operating nett profit of just $42 had been achieved. After accounting for a small loss on disposal of assets, the final result was a nett loss of only $499.

FINANCIAL YEAR	PROFIT (LOSS) $
1964/65	15,766
1965/66	(33,685)
1966/67	(12,735)
1967/68	(499)
1968/69	73,797

Meeting the 3-year challenge to break even

As soon as Gunn saw this result in the AWTA financial reports included in his Board papers, he contacted Ward to congratulate him and his small management team on this achievement, and to encourage him to present the Board with a Long-Range Plan that would expand the Authority's role and influence. Gunn was by now convinced that large-scale wool testing would have a positive impact on the AWB's ability to cut handling costs and modernise the industry and, in pursuit of those goals, the Board would provide the Authority with the capital needed to expand their operations and improve their leadership status.

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During the preparatory stage of budgeting for 1968/69, ADCH had changed their name to Auscore Testing Pty Ltd, without any obvious reason for the change. Some months earlier, Charlton had reported that their laboratory in Sydney had been very quiet during January, when many staff had been laid off. Although they were still undertaking guidance testing, they continued to struggle to gain any Certificate testing business, particularly from companies based in the UK and Europe. [62]

[62] Months later, Bownass explained that a Bradford-based wool trading company run by Basil Ferns, had been bankrupted before he came to Australia, causing such financial stress for wool companies in UK that they would not do business with him again.

The reason for the name change became clear when Ferns advised Ward that Development Finance Corporation (DFC) had decided to discontinue their involvement in wool testing. Auscore Pty Ltd had been formed as a separate company, which had been offered for sale to WTS Ltd and some major wool brokers and buyers in Australia. Whilst the search for backers had proved to be unsuccessful so far, Ferns remained confident that they would continue in business into the future.

However, contrary to his optimism, Yeo received a letter from Mr E.P. McClintock, a director of DFC, advising that they "… *would react favourably to any approach from the Authority which would ensure continuity of service to Auscore clients.*" When this invitation was discussed by the Authority, it was agreed that they had no interest in acquiring the business as a going concern. On the other hand, since most of Auscore's equipment could be used in AWTA's expanding Sydney and Fremantle laboratories, Yeo and Ward were authorised to negotiate with DFC to acquire the plant and equipment, and to interview key staff. McClintock facilitated this process by providing a list of assets and arranging for Ward and Charlton to gain after-hours access to the premises to facilitate the valuation process.

The Authority's initial offer of $12,500 was raised to $15,000 upon discovery of some brand-new precision balances which were still in their original packaging and had not yet been recorded in Auscore's asset register. As part of this offer, AWTA assured DFC that nothing would be removed until all tests in progress were completed, to ensure that clients would not be inconvenienced. Immediately following DFC's acceptance of the offer, Ferns approached Ward to purchase sufficient equipment for him to establish his own small testing laboratory. The request was denied.

When approving the asset purchase, AWB agreed to Ward offering employment to Auscore's Technical Manager, S A S (Sas) Douglas, who had developed an excellent reputation with the wool trade, the brokers, and with AWB's technical staff. Douglas declined the offer, as he was about to accept a research position at the Bureau of Agricultural Economics (BAE). [63]

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AWTA's 1968/69 Operating Budget, Charges and Rebates submission was approved by the Authority in late June, when it was noted that the Capital Budget of $94,840 would be reduced once the purchase of Auscore assets was assured. In due course, items estimated to cost $36,490 were removed from the budget, making the $15,000 paid for Auscore's assets a windfall investment. The Explanatory Notes to the Operating Budget summarised the significant expansion of AWTA's raw wool testing over the previous 3 years and foreshadowed even stronger growth in the coming year. In particular, it was predicted that:

- due largely to the promotion activities in Japan and Europe, total bales tested for greasy core test Certificates would increase by 50% to 672,000 bales, having risen progressively from 179,736 in 1965/66, to 272,915 in 1966/67, and to 456,296 in 1967/68;
- greasy core test Reports would increase by 100%, due to Auscore's closure and AWTA's introduction of a 'Special Guidance Test' which included checks on residual grease and dirt;
- fibre diameter Certificates would be issued for approximately one-third of all deliveries certified for yield, and 50% of test Reports would also be tested for fineness; and
- bales sampled and tested for Conditioning Certificates would increase by almost 4%, due to an expected recovery in local early-stage processing.

Taking all raw wool and textile operations into account, the Budget predicted total income, nett of rebates, of $567,250 and total expenditure of $545,920, resulting in a nett profit of $21,330. This continuing upward trend in profitability reaffirmed that Gunn's challenge had been met.

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Before the start of the 1968/69 wool selling season, AWTA supplemented staff liaison activities by introducing a regular Newsletter to keep the trade informed of improvements made to services and related fee changes; to provide educational material covering the technical aspects of wool testing generally; and to describe any new tests being introduced.

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[63] Ward and Douglas were both graduates of the UNSW School of Wool Technology. Although Douglas appreciated the offer, he declined because he needed "*a break from wool testing and AWTA*". However, when subsequently informing Ward that he was undertaking research at the BAE, he asked to be kept in mind for any senior position that might arise in the future.

It would also IWTO activities, other wool industry developments, key staffing changes within AWTA, and provided updates on AWTA's service performance.

The first Newsletter was issued in July 1968, together with the list of 1968/69 Fees & Rebates and a pamphlet summarising information commonly requested by the trade. It also announced that:

- both the Sydney and Fremantle laboratories had been expanded and upgraded to provide full IWTO Test Certificate services, thereby improving service turnaround times for clients based in Northern and Western markets;
- with new sampling offices being established in Goulburn, Albury and Portland, AWTA would soon have a full-time presence in 11 of the 14 wool selling centres, which would enable them to respond immediately to test requests for Guidance Reports and IWTO Certificates;
- an optional 'Express Service' was being introduced to facilitate the early release of credit to buyers; for a surcharge of 50% on the test fee (excluding sampling), AWTA would work overtime and shifts to ensure that Certificates were issued in the shortest possible time;
- a Fibre Diameter Certificate service was now available;
- AWTA had purchased the plant and equipment of Auscore Pty Ltd, but would not remove any items before all tests in progress were completed; and
- Malcolm Clark had transferred to Brisbane as Queensland Manager, with his NSW Manager position being filled by a former technical officer from CSIRO, Kevin James. [64]

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The WTS laboratory in Sydney was officially opened on 21st August by Sir James McGregor, accompanied by Dr Norman Roper, Technical Director of WTS Ltd, London. En route to Australia, Roper spent a week in New Zealand (NZ) promoting the benefits of having a "*local*" laboratory in Sydney for Australasian wools. His reinforced this message in a Press Release issued to the NZ rural press, in which he declared that NZ tests would be completed within a maximum of 4 working days because "… *NZ wools will be given priority over Australian wools.*" Inevitably, a few NZ wool buyers had sent this release to their Australian counterparts, who sought clarification at the opening event, causing Roper to issue a retraction.

With WTS now testing in Sydney, several buying companies started comparison testing to determine whether there was any advantageous bias between the results issued by both test houses, particularly with respect to fibre diameter. In view of this, the Authority agreed that interlaboratory testing trials should be established between AWTA's 3 laboratories and WTS, and to this end Ward should advance this proposal in his capacity as Technical Adviser to the ANC.

Rather than wait for the ANC to put formal arrangements in place, both test houses commenced preliminary trials by exchanging blended core sample material. These initial trials detected that WTS' Airflow results were significantly different from all 3 AWTA laboratories. After checking with his technical staff, Westmore advised that he had now learned that their 2 Airflow instruments had been received recently in damaged packaging and would require recalibration. Since AWTA had been appointed as IWTO's 'National Calibrating Laboratory' for Airflow instruments, both instruments were sent to them for recalibration, following which more interlaboratory trials confirmed that the bias had been removed.

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Towards the end of 1968, the following developments occurred, which proved to be of great future benefit to the Authority:

- when Yeo made his first ever inspection of the Fremantle laboratory located within an AWB wool store, he was appalled at the unprofessional industrial workshop image being projected, causing him to advise the Authority Members that it was essential to find more acceptable premises; Harold Lay was attending that meeting as Deputy for Nevile and, being the manager responsible for administering AWB's portfolio of wool stores, he suggested that Store No. 3 adjacent to the existing

[64] Malcolm Clark had joined AWTA Melbourne on 1st August 1960 and had subsequently been transferred to Sydney as Testing Officer. The transfer to Brisbane enabled the Authority to capitalise on his trade liaison skills and obvious rapport with Qld woolgrowers. Kevin James had been Ward's Technical Assistant at CSIRO's Division of Textile Physics and had also worked for Auscore. His experience in wool testing research and practice gave him with a high degree of relevant expertise.

premises could be redeveloped to suit AWTA and agreed to accompany Ward on an inspection of this site as soon as possible; [65]

- the AMP Society offered the Authority "*reasonable compensation*" for early termination of their lease of the premises occupied by AWTA's Sydney laboratory in Young Street, directly behind its office tower building; when Mansfield discovered that this offer had been made because the AMP tower was sinking and had to be stabilised by constructing an adjoining tower, he was able to negotiate full compensation for capital loss, business disruption, plus the cost of relocation to larger premises in Ultimo; [66]
- having gained sales tax exemption for textile testing plant and equipment purchases under the 'Aid to Manufacture' provisions of the Commonwealth legislation, Ward and Mansfield prepared and lodged a new application for this exemption to be extended to cover raw wool testing; the Taxation Department had ruled previously that raw wool testing was only an "*aid to wool selling*", but the more recent demand for fibre diameter certification enabled them to argue successfully that manufacturers could produce better and more consistent wool tops and fabrics by using testing to control their fibre purchases more precisely; the effective date of this exemption was backdated 2 years, resulting in a large refund of the sales tax paid when expanding the 3 raw wool laboratories; and
- Westmore revisited Japan to promote WTS' services, claiming that his new Sydney laboratory was completing tests within 6 days as compared with AWTA's "*20 days*", and also spreading rumours that the industrial strikes in NSW, Victorian and South Australian wool stores had been caused by AWTA; as soon as Mansfield's friends in Japan sought clarification of these claims, he made a lightning visit to Japan to show them the facts documented in the Authority's Australia-wide survey of broker performance. [67]

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AWTA also received a visit from Messrs J Abacjew and S Olszak, respectively the Managing Director and the President of Gdynia Wool Federation, which had a role in Poland similar to the AWB's in Australia. They also operated a test house to comply with a law requiring them to test all wool imports into Poland, and were keen to compare their testing standards with AWTA's.

After reaching an agreement to exchange samples for a series of interlaboratory trials, they advised that they were being pressured to test all wool purchased by the USSR for Eastern Europe. Given the large size of the USSR's purchases, they knew that the capacity of their laboratory would be exceeded each time a shipload of wool arrived, and also that sampling at multiple ports in Eastern Europe would be costly. Specifically, they wished to explore the possibility of AWTA undertaking the core sampling and weighing operations in Australia, and air-freighting the sealed samples for testing at their laboratory in Gdynia.

After defining and explaining the detailed procedures to be followed, the Authority agreed to quote for this service. In due course, the quote was accepted and both organisations continued to work collaboratively until both GWF and the USSR ultimately agreed to accept AWTA Certificates.

[65] Subsequently, purpose-built premises were designed and built to meet the Authority's requirements, with AWTA funding all installations and the Board fixing a rental of 8% of the capital invested in the building. This new laboratory was fully operational in October 1970.

[66] This was a fortuitous outcome because the rapid growth of testing was such that AWTA was likely to be forced to relocate its operations, rather than exercise its right to extend the lease for another term.

[67] Since this was the second time Westmore had been caught out spreading false information, WTS lost credibility and most of the business previously gained.

22. PRESALE TESTING - A POSSIBLE SOLUTION TO AVOID CHAOS

"*For contracts with maximum fibre diameter limits, buyers must have their test results before shipping. It's now essential for the brokers' service to be more predictable, but new solutions will be needed to avoid chaos when post-sale testing approaches 50% of the clip. Presale sampling could be an interim solution leading to presale testing.*" [Ward discussing issues for the Long-Range Plan – AWTA Meeting, December 1968]

Once Charlton had settled into his Wool Manager role, the Authority expected Ward and Mansfield to have more time to complete the Long-Range Plan, but this proved to be short-lived. With the continuing growth of testing, sampling delays in the worst managed stores deteriorated to the point where service times had blown out alarmingly. Many bales were being shipped before sampling, such that clients could not meet their contract conditions, and banks were refusing to release credits pending receipt of new instructions. Under these circumstances, all individual cases of failure had to be investigated fully to provide relevant facts to Ward, Mansfield and/or Charlton, who would then phone details to the affected clients. If required for negotiations with customers or banks, a written summary was provided as a letter 'To Whom It May Concern'. Since these communications had to be conducted during normal business hours, work on the Plan was disrupted. However, once the overall scope of the Plan was determined, it was possible to complete individual sections on stand-alone issues for the Authority's approval, including the future of the Textile Testing Section and the need to strengthen the management structure.

Another matter raised for early discussions with the Authority and the board was a suggestion that AWTA's Head Office might be better located in Sydney, where 90% of wool buying Head Offices, the NCWSBA, the ACWB, and both competitors were based. Such a move would also gain the benefit of being closer to CSIRO's Division of Textile Physics in Ryde, where a major research and development programme was continuing in relation to the automation of objective measurement equipment. [68]

Looking at major risk factors likely to damage AWTA's future prospects, Mansfield and Ward were convinced that the current growth trajectory for core testing would lead to intolerable sampling delays as post-sale testing approached 50% of the clip over the 3-year period of the Plan. Above this level, it would be difficult for the most organised stores to make core test lots available during peak shipping periods, and the risk of bales being shipped before coring would increase accordingly.

Further to this prediction, it was clear that clients must have fibre diameter results before issuing shipping instructions, and that this could only be achievable if all brokers provided a more predictable service than was required for yield tests. [102]

As a matter of urgency, the Authority decided that the Broker/Buyer/Test House Committee must be alerted to this looming crisis.

FINANCIAL YEAR	TOTAL BALES	INCREASE (DECREASE)
1958/59	51,243	N.A.
1959/60	134,045	82,802
1960/61	181,182	47,137
1961/62	261,637	80,455
1962/63	331,370	69,733
1963/64	350,479	19,109
1964/65	413,763	63,284
1965/66	371,662	(42,101)
1966/67	557,775	186,113
1967/68	760,029	202,254
1968/69	1,020,794	260,765
1969/70	1,367,097	355,302
1970/71	1,327,444	(39,653)
1971/72	1,525,392	197,948

Rapid growth in demand causing sampling delays

[68] The Board indicated that they were not against such a move, provided it could be justified on commercial grounds. However, some AWB staff were opposed, raising issues concerning accounting services, the desirability of developing shared computer resources, access to printing and public relations services etc., each of which had to be debated.

Whilst the current negotiations regarding service obligations would assist in the short term, a more radical solution would be required to accommodate the rapid increase in demand for fibre diameter testing. When brain-storming this problem for the Plan, Ward, Mansfield and Charlton debated the pros and cons of several 'outside the square' ideas, ranging from the development of purpose-built wool sampling depots to the presale sampling and weighing of all bales upon receival in brokers' stores. In the latter case, samples could be sealed and stored for retrieval if post sale testing was requested by the eventual buyer.

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The potential benefits of presale testing for growers were being promoted to wool growers by the UNSW School of Wool Technology, the Bureau of Agricultural Economics, the APPU and some innovative wool growers, including Jim Maple-Brown of Springfield and Fonthill Studs near Goulburn. [69]

The most notorious meeting was held in Goulburn on 6th November 1968, when the local NSW Branch of the Agricultural Bureau and the Australian Society of Animal Production (ASAP) co-sponsored a highly publicised 'Symposium on Scientific Measurement in Wool Marketing'. The key speakers were Bob Whan, BAE's lead wool marketing researcher, and Bob Rowland Smith, Chairman of the NSW & Qld Wool Buyers' Association. Leading up to this symposium, Whan had gained a reputation for his blunt declaration that a wool buyer's ability to assess yield and fibre diameter was inferior to testing and, in view of this, he was challenged to present the research findings used to justify his claims.

Under pressure from offended wool buyers, Rowland Smith was expected to retaliate by undermining growers' confidence in testing. To this end, he had obtained data from a Sydney-based buyer/processor which was intended to expose gross differences in fibre diameter Certificates found by duplicate testing, and for maximum publicity he published the following data in his written presentation.

"*I have here some examples of tests done by AWTA twice on the same lots of wool:*

	First Test (microns)	*Second Test (microns)*
10 bales	*22.9*	*19.3*
10 bales	*23.2*	*19.7*
5 bales	*22.4*	*21.4*
9 bales	*22.9*	*21.6*
1 bale	*21.2*	*25.7*
2 bales	*24.0*	*22.8*
6 bales	*26.5*	*20.1*

"I have in my possession other results that show similar inconsistencies. The first 2 lots I mentioned above were purchased in Fremantle and shipped to Sydney, indicating that wool fines-up as it goes from West to East! … It is not my function, nor may I say my desire, to belittle the work of the scientist, but I do wish some would discuss their feelings rather than publish them, where they do cause unrest, especially amongst wool growers." [70]

Being based in Sydney, David Charlton represented AWTA at the Symposium. When he was invited to comment on AWTA's behalf, he insisted that the comparisons were "… *simply too bad to be true*" and that he seriously doubted their validity. In response, Rowland Smith reiterated that the tests were of "*full Certificate standard*" and he undertook to provide all details to AWTA for checking.

Upon receipt of the data, Charlton recognised the source as Australian Woollen Mills Woolbuyers (AWM), who were the only client for whom AWTA was providing a greatly modified and unique fibre diameter testing service, whereby core samples were drawn from only the base of bales and at a rate of only 2

[69] Maple-Brown had worked closely with AWTA during 1967/68 to establish a wool broking company, known as Economic Wool Producers Pty Ltd, (EWP) to facilitate the electronic marketing of wool clips tested presale for yield and mean fibre diameter. In addition to coring the bales, AWTA was drawing full-length samples which were displayed for buyers' inspection. Despite official resistance from the ACWB, EWP's sales by tender were supported by enough buyers to encourage their further expansion to other States. The novelty of these sales stimulated debate, both positive and negative, which generated significant grower interest in the feasibility of more widespread presale testing.

[70] The 'scientist' reference was directed at Bob Whan, and at Dr Ken Whitely and Professor Pat McMahon from the UNSW School of Wool Technology.

cores per bale regardless of lot-size. Far from being Certificate tests, AWM were fully aware that the sampling accuracy and precision of these test results were inferior to levels achieved for AWTA's Guidance Test Reports, let alone Certificates. [71]

When Bob Rowland Smith learned that he had been misled by his informant, he immediately arranged for Ward to have a joint discussion with Tom Longworth of AWM, in the presence of Howard Leigh, Secretary of NSW & Qld Wool Buyers' Association and General Secretary of ACWB, who was a qualified lawyer. At that meeting, Ward pointed out the gross inaccuracies in Rowland Smith's presentation and demanded a complete retraction, via a public statement to be circulated as widely as his original paper, failing which the Authority would issue their own formal denunciation.

Without hesitation, Rowland Smith agreed to issue an apology, which included the following statements:

"*At a Symposium in Goulburn I made reference to inconsistencies in objective measurement of wool and gave the following examples of duplicate tests carried out by AWTA …* (see data listed earlier).

"*These test results were given to me by a wool buying firm in Sydney whose representative had stated that the results were suitable for certification purposes and that the first and second tests had been carried out on the same lots of wool.*

"*Following the Symposium, I had cause to check these details with the firm in question and I found that the details supplied to me were in fact substantially incorrect and misleading …*"

"*The two 10 bale lots originally quoted have been established as being completely different lots.*

"*Upon further examination I have also now established that the sampling and testing procedure carried out for the AWTA client (my informant) was certainly not acceptable for certification by AWTA. In fact, the sampling procedure was specifically arranged by the client with AWTA to provide only the degree of accuracy required by the client and further, the number of cores taken per bale was less than that normally taken for AWTA Test Reports.*

"*In all cases, 2 cores per bale ONLY were drawn regardless of lot-size. For normal AWTA Report Tests a minimum of 30 cores per lot are drawn i.e., a 5-bale lot is sampled at 6 cores per bale etc.*

"*For AWTA Certificate Tests a minimum of 80 cores per test lot are drawn.*

"*In the light of this information I must completely refute my informant's claim that "… results were suitable to be Certificated".*

"*The Director of the Authority has drawn my informant's attention to the notation which appears at the bottom of all AWTA's Test Reports, namely,*

> *'Test Reports apply only to the sample submitted (for testing) for the exclusive use of the client to whom they are addressed and their communication to any others or the use of the name Australian Wool Testing Authority must receive prior written approval'.*

"*This notation ensures that any client who wishes to make use of a Test Report is reminded of the accuracy limitations of Test Results quoted on the Report.*

"*Had my informant heeded this notation the test results would never have been quoted. Any embarrassment which may have been caused to the Authority through my reference to the tests in my Address is regretted by me.*"

This retraction marked a turning point in ACWB's official attitude towards presale testing for growers. In fact, Rowland Smith sent a personal letter to Ward explaining *inter alia* that his main concern had been the proponents of wool measurement for wool marketing, such as Whan and Whiteley, who were claiming that testing was accurate without admitting there was a degree of statistical tolerance about the yield and fibre diameter test results. He concluded, by urging AWTA to educate growers as follows:

"*I am sure that you are quite aware that it is my desire, indeed my Association's desire, to work in harmony with all groups and I feel sure that after our discussions the other afternoon a better understanding has arisen between us. I would earnestly request you to impress upon your Authority the urgent need to extend the knowledge of objective measurement in a simple way to wool growers as soon as possible.*

[71] AWM had been using these results to sort lots into processing batches for their own mill, based on the indicative fibre diameter result rather than their buyers' quality number assessments of fineness. This trial had already run for 2 years and AWM had rated it a success. Over that time, they had collated masses of test data which had confirmed the excellent repeatability of AWTA's tests.

This type of thing can be done through the medium of Country Newspapers, Pastoral Review and other media. It may require a dozen articles, but the important thing is to explain to these people the whole essence of objective measurement and its role in wool marketing."

Coming from the Chairman of ACWB and the NSW & Qld Wool Buyers' Association, this exhortation to promote testing for wool growers through education was accepted by Ward as a clear justification for the introduction of presale testing to be a major objective in the Plan.

Within weeks, ACWB had endorsed a proposal from the NSW & Qld Wool Buyers' Association to insert specific clauses in the Australian Wool Selling Regulations to enable growers to sell presale tested wools. Accordingly, Howard Leigh drafted a series of clauses to govern such sales, which he asked Ward to check to ensure that the correct technical terminology had been used.

Considering these developments, the Authority agreed that the potential for widespread adoption of presale testing must be included in AWTA's Long-Range Plan, with a comprehensive analysis of the practical steps to be taken to ensure its successful introduction.

23. LONG-RANGE PLAN RECOMMENDED FOR BOARD APPROVAL

"*I have given the Board an assurance that the Long-Range Plan will be completed by March, as they need to include AWTA's forecast capital requirements in their advice to the AWIC.*" [Lindsay Yeo's instruction for Ward to complete the Plan - January 1969]

Through the regular receipt of AWTA's Minutes and Reports, and attendance at AWB Meetings by Yeo and/or Ward, the Board had been kept informed of all issues being canvassed in the Plan and the problems that had delayed progress. However, the end of March 1969 was now the firm deadline for completion, to enable AWB to provide AWIC with their forecast of total capital required over the 5-year period ending 1972/73. Finalisation of the Long-Range Plan was now a matter of urgency. [72]

The Board had specified that the long-range budgets must take into account a new policy for AWTA's capital funding to be placed on a commercial basis which would provide a reasonable return for AWB. Those details were finalised when Ward and Mansfield met the AWB's new Managing Director, Bert Overell, and their Finance Director, Don McKinlay, to establish the conditions to apply to future capital advances and finalise AWTA's accounting treatment for asset depreciation. Regarding AWTA's capital requirements for the 1968/69 - 1972/73 period, the Authority had already warned the Board that their estimates might be underestimated, due to uncertainty about the following developments:

- the AWB's proposed establishment of wool villages at Yennora and Kwinana;
- possible recommendations from the Wool Marketing Committee's current review of wool selling systems, with respect to wool testing;
- CSIRO's progress in developing machine sampling and automated testing equipment; and
- the potential development of central dumping establishments, where core sampling in the delivery flow might relieve congestion and be acceptable to clients, especially local processors.

In the absence of specific AWB advice on these matters, and with a firm deadline now set, the Authority had to make their own judgements and await the Board's reactions when the Plan was submitted for approval. During their final review of the 'Scope' and 'Principal Issues' being addressed in the Plan, the Authority agreed that, in addition to paying AWB's required return on capital, future operating budgets must generate profits to fund growth, the dissemination of technical advice, sampling and testing research, interlaboratory trials, studies of the feasibility of presale testing, and the development of any other services deemed to be of benefit to the industry. Finally, they agreed that Ward's penultimate draft of the Plan should be available for finalisation at the Authority Meeting scheduled for 7th February 1969, so it could be amended, if necessary, before submission to AWB for approval in March.

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As wool sales resumed after the Christmas break, AWTA received an alarming number of complaints from Melbourne-based clients reporting that the Melbourne operations seemed to be out of control. Once again, documentation of the Plan ceased while Ward, Charlton and Mansfield undertook a full investigation and ensured that delayed tests were completed. It soon became clear that the Southern Manager had become overwhelmed by the complexities arising from the rapid growth in testing. He had failed to coordinate the completion of fibre diameter and yield tests then being conducted in separate buildings, whereas clients rightly expected to receive both results together.

A further complication had arisen, when clients tried to minimise the risk of bales being shipped before coring by progressively lodging requests marked as 'Part of a Larger Test'. In such cases, the completed part samples were held aside until the final part, marked 'Test Complete', had been sampled. However, the Manager had failed to provide his sample receivals staff with a system for recording progress against original requests and, consequently, many already completed samples had still not been passed to the laboratory. Worse still, nobody had been given responsibility to monitor and control these operations, so clients had not been contacted to find out whether or when samples remaining on the shelves for weeks would be completed for testing.

[72] The provisions of the Wool Industry Act dictated that all assets used by AWTA were owned by the AWB and, hence, the Authority's capital requirements must be included in the Board's long-range capital forecasts.

Inevitably, some of these delays were caused by clients neglecting to mark the final request as 'Test Complete', which would also have been detected if a system for regular checking had been in place.

Upon closer investigation, similar control issues were found in laboratory and clerical operations, where the weaknesses were due to failure to define and allocate specific duties and responsibilities to individual employees. Since the Southern Manager reported to Charlton, he was brought to Melbourne to implement corrective action which included:

- relegation of the Southern Manager to a mutually agreed Sampling Coordinator position, thereby relieving him of responsibilities for the Laboratory and Office operations;
- promotion of Fred Alexander to a new Wool & Textile Supervisor position, adding the role of Southern Manager to his Textile Section responsibilities to facilitate the integration of fibre diameter and yield test results;
- a complete overhaul of sample receivals, telex and other document handling procedures, as a basis for preparing detailed job descriptions listing all essential control actions to be undertaken, followed by the appointment of a competent person responsible for that role;
- preparation and explanation of job descriptions for every employee engaged in calculating and/or typing duties, to provide a basis for streamlining office procedures;
- introduction of an AWTA courier service, calling at clients' offices twice daily to pick-up test requests and deliver test results, thereby improving service times by at least one day; and
- advising the Northern and Western Managers in Sydney and Fremantle, respectively, of the actions taken in Melbourne, and instructing them to review their own operations accordingly.

Whilst this service failure had the potential to damage AWTA's reputation seriously, Melbourne clients reacted favourably to being frankly and fully informed of the issues and the remedial actions taken. [73]

When Ward asked the Southern Manager if the job had become too complex for him, he admitted that he could not cope with the stress and expressed great relief that this had been noticed. They agreed that he would be demoted to his previous position, on condition that he must undertake a full medical check-up and seek assistance to treat his stress. The fact that these weaknesses had not been exposed previously caused Ward to conduct an urgent review of the current Organisation Structure, with a view to including specific recommendations in the Plan. His major finding was that other senior staff were also experiencing excessive pressure, to the point where a future surge in demand might result in a similar service breakdown. It also confirmed his earlier thoughts that minimum standards of tertiary education or equivalent training must be set for all managerial positions, to ensure that day-to-day issues were resolved closer to the workface. Clearly, unless the management structure was expanded and strengthened, it would be practically impossible for AWTA to participate effectively in National and State Broker/Buyer/Test House Sub-committees, to liaise with clients, and to participate in new research and feasibility studies that would be recommended in the Plan to enhance the Authority's future. [74]

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The final draft of AWTA's 'Long-Range Plan: 1968/69 to 1972/73' was submitted for approval at a Special Meeting of the Authority held on 27th March 1969 for this sole purpose. The individual papers forming the document were as follows:

A. Introduction and Index
B. Summary and Recommendations
C. Functions, Objectives and Responsibilities of the Australian Wool Testing Authority
D. Trends in Testing, Factors Influencing Demand and Predicted Growth

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[73] The Southern Manager had been with AWTA for several years and was well known and respected by the local trade. His outright dismissal would have reflected poorly on the Authority. Faced with this decision, Ward recalled personal advice from Sir William Gunn on his first day as Director: "If you lose confidence in someone, tell them and then look for a mutually acceptable solution. You might still have to dismiss them, but you'll at least remain friends. If you let things run, you'll lose the person, the friendship, and the respect of other Managers who expected you to act earlier." He regretted that this lesson had been learned the hard way.

[74] The specific recommendations to strengthen the management structure were approved by the Authority in February, for immediate implementation.

E. Research and Feasibility Studies
F. Planning to Fulfil Functions, to Achieve Objectives and Meet Responsibilities in Relation to the Demand for Testing
G. Estimated Capital Requirements
H. Forecast of Financial Results

Appendices:

1. Sampling and Testing Statistics: 1965/66 – 1972/73
2. Outline of Proposed Research and Feasibility Studies
3. Chart of Organisation
4. Proposal to Transfer Head Office to Sydney
5. Estimated Capital Requirements: 1968/69 – 1072/73
6. Revenue Analysis: 1965/66 – 1972/73
7. Expenditure Analysis: 1965/66 – 1972/73
8. Cash Flow Statement: 1968/69 – 1972/73

Members considered each Section and Appendix in detail, with the only amendments of note being the addition of words in Section E to make it clear that individual Research and Feasibility Studies would not commence without specific AWB approval, and in Section F to remind the Board that the Textile Testing Section was housed in separate leased premises. Finally, after all recommendations were endorsed, the Authority submitted the Plan for approval at the AWB Meeting on 2nd May 1969, which Yeo and Ward attended to discuss key elements and answer questions.

The 'Summary and Recommendations' forming the basis of the Plan for the 5-year period from 1968/69 to 1972/73 were set out in Section B as follows:

(i) "*The Authority performs vital functions in providing a wide range of services to large sections of the industry, and by participating in the establishment of wool testing methods both in Australia and overseas.*

(ii) "*It is the Authority's objective to become the authority on wool testing matters, whilst providing an accurate, impartial, and speedy service to the world wool industry at minimum cost to the Australian wool industry.*

(iii) "*A basis of fair competition will be maintained with other testing organisations. Nevertheless, it must be recognised that, in order to be financially self-supporting to carry out its functions, neither profitability nor service must be over-emphasised as objectives.*

(iv) "*The Authority is confident that the percentage of the wool clip tested will continue to increase. The percentage tested by AWTA is expected to increase from approximately 19% in 1968/69 to approximately 28% in 1972/73. Any testing arising from abnormal sources such as testing for USA, sampling for Gdynia, or large-scale pre-auction testing has not been included in the estimates contained in this document.*

(v) "*Testing for the wool textile and clothing industries is increasing but extremely slowly. The major impediment to growth is the restriction placed on the textile testing activities in relation to the testing of blends. The Authority recommends that the Board consider removing current restrictions on blend testing thereby allowing the Authority to carry out its functions under the Wool Industry Act.*

(vi) "*It is considered essential that the Authority should undertake approved technical operations research and feasibility studies with the objective of ensuring that the wool industry is provided with the earliest possible practical benefits arising from the progressive findings of organisations undertaking basic research. It is recommended that the Board consider providing financial assistance to the Authority, not to exceed $30,000 per annum, to enable it to carry out the research study programme outlined in Appendix 2.*

(vii) "*Major areas of long-range planning which have been considered are:*

- *the location of Head Office*
- *premises requirements*

- *textile testing*
- *the marketing of services*
- *the establishment of an efficient, balanced Staff Organisation.*

(viii) "*The Authority does not recommend the transfer of Head Office from Melbourne.*

(ix) "*It is planned to erect an additional floor at 22 Munster Terrace, North Melbourne to meet the requirements of the raw wool testing section and to provide sufficient space to house the Textile Section which is currently located in separate premises at 8 Munster Terrace and would be vacated.*

"*Further, it is proposed that the Authority should re-establish the Sydney laboratory facilities in leased premises. A five-year lease is considered desirable.*

"*The existing Fremantle premises are not in keeping with commercial and/or operational requirements. The Authority has recommended the establishment of new premises in the AWB compound at South Fremantle, and it is planned that these premises be provided by the Wool Stores Administration section of the Board.*

(x) "*It is proposed that the Authority's marketing/liaison activities be broadened to improve the general knowledge of the industry regarding wool testing. Newsletters, bulletins etc. will be used extensively.*

(xi) "*The Authority recommends establishment of the Staff Organisation outlined in Appendix 3.*

(xii) "*During the 5-year period, 1968/69 to 1972/73, the Authority will generate $70,000 capital in excess of its own requirements. In 1968/69, the AWB Capital invested in the Authority can be reduced by an estimated $60,500 to $319,500. In the following year, an additional $90,100 of AWB Capital will be required, raising the Board's investment to $409,600.*

"*In subsequent years this Capital will be reduced progressively to $310,000 as at the end of the 1972/73 financial year.*"

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Section C of the Plan provided a brief history of the Authority's establishment and summarised the sections of the Wool Industry Act 1962 that covered its functions and powers, together with those of the Board in relation to AWTA. Whereas the Authority was required to exercise its powers in accordance with any directions issued by the Board, this obligation did not apply to the setting of testing standards or the issuing of Certificates. In this regard, the Authority had sole power to set its own standards, having regard to any standards that received international recognition. [75]

In the context of the relationship set out in the Wool Industry Act, the Plan set out the Authority's Objectives and Responsibilities as follows:

"*The Authority acknowledges the necessity to integrate its functions and powers with the functions and responsibilities of the Board, in relation to the Authority's operations. To this end, it accepts the responsibility for operating as a stable, commercially self-supporting organisation, thereby restricting the Board's financial commitment to the provision of capital essential to finance growth. It is the Authority's long-term aim to generate sufficient capital to finance future growth.*

"*Members of the Authority believe that it is Australia's responsibility, as the leading wool producing country, to correspondingly lead in the application of scientific measurement and, that it is the Board's wish that the Authority should attain the highest possible status to meet all industry requirements and to promote and retain industry acceptance.*

"*When considering the Authority's previous Review of Policy, the Board indicated its strong support for these objectives. Since that time, the Board has encouraged the Authority by providing adequate facilities to perform its functions and to improve its status.*

"*In short, it is the AWTA's objective to become <u>the</u> Authority on wool testing matters whilst providing an accurate, impartial, speedy service to the world wool industry at minimum cost to the Australian wool industry.*

[75] In later years, this power to set standards independently proved to be vital, when the Australian Wool Corporation attempted to force the Authority to reduce the standard of its testing procedures to reduce charges for wool growers.

"*It is considered that, as the national authority, AWTA must ensure that sections of the industry, particularly its clients, are aware of the current validity, interpretation and application of testing procedures. In addition, the Authority must be in a position to provide unbiased advice to industry planners with respect to the possible future role of testing in the industry and further, to assist in implementing changes which will ultimately benefit the industry, both within Australia and overseas.*

"*The Authority has always indirectly competed with overseas testing organisations for the testing of Australian wools. In 1965, Wool Testing Services Pty Ltd was established in Australia in direct competition with the Authority and in 1966, Auscore Testing Pty Ltd also entered the local field. It is the Authority's policy to maintain a basis of fair competition with other testing houses.*

"*It is assumed that the Board recognises that the activities, policies and responsibilities of commercial competitors are almost entirely directed towards achieving maximum profit and, in consequence, that the strongest competition is directed towards the most profitable areas of the Authority's operations.*

"*In accepting this premise, the Board must also acknowledge that the additional functions, objectives and responsibilities of an organisation servicing the industry as a whole, in a competitive role, are rarely compatible with profitability. To be commercially self-supporting, the Authority must ensure that service and profitability are complementary and that neither objective is unduly emphasised.*"

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Section D of the Plan analysed the past trends in testing, the factors influencing demand, and the predicted growth for each of AWTA's major raw wool and textile testing services, namely:

- Conditioning Certificates;
- Greasy Core Test Certificates;
- Greasy Core Test Reports;
- Futures Testing;
- Sundry Test including Contract Sampling;
- Greasy Wool Testing of Submitted Samples;
- Wool Fibre Testing for Diameter, Length and Strength; and
- Testing for the Textile Industry.

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Where it was considered important for AWTA's growth and development and/or for the benefit of the Australian wool industry, specific opportunities were identified for the Authority to undertake research and feasibility studies. The justification for the Authority to engage in such investigations was presented in Section E, headed 'Research and Feasibility Studies'.

The fundamental premise was that AWTA should recommend and undertake technical and operations research, and feasibility studies, if they were to achieve the objective of becoming 'the' authority on wool testing matters. In this regard, they would not compete with CSIRO or any other institutes engaged in basic wool testing research. Rather, AWTA's role would be complementary, being directed at the earliest possible commercialisation of any developments by others deemed to be beneficial for the wool industry. It was envisaged that AWTA would assess new developments in the light of their practical experience, suggest improvements to minimise operating costs, and provide valuable feedback which might assist others to fine-tune their research programmes. [76]

The Plan reported that Dixie had applied successfully in 1961 for funding from the Wool Research Advisory Committee (WRAC) to support a project entitled 'The Determination of Commercial Yields of Greasy Wool', with a view to improving the efficacy of processing allowance formulae. This work had lapsed when his time had become increasingly committed to dealing with the AWB interventions which had ultimately caused his resignation. Following Jim James' discovery of this research project, Ward applied successfully for WRAC funding to be resumed, nominating himself as lead researcher. The Plan

[76] By recommending AWTA's greater involvement in research, Ward was responding positively to Sir William Gunn's invitation to consider the Long-Range Plan as an opportunity to expand the Authority's role and influence.

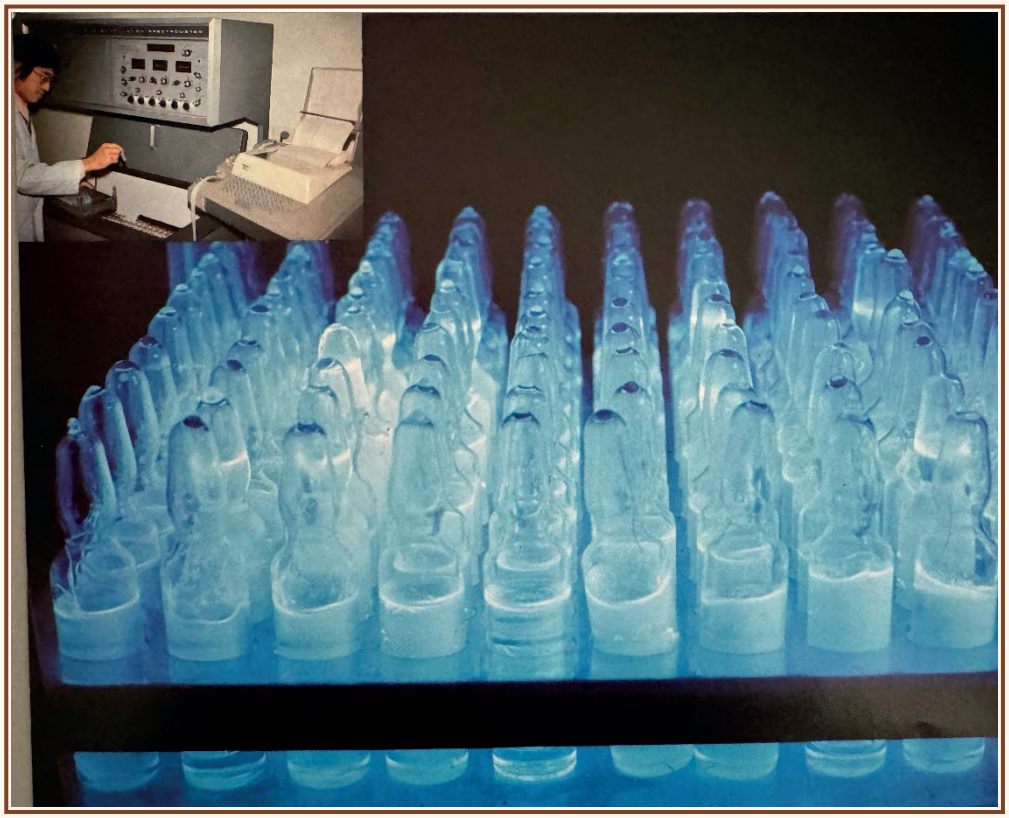
recommended that this project be continued, noting that it was a useful precedent for AWTA to receive external funding for the broader research role now being recommended.

However, a potential obstacle to gaining approval was a claim by WTS that the research grants were subsidising AWTA and giving them a competitive advantage. [77]

It was important to assure the Board that AWTA would not seek funding for any projects that would benefit them exclusively. In this regard, the Plan acknowledged that AWTA would continue to carry out technical and operations research aimed at improving their own efficiency.

Being investments in AWTA's own business, it was appropriate to continue funding those projects from fee revenue. The same policy would apply to AWTA's educational extension activities aimed at ensuring that clients fully understood the validity, interpretation and application of test results.

To counter possible criticism that the Authority might gain some advantage by withholding results from publicly funded research projects, the Plan reminded the Board that it was a pre-condition for WMRAC funding that the recipient must publish their findings for public consumption.



Experimental use of Liquid Scintillation for testing wool colour

[77] There was no factual basis for WTS' allegation that research funds would subsidise the Authority, since progress payments were only made after details of actual expenditure were submitted, without any profit margin.

24. RESEARCH PROPOSALS - A CATALYST FOR INDUSTRY REFORM

"*I want to push ahead with your ideas immediately and agree that the industry must be involved. Do you know Bruce Trebeck well enough to convince him that buyers will regain credibility if he makes a public call for the Board and growers to join the ACWB in a full investigation of pre-auction testing? If you get that done, I'll get the brokers to agree and I've no doubt that BAE, CSIRO and the University people will jump on board.*" [Gunn to Ward upon AWB approving the Long-Range Plan – 2nd May 1969]

AWTA's Long- Range Plan had highlighted the growing acceptance of scientific wool testing and the increasing awareness of its possible future role in improving the wool industry's handling and selling processes, noting that the Wool Marketing Committee of Enquiry in 1962 had concluded that:

"*It is of considerable importance that improved test methods be developed for evaluating the properties of wool which determine its value to the processor and manufacturer and that Australia should take the lead in this matter.*

"*In addition, the practicability of applying these testing techniques to the auction system, so that wool could be sold according to certified characteristics, should be fully investigated.*"

The document also referred to the fact that AWB's Wool Marketing Committee had subsequently reviewed this subject in 1967, some 5 years later, when they had reported that:

"*Significant advances have been made in both yield and fibre diameter testing techniques. However, there are many properties of greasy wool requiring careful consideration, and research aimed at isolating and examining each of these in relation to its technological significance and comparative importance in determining wool value is continuing.*

"*At the present time, there is insufficient information to provide a complete understanding of the relationship between measurable parameters of these properties and actual processing performance.*

"*The Committee considers that, before final endorsement can be given to the application of objective measurement techniques, extensive research should be continued, not only to determine the significance of measurable parameters but also to assist in the development of efficient sampling and testing techniques.*"

Clearly, the recommendation for AWB to provide financial assistance for AWTA to establish a small research unit represented a direct and appropriate response to those reservations. To improve the chance of gaining the Board's approval, the Plan included an undertaking that AWTA's research unit would not duplicate research work being undertaken by other research organisations such as CSIRO, the Universities, the Gordon Institute of Technology, and the BAE.

The initial projects recommended for inclusion in AWTA's research programme were:

i. Study of the Feasibility of Testing all Australian Exports of Semi-processed Wool;
ii. Study of the Feasibility of Pre-Auction Sampling and/or Testing;
iii. Study of Sampling and Testing Techniques for Length and Strength Testing of Greasy and Semi-processed Wool;
iv. Measurement Survey of AWRC Wool Types;
v. Other Measurement Surveys;
vi. Study of the Feasibility of Appraising the Australian Wool Clip by Sample; and
vii. Study of the Feasibility of Marketing the Australian Wool Clip by Sample Appraisal and Scientific Measurement.

To support the recommendation, it was also noted that, through their routine testing and interactions with most industry sectors, AWTA had first-hand knowledge of the practical issues to be addressed in this programme. Importantly, they already held and would continue to accumulate vast amounts of relevant data for analysis in relation to several of the studies. Therefore, the external funding required by AWTA would be significantly lower than for any other research body having to acquire and analyse the same quantity and range of data. Where additional data were required, AWTA would only debit costs against the research grant if they had not been charged to a client.

Similarly, AWTA had the advantage of retaining a large supply of 'keeper' core sample material, which was traceable back to farms and to deliveries. If keeper samples were suitable for specific studies, the cost of sampling would be avoided.

Acknowledging that co-operation from wool industry sectors would be essential, the Plan argued that AWTA's ongoing working relationships with all major players would facilitate:

- the arrangement of trials;
- commercial assessments of the practical significance of testing;
- the collection of data, such as weight changes in storage, during shipment etc;
- examination and assessment of traditional trade practices, such as '*tel quel'* trading;
- the collection and assessment of industry viewpoints; and
- the accumulation of data covering overseas practices.

It was also noted that AWTA's overseas visits to clients and IWTO meetings would provide excellent opportunities for staff to consult regularly with overseas research groups, to ensure that any new developments relevant to an AWTA project could be assessed and not duplicated. Finally, the Plan highlighted the fact that the Authority's regular 2-way reporting relationship with the Board would ensure that its operations research studies took into consideration any AWB-supported developments in wool handling, wool villages etc., while also keeping the Board informed of progress.

To implement the programme, it was recommended that the most efficient utilisation of funds would be achieved by establishing a small research team, rather than staffing and costing stand-alone budgets for each individual project. This team would consist of one qualified Technical Research Officer, one qualified Operations Research Officer and 2 Research Assistants. If approved, the application for research grant funding would be limited to the cost of salaries, maintenance, travel and office equipment, with AWTA covering all other costs and providing in-kind support. On this basis, the funding required was estimated at only $30,000 per annum, up to and including 1974/75. [78]

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The completed 'Long Range Plan - 1968/69 to 1972/73' was considered by the Board on 2nd May 1969, when Lindsay Yeo made a brief presentation of the financial outcomes and Ward answered all other questions. Almost immediately, the Board focused on AWTA's research studies, making it clear that they would strongly support this expanded role.

Regarding the assurance not to duplicate research being undertaken by others, the Board resolved that a conference of AWB, AWTA, BAE, CSIRO and WMRAC would be convened without delay to coordinate AWTA's programme. Further, they agreed that the 'Measurement Survey of AWRC Types' should be referred to this group without delay, as it was unique to AWTA and could commence immediately. [79]

The Board reiterated their earlier approval for the Authority to strengthen the management team for the future, as outlined in the 'Chart of Organisation'. The most important changes were designed to shorten the chains of command from the Director to a broadened and strengthened managerial base. One layer of management was to be removed by abolishing the Wool Manager for Australia position and creating 2 Regional Manager positions, reporting directly to Ward. Fred Alexander's position was renamed as Regional Manager (Vic/Tas, SA and Textiles Divisions) and David Charlton was appointed Regional Manager (NSW, Qld and WA Divisions).

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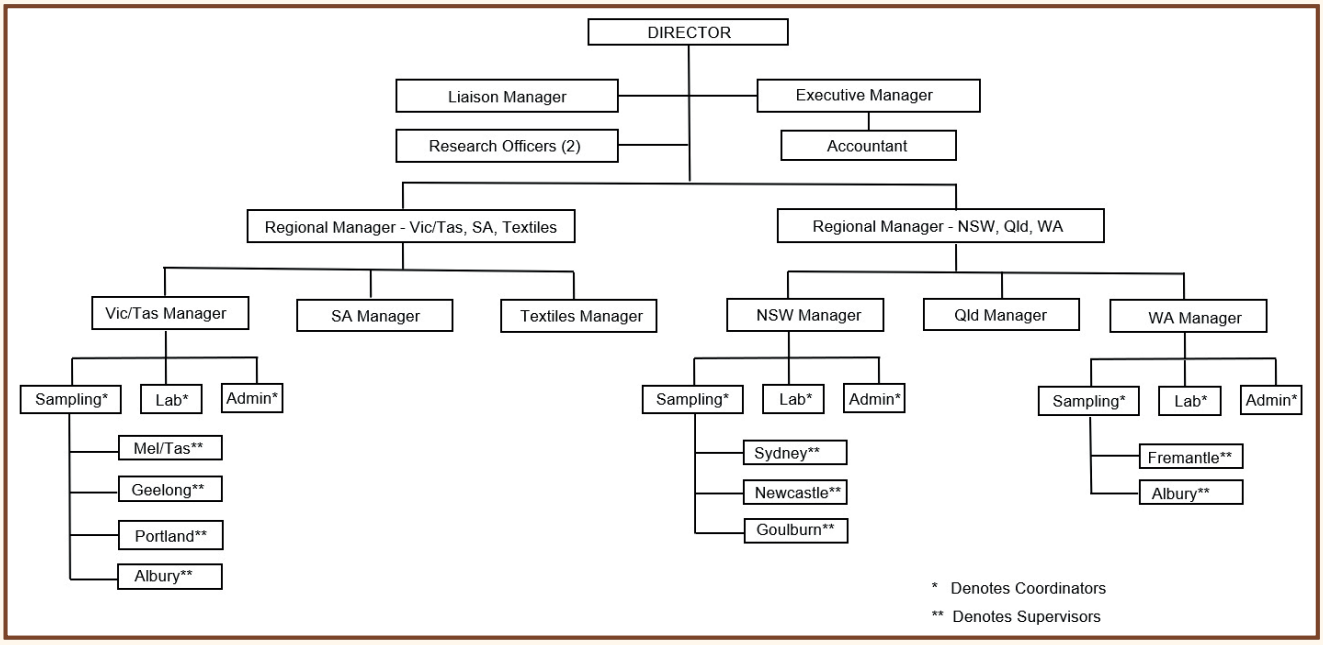
[78] WRAC had established a standard template for all research grant applications which required individual projects to be costed as separate exercises. The Authority's Plan argued against this approach because the projects being recommended were mostly interrelated and could be scheduled to progress without creating conflicting demands on the research team. AWTA's in-kind contribution would be via part-time participation of its executive and managerial staff. AWTA would also cover the cost of accommodation, light & power, telephone/telex/postage, materials & supplies, repairs & replacements, freight, stationery etc., due to the impracticality of attempting to allocate these costs to either research or to routine testing accounts.

[79] Prior to this all AWB Wool Statistical Service data collections were based on AWRC type assessments made or audited by their own valuing staff. They had never been checked against objectively measured data for fibre diameter, yield, staple length etc. The case for this work highlighted the desirability of defining wool types in terms of measurable parameters and reducing the use of subjective assessments to unmeasurable properties only.



Organisation structure approved to implement the Long-Range Plan in 1969

The policies to raise educational standards were also strongly endorsed. In future, the Divisional Managers responsible for a raw wool testing laboratory must have relevant tertiary qualifications, as should the proposed Laboratory, Sampling and Administration Coordinators reporting to them. Murray Mansfield would be promoted to Executive Manager, with broader accountabilities than his previous Administrative Officer position, and AWTA would appoint a fully qualified Accountant to manage and facilitate the transfer of all accounting operations from the Board to AWTA.

Disappointingly, the Board reaffirmed their long-standing policy to limit AWTA's testing of wool blends, despite the negative impact on the Textile Section's profitability. Finally, the Board resolved:

"*That the Long-Range Plan 1968-69 to 1972-73 for the Australian Wool Testing Authority be adopted by the Board as guidelines for the Authority's operations.*"

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As Yeo and Ward were leaving the Board Meeting, Gunn asked Ward to wait for him in his Chairman's Office to "… *discuss a couple of things*". As soon as Gunn arrived, he told Ward that he saw the introduction of pre-auction testing and sample appraisal as a great opportunity to improve the efficiency of wool handling and selling practices. In fact, he wanted to push ahead with the proposed research and feasibility studies immediately. Ward was excited by this endorsement and the extent to which Gunn had accepted the recommended strategic steps to involve the industry. It soon became clear that, prior to the Board's approval, Gunn had already devised a plan which relied upon Ward convincing the new ACWB Chairman, Bruce Trebeck, to issue a public statement announcing wool buyers' willingness to examine the role of scientific measurement in wool marketing. If that was achieved, Gunn would ensure that the Board, the major grower organisations and the brokers responded positively, by announcing publicly their agreement to join the buyers in this investigation. Ward was able to assure Gunn that he was on good terms with Trebeck and knew him well enough to seek his support. [80]

By pure coincidence, Trebeck had only recently sought Ward's technical input in relation to the text of a 'Policy Statement' he was drafting to clarify ACWB's attitude to objective measurement. As the incoming

[80] Gunn also sought clarification as to the most likely sources and reasons for opposition to presale testing, as these would need to be managed to separate the politics from the scientific work. Reflecting on that discussion, he then outlined a strategy to establish 2 separate Groups - a Technical Group to "get on with the real work" and a Policy Group "to discuss the commercial ramifications and engage in the politics". Under their Terms and Conditions, the Policy Group would monitor the Technical Group's work but would not be able to interfere with their progress.

ACWB Chairman, he was keen to counter the strong criticisms of buyers which had arisen from Rowland Smith's blunder at the Symposium in Goulburn.

On 6th May, only 3 days after Gunn's request, Ward met Trebeck in Sydney, which Trebeck assumed was to finalise his Policy Statement. Before opening that subject, Ward referred briefly to the Long-Range Plan and outlined AWTA's now approved research projects in relation to presale testing. When he referred to the need for cooperation from all industry groups, Trebeck agreed wholeheartedly that this would be essential, enabling Ward to explain that, in fact, he had come to Sydney to seek ACWB's support on Gunn's behalf. When asked whether he was willing to issue the statement calling on the industry to work with the buyers, Trebeck expressed concern that wool valuing staff would perceive this action as favouring the introduction of presale testing. He was afraid that those reactions might split the ACWB membership, particularly due to the publicity given to Bob Whan's criticisms of buyers' abilities at the Goulburn Symposium. Although his personal view was positive, he feared losing the ACWB chairmanship by issuing any statement that might be misconstrued as support for the implementation of presale testing.

In response, Ward made the following points:

- neither he nor Gunn were asking the ACWB to commit to anything other than an agreement to participate in investigations; rather, ACWB were being offered the opportunity to take the lead by calling upon all wool industry bodies to collaborate with them in examining the potential application of scientific measurement in wool handling and selling;
- by taking this initiative, ACWB would gain kudos that would offset much of the negative publicity appearing in the rural press since Rowland Smith's claims had been debunked; and
- Trebeck's existing draft Policy Statement could become the vehicle to initiate the process, with the addition of a few extra words calling for industry consultation and declaring that ACWB was now willing to participate, without prior commitment to any potential outcomes.

On reflection, Trebeck accepted the validity of these arguments. He agreed to make the call, on condition that Ward drafted the necessary amendments for him, and on the understanding that the final text must be approved by the ACWB's Executive Committee before its release to the press. Within 24 hours of returning to Melbourne, Ward sent the revised document to Trebeck, who made some minor amendments before gaining approval from the ACWB Executive Committee on 10th May.

The approved 'Statement by Australian Council of Wool Buyers on Objective Measurement of Wool' was released at a Press Conference in Sydney on 13th May. It had taken only 5 working days from Ward's approach for Bruce Trebeck to issue the Statement, which concluded as follows:

"*Buyers, scientists and growers have not co-operated sufficiently in the formulation of accurate, practical and co-ordinated technical aids in assessing the commercial values of greasy wool. In the interests of the whole industry, the Australian Council of Wool Buyers would be prepared to establish a panel of practical experts to consult and co-operate with growers and scientists to this end.*"

Immediately following the Press Conference, there were public expressions of support by the Board, followed by the NCWSBA President, the leaders of major woolgrower organisations, and by the key scientists working on wool testing and/or marketing projects within the CSIRO, BAE and UNSW. These announcements stimulated widespread discussion across the entire wool industry. Rural radio and newspapers reported on most of the press releases issued by industry leaders, and they also carried interviews with key local personalities. Letters to the Editor, from both proponents and antagonists, sparked wool grower interest and raised their knowledge of testing and its potential applications.

As a result, AWTA and brokers received a significant number of requests from growers wanting to test the main lines of their clips, and interest in fleece measurement for ram selection also increased significantly. With the momentum for presale testing escalating, Regional Branches of State and Federal growers' organisations started to submit policy proposals for debate at their respective Annual Conferences.

Inevitably, this weight of opinion caught the attention of the politicians in Canberra. In fact, by the end of June, the Minister for Primary Industry, Doug Anthony, had called for an enquiry into the feasibility of selling wool based on core tests. Not to be outshone, the then Leader of the Opposition, Gough Whitlam, reacted by announcing that the Labor Party would support a subsidy of $9.0 million.

"I strongly believe that any problems than exist can be solved and that pre-auction testing will be successfully introduced. This should lead to a streamlining of the present wool-selling mechanism and bring with it significant cost savings. Again, the Government will be prepared to look sympathetically at any request for assistance in this matter." (Hon J D Anthony, Minister for Primary Industry - 25/03/1970)

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Early in 1969, the Member representing DPI, Al Wallace, informed the Authority that the Commercial Minister in the Australian Embassy in Washington, John Smith, had reported that US Customs were experiencing significant problems trying to sample high-density dumped bales of Australian wool. As a result, compulsory testing for US duty purposes was being delayed. This had become such a serious issue that some mills were running out of wool to process and payments to Australian exporters were being withheld for unacceptably long periods. [81]

The Authority agreed to Wallace's request for Ward to return via Wahington, from the Paris IWTO Conference in June, to investigate the problem in detail. Discussing the cost, Members noted that this was a clear example of AWTA's contribution to industry, as had been highlighted in the Long-Range Plan.

During the discussion with Smith, Ward discovered that Australian wool exporters faced a much more serious problem than the duty payment issue. In fact, for almost a year US Customs had been unable to attract sampling staff and, as a result, Customs duty had been charged on estimated yields and fibre diameters in lieu of test results. When the potential for gross errors was explained to Smith, he agreed that the most obvious long-term solution would be to convince the US Government to accept AWTA Certificates. To ensure that he was fully briefed before initiating negotiations at Government level, Smith asked Ward to provide a report which identified and discussed the technical issues and recommended this solution. Whilst on annual leave, Ward prepared a report on 'The Assessment of US Customs Duty on Imports of Australian Wool - Containerised Shipments in Particular', which was endorsed by the Authority and sent to Smith in Washington for action.

This report focused attention on the potential for errors to distort the amount of duty payable, the benefits to be gained from testing at origin and the Authority's credentials to issue Certificates that met the US Government requirements. While in the USA, Ward had also taken the opportunity to canvass the issues with the Boston Wool Trade Association and Louis Tanner, Chief Chemist of the US Customs Laboratory, knowing that both would be asked for their views at some future stage. [82]

During the years before US legislators started to address these problems, the wool trade decided to use AWTA Certificates as the basis for trading. Thereafter, it became common practice for copies of these Certificates to be sent to US Customs for information, in the hope that they would be used in lieu of subjective assessments.

Eventually, the US Government amended the legislation to accept AWTA Certificates as the basis for calculating import duty on Australian wool.

[81] Since the 1940s, the US Government had charged duty on all apparel wools imported into the USA, based on testing by US Customs for yield and fiber diameter – the latter being tested via the Microprojection method to determine whether the delivery was sufficiently coarse to be exempt.

[82] US Customs faced a new sampling problem in 1976 when 'jumbo' bales were introduced to save freight costs. Due to their high packing density, it was practically impossible for their rotating core tubes to penetrate the wool sufficiently to obtain a proper sample for testing. In January 1977, Sas Douglas returned from the IWTO Meetings via Boston to promote the use of AWTA Certificates as the logical solution for both the trade and US Customs.

25. OBJECTIVE MEASUREMENT COMMITTEES PROGRESS RAPIDLY

"*The Government has agreed to provide a sum of about $1.5 million over 2 years to finance research and trials into the feasibility of introducing presale objective measurement of wool on a commercial basis.*" [Statement by DPI Minister, Doug Anthony – August 1970]

By mid-July 1969, the Board had agreed to implement Bill Gunn's strategy to establish 2 Objective Measurement (OM) Committees, namely a Policy Committee with a Technical Committee reporting to it. In consultation with Trebeck, Gunn had also selected the organisations to be invited to nominate Committee members. The release of this list attracted interest from others who had been left out, causing the Board to add nominees from the WTMA, the Central Classing Houses' Association, and Economic Wool Producers (EWP). However, formal announcement of the names was delayed by BAE's nomination of Bob Whan as their representative on the Technical Committee. In the eyes of ACWB members, Whan had not only insulted them in Goulburn, but he had continued to claim their ability to value individual lots of wool was much less accurate than testing. Consequently, Trebeck felt compelled to advise Gunn that ACWB's continuing cooperation was conditional upon Whan having no role on either Committee. BAE reluctantly withdrew Whan's nomination and appointed Sas Douglas in his stead, following which the membership of each Committee was announced in August 1969.

Members of the OM Policy Committee, with Malcolm Vawser of AWB as Secretary, were drawn from a broad cross-section of commercial wool sectors, namely:

- Mitchell McKenzie, representing NCWSBA (Chairman)
- David Campbell, representing AWB (also a wool buyer)
- Ed Chambers, representing Central Classing Houses
- Sid Coombe, representing ACWB
- Arthur Dunstan, representing NCWSBA
- Jim Maple-Brown, Economic Wool Producers (also a leading wool grower)
- Sandy Nevile, representing AWB (also a wool processor)
- Dick O'Brien, representing AWB (also a wool grower)
- Bruce Trebeck, representing ACWB

The OM Technical Committee, with Gary Pemberton of AWB as Secretary, comprised individuals selected for their current working knowledge of wool broking, buying and testing, together with appointees from CSIRO, BAE and the AWB, namely:

- John Downes, nominated by CSIRO (Chairman)
- Jack Allerding, nominated by NCWSBA (a senior wool valuer)
- Chris Birkett, nominated by WTMA (a technical/laboratory manager)
- Gus Deltoer, nominated by ACWB (a senior French wool buyer)
- Sas Douglas, nominated by BAE (research officer, ex Auscore manager)
- Dr Arthur Farnworth, nominated by AWB (AWB's Technical Director)
- Eddie Rickard, nominated by ACWB (a wool buyer)
- Colin Stagg, nominated by ACWB (VIC & SA Wool Buyers' Exec Officer)
- David Ward, nominated by AWTA
- John Westmore, nominated by WTS Pty Ltd
- Graham Williams, nominated by NCWSBA (a wool store manager)

Objective Measurement Policy and Technical Committees

The Policy Committee's primary objective was "… *to examine and report on the present and possible future role of objective measurement as applied to the assessment of the characteristics of the wool fibre, consideration being given to the relative efficiency of both subjective and objective means of assessment, the possible relationship between each concept and, having regard to the costs involved, the means by which optimum application of technological developments may be achieved in this field with respect to sheep selection, wool classing, transport and handling, selling, and processing and manufacturing*".

Subsidiary Terms of Reference to be addressed by them were listed as follows:

1. "*Clearly define all technical and commercial terms associated with the assessment of wool's* characteristics and covering each phase of production, marketing and processing.
2. "*Report on the attitude of wool users and processors to current commercial objective measurement procedures.*
3. "*In the interest of the wool industry, should there be a standard specification of quality numbers for microns?*
4. "*What action should be taken to standardise the understanding of the application of objective measurement to all phases of production, marketing and processing?*
5. "*What action should be taken to implement any changes that appear desirable in the light of the Technical Committee's investigations?*
6. "*Is there a need to accelerate the present research and development programme in respect of objective measurement or to extend it to other areas?*"

The OM Policy Committee added an extra Term of Reference to be studied by CSIRO, namely :

> "*What could be the effects and implications of objective measurement of wool's characteristics on present procedures involved in sheep breeding, outlining possible technological developments which could vary current selection methods?*"

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On the other hand, the specified role for the OM Technical Committee was directed towards the following 3 major objectives:

> "*To investigate and report on sampling procedures, laboratory techniques and test methods used in the measurement of wool characteristics, with particular reference to their level of accuracy for commercial purposes.*
>
> "*To detail any changes to selling and handling procedures which may be recommended to increase the efficiency, economy and practicability of objective measurement.*
>
> "*To recommend ways in which objective measurement may be used to improve current clip preparation, wool marketing and processing procedures."*

Given that the fundamental scientific research and development work was to be conducted by the Technical Committee and that, in due course, they would need to recommend a series of practical trials to demonstrate any potential changes to the status quo, their Terms of Reference covered a much wider range of topics.

Specifically, they were required to investigate and report on:

(1) "*The characteristics of wool which should be measured in the assessment of potential processing performance and use, and the reasons for their importance.*

(2) "*The characteristics of wool currently capable of measurement, with details of the accuracy, speed, reproducibility (between samples and between laboratories), cost, and general efficiency of currently available test methods, particularly those for yield, fibre diameter, staple and fibre lengths and vegetable matter.*

(3) "*Additional characteristics of wool not currently measurable but likely to become capable of measurement in the future, with estimated dates of availability of new test methods.*

(4) "*The extent of any established relationships between objective measurement and performance in industrial processing.*

(5) "*The extent of any established relationship between subjective assessment and performance in industrial processing.*

(6) "*The relationship between the results obtained by objective and subjective assessment of particular wool characteristics.*

(7) "*The trend in the volume of wool being submitted for objective measurement in Australia and overseas, and the capacity of testing houses and selling brokers in this country to meet the current and anticipated level of demand for their services, efficiently and economically.*

(8) "*The trend in the volume of wool being submitted for objective measurement in Australia in relation to:*

(a) the sale of particular parcels of wool and the extent to which commercial transactions are based on test results;

(b) guidance core testing for either buyers or their overseas client.

(9) "*The present procedures for sampling for objective measurement and for subjective assessment, the representativeness of the samples being obtained, and any changes in procedure recommended to achieve cheaper and representative samples.*

(10) "*The adequacy of present test methods in terms of accuracy, speed, reproducibility, and cost when applied to:*

(a) presale testing of individual bales;

(b) presale testing of auction lots;

(c) post-sale testing of auction lots and buyers' consignments.

(11) "*Changes in test methods recommended in order to cope with the expansion of:*

(a) presale testing of individual bales;

(b) presale testing of auction lots;

(c) post-sale testing of auction lots and buyers' consignments assuming that such an expansion is desirable on economic grounds.

(12) "*Any changes in selling and handling procedures recommended to expand the commercial application of objective measurement in dealing with:*

(a) individual bales on receipt into store;

(b) auction lots immediately prior to sale;

(c) buyers' consignments;

(d) wools for interlotting, e.g. Price Averaging Plan (PAP) wool;

(e) bulk-classed wool prior to repressing.

(13) "*Action being taken generally to expand the commercial application of objective measurement (e.g. automatic core sampling, automation of testing procedures to increase speed and reduce cost) and the extent to which these developments are likely to satisfy requirements under (11) and (12) above.*

(14) "*The adequacy of current research and development progress in relation to objective measurement and any factors which may be limiting progress in this regard.*

(15) "*Subject to Term of Reference (9) the feasibility of combining the subjective assessment of a representative sample with objective data on wool characteristics to achieve sale-by-sample.*

(16) "*The extent of any established relationships between standards in classing and performance in processing, and any changes in clip preparation standards which could be possible on the development of objective measurement techniques.*

(17) "*The scope for reducing the number of A.W.R.C. types on the basis of objective measurement.*

(18) "*Such other matters as may properly be investigated in relation to the use of objective measurement in the production, marketing and processing of wool fibre into consumer products.*"

The Policy Committee decided to send the objectives and Terms of Reference to the IWTO President, for referral to the Wool Committee. The ANC of IWTO and other major wool industry organisations in Australia, also received copies to keep them informed, and to invite their comments. [83]

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[83] As the ANC's Technical Adviser, Ward assisted the Secretary, Harold Lay, to provide a draft ANC response to the Policy Committee, and he was also invited to review the IWTO's draft reply when it was sent to National Committees for comment. In this regard, he was able to correct technical errors and to provide IWTO with practical explanations as to why some extreme statements from individuals should be removed.

Coincidentally, the roles and membership of each Committee had been released publicly on the same day as the UNSW School of Wool Technology held a Seminar focused on wool measurement in marketing, where Trebeck and Ward were the key presenters. By this time, wool valuers on showfloors had become critical of Trebeck's perceived failure to defend their skills, so he urged caution and claimed that variations in test results were much too large for wool growers to accept.

By contrast, Ward focused on educating participants, especially the rural reporters present, rather than debating the issues now delegated to the OM Committees. He described the natural variability in wool's properties which posed challenges for both subjective and objective assessments, the current progress in the development of wool testing, and the practical ways in which test results were already being used in greasy wool transactions and sheep breeding. This approach was consistent with the Authority's policy to avoid antagonising wool buyers, who were their main raw wool testing clients.

When the Authority Members received copies of Ward's speech, they noted its lack of bias and agreed that copies must be sent to the executives of all Federal Wool Grower Associations, the Graziers' Association of NSW, all rural newspapers, and to the Australian Trade Commissioners. They also reaffirmed that AWTA's management had an important role to play by providing objective comments and explanations to guide decision-making by the OM Committees.

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In relation to the OM Committees' work, AWTA's main involvement was focused on matters being addressed by the Technical Committee. At the outset, the Technical Committee decided to group all interrelated Terms of References together and then allocate each group to an ad hoc Working Group, which was required to provide progress reports to the full Committee. Ward was appointed as convenor of Working Group B, to review trends in the growth and uses of objective measurement, and to report on the capacity of testing houses and brokers to meet current and future levels of demand. Trends of particular interest to the main Committee were the extent to which current commercial transactions were based on test results, and the use of guidance core testing by buyers and/or their overseas clients.

During the initial meetings of both Committees, it became clear that many members had little working knowledge of the technical terms used in the IWTO Core Test Regulations for wool sampling, testing and certification. Nor were they aware of the differences between the specific types of yield defined in the IWTO, ASTM and BWF standard test methods. Consequently, to improve their knowledge and avoid confusion, Ward produced an educational document headed 'General Notes and Definitions of Terms' which was distributed in November 1969 to members of both Committees and their nominating organisations. To complement this, the Technical Committee appointed a 'Definitions Working Group' to produce a 'Glossary of Trade Terms' in common use along the wool pipeline. [84]

From August 1969 to May 1970, each technical Working Groups systematically examined their allocated Terms of Reference to establish the present status of wool industry readiness and acceptance of objective measurement. They identified technical aspects requiring urgent research and/or development to bridge current knowledge gaps and thereby facilitate the introduction of pre-auction testing. To coordinate this work, Bruce Mackay of CSIRO was appointed as the leader of a Research Sub-committee, with members coming from the main organisations engaged in OM research.

In March 1970, the DPI Minister Doug Anthony addressed the AWB Advisory Committee on Wool Marketing, expressing his opinions that pre-auction testing could be introduced successfully, would streamline wool handling and selling systems, and would produce significant cost savings. To hasten progress, he announced that the Government would provide essential research funding.

By May 1970, both OM Committees had approved a comprehensive nation-wide programme of objective measurement research and development work, which would incorporate a series of practical trials and public displays to familiarise the commercial trade with the concepts and the potential for future changes.

[84] The Working Group members were Chris Birkett, Technical Manager of Port Phillip Mills, Colin Stagg, Executive Officer of the Vic & SA Woolbuyers Association, Bill Williams, Executive Director of NCWSBA, and David Ward, Director of AWTA.

This ambitious programme would be conducted over a 2-year period and would be known as the Australian Objective Measurement Project (AOMP). The major objectives would be:

- to examine of all aspects of pre-auction objective measurement;
- to expedite the development of an automated coring device and prove its acceptability;
- to invent, develop and prove an automated 'grab' sampling device to provide display samples for buyers' valuation, and for future staple length and strength testing;
- to obtain national and international approval of a standard presale test method for sale lots only, to complement the full IWTO standard applicable to mill consignments;
- to examine the ability of buyers to appraise such display samples for staple length, strength, colour and other characteristics not yet measured; and
- to evaluate new methods of clip preparation and sale-by-separation i.e. with sampling in one location and selling in another.

On 17th June 1970, the Policy Committee Chairman, Mitch McKenzie, submitted the projected AOMP Budgets and supporting details to Sir William Gunn, for AWB approval and their recommendation to the Government. The required funding was almost $1.5 million, to be spread over 2 years as follows:

EXPENSE CATEGORY	1970/71 ($)	1971/72 ($)	TOTAL ($)
AOMP Administration	10,000	10,000	20,000
Presale Core Sample Research Trials	401,000	436,000	837,000
Sale by Sample Research Trials	136,000	0	136,000
Test Method Research Trials	33,000	32,000	65,000
Industrial Trials	141,000	262,000	403,000
TOTALS	**736,000**	**753,000**	**1,489,000**

Finally, on 19th August 1970, Minister Anthony announced to the Parliament that "… *the Government has agreed to provide a sum of about $1.5 million over two years to finance research trials into the feasibility of introducing pre-sale objective measurement of wool on a commercial basis.*"

Over the next 6 months, the technical Working Groups completed their final reports for inclusion in an Interim Report to the Policy Committee. Having completed their tasks, the Technical Committee was disbanded in May 1971, when membership of the Policy Committee was expanded to raise the level of technical expertise.

The new members were John Downes (CSIRO, Chairman of the Research Sub-committee), Gary Pemberton (AWB, ex-Secretary of the OM Technical Committee), Professor Ken Whiteley (UNSW), and Dr Stuart Harris (Director of BAE).

Furthermore, the Research Sub-committee would now report to the expanded Policy Committee, and Bruce Mackay's secondment from CSIRO would be extended for a further 2 years, enabling him to accept the position of AOMP Project Manager. In this capacity, he managed a team of up to 30 staff, whose main tasks were to run proving trials and sale-by-sample displays, when required. [85]

[85] In November 1970, despite having joined the staff of AWTA, Sas Douglas was appointed by the OM Research Sub-committee as a member of 2 separate AOMP Working Groups – one tasked with selecting 'Type-District Combinations for Sampling Trials' and the other undertaking 'Research on Current Test Methods'.

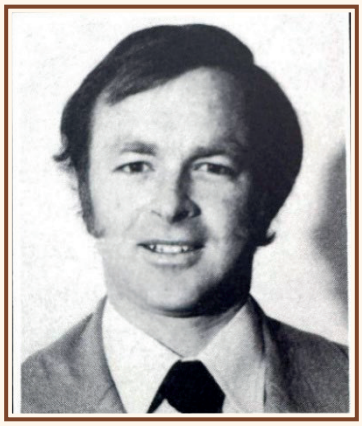
26. BUILDING A STRONGER TEAM FOR THE FUTURE

"*Positive action has been taken to develop technical capacity right through the Authority … rigid staff selection and employment standards have been established, and internal staff training programmes have been revised and expanded.*" [AWTA Newsletter No. 1: 1969/70]

The service breakdown in Melbourne towards the end of 1969 and into early 1970, had exposed serious weaknesses in the capacity of some senior staff to manage the increasing volume and complexity of the Authority's raw wool testing services. When approving the Long-Range Plan, both the Authority and the Board had agreed that the management structure must be strengthened to ensure that key staff had the knowledge and skills to handle the growing challenges arising from AWTA's expansion. As a minimum, Managers must have people management skills, personalities to liaise effectively with clients, the analytical and problem-solving skills required to participate effectively in their local Broker/Buyer/Test House Sub-committees, and the ability to find solutions for any problems raised by clients.

Whilst action to implement these standards had commenced, the speed of Gunn's actions in establishing the OM Committees, and the Government's equally rapid decision to provide $1.5 million for the AOMP, now made the recommended strengthening of AWTA's staff resources a matter of urgency. The principal objective was to put in place a management structure that enabled decisions on day-to-day issues to be made at the local Regional and/or State Manager level. In the short term, this would free senior executives to participate in OM Committee work and drive AWTA's research and feasibility studies. In the longer term, it would facilitate planning of new premises and facilities and ensure that future moves to adopt and expand presale testing were not inhibited by AWTA's lack of qualified professional staff.

Staffing standards in the Textile Division were already at the desired level, with almost all employees having undertaken relevant training at textile colleges in Melbourne and/or Geelong. This Division was now well-structured, following Fred Alexander's promotion to the Wool & Textile Supervisor position. Pursuant to the approved strategy, a tertiary-trained AWB officer, Ian Treloar, Dip.Textile Chem., was appointed to provide managerial support as Textiles Manager, effective in April 1969. This enabled Fred Alexander to devote most of his time to solving the chronic Victorian problems, and to implementing structural changes to strengthen the raw wool testing operations. To free himself from the day-to-day management of raw wool testing operations, he also appointed Ian Kelly, BSc (Hons) in Textile Chemistry, to the newly created position of Melbourne Laboratory Coordinator, commencing on the same day as Treloar. [125]



Ian Treloar, appointed as Textile Manager in April 1969

As he focused on identifying and correcting weaknesses within the Victorian raw wool sampling, testing and clerical sections, Alexander confirmed that priority must be given to setting minimum education standards for employees. In this regard, no minimum requirements had ever been set and internal promotions to senior and supervisory positions had tended to favour "gun operators", rather than employees having the ability to analyse problems and manage effectively. Also, due to AWTA's financial struggles over many years, emphasis had been placed on cost minimisation, which had led to a high proportion of juniors being engaged. Furthermore, since most training for new employees had come from fellow employees while working on the job, there was a high risk that poor practices were being passed on. However, these shortcomings were not restricted to Victoria, so it was essential to implement a plan to raise employment standards systematically, Australia-wide.

The Authority had never developed a formal personnel assessment programme for salary reviews. Consequently, before making structural changes to build a more competent and versatile team, it was considered essential to conduct a comprehensive survey of all existing staff and employees to assess their individual degrees of competence. To this end, a 'Performance Appraisal Form' was sourced, on

which Managers were required to record their personal assessments of each employee's abilities regarding Job Knowledge, Reliability, Judgement, Initiative, Cooperation, Leadership and Future Potential for Promotion. Also, each employee's highest education level was to be recorded for assessment against the new minimum standards set for each job classification, and to identify specific training needs.

The survey results were so alarming that the Operating Budget for 1969/70 included an abnormally large increase in expenses for the urgent development of a more balanced and better trained organisation. The Authority had already agreed that several positions would require tertiary-qualified appointees and that staff selection must focus on having supervisory staff with the intelligence and adaptability to maintain control over costs and service. Upon seeing the survey findings, the Authority strongly supported the recommended investment in personnel, particularly since a record profit of $80,000 was expected for the current year and, despite the large investment in managerial resources, the 1969/70 Budget was expected to produce a nett profit of $19,000.

From mid-1969, the following specific actions were implemented progressively:

- the anomalies found via the performance appraisal/salary review for all staff and non-Award employees were corrected;
- the approved organisation structure below executive level was implemented; a Regional Manager was based in each of the Melbourne and Sydney laboratories, with State Managers reporting to them and supported by local Coordinators for Sampling, Testing and Administration operations;
- it became mandatory for appointees to these senior positions to have either, completed a University Degree in Wool Technology, Agricultural or Rural Science or, completed relevant tertiary training and gained managerial experience in a related technical field;
- detailed Position Descriptions (PDs) were documented initially for every managerial position, then followed by PDs for the next level of direct reports, and so on;
- Hugh Oates (BSc in Wool Technology) was appointed Victorian Manager in October 1969;
- Roy Pearson (B Rural Sc) was appointed WA Manager in January 1970;
- Bob Morgan (Gordon Inst. Dip. Tex.) was appointed as Laboratory Coordinator in the Textiles Division in January 1970; and
- Mary Galea (BA) was appointed Administration Coordinator in Melbourne. [86]

To address knowledge gaps, the decision was made to take advantage of the off-season reduction in greasy wool testing to step up training for existing employees. General lectures about the wool industry and AWTA's role in it were given by Managers. Sampling staff spent some time in the laboratory to gain an appreciation of the importance of following rigid procedures, and Melbourne raw wool and textile laboratory staff were interchanged, to help identify employees with the ability to adapt. During these exercises, the Coordinators and Supervisors involved were required to record each employee's attitude towards changing jobs, the level of explanation required to reach proficiency, the interest they had shown, their speed and accuracy (if relevant), and their potential to undertake more challenging tasks.

Within 6 months of completing the Authority's 1969 mid-year salary review, substantial increases in salaries and wages had occurred across the entire Australian economy, so much so that AWTA's rates of pay had become uncompetitive again. This caused some fully trained supervisory staff to chase higher wages in other industries and made it difficult to replace staff at all levels.

A Special Meeting of the Authority was called in January 1970 to consider a further 'Review of Salary Structures and Ranges'. In addition to rewarding improved performance, remuneration recommendations also took into account:

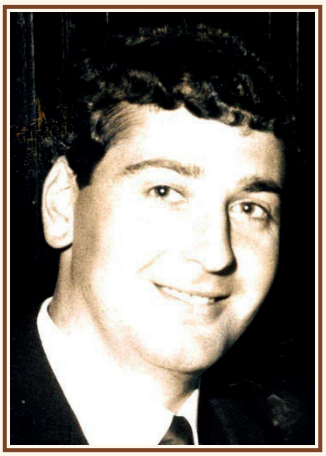
- further salary adjustments for educational qualifications, new classifications, and an extension of existing salary ranges to provide extra scope for advancement;

[86] Prior to Roy Pearson's appointment to the WA Manager position, Warren Longson had been in charge of WA since 1958, having been the AWTA's first staff member there. He was a popular personality in the local wool industry and well suited to transfer to a new role as WA Liaison Manager, reporting to Pearson.

- the impact of a recent National Wage Case increase on relevant wage scales in Federal and State Awards, together with compulsory wage increases arising from the phasing-in of equal pay for female employees, as then directed by the Commonwealth Public Service Board;
- the different daily hours being worked in sections of AWTA, including the need to recognise that supervisory staff were regularly required to work extended hours without being eligible for overtime payments; and
- at the Chairman's insistence, the need to attract and retain employees by compensating them for the poor working conditions and lack of staff amenities in AWTA's unattractive industrial premises.

The Authority approved all recommendations, backdated to 1st January 1970. They also recognised the benefit of conducting future annual performance appraisals immediately after the intensely busy Spring peak period, when performance strengths and weaknesses would be most exposed.

The next imperative was to appoint a fully qualified Accountant, as a precursor to arranging for all the administrative and accounting functions to be transferred from AWB to AWTA staff. With the growth in raw wool testing operations and increasing employee numbers, including casual staff, AWB had found it increasingly difficult to handle payroll, personnel records and purchasing matters offsite. A knock-on effect was a slower delivery of the monthly accounting data required for the Thiele costing system, such that receipt of productivity data was no longer sufficiently timely for rapid action to be taken to control costs. Approving this appointment, the Board noted that in-house cost accounting expertise would be necessary for research studies and the AOMP tenders.



Wayne Nettleton appointed Accountant in February 1970

In February 1970, Wayne Nettleton (Dip Commerce) commenced as the Authority's first Accountant. After induction and settling into his role, he worked closely with AWB's Finance Director, Don McKinlay, to plan the transitional arrangements. The Board set 1st July 1970 as the deadline for this transfer of responsibilities to be completed. To handle payroll and purchasing operations, appointments were approved for a Payroll Officer, John Downes, and a Purchasing Officer, Harry Stephens, to be employed in March 1970. Given AWB's legislated accountability for the assets and employees made available to the Authority, and to satisfy the Commonwealth Auditor,

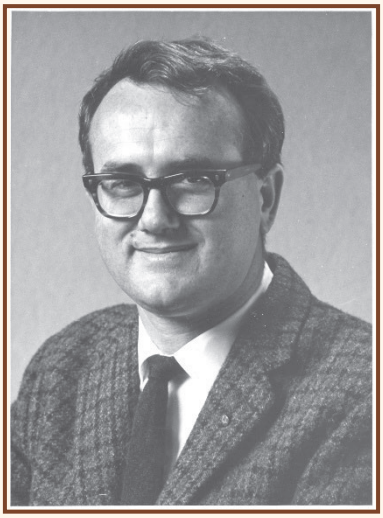
Nettleton's appointment and the availability of detailed cost data from the Thiele system facilitated the involvement of Divisional, State and Regional Managers in AWTA's budgeting. Prior to this, all Budgets had been prepared centrally by Mansfield, Charlton and Ward, with relevant input provided by the Textile Supervisor. Whilst the Authority accepted that this decentralisation would slow the budgeting process, they appreciated that it would make Managers more accountable for the profitability of the operations under their direct control.

The 1970/71 Budget papers recorded that the previous year had produced a nett profit of $35,954 which was well above the budgeted $19,000. The large investment in key staff had been more than offset by unprecedented demand for yield test Certificates, which had increased by a massive 56.4% and covered a record total of 1,063,787 bales. Including all other raw wool services, the total number of bales sampled had increased by almost 34% to 1,367,097 bales.

In March 1970, Fred Alexander resigned as Regional Manager (Vic/Tas, SA & Textiles) on medical advice. Due to his depth of knowledge of AWTA's operations and his textile industry experience, Ward negotiated for him to remain on-call to undertake special investigations, when required. Within 4 weeks, the vacant Regional Manager position had been taken up by Noel Emselle (BSc and Gordon Inst. Dip. Tex. Chem), who was previously Research & Development Manager at Felt & Textiles Industries. Based on previous experience, he immediately recommended that AWTA should apply for recognition as an 'Approved Research Organisation', as defined by the Industrial Research and Development Grants Act 1967. Besides gaining more textile testing business, he knew that staff would benefit though participation in projects requiring more initiative than was normally needed in their routine testing jobs.

In due course, the Australian Industrial Research & Development Board declared that AWTA had been deemed to be an 'Approved Research Organisation', effective retrospectively from 1st July 1969.

The final action needed to complete this phase of structural change was the appointment of an Assistant Director to take direct control of all raw wool testing operations, to lead AWTA's small research team, and to oversee their involvement in the AOMP programme. The most obvious appointee to provide depth and to strengthen the executive team was Sas Douglas, whom Ward had attempted to employ when Auscore Testing had been shut down in 1968. [87]



SAS Douglas, appointed as Assistant Director in September 1970

With the Authority's approval, the Assistant Director position was offered to Douglas, who accepted immediately subject to being allowed up to 2 months to document his BAE project findings, following which he joined the AWTA on 11th September 1970. Being based in Sydney, AWTA gained the advantages foregone when the Authority decided to keep Head Office in Melbourne, thereby providing Northern clients with ready access to a Head Office executive and offsetting WTS' competitive advantage from having its principal office there. Prior to his commencement, the Authority had agreed that he should attend all Authority Meetings, where he could report directly on the operations under his control and receive the Members' views first-hand, thus minimising any delay in implementing required actions.

After Douglas had participated in his first 2 Authority Meetings, Lindsay Yeo confided to Ward that the Members were pleased that the appointment was enabling Ward and Mansfield to step back from the day-to-day operations matters. Recalling the difficulties experienced in meeting the deadlines for the Long-Range Plan, he asked whether there were any other impediments that should be addressed by the Members. In response, Ward drew attention to the inordinate time commitment required to service monthly Authority Meetings, which often took up to 50% of his and Mansfield's time in preparing monthly reports, documenting specific papers requested by Members and/or by the Board, holding pre-meeting discussions, obtaining Members' approval of draft Minutes etc., and finally acting upon all decisions taken.

Whilst the appointments of Nettleton and Douglas had mitigated the time pressures, Yeo agreed that monthly meetings would again become a problem, due to AWTA's expanding roles in the CTS-c, the ANC, the OM Committees, Interwoollabs, and their involvement in both AOMP and AWTA research and development projects.

Yeo was adamant that AWTA staff should not reduce their involvement in wool industry affairs. He understood the dilemma and, in fact, had been contemplating a bi-monthly schedule, due to his own recent appointment as Deputy Chairman of the Australian Wool Commission and his awareness of the increased time commitments recently taken on by other Members of the Authority. [88]

To address Members' concerns about the timeliness of performance reports and their reduced involvement, all activity and financial reports would continue to be distributed monthly, and every Member

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[87] Sas Douglas had gained an MSc in Wool Technology and wide experience in the wool testing field. He had been the Officer-in-Charge of the UNSW School of Wool Technology's wool testing laboratory and worked with CIBA Geigy before joining Auscore as Technical & Laboratory Manager. In was currently working as a Research Officer with the BAE, examining the potential introduction of pre-auction testing.

[88] During the past year, Lindsay Yeo, Al Wallace and Sandy Nevile had become Members of the Australian Wool Commission; John Downes, Colin Stagg, David Ward and Sas Douglas had key roles in the OM Committee's Working Groups; Roy Nicholls, Sandy Nevile, Harold Lay, Colin Stagg and David Ward were actively involved in the ANC of IWTO; and Lindsay Yeo, Jim Strachan, Colin Stagg, David Ward and Murray Mansfield had been participants in most of the National Broker/Buyer/Test House Committee negotiations.

would be appointed to at least one ad hoc Sub-committee. Also, to ensure that they were kept informed of any significant developments affecting AWTA, Ward would continue to issue his monthly Director's Report. In December 1970, having agreed to hold meetings 2-monthly, the Authority appointed Yeo, Nevile, Wallace, Ward, Douglas and Mansfield as a Finance Committee to consider the Sales Statistics, Financial Statements, Preliminary Budgets and Preliminary Salary Reviews between full Meetings.

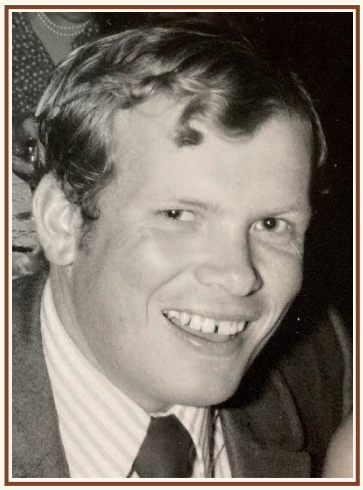
An important benefit gained through having more competent staff in managerial and supervisory positions was the ability to delegate aspects of the 1971 Annual Performance Appraisal and Salary Review process closer to the workface. In this regard, the initial appraisals were undertaken in each centre, reviewed at State and/or Regional Manager level, and submitted with salary recommendations for finalisation by a remuneration panel of Ward, Douglas and Mansfield. Based on this review, adjustments were made to the Victorian structure, shortening the chain of command and aligning individual competence with a more balanced allocation of responsibilities. Among these changes:

- the Victorian Manager position was abolished, and Hugh Oates became Melbourne Laboratory Manager responsible for sample receivals, laboratory testing and clerical operations;
- John McIntyre became Sampling Coordinator for Vic/Tas, reporting directly to the Regional Manager, Noel Emselle; and
- Mary Galea was promoted from Administration to Regional Coordinator, reporting to Emselle on productivity, service times, personnel matters and other administrative matters.

In November 1971, Hugh Hopkins (BComWool & MSc) commenced as Northern Manager based in Sydney, following David Charlton's secondment to AOMP in September. After completing his Wool Commerce degree, Hopkins had worked for FW Hughes Pty Ltd's fellmongery business, where he had completed his MSc on a part-time basis. In the same month, Tim Slack-Smith (BAgSc) was appointed to fill the Research Officer position vacated by Kevin James at the end of June. His immediate task was to run the planned presale sampling trial at the Yennora Wool Centre.

Also, with the expected rapid growth of services and an expanding role in research and development programmes, AWTA needed to strengthen their financial and cost accounting resources. To this end, Wayne Nettleton appointed a former colleague, Alex Artomonow, to a new Assistant Accountant position, commencing on 10th January 1972. [89]

Alex Artomonow appointed as Assistant Accountant in January 1972



Hugh Hopkins appointed as Northern Manager in November 1971

Towards the end of 1971, Warren Longson resigned to take up a position with the AWB Property Department in Fremantle, precipitated by difficulties he experienced in working under the new WA

[89] Alex Artomonow held a Diploma in Commerce and was undertaking a part-time Bachelor of Business course at the Royal Melbourne Institute of Technology, while working as a Trainee Accountant for Imperial Chemical Industries. Within 15 months, he was promoted to a Finance Accountant role and, subsequently, to become Management Accountant - Finance.

Manager, Roy Pearson. Having been head of WA operations since AWTA's Fremantle office opened in 1958, Longson was a respected and well-liked identity in the local industry. [90]

Within days of Longson's departure, advice was received from several highly respected WA clients that Pearson was not fitting into this unique trade environment. Ward then visited Fremantle for a more detailed assessment, following which he decided to transfer Pearson to a senior position in Melbourne, effective on 4th January 1972. Pearson's transfer from WA highlighted the fact that having the right tertiary qualifications and excellent analytical skills was not enough to succeed as the WA State Manager. Clearly, his replacement must have a gregarious personality.

Working through a list of past Wool Technology graduates, Ward and Douglas recalled that one of their fellow graduates, Dr Peter Morgan, had been employed by the WA Department of Agriculture as a sheep and wool adviser. He was ideally qualified for the position and would certainly mix freely with the trade.[91] When Ward made contact, Morgan told him that he had just accepted a position as Research Manager at UNSW's farm at Broken Hill, although he had not yet received the offer in writing. As he appeared attracted by the nature and scope of the AWTA position, Ward immediately sent him a written offer to join AWTA and, after a series of more detailed discussions, Morgan changed his mind and took up the appointment as WA Manager on 13th March 1972.

For the remainder of 1972, the management structure stabilised. All new appointees settled into their positions well and contributed effectively, while the wool industry moved towards the formal adoption of presale testing as the preferred basis for selling. The Authority's role expanded accordingly.

With large-scale testing then imminent, final adjustments were made to bring the raw wool reporting relationships into line with the management structure approved in the Long-Range Plan. In particular:

- since the new Fremantle laboratory would conduct presale tests for both WA and SA, Morgan became Regional Manager - WA & SA, with Terry Dittmar reporting to him as SA State Manager;
- similarly, Sydney laboratory would conduct tests for NSW and Qld, so Hugh Hopkins became Regional Manager - NSW & Qld, with Malcolm Clark reporting to him as Qld State Manager;
- Noel Emselle was appointed Research & Development Manager reporting to Sas Douglas, thereby taking over responsibility for the research staff, AWTA's equipment development and manufacture projects, and remain an adviser to the Textile Manager, Ian Treloar;
- Murray Mansfield replaced Noel Emselle as Regional Manager - Vic/Tas & Textiles in 1973, retaining the role of key contact for the Japanese and other East Asian clients;
- Ian Kelly was promoted from research to an Administration Services & Planning position reporting directly to Ward, progressively taking over Murray Mansfield's previous responsibilities; and
- at AWC's request, Roy Pearson was seconded to a new AWC Marketing Research Group, for which he was ideally suited.

At last, the Authority had a senior management team with the necessary mix of technical, scientific and commercial skills, and practical wool industry experience, which would enable them to expand AWTA's role effectively, while managing the business efficiently and profitably into the future.

By the mid-1970s, the rapid growth in presale testing made it essential for Peter Morgan to commit more of his time to computer systems development. In December 1976, he was promoted to the position of Assistant Director with the 3 Regional Managers reporting directly to him.

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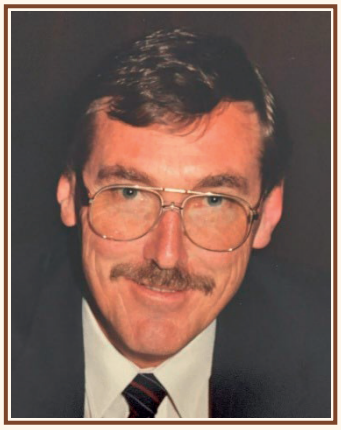
[90] Unlike in the Eastern States, WA wool sales were not held weekly. At the peak of the selling season, sales were held fortnightly in Fremantle and there was a monthly sale in Albany, leaving ample time for the trade to run golf days and other recreational events. While AWTA staff rarely had time to participate, they were expected to join in the post-match functions, which Pearson was not inclined to attend.

[91] Douglas had known Morgan since secondary school at North Sydney Technical College. Both had commenced the University of Technology (later UNSW) Wool Technology degree course in 1958. When Ward joined that course in 1960, he came to know them both well, especially Morgan through being teammates in the 1st XV Rugby team for the next 4 years. While working for the Department, Morgan had gained his MSc (Agric) and had also completed a PhD at CSIRO/UWA, after which he had returned to work for the Department in Derby.



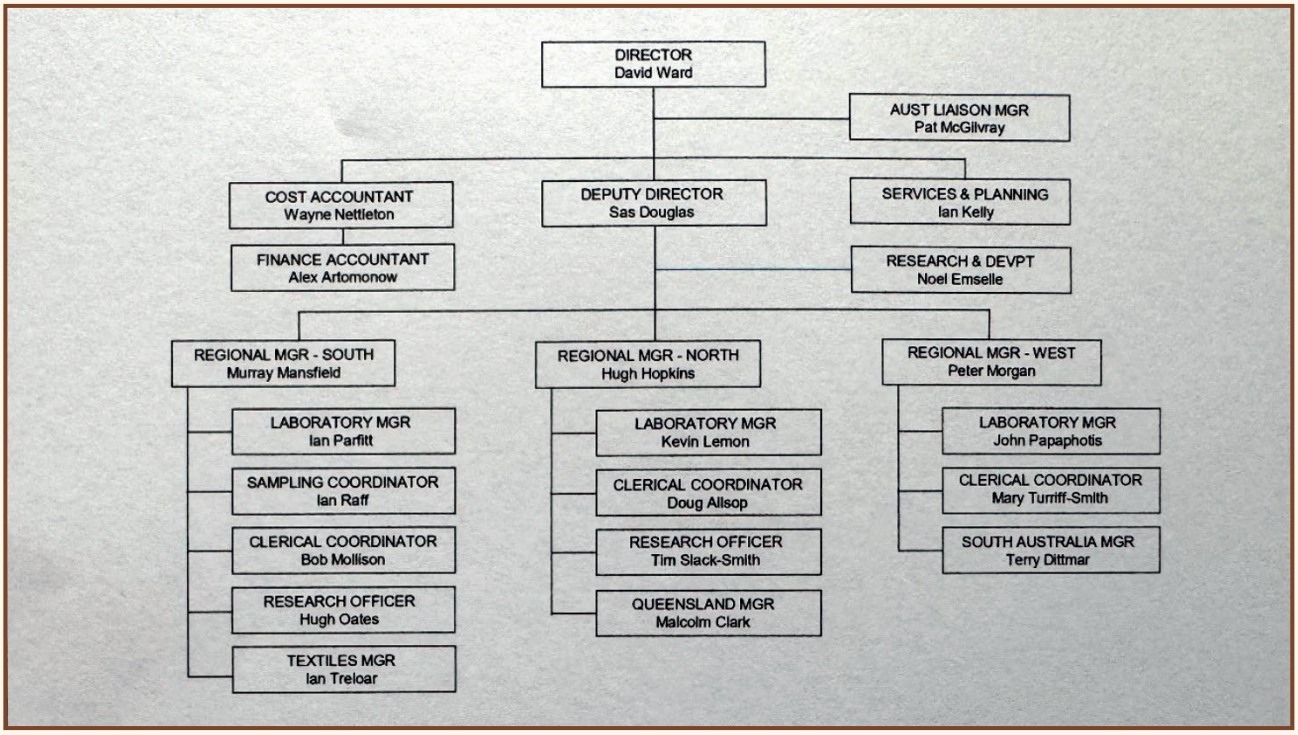
His previous position as Regional Manager (WA & SA) was filled by the appointment of Ron Connors, who had graduated in 1968 with a Wool & Pastoral Sciences (formerly Wool Technology) degree.

Ron Connors had worked at the NSW Department of Agriculture's Research Station at Trangie before taking up the Sheep & Wool Officer position with the Tasmanian Department, where had been a vocal advocate for presale testing and the application of objective measurement for selection purposes.

Ron Connors appointed - 1977

Following a structural review, Noel Emselle was appointed as Scientific Advisor in February 1977, and Peter Morgan was transferred to Head Office in Melbourne, effective on 4th July 1977.

In 1974, the Authority's expanded Organisation Structure and key staff were as follows:



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At the July 1979 Authority Meeting, Members were informed of a range of new appointments made to strengthen the Authority's staff resources Australia-wide in technical, research, quality control and administrative operations, namely:

- David Meikle, an Applied Science graduate of the Royal Melbourne Institute of Technology (RMIT) aged 20, commenced as Technical Controller at the Kensington laboratory in May;
- John Caimotto, an Applied Science graduate from NSW Institute of Technology aged 21, took up a Research Officer position at Yennora in May, reporting to Sas Douglas;
- Bill Irvine, an Electrical Engineering graduate from the WA Institute of Technology (WAIT) aged 25, commenced as Technical Controller in Fremantle in late May;
- Alan Benn, an Electrical Engineering graduate from the University of Western Australia aged 24, commenced as a Research Officer at Fremantle in May, reporting to Peter Morgan; and

- David Feughelman, BSc and Graduate Diploma in Wool & Pastoral Sciences from UNSW aged 25, commenced as Technical Controller at the Yennora laboratory in June.

To enable Morgan to delegate his hands-on systems development, a Systems Development position was created in Fremantle, and was taken up by a systems analyst from Burroughs, Peter Gregory.

The last management changes prior to the closure of the statutory AWTA were:

- Ian Treloar, Manager of the Textile Testing Division, resigned effective from 5th December 1980 to take up a position at the CSIRO Division of Textile Industry, where he would run their in-house textile laboratory service; he was replaced in January 1981 by Noel Emselle, whose previous position was filled by Graham Aitken;
- in May 1982, Graham Weston was appointed as Office Manager for the Melbourne raw wool operations; he was expected to make a significant contribution to the efficiency of data processing, having relevant tertiary qualifications and considerable experience with computers; and
- Ian Kelly, then Assistant Regional Manager in Melbourne, resigned to undertake a highly sought after full-time graduate diploma course in computer studies at Melbourne University.

Whereas the need to employ more educated staff had been recognised during the years of struggle, action had been constrained by the priority to break even financially.

Once achieved, the strategy to invest in tertiary-qualified managerial staff had been implemented systematically, increasing AWTA's efficiency, productivity and ability to reduce fees to minimum levels.

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Chaotic wool auction scenes as buyers make their bids - 1964

27. MANAGING COMPETITION FOR TEST HOUSE ACCREDITATION

"*Interwoollabs is trying to set up a programme to control greasy wool testing houses before the Objective Measurement Committees can finalise their recommendations to establish the Inspection Unit in Australia.*" [Sas Douglas reporting to Authority Members – January 1973]

Following Interwoollabs' successful introduction of interlaboratory trials to harmonise the fibre diameter testing of wool tops by Airflow and Projection Microscope methods, their Executive Committee saw an opportunity to expand into the field of greasy wool testing. This move was encouraged by European firms concerned at the variable standard of testing in several Eastern European countries, where wool was being purchased by government agencies using contracts specifying that final payments must be based on yield test results issued by their own State-controlled laboratories. Except for the GWF's laboratory in Poland, tested yields were up to 3% below expectations. [92]

IWTO could not exert any pressure to improve their testing performance, since those countries were ineligible to become IWTO members because they could not commit to adopt private enterprise principles. In fact, this had been the primary reason for Interwoollabs being established as a member-controlled entity, completely independent from IWTO and open to wool testing laboratories world-wide. [93]

Coinciding with Interwoollabs' new interest in signing up greasy wool testing laboratory members, the OM Technical Committee had asked the Australasian laboratories to participate in interlaboratory trials, as an integral part of their investigations into the accuracy and repeatability of greasy wool testing. Whilst AWTA and NZWTA had already been exchanging samples monthly to monitor their respective performances, it was important for these OM trials to be managed by an independent third party. Consequently, in October 1969, SAA launched a series of interlaboratory round trials involving laboratories at AWTA (3), CSIRO, NZWTA (2), UNSW and WTS. AWTA provided all the blended core sample material for coding and 'blind' distribution by CSIRO, which had agreed to receive and analyse the results and produce a report.

Unlike the highly uniform combed and double-gilled wool top samples distributed for Interwoollabs' round trials, the presence of varying amounts of grease, suint, dirt, and various types of vegetable matter in greasy core samples made it difficult to produce blended test samples that were practically identical for each participating core test laboratory. From experience, AWTA knew that there was a finite limit to the amount of greasy core sample material that could be blended satisfactorily. In fact, all the major test houses had forewarned Interwoollabs that, if they did not limit the number of participants, the same-sample differences between laboratories were more likely to reflect the efficiency of blending and subsampling, rather than being true measures of the laboratories' performance.

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In late 1969, the Interwoollabs' Treasurer, Dr Nico Spronk, presented a pseudo-technical paper on this topic to the IWTO Technical Committee in which he discussed the importance of yield testing trials, but expressed doubts as to whether the current fibre diameter test methods were sufficiently accurate for trading purposes. When IWS staff reported these doubts to AWB, AWTA was questioned as to whether they should continue to issue such results. [94]

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[92] Visiting these laboratories, Ward found that they were not using sieves to prevent wool fibre loss during scouring – hence the underyields. This led to AWTA encouraging suppliers to test deliveries in Australia and include the Certificates with their invoice documents, so AWTA's test data was known before the local laboratory issued their result. Whilst this strategy did not remove the bias completely, feedback from clients indicated that the size of claims for underyields was reduced.

[93] Interwoollabs' Statutes authorised IWTO National Committees to appoint the inaugural national member of the Administrative Council and, in this regard, the ANC had appointed Ward. The initial round trials for fibre diameter testing of wool tops by both the Airflow and Projection Microscope methods, resulted in AWTA being granted 'Calibrated Laboratory' status for both methods. For Airflow, AWTA had been one of the 49 out of 67 participants accepted at the first attempt, and it was also one of the 19 out of 40 laboratories achieving first attempt acceptance for Projection Microscope.

[94] Although Spronk was head of the Hart Wool Foundation in Amsterdam, his knowledge of greasy wool properties was so poor that his paper was criticised strongly as being naïve, largely hypothetical, and lacking substantiating data. In this position, he had an employment relationship with Jan Holsboer, the current CTS-c Chairman, who had been a strong supporter of Interwoollabs'

To refute Spronk's claims and reduce their concern, the Board were assured that the method developed by AWTA and CSIRO had been peer reviewed and accepted by SAA Sub-committee TX/1/1 and, in fact, it was about to be submitted to the IWTO Technical Committee as the basis for an official IWTO Standard. In the interim, AWTA was not promoting certification for trading, but it would continue to encourage clients to have tests conducted for educational purposes, particularly because wool users were already moving to include "*micron in the wool top*" limits in their purchase contracts.

When the ANC discussed these developments and Bownass' appointment as the official CTS-c member of Deli's 'Fineness of Loose Wool Working Group', they remained concerned that IWTO's cumbersome process would not meet the trade's increasing demand for an IWTO Airflow fibre diameter test method to be approved. To assist Bownass, they advised IWTO's Secretary General that Ward had been appointed as the official Australian Member of the CTS-c Commercial Section

Barely 2 months later, Spronk presented a further paper on 'Harmonisation of Core Test Laboratories' to the January 1970 Meetings of the CTS-c, in which he pushed for Interwoollabs to take over the SAA round trials for yield and fibre diameter. At last, he had acknowledged the need to limit participants to a maximum of 12 laboratories, and now accepted that AWTA and CSIRO had developed a highly repeatable Airflow method, which he wanted approved immediately by the Technical Committee's Working Group. [95]

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Faced with Bray's continuing obfuscation and Interwoollabs' opportunism, it was now clearer than ever that AWTA's proposed reforms to the CTS-c's procedures must be implemented to ensure that the OM Committees' progress in Australia was not impeded. Through informal discussion between the Australasian parties, it was decided that technical delegates from grower countries should attempt to resolve any differences of opinion by meeting with relevant IWS staff before future IWTO Meetings, commencing prior to the forthcoming Monte Carlo Conference.

The first of these meetings was held at IWS Headquarters in London on 26th and 27th May 1970. It was attended by Derek Austin (NZWTA), Reg Bray (IWS), Bruce Mackay (CSIRO & AOMP), Dr John Skinner (IWS Wool Handling), Dr Ken Whiteley (UNSW), and David Ward (AWTA). At the outset, it was agreed that the main aims of these meetings would be:

- to foster closer cooperation between grower country and IWS personnel through a confidential exchange of views on objective measurement and its future role in the wool industry, thereby ensuring that IWS were made aware of the latest OM developments in grower countries;
- to develop a unified approach to issues being raised under IWTO Agenda items, by resolving any differences of opinion prior to meetings; and
- to identify and address potential structural and/or regulatory barriers that might impede progress towards the adoption of pre-auction testing.

They also agreed that the pre-meeting discussion of the CTS-c Agenda and papers would focus debate on the issues to be resolved, and their subsequent discussion concentrated on identifying issues having the potential to impede progress, particularly with respect to the current structure and administration of the CTS-c Technical and Commercial Sections.

Those issues requiring immediate action included:

- the need for one or 2 CTS-c members to check the Chairman's Report before its presentation to the Wool Committee, to ensure that it accurately reflected the decisions taken; if this had already been in place, the 'official' opinions of the CTS-c Chairman and Spronk, which had spooked AWB about fibre diameter testing for raw wool, would never have been included in Bray's report;

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establishment. Spronk's criticism of the fibre diameter method for raw wool appeared to be aimed at discrediting the SAA trials which included fibre diameter testing by Airflow.

[95] Pursuant to its Statutes, Interwoollabs could only operate round test programmes in relation to parameters for which a full IWTO Standard Test Method had been approved. Consequently, they could not compete with or take over the SAA trials until official methods for both yield and fibre diameter had been approved by IWTO.

- the need to integrate the CTS-c Technical and Commercial Sections' activities to avoid the current situation where the Commercial Section could retard technical progress by acting as a filter between the Technical Section and IWTO's Wool Committee; and
- the need to establish a protocol requiring Interwoollabs to obtain the views of relevant IWTO technical groups, before seeking Wool Committee support for any new programmes.

All present, except Bray, agreed that the introduction of a standard timetable was essential, whereby individual meetings were scheduled sequentially to integrate discussions by the 2 CTS-c Sections, to facilitate reporting, and to shorten IWTO's approval by up to 6 months. To achieve these goals, it was agreed that the CTS-c Technical Section could deal with their Agenda items 3 days before the main IWTO Meetings, so they could then report on the following day to a joint meeting with the Commercial Section, leaving one clear day for the Minutes and the Chairman's Report to be prepared. [96]

Bray then declared that it had been his decision to separate the CTS-c into Technical and Commercial Sections, since he believed then and now that the commercial people would be too bored by the technicalities to attend. This begged the question as to how an uninformed Commercial Section could reasonably be expected to approve recommendations from the Technical Section, without deferring decisions until their next meeting, some 6 months later. Still intent on maintaining separate sections, Bray then declared that he was so opposed to Ward's appointment as ANC's Member of the Commercial Section he had advised Bruce Trebeck that he must represent Australia instead. [97]

The final issue raised in this meeting was the endorsement Bray had given to Interwoollabs by including their core test harmonisation programme in Holsboer's CTS-c Chairman's Report to the Wool Committee. This action had given IWTO the incorrect impression that the CTS-c Technical Section had given their approval, whereas most technical members were convinced that Interwoollabs' Management Committee had so little raw wool testing knowledge that their greasy wool programme would undermine the industry's confidence in testing, rather than enhance it. [98]

At the CTS-c Technical Section meeting held on 29th May 1970 in Monte Carlo, the technical difficulties associated with interlaboratory testing trials on greasy core samples were acknowledged as a serious issue. It was recommended that Interwoollabs should wait until the report on the SAA/CSIRO round trial was released, so they could learn from that practical experience. For this item specifically, it was agreed that the Technical Section's report to the Commercial Section would be drafted by Bray and Barritt (the former chair of the Technical Section, now representing WTSI), and then checked by Whiteley and Ward prior to its release. Incredibly, the draft report included none of this precautionary advice. On the contrary, it appeared to encourage Interwoollabs to expand their harmonisation trials to cover any international laboratory, whether independent or private. Rather than waste time debating the inaccuracies with Bray, Whiteley and Ward produced a factual text and insisted that Bray must replace his misleading version, failing which they would table their text in the Commercial Section's meeting. Faced with exposure, Bray amended his report, which then stated that:

- "*CSIRO would expand its trials to cover 12 laboratories and also maintain close liaison with overseas interests, with a view to including wools from other countries in future trials;*
- "*the Objective Measurement Technical Committee in Australia was unanimous that wool industry acceptance and confidence in objective test data was fundamental to the application of objective measurements, and to this end they were considering the establishment of a technical body to*

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[96] Bray attempted to defend the status quo by claiming that there would be no advantage from formalising the CTS-c activities because IWTO itself was so loosely organised. His claim that Australian and New Zealand attendees would find it difficult to meet prior to IWTO was refuted by reference to the attendance at this pre-Conference meeting. In frustration, Bray declared that the Australasians should be grateful that IWTO allowed them to attend at all, since "… *historically, IWTO was an organisation for Combers, Spinners and Weavers only.*"

[97] Bray had chosen to ignore ANC's formal letter to IWTO which nominated Ward as their appointee. Despite Trebeck's refusal to take over, Bray recorded Ward in the Minutes as "*Deputy for Trebeck*".

[98] After this discussion, it was expected that Bray would use his influence to convince Holsboer and Spronk that Interwoollabs should seek expert advice from the CTCS-c during the forthcoming Conference. On the contrary, when Ward and Austin attended the Interwoollabs meetings, Spronk simply announced that Bray, as CTS-c Secretary, had warned him "… *to expect opposition from the grower countries*".

conduct round trials on a national and international basis, supplemented with laboratory inspections; and

- "*further details would be reported at the IWTO Meetings in January 1971*."

CSIRO's International Round Trial for yield testing was completed in November 1970, and the results were reported to IWTO in January 1971. The participating labs were AWTA Melbourne, Sydney & Fremantle, BOCT Verviers, BCH Bradford, CTCRS Roubaix, GWF Gdynia, NZWTA Auckland & Wellington, UNSW Sydney, WTS London, Sydney & Wellington NZ and US Testing Company Hoboken. For this trial, AWTA Sydney had provided 4 sets of fully blended core sample material for coding and distribution by CSIRO. The agreement between the 3 AWTA laboratories' results for both Wool Base and VM Base were excellent on all 4 trial samples, and CSIRO's statistical analysis confirmed that no bias existed between them.

The IWTO Technical Committee moved to retain responsibility for fibre diameter testing of raw wool by calling an urgent meeting of Deli's 'Fineness of Loose Wool Working Group' with the CTS-c Technical Section, to be held in conjunction with their scheduled December 1970 Meetings.[99]

When he realised that no Australian would be present at that meeting, Ward urged the Authority Members to lobby AWB and CSIRO to provide funds for Jim James to attend as his official deputy. James was uniquely qualified, having worked closely with AWTA in proving the efficacy of the Airflow test method for core samples, and also being Chairman of the SAA Sub-committee which endorsed the method. CSIRO and AWB approved funding, recognising it was of great importance to the OM Committee's progress that approval of the CTS-c's Airflow method was not delayed or undermined by Deli's Working Group.

Ward also appointed James as his deputy for the Interwoollabs Administrative Council meeting, which was to discuss the extension of their harmonisation programme to cover greasy wool testing laboratories. On his return to Australia, James alerted the OM Committee, AWB and the Authority to the fact that Interwoollabs was actively seeking European support to prevent any Australian body from undertaking international round trials and monitoring laboratory performance. Being the Australian member of the Administrative Council, Ward had received budget papers indicating that Interwoollabs was intent on introducing their scheme to control greasy wool test houses before the OM Committee could finalise their recommendations for Australia. They planned to conduct only 2 round trials per year, at an estimated total cost of Stg £40-50,000 to be charged to participating laboratories, and a request for seed funding of Stg £20,000 would be sent to AWB. When the Board receive this request and sought Ward's opinion, he advised that this cost was exorbitant and probably indicated Interwoollabs' intention to purchase bales of wool for coring to obtain trial samples. [100]

AWB was also advised that the conduct of only 2 trials per year would have negligible benefit, since it would only establish the competence of participants once every 6 months, and even then only if the samples were not given special treatment to avoid failure and loss of future registration. In fact, it would be much cheaper and more effective for National Committees to select competent local technicians to undertake random inspections of the wool testing laboratories in their own countries and/or regions.

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AWB were also concerned to learn that Interwoollabs had decided to hold their meetings in November, rather than in January when AWTA would be attending the CTS-c and commercial IWTO Meetings. In view of the latest developments, they agreed that AWTA must attend both sets of meetings to ensure that Australian points of view were known and could not be ignored.

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[99] CSIRO and UNSW scientists only ever attended the December Meetings when they had important research papers to present. In AWTA's case, it was considered more beneficial to attend the CTS-c and commercial Committee Meetings in late January because attendance at both was too costly and time-consuming.

[100] For their interlaboratory top testing round trials, Interwoollabs' practice was to purchase balls of wool tops which had been specially combed and gilled to minimise variation between the test samples sent to participants. This strategy had the additional objective of providing a supply of potential standard calibration tops. Whereas this had proved to be suitable for wool tops, the purchase and sampling of bales of greasy wool was completely impractical and any attempt to produce greasy yield 'calibration' samples would be technically flawed.

To facilitate this, AWB offered to provide funding to AWTA for one trip per year, commencing in January 1972 when Sas Douglas would represent AWTA at the IWTO Meetings in Paris.

En route, Douglas deputised for Ward at an ad hoc meeting at the Bremer Woll Kammerei (BWK) mill in Germany, which had been called by Interwoollabs' President, Walter Delius, to discuss the greasy wool testing harmonisation programme. The other participants were Dr Nico Spronk and Dr Ken Lees (WTSI London). After Douglas and Lees explained the impossibility of providing uniform core sample material to an unlimited number of laboratories, Delius finally realised that the wool tops programme could not simply be copied for greasy wool round trials. To guide future progress, it was agreed that Interwoollabs should establish a Core Test Management Committee with the initial membership being Delius, Spronk, Lees, Ward, Mazingue (CTCRS France) and Zaorsky (GWF Poland). If approved by Interwoollabs' General Assembly, they would design and manage a preliminary trial and invite up to 15 laboratories to test a range of Australian, South African and New Zealand samples on a voluntary basis.

Upon his return, Douglas reported that he had subsequently been alerted that Interwoollabs were seeking reactions from overseas laboratories to a proposal to fund the core test programme via a levy on IWTO Certificates. Most of this cost would be borne by the large test houses in Australia, NZ and the UK, whereas private laboratories would not be charged because they did not issue IWTO Certificates. After expressing concern that these costs would not be shared equitably and that the proposed levy would be tantamount to a tax on wool testing, the Authority agreed that Ward should warn Interwoollabs that any levy on Australian test houses would require the prior approval of the AWB and/or the new AWC, pursuant to their powers under the Act to reject wool industry cost increases. They should also be advised that this approval was unlikely, since the conduct of only 2 round trials per year could never control the standard of routine wool testing operations.

In June 1972, coinciding with IWTO's Conference in Monte Carlo, Ward participated in a series of Interwoollabs meetings. The first was the most important, as it brought together the designated members of the new Core Test Management Group for the first time to consider plans for harmonising greasy wool testing laboratories. When Dr Spronk outlined the same plans that had already been rejected at the BWK meeting, all 4 test house members openly criticised his obvious lack of knowledge about greasy wool and reiterated the technical criticisms that had previously been made by Ward, Douglas and Lees. Thereafter, Delius adopted a more conciliatory approach and accepted theadvice that regional inspection would be much more effective than round trials. In this regard, it was noted that CSIRO, the NZ Wool Research Organisation WRONZ), WIRA and the South African Wool Textile Research Institute (SAWTRI) could be invited to provide inspectors.

At the second meeting, all grower-country members made it clear to Interwoollabs' Administrative Council that they would reject any attempt to impose a levy on IWTO Certificates. They also insisted that control over presale testing standards must be a domestic responsibility, with a modus operandi determined by the national wool industry organisations and their local IWTO National Committee.

Not to be outdone, Spronk, tabled yet another paper in December 1972 in which he claimed to have discovered that ‘‘*grower laboratories*” were biased, implying that all inspections must be controlled by Interwoollabs. As there was insufficient time for a detailed discussion, the CTS-c Technical Section members were asked to send their written comments on the paper to Interwoollabs' President, Walter Delius, in the mistaken belief that Spronk's paper had been sanctioned by him.

In fact, Spronk's paper described a totally flawed attempt to prove the need for laboratory harmonisation. He had sent 'blind' samples for yield testing to 4 laboratories without applying any of the essential controls required to ensure that valid conclusions could be drawn from the results. Worse still, he had only reported the results as percentages, without making corrections for changes in sample weights, and his so-called “*analysis*” only commented on the most extreme difference found.

While some letters to Delius were politely critical, the paper was so roundly criticised by the majority that he was forced to declare that Spronk's trial had nothing to do with the Interwoollabs organisation. In fact, the criticisms of Spronk's paper were so great that Interwoollabs' plans to harmonise greasy wool testing laboratories were set back many months.

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Prior to Interwoollabs' next meetings, the Australian Government had legislated to establish an Inspection Unit within the DPI, which would oversee Australian test house operations and commence in 1973. The importance of this action was discussed at the next IWS Board meeting, following which the New Zealand and South African Wool Boards also decided to make similar local arrangements. [101]

By January 1974, the Authority had successfully applied for registration of their Melbourne, Sydney and Fremantle laboratories with the Commonwealth Inspectorate, which was subsequently renamed the Australian Wool Measurement Standards Authority (AWMSA). Before approving each registration, AWMSA's staff completed a thorough laboratory inspection, and each laboratory provided a formal undertaking to participate in regular interlaboratory testing trials for yield and fibre diameter. When Douglas deputised for Ward at the next Core Test Management and Administrative Council meetings, he was able to confirm that the Australian decision was irrevocable.

Despite this setback, Interwoollabs decided to press on with their own plans, approaching the International Wool Association (IWA) for a grant of £5,000 to fund laboratory inspections in Europe and the UK. At the subsequent meeting, with no AWTA representative present, they decided to proceed with an annual charge of $208 per laboratory. However, further delays were incurred while the IWA funding was secured and their round trial procedures were finalised.

Eventually, a range of greasy core sample material was sourced from AWTA, NZWTA and WTSI, enabling Interwoollabs' first yield test round trial to be conducted in late 1974. Once again ignoring advice, Spronk insisted that this trial must be open to all interested laboratories, including those owned by trading companies. As predicted, the results showed extremely poor agreement, due to blending variability between trial samples and the inexperience of the industrial laboratories. When the results were discussed at the Interwoollabs Core Test Management Group and Administrative Council meetings in June 1975, it was agreed, finally, that membership of the core test programme must be limited to testing houses issuing test Certificates to third parties. It was also agreed that Jim James, who was then in charge of AWMSA, would conduct the first European and UK inspections, and that the Wool Research Organisation of New Zealand (WRONZ) and the South African Wool Research Organisation (SAWTRO) would liaise with him to adopt the same inspection procedures.

For the first 3 round trials conducted over an 18-month period, Interwoollabs struggled to report the results of each trial within the 6-month period before distributing samples for the next trial. As a result, poorly performing laboratories were blissfully unaware of their need to take corrective action, relegating the trials to the status of 'window dressing' only. By this time, AWTA was certain that the only benefit to be derived from membership of the Interwoollabs' core test programme was the public relations value of being seen to be involved by IWTO members. Since withdrawal at this stage might be seen as provocative by some clients, Ward and Douglas continued their efforts to make the Interwoollabs' procedures more efficient, while developing alternative arrangements with NZWTA and SAWB.

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By November 1976, faced with the inevitable failure of Interwoolllabs' programme, AWTA reached an agreement with NZWTA and SAWB to establish and jointly administer a programme of fortnightly round trials, covering the 3 AWTA laboratories in Fremantle, Melbourne and Sydney, NZWTA in Wellington, and SAWB in Port Elizabeth. Initially, blended and coded samples of Australian wools were provided by AWTA Sydney, which received and analysed the data, and issued reports within 2-weeks as the next set of trial samples was despatched. To maintain this tight schedule, samples were distributed by air, all messages, results and reports were transmitted electronically, and all 3 organisations were fully committed to testing the trial samples immediately upon their receipt.

This programme was called the 'Southern Hemisphere Round Trials' and its value was immediate, due to the frequency, regularity and timely reporting of results which enabled all participants to investigate procedures as soon as any bias was suspected. Since none of the participating laboratories were in competition with each other, they were able to waive anonymity provisions such that any abnormal trends and their causes could be investigated openly and jointly.

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[101] Following approval of the OM Committee's recommendation to set up the Inspectorate, the AWTA worked closely with the DPI staff to define their modus operandi and rules, most of which were consistent with the AWTA's original suggestions.

Also, new technical developments and solutions to problems were freely shared, with the result that a truly self-regulatory and closely monitored harmonisation scheme was at last operational. Besides the obvious benefits for the test houses, the immediate beneficiaries of this programme were the buyers, sellers and processors who depended on the accuracy of test Certificates. Through their collaborative effort, the laboratories also collected and investigated sources of variation, which provided evidence to support recommendations to the RWS-c for improvements to test methods.

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In January 1978, contrary to the decision to restrict the number of participants until the blending issues were resolved, the Interwoollabs Secretariat announced that several European industrial laboratories had been invited to join the core test programme, and that 10 new applications had been received.

Immediately following that backflip, the 3 Southern Hemisphere test houses invited Wool Testing Services International Ltd (WTSI), Bradford Conditioning House (BCH) and Wool Testing Services New Zealand (WTSNZ) to join them in a new 'Independent Laboratories Round Trial Organisation' (ILRT).

With this group containing competing test houses, it became necessary to introduce arrangements to protect anonymity. By agreement, AWTA subsequently gained the support of both CSIRO and AWMSA to code 'blind' samples, receive and analyse results, and to issue reports. As soon as these arrangements were in place, AWTA recommended to the Interwoollabs Core Test Management Group that the optimal solution to having too many participants would be to run 2 separate series of round trials, whereby:

- the Southern Hemisphere Round Trials would be extended to cover the 8 major independent laboratories, continuing their fortnightly frequency, but controlled independently by AWMSA via its head, Alan Stutter; and
- all other laboratories would participate in a second series of trials to be operated by Interwoollabs, on their present 6-monthly schedule.

ILRT First Series (2-weekly trials)	ILRT Second Series (4-weekly trials)
AWTA, Fremantle Australia AWTA, Melbourne Australia AWTA, Sydney Australia * BCH, Bradford UK NZWTA, Christchurch NZ NZWTA, Wellington NZ SAWB, Port Elizabeth South Africa WTSI, London UK WTSNZ, Wellington NZ * Transferred to Second Series in March 1971	ACH Fibre Services, Boston USA Bremer Woll-Kammerei, Bremen Germany Burlington Industries, Clarksville USA Gdynia Wool Federation, Gdynia Poland Jandakot Wool Scouring, Fremantle Australia Melden Laboratories, Fremantle Australia Peignage Amedee, Roubaix France University of NSW, Kensington Australia * Yocom McColl, Denver USA * Withdrew after 6 months

Laboratories participating in each series of round trials

No decision was made at that meeting, pending further consideration. However, without consulting the members of the Core Test Management Group or current participants, Alan Stutter was engaged by the Secretariat to inspect 6 of the 10 new applicants. As a member of the Core Test Management Group, Ward received a copy of Stutter's inspection report which stated clearly that "… *I have no hesitation in saying that 3 of these laboratories should be refused acceptance on purely technical grounds.*"

Despite this unequivocal advice, the Secretariat unilaterally decided to reject only one applicant, causing the 8 ILRT members to conclude that the Interwoollabs' core test programme was now so fatally flawed that their continuing participation risked damaging their reputations.

It was now time to withdraw, but not before the industry could be assured that an independent alternative performance monitoring scheme was in place and operational. To this end, Ward arranged for Sas Douglas to be given the opportunity to address the IWTO Wool Committee meeting at the Munich Conference in June 1978, where he was able to announce the establishment of the new ILRT programme and to promote its superior benefits for the 8 test houses and their trade clients.

In particular, Douglas emphasised that wool testing experts, completely independent of the test houses, had been engaged to code the trial samples, receive and analyse the regular fortnightly trial data, and to undertake laboratory inspections. Most importantly, AWMSA and/or CSIRO would report trial outcomes to the IWTO Wool Committee via the RWCS-c Technical and Commercial Sections.

These announcements were applauded by the commercial delegates, who were also impressed that the ILRT members viewed the costs involved as an essential investment and, therefore, would not seek external funding from IWTO. In view of this positive reaction, in July 1978 the Authority agreed that the Melbourne and Fremantle laboratories would be withdrawn immediately from Interwoollabs' core test activities and, subject to the ILRT programme proving to be successful, that the Sydney laboratory would also be withdrawn at the end of the financial year.

Prior to the Sydney laboratory's withdrawal, IWTO received the first detailed ILRT reports which had been analysed and documented independently, thereby verifying that the major testing laboratories issuing IWTO Certificates were committed to the programme, as foreshadowed by Douglas a year earlier. The reactions of IWTO delegates were positive, and the Authority received no criticism of its actions.

Appendix 7
R.W.C.Sc.
December, 1980

Independent Laboratory Round Trials

Report to the Raw Wool Certification Sub-committee

The results of recent trials in the series are summarised in Tables 1, 2 and 3 below. These show the results which may be expected, on average, from each of the eight participating laboratories, for typical values of wool base, V.M. base and fineness.

TABLE 1 (Wool Base)

Wool Base %	A	B	C	D	E	F	G	H
40	40.7	40.3	39.2	39.8	40.1	39.9	39.7	39.6
45	45.5	45.1	44.3	44.9	45.1	45.0	44.8	44.7
50	50.4	49.9	49.5	50.0	50.0	50.1	49.8	49.9
55	55.2	54.8	54.6	55.1	54.9	55.1	54.8	55.0
60	60.1	59.6	59.8	60.1	59.8	60.2	59.9	60.2
65	64.9	64.4	64.9	65.2	64.8	65.2	64.9	65.3

TABLE 2 (V.M. Base)

V.M. Base %	A	B	C	D	E	F	G	H
2	1.9	1.9	2.0	2.1	2.0	2.0	1.8	2.2
4	3.8	4.0	4.0	4.1	4.1	4.0	3.6	4.3
6	5.7	6.0	6.1	6.2	6.2	6.1	5.4	6.4
8	7.6	8.0	8.1	8.2	8.2	8.1	7.2	8.6
10	9.5	10.0	10.1	10.3	10.3	10.2	9.0	10.7
12	11.4	12.0	12.1	12.3	12.4	12.3	10.8	12.9
14	13.3	14.0	14.1	14.4	14.4	14.3	12.6	15.0
16	15.2	16.1	16.2	16.4	16.5	16.4	14.4	17.2

TABLE 3 (Fineness)

Dia Micron	A	B	C	D	E	F	G	H
18	18.3	17.8	18.0	18.1	18.1	17.8	17.9	18.0
20	20.2	19.9	20.0	20.1	20.1	19.8	20.0	19.9
22	22.0	21.9	21.9	22.1	22.0	21.9	22.0	21.9
24	23.9	24.0	23.9	24.2	24.0	23.9	24.0	23.9
26	25.8	26.1	25.8	26.2	26.0	25.9	26.1	25.8
28	27.6	28.2	27.8	28.2	27.9	28.0	28.1	27.8
30	29.5	30.3	29.7	30.2	29.9	30.0	30.2	29.8
32	31.3	32.4	31.7	32.2	31.9	32.1	32.2	31.7
34	33.2	34.4	33.6	34.2	33.8	34.1	34.2	33.7
36	35.1	36.5	35.6	36.2	35.8	36.2	36.3	35.6

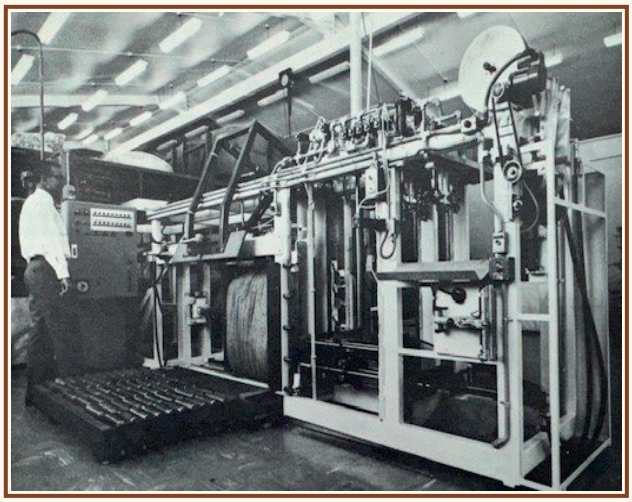
28. RESEARCH & DEVELOPMENT ROLE EXPANDS

"*We can price our quotations for AOMP tenders on a marginal basis because our fixed costs are already covered and the extended deadlines for results will allow the work to be handled during low volume periods.*" [Nettleton's advice to Douglas and Ward – July 1970]

As soon as the Board approved AWTA's expanded research and development role and the range of projects to be studied, funding applications were lodged to enable the first 3 projects to commence. In September 1969, AWTA received a research grant of $13,200 to fund the:

- 'Study of the Feasibility of Testing all Australian Exports of Semi-processed Wool';
- 'Study of the Feasibility of Pre-auction Sampling and/or Testing'; and
- 'Measurement Survey of AWRC Types'.

In August 1970, the Minister approved the Authority's strategy to conduct their research projects under a single project title, namely 'Objective Measurement in Relation to Wool Selling Systems".



CSIRO Model A machine for drawing single cores

AWTA's involvement in the AOMP research programme was focused on winning a series of tenders, which ranged from the testing of thousands of single cores through to full core test certification of sale lots selected for Sale-by-Sample (SxS) demonstration sales. Most tenders required testing of yield, VM and fibre diameter for core samples and subsamples, but some also required these 3 parameters to be tested for full-length display samples, drawn by hand or grab machines.

Prior to AOMP commencing in August 1970, the OM Committee called for quotes to test a minimum of 54,000 single cores drawn from a wide range of wools, designed to establish the variability of both yield and fibre diameter within and between bales in sale lots. However, this work was postponed until AOMP took over and decided to spread the testing over a series of separate trials. During the ensuing 12 months, AWTA won almost every AOMP tender, including:

- AOMP Trial 1 to test a minimum 6,000 individual cores for yield and fibre diameter, and their Trial 2 tender to test at full Certificate standard a minimum of 2,700 subsamples for yield plus 675 composite samples (both awarded in November 1970);
- testing for BAE's research programme (awarded in December 1970);
- AOMP Trial 3 to test 300 core samples and 3,600 hand samples for yield, VM and fibre diameter to Certificate standard, for which CSIRO installed a prototype Washer/Dryer designed to handle single cores (awarded in December 1970);
- core sampling of 2,500 bales in Newcastle wool stores (awarded in June 1971);
- testing of 20,000 single cores for yield, VM and fibre diameter, conditional upon CSIRO installing an improved production model of their Washer/Dryer (awarded in July 1971);
- supervision of machine sampling of 2,000 bales and their testing, for a large-scale Sale-by-Sample demonstration in Adelaide, together with the testing of 300 core samples and 3,600 grab and probe samples for yield and fibre diameter (both awarded in November 1971);
- testing of 10,000 subsamples for yield and VM, plus 5,000 subsamples for fibre diameter only (awarded in December 1971);

- manual and machine core sampling of 3,000 bales in approximately 300 lots (initially given to WTS, but later awarded to AWTA in January 1972; [102]
- research into methods for subsampling greasy core samples with emphasis on a new CSIRO blender, including the testing of subsequently scoured subsamples to determine the variability of VM, residual ash and alcohol extractable matter, with a view to improving subsampling techniques (awarded in June 1972);
- core sampling 3,000 bales in Geelong wool stores (awarded in August 1972); and
- core sampling 2,000 bales at Elders Port Adelaide (awarded in November 1972).

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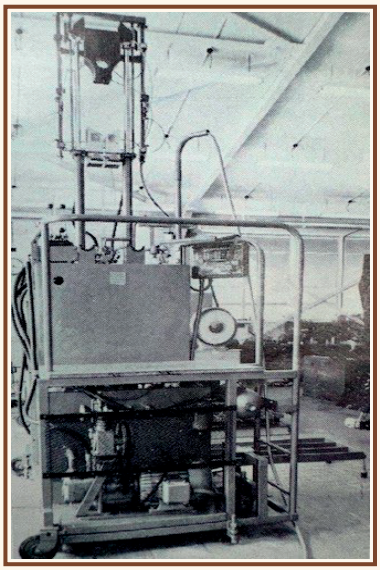
In early 1971, AWTA successfully applied to the Wool Textile Research Advisory Committee (WTRAC) for a grant of $28,000 to fund its grouped research projects, including the appointments of 2 research officers. These positions were filled by Ian Kelly and Kevin James, who transferred from the Melbourne Laboratory Coordinator and the NSW Manager positions, respectively.

While researching potential arrangements for presale core sampling, storage, and later retrieval of samples for post-sale testing, Douglas had become concerned that the AOMP and OM Committee members were assuming that CSIRO-developed coring machines would be used exclusively for all presale sampling. Contrary to this, his preliminary costings had shown that, due to the high capital cost, machine coring would be much more costly than manual coring in more than 50% of current sampling locations, particularly where volumes were small and manual coring was more flexible. To test this finding under practical conditions, he developed a new research proposal for a manual sampling trial to be conducted in Goulburn, which would involve the presale sampling of bales upon receival at all brokers' wool stores and would also examine alternative storage and retrieval systems for the core samples. The Authority considered that this trial was essential, and they agreed that a supplementary funding application should be lodged with WTRAC immediately, rather than wait until the next annual call for applications. If not approved, funds would be sought from AWB. [150]



Original Model T core machine

Since Charlton was not enjoying his Regional Manager role, he sought an 18-month secondment to join the AOMP programme, commencing in September 1971, following which the Commonwealth Public Service rules would entitle him to return to the same or an equivalent position within AWTA. With the OM studies building momentum for the introduction of presale testing, Ward and Douglas were unwilling to quarantine such a senior position for more than 12 months. Charlton agreed to the shorter term, subject to the decision on the extra 6 months being made before the initial 12-month period expired. [103]

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From time-to-time, Douglas and senior AWTA staff undertook research and development projects which were funded from AWTA's own resources because they related directly to the Authority's testing business. One high priority target for investigation was the development of instruments capable of measuring thousands of individual wool fibres to determine mean fibre diameter and fibre diameter distribution - the latter data being especially important for spinners wanting to control the variability of wool tops being spun into yarns. The aim was to develop instruments that would replace the inefficient projection microscope method and be used to test raw wool samples.

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[102] In October 1971, the OM Policy Committee was instructed by the DPI, to allocate 25% of tenders to WTS, due to their lack of success in tenders and their recent loss of trade support. However, this was later rescinded, when it was realised that implementation of a fixed share was too complicated.

[103] Before the 12-month secondment expired, Charlton resigned to take up a full-time position with the AOMP/CSIRO. This was a mutually beneficial outcome.

During 1971, Dr Allan Downes at the CSIRO Division of Animal Physiology developed a novel method for measuring the fibre diameter of wool samples using a liquid scintillation technique. Once he had stabilised the procedure, he sought collaboration with AWTA to assess its potential use. AWTA's initial trials were conducted on test specimens prepared from Interwoollabs' calibration tops, for which accurate results were known. Early results indicated that the method was more precise than the projection microscope, but it exhibited a persistent bias averaging 0.25 microns coarser than Airflow, suggesting that a more robust calibration might remove the problem. Improvements to the calibration procedure proved to be so successful that Downes requested AWTA to design a project to assess the efficacy of the technique for fleece measurement. However, Downes decided not to proceed until he secured personal ownership of the intellectual property and explored the potential for non-wool applications.

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A few months later, AWTA received a similar request from the CSIRO Division of Textile Physics to assess a Sonic Fineness Tester which had been developed as a potential replacement for the Airflow instrument. In this case, the results were found to be of similar accuracy and precision to the Airflow, raising the prospect that it might prove to be a superior instrument for large scale testing. As a further check, the opportunity was taken to test 15 AOMP sale lots using both the Sonic and Airflow instruments. Those comparisons showed excellent agreement, with the average difference being 0.02 microns only, within a range from + 0.4 to - 0.4 microns. [104]

This project increased CSIRO's recognition of the value of involving AWTA research staff in proving trials for their equipment developments, whereby they would receive direct feedback regarding performance under commercial operating conditions, and AWTA's engineering and/or research staff could suggest ways to improve operating efficiency. This cooperation was reinforced in 1973, when CSIRO engaged AWTA to conduct trials of a new 'CSIRO Drum Blender' which had been developed to improve the efficiency of blending and subsampling greasy core sample material. [105] Instead of baffles, the Drum Blender used a rotating impellor to break up the cores. AWTA's trials proved that its blended cores were more uniform than those produced by AWTA's Tumble Blenders. Agreement was reached to allow AWTA to install impellors in its existing blenders and, in return, CSIRO was provided with design changes which enabled visual inspection of the process and also simplified loading and unloading operations for employees. Thereafter, each organisation assisted the other by collaborating on AWTA's development of a colour appraisal apparatus, and in developing CSIRO's staple length measuring device.

Coincidentally, by late 1974 brokers were suffering an epidemic of broken grab jaws in CSIRO's Model A grab sampling machines, which were shutting down sampling lines. Besides the costs of lost productivity, these stoppages were making it extremely difficult for the AWTA to meet their service time commitments. AWTA's Development Engineer, Ian Parfitt, collated all available data relating to breakdowns, including details of spare part sales made from August to December 1975, to verify the frequency of problems. He also reported problems being experienced with CSIRO's Model T core sampling machines, where broken welds and bent frames from continuous use were causing tubes to bend. After analysing these data, the CSIRO reinstated the engineering team which had ceased developing sampling machines.

Original Model A grab machine

[104] Sonic Fineness Meters were used for non-certified fibre diameter tests in the Sydney and Fremantle laboratories but were withdrawn from service due to sudden losses of calibration caused by noise from nearby equipment.

[105] By this time, AWTA had modified the tumble blenders purchased from NZWTA by fitting baffles to break up Australian core samples which were greasier than NZ crossbred cores. The tumbling action had reduced the between-subsample differences and lowered retest rates significantly.

AWTA's technical staff and research officers were encouraged to suggest possible improvements in operations that might save costs and/or improve service times for clients. One such target identified by Hugh Oates in 1974 was the determination of mineral ash content in the VM material, which was an integral part of the IWTO yield test method. Being the last in the series of test operations, this ashing process could not commence until the collected VM was dried and weighed. If this step could be replaced or eliminated, AWTA would save costs and shorten service times.

With Douglas' approval, Oates analysed the test data for 1,528 subsamples drawn randomly from all 3 AWTA laboratories. He proved that the VM ash weight could be predicted from the wool ash and alkali insoluble data by applying regression techniques. These findings were documented and presented at the Paris Meeting of the RWTS-c Technical Section in December 1974. However, before the recommended amendments to the IWTO Specification were approved, it was essential for other test houses to replicate the work and submit their findings to AWMSA, for independent analysis. In due course, Oates' findings were validated and the IWTO yield test method was amended to allow the prediction of VM ash as an alternative to testing.

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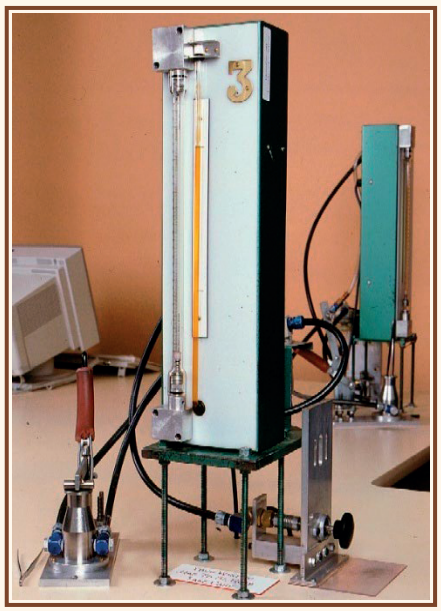
In October 1976, the absence of a competing test house created the opportunity for much more open communication between the Australian organisations actively engaged in the development of current and future objective measurements. Sas Douglas raised this opportunity with the new Chief of CSIRO's Division of Textile Physics, A R (Bob) Haly, in a letter urging greater collaboration and earlier engagement with AWTA staff in proving trials of their developments under industrial conditions. Besides CSIRO receiving performance feedback from a "*key user*", AWTA could specify potential enhancements to ensure that new instruments could be integrated in laboratory workflows and with their IT systems.

Haly was not only keen to improve cooperation and communicate more openly with the Authority, he also believed that they should invite the AWC R&D Department and the UNSW School of Wool & Pastoral Sciences to join in regular meetings of research groups.

A preliminary meeting was held at CSIRO on 9th November, attended by Bob Haly and Dave David (CSIRO), Sas Douglas and Noel Emselle (AWTA), Bruce Mackay and David Charlton (AWC), and Ken Whiteley (UNSW). All participants agreed to form an 'Objective Measurement Liaison Group' (OMLG) to encourage greater collaboration in equipment development and facilitate more rapid implementation. They undertook to meet regularly and to provide detailed progress reports on their current projects, having regard to the need for confidentiality. At this meeting, Douglas reiterated that the AWTA's main objective was to ensure that research groups considered the need for instruments to be compatible with the Authority's practical operations and computer systems, since the Authority would be their major client.



Electronic & ergonomically enhanced AWTAmatic Airflow system

The first target selected for consideration was the automation of fibre diameter measurement. In this regard, the group proceeded to review the status of 5 automatic/semi-automatic devices. Of these, it was agreed that CSIRO's 'Fibre Fineness Distribution Analyser' (FFDA), AWTA's 'Liquid Scintillation', and the WRONZ 'Fidivan' instrument all required further research and development before their commercial use could be examined. This left the CSIRO Sonic Fibre Tester and the Authority's semi-automatic Airflow instrument to be considered.

After a full assessment of both, the OMLG agreed to support IWTO recognition for the Authority's 'AWTAmatic' Airflow instrument, noting specifically that the electronic data output from this instrument could be linked directly to AWTA's computer systems, thereby saving cost and reducing the risk of human error.

Thereafter, the OMLG collaborated openly in relation to their various programmes for assessing and/or measuring wool colour, learning from each other's experience and avoiding duplication.

Among other examples of collaboration following the formation of the OMLG:

- in June 1980, CSIRO engaged AWTA to conduct evaluation trials of equipment developed for rapid measurement of relative humidity, providing 2 instruments for assessment; and
- in August 1980, the AWTA provided CSIRO with 1,000 greasy 'keeper' core samples, together with their certified yield and VM test data, to aid their research into the potential use of Near-Infra-Red (NIR) technology in wool testing.

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Since the early 1960s, the CSIRO Division of Textile Physics had undertaken a major project to develop an automated wool testing line of machines, where the ultimate objective was to place a weighed core sample in a Washer/Dryer at the front end; chop the scoured and dried product into snippets; pass them automatically through a Wool/VM Separator; collect, weigh and measure the wool component, and test it for mean fibre diameter; and finally produce a Certificate at the end of the line. The Wool/VM Separator was the most critical element, since it relied upon an assumption that the difference between specific gravities of wool fibre keratin and cellulosic VM material were constant. Theoretically, when the chopped snippets were immersed and centrifuged in a liquid having an intermediate specific gravity, the wool fibre should rise to the top and be drawn into a separate chamber from the VM. [106]

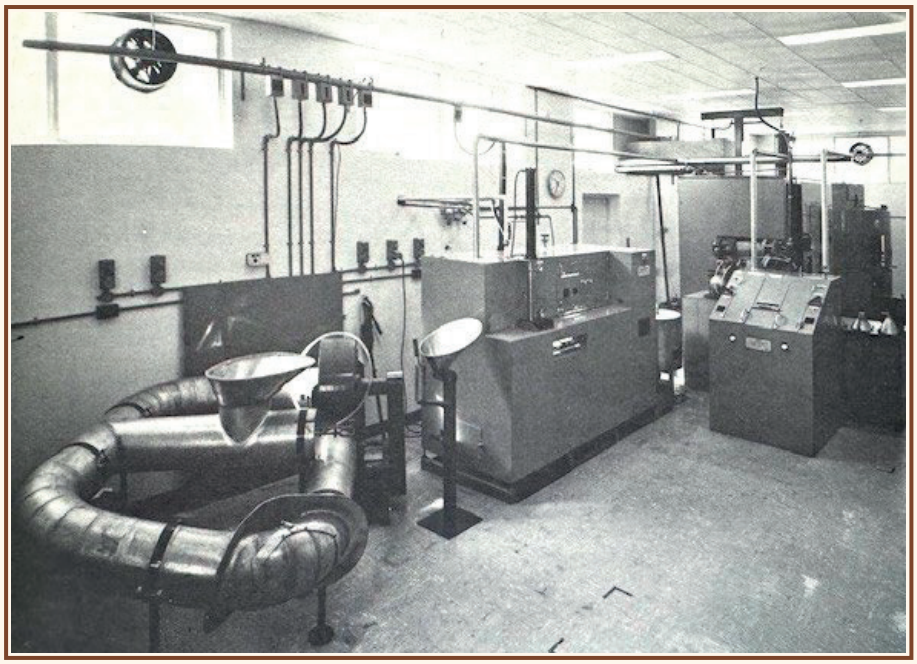
For 2 of the AOMP tenders won by AWTA, CSIRO had been required to install Washer/Dryers in the Sydney laboratory, where they would be used in yield testing thousands of single core samples. This enabled AWTA to assess their potential use for yield and fibre diameter testing of fleece samples and, towards the end of the AOMP project, one was purchased by AWTA for that purpose.

Having completed development of the Washer/Dryer as a separate stand-alone unit, further work on the Chopper/Pressuriser/Separator development was transferred from CSIRO to the AOMP project, where approval was granted to commit $195,000 of OM research funds to construct 3 units – one for CSIRO's use and one each to be provided to the test houses to gain experience in their use. However, in June 1973, when the manufacturer applied for an additional $45,000 to complete the units, the Australian Wool Corporation (AWC) suspended the order, noting in their Minutes "… *AWTA's lack of enthusiasm*" and that a unit for continuing research had already been delivered to CSIRO. [107]

Rather than accept the high risk of CSIRO's test line failing to produce accurate results, thereby delaying the essential expansion of testing capacity, AWTA decided to upgrade their core sample scours, redesigned and manufactured new multi-head dryers, designed and installed continuous ashing furnaces, semi-automated the VM testing apparatus, and developed multi-flask alcohol extraction Soxhlet units.The immediate gains in productivity made this modernised technology extremely cost competitive, reducing both labour costs and service times. Unlike CSIRO's fully automated test line, the flexibility of AWTA's testing lines was advantageous in the event of machine breakdown.

[106] Prior to joining AWTA, Ward had been employed by CSIRO specifically to assess the efficacy of this automatic test line. When his initial trials found that the separation liquid failed to fill voids in some burrs and seeds, a Pressuriser machine had been developed to force the essential liquid penetration. While this improved the degree of separation, it had not solved the problem. He had found numerous examples proving that the specific gravities of wool fibres and VM were far from constant, due to varying degrees of fibre medullation within and between sheep breeds, significant differences in cellulosic content within and between various types of VM, and to the impact of VM maturity on the specific density of burrs and seeds. Prior to taking up the Wool Supervisor position with AWTA, he recommended that the project should be shut down, believing it was fatally flawed.

[107] The Corporation was aware that the Authority, including the CSIRO Member, had unanimously approved AWTA's strategy to construct its own equipment for large-scale presale testing by automating the conventional technology.



CSIRO prototype test line comprising a blender, washer-conditioner and chopper-separator

In March 1974, the Authority allowed John Platt of CSIRO's Division of Textile Physics to update a previous costing of yield and fibre diameter testing, comparing their equipment developments with AWTA's now enhanced conventional equipment and procedures. Regarding the CSIRO Washer/Dryer vis-à-vis the AWTA's 3-bowl Scour and Rapid Dryers, Platt found that "… *the AWTA scouring arrangement is more flexible and versatile than the CSIRO one, and the mechanisms are much simpler to maintain … operation by two operators gives the opportunity of reducing to one when business is at the 50% level or less. As three independent scouring sets and 8 independent dryers are used in the AWTA arrangement, a failure of one unit does not halt production. Every CSIRO Washer or Dryer failure halts production entirely."*

Platt concluded that: "… *Absence of breakdown failure is therefore the key to the CSIRO's Washer's viability, and it is in this respect that its history to date shows it to be a poor performer … I have not yet produced anything which might show how the CSIRO Wool/VM Separator compares with your very efficient Yennora test lines.*" In fact, Platt was not able to complete the Wool/VM Separator costing, due to frequent malfunctions. By Platt's "*absence of breakdown failure*" measure, he concluded the Wool/VM Separator was even less likely to be viable than the unreliable Washer/Dryer.

From AWTA's commercial viewpoint, this summary confirmed that the strategy to extract maximum efficiency from conventional techniques was correct. Notwithstanding Platt's findings, CSIRO persevered with the development and, after several false starts, were able to install the first commercial model in AWTA's laboratory at Yennora for proving trials in 1975. For this purpose, a CSIRO officer was provided to work full-time with an AWTA research assistant. Their specific objectives were to assess the performance and reliability of the equipment under commercial test house conditions, and to compare the yield and VM values of the Wool-VM Separator with the test results produced via current standard methods. With this project then added to AWTA's research programme, the Corporation approved total funding of $79,773 for 1975/76. These funds also covered research studies into colour measurement, enhanced wool scouring techniques, new fibre diameter methods, grease extraction, lot-building trials, and the potential application of liquid scintillation techniques for colour and fineness testing.

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In September 1974, AWTA initiated a project to establish processing allowance formulae to predict the commercial carbonising yield for a range of different wool types. This project was encouraged by the Joint Wool Selling Organisation (JWSO) and was conducted in conjunction with AWC technical staff.

The first step was to obtain practical advice from Australian carbonisers as to the relative importance of factors known to influence fibre loss during processing. AWC and the trade provided batches of each type of wool, which were core tested and grab sampled prior to being processed. Trials were also conducted comparing trade valuations of both the bales and grab samples drawn from them, following which the batches were processed locally.

Michael Ferns, who had joined AWTA after Supervise-Auscore's demise, was allocated a key role in planning this work, and he was subsequently seconded to join the AWC team overseeing the trials. In due course, the team developed a predictive 'Australian Carbonising Yield' formula, which was endorsed by the SAA Sub-committee, approved by IWTO, and accepted by JWSO for inclusion in sale catalogues.

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AWTA's interest in liquid scintillation counting (LSC) was revived in 1974, due to its possible application for both raw wool colour and fibre diameter measurements. An application for research funding was approved in early 1975 for 'An Examination of the Commercial Feasibility of Applying Liquid Scintillation Techniques for Fibre Diameter and Colour Measurement of Sale Lots and Fleece Samples'. A new research officer, Dennis Fong, was appointed to take charge of this project and also work on a new project examining the potential application of Near-Infra-Red (NIR) technology in yield testing. In due course, he was able to stabilise the LSC technique to the point where it was considered useful to conduct interlaboratory trials between instruments in different laboratories. For this purpose, LSC equipment was supplied to the Fremantle research officer, Mark Brims, so he could gain experience prior to participating in the project.

By early 1982, Fong and Brims had established that the repeatability of the LSC technique was better than Airflow, making it particularly useful for ranking fleece measurement results within in a mob of sheep. However, it was not reliable in producing results of equivalent accuracy to Airflow, so the project was abandoned and the instrument was sold.

Mark Brims reverted to working on an image analysis project aimed at measuring the diameter of individual fibres directly using a television camera linked to a computer, which had already shown good signs of success. Due to his computerisation needs, his reporting relationship was changed from the Regional Manager to Peter Morgan. Since this development was being funded internally and had the potential to warrant patent protection, the project remained confidential.

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As there was little trade interest in colour measurement, the NIR project focused initially on the testing of residual grease in mini-cored and scoured samples, with a view to replacing the Soxhlet extraction determination of alcohol extractable matter. By mid-1978, the researchers believed that the NIR technique was faster, more accurate and more precise, with an added advantage being the capacity of the instrument output data to be linked directly to a computer.

AWMSA had been kept informed progressively and had approved its use, provided IWTO approved NIR as an alternative to the Soxhlet at the January 1979 Meetings. Consequently, at the September Meeting of the Authority approvals were granted to purchase 6 NIR instruments and for AWTA to manufacture 6 mini-cores, at a total cost of $120,000. However, when reviewing their respective research programmes towards the end of 1980/81, both CSIRO and AWTA agreed that NIR had not lived up to its earlier promise. Consequently, the decision was made to terminate the programmes. The total cost of this project was $125,000 and only a little of this would be recovered from the sale of the second-hand instruments. However, the mini-cores were retained for other studies.

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After AWTA had lodged its application for 1980/81 research funding, Eric Waring of the DPI provided verbal advice to AWC that the Attorney-General's Department (A-G's) had ruled both AWC and AWTA were ineligible to receive WRTF funding. The Authority immediately sought explanations of the specific grounds for this termination, together with advice as to any prerequisite conditions which might exist to restore eligibility. After a delay of almost 6 months, Waring advised that eligibility had ceased because "*research*" was not listed as an AWTA function in the current Wool Industry Act.

However, on closer examination A-G's believed that AWTA might have power to conduct research relating to its functions, provided applications were lodged directly, not via AWC which remained ineligible.

When written confirmation had still not been received by November 1980, the Authority asked DPI to obtain a formal ruling from A-G's, specifically regarding the questions as to whether the Authority had the power to conduct research relating to its own functions, and whether they could receive WRTF funding as a separate body corporate. In the absence of a prompt reply, it was recommended that the AWTA Project into 'The Technical and Economic Evaluation of Staple Length/Staple Strength Measurement in Wool Marketing' be approved by DPI, with the CSIRO Division of Textile Physics as the grantee which would commission AWTA to conduct the project on their behalf.

In May 1981, prior to the closing date for 1981/82 research funding applications, the A-G's official ruling was received, confirming that the Authority had the power to conduct research related to the performance of their functions, but they were ineligible to receive research grants from the WRTF.

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From 1969/70, when the AWB had approved the recommendation for the Authority to establish their own small research team, the Authority's research programme covered a wide range of projects which were focused on improving wool sampling and testing methods, developing more efficient equipment, and extending the application of objective measurement to improve wool selling systems. These projects included the following specific topics:

- The Determination of Commercial Yields of Greasy Wool
- Study of the Feasibility of Pre-Auction Sampling and/or Testing
- Measurement Surveys of AWRC Types
- Study of the Feasibility of Testing all Australian Exports of Semi-processed Wool
- Study of the Precision of Wool Testing, including Interlaboratory Testing Trials
- Development of an Automatic Core Tube Clearing Device
- Examination of Existing Test Methods including CSIRO's Washer/Dryer
- Conduct of a Large-Scale Presale Sampling Trial
- Study of the Predictability of Ash of Vegetable Matter
- Development of Systems for Lot Building by Objective Measurement
- Study of Colour Measurement and Appraisal
- Application of Liquid Scintillation Techniques for Fibre Diameter Testing
- Automation of the Airflow Instrument for Fibre Diameter Testing
- Assessment of the CSIRO Staple Length Device Under Commercial Conditions
- Assessment of the CSIRO Chopper/VM Separator Under Commercial Conditions
- Examination of Laboratory Scouring Techniques
- Development of a Sensor to Detect when Scoured Core Samples are Oven-Dry
- Potential Use of Near-Infra-Red Technology to Measure Residual Grease in Yield Tests
- Comparison of Core Test and Actual Processing for Carbonising Yield
- Development of an Improved Wool Pack Cutter to Minimise Contamination
- Study of the Feasibility of Staple Length Measurement of Individual Sale lots

During 1979/80, each of the Regional Managers had employed a young graduate to conduct local operations research to improve testing efficiency. The first 3 appointees were Mark Brims (Fremantle), Jamie Anson (Melbourne), and Angus Ireland (Sydney).

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In chronological order from 1961 to 1981/82, key AWTA staff participating in the Authority's externally funded R&D programme were Alec Dixie, David Ward, Sas Douglas, David Charlton, Noel Emselle, Tim Slack-Smith, Hugh Oates, Ian Kelly, Kevin James, Dennis Fong, Mark Brims, and John Caimotto. When appropriate, staff liaised with researchers at CSIRO, UNSW, NZWTA, WRONZ, SAWB and SAWTRI .

29. PRAGMATIC SOLUTION FOR BROKERS' CHARGE COLLECTION

"If brokers' handling charges are to be shown on Certificates, test houses will need to apply an agreed standard per bale charge, which will be the maximum payable to any broker. In cases where the actual charge to the test house is invoiced at a lower rate, the buyer will be reimbursed the difference." **[AWTA statement to the Broker/Buyer/Test House Committee – June 1971]**

During 1970, NCWSBA had advised the test houses that they intended to increase the handling charges for core sampling, but they had later agreed to defer implementation until the OM Committee's attitude to pre-auction sampling was known. As a reciprocal gesture, the Authority had agreed to make a genuine attempt to develop procedures to enable brokers to charge the test houses, rather than the buyers requesting the service. Those buyers who could share testing costs with their customers were in favour of this change because test houses would be able to report the total costs on their Certificates. However, ACWB could not make a decision until the differing views of their regional Associations were resolved. [108]

Upon receiving ACWB's formal request, Ward, Douglas, Mansfield and Nettleton held a series of brainstorming sessions to identify the issues and objectives for each of the 3 parties involved, which were:

- wool buyers wanted all handling, sampling and testing charges to be shown on the test house Certificates, to facilitate their partial or complete testing cost recovery when invoicing their own customers; under the historical procedures, they had to collate and account for the numerous individual broker invoices per tested delivery, but could not finalise a sales transaction until the last broker invoice was received, often weeks after the wool had been shipped;
- brokers wanted to avoid the complexity of having to deal directly with numerous buyers, and they hoped that by invoicing the test houses they would be paid more promptly; and
- test houses needed all parties to agree on a standard charge which would enable them to calculate and include the total brokers' handling charge in the invoice section of their Certificates, without having to wait for and reconcile the brokers' invoices prior to issuing Certificates.

The team agreed that the ideal system would be one that minimised the collection cost by replacing traditional accounting procedures with a simplified system requiring few clerical staff. It was also essential for the system to be acceptable to Commonwealth Audit, and in this regard, there must be no risk of abuse or manipulation to AWTA's disadvantage.

As the group worked through various options, they realised there were opportunities to save other costs and gain efficiencies for all 3 parties, if the current Buyer Specifications for each lot purchased were redesigned and standardised. They also realised that, upon completion of sampling, the 'Original' sheets of the new paperwork would include all the bale weights and identification details shown on the typed 'Official Weight List' normally provided with the test Certificate. If acceptable to clients, significant cost savings would be gained and typed weights lists would become an optional extra. [109]

By June 1971, after fine-tuning several iterations the team settled on a colour-coded paperwork system which would work efficiently for all 3 parties, provided that ACWB and NCWSBA were able to commit their members to comply completely with every procedural step. It would also be essential for ACWB to insist upon all private wool stores adopting identical practices. The key to simplicity and cost minimisation was the provision by brokers of 4 carbonless pages of the Buyer Specification, in lieu of the previous 2 sheets provided after sale.

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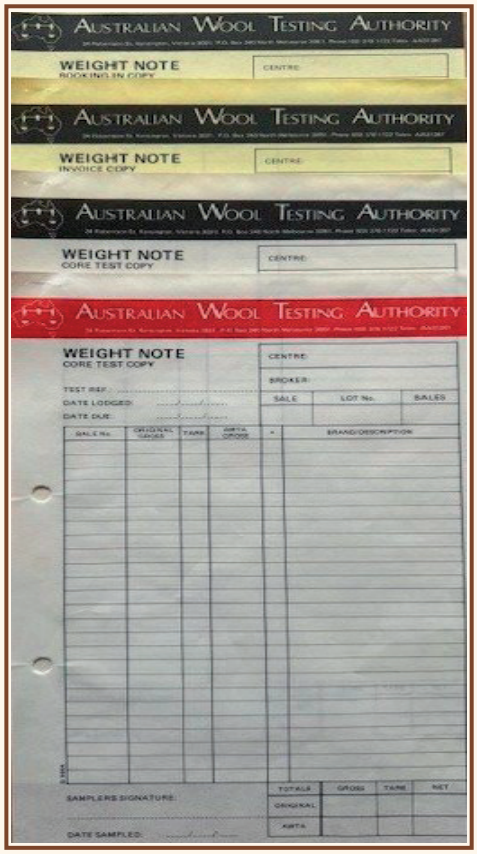
[108] Given that most post-sale tests covered lots located in multiple brokers' stores and in more than one State, it was essential for the collection procedure to be standardised for application Australia-wide.

[109] For every lot purchased, the selling broker provided the buyer with 2 copies of a Buyer's Specification which showed all identifying details of brand, description, and bale numbers, together with the individual in-store bale weights. It was normal practice for the buyer to attach the duplicate to the post-sale Test Request form sent to the test house, which lodged it with the broker to identify the lot(s) to be sampled.

Historically, it had been standard practice to issue a typed 'Official Weight List' with each Certificate, for on forwarding to the customer and to the bank handling the transaction. Before the advent of computerisation, manual typing was costly. Not only was it labour-intensive, but it was also prone to error requiring retyping which slowed the delivery of Certificates to clients.

Each set would include 2 white and 2 yellow sheets, with a printed space provided for the test house to enter the Client Name, Test House Reference Number, Sampling Date and Sampler's Signature, which would all copy through to the other 3 pages. [110]



DOCUMENT FLOW FOR POST SALE SAMPLING

Buyer client sends 4-part Specification to the Test House
2 x white "Core Test Copy"
1 x yellow "Invoice Copy"
1 x yellow "Booking-in Copy"
(All 4 carbonated sheets include lot & bale ID and in-store weights.)

"Booking-in Copy" is used to make sampling appointment
(All bales to be sampled are identified for the wool store.)

Sampler records coring/weighing details on remaining 3-part set
(Sampled bale weights are recorded adjacent to in-store weights to facilitate checking.)
(Sampler signs & dates the 3-part set on completion, leaving the "Invoice Copy" at the store.)

Wool stores record the relevant per bale handling charge on the "Invoice Copy"
(The wool store invoices handling charges to the Test House monthly.)
(All related "Invoice Copy" sheets are attached as proof of service.)

The top white "Core Test Copy" is delivered promptly to the client
(It enables checks for short weight and facilitates preparation of shipping documents.)
(Buyer matches this sheet with the Test Certificate and sends both to his customer.)

The remaining white "Core Test Copy" is retained by the Test House
(It provides a complete file record of all sampling operations & weighing data.)

Industry-agreed compulsory documents and procedures to facilitate and control the collection of brokers' handling charges by test houses (applicable to post-sale tests only)

The other essential factor was a mandatory requirement for all brokers and private stores to declare the per bale handling charge that they would hold constant for the financial year, prior to 1st July each year. Upon receipt of a broker's monthly claim for payment, any overcharge refundable to the buyer would be calculated by reference to the charges written on each supporting yellow 'Invoice Copy'.

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[110] The mandatory modus operandi for the proposed system commenced with the buyer sending all 4 sheets with the Core Test Request form to the test house. After inserting the essential identification details, the test house would then proceed as follows:

- one yellow sheet must be lodged with the store, serving as the request for a sampling appointment;
- the remaining 3 sheets must be taken to the store by the sampler, who must record the core sampling bale weights in the column alongside the original in-store weights, thereby facilitating a check against gross weighing errors and also providing the buyer with the data required to determine whether a weight loss claim could be made;
- the yellow sheet annotated 'Invoice Copy', then showing bale weights, must be left at the store to become the sole basis for invoicing the handling charges; however, it must only be handed to the broker once all bales have been sampled, or when the store has declared any missing bales as 'lost' and the client has instructed the test house to proceed; the store must enter their per bale charge on this yellow 'Invoice Copy';
- at the end of each month, the store must attach the yellow Invoice Copies to their claim for payment, thereby providing proof of completion and confirmation of the actual handling charges to be paid by the test house;
- the top white copy, being the 'Original', must be sent to the buyer to facilitate preparation of shipping orders, checking for weight loss claims, and on-forwarding to their customer in lieu of the typed Official Weight List previously provided by the Test House; and
- the second white copy must be retained by the Test House as its own official record of sampling and weighing operations, and for their calculation of the total Gross and Nett Weights of the tested wool.

Strict adherence to these procedures was essential to enable the test house to pay the broker's account and simultaneously credit the client. This pragmatic approach relied on the creation of a single unique yellow 'Invoice Copy' sheet, which would bear all the essential data required by the parties upon completion of sampling. To ensure that this process could not be abused, it was agreed that neither the second yellow sheets nor photocopies would be acceptable for payment. The system produced a positive side benefit by encouraging wool stores to exercise much stricter controls over paperwork, since any lost or misplaced Invoice Copies would cost them money and be profitable for the test house.

The other essential factor was a mandatory requirement for all brokers and private stores to declare the per bale handling charge that they would hold constant for the financial year, prior to 1st July each year. Upon receipt of a broker's monthly claim for payment, any overcharge refundable to the buyer would be calculated by reference to the charges written on each supporting yellow 'Invoice Copy'. Strict adherence to these procedures was essential to enable the test house to pay the broker's account and simultaneously credit the client.

WTS joined AWTA in proposing this solution, subject to all parties agreeing that test houses would not be held responsible for bad debts, regardless of the circumstances. After working through all the required undertakings, final agreement was reached by the Buyer/Broker/Test House Committee for the system to be implemented as from Sale 1, on 23rd August 1971.

Despite ACWB and NCWSBA acknowledging their complete understanding of the actions to be taken by their members Australia-wide, the need for strict discipline was not conveyed clearly. In fact, the mandatory change requiring brokers to provide buyers with standardised 4-sheet Buyer Specifications as from the specified date was not enforced in some out-centres, and ACWB neglected to inform the private stores about their new requirements. Adding to the confusion, WTS overlooked the fact that they needed to print their own 4-sheet sets of blank documents for use in stores that did not issue Buyer Specifications.

To avoid the looming early breakdown of the system, Murray Mansfield worked almost full-time educating buyers, brokers and private wool stores about their new obligations. He was assisted by the Sampling Supervisor in Melbourne, Malcolm Brown, who was subsequently appointed to a new position in which he was responsible for checking all handling charge invoices, authorising payments to brokers and refunds to clients, and handling all related communication. Once these initial teething problems were eradicated, the collection procedure worked very efficiently and required minimal staffing. In AWTA's case, all brokers' handling charge invoices across Australia were sent to Melbourne, where they were processed by Brown and one clerical assistant.

At great financial risk to themselves, WTS in WA started to use uncoloured sets of 4 photocopied sheets, leaving them open to receiving duplicated invoice copies. When this risk was drawn to their attention, they took sets of AWTA documents from a private store, substituting their name on 3 of the 4 sheets, excluding the Invoice Copy. This dishonest practice ceased as soon as Brown discovered that the AWTA was being invoiced for WTS work.

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The practice of invoicing a standard charge on Certificates had to be abandoned in 1974, when the Whitlam Government established a Prices Justification Tribunal (PJT) to control prices raised by large corporations. Following a review of the wool broking industry, the PJT declared that it was illegal for NCWSBA members to standardise any charges across the industry. An urgent meeting was held between ACWB and the test houses to find an acceptable alternative, failing which the current procedure would have to be abandoned. After brain-storming the issues, it was agreed that:

- every wool store would be required to declare their handling charge and commit to holding it constant for a fixed period to be agreed from time-to-time;
- AWTA would calculate the weighted average of all declared charges, initially based on the total bales sampled in each broker's store during 1973/74, and this average charge would be invoiced on test Certificates;
- irrespective of their declared charge, the maximum charge payable to any broker would be fixed at 10% above the calculated weighted average; and

- to compensate for potential risk and also minimise administrative costs for the parties, the test houses would no longer credit buyers for the difference between the weighted average charged on the Certificate and any lower charge invoiced by the broker.

Having resolved the major problem, a subsequent Broker/Buyer/Test House meeting laid down a set of guidelines as to the frequency of revising the charge, the deadlines for stores to notify any charge variations for inclusion in the next updated average, and the notice period before any new average charge would come into force.

These new arrangements were accepted by all wool stores, on the understanding that the system would be reviewed and fine-tuned after the first 6 months. Thereafter, the amended arrangements proved to be efficient for all parties, and the system was profitable for the test houses whenever an 'Invoice Copy' was misplaced or otherwise lost.

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"The Golden Fleece", by Tom Roberts - 1894
It is part of the collection of the Art Gallery of New South Wales, Sydney.

30. BAD KARMA STRIKES UNPRINCIPLED COMPETITION

"*If WTS are using standard values for total residuals instead of data from grease extraction and mineral ash tests, they are saving about 60% of the testing cost for an IWTO Certificate.*" [Ward seeking Yeo's approval to examine data at CIL Fremantle – September 1971]

Towards the end of the 1960s, wool testing for the Japanese mills and for Australian wool growers held the greatest potential for growth. As these markets developed, they increasingly became the main targets for competitive promotion activities by AWTA and WTS. In the case of Japan, the initial educational visit by Dr Campbell and Murray Mansfield attracted significant interest, and subsequent visits by Mansfield had encouraged experimentation to the point where the major mills had switched to purchasing wool on the basis of core test Certificates. AWTA's connection with the highly respected IWS personnel in Japan had provided a competitive advantage, developing relationships underpinned by trust and credibility, which led to AWTA gaining a dominant share of the market.

On the other hand, WTS had concentrated promotion on the Sydney-based Japanese wool importers, supplemented by annual visits to Japan by John Westmore. During his early visits, Westmore's strategy was to blame AWTA for disruptions in brokers' stores and for wool being shipped before coring, also claiming superior performance by WTS and cheaper testing fees. When Mansfield's friends in Japanese mills reported these claims, he collated all the factual data required to refute the criticisms and held face-to-face discussions in Japan, normally within days of Westmore's return to Australia, resulting in WTS losing credibility and market share.

Having failed to make progress, on his 1969 visit Westmore adopted the opposite strategy. Instead of criticising AWTA, he claimed that both test houses had adopted the same technical policies and, as a result, interlaboratory testing trials now proved their results to be "*identica*l". To back up these claims, he quoted selectively from documents issued by OM Committees and from some Broker/Buyer/Test House Committee Meeting Minutes. He continued to claim that WTS' fees were cheaper, when their superior rebate scheme was taken into account. As previously, Mansfield visited Japan, Taiwan and Hong Kong immediately following Westmore's visit, where he was able to refute these claims before they had any impact. In his Overseas Report to the Authority, he described WTS' strategy as an attempt to "… *take a ride on AWTA's reputation*". [111]

In a further attempt to create a formal link with the Authority, the Managing Director of WTSI, Lesley Bunt, wrote to Lindsay Yeo, proposing that AWTA and WTS establish a neutral and jointly controlled sampling organisation, and that both test houses should discontinue all rebate and special discount arrangements at the end of the current season. In responding, Yeo advised that the Authority was not enthusiastic about the joint sampling proposal, which had earlier been discussed with the OM Committee. Regarding special fees and discounts, he referred Bunt to the role of the PJT and the illegality of price-fixing, advising him that AWTA would continue to make its own independent decisions.

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By June 1970, progressive wool growers were becoming increasingly interested in having the main lines of their wool clips presale tested in the coming wool selling season. In this regard, the Authority had adopted a 'soft sell' promotion approach to avoid antagonising their buyer clients. On the other hand, having less to lose WTS launched an Australia-wide advertising campaign with an 'Open Letter to Graziers' printed in the rural press. Besides promoting presale testing and lauding their world-wide network of services, they offered wool growers one free test if they completed and returned a voucher accompanying the advertisement.

The Authority decided against running a competing advertising campaign. Instead, they considered that greater and more lasting benefits would be gained by explaining presale testing to growers and local stock

[111] In this Report, Mansfield also advised that an extra 225,000 bales were expected to be tested by Japanese clients, and that the Reward mill in Taiwan was planning to test an additional 60,000 bales. There was also great interest in the use of fibre diameter tests and, in particular, the benefits mills might gain from the introduction of presale testing.

and station agents, preferably in conjunction with the brokers' wool staff. To this end, AWTA informed brokers, regional wool growers' associations, EWP, and other companies known to hold grower meetings, such as Ciba Geigy, that AWTA Managers were willing to provide keynote presentations on presale testing at their grower client functions. Portable stands were developed for these meetings and for use at large country shows, where brokers' wool agents were encouraged to accompany their grower clients on laboratory inspections whenever they were in Melbourne, Sydney or Fremantle for wool sales.

During the off-season, all brokers' Wool Managers were invited to visit an AWTA laboratory to learn more about testing and the activities of the OM Committees, and to discuss their estimates of testing demand expected in the new season. This opportunity was well received, particularly since the knowledge gained made the agents confident to discuss the pros and cons of presale testing with growers. Similar field days were also arranged for wool buyers, since most had never been inside a testing laboratory. These opportunities for informal discussion were appreciated greatly by the trade, and some 90 buyers from 25 firms participated in Sydney alone.

To supplement this approach, the Authority also produced a specific 'Wool Testing for Wool Growers' brochure, which explained why wool was core tested, the structure and role of AWTA, and the major services available for growers. It also included brief technical descriptions of the testing procedures for yield and fibre diameter, illustrated with diagrams and photographs of the equipment used for Presale Test Certificates, Guidance Test Reports and Fleece Testing.

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As wool prices were falling during 1970/71, the Australian Wool Commission was required to purchase increasing quantities of untested wool stocks. With these lots withdrawn from the trade pipeline, there was an immediate reduction of post-sale testing income for both AWTA and WTS. [112]

By the end of January 1971, wool purchases by the trade had fallen by almost 16% and AWTA's wool testing revenue had fallen by 15%, causing the Authority to cut costs wherever possible and to encourage personnel to take annual leave. While AWTA continued to experience reduced workloads for several more months, they noted that WTS' activity had recovered markedly. Upon investigation, Pat McGilvray discovered that rumours had been spreading internationally, alleging that the Australian Wool Commission could gain access to private trade data and shipping destinations for all wool tested by AWTA. The fact that Lindsay Yeo was both Deputy Chairman of the Commission and Chairman of AWTA was being misconstrued as 'proof' of this possibility. Given overseas buyers' negative attitudes towards the Commission's interventions in the market, these suggestions had fallen on fertile ground, causing AWTA to lose business to WTS. Whether coincidental or not, this was followed by an announcement that the SGWFE members had voted to appoint WTS as an approved laboratory for Futures testing purposes, ending what had been a mutually beneficial exclusive relationship with AWTA.

The Authority agreed that urgent and sustained liaison with overseas clients must be undertaken to correct these rumours, by promoting the Authority's complete independence and their commitment to keeping clients' data confidential. Consequently, Murray Mansfield was sent on an extended visit to Hong Kong, Japan, Korea and Taiwan, and to address WTS' significant gains in Europe and the UK, Pat McGilvray was relocated to Brussels for several months, where IWS provided him with suitable office accommodation and administrative support. [113]

While McGilvray worked his way around the major wool companies in UK and Europe, he learned that much of the swing to WTS was due to an increase in their quantity rebates up to a flat rate of 25%, contrary to Bunt's proposal to Yeo for rebate schemes to cease. Based on cost data obtained via the Thiele system, Nettleton, Mansfield and Ward knew it was impossible for AWTA to match this level of rebates without incurring a huge loss.

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[112] In managing the floor price scheme, the Commission's strategy was to enter the market as a buyer to test whether a downward price trend could be slowed or even reversed and, if not, to withdraw slowly until the market reached a new level. The weaker the market, the larger their purchases and the greater the congestion and disruption caused in brokers' stores, as stacks of their purchases took up floor space instead of being shipped.

[113] The need for these actions was confirmed when the final result for 1970/71 confirmed that a nett loss of $76,026 had been incurred, which was significantly larger than the budgeted loss of $35,167.

The Authority had already been forced to increase charges for 1971/72 to return to profitability, so the question remained as to how WTSI and WTS could possibly fund such high rebates, without incurring similarly large losses.

Part of the answer was provided when Mansfield reported from Japan that WTS had raised their fees for the 1971/72 season to a level that was almost 12% above the Authority's increased rates. As soon as this difference became known, their Japanese clients started to direct more testing to AWTA, causing WTS to issue a 'Special Fees List for Japan ONLY' showing fees that were 10% lower than for the rest of the trade in Australia. Inevitably, their Australian clients protested at this discrimination, forcing them to apply the special fees for Japan Only to all clients, and to reduce their maximum rebate to 15%.

Given that the Thiele & Associates costing system had been providing accurate measures of the costs of services for many years, AWTA were convinced that these flat rate rebates in Australia and overseas were unsustainable, unless WTS were operating at an exceptionally low cost. Fortuitously, it was not long before WTS' method of cost reduction was exposed.

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In July 1971, Ward received a letter of complaint from Syd Lodge of Compagnie d'Importation de Laines (CIL) in Fremantle, concerning significant differences in the certified test results for 2 deliveries of wool tested by both AWTA and WTS. Copies of the yield test Certificates showed that AWTA's results were lower for yield and higher for VM, both of which were disadvantageous for CIL.

As was normal practice, Ward examined the AWTA laboratory worksheets and calculations in search of any unusual data that might suggest an error had occurred, but no anomalies were detected. Without access to WTS' worksheets, he reworked the data reported on their Certificates to calculate the levels of residual dirt and grease left in the reported 'Dry Scoured Wool'. In both cases, he found the total residuals figures were exactly 1.75%. Knowing that scourability of WA wool would normally vary within and between samples, it was extremely unlikely that both tests would show identical total residuals content to the second decimal place, but it was remotely possible.

At this point, Ward advised Lodge that he had discovered some "*abnormalities*" in the WTS data but would need to examine more Certificates before being prepared to disclose his suspicions. Lodge responded in August, sending a table of Dry Scoured Wool, VM Base and Wool Base data extracted from 15 WTS Certificates, which he had selected at random to cover a wide range of fleece wools, pieces and bellies. As suspected, 10 of the 15 deliveries were found to have total residuals of exactly 1.75%, and in all 15 cases the calculated total figure ended with a 0 or 5 in the second decimal place, which would never occur in practice. Furthermore, in the other 5 cases, Ward found that the total residual content was 1.85% in 2 tests, 1.95% in one test and 2.00% in the remaining 2 tests.

When the calculated data for each test were entered on Lodge's table, the percentages of total residuals appeared to be correlated with the greasy VM% level, with a couple of exceptions. However, when Ward converted the greasy VM% to a scoured VM% basis, all results fitted a table exactly. In the context of the IWTO Yield Test Method, the only explanation for this standard pattern was that, instead of conducting the mandatory residual grease and ash content tests on the scoured samples and the VM ash content, WTS was applying standard total residuals factors selected from a chart according to their scoured VM%. This raised the question as to whether this now suspected malpractice had been established by WTS Ltd in London, during the early years when WTS had sent all their Australian samples there for testing.

It also reminded Ward that the primary focus of his inspection of the London laboratory in 1966 was to determine AWTA's equipment requirements for residuals testing. Following that visit, his Overseas Report to the Authority Members had recorded that they did not appear to have sufficient ashing furnaces and Soxhlet extraction units to cover the total number of tests which they claimed to receive from around the world. At that time, Ward had assumed that their test numbers were probably inflated to impress him. Clearly, if factors were applied in lieu of residuals testing in London, it was highly likely that their Australian laboratories would adopt the same practices, particularly since their senior technical staff in London had commissioned the Sydney and Fremantle laboratories, and their technical management in Australia was still being directed from London.

When Ward sent his findings to CIL and explained the ramifications, Lodge was keen to establish when the practice had started. As a first step, he sent Ward 12 sets of data selected at random from WTS Certificates issued in March 1971 and December, September and August 1970 (i.e. 3 sets per month). Without exception, the calculated total residuals factor of 1.75% had been applied, and the scoured VM% was below 2.00% in every case.

Lodge was now convinced that WTS had been short cutting the IWTO yield test procedure, which he then volunteered was probably the reason for their service times being faster than AWTA's, when both test houses had been sent identical test requests on the same day. To establish exactly when and why each factor level was applied, a larger number of Certificates would require examination, so Lodge offered to provide data for all CIL's Certificates dating back to the late 1960s.

Rather than proceed via correspondence, Lodge suggested it would save time and be more efficient for Ward to visit CIL's office in Fremantle, where his General Manager, Ted Pedlow, would allow access to all WTS and WTS Ltd Certificates held in files.

When seeking Yeo's approval, Ward explained the commercial significance of his findings and, most importantly, that AWTA's costings had estimated that the omission of residuals testing would reduce testing costs by approximately 60%. Coupled with shortened service times, WTS had been operating at a significant competitive advantage over both AWTA and the failed ADCH/Auscore.

RESIDUALS DATA EX CIL FILES

Factor Used	Total Tests
1.40	1
1.55	2
1.75	336
1.80	16
1.85	33
1.95	56
2.00	10
2.05	1
2.10	1
2.20	1
2.25	2
2.35	5
2.50	1
2.60	1
2.65	2
2.80	1
4.10	1
"Normal"	16

Factors applied by the WTS Fremantle Laboratory

With Yeo's approval, Ward accepted the invitation and spent the following week in CIL's Boardroom, where he examined a total of 486 Certificates, including some issued from London before WTS had opened their Sydney laboratory. As suspected, 96.7% of these Certificates were found to have used standard factors for total residuals, all ending in 0 or 5 in the second decimal place. In fact, only 16 Certificates did not fit this pattern. [114]

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During his investigation, Ward also noted that both ASTM and BWF Certificates were available for several deliveries, where the sale invoice had been based on the average yield of both. All of these had been issued by the London laboratory. From a cursory examination, it seemed obvious to Ward, Pedlow and Lodge that the certified VM% for both methods were directly correlated, which was completely contrary to the experience reported by all laboratories, including WTS Ltd, when Ward had visited them in 1966. In fact, this regularity conflicted with a technical paper published by WTS Ltd specifically to explain why clients should expect large differences in VM% between the chemical ASTM and mechanical BWF test methods. The constant factor used for this VM% conversion was found to be 1.07 in every case. Even closer analysis of these Certificates confirmed beyond doubt that WTS Ltd had used a conversion factor of 0.875 to calculate the BWF Oven Dry Wool Yield from the ASTM Clean Wool Fiber Present figure for almost every test. The only possible conclusion to be drawn from the fact that both constant conversion factors had been applied was that the BWF tests had not actually been conducted. [115]

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[114] Examination of the frequency of each factor found that 336 Certificates had used 1.75%, 16 had used 1.80%, 33 had used 1.85%, 56 had used 1.95%, 10 had used 2.00% and another 19 had used other factors ending in 0 or 5. With regard to timing, it was found that the lowest factor used prior to March 1969 had been 1.95%. Thereafter, the new levels of 1.75%, 1.80%, 1.85% and 1.90% had been introduced, thereby coincidently or intentionally increasing the certified yield to their client's advantage. Upon closer examination, Ward advised Lodge that "*it would be unwise to suggest that constant factors were used prior to December 1968*", since the residuals data ending in 0 and 5 had been found in only a few cases and could be the result of testing.

[115] The average ASTM/BWF sale basis had been promoted by WTS Ltd as being more closely related to final mill results than the IWTO yield test, although no data had ever been presented to support this claim. From a test house's viewpoint, the additional

To complete his understanding, Ted Pedlow wanted to know the range of total residuals expected to be found in scoured WA core samples. For this purpose, residuals test data were extracted and analysed from all 58 AWTA Certificates issued to CIL during the last 4 months i.e. since 1st July 1970.

As expected, total tested residuals averaged 2.59%, within a range of 1.65% - 7.05%, and only 5 of the 58 results were identical to the second decimal place. Upon receiving these data, Pedlow was shocked at the ramifications, not only for CIL but also for the wool industry generally, especially now that the OM Committees were engaged in studies concerning the accuracy of testing and the differences in test results between AWTA and WTS.

To be completely certain before taking action, he authorised Ward to arrange for the data to be checked independently by wool metrologists at UNSW and CSIRO Division of Textile Physics. Both organisations duly confirmed Ward's analysis and conclusions, with one declaring that the blatant use of residual factors was "*unbelievable!*".

Reassured, Pedlow notified WTS of his intention to claim refunds for all BWF testing charges, together with full reimbursement for all underyield claims paid to CIL's customers relating to deliveries certified by WTS. In view of the seriousness, he also reported the details to the WA Wool Buyers' Association, the ACWB Chairman, and the DPI Secretary.

Furthermore, he sent the reports to the Chairman of the OM Policy Committee to alert them to the probability that WTS' results published in the recent series of Sale-by-Sample (S x S) trials might not have been tested according to the full IWTO method.

The ACWB Chairman and the DPI Secretary passed the data to the OM Committee, for investigation by CSIRO's John Downes, who was Chairman of their Research Sub-committee.

In the meantime, the WA Wool Buyers' Association held a special meeting to discuss the issues, following which details of the scandal gradually spread throughout the trade and caused WTS to lose support. Their loyal clients were worried that WTS-tested deliveries still in the pipeline might be rejected by overseas customers. They were also concerned that past disputes about combing underyields might be reopened, if/when news of the scandal reached them via the wool trade 'grapevine'.

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Over and above the unfair competition aspect, Ward and Douglas were concerned about the extent to which WTS might have cut short testing for the AOMP trials, including the S x S sales. To this end, they examined all WTS' data extracted from sale catalogues and found that, while some results appeared to be based on actual tested residuals data, standard factors had been used extensively. [116]

BWF test generated an extra fee, which would represent an almost 100% profit if the test data were obtained via mathematical conversion, without incurring any testing cost.

[116] For S x S Trials numbered 2 - 9, standard residuals factors were found to fit the following ranges of VM% on a scoured basis:

- in Trial 2 at ESGM Sydney, 68% of results were based on factors of 1.60% for scoured VM% less than 1.00%, 1.80% for scoured VM% of 1.01% - 2.00%, 1.90% for scoured VM% of 2.01% - 3.00%, and 2.00% for scoured VM% of 3.01-4.00%;
- in Trial 3 at Winchcombe Carson Sydney, 21% of results were based on factors of 1.80% for scoured VM% of 1.01% - 1.99%, 2.00% for scoured VM% of 3.01% - 4.00%, and 2.05% for scoured VM% of 4.01% - 5.00%;
- in Trial 4 at Dalgety Melbourne, 25% of results were based on factors of 1.60% for VM scoured of less than 1.00%, 1.90% for VM scoured of 2.01% - 3.00%, 2.20% for VM scoured of 6.01% - 7.00%, and 2.30% for VM scoured above 8.01%;
- in Trial 5 at Wesfarmers Fremantle, 71% of results for the Sydney Test Numbers (prefixed 245) were based on exactly the same factors as found in the earlier Sydney and Melbourne trials, whereas 82% of the Fremantle Test Numbers (prefixed 237 and 238) used exactly the same factors as those found for CIL in WA;
- in Trial 6 at Country Producers Sydney, 74% of results were based on the same factors as had been found in all previous Eastern State Trials, with the addition of a new factor of 2.85% for scoured VM% above 12.00%;
- in Trial 7 at Southern Farmers Adelaide, 74% of results were based on the Eastern State trial factors; and
- in Trial 8 at Yennora, 89% of results were also based on the same Eastern State factors.

Contrasting with these data, the total residuals figures for WTS' tests in Trial 9 at ESGM Sydney did not fit the tables. In fact, the spread of residuals data was indicative of normal testing, possibly because WTS then knew that they were under investigation.

RESIDUALS DATA (SALE BY SAMPLE TRIALS 2 - 8)		
Vegetable Matter (Scoured basis %)	**Factor in Lieu of Residuals Testing**	**Total Tests Affected**
0.13 – 1.00	1.60	51
1.01 – 1.99	1.80	98
2.01 – 2.98	1.90	41
3.01 – 3.83	2.00	26
4.06 – 4.87	2.05	12
5.16 – 7.40	2.20	10
8.42 – 8.64	2.30	3
10.13 – 22.42	2.86	14
30.61	3.85	1

Sydney factors vs VM scoured %

When separately tabulating data extracted from WTS' Certificates issued in Sydney and Fremantle, it was discovered that each laboratory had its own chart of total residuals factors. This added an extra source of error to the test results each time WA samples were sent to Sydney for testing because the capacity of the small Fremantle laboratory was exceeded. [117]

As details of CIL's complaint letters spread throughout the local and overseas trade early in 1972, WTS issued a statement denying that they had breached the IWTO test method. In Europe, WTSI went even further by claiming that Bunt had received advice from unnamed "… *officials in Australia*" informing him that WTS had been "… *completely exonerated*". However, the veracity of those assertions became questionable when WTS announced major management changes, including Adrian Payne being appointed as a Director, Barry Wilton being transferred from Melbourne to become Australian General Manager in Sydney, Bruce Osbourne-Smith being promoted to Victorian Manager, and Dr Ken Whiteley of UNSW being appointed as their Technical Consultant. These personnel changes were interpreted as proof positive that DPI, ACWB and the OM Committee had accepted the validity of Pedlow's claims, and had issued an ultimatum for WTS to address its shortcomings or go out of business. [118]

Finally, in February 1972 the Executive Director of ACWB notified all members that the Chairman of the OM Policy Committee had issued the following public statement:

"*You will be aware that certain material has been submitted to me, as Chairman of the Policy Committee on Objective Measurement, by the Department of Primary Industry. This material relates to some aspects of certificate testing work carried out by Wool Testing Services Pty Ltd. I have referred this material for a technical opinion to Mr J.G. Downes, Chairman of our Research Sub-committee. Mr Downes has now reported to me on his examination of this and other certificate testing results and the whole matter was discussed at the meeting of the Policy Committee held in Sydney on Wednesday 15th December.*

"*The Committee believes that as far as possible a competitive situation should be maintained in Australian wool testing. It resolved that it wishes to continue to allocate A.O.M.P. testing work between Australian Commercial Testing Houses in accordance with the arrangement now in train, and that the firm of Wool Testing Services Pty Ltd should receive its share of this work subject to supervision of the testing (on the basis of spot checks) by an A.O.M.P. officer at the firm's expense.*

"*These arrangements have been discussed with representatives of the Department of Primary Industry and have received the agreement of the Minister.*"

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[117] The Fremantle laboratory factors were higher than those applied in Sydney for the same levels of scoured VM%. This was expected, since it was well known by the trade and from the AWTA's testing experience that WA wool contained a greater penetration of sand than in other States. As a result, the mineral ash component of the total residuals after scouring was normally higher than elsewhere.

[118] Whilst John Westmore continued to be employed as Managing Director, he was no longer actively involved in day-to-day wool testing matters. In late 1973, he left WTS to take up the Executive Director position with ACWB and, in 1974, he was appointed as their representative on the Authority. When Westmore attended his first AWTA Meeting in September 1974, he was stunned to discover that AWTA's result for 1973/74 was a nett profit of $148,759 and that accumulated profit had increased to $304,213. In fact, this was so unexpected that he felt compelled to apologise to the Chairman, Members and staff for his past representations to Government accusing AWTA of deliberately running losses to stifle competition.

When attending the following Authority Meeting, John Downes advised Members that a high-powered WTS delegation had gone to Canberra, where they had negotiated a conditional assurance that the Government wished to retain competition in wool testing. DPI had also recognised that WTS had now lost most of their major clients and was struggling financially.

To prevent their collapse, the Government had issued an Order-in-Council instructing the OM Committee to allocate 1/3 of AOMP testing work to them, despite AWTA having won 90% of all previous tenders. [119]

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Whilst WTS managed to survive at a much-reduced level of support, their recovery was slowed by the arrival of a new competitor, namely Supervise-Auscore, which announced their intention to establish a wool testing laboratory adjacent to the Yennora Wool Complex, close to AWTA's Sydney laboratory.

Basil Ferns had been appointed as their Officer-in-Charge, and by March 1972 they were offering a full range of raw wool testing services. As he had done previously with the failed ADCH/Auscore business, Ferns attacked the Guidance Report testing market with heavily discounted charges, and was offering free tests to attract Certificate testing. [120]

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AWTA-designed Continuous Ashing Furnace

[119] The underlying messages in the Chairman's statement confirmed that the rumours which had been circulating in the buying trade for months were based on facts.

[120] These strategies took more guidance report business from WTS than from AWTA. They had little impact on post-sale testing for wool buying companies, especially in the UK and Europe who had been badly affected by Ferns' bankruptcy in England some years earlier. In the case of presale testing, brokers decided initially to allocate a fixed share of sale lots to Supervise-Auscore, until buyers told them that the Certificates were not accepted in Europe and the wool would have to be retested post-sale.

31. PRACTICAL PLANS FOR PRESALE TESTING IMPLEMENTATION

"Members of the Authority feel that this is the most exciting project put before them and is a matter which deserves high priority, not only on the part of the Board but also the Commission, the brokers and the Government." **[Lindsay Yeo reporting to AWB - April 1972]**

Through their participation in discussions with AWB, the OM Committees, ANC, and AOMP staff, Ward and Douglas had become increasingly concerned that nobody was addressing the need to develop a coordinated practical implementation plan to ensure that the phased introduction of large-scale presale testing would be efficient and cost-effective. Without industry commitment to any such plan, they were convinced that progress would be inhibited by interests defending their territory, whereas some current practices and roles would have to change for the common good.

There was no doubt that the Final Report from the OM Committee would be technically sound, given the number of scientific people involved in the OM Technical Committee and AOMP. On the other hand, there had been very little discussion of practical issues, until a technical paper was released recommending the establishment of a Wool Standards Authority to oversee sampling and testing operations. As a basis for budgeting, the authors had made the theoretical assumption that presale tests would be conducted by wool brokers, in dozens of decentralised laboratories located in wool stores in all States, and their paper had outlined specific details of their staffing structures.

When Ward and Douglas sighted this document, they knew from experience that such an outcome would be impractical, excessively costly, and practically impossible to harmonise. Clearly, the authors had failed to recognise that the main reason for the Authority operating only 3 centralised laboratories was the need to offset the negative impacts of seasonal shearing fluctuations on sampling and testing productivity, and costs. From a technical control viewpoint, they were also alarmed that the problems caused by having too many laboratories in round trials had been ignored, and that the frequency of testing errors would inevitably increase. To challenge this assumption and stimulate debate, they produced a comprehensive 'Report on Pre-auction Testing Considerations' to draw attention to the practical issues to be managed.

In April 1972, the Authority considered this Report. The reasons for its preparation were listed as follows:

- "*considerable technical and commercial acceptance had been achieved via the AOMP Trials and acceptable grab samples can now be drawn;*
- "*confidence is high to the point where industry sectors are now considering the future in terms of 'when' rather than 'if' presale testing is introduced;*
- "*the most influential European companies and all Japanese mills surveyed in August 1971 want presale testing and large-scale S x S introduced rapidly;*
- "*AOMP Trials are likely to be completed within 6 months and comprehensive plans should be drawn up now for detailed cost/benefit analysis, to optimise efficiency and to alert the industry to the likely changes for each sector;*
- "*commercial acceptance will be assured provided a small independent group is established to inspect laboratories regularly, to monitor performance through round trials and to provide public reports on both;*
- "*AWTA as the largest wool testing organisation is in the unique position to know the practical problems in co-ordinating large-scale testing operations, but no member of the OM Committee has that experience; and*
- "*AWTA is ready to expand its facilities now, so needs to have a clear indication of the plans for handling and marketing for S x S.*"

The report went on to list and discuss the essential goals for the S x S marketing system, the sequence of key operations from in-store receipt of wool to final shipment, the levels of accountability which required AWTA to control sampling, weighing and testing, and the need to balance testing accuracy, service and cost without overemphasising any one of these to the detriment of the others. Given that a single post-sale test normally covered 15-20 sale lots, the switch to testing those individual lots before sale would require a massive expansion of capacity.

In this regard, they announced that AWTA was planning to establish 3 large laboratories, located in each of Melbourne, Sydney and Fremantle. Under this plan, the Melbourne laboratory would test Vic & Tas wools, Sydney would test NSW & Qld wools, and WA & SA wools would be tested in Fremantle. Based on AWB's wool production statistics, these 3 laboratories would have almost equal capacities and, as such, they would have the same basic staff structures, equipment, workflows and practically identical operating costs, which would facilitate setting a single fee structure for the whole of Australia. [121]

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Due to its potential to affect international acceptance of presale testing, Ward and Douglas decided that the report should expose the potential conflict between Interwoollabs and the OM Committee in relation to independent checking of laboratory performance and the maintenance of standards. They reported that, whilst Interwoollabs was rallying international support to establish their own greasy wool testing harmonisation scheme before the OM Committee finalised their recommendations for an Australian body, their progress had been slowed by the misguided belief that the procedures used for their wool top testing round trials could be copied for greasy wool.

The AWTA report also promoted independent oversight as being essential to maintain international trust in sampling and testing aspects of S x S, particularly since buyers would only be allowed to inspect their purchased lots after sales. Further to this, they reiterated their strongly held view that random and unannounced inspections were the best means of ensuring that test houses adhered strictly to the IWTO Standards and Regulations, which Interwoollabs' current plans could never achieve. To ensure that an Australian inspectorate was effective and that standards were enforceable, the paper proposed that all Australian test houses should be registered, and required:

- to sign a binding Statutory Declaration to comply fully with the IWTO Methods and Regulations;
- to allow inspection of all operations and documents, except for accounting/costing records;
- to test all samples submitted for interlaboratory trial purposes and provide the test data to the inspection body for analyses; and
- to acknowledge formally that any failure to comply could result in their deregistration.

Further, it was proposed that control should rest with a 'Wool Testing Standards Committee' responsible to DPI, with membership being an independent Chairman and representatives of CSIRO, SAA, BAE and each test house. In the interests of transparency, this Committee should report 6-monthly to the IWTO CTS-c and Interwoollabs, with those reports to be freely available to any other party, on request.

Finally, the report questioned the value of test house competition in such a strictly controlled presale testing environment, where the scope for competitive innovation would be diminished by strictly enforced compliance with Standards and Regulations, coupled with the automation of integrated bale weighing and core and grab sampling machines. In this regard, AWTA's operations research into presale sampling and testing flows had found that the use of multiple test houses would create costly complications. In short, it concluded that competition in presale testing would add to industry costs, reduce the predictability of workflows, increase the variability of test results, and reduce productivity due to sampling downtime. [122]

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[121] AWTA's report detailed the equipment items required to service the full range of tests to be conducted in each laboratory, the staff structures necessary to control testing operations, technical standards and service times. It also referred to the need to have an on-site engineering workshop and ancillary facilities for equipment repair and development. By consolidating testing into 3 laboratories, AWTA would be better able to manage seasonal fluctuations in production which were known to vary significantly within and between States. It would also mitigate the risk of costly downtime caused when weather conditions impacted local shearing patterns and delayed receivals at wool stores. If multiple laboratories were to be set up in individual wool stores, each one would be subject to the full impact of local shearing/receivals peaks and would be relatively idle for much of the year, thereby increasing the overall cost per test significantly.

[122] WTS' competitive 'innovation' to avoid the high cost of residuals testing had provided a clear example of the need for rigid and enforceable controls over test houses. Their alterations to standard IWTO test procedures had created unacceptable risks that could have destroyed industry confidence in the efficacy of presale testing and S x S selling. Without doubt, had the proposed Wool Standards Authority been in existence, WTS would never have risked such non-compliance.

While Ward was drafting the 'Report on Presale Testing Considerations', Sas Douglas and a Research Officer, Tim Slack-Smith, had drawn up a supplementary document covering every single step to be managed for the efficient operation of the S x S selling system.

SEQUENCE OF OPERATIONS - SALE BY SAMPLE PLAN

Step 1: Receive and identify bales arriving at wool store
Step 2: Core sample and seal individual samples per bale
Step 3: Grab sample each bale and package separately
Step 4: Identify samples, weigh grabs and store both
Step 5: Weigh bales and record individual weights
Step 6: Move bales to stacks and record locations
Step 7: Obtain clip printout from the Classer's Report
Step 8: Aggregate bales in lots for testing and sale
Step 9: Retrieve core samples for each sale lot
Step 10: Conduct core tests for yield and fibre diameter
Step 11: Prepare sale catalogues including test data
Step 12: Retrieve and aggregate grabs per lot
Step 13: Display grab samples in boxes for buyers' appraisal
Step 14: Conduct the wool sale
Step 15: Issue sale documentation
Step 16: Invoice the buyer and pay the grower
Step 17: Ship lots according to buyer instructions

The sequence of key operations to be controlled and coordinated via a central computer database

Based on experience from the presale sampling trials, they had reached the conclusion that the key to achieving a low-cost system with optimum controls was to allocate an unique identification number to each individual sample drawn. To reduce labour costs and minimise the risks of human error, they also believed it would almost certainly be necessary to use a computer-controlled system for sample storage and retrieval, similar to one they had discovered in use at the David's (later Woolworths) Supermarket Distribution Centre in Blacktown NSW.

Having confirmed the benefits of centralising testing in 3 laboratories, Slack-Smith and Douglas looked for potential cost savings in other wool industry operations that would become possible, with S x S sales being conducted away from the storage location of the bales.

The most obvious target identified for beneficial change was the number of wool selling centres, many of which held infrequent sales after their peak months of wool receivals. After weighing up the locations of brokers' and buyers' offices, buyers' travel and away-from-home costs when servicing small centres, against the cost of freighting grab samples for display in centralised selling centres, they concluded that the industry would gain large cost savings by centralising wool sales in the 5 mainland centres, namely Sydney, Melbourne, Fremantle, Brisbane and Adelaide.

The supplementary report, headed 'Sale-by-Sample Flow Plan', was endorsed enthusiastically by the Authority. It was then considered by AWB in April 1972, when the Wool Commission Chairman, Bill Vines, was also in attendance. Introducing the Plan to the Board, Lindsay Yeo declared that:

"*Members of the Authority feel that this is the most exciting project put before them and is a matter which deserves high priority, not only on the part of the Board but also the Commission, the brokers and the Government.*"

After Ward summarised the key recommendations, Douglas explained the principles underlying the Flow Plan, during which he advised that its full implementation would take up to 18 months, at an estimated capital cost of $8.0 million, and that estimated savings of $18.0 million could be expected in the first full year. Vines was keen for Members of the Wool Commission to learn about the Plan as soon as possible. To this end, arrangements were made for members and staff of the Commission to accompany Ward, Douglas and Slack-Smith on an inspection of the David's warehouse, early in the morning of their next meeting in Sydney, on 28th April. Having seen the automated facility in operation before discussion later that day, the Commission was able to assess the efficiency and practicality of AWTA's Plan.

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At the AWB meeting which endorsed the AWTA Plan, the OM Committee Chairman, Mitchell McKenzie, presented their Interim Report to the Board, and the decision was made to refer it for final review by a Working Group comprising Gunn, Nevile and Farnworth (representing AWB), McKenzie, Downes and Mackay (OM Committee/AOMP), Vawser and Young (AWC), Dr Harris (BAE) and Ward, Douglas and Yeo (AWTA).

When the Board considered its wider distribution, Ward expressed AWTA's concern that the initial volume of testing being recommended by the OM Committee would greatly exceed the current total capacity of all 3 Australian test houses combined. Unless plans were in place to control the volume of testing, there was an unacceptable risk of failure and wool store disruption. Faced with the prospect of substantial revisions being required to the OM Committee's Report, the Board agreed that it was prudent to restrict distribution to the Working Group members only.

Both the Board and the Commission congratulated AWTA for taking the initiative to raise the practical implementation issues from a broad industry perspective. Given that these aspects had not been addressed in the OM Committee's Interim Report, it was agreed that:

- the Authority's papers would also be sent to the Working Group, for consideration alongside the OM Committee's Interim Report;
- for this purpose, AWTA would present an updated and expanded Report, including all steps in the detailed Flow Plan and full disclosure of all costings;
- all participants must sign Non-disclosure Agreements, particularly since Dr Whiteley was now an OM Committee member and had recently been engaged as Technical Adviser to WTS;
- AWB and/or AWC would underwrite AWTA's planned Goulburn Sampling Trial, if their research fund application was unsuccessful; and
- Yeo would send a copy of the Plan to the Minister for Primary Industry. [123]

The Working Group discussed both sets of documents on 8th May 1972, following which the OM Committee belatedly sought approval to run an additional 5 pilot trials to assess alternative practical handling sequences for S x S sales, which they had neglected to examine previously.

When approving these trials, the Board also confirmed that AWTA's trials would continue, since they had already been approved for research funding. It was also noted that other brokers were now interested in conducting and funding separate trials in Newcastle, Goulburn, Geelong, Portland, Albury and Albany.

In view of these diverging developments, the Board decided:

- since implementation had not been part of the OM Committee's Terms of Reference, they would be wound up as soon as their Final Report was completed;
- with the co-operation of the Commission, the Board would co-ordinate all future trials and take over responsibility for the ultimate implementation actions;
- for advisory purposes only, an OM Implementation Group would be established including NCWSBA representatives (Higginson, Vaughan and Williams), the Wool Commission (Young), AOMP (Mackay) and possibly BAE, with AWC's Gary Pemberton as Convenor; and

[123] Since the Goulburn brokers had not yet confirmed their agreement to run the sampling trial, the Yennora brokers offered their facilities as an alternative, but for the shorter period of 5-6 months. In due course, research funding was approved to cover the capital cost of the trial at Yennora, leaving an estimated $32,000 to come from other sources. The Commission agreed to meet this extra cost, on condition that they were involved in the planning and that there would be no duplication of the AWB Development Division's plans.

By late November, despite industrial troubles in Sydney wool stores a total of 70,000 bales had been sampled on receipt into store. This led WTS to lodge a formal complaint with NCWSBA, claiming that they were at a commercial disadvantage by not being involved. However, this was rejected on the grounds that all findings from the trials would be made public.

- an unofficial internal group of AWB (Farnworth & Pemberton), Wool Commission (Vawser & Young), and AWTA (Ward) would be formed, to facilitate information flow between all 3 bodies and to report their consensus views to the Implementation Group. [124]

By the time the Objective Measurement Committee's AOMP programme was approaching the final analysis stage, AWTA's management were convinced that the full-scale introduction of presale core testing would be recommended and woolgrowers' demand for testing would escalate rapidly. During the S x S trials across Australia, growers had shown strong interest in having access to objective information about their clips. Major brokers were also keen for growers to have their wool tested, due to their participation in logistics trials which had led them to redesign workflows and significantly cut handling and selling costs. Anticipating a surge in demand, the Authority had moved to install extra equipment and improve the efficiency of their current laboratories, as an interim step.

When it was clear that much greater capacity would be required within the next 2 years, the Authority agreed that it was now time to launch the full expansion plan, which AWB had approved in principle in May 1972. At that time, Gunn had convinced the Board that the Authority's laboratories in Melbourne, Sydney and Fremantle must have the capacity to test 100% of the Australian wool clip. This was a high risk strategy, not only because the growth of presale testing would be market driven without Government intervention, but also because there were no historical data to guide budget predictions of demand, and AWTA had 2 commercial competitors striving for market share.

Nevertheless, Gunn had consistently declared that the Authority had an obligation to the industry to ensure that testing growth was not impeded by lack of capacity. He was particularly impressed by the unanimity of the Authority Members, which confirmed that the buying, broking and processing sectors all supported his view that the AWTA should plan to test the entire clip.

In the first instance, AWB requested an estimate of the Authority's total capital requirements for the entire expansion plan, since they would seek a Government guarantee for the loans needed to fund both the Yennora Wool Village development and AWTA's presale testing plans. In case the Government response was delayed, they also requested a schedule of the amounts and timetable for specific expenditure to be funded during the forthcoming 1972/73 financial year. [125]

Given the urgency, the entire management team of Ward, Douglas, Mansfield, Morgan, Nettleton and Artomonow updated the AWTA's plans and costings for submission to the Authority and the Board. At the AWB Meeting held on 28th June 1972, Ward explained that a total capital sum of approximately $4.2 million would be required to establish a new Sydney laboratory at the Yennora Wool Village, to purchase a site and construct a new laboratory and Head Office in Melbourne, to expand the existing Fremantle laboratory within the current AWB wool store complex, and to fully equip all 3 expanded premises.

In August, the Authority approved a detailed report headed 'AWTA Expansion Programme in Relation to the Development of Presale Testing and Sale-by-Sample Systems', which set out the immediate funding requirements in Northern and Western markets, including the development of a pilot scale storage and retrieval system. They also foreshadowed that construction of the Melbourne laboratory and Head Office premises must commence by the end of the current financial year.

Details of the staged expenditures for 1972/73 were as follows:

- October to December 1972: 20 x Model T Coring Machines ($80,000), 20 x Model A Grab Machines ($60,000), Storage/Retrieval Development ($20,000), Scour Development ($5,000) and Sampling Stock ($25,000);

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[124] Subsequently, the Board amended the name of the 'Objective Measurement Implementation Group' to 'Brokers Objective Measurement Committee' to clarify that their role was advisory only, and that AWB was taking charge of implementation.

Regarding the AWTA Plan, the Board agreed with Gunn that AWTA had the responsibility to stay ahead of its competitors and must proceed with their programme to expand capacity to handle the total needs of the Australian wool industry.

[125] Gunn knew that the Board's prospects for gaining a Government guarantee were favourable, particularly since the Minister for Primary Industry had been urging him to implement objective measurement with all possible speed. He planned to advise the Minister that the only major obstacle was the lack of testing capacity.

- December 1972 to June 1973: Yennora Premises ($400,000), Fremantle Premises ($400,000) and Sampling Stock ($25,000);
- January to June 1973: Storage/Retrieval Development ($50,000);
- March to June 1973: Lab/Office Equipment Yennora ($160,400) and Fremantle ($144,500); and
- May to June 1973: Melbourne Premises ($150,000), Laboratory Stock Yennora ($3,900) and Fremantle ($3,900).

It was also noted that a further $1,124,400 would be required during 1973/74, with the major expense item being the new Melbourne premises.

AWTA's purchase of core and grab sampling machines followed a successful negotiation with a small WA wool broker, Western Livestock, which had sought to become the first broker in WA to introduce the full S x S programme. During local discussions with Peter Morgan, they had accepted AWTA's complete package of coring, grabbing, weighing and testing services, conditional on the Authority providing a grab sampling machine to obtain display samples for valuation by buyers. In October 1972, the AWB approved this total expenditure of $1,527,700 and authorised AWTA to commence ordering the equipment needed for its programme.

Regarding the sources of funding available for this and the Yennora Wool Village development, the Government appointee, Al Wallace, advised that the application for a Government guarantee would have to show that AWB had already committed its own Wool Stores Capital Reserve funds. This led to a discussion as to whether the Authority should pay fully commercial rentals for AWB-owned premises and commercial interest rates on any AWB capital advances, which provoked Gunn to remind the Board that the Authority incurred significant costs for the good of the industry, rather than maximising profit. In his opinion, presale testing would be slowed unless funding was provided on favourable terms, and quickly.

To progress the Government guarantee application, the Board requested their Finance Director, Don McKinlay, to provide a comprehensive report for their November Meeting covering all aspects relevant to the Board's financing of both the Yennora complex and AWTA. His report contained 3 separate papers covering 'Funds for Yennora including AWTA', funds for 'AWTA Plant and Equipment' and for the 'AWTA Storage and Retrieval Development'. The Board noted that only the first of these papers would form the basis for their request for the Government guarantee, whereas the other 2 were AWTA specific.

Before addressing the recommendations, Gunn repeated his declaration that "… *unless AWTA was provided with the capital equipment to develop objective measurement, it would be better for the Board not to proceed. This was only one part of the total system and, if it was costed to pay dividends, the whole system would be destroyed*."

Regarding funding for the required AWTA Plant and Equipment, the Board resolved:

"*That the existing interest-free advance of $380,000 held by AWTA be added to the new requirement of $152,100 for plant and equipment and that the total sum of $1,500,000 be provided for AWTA on the following basis:*

- *$1,000,000 as equity capital on which AWTA will be expected to pay a dividend of (say) 8% p.a., with the $380,000 already provided to form part of this amount, and*
- *$500,000 by way of loan on which AWTA will pay interest of 6.4%, calculated on a daily basis.*"

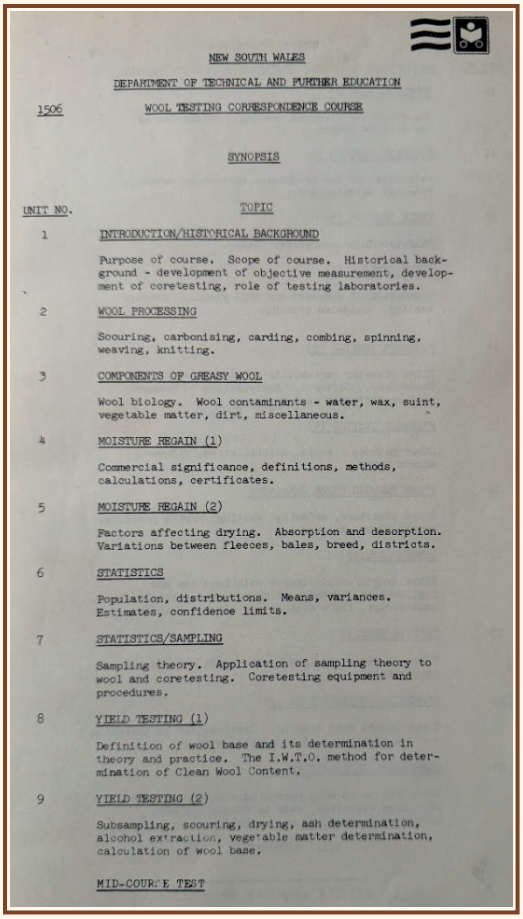
In relation to funding for the development of Storage/Retrieval systems, McKinlay recommended that this project be viewed as research and development. However, since the current OM Committee and Wool Research Trust Fund budgets had already closed, he considered that AWB was the appropriate source of funding. The Board accepted his view, agreeing to provide total funding up to $100,000 for this project, subject to their approval of the staff involved, and to AWTA presenting separate budgets for the 1972/73 and 1973/74 financial years.

A working group was established comprising the National Materials Handling Bureau, the Bureau of Transport Economic (BTE), IBM and AWTA. AWTA had already identified 2 potential developers, namely SI Handling Systems and BTE, whose design team had already documented a system and applied for a patent. It was noteworthy that IBM had offered to develop the control software free of charge.

However, the project was aborted after costings of the Yennora presale sampling project proved that the manual storage/retrieval system developed during that trial was more cost effective than a totally automated system.

While AWTA was focusing on presale testing implementation and capacity expansion, others wanting to facilitate change were following developments closely, in search of mutually beneficial opportunities to participate. One such person was the Head of Rural Studies in the NSW Department of Technical Education, Don Hughes, who had been one of first 4 Wool Technology graduates in 1955 and had since maintained a close affiliation with the industry. In his role, he was aware that the OM Technical Committee had been requested to recommend ways in which objective measurement might be used to improve clip preparation. He also knew that research into the range of fibre diameters in well-bred mobs of sheep had led to investigations of the concept of 'objective clip preparation' (OCP) and, as a result, he realised that the traditional wool classing courses being delivered by his Department would need to change. By 1972, Hughes was convinced that employees in several wool industry sectors would soon require vocational training in relation to wool testing, to understand the applications of test data and the related use of flock testing for selection purposes. In this regard, he approached Sas Douglas for AWTA's assistance in defining the scope of a course for classers that would also meet AWTA's staff training needs.

Hughes' timing was excellent, as Douglas knew that AWTA's staff levels would soon grow rapidly, and new employees would benefit from an external course relevant to their work. Both agreed that a 2-year correspondence course in Wool Testing should be developed, as an adjunct to an updated Wool Classing course. Since this would be of great benefit to AWTA, Douglas committed the Authority's most recently appointed Wool Technology graduates in Sydney to prepare the course of lectures and act as supervisors for examinations. He also offered to give students the opportunity to gain practical experience by working part-time in the Authority's laboratories. Besides providing current and future wool industry employees and growers with access to an external course, these arrangements would provide unique opportunities for AWTA to identify potential employees and to promote their testing services to future clients.



NEW SOUTH WALES

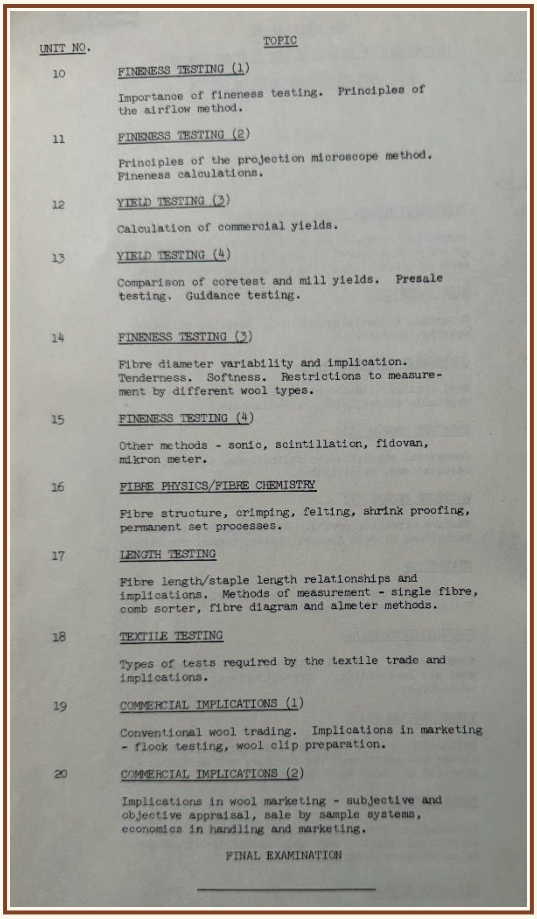
DEPARTMENT OF TECHNICAL AND FURTHER EDUCATION

1506 WOOL TESTING CORRESPONDENCE COURSE

SYNOPSIS

UNIT NO.	TOPIC
1	INTRODUCTION/HISTORICAL BACKGROUND Purpose of course. Scope of course. Historical background - development of objective measurement, development of coretesting, role of testing laboratories.
2	WOOL PROCESSING Scouring, carbonising, carding, combing, spinning, weaving, knitting.
3	COMPONENTS OF GREASY WOOL Wool biology. Wool contaminants - water, wax, suint, vegetable matter, dirt, miscellaneous.
4	MOISTURE REGAIN (1) Commercial significance, definitions, methods, calculations, certificates.
5	MOISTURE REGAIN (2) Factors affecting drying. Absorption and desorption. Variations between fleeces, bales, breed, districts.
6	STATISTICS Population, distributions. Means, variances. Estimates, confidence limits.
7	STATISTICS/SAMPLING Sampling theory. Application of sampling theory to wool and coretesting. Coretesting equipment and procedures.
8	YIELD TESTING (1) Definition of wool base and its determination in theory and practice. The I.W.T.O. method for determination of Clean Wool Content.
9	YIELD TESTING (2) Subsampling, scouring, drying, ash determination, alcohol extraction, vegetable matter determination, calculation of wool base.

MID-COURSE TEST



UNIT NO.	TOPIC
10	FINENESS TESTING (1) Importance of fineness testing. Principles of the airflow method.
11	FINENESS TESTING (2) Principles of the projection microscope method. Fineness calculations.
12	YIELD TESTING (3) Calculation of commercial yields.
13	YIELD TESTING (4) Comparison of coretest and mill yields. Presale testing. Guidance testing.
14	FINENESS TESTING (3) Fibre diameter variability and implication. Tenderness. Softness. Restrictions to measurement by different wool types.
15	FINENESS TESTING (4) Other methods - sonic, scintillation, fidovan, mikron meter.
16	FIBRE PHYSICS/FIBRE CHEMISTRY Fibre structure, crimping, felting, shrink proofing, permanent set processes.
17	LENGTH TESTING Fibre length/staple length relationships and implications. Methods of measurement - single fibre, comb sorter, fibre diagram and almeter methods.
18	TEXTILE TESTING Types of tests required by the textile trade and implications.
19	COMMERCIAL IMPLICATIONS (1) Conventional wool trading. Implications in marketing - flock testing, wool clip preparation.
20	COMMERCIAL IMPLICATIONS (2) Implications in wool marketing - subjective and objective appraisal, sale by sample systems, economics in handling and marketing.

FINAL EXAMINATION

Wool Testing units prepared by AWTA staff - 1972

32. DEVELOPING AN ACCEPTABLE LOW-COST AWTA PRESALE TEST

"*Since classed grower lots are more uniform than post-sale deliveries, the total number of fully tested subsamples can be reduced to save cost. Any loss of accuracy will be small and the statistical power of combining test results will ensure that deliveries are covered by even more accurate and precise Certificates.*" [Consensus view of AWTA Policy Committee – April 1972]

When considering issues that might inhibit uptake of presale testing for the entire clip, the Authority's senior management team identified the cost of testing small sale lots as an obvious impediment. With the cost of a test being the same for all lot-sizes, it was obvious that the charge per bale would increase with falling lot-sizes. Clearly, a lower cost test would be needed to encourage growers to test their small lots and, if the IWTO method was to be abbreviated, the trade would have to be assured that any loss of accuracy would not create problems for them or their customers. As the base level, they noted that the growth of post-sale testing confirmed that buyers, early-stage processors and combers readily accepted Certificates based on a single test covering numerous sale lots.

Under the presale testing regime, individual sale lots were tested, and their results were combined to produce an overall Certificate covering a complete delivery. Besides avoiding the costs of post-sale handling and testing, the trade gained a significant extra benefit from the statistical power of combination, which would always produce a more accurate and precise Certificate than a single post-sale test.

In considering possible options to cut the cost of testing for small lots specifically, the team agreed that all steps in the IWTO method must be retained, but at the same time, they recognised that some loss of accuracy could be tolerated in a cheaper test, since any such loss would be offset by the power of combination. This meant that there were valid technical and commercial grounds for AWTA to develop a low-cost test for presale use, provided the results were unbiased. As a starting point, the most obvious way to cut costs would be to reduce the initial number of subsamples tested from 3 to 2, leaving all other aspects of the IWTO method intact. [126]

To minimise the loss of accuracy in the low-cost test, it was agreed that the wool base results for the initial 2 subsamples must be compatible within a reduced range of 0.67%, rather than the 1% range in the standard minimum 3-subsample test. Having defined those parameters, it was left to Sas Douglas to undertake the necessary research. To test the efficacy of this reduction, data for 2 subsamples only were selected at random from the laboratory worksheets the 146 fully certified lots tested by AWTA for the Sydney S x S trial held on 3rd May. Where the wool base difference between the selected 2 subsamples exceeded the 0.67% limit, data for a third subsample was randomly selected for inclusion in the final result. Being extracted from certified results, all subsamples had been tested for VM base, total residuals etc., in full compliance with the IWTO method.

As predicted, comparisons between the results for the hypothetical minimum 2-subsample 'tests' and the original minimum 3-subsample tests were excellent, showing no bias. This presented the real opportunity to reduce the cost of a presale test by approximately 30%. Douglas reported these exciting findings to the OM Committee and AOMP, who were keen to receive more data. In response, he advised that AWTA could provide the hypothetical test results for future S x S sales at no charge, and he also recommended that future sale catalogues should include the 'Japanese Clean Scoured Yield' (JCSY) and the 'IWTO Scoured Yield at 17% Regain', in addition to the 'Schlumberger Dry Combed Top & Noil Yield'. Both offers were readily accepted. The trade response was very positive and especially appreciated by the Japanese buyers and local scourers who rarely valued wool on a combing yield basis.

The hypothetical minimum 2-subsample tests continued to show excellent agreement with full IWTO Test Certificate results. In the absence of any trade criticism and with strong support from AWB, the OM Committee and AOMP, the Authority announced that they would offer an 'AWTA Presale Test' as a cheaper service for growers, subject to the Certificate bearing a clear statement declaring how it diverged from the full IWTO Test Method.

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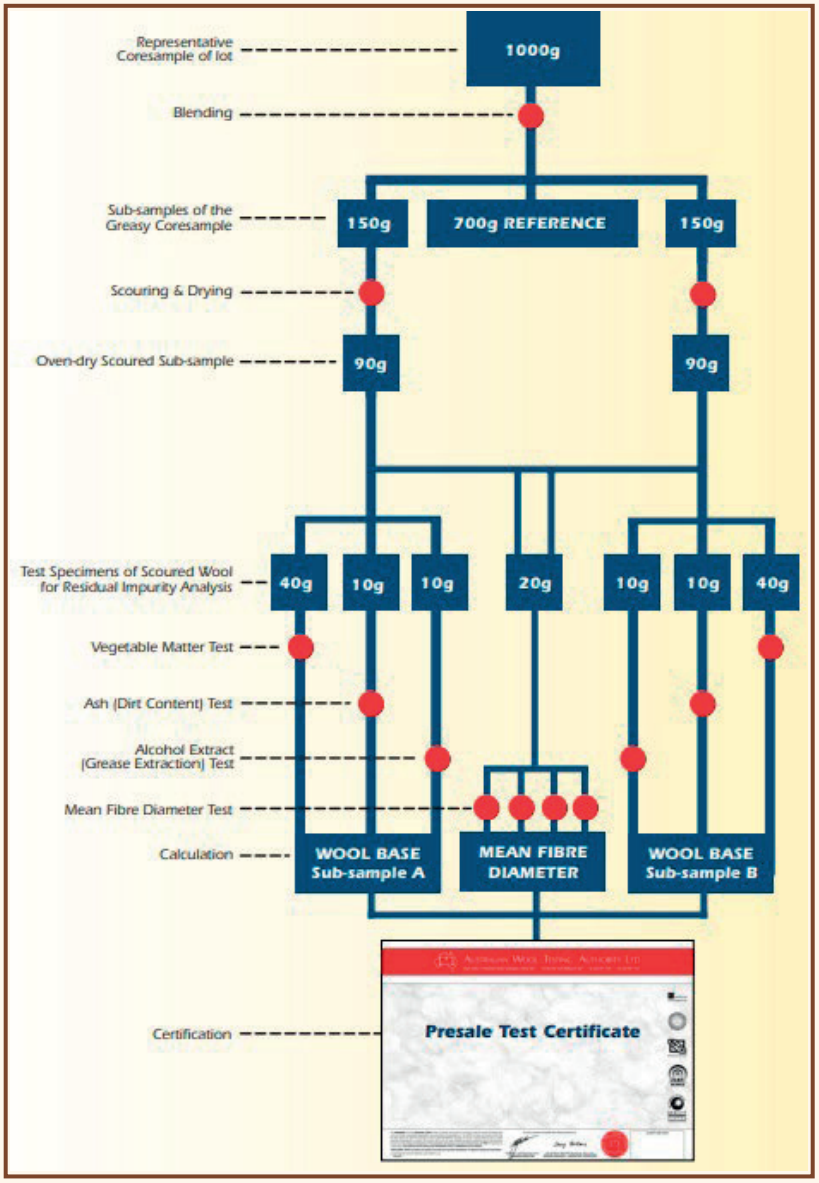
[126] The standard IWTO Yield Test was based on testing a minimum of 3 subsamples and, if their wool base results were not compatible within a range of 1.0%, testing of an additional 2 subsamples was mandatory.

By providing numerous comparisons of the results of the AWTA Presale Test against the full IWTO Certificate results, the Authority had convinced buyers that the saving in testing costs could be achieved without loss of accuracy. Reflecting this confidence, the SGWFE members voted to allow wool covered by an 'AWTA Presale Test Certificate' to be delivered on the exchange without further testing.

The Authority's announcement emphasised the large cost saving for wool growers, which made headline news in the rural press and attracted positive comments from all wool industry leaders interviewed. It also stated that IWTO approval would be sought and, if required by buyers in the interim period, AWTA could upgrade the 'AWTA Presale Test' result to achieve full IWTO Certificate standard by testing extra subsamples from the retained 'keeper' sample material.



Presale Test Certificate Procedure

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In July 1973, the head of the DPI Inspection Unit, Jim James, held a meeting with representatives of the 3 test houses and Dr Whiteley of UNSW to finalise details of the registration procedures, discuss the specific test methods to be monitored, and to explain the undertakings to be given by test houses. Ward and Douglas represented AWTA. After those administrative matters were concluded, both WTS and Supervise-Auscore reported that the 0.67% wool base limit between the first 2 subsamples in the presale test was too tight, since both were finding that 25% of tests required extra subsamples to be tested.

Having been tipped off by Basil Ferns that James and Whiteley would support a relaxation of this limit in the SAA-approved method, Douglas had analysed a range of randomly selected data from all 3 AWTA laboratories, which showed that AWTA was testing extra subsamples in only 10% of cases. When James sought agreement to increase the 0.67% limit, Douglas tabled this data, and he and Ward refused to accept that a change to the method was warranted.

Attempting to break the deadlock, James called an urgent meeting of Sub-committee TX/1/1, so a vote could be taken, if necessary. At that meeting held 2 days later, Ward and Douglas again opposed the change on the grounds that:

- such an early change would undermine international confidence in the 2-subsample presale test, providing fuel for those in the trade who opposed presale testing;
- it would reflect badly on the DPI Inspection Unit, which was expected to uphold and improve testing standards, not to relax them for commercial expediency;
- no actual technical data had been submitted for peer review and/or independent analysis to justify such an important decision; and
- until supporting data were provided and James had conducted inspections of both laboratories' operations, the Authority would defend and promote the status quo.

When pressed for a possible explanation as to how WTS and Supervise-Auscore could possibly have 25% of tests exceeding the 2-subsample limit, Douglas suggested the most likely cause would be incomplete blending before subsampling, especially when laboratory employees were under pressure. James then asked each test house to describe their blending and subsampling methods, which disclosed that both WTS and Supervise-Auscore were spreading core samples on tables and drawing clumps of cores from random locations. By comparison, AWTA was using mechanical tumble blenders to mix core samples thoroughly before drawing subsamples from the relatively uniform product. James then advised the 2 test houses that the CSIRO Division of Textile Physics had developed suitable mechanical blenders that would solve their problem. No vote was taken and the 0.67% limit remained in force. [127]

Sir William Gunn inspecting an AWTA Tumble Blender, at the opening of the Sydney Laboratory named in his honour - 1973

The AWTA's next goals were to gain IWTO's approval for the minimum 2-subsample test to become an 'IWTO Presale Test", and to establish an official 'IWTO Combined Test Certificate'.

[127] AWTA had determined the optimum blending time for their mechanical blenders and had fitted timers to ensure that every sample was treated identically. By comparison, operator influences on manual blending and subsampling operations were intrinsically difficult to control, especially when pressured by workload and service deadlines. These were the factors which had caused the Authority to adopt mechanical procedures.

Experience had proved that the most rapid progress would be achieved by submitting Draft Australian Standards for final approval by the IWTO, so AWTA's draft documents were submitted to SAA for urgent consideration. By April 1973, both methods had reached the postal ballot stage. They had also been submitted for ratification by the relevant Sub-committees and Committees at the IWTO Conference to be held in Rome one month later, where they would be considered in conjunction with an updated and expanded version of the IWTO yield test. All 3 documents were approved, namely the:

- 'Determination of Wool Base, Vegetable Matter Base, IWTO Clean Wool Content and IWTO Scoured Yield in Raw Wool'
- 'Determination of the Wool Content and Mean Fibre Diameter of Raw Wool in Presale Lots'
- 'Method for the Calculation of Combined Test Certificates for Yield and Fineness of Raw Wool in Consignments'. [ii]

The final step was to gain approval for the IWTO Presale Test Certificate and the IWTO Combined Test Certificate to be deliverable against standard IWTO Contracts. This required IWTO to approve the inclusion of relevant texts in the 'International Trade Agreement Applicable to Transactions in Raw Wool', known as the IWTO 'Blue Book'. To this end, the ANC requested Ward to produce 2 papers, which would be submitted to IWTO under their letterhead, namely:

- 'Combination of Core Test Certificates'; and
- 'Acceptability of the Presale Test Certificate'.

The latter 2 methods were approved as 'Test Methods Under Examination' (TMEs) - a new category of Standard introduced specifically to enable such new methods to be trialled commercially, prior to gaining full IWTO Specification status. As such, there was no requirement for draft TME texts to be circulated to National Committees and their immediate use was encouraged, rather than having to wait up to 6 months until the next IWTO Conference. These papers set out the case for acceptance and included the specific texts recommended for approval. Both were endorsed by the CTS-c, recommended by the Statutes & Agreements Committee, and subsequently approved by the IWTO Council at the Melbourne Conference in April 1974. In so doing, IWTO had acknowledged indirectly that the role of the CTS-c must be expanded to cover the application of all raw wool sampling and testing matters.

The decisions made at the Melbourne Conference removed the last obstacles to the full-scale commercial use of presale test Certificates, which would reduce and eventually replace post-sale sampling and alleviate wool handling pressures in wool stores. With presale test Certificates covering both yield and Airflow fibre diameter tests, post-sale testing would only be required for lots sold traditionally, or where a mill insisted on fibre diameter testing via the projection microscope (PM) method, which was still the case for the largest mill in Turkey.

During his visits, Ward had attempted to convince Sumerbank to accept the Airflow method, by describing the difficulties for suppliers and pointing out that they were the only purchaser of greasy wool specifying PM tests in their contracts. He also passed on comments from their regular suppliers, explaining that prices would be cheaper if they switched to Airflow. The strongest argument was the fact that presale test Certificates already included Airflow results, so they could avoid the high cost of having bales sampled post-sale solely for PM testing.

These points were reiterated in December 1974, when Sas Douglas visited the mill to explain how the recent industrial action had caused excessive delays in sampling. By this time, Sumerbank's technical staff were considering the switch to Airflow but were concerned that fibre diameter variability might become a problem. Douglas explained that, with large-scale presale testing of sale lots, they could control variability by specifying a maximum fibre diameter for any individual lot. Upon his return to Australia, he was able to report that Sumerbank had accepted this suggestion, and that he had undertaken to check their new contract to ensure that the terminology was technically correct.

While some Sumerbank suppliers accused Douglas of interference in the trade's commercial affairs, this attitude was completely reversed when the new tender purchase contracts showed that AWTA had now solved what had been a long-standing problem for them.

33. IWTO INSISTS ON FULL-TIME TEST HOUSE SUPERVISION

"*The interested parties, that is the wool brokers, the Australian IWTO National Committee and the Test Houses, have asked IWTO to resolve this question. Fortunately, the interested parties reached agreement amongst themselves before the present IWTO Meeting.*" [Report by CTS-c Chairman, Jan Holsboer, to the IWTO Wool Committee – January 1973]

Before finalising the submission to the Board for the staged implementation of the expansion plans, AWTA needed to obtain brokers' estimates of the volume of presale testing expected to be conducted in 1972/73. To this end, the test houses met with the OM Implementation Committee, where the brokers advised their expectation that 40,000 tests would be required by growers, covering a total of 625,000 bales. When discussing the practical implications, it soon became clear that the brokers intended to take over all sampling and weighing functions, which would allow them to control the volume of testing allocated to each test house. When AWTA drew attention to their long-standing policy to certify results only when they had conducted all operations, the brokers declared that this would be inappropriate in the presale testing environment. In this regard, they announced that WTS and Supervise-Auscore had already agreed to appoint wool store employees as sampling agents and would issue unqualified Certificates, which they claimed would comply with IWTO Regulations. The brokers argued that they were the provider of the OM service to their grower clients and, as such, they could outsource testing to a test house of their choosing without prior reference to the grower. By taking this stance with the concurrence of AWTA's competitors, the Authority was wedged into a position where conflict was unavoidable. The impasse would have to be resolved by ACWB members and/or their mill clients and ultimately approved by IWTO.

As a matter of urgency, arrangements were made for Ward and Douglas to meet NCWSBA's Executive Committee to discuss the Authority's proposals, which had by then been updated in a document headed 'Sale by Sample Systems – A Total Plan'. At this meeting, it was immediately clear that the brokers were hostile towards AWTA and intended to use the introduction of presale testing to revive their previous attempts to remove test houses from wool stores. To justify their stance, they claimed that:

- of the 17 functions described in AWTA's Total Plan, only 2 were not roles for wool brokers, those being the laboratory testing operations and the issuing of Certificates; and
- having broker and Test House employees working alongside each other under different rates of pay and conditions would increase the risk of industrial action, providing the FSPU with the opportunity to play off both sets of employers against each other.

The only positive outcome was NCWSBA's strong support for the Authority's suggestion that the number of wool selling centres should be reduced progressively to the 5 mainland States, as S x S replaced traditional selling practices. After the meeting had closed, some of the small brokers indicated that they were not committed to the views expressed by their large competitors. [128]

At the next Authority Meeting, Members expressed concern that the competitors' strategic alliance with brokers raised the real prospect that AWTA's market share would be dictated by each broker's policy on the sampling issue, rather than being based on service performance. Despite the commercial risk, they reaffirmed the policy, believing that it was essential to underpin the integrity of IWTO Certificates.

Regarding promotion of presale testing, the Authority endorsed the strategy of working closely with individual broker's staff, recognising that it was unlikely many growers would nominate a different test house from the one favoured by the broker. They also agreed that the friendships developed when travelling to participate in broker-sponsored grower meetings would help those staff to argue against any attempts to reduce AWTA's market share.

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[128] Having noted some differences in attitude, Ward and Douglas decided that the AWTA should focus their promotion of presale testing on educating key broker staff and offering to provide a senior manager to speak about wool testing at their grower meetings and field days. This would be a win-win outcome for both, providing a competitive advantage for the broker and strengthening AWTA's personal relationships through cooperation. Importantly, it also created the opportunity to explain the technical reasons for the Authority's sampling policy while travelling together.

When Yeo reported to the AWB in July 1972, he made the following additional comments:

- brokers would face industrial action, if they attempted to take over the jobs of the AWTA's sampling employees who were also FSPU members;
- conflict and confusion would arise, if AWTA was nominated as test house by grower but the broker did the sampling, since AWTA would only issue a Test Report;
- during the transition period to full-scale presale testing, AWTA would continue manual core sampling in wool stores for many years to come;
- both WTS and Supervise-Auscore had stated clearly that they would not guarantee brokers' sampling, and the brokers had also declared they would not provide guarantees; and
- given that both competitors were prepared to accept agent sampling, a sensible compromise would be for them to appoint AWTA as their accredited agent.

After Gunn expressed his concern that Ward and Douglas were being penalised unfairly for upholding principles endorsed by the Board, the Authority, and the ANC, the Board agreed that they must now take the lead and bring this matter to a head. Agreements were reached for a Sub-committee, representing the Board, the ANC, the Commission, and the test houses, to meet with NCWSBA on 14th August 1972. Prior to that meeting, ANC would notify IWTO of the issues to be resolved, and both Sandy Nevile and Alastair McGregor would seek the views of major overseas users of Australian wool. Simultaneously, Gunn would try to obtain an unequivocal statement from ACWB, which had so far been prevaricating because some of their members being prepared to accept broker sampling to keep competition viable. [129]

At the AWB Sub-committee meeting, NCWSBA refused to give ground and, as the meeting was closing, they made 3 further allegations against test houses working in their stores, namely that:

- differences in rates of pay between AWTA's samplers and broker employees were so great that the FSPU would play the parties off against each other and increase wool industry costs;
- the presence of test house employees in stores would cause industrial unrest; and
- brokers' sampling costs would be much lower than those for AWTA.

To examine these industrial relations issues, it was agreed that the test houses would meet with Barry Purvis, the brokers' industrial advocate, and report back to the Sub-committee. The initial meeting with Purvis identified the data to be supplied by both sides to confirm or reject the brokers' claims.

When a second meeting was held on 20th September, it was established that the 3 test houses were paying practically identical rates of pay. Importantly, Purvis also advised that, since no equivalent classifications existed in the brokers' Award, there was no arguable basis for FSPU to take industrial action against their own members employed by the test houses. When Ward reported this outcome to the Board, Gunn described the claimed risk of industrial action as a 'red herring', particularly because brokers would still have to allow AWTA's samplers to continue manual core sampling until presale testing had removed the need for post-sale testing entirely. [130]

Despite the strong support for test house sampling now expressed by the Board, ANC and ACWB, both competitors continued to promote agent sampling by brokers. They also announced their intention to issue combined Certificates covering tests issued by any test house, thereby accepting 'agent testing'. The Authority responded by reaffirming their policy and drawing attention to the fact that the official declaration signed and sealed on Certificates specifically stated that the Authority had carried out all sampling and testing in complete accordance with the official Method and Regulations recorded on the document. For clients requiring a multi-test house combination, AWTA was prepared to issue both a Combined Test Certificate covering their own certified components only, plus a Combined Test Report covering all tests in the total delivery.

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[129] Leading up to the meeting, Gunn had been told by the NCWSBA Chairman, Harry Anderson, that the ACWB had endorsed the brokers' position. However, the buyers had changed their mind during a full technical debate within the ANC, when they learned that neither the brokers, nor WTS and Supervise-Auscore would guarantee their own work.

[130] Unbeknown to the NCWSBA Executive and the other test houses, the AWTA had established a consultative relationship with Purvis many years earlier, with the specific purpose of cooperating to minimise risks of conflict. Whilst the brokers' Award did contain a reference to sampling, this related to the drawing by hand of reference samples for buyers.

The Combination Report would bear a declaration that the combined results had been calculated in accordance with the official IWTO Method and Regulations. AWTA's policy was based on an independent legal opinion advising that, since AWTA Certificates were "*Commonwealth documents issued under Seal"*, they must not contain declarations designed to mislead or known to be false. There was also a commercial imperative to exclude WTS' results from AWTA's combination Certificates, to satisfy those processors who had amended their sale contracts to specify 'AWTA Only' after WTS had been caught shortcutting the IWTO Method. In response to criticism of this policy, AWTA argued that their overall Combined Test Report should be acceptable for any customer who was happy to accept WTS and/or Supervise-Auscore tests. However, as the ultimate user's name and test house preference could not be known, AWTA must not mislead them by obscuring the fact that one or more Certificate components had been tested by others.

Regarding the claim that sampling by brokers would cost less than AWTA, both parties agreed to provide detailed costing data. When Gunn asked Yeo whether this had progressed, he was informed that nothing had been received from NCWSBA, so AWB might need to take over the negotiation. Ward added that he had reason to believe that the brokers had produced a costing of more than $0.85 per bale for core sampling alone, whereas AWTA's estimates in the 'Total Plan' had ranged from $0.91 to $1.05 per bale for the entire package of core sampling, grab sampling and testing.

Consequently, the Board decided that the Industry Sub-committee must deal with this issue at their next meeting. At that meeting, AWTA tabled its costings as required, but the brokers reneged on their undertaking, insisting instead that both parties must submit their costings to NCWSBA's Executive Director, Bill Williams.

Although the comparison of costings was thwarted, Sandy Nevile intervened, declaring that it was ANC's role to enforce the IWTO Regulations and, speaking on their behalf, he considered that AWTA's policy was correct. If brokers were to undertake the sampling functions, it would be essential for the Regulations to be amended officially by IWTO. To obtain a clear ruling, ANC was willing to submit a report to the forthcoming IWTO Paris Meetings in January 1973, based on submissions from the parties and taking into account any compromises reached at a final Sub-committee meeting scheduled for 20th November 1972.

Prior to this critical meeting, the parties made a genuine attempt to reach a compromise that might be acceptable to ANC and IWTO. It was acknowledged that the Authority's insistence upon test house control was strongly supported by most overseas users of Australian wool, such that any erosion of that policy would cause a loss of credibility. Nevertheless, AWTA was prepared to accredit brokers' staff as agents for machine sampling only, provided that the IWTO Regulations made full-time test house supervision mandatory, and that this was confirmed as being acceptable via direct contact with major users of AWTA Certificates in Japan, Korea, Taiwan, India, Europe and the UK.

Both directly and through key clients in Australia, Ward, Douglas, Mansfield, McGregor and Nevile sought international reactions to this potential compromise. The overwhelming response was a preparedness to allow brokers' employees to operate machines under full-time supervision by the test house, but not otherwise. At the same time, these users made it absolutely clear that they would reject any future move for sampling supervision to be less than full-time.

At the November Sub-committee meeting, ANC agreed to recommend the required amendments to IWTO, on condition that all 3 test houses agreed to adopt 100% supervision immediately. After this was accepted with some reluctance, the counter suggestion of a joint sampling body was raised as a future possibility.

When this compromise was reported at AWB's December Meeting, the new DPI representative, Noel Honan, advised that the functions of the body being established to inspect test houses would also cover test house sampling operations, thus confirming that DPI expected full-time test house supervision to be compulsory, at least in Australia.

On the question of costings, Gunn was able to report that he had now received figures from both AWTA and NCWSBA, but they could not be compared because the brokers had used different assumptions from AWTA's. When asked to comment, Ward questioned how this could have happened, given that the most recent Broker/Test House meeting had agreed upon the total number of people required for a standard machine sampling line.

In view of the imminent merging of the AWB and the Australian Wool Commission, to form the Australian Wool Corporation with effect on and from 1st January 1973, AWB agreed to pass all costings data to the new body, since the new Wool Industry Act had empowered the Corporation to approve or reject wool industry charges. [131]

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During these industry negotiations, AWTA management had been warned that the Authority's strict certification policy would seriously impact their presale testing market share. Whilst this thinly veiled threat had appeared to be a negotiating tactic, the fact that all major industry bodies had now sided with AWTA's position became a source of broker antagonism. This culminated in Elder Smith Goldsborough Mort (ESGM) deciding to allocate presale tests to the 3 test houses on a 1:1:1 ratio, despite AWTA's then market shares across all States ranged from 75% to 83%. Dalgety and some other brokers also moved to allocate fixed market shares, although in most cases AWTA still retained a minimum of 50% market share. At the same time, Yennora brokers decided to allocate 100% of presale testing to Supervise-Auscore, with the unfortunate consequence that most of the core samples held in storage from AWTA's Presale Sampling Project were completely wasted.

Despite the larger brokers' pressuring other NCWSBA members to curtail AWTA's market share, the Authority retained 100% of testing for Queensland Primary Producers, Farmers & Graziers, Grazcos and most of the smaller brokers. They were also fully supported by EWP, whose sale-by-tender system was growing. The new AWC decided to test their small lot and bulk class purchases before reoffering them to the trade with AWTA Certificates.

While this punitive reduction in market share had an immediate impact on the Authority's profitability, the unexpected surge in tests allocated to WTS and Supervise-Auscore put their laboratories under great pressure, causing service times to blow out to the point where they were missing the print deadlines for sale catalogues. This created 2 problems for the brokers. In the first instance, they had to explain to their affected grower clients why their lots had missed sale, without blaming their own allocation decision. Their second problem arose when AWTA's competitors decided to solve their service problems by introducing sampling cut-off dates of up to 2 weeks before sale. [132]

By late November it was clear that AWTA's nett profit would be well above budget for the 6 months ending December 1972. In view of this, Yeo and Ward agreed that the Authority should demonstrate to growers and brokers their commitment to providing testing services at minimum cost, by reducing the charges for presale testing for the second half of the season. With the Authority's approval, it was announced that the minimum charge for a presale test would be reduced by 20%, from $23.50 to $18.75, effective on and from 1st January 1973, and that the Authority would consider making a further reduction for the 1973/74 selling season.

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As recommended by the Industry Sub-committee and approved by the Board, the submission to IWTO was prepared by the ANC's Secretary and Technical Adviser, Lay and Ward, respectively. It was discussed by the CTS-c Commercial Section on 21st January 1973, when the NCWSBA Chairman, Harry Anderson, was given the opportunity to present the brokers' preferred position and to illustrate the operations of a sampling line with a short film. The ensuing discussion led to an acknowledgement that the Australian proposals might not be suitable in all countries.

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[131] These outcomes fell well short of the result that the larger brokers had attempted to achieve. Commenting on this, Vines informed the Board that, as Chairman of Dalgety, he was aware that the main reason for brokers wanting to remove test house samplers from their stores was a fear that the loss of the weighing function might lead to other functions being lost.

[132] During peak receival periods, lots were rostered for sale several weeks after receipt into store. If sale was further delayed due to testing errors, the broker faced criticism from growers experiencing cashflow pressures. In general, a broker's ability to sell wool promptly was viewed by growers as a competitive advantage, so AWTA picked up extra testing whenever a competitor suspended sampling, increasing market share and gradually undermining the fixed allocation strategy.

Nevertheless, there was strong support for full-time test house supervision and, subject to some minor editorial changes, it was agreed to recommend the proposed amendments to the IWTO Core Test Regulations for final approval at the Rome Conference in May 1973, as set out below.

(i) *"When a test is to be conducted post sale (i.e. after auction, tender, etc.) and/or when a presale test is to be conducted on samples drawn manually, all weighing and sampling shall normally be carried out by the testing house staff. Accredited representatives of the testing house may be used on terms approved by the National Committees of IWTO of the countries concerned.*

(ii) *"When a test is to be conducted presale on samples to be drawn by machine, the core sampling and weighing functions may be performed by accredited representatives of the testing house provided full-time test house supervision is operative.*

"In all cases where accredited representatives are used, presale or post sale, it is essential that;

- *the sampling schedule is laid down by the test house in terms of the IWTO Regulations,*
- *the accredited representatives are not principals or employees of principals in the sale transaction,*
- *the accredited representatives are fully trained sworn weighers and samplers, whose accreditation is reviewed at least annually and lodged with the National Committee.*

"The testing house shall record:

- *the signatures of those responsible for weighing and sampling, together with an indication as to whether they are testing house staff or accredited representatives,*
- *the date and location of the weighing and sampling operations,*
- *if specifically required, these details should be available to interested parties through the preparation of a sampling report signed by the testing house.*

As expected, the IWTO Rome Conference ratified the January decision to allow sampling by accredited wool store employees, subject to full-time supervision by test houses, and the recommended amendments to the IWTO Core Test Regulations were approved.

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Having failed to gain IWTO's support in January, the brokers asked the Authority to transfer most of their order for core and grab sampling machines to NCWSBA, presumably to limit AWTA's ability to allocate machines to their strongest supporters, as had occurred with Western Livestock in WA. Having achieved an acceptable compromise on the supervision issue, and subject to an assurance from NCWSBA that the machines would be put to use immediately upon receipt, the Authority acceded to this request, hoping that it would improve broker relationships. As a result, AWTA's order was reduced to only 2 x Model T coring machines and 3 x Model A grab sampling machines.

Rebuilding relationships with brokers was a major topic for the AWTA Policy Managers' Conference held in March 1973 to review performance over the previous 6 months, and to consider the factors most likely to affect the Budget for the new selling season. Discussion centred on the potential growth of presale testing and actions they should take to encourage brokers to revert to allocating presale tests on the basis of service efficiency. It was already clear that several brokers were keen to run promotional campaigns with AWTA providing speakers, and market share was recovering as a result. In fact, in Queensland the Authority's State Manager, Malcolm Clark, and the brokers had stimulated such a high level of grower demand for presale testing that the Brisbane brokers had issued a joint statement announcing that all Queensland wool would be sold in Sydney, on an S x S basis, during the new 1973/74 season.

The Authority's decision for NCWSBA to take over most of their order for sampling machines led to a brainstorming session to identify additional services that AWTA could offer to brokers, now that AWTA's full-time presence at sampling lines was assured. The main strategy selected was to offer support services that brokers would find cheaper and more efficient to outsource to AWTA. Improvements to reduce service times and increase quality control were also priorities. The following decisions were made:

- AWTA would not charge growers for check tests or retests, to ensure that the extra cost did not inhibit brokers from having any unusual results check-tested;
- whenever AWTA Quality Controllers detected an unusual test result, it would be check-tested automatically before issue, and a note to this effect would be attached to the Certificate;

- to improve coring machine productivity, AWTA would use their workshops to provide a daily core cutter sharpening service, and a regular machine maintenance service would be offered;
- to train brokers' employees, AWTA would run courses for sampling accreditation;
- while AWTA's target maximum service time would be 3 working days from receipt of sample, it would be left to brokers to manage their own cut-off dates for sale catalogues;
- since AWTA's Presale Test Certificate could be converted readily to full international standard by testing extra subsamples after sale, 'keeper' samples would be kept for at least a month after sale;
- all brokers would be assured that AWTA was committed to providing at least one sampling officer for supervision of machine sampling, and 2-man teams for manual sampling;
- the top priority for promotion was to work with brokers and maintain independence; and
- slide projectors and complete sets of slides would be available in all 3 laboratory centres, for use at grower meetings, rural shows, field days etc.

These decisions and service clarifications were well received by brokers, especially the cutter sharpening and sampling machine maintenance services which were not available from competitors.

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Some brokers relaxed their test allocation policies as soon as they learned that full-time supervision in Australia had been so strongly supported in Paris that its ratification was certain at the IWTO Rome Conference in June. As a result, the Authority's profitability continued to recover to such an extent that they were able to announce the foreshadowed further reduction in the minimum presale test fee, from $18.75 to $15.20. The rural press and grower organisations applauded this extra 19% reduction, which followed the 20% reduction applied only 6 months earlier. The resultant publicity led more growers to nominate AWTA to test their clips, especially those who had enjoyed meeting staff at wool brokers' meetings. Under pressure from the major brokers, WTS were compelled to reduce their presale test fee to $15.00. Supervise-Auscore continued to hold their minimum presale test fee at $12.00, which was well below AWTA's costings and certainly unsustainable. [133]

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Early in 1974, the doubts about Supervise-Auscore's viability were clarified when the Chairman of General Superintendence Co (Aust) Pty Ltd, advised AWTA that they would exit wool testing, and invited AWTA to acquire the business. He was told that the Authority was not interested in purchasing the business, but would make an offer for the assets. An asset register was provided for Douglas and Hopkins to identify asset items when making their inspection for valuation purposes. This register disclosed the total purchase cost of all items listed as $71,941 and that their current written-down value was $57,044. Douglas and Hopkins recommended a bid of $32,000 which was accepted, subject to the Authority taking over the lease of their Yennora premises and also offering employment to Basil Ferns and his son, Michael. As a result of this purchase, items estimated to cost $31,640 were deleted from AWTA's 1974/75 Capital Budget, and sales of surplus equipment were expected to provide a windfall profit of $17,100.

In view of his sound relationships with brokers, Basil Ferns joined AWTA staff in a new Broker Liaison Officer position, in which he proved effective in resolving presale testing service problems and was well suited to running laboratory inspections for brokers' staff and wool growers. Commencing on the same day, Michael Ferns took up a position as 'Special Projects Officer', reporting to Sas Douglas.

When the opportunity arose for Michael Ferns to join AWC staff in developing a carbonising yield based on core testing data, he was seconded to the Corporation. Shortly thereafter, Basil Ferns resigned to take up a position as assistant to the Director of NCWSBA, Bill Williams, where he was effective in keeping brokers informed of wool testing developments.

Upon termination of his AWC secondment in August 1975, Michael Ferns accepted a management position with WTS which ceased only 9 months later, due to their closure.

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[133] If Supervise-Auscore were losing up to $3.00 per test as suspected, any gains in market share were adding to their accumulated losses, raising doubts as to how long their parent company would continue to finance them. Had they taken the opportunity to raise their fee to be just below the WTS level, it was unlikely that they would have lost any business.

34. RECONSTITUTION IN THE AUSTRALIAN WOOL CORPORATION

"*Part V of the Bill deals with wool testing. It has been so drafted as to continue the Australian Wool Testing Authority in existence, without disturbance to its operations and, as far as possible, its membership.*" [DPI Minister, Ian Sinclair, introducing the Wool Industry Act 1972]

Effective on and from 1st January 1973, in accordance with the Wool Industry Act 1972, the Australian Wool Corporation (AWC) was established by amalgamating the Australian Wool Board and the Australian Wool Commission. The Act continued the Authority in existence as a body corporate responsible to the Corporation and, as foreshadowed some months earlier, the Authority's functions were expanded to cover the testing of non-wool products. It also included a new provision of great importance to the Authority's expansion plans, empowering the Corporation to borrow money with a Government guarantee on behalf of AWTA. In all other respects, the clauses relating to AWTA were identical to those in the previous Act. The Chairman-designate was Alf Maiden, a former Secretary of the DPI and then the IWS Managing Director based in London. Since he could not take up the appointment until 1st July 1973, the Deputy Chairman of the Commission, Lindsay Yeo, was appointed as Interim Chairman of the Corporation for the 6 months ending 30th June. [134]

During the period of Yeo's chairmanship, the Corporation made several important decisions regarding the Authority's operations and expansion, including:

- confirmation that the testing of AWC-owned wool would be conducted by the AWTA, subject to charges and services being competitive and to the need to maintain a private enterprise wool testing structure should AWC purchase a substantial proportion of the clip;
- approval to commit $650,000 to extend the Yennora laboratory by an additional 4,100 square feet for sample storage, and to increase to 4 the number of production lines of testing equipment, due to the earlier than expected upsurge in presale testing;
- approval to purchase 3 x Burroughs L8300 computers plus peripherals;
- provision of formal advice to WTS and Supervise-Auscore that AWTA had embarked on an investment programme for premises, facilities and equipment to increase testing capacity;
- agreement to recommend amendments to the Act to define "*independent*" in relation to the appointment of 2 Authority Members, to provide access to the optimal means for financing the AWTA's development, and to enable AWTA to obtain sales tax exemption;
- approval to purchase a property of 67,442 square feet in Robertson Street, Kensington, to be developed for the new Melbourne laboratory and Head Office premises; and
- approval for new offices to be constructed in AWC's Port Adelaide wool store compound, to house both AWC and AWTA staff and also facilitate sharing of administrative staff.

Pursuant to AWC's rationalisation of responsibilities for research funding, approval was granted for AWTA's future research and development programme to be funded from the Wool Research Trust Fund, subject to monitoring by the AWC Fibre Marketing Division's Operations R & D Department.

The Authority's relationship with AWC increased the opportunities for mutually beneficial liaison with key staff of the former Wool Commission, now known as the AWC Fibre Marketing Division. This was especially the case with respect to AWC's representative in Europe, Jacques Vanderhaeghen, who was well known to Ward, Douglas and Morgan, having been a senior wool buyer for Wattine-Bossut in Melbourne and Fremantle before joining the Commission. He had excellent relationships with the major European users of Australian wool, despite many of them being totally opposed to AWC's reserve price intervention in the market. As presale testing was developing, AWTA staff became his principal source of information. In fact, he found it more efficient to contact AWTA directly, rather than via AWC.

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[134] Yeo's appointment was fortuitous for the Authority, since less than half of the new board had been AWB Members with intimate knowledge of AWTA's expansion plans. Whenever the Authority's Reports and Minutes were considered by the Corporation, Yeo was able to provide essential background information to facilitate decision-making and, consequently, the Authority lost no momentum.

In return, he provided introductions and/or made appointments for AWTA representatives who were visiting clients in Europe, and he welcomed the opportunity to accompany them to assist with language translation. Over time, these joint visits became so well received by users that he sought and obtained the Corporation's approval for joint AWC/AWTA travel arrangement to be formalised on a pro rata cost sharing basis. [135]

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Once the Corporation Members were satisfied that the functions of the Board and the Commission had been merged successfully, they decided that the long-standing AWB policies in relation to the Authority should be reviewed for relevance, and either endorsed or amended. To this end, AWTA prepared a comprehensive report under the title 'Australian Wool Corporation Policy in Relation to AWTA', which included the historical basis for the Board's attitudes and decisions. In addition to addressing those policies, the opportunity was taken to educate the new Corporation Members and management staff, particularly as some new AWC managers were interpreting the Act literally and questioning whether they had the power to exercise control over AWTA.

By way of background, the report included separate sections covering the Authority's performance, its role as approved by the AWB, the provision of capital for premises and equipment, funding for research and development, the impact of AWC terms and conditions of employment on AWTA's costs, and details of AWTA's unprofitable services being provided for the benefit of the industry. In the context of the escalating presale testing, the report reiterated that the Authority's principal objective should continue to be the delivery services required by the wool industry sectors, rather than to maximise profit, while ensuring that:

- sufficient laboratory capacity was available, not only to cater for the present rate of growth, but also to cover the possibility of a dramatic increase in demand for presale testing;
- charges were set at minimal levels to cover the cost of services only, and that unprofitable activities undertaken for the benefit of the industry were funded by external sources; and
- when new testing technologies required practical assessment, AWTA would provide feedback to the developers by conducting industrial proving trials.

When these recommendations were considered in January 1974, several related issues were raised by Corporation Members which required more detailed investigation before they would approve or amend the policies. In this regard, the Authority was requested to expand the paper into a 'Long- Range Plan' which included detailed operating plans and estimates of capital requirements for the next 4-5 years. [136]

The final report headed 'AWC Policy re AWTA Operations 1973/74 – 1976/77' was considered at the AWC Meeting held on 21st June 1974. Due to Yeo's absence overseas, Sandy Nevile had been appointed Acting Chairman to attend this Meeting with Ward. The introduction to the report referred to the Authority's improved financial performance during the previous 5-year period ended 30th June 1973, during which an accumulated nett loss of $67,476 had been converted to an accumulated nett profit of $153,636, and the total AWB/AWC capital advance of $380,000 was unchanged. Whilst AWTA's charges had been raised and lowered in accordance with the AWB's financial policy during those 5 years, they were still below the levels applicable some 9 years earlier, in 1964/65.

For the next 4-year period ending 30th June 1977, the Authority would continue to act commercially but would judge performance in relation to service and control over charges, rather than on maximising profit.

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[135] From late 1973 until his untimely death in 1999, Vanderhaeghen's promotion of AWTA was mutually beneficial. Every joint meeting followed the same format, with Vanderhaeghen announcing it was first and foremost an AWTA discussion and that he would not discuss AWC issues until all testing matters had been covered. He fully understood the importance of clearly demonstrating that the AWTA's business was independent from AWC's marketing activities.

[136] Whereas the AWC had expected to receive this new report for their March Meeting, the additional work involved was extensive and time-consuming. Unfortunately, the timing coincided with the period leading up to the IWTO Conference in Melbourne and an 'OMSA '74' Seminar on objective measurement for which Authority Members and staff had important commitments. Simultaneously, key AWTA staff were also finalising technical submissions to the IWTO RWC-s and Wool Committee that were critical to gaining IWTO's approval of the AWTA Presale Test Method and the introduction of the 'IWTO Combined Test Certificate'. Inevitably, the report to AWC was delayed.

Based upon the 4-year Budget projections, new capital to be invested in AWTA would be $2.457 million for premises, with a further $860,000 required for Plant, Equipment and Stocks. When added to the current advance of $380,000 plus the $127,000 committed for the new Fremantle Laboratory, the total capital committed would be $3.824 million by the end 1976/77. To provide essential background and context for the ensuing policy recommendations, the report presented and discussed the following:

- the justification for AWB's approval for AWTA to expand capacity via 3 major laboratories;
- the growth predictions and cost estimates underpinning the projected Operating and Capital Budgets for the 4-year period, 1973/74 to 1976/77;
- the need to equip AWTA to deliver a consistent maximum service time of 5 working days from sampling, regardless of large weekly fluctuations and the fact that the volume of tests in the peak weeks each year was 3 times the average weekly volume for the year;
- the fact that, unlike its competitors, AWTA incurred costs for unprofitable services such as textile testing, fleece measurement and interlotting trials, pursuant to its obligation to provide services for all sectors of the industry;
- the importance and value of AWTA's participation in IWTO, Interwoollabs and SAA activities, and their assistance to ANC, JWSO, and AWC Departments for the benefit of the industry;
- the important benefits gained since AWB accepted the policy for AWTA's approved research and development activities to be expanded and funded independently;
- the cost impacts of AWC's Terms & Conditions of Employment on AWTA's competitiveness, including longer annual leave, sick leave and long service leave, plus the mandatory need to offer access to the Commonwealth Superannuation Scheme and/or the AWC Provident Fund;
- the administrative overhead costs arising from the link with Government via AWC, including the preparation of reports for Government Departments, compulsory participation in Government surveys into performance of Statutory Authorities, and the provision of advice to Trade Commissions, the United Nations Food and Agriculture Organisation, IWS Member-country Wool Boards, IWS branches, and to other local and overseas authorities;
- AWTA's educational role in the development of OM Certificate courses for Technical Colleges and the provision of laboratory 'field days' for growers, brokers and students; and
- the Corporation's obligations under the Act to pay AWTA Members' fees and to provide premises, equipment and staff to enable the Authority to meet their functions.

The Summary preceding the specific Recommendations read as follow:

"*In view of its responsibilities under the Wool Industry Act and to the Corporation, the AWTA remains committed to the comprehensive objectives of servicing the industry and maintaining its status as an authority on wool testing matters, whilst providing an accurate, impartial and efficient routine testing service at minimum cost to the Australian Wool Industry.*

"*Unlike a normal commercial manufacturing operation, the Authority has the unique problem of aiming to operate profitably without being able to accept a percentage of rejects, and hence to balance actual production levels against cost, and having to maintain consistent service times regardless of workload. Any attempt to level out fluctuations, by varying service times, directly increases industry costs to an extent which greatly exceeds the cost savings to AWTA itself.*

"*The Authority's competitive performance can only be judged on the basis of profitability. It is essential that testing charges relate to the cost of routine testing operations; hence, costs incurred as a direct result of the relationship with the Corporation and as a result of non-competitive services and capacity should not be charged against AWTA.*"

After detailed questioning, Members of the Corporation made the following decisions, as recorded in the AWC Minutes:

- "*that Mr D F Jones and Mr J W van Holst Pellekaan be appointed as a sub-committee to examine, with the Authority, the matter of additional test-line capacity;*
- "*that approval be given to the Authority to proceed with the Kensington development, but with tenders being based on space requirements for three-testing-lines and four-testing-lines;*

- "*that the Corporation continues to subsidise the Textile Section until it becomes commercially self-supporting, but that this decision be subject to periodic review;*
- "*that the Authority's formerly unprofitable services, such as fleece testing and commercial lot-building trials, be charged at cost with the adoption of these techniques being encouraged by promotion rather than by being charged at less than cost;*
- "*that the Corporation, recognising the significance of the Authority's participation in national and international industry policy-making bodies, meet the Authority's costs of air travel for those purposes;*
- "*that the Corporation reaffirms the former Australian Wool Board policy of providing funds for approved development projects, such projects to be specifically approved prior to commencement;*
- "*that the costs incurred by the Authority as a result of the application of the Corporation's Terms and Conditions of Employment be met by the Corporation in relation to:*
    - *application of superannuation/provident fund schemes to staff below manager level, and*
    - *leave provisions which are known to be inapplicable to the Authority's competitors;*
- "*that the Corporation meet the Authority's administrative overhead costs specifically related to the provision of information to local and overseas authorities/governments etc. and those incurred in the development of education projects, but that this decision be subject to periodic review;*
- "*that the Corporation meet the fees and expenses of Members of the Authority;*
- "*that in light of the fact that Members of the Authority were - under the Act - independent of the Corporation only in respect of the carrying out of tests and the issue of certificates, the Corporation consider at a future meeting the representational role of Members of the Authority;*
- "*that in relation to those of the above decisions by which the Corporation has agreed to meet certain costs of the Authority, those item not be met by reimbursement of cash (except where the Authority may have difficulties with liquidity), but rather by an adjustment to operating profits thus preserving central funds and enabling the Corporation to assess trading effectiveness, this decision to be conveyed to the Authority for comment;*
- "*that the rental charged to the Authority for its Yennora premises remain on the existing basis, that rentals charged for Fremantle and Kensington be based on a percentage of capital required to establish a sinking fund (to be held by the Corporation) which, when cumulatively invested, would provide for the replacement of premises at a later date; this decision to be conveyed to the Authority for comment; and*
- "*that the Authority's recommendation on returns to the capital advanced by the Corporation be deferred, pending the results of the sub-committee's examinations.*"

Regarding the question as to the initial capacity of the new Kensington laboratory, the AWC/AWTA Sub-committee reported their findings to the AWC Meeting on 12th July, when approval was granted to extend and equip the premises to accommodate 4 full testing lines. In view of this decision, the Authority withdrew the request for AWC to meet the costs related to excess 'service' capacity.

By December 1974, presale testing had increased to be a massive 223% above the previous year and 93% above the current year's budget, and it was showing no signs of slowing. To ensure that sufficient equipment would be installed for the 1975/76 season, a Supplementary Capital Budget was endorsed by the Authority and approved by the Corporation.

The delay in obtaining AWC's approval to proceed with the Kensington Head Office and Laboratory development, coupled with the unexpected growth in presale testing, had placed great pressure on the limited office accommodation available within the North Melbourne premises. With the new premises in Kensington not due for completion until November 1975, and prolonged industrial action in the building industry making this date extremely doubtful, the decision was made to make extra laboratory space available by relocating the Head Office Administration and Accounts Department into the vacant top floor of the McWilliams Wines building, conveniently located directly across the street. [137]

[137] The new Head Office and Melbourne Laboratory building was ready for occupation in March 1976, enabling all executive, administrative and accounts staff to relocate over the Easter long weekend, and the Textile Testing to transfer progressively.

The new Melbourne premises were officially opened on 3rd September 1976 by the Authority's Founding Chairman, Bill Lempriere. Once completely vacated, the property in Munster Terrace, North Melbourne was sold for $105,000.

New Melbourne premises opened on 3rd September 1976

Whereas the Authority had established new laboratories in Fremantle, Sydney and Melbourne, the growth of presale testing had rapidly filled the available capacity, to the point where evening and night shifts were worked to meet service commitments during the high-volume months.

Looking ahead, CSIRO's development of separate staple length and staple strength testing instruments was showing such promise that it was now confidently predicted they would become the basis for a new staple testing service for growers and processors. Given the unexpected delays experienced during the now completed phase of expansion, it was essential that sufficient floor space would be available to receive and draw random staples from grab samples and also accommodate more testing equipment.

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AWTA had moved to the Yennora site on condition that the land occupied was excised from the area leased by the Sydney Wool Brokers' consortium, such that it was leased to AWC directly by the NSW Public Transport Commission. With the prospect of the Authority adding staple testing services to their already large investment in premises, plant and facilities, Ward approached AWC's Property Manager, Jim Brierley, to secure ownership of the site. Brierley agreed to negotiate with the Transport Commission for the site to be converted to freehold title to facilitate future purchase by the Authority.

In due course, the title change was completed, and the site purchase was secured through payment of a 10% deposit of $76,000, with the date of completion to be finalised upon receipt of a draft contract.

In December 1979, the Authority was advised that the Fremantle premises required expansion and that this should be done by redeveloping the rest of Store No. 3, located directly behind the existing laboratory premises. The estimate cost was within the range of $223,000 - $232,000 and management was authorised to work with AWC's Jim Brierley to develop a final proposal. At their Meeting in May 1980, the Authority approved alterations to the existing premises and their extension to occupy the entire Store 3 site, at an estimated maximum cost of $174,000 to be funded by AWTA.

However, due to the surge in testing following WTS' closure, raw wool testing operations remained in Munster Terrace until the off-season, to avoid any possibility of a service breakdown.

At the same Meeting, they also approved the expansion and relocation of the Textile Testing Division, within a section of the Kensington premises which had housed AWC's Southern Division as tenants. The estimated cost of $155,000 would also be funded by AWTA.

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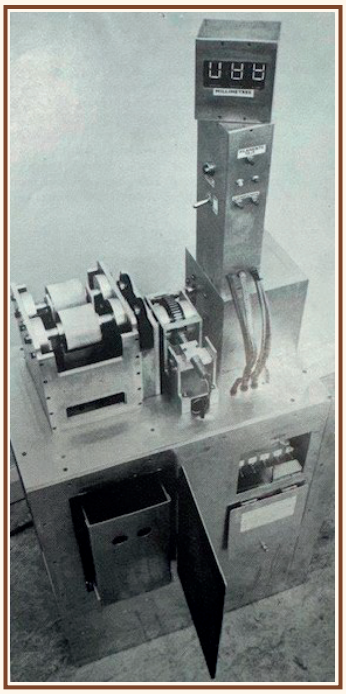
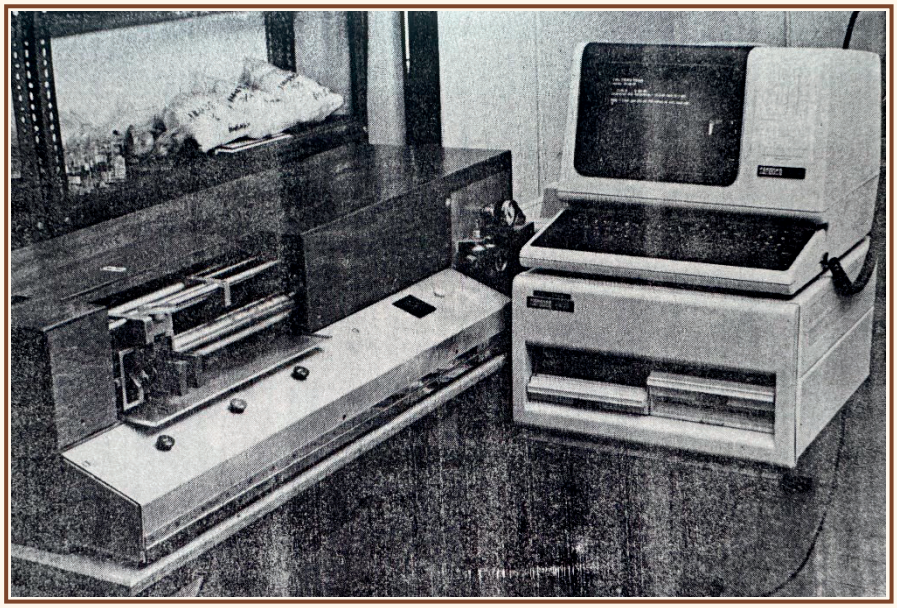
On 3rd July 1981, the Authority approved extensions to the Yennora Laboratory to provide additional storage for keeper samples and archived files, additional laboratory space for staple length and strength testing, additional administration office space, and extra washroom facilities and parking for the growing number of employees.

Consistent with their policy to progress towards financial independence from AWC, the Authority agreed to fund the capital cost of $390,721. The Corporation approved this project on 23rd October 1981.





CSIRO-developed separate instruments for measuring
Staple Length and Staple Strength

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Regarding AWTA Textile Testing's operations, the legislation which had reconstituted the Authority under the AWC umbrella had at last expanded the Authority's functions to cover the testing of non-wool textiles, effective from 1st January 1973. Whilst this had opened new income opportunities, there was insufficient new business to offset the increases in salaries and wages that AWTA had to pay to retain staff in the face of rampant salary inflation across Australia.

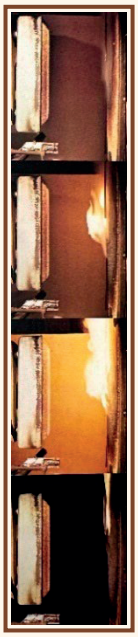
The first real opportunity to gain a new source of income arose in September 1973, following a decision by the Government to control the quality of woolpacks being imported into Australia. In this regard, the AWC had prepared woolpack standards and had mandated that every batch of imported packs would be subjected to compulsory testing to check compliance. When it was found that those tests were being conducted free of charge by AWC's Geelong laboratory, Ward contacted Farnworth with a view to AWTA taking over this testing and charging for it. This made sense because AWTA Textile Testing was again making losses, and these tests were adding to AWC's costs in Geelong.

Despite the benefits to both, Farnworth decided to support his own laboratory staff. However, having acknowledged the convenience of AWC having access to AWTA's independent services, he made a $5,000 grant to AWTA "… *to keep the Textile Section open*", on the grounds that this independence was valuable for resolving disputes.

In 1974/75, a new opportunity arose for the Textile Section to gain income from industry, rather than from AWC. Following several serious accidents involving children's nightwear, the Government had passed

fabric labelling legislation with particular emphasis on flammability standards. As a result, the Australian textile industry and retailers required access to a local flammability testing service and, since the only available facility was installed at CSIRO's Division of Building Research, the Authority was encouraged to expand into this field.

AWTA Textile Testing launched their new flammability testing service in early 1975 to a total of 90 representatives of textile manufacturing, retailers and associated groups. The guest speakers providing essential background on the subject were Tom Pressley of the CSIRO Division of Protein Chemistry and Messrs Lachowitcz and McDonald of the Department of Consumer Affairs and the SAA, respectively. This service was well supported by the textile industry. At last, the Textile Testing section had found a new source of income from an essential service. The change to the Act allowing testing of non-wool products had enabled the scope of AWTA's flammability testing service to be expanded to cover the routine needs of the building and other industries. The Authority's service was promoted by CSIRO Building Research, and they redirected all commercial testing enquiries to the AWTA so they could concentrate upon research.



Vertical apparatus for Early Fire Hazard testing of textiles

In August 1976, Australian Customs issued Regulations banning the importation of any woolpacks that failed to meet the AWC standards, announcing that all imported packs would be subject to random testing at origin and only check tested on arrival. Whereas AWTA Textile Testing had been told to plan for 800 tests per year, the total number of tests conducted under these new Regulations was later reduced to only 300 tests for 1976/77 and fell even further during 1977/78.

This reduction in check testing resulted from the Corporation's realisation that it was more efficient to monitor the overseas pack manufacturers' testing laboratories. By testing packs prior to shipment, they could avoid the logistical and financial complications which would otherwise arise when substandard packs were not detected until they were already in Australia.

Chief Maintenance Officer, Sam Jusva and his Melbourne team

35. INDUSTRIAL STRIFE FOLLOWS GOVERNMENT CHANGE IN 1972

"*From now on we are going all out for wage increases in all areas in the form of over-Award payments and frankly we don't care who gets hurt in the process.*" [FSPU Federal President, Fred Nicol, declaring war on wage indexation - 8th January 1976]

For their first 6 years, the Authority had set their own terms and conditions of employment and had no engagement with Unions. This had changed in 1964, when the resigning AWTA Secretary, Les Burditt, took unilateral action to invite the FSPU to sign up sampling staff as members. In due course, the Public Service Arbitrator approved a basic agreement, known as Determination No. 11 of 1965, which fixed minimum rates of pay and was cross-referenced to Determination No. 32 of 1956 - the standard Commonwealth Public Service General Terms and Conditions.

Following an across-the-board wage increase of 6.6% awarded to Commonwealth Public Servants in July 1970, AWTA was notified by the Federal Secretary of the FSPU, Jack Petrie, that they expected the increase to flow-on to AWTA's sampling employees. To mitigate this claim, AWTA provided Petrie with previously confidential details of the Authority's over-Award wage scales which had been adopted internally since 1965 to attract and hold employees. Petrie not only appreciated this cooperation, he agreed to lodge a consent application with the Public Service Arbitrator to remove all managerial, supervisory, and clerical classifications from the Determination. Further, he reviewed supplementary terms and conditions that AWTA had developed to cover matters not included in Determination No. 32 of 1956, and recommended amendments that were mutually beneficial for the Union and the Authority.

With wool store employees covered by the same Union, there was always a risk that industrial disputes between the FSPU and the brokers could disrupt AWTA's operations. Towards the end of 1970, approaching the peak pre-Christmas wool delivery period, the FSPU members in NSW and SA wool stores engaged in rolling strikes, causing chaos for shipping and core testing. However, AWTA's samplers were not dragged into that dispute and, once it was settled, the industrial environment returned to relative calmness until 1973, when the President of the Australian Council of Trade Unions (ACTU), Bob Hawke, was also appointed President of the Australian Labor Party (ALP). Holding both positions, he was able to push the new Whitlam Labor Government to support widespread industrial action to improve wages and conditions for workers, which would increase Union membership in most industries.

In August 1973, the NSW Branch of the FSPU launched a campaign in Sydney to gain coverage of the Authority's laboratory and clerical employees, by offering to push for a 10% increase in wages. The broker representative on the Authority recommended that expert advice be sought from the industrial advocate for the Australian Wool Selling Brokers Employers' Federation, Barry Purvis, who subsequently advised that the Australian Workers' Union had priority rights to cover the laboratory positions and could be invited to intervene. When this alternative was raised with the FSPU, they backed away from taking any further action, at least for the time being. Faced with increasing Union activity Australia-wide, AWTA moved to resolve the status of clerical employees by registering their coverage under all State Clerks' Awards.

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Only one month later, a couple of staff in the previously union-free AWC decided to join the Public Service Union. This raised the prospect of AWTA being forced to adopt all Commonwealth Public Service terms and conditions for its non-Award staff, being employees of AWC under the Act.

To ensure that the Authority's terms and conditions remained competitive commercially, Ward drafted a set of AWTA-specific clauses for inclusion in AWC's Terms & Conditions, which were endorsed by AWC's Personnel Manager, Robyn Murtagh, and subsequently approved by the Corporation.

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In November 1974, after Jack Petrie had retired, the FSPU escalated their push to cover the Sydney laboratory staff, by lodging a Log of Claims on the Authority, supported by bans on sampling overtime, disruptive meetings with prospective members, and threats to shut down testing operations nationally. When AWTA rejected these claims, the Union directed the Sydney laboratory employees to strike and, after failing to gain support from the Melbourne laboratory employees, they invoked national sampling bans, except in WA. The timing of these bans coincided with the normal pre-Christmas peak in shipping

and post-sale testing, causing major service problems. Many tests had some bales shipped before sampling, and service delays were incurred while the status of missing lots was confirmed. The Authority took immediate action to reduce the impact on clients, diverting Sydney tests to the Melbourne and Fremantle laboratories.

With the strike entering a second week, a crisis meeting was held between the Minister for Agriculture, the FSPU and AWC, which led to a full resumption of work on 14th December, and an undertaking from the Union to negotiate in good faith with both AWTA and WTS. Due to FSPU's office closure for the Christmas and New Year holiday period, the agreed wage negotiations were not completed until the end of January 1975. When put to a vote in Melbourne and Fremantle, it was clear that the recommended new pay and conditions would be accepted by a majority of members. However, the formal outcome could not be declared until the NSW Branch of the Union held the Sydney vote, some 2 weeks later. This delay was to demonstrate the Union's power to the new members. [138]

Unfortunately, just as the disrupted tests had been brought back under control, the Sydney laboratory was seriously affected by rolling electrical power strikes in NSW which lasted for a full month. Sampling operations were also interrupted when sampling machines and electronic weighing scales became inoperative due to frequent losses of power. [139]

Less than 6 months later, the FSPU lodged another claim on the Authority, caused by WTS agreeing to grant 5 weeks annual leave to shift workers and pay adult rates to 19 and 20-year-old employees, with pro rata increases to be paid to all younger age groups. Fortunately for AWTA, this coincided with a new Commonwealth Government directive requiring all Commonwealth entities to provide the Department of Labour and Immigration with details of any Union claim received, together with their proposed responses. Having complied with these requirements, AWTA informed the Union that negotiations were now beyond their control. The claim then lapsed, but only temporarily. [140]

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AWTA's next brush with the FSPU occurred in Sydney, after a Union shop steward in the laboratory was dismissed for repeatedly refusing to handle new square-shaped sample containers because they were not the customary round ones. With the backing of FSPU's NSW Branch, he called for strike action by the laboratory staff, who walked off the job on 31st October 1975. As planned, every sampling centre was instructed to send presale test samples to either Melbourne or Fremantle, while continuing to send all post-sale test samples for Sydney clients to Yennora, where they were tested by non-Union supervisory and managerial staff.

Despite FSPU pressure, the Authority refused to give ground because the employee's actions were frivolous and without merit. No extra skill was required, so there were no grounds to claim an increase in work value, as was then required by the Government guidelines. When the local FSPU Organiser, Jim Burley, demanded that Sydney samplers cease work to support their laboratory "*comrades*", they refused and continued working until the FSPU instructed their wool store members not to work with them. Industrial action continued throughout November, during which attempts were made to resolve the impasse. Pending a hearing before the Public Service Arbitrator to have all bans lifted, AWTA agreed to change the dismissal to an indefinite suspension.

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[138] Prior to these negotiations, AWTA management had decided that there were advantages in having the same Union covering both sampling and laboratory employees, particularly to remove any risk of internal demarcation disputes, which were then being used increasingly in Australia to create disputes. Also, from an operational viewpoint, any industrial action affecting sampling operations would directly reduce the availability of testing work, thereby making it more likely that the laboratory employees would pressure samplers to resolve disputes quickly.

[139] For future action, AWTA management reviewed the logistical difficulties experienced when bypassing the Sydney laboratory, and established procedures to apply should it be necessary to bypass any of the 3 laboratories in the future. Also, to improve client communication when disruptions occurred, the decision was made for all future post-sale testing to be conducted in the laboratory nearest to the client's office.

[140] By this time, Hawke's ACTU and the Whitlam Government had realised that rampant Union claims were damaging the Australian economy. To contain wage claims, they had agreed to adopt a set of national wage indexation rules and had issued directives to enforce compliance in the Public Service.

Stock & Land cartoonist's view of the AWTA strike in October 1975

On Christmas Eve, the Arbitrator called a conference of the parties in Sydney. After opening statements by Burley and Ward, he summarised his understanding that the Authority was defending the right to expect employees to follow reasonable instructions, whereas the Union felt compelled to support their shop steward, regardless of the facts. He then cautioned both parties to attempt to reach an amicable agreement, rather than have him proceed to a full hearing which might well result in reinstatement with strict conditions. To avoid that undesirable outcome, AWTA offered to re-employ the worker in a clerical position at their Ultimo sampling office, where he would be miles away from Yennora and unable to continue as a laboratory shop steward. This compromise was accepted by the Union and, when placing the agreement on record, the Arbitrator also offered to assist in drafting a 'Disputes Settlement Procedure' for inclusion in Determination No. 11 of 1965. Off the record, Burley confided that the member's actions had been quite unreasonable. Whilst he understood AWTA's attitude against reinstatement, he explained that no Union could ever afford to accept the sacking of a shop steward.

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In the light of recent events, Ward contacted Barry Wilton, WTS' Australian General Manager, to discuss whether both test houses could work together with Barry Purvis, the brokers' industrial advocate. Such a unified industrial relations group would limit the Union's opportunities to play the test houses off against each other, as had recently occurred regarding junior rates of pay. However, Wilton advised that WTS had recently engaged the services of an industrial advocate, Tim Moore, to handle their FSPU problems, so they agreed to keep each other informed of any future Union activity.

As industrial action became increasingly widespread across Australia, fuelled by continuing high rates of inflation, the Government and the ACTU moved to introduce a set of 'Wage Indexation Guidelines' to restore order and constrain rogue Union activity. Although these guidelines produced the desired effect in the short term, it was only a matter of time before Unions in key industries would revert to their old tactics, whereby an outlandish Log of Claims would be lodged on employers, inevitably creating a dispute with industrial bans and strikes that would eventually be resolved by an agreed compromise or by the intervention of the Australian Conciliation & Arbitration Commission (AC & AC).

In the FSPU's case, their Federal President, Fred Nicol, announced in January 1976 that his Union was now declaring war on wage indexation, which he described as a "*dead duck*". As a first step, his 62,000 members employed in the vehicle repair industry would be demanding an extra $20.00 per week, following which a rise of $15.00 per week would be demanded for members employed by wool brokers.

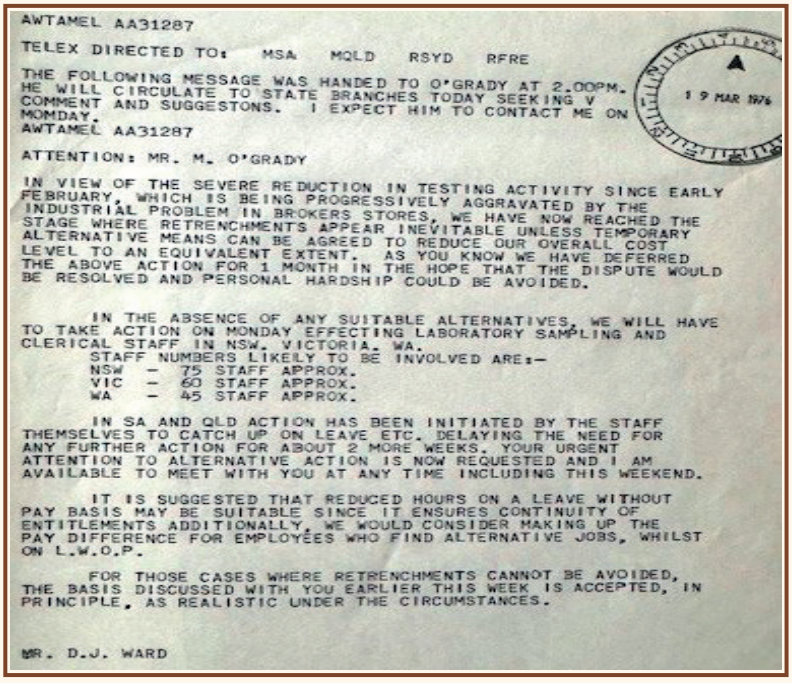
These aggressive actions were reported in 'The Australian' newspaper on 8th January 1976, with Nicol quoted as saying: *"From now on we are going all out for wage increases in all areas in the form of over-Award payments and frankly, we don't care who gets hurt in the process.*"

True to Nicol's word, the FSPU commenced industrial action by focusing on establishment of a maximum weight for wool bales being handled manually. On behalf of brokers, Purvis notified the Commission that a dispute existed and that FSPU members in wool stores were on strike, following which brokers issued stand down notices. In response, the Union asserted that their members were not on strike but had been sacked. As hostilities escalated, the Union launched industrial action in all States, refusing to handle any bales suspected of being too heavy. This ban affected AWTA's ability to complete post-sale tests. It slowed presale sampling and disrupted wool deliveries to ships and to local processors' mills.

However, this attempt to limit bale weights had much wider implications for most sectors of the wool industry, from shearing to shipping, due to its potential to increase freight and handling costs. As a result, wool growers' organisations urged the NCWSBA to reject the Union's claim outright, and they announced their intention to intervene in any arbitration proceedings on the matter. As wool store activity gradually ground to a halt, most broker employees were stood down. At this point, all parties were locked into fixed positions, wool sales were suspended for weeks, and the AWTA's testing activity was reduced to servicing private stores and other non-members of NCWSBA. In fact, wool growers' inability to sell wool at auction had led to an increase in private sales to country wool buyers and, since final payments to growers were based on AWTA Certificates, some additional work was generated.

From the start of this dispute, Ward and Mansfield maintained good relations with the FSPU's Federal Organiser in Melbourne, Mike O'Grady, and ensured that he was fully informed of the increasing problems for his AWTA members, due to lack of work. O'Grady reluctantly agreed that they could undertake maintenance tasks, take unused recreation leave and/or combine reduced hours with leave without pay, provided they retained continuity of their entitlements. Nevertheless, the continuing uncertainty caused some employees to resign to work elsewhere. These stop-gap measures enabled the Authority to reduce their 'total productive staff' from 331 to 222 over the short term, but by the middle of March 1976 all leave entitlements had been depleted, and more drastic action was required to cut costs.

On 19th March, O'Grady was advised by telex that the Authority had reached the stage where 180 employees would be retrenched in the following week, with 75 being in NSW, 60 in Victoria and 45 in WA. Furthermore, additional retrenchments would be necessary in SA and Qld within 2 weeks. Within minutes of sending this message, the Assistant Federal Secretary, Simon Crean, phoned Ward to seek a private discussion over lunch at the Victoria Hotel in Albert Park. Given the industrial tension, Crean insisted that this meeting must be confidential and should not be held in or near their respective offices in North Melbourne, where they might be seen to be collaborating.



AWTAMEL AA31287

TELEX DIRECTED TO: MSA MQLD RSYD RFRE

THE FOLLOWING MESSAGE WAS HANDED TO O'GRADY AT 2.00PM. HE WILL CIRCULATE TO STATE BRANCHES TODAY SEEKING V COMMENT AND SUGGESTONS. I EXPECT HIM TO CONTACT ME ON MOMDAY.

19 MAR 1976

AWTAMEL AA31287

ATTENTION: MR. M. O'GRADY

IN VIEW OF THE SEVERE REDUCTION IN TESTING ACTIVITY SINCE EARLY FEBRUARY, WHICH IS BEING PROGRESSIVELY AGGRAVATED BY THE INDUSTRIAL PROBLEM IN BROKERS STORES, WE HAVE NOW REACHED THE STAGE WHERE RETRENCHMENTS APPEAR INEVITABLE UNLESS TEMPORARY ALTERNATIVE MEANS CAN BE AGREED TO REDUCE OUR OVERALL COST LEVEL TO AN EQUIVALENT EXTENT. AS YOU KNOW WE HAVE DEFERRED THE ABOVE ACTION FOR 1 MONTH IN THE HOPE THAT THE DISPUTE WOULD BE RESOLVED AND PERSONAL HARDSHIP COULD BE AVOIDED.

IN THE ABSENCE OF ANY SUITABLE ALTERNATIVES, WE WILL HAVE TO TAKE ACTION ON MONDAY EFFECTING LABORATORY SAMPLING AND CLERICAL STAFF IN NSW. VICTORIA. WA.

STAFF NUMBERS LIKELY TO BE INVOLVED ARE:-

NSW - 75 STAFF APPROX.
VIC - 60 STAFF APPROX.
WA - 45 STAFF APPROX.

IN SA AND QLD ACTION HAS BEEN INITIATED BY THE STAFF THEMSELVES TO CATCH UP ON LEAVE ETC. DELAYING THE NEED FOR ANY FURTHER ACTION FOR ABOUT 2 MORE WEEKS. YOUR URGENT ATTENTION TO ALTERNATIVE ACTION IS NOW REQUESTED AND I AM AVAILABLE TO MEET WITH YOU AT ANY TIME INCLUDING THIS WEEKEND.

IT IS SUGGESTED THAT REDUCED HOURS ON A LEAVE WITHOUT PAY BASIS MAY BE SUITABLE SINCE IT ENSURES CONTINUITY OF ENTITLEMENTS ADDITIONALLY, WE WOULD CONSIDER MAKING UP THE PAY DIFFERENCE FOR EMPLOYEES WHO FIND ALTERNATIVE JOBS, WHILST ON L.W.O.P.

FOR THOSE CASES WHERE RETRENCHMENTS CANNOT BE AVOIDED, THE BASIS DISCUSSED WITH YOU EARLIER THIS WEEK IS ACCEPTED, IN PRINCIPLE, AS REALISTIC UNDER THE CIRCUMSTANCES.

MR. D.J. WARD

As the meeting progressed, Crean was keen to learn more about the workings of the wool industry, including AWTA's role, so he could better understand the impacts of the strike on each sector and gain a clearer appreciation as to why the brokers had been so strongly supported by growers. While discussing the brokers' role, Ward expressed his opinion that there was now little incentive for the brokers to give ground, particularly since the strike was entering the last quarter of the selling season. When Crean sought an explanation, he was told that the main impact on the brokers had been to defer their cashflows, as they would still receive their sales commissions once the industrial issue was resolved. This had not been recognised by the Union, and nor had they appreciated that it was somewhat beneficial for the brokers to handle the backlog of work later in the season when workload normally fell away.

Regarding AWTA's imminent retrenchments, Crean advised that the Union would refrain from industrial action, on the understanding that any resigning employees' entitlements would be paid out in full and that the alternative of prolonged leave without pay would remain available. After seeking further clarification, he indicated that he would now attempt to negotiate with Purvis to have the work bans lifted and the stand downs reversed, so a 'work value' wage claim could be launched through arbitration. When he asked for AWTA's assistance to identify changes in work value that would support the FSPU case, Ward explained that this would be viewed as provocative by AWTA's clients, and it would compromise the Authority's position, should the Union seek to flow-on any wage outcome. Both agreed that AWC might be willing to provide independent advice on changes to wool industry's work practices.

The Prime Minister, Malcolm Fraser, was prevailed upon to call a conference on 14th April to be attended by the President of the Australian Conciliation & Arbitration Commission, Mr Justice Moore, Bob Hawke and Jack Egerton for the ACTU, George Polites for the Australian Council of Employer Federations, and with representatives of the brokers and the FSPU on stand-by. This group drafted a series of steps aimed at achieving a return to work, which Mr Justice Moore agreed to put to the parties on the following day. On 15th April 1976, Mr Justice Moore presented the recommended framework of actions to Crean and Purvis, the key elements of which were:

- brokers to withdraw the stand down notices, make work available on current Award conditions and to preserve continuity of employment for all employees who resume work;
- the bale weight dispute to proceed within the Arbitration Commission, with an independent expert report to be prepared by a Dr Ferguson of the University of Sydney; and
- a wage claim for $9.10 per week to be heard by Mr Commissioner Heagney in the next week.

Both parties accepted this formula, after it was agreed that the President of the Commission, instead of Commissioner Heagney, would arbitrate the wage claim in accordance with the principles applicable to work value cases, and on condition that there would be no right of appeal. After being shut down for 2 months, work resumed in wool stores and AWTA was able to re-engage employees.

Regarding the work value case, Mr Justice Moore was assisted by Commissioners Taylor and Heagney. Between them, evidence was taken from 37 company and Union representatives, and inspections were made of 22 stores across Australia. A detailed submission from the Australian Wool Growers & Graziers Council, seeking to demonstrate the plight of woolgrowers, was also considered. Finally, on 3rd June 1976, Mr Justice Moore announced that all classifications in the Wool Stores Award would be granted an increase of $6.00 per week, commencing on and from the beginning of the first pay period on or after 14th May 1976, and that the National Wage Case decision of 28th May would be applied to these new rates.

Following this decision, FSPU advised their intention to apply for AWTA's wage rates to be increased by the same amounts and, after mandatory consultation with the renamed Department of Employment & Industrial Relations, a consent application was approved by the Public Service Arbitrator. [141]

[141] Although this prolonged closure of wool stores had reduced AWTA's income and profitability, their performance in the first half of the financial year had been well above budget, and profitability would be restored as the backlog was tested. On the other hand, WTS had been struggling to recover from the failures which had lost client support, and they had been forced to incur the full cost of testing to comply with the IWTO testing procedures. Whilst some brokers continued to allocate fixed presale testing market shares to them, this had been conditional on their charges being reduced to the Authority's levels. They were particularly vulnerable to the impacts of the strike.

36. TWO-MONTH STRIKE BECOMES THE LAST STRAW FOR WTS

"We *see no possibility of continuing the operations of W.T.S. Pty. Limited in Australia in their current form. We have examined the various areas of rationalisation proposed, but even though they would achieve a reduction of costs, we see no way in which they could enable us to envisage a commercially viable future … In the present industrial climate, our liquidity problems increase daily.*" [Letter from Colin Newman, Managing Director of Quality Control International, to David Ward – 18th March 1976]

From the time WTS entered the wool testing market in Australia, they had gained a share of the post-sale testing market, particularly from European and UK-based companies which were receiving lucrative rebates from WTS Ltd in London for their total world-wide business. They had also gained some business in Japan, until they were exposed for spreading false rumours about the Authority's service performance. Subsequently, they falsely claimed to have a close working relationship with AWTA and that their technical policies and standards were identical. On the question of standards, local and overseas buyers were aware of the Authority's strict policy to issue Certificates only when they had controlled all operations, whereas WTS were in favour of sampling by agents. While prolonged debates at IWTO Conferences had highlighted these differences, WTS continued to be supported by a few companies wishing to retain an alternative service that would "… *give the customer whatever he wants*", and by some others wanting to test with both test houses so they could deliver the more favourable Certificate.

Their reputation had been damaged severely by CIL's exposure of the data proving that they had been short cutting the IWTO yield test method for years and had also been calculating BWF data from the ASTM results, in lieu of testing. After the OM Committee Chairman released his statement announcing that WTS had been compelled to accept independent supervision of their operations, they regained some post-sale business. However, the arrival of Supervise-Auscore as a new competitor slowed their recovery.

When major buyers and mills reacted by specifying "AWTA Only" in contracts, ACWB insisted that the test house must be identified in sale catalogues, by printing their initials against each tested lot. Although WTS and Supervise-Auscore opposed this action, WTS' past technical failures strengthened the argument in favour of transparency. Importantly, these reactions also validated AWTA's policy to exclude competitors' test results from their Combined Test Certificates. By mid-1975, following the closure of Supervise-Auscore, WTS held approximately 18% of the presale testing market. However, brokers had forced them to match the Authority's fees, and they had added to their operating costs by accepting an FSPU claim for adult wages to apply to 19-year-olds and granting 5 weeks' annual leave to shift workers. Since a large proportion of their laboratory staff were juniors, these increases in cost were significant.

During the 1975 Spring peak for presale testing, AWTA's higher market share generated much greater economies of scale at sampling lines, due to more continuous sampling supervision and a corresponding reduction in downtime. The Authority decided to pass on this cost saving to growers, reducing the 'Supervision Only' charge by 50%, from 28 cents to 14 cents per bale. For maximum impact, this reduction was announced when Ward reported on AWTA's activities at the AWIC meeting on 20th November, where it was well received by wool growers across Australia. Thereafter, the cost of full-time test house supervision ceased to be an issue for wool brokers.

While AWTA was performing well, WTS suffered another technical disaster which was not discovered until mid-November. The subsequent investigation by AWMSA established that they had been issuing incorrect fibre diameter Certificates since 30th October 1975, due to a faulty Airflow instrument. This 2-week period coincided with the Spring peak for testing, so the impacts were extremely disruptive. All lots recently tested by WTS had to be retested to determine when the error had occurred, and the original Certificates had to be withdrawn and replaced. Unsold wool was compulsorily withdrawn from sale, buyers were given the option to cancel affected purchases, and all tests in the pipeline were suspended. Besides the losses incurred while the errors were being rectified, tests that would normally have been allocated to WTS were redirected to AWTA. After recalibrating WTS' Airflow instruments, all certified lots were retested back to 30th October - the date when errors were found to have commenced.

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Under normal circumstances, the seasonal peak for receivals occurred in October/November, following which presale testing activity eased through December and early January, and then increased gradually to an Autumn peak, albeit smaller than in Spring. However, this pattern had been completely disrupted by industrial action, which had culminated in the 2-month closure of brokers' stores across Australia. Whereas the Union's goal had been to gain a large increase in wages, the basis for the dispute evolved to focus on setting a maximum weight for bales being handled manually. The impact on both test houses was immediate, and WTS successfully applied to the Arbitration Commission for orders to stand down all employees who could not be gainfully employed. [142]

On 4th March 1976, Colin Newman, Managing Director of Quality Control International, within which WTSI had become an integral part, contacted Ward to set up an exploratory meeting to discuss the future of WTS' operations in Australia. He indicated that their most optimistic budgets for the rest of 1975/76 and for 1976/77 would result in unsustainable losses, unless the Authority assisted WTS by rationalising operations to save costs. When the meeting was held 5 days later in Melbourne, Newman floated 2 possibilities. The first suggestion was for AWTA and WTS to run a joint sampling operation, with the Authority's employees doing the work, and the second was for AWTA to also manage WTS for a fee plus a share of profits. As he was yet to gain WTSI London's support for these ideas, he sought and was provided details of AWTA's expectations for presale testing growth, which he needed to assist in developing proposals for their consideration.

Subsequently, a formal meeting was held in Melbourne on 15th March, attended by Yeo, Ward and Douglas representing the Authority, and Newman and Adrian Payne, Chairman of WTS in Australia. Key points arising during discussion were that:

- WTSI in London had ruled out management by AWTA, but favoured sampling rationalisation;
- AWTA considered that any joint venture for sampling would add unnecessary costs, but they were willing to undertake sampling for WTS at the same fees as charged to other clients, namely, 14 cents/bale for presale supervision and 38 cents per bale for post-sale sampling;
- to be viable, WTS required a constant flow of work of some 200 tests per day, which was unacceptable because it would reduce AWTA's market share from 82% to less than 50% for much of the year, and the Authority would be faced with all workload fluctuations; and
- it was agreed that both parties must understand these discussions were hypothetical, since the WTS board was yet to make a decision and any firm proposal from them would still require approval by the Authority Members and AWC.

Following the WTS board meeting, Newman advised Ward that their revised budgets had confirmed that, while they could save an annual $200,000 in sampling costs, they would still need to increase their presale test fee from $17.00 to $26.00 per test to make a modest profit. On balance, they did not believe that growers would accept this 53% increase in charges and, consequently, they saw no possibility for WTS to continue wool testing in Australia. This verbal advice was confirmed in a letter dated 18th March, which invited AWTA to inspect the assets in Sydney and Fremantle and make an offer to purchase.

Throughout these negotiations, Ward and Yeo had kept the AWC Chairmen, Alf Maiden, fully informed and he had already given his approval for the purchase to proceed.

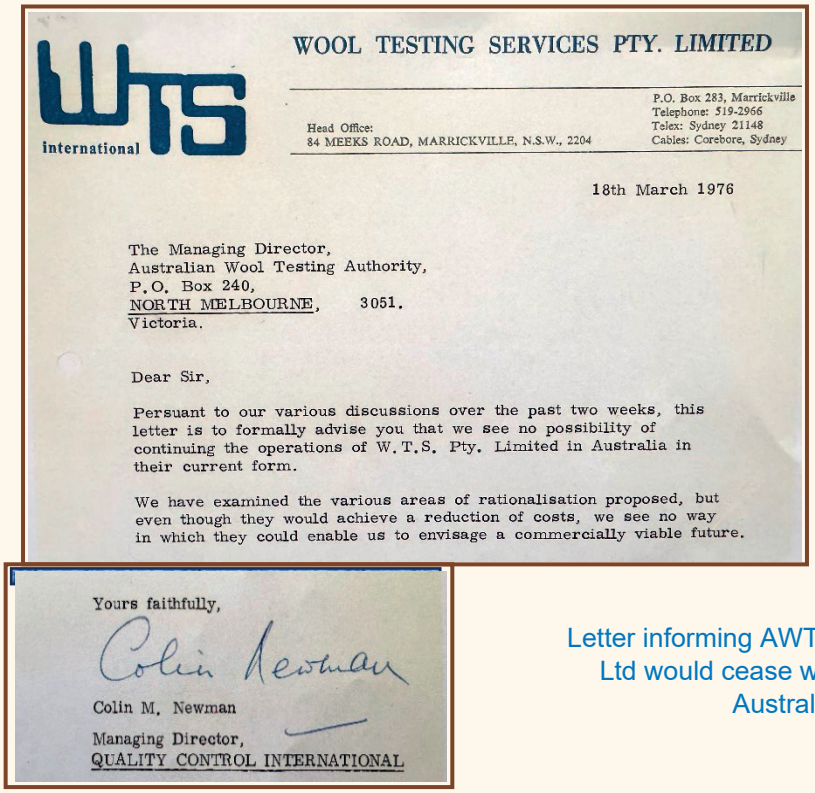
On 1st April, the Authority held a Special Meeting to consider a recommendation to purchase all WTS plant, equipment and stocks of consumables, based on conservative valuations by Ward and Douglas in Sydney, and by Morgan in Fremantle.

The paper concluded that the purchase was commercially sound at a price up to $200,000, for the following reasons:

- this cost could be covered by the Authority's current Capital Budget;
- most equipment could be used in AWTA's laboratories, reducing future capital expenditure;
- surplus equipment could be sold to technical institutes and/or overseas test houses;
- most consumables could be used by AWTA;

[142] The immediacy of WTS' action was a clear indication that they were losing money and, as subsequent actions confirmed, the wool stores strike proved to be 'the straw that broke the camel's back.'

- there would be no goodwill payment, since WTS had already closed the testing business; and
- most importantly, the estimated return on investment would exceed 100%, since the additional 18% of the presale testing market would be handled at marginal cost.



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18th March 1976

The Managing Director,
Australian Wool Testing Authority,
P.O. Box 240,
NORTH MELBOURNE, 3051.
Victoria.

Dear Sir,

Persuant to our various discussions over the past two weeks, this letter is to formally advise you that we see no possibility of continuing the operations of W.T.S. Pty. Limited in Australia in their current form.

We have examined the various areas of rationalisation proposed, but even though they would achieve a reduction of costs, we see no way in which they could enable us to envisage a commercially viable future.

Yours faithfully,

Colin Newman

Colin M. Newman

Managing Director,
QUALITY CONTROL INTERNATIONAL

Letter informing AWTA that WTS Pty Ltd would cease wool testing in Australia

The Authority Members authorised Yeo and Ward to acquire all plant, equipment, furniture and inventory from WTS, up to maximum cost of $150,000. Upon receipt of a detailed list of assets, the responsibilities of each party moving forward were clarified, and AWTA's offer was submitted in writing for formal approval. Attempting to achieve a better outcome, Payne suggested that the various leave entitlements for those WTS staff already employed by the Authority should be transferred to AWTA, but this was rejected on the valid grounds that such a transfer could not be accepted by a Statutory Authority.

Finally, it was agreed for Ward to document the purchase contract as an exchange of letters and, if this was consistent with all verbal agreements reached, WTS would accept the offer. Ward's letter to the WTS Chairman, dated 13th April 1976, was signed by Payne and returned to the Authority on the following day.

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The question of WTS' responsibility for employee entitlements became a key issue in an industrial dispute reported to the Arbitration Commission by the FSPU only 2 weeks later. When WTS had been granted stand down orders, their industrial advocate had assured the Arbitration Commission that all affected employees could return to work immediately upon the strike being resolved. Accordingly, upon the resumption of work in wool stores on 21st April, the FSPU's General Secretary, Bill Landeryou, telexed Barry Wilton seeking advice as to the date for members to resume work.

Wilton had responded the following day, quoting verbatim the letter which he had sent to each employee, which had notified them that WTS had closed, their employment had terminated, and that a cheque covering all their entitlements was enclosed. Landeryou reacted by immediately notifying the Arbitration Commission that the Union were in dispute with WTS. This precipitated a hearing being held before Mr Justice Staples on 27th April 1976, which Ward and Mansfield were called upon to attend.

Besides the broken promise to resume employment, the Union objected strongly to the fact that WTS had not informed them of their imminent closure, since this had circumvented their right to negotiate retrenchment compensation. After initial statements from both parties in conference, Mr Justice Staples found difficulty dealing with WTS' argument that the promise of reemployment had been voided by the fact that their closure had preceded the actual return to work date. In Staples' opinion, the fact that WTS was

still registered as a company left them with a continuing obligation to their terminated employees. Having made no progress, Staples then attempted to encourage the Union to negotiate with AWTA instead, by making the following statement:

"*If the Wool Testing Authority has entered into an agreement to purchase, in effect the business, whether they did it by taking the goodwill, capital, share capital, or the equipment and, more particularly, being an authority of the Commonwealth, they fail to provide in the contract for the protection of the employees and, certainly, for their protection in those respects which are otherwise guaranteed by Commonwealth law, they might have occasion to review their position in this matter.*" [143]

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To ensure that the facts surrounding WTS' closure were clarified internationally, and to reassure clients that they would not be disadvantaged as a result, Ward arranged with the Chairman of the IWTO Wool Committee for Lindsay Yeo to address his meeting on 9th June, at the IWTO Conference in Basel. After summarising the discussions between the parties and explaining why AWTA had only purchased the assets, Yeo addressed the subject of Authority's monopoly position. In so doing, he acknowledged that commercial monopolies normally posed at least 3 basic threats to their customers, being:

- concern that "*quality*" or "*accuracy*" will suffer, due to relaxation of standard procedures;
- fear that the monopoly will become "*greedy for profit or careless about expenditure*", forcing customers to pay higher prices; and
- an expectation that "*service*" will deteriorate, causing customers to endure long and unjustified delays in having their requirements met.

Having identified those issues, Yeo drew attention to the unique composition of the Authority. With its controlling Members representing all major client groups, he believed that customers should be assured that none of these threats will be allowed to develop. He invited any client with a complaint about AWTA's test quality, price or service to contact Ward and, in the unlikely event of their continuing dissatisfaction, to appeal to the AWTA Member representing their sector, or himself. [144]

He concluded his address with the following words of reassurance:

"*I know of no other monopoly which has its customers in control of its Board. Therein lies your safeguard and remember that imposed over and above that there is the body substituting for Interwoollabs in Australia, named the Australian Wool Measurement Standards Authority, who carry out continuous monitoring and checking of the test results from our laboratories so as to harmonise our procedures and results with those of test houses in other parts of the world.*

"*On the sensitive question of prices charged for testing services, let me remind you that our general scale of charges has not risen since 1st July 1974. In fact, we are again budgeting* ***not*** *to raise our charges for 1976-1977. Earlier in season 1975-76, AWTA actually made a significant reduction in fees for pre-sale testing. It will be appreciated therefore that AWTA, operating on a strictly commercial basis and free from bureaucratic control, is earnestly endeavouring to serve all sectors of the industry with utmost efficiency and at minimum cost. Seven of the eight members of the Board of Directors are free enterprise men: that is a final point which ought to be noted by members of IWTO.*"

This address was received with enthusiastic acclamation and, for the remainder of the Conference, all AWTA Members and staff in attendance received favourable comments from delegates. [145]

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Following the closure of WTS in 1976, the Authority Members raised the question as to whether AWMSA's role should be reviewed to save cost, particularly in view of persistent reports that the Commonwealth

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[143] This was a particularly curious statement, given that Staples had heard the Union earlier congratulate the Authority for having already employed some of the retrenched WTS employees, and for their willingness to interview others.

[144] Details of the Members' names and their sectors were listed in Yeo's written Statement, to facilitate any such contact.

[145] Lindsay Yeo's address on 'The Role of the Australian Wool Testing Authority' was presented to the IWTO Wool Committee Meeting in Basel on 9th June 1976. The full text is attached as APPENDIX 3.

Government was planning to recover the cost of their Australian Quarantine and Inspection Service (AQIS), which now included AWMSA. With AWTA being the sole test house, laboratory inspection work had been simplified greatly and, further, the brokers' recent decision to have AWTA's samplers supervising both core and grab sampling operations had diminished AWMSA's involvement in wool stores. Despite their now simplified role, AWMSA was in the process of employing more staff, rather than reducing their staff numbers.

At the Members' request, both Ward and the new CSIRO Member, Dave David, presented reports on AWMSA's future role to the Meeting held in September 1976, when the following key points were noted:

- it would be attractive for the Government to recover the AWMSA costs by charging the Authority, rather than having the complications of dealing with numerous individual wool stores;
- when AWMSA was originally established, the projected staff numbers had been estimated on the basis that they would monitoring the performance of up to 30 laboratories; whilst this had never been the case, their staff numbers were still increasing;
- AWMSA's role had been extended to include the mandatory approval of any new equipment or testing techniques before use, which was stifling innovation and delaying productivity gains;
- the increasing computerisation of AWTA's operations was providing AWMSA with access to levels of quality control and efficiencies which they could never have expected;
- if AWMSA's role was to diminish, it would be important to consider AWTA's potential exposure to conflicts of interest between standards development and commercial operations;
- AWMSA's continuing existence would keep Interwoollabs out of the Australian wool industry's affairs, and would ensure that every future testing competitor would have to adhere to the same standards as AWTA;
- AWC was responsible for monitoring these industry costs and would consult the industry; and
- AWMSA's continuing existence was not in question; in fact, Yeo had stressed the importance of their continuing oversight when reporting on WTS' closure at IWTO's Conference in Basel.

AWTA management's objective in proposing the review of AWMSA's structure was to minimise costs, which would be borne by the industry indirectly.

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In June 1979, when most of the Authority Members were attending the IWTO Conference in London, the Government confirmed their intention to recover the costs of all quarantine and inspection services from the relevant industries. In the case of AWMSA's costs, amendments would be made to the Wool Industry Act to specify that fees would be charged for lots sampled by AWTA at registered sites, and to mandate that AWTA could only issue Presale Test Certificates for lots sampled at registered sites. The proposed fee of 53 cents per lot was expected to recover costs of $167,000 in the 1979/80 financial year. By adopting this mechanism, sampling sites would be forced to sign-up for AWMSA registration, if they wanted presale test Certificates. Clearly, the Government was taking advantage of the fact that AWTA was the sole testing house and, being a Statutory Authority covered by the Act, they had the power to place strict conditions on their delivery of testing services.

The ANC delegates immediately telexed the Minister to express opposition to this new cost, proposing that AWMSA should appoint AWTA as their agent for all sampling site surveillance, since this accounted for most of their costs and AWTA was already supervising sampling on a full-time basis. In support for this proposal, they noted that AWMSA's monthly reports to the trade had never shown sampling to be a problem area. At the same time, ANC acknowledged that AWMSA's independent surveillance of testing operations was valuable, as was their involvement in ILRT and SAA activities.

The Minister responded that he would welcome a review to improve AWMSA's role at lower cost. To that end, Bill Williams and David Ward met with Murray Collins, DPI's First Assistant Secretary - Wool, and Eric Waring in Canberra, following which they reported to the Authority that:

- the wool testing levy would only be removed if/when the Government also decided not to charge the meat industry for inspection services;

- the actual fee collection method had not yet been resolved, due to the difficulty of verifying lot data declared by sampling sites; and
- since the NCWSBA had been asked to provide their considered views on AWMSA's future role, there was little point in the Authority trying to negotiate a better outcome for the industry.

Following these meetings, Ward prepared a comprehensive paper for the Authority on 'Presale Sampling Site Registration and Inspection Fees', which discussed all aspects relevant to the DPI review. It was subsequently made available to members of the ANC to inform their members.

Although not arising directly from the discussion of AWMSA's future role in sampling surveillance, the extension of AWTA's role to supervise grab sampling was raised with the NCWSBA Operations Committee in early 1980. Prior to this, brokers had agreed to retain grab samples for a reasonable period after sale to enable AWTA to access samples for experimental staple length and strength testing required by mills. Acknowledging AWTA's certification policy, it was accepted that they would eventually need to supervise all grab sampling operations on a full-time basis, since staple measurement was likely to be specified in future trading contracts.

Following consultation with ACWB and NCWSBA during March 1980, both organisations advised their members that AWTA's supervision of all grab sampling would be phased-in over a 6-month period, commencing as from 1st July 1980.

However, planning discussions between AWTA's Sampling Managers/Controllers and store management Australia-wide generated such a high degree of cooperation that the transition was completed within only 3 months. Having thoroughly examined the organisation of sampling lines during that period, many wool stores had decided to reduce their labour costs by allowing AWTA supervisors to operate one or more machines in the line. To further develop cooperative teamwork, arrangements were made for brokers' sampling line operators to visit their nearest AWTA laboratory.

Completely automated sampling line – grab sample, weigh and core sample

37. WTS CLOSURE ASSISTS PLANNING, PRODUCTIVITY AND PROFIT

"Competition in presale testing adds to wool industry costs by reducing the predictability of workflows, increasing the variability of test results, and reducing productivity due to sampling downtime." **[Extract from 'Report on Presale Testing Considerations' – April 1972]**

Within 2 days of WTS' closure becoming public knowledge in April 1976, Ward called all senior managers to Melbourne to plan future operations in the light of AWTA's increased responsibilities as the sole Australian test house. Immediately prior to this meeting, Pat McGilvray had surveyed the buying trade's reactions to the news. He informed the group that, whilst the overwhelming response had been a mixture of relief and positive comments about the future, a minority of clients had raised the monopoly bogey, predicting that fees would increase and service would deteriorate. The main objective for this Policy Managers' Conference was to ensure that the management team recognised that "… *being better than the competitor*" was no longer available as a measure of AWTA's performance. Their focus must now be on delivering consistently high-quality services, minimising sampling downtime in the absence of a competitor, taking full advantage of the increased volumes of testing to improve productivity, avoiding unnecessary costs, and thereby extending the Authority's record for keeping charges unchanged. The achievement of these goals would not only prove the sceptics wrong, but it would also demonstrate that AWTA's published principal corporate objective was being backed up by actions and not just words.

The timing of WTS' closure was extremely beneficial for the Authority, coming as it did just as wool stores were about to return to work after the prolonged closure. In addition to gaining the remaining 18% of presale testing market share and WTS' post-sale testing business, AWTA received a windfall benefit from the entire 2-month backlog of wool awaiting receival, sampling and testing. To ensure that post-sale tests for buyers were not caught up in this flood of presale work, the new Yennora laboratory dedicated one of their 4 testing lines to give those tests priority. In Melbourne, it was necessary to adopt a different approach because they were still operating in the old premises. Without test lines, they installed extra scours and hot water capacity to create a separate cell for post-sale tests, retests and other urgent tests.

In May 1976, when the 1975/76 budget was reassessed against actuals as the basis for the 1976/77 budget predictions, it was clear that the Authority's nett profit for the year would exceed the budget by almost $1.00 million. In view of this, the Authority approved repayment of the remaining $380,000 capital advance to AWC and reiterated their resolve to achieve commercial independence. [146]

For the final 2 months of the financial year, all presale and post-sale tests were conducted by AWTA. Sampling productivity increased significantly and the windfall surge in testing at marginal cost boosted profitability beyond expectations. In fact, from the end of April when wool store operations returned to normal, nett profit increased by an extra $175,733 to close the year just short of $1.16 million - an outstanding $1,026,431 above budget. In fact, an even higher result would have been achieved if the unbudgeted 50% reduction in sampling supervision fees had been deferred until the new season.

MONTHS 1976	ACTUAL ($)	BUDGET ($)	DIFFERENCE ($)	EXPLANATORY COMMENT
April	(97,061)	50,380	-147,441	Loss due to union strike in wool stores
May-June	175,733	4,570	+171,163	Windfall gains from WTS closure, strike ending and all backlog testing
Sept-Nov	564,296	407,310	+156,986	Productivity gains from new monitoring systems as all tests came to AWTA

Windfall profit recovery after WTS' closure

[146] Soon after Yeo had ceased being Interim Chairman of AWC, AWTA management had noted that some new AWC Managers were attempting to exercise control over the Authority's financial affairs. When Ward discussed this with Yeo, they agreed that the capital advances should be repaid progressively, and that future AWTA Budgets should aim to produce sufficient profit to fund future capital requirements. Since that time, the Authority had repaid $100,000 and a further $200,000 to the AWC in November and December 1974, respectively.

The Authority readily agreed to hold charges constant for 1976/77, despite the expected CPI rate of inflation being 12-14% and salary inflation being an even higher percentage.

As was then customary, the senior management Policy Conference and laboratory production managers met throughout the year to identify and make continuous improvements in operations. With AWTA being the sole test house, joint planning between store management and sampling supervisors was facilitated. Having more accurate broker estimates of expected daily and weekly volumes, plus the actual daily totals of lots sampled in each sampling centre, AWTA's laboratories were able to fine-tune their engagement of casual employees to optimise labour costs.

The Authority achieved a nett profit of $0.92 million for the year ended June 1977. Whilst this result was $240,000 below the previous year and $89,000 below Budget, actual CPI and salary inflation had been much higher than budgeted and testing fees had not been increased.

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For the 1977/78 Operating Budget, instead of estimating employee headcount to calculate labour costs, Regional and State Managers were required to predict productivity gains for testing and/or sampling operations, based on the factual data now available via AWTA's new computer systems. Before finalising their estimates of manhours per test and/or bales sampled per manhour, the management team were fully briefed on procedural and systems improvements which would be introduced during the coming year.

When approving a budgeted nett profit of $0.55 million, the Authority again agreed to hold charges constant for the full year, despite continuing high inflation. Contrary to expectations, nett profit for the year increased to $1.03 million, exceeding the previous year and almost doubling the Budget. The Authority had no doubt that this exceptional result was due to the introduction of productivity estimates for budgeting and the capacity of AWTA's systems to measure and report actual performance against those estimates.

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Consistent with AWTA's declared aim to deliver services at minimum cost, the Authority again agreed to hold fees constant for all major services, when approving the 1978/79 Budget. They also agreed to reduce the charge for combination Certificates significantly, by cutting the per Certificate component of the charge by 50%, from $2.50 to $1.25, due to the introduction of new systems to retrieve data electronically from all 3 laboratories. Prior to this, copies of every Certificate to be combined had to be withdrawn from files, sent to the laboratory issuing the Combined Certificate, and returned to the original laboratory's files. [147]

The budgeted nett profit for 1978/79 was $1,047,500. This was $200,000 above the previous year's result, due largely to an estimated 10% increase in testing productivity. An extra boost to the growth of presale testing was also factored in, following negotiations between Ward and Jim Young, AWC's Fibre Marketing Manager, which resulted in AWC's Board approving an increase to the RPS discount for untested wool, from 2 to 5 cents per kilogram. [148]

The total number of bales core sampled in 1978/79 was a record 3,655,883 bales, representing the 13th consecutive year that a total sampling record had been achieved. However, the budgeted testing productivity gain was scuttled by prolonged industrial action initiated by the FSPU, again during the Spring peak for sampling and testing. After 6 weeks of strike action, work resumed prior to Christmas to allow negotiations to proceed as instructed by the Arbitration Commission, following which a work value case was argued during the May/June period.

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[147] The total fee for a Combined Test Certificate included a fixed service charge plus a variable component calculated as a fee per Certificate included. Computerisation had minimised document retrieval and handling costs to the point where this service had become excessively profitable. Consequently, Alex Artomonow convinced the senior management team that, rather than maximise profit, it was more important to align fees with costs to avoid cross-subsidising other testing services. He argued that this now lucrative source of income could shrink, if clients decided to calculate their own combined results and attach copies of the individual AWTA Presale Test Certificates for verification.

[148] Some years earlier, the Corporation had encouraged presale testing by introducing a discount of 2 cents/kg to reflect the cost of post-sale testing previously untested sale lots. Since then, the lot-sizes of those lots had become much smaller and brokers' handling charges had increased significantly.

Sampling productivity was also lost during these months of disruption. Consequently, the 1978/79 result was a nett profit of only $0.66 million, falling well short of the budgeted $1.05 million and the $1.03 million achieved in the previous year.

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Lindsay Yeo addressed the Wool Committee at the IWTO London Conference in June 1979, having been invited to review AWTA's performance over the 3 years since delivering his commitment that AWTA would not act to clients' disadvantage as a monopoly. On this occasion, he made a point of assuring the IWTO delegates that there had been no interference from either the Government or the Corporation.

After acknowledging the impact of the recent industrial unrest which had led to some wool sales being cancelled, he reported as follows:

"*On the sensitive matter of prices and fees charged by AWTA, I am in a position to give you the good news that Pre-sale Testing Charges will be held constant for yet another season at the levels established in November 1975, when the Pre-sale Charges set in July 1974 were reduced by an average of 8%. How many business organisations do you know which have been able to stabilise their prices for so long over a period of world-wide inflation?*

"*With one minor exception, Post-Sale Testing Charges will be held at the July 1974 levels for a further year. However, I should warn that any significant rise in wages following the recent industrial unrest could cause AWTA to revise its price structures, but that will be done only after exhaustive study of all alternatives available to us.*" [149]

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The Authority's 1979/80 Budget included a new objective "… *to incorporate all resources used in the testing operations within the accounts of the Authority*", which confirmed their earlier decision to move towards full financial independence from the Corporation. For the 6th consecutive year, there were no general fee increases, although a small amount of extra income would be derived from a decision to conduct a full post-sale test per 75 bales or part thereof, to improve the precision of test data.

The preliminary Budget drafted by operations management predicted only a 7% recovery in testing productivity, which was estimated to result in a nett loss for the year. Since this was unacceptable, all Executive, Regional and State Managers were called to Head Office for a 1-day conference, where they were challenged to recover the lost productivity of the previous year, particularly now the FSPU issues had been settled. They were also assured that greater productivity would be generated by imminent enhancements to systems that would improve technical control in laboratory operations and further assist in performance monitoring. Subsequently, the Authority approved the 1979/80 Budget, which predicted an annual nett profit of $309,600.

All operations staff were focused on achieving this turnaround, and it soon became apparent that the challenge was stimulating strong competition between the 3 laboratories. By the end of November 1979, testing productivity had increased by a massive 40%, and nett profit for the 2 peak months of October and November alone was $752,890 versus the budgeted $368,100. In addition, average service times were much shorter than previously, also due to the improved system controls. [150]

During the second 6 months, the cost of drying scoured subsamples was reduced significantly by the installation of 40 x AWTA-developed electronic dryer monitors, which were still subject to proving trials when the Capital Budget had been approved. By December 1979, these units had proved to be capable of detecting exactly when each can of scoured wool was dry, such that it could be replaced immediately by the next can in the queue. By minimising over-drying, power costs were reduced, and the need for repeat weighings to establish constant weight was eliminated, thus reducing the number of employees required in the drying section.

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[149] Lindsay Yeo's address on 'The Role of the Australian Wool Testing Authority' was presented to the IWTO Wool Committee Meeting in London on 6th June 1979. The full text is attached as APPENDIX 4.

[150] At the December Authority Meeting, the CSIRO Member, H G (Dave) David, produced a statistical report confirming that the improvement in testing productivity was at the highest rate achieved at any time during his 20 months as a Member.

Nett profit for the 1979/80 financial year was almost $1.25 million, which was well ahead of the budgeted $0.31 million and the $0.66 million achieved in the previous year. When reviewing this result, Regional Managers agreed that the availability of factual productivity data had created much greater competition between their 3 laboratories than they had experienced against competitors. The fact that the detailed performance data were reported monthly to the Members was also a key factor. [151]

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When preparing the 1980/81 Budgets in April 1980, the Policy Managers Committee noted that some 94% of bales in the Australian clip would be presale tested by the end of 1979/80, provided the current growth continued through the last quarter. Also, a trend was developing for growers to have their small lots tested, either to be sold alone or matched with similar wools in objective lot-building schemes. The latter schemes were attractive because sale proceeds were apportioned to growers according to the test results of their component lots. To encourage this trend, the Authority agreed to reduce the presale test fees for small lots by tapering lower testing fees down from 4-bale to 1-bale lots. This was justifiable because the extra small-lot tests would be conducted at marginal cost. [152]

At this meeting, the 3 Regional Managers responsible for raw wool testing laboratories also argued that the 2-subsample presale test was inappropriate for traditional interlots and bulk classed wool, due to their greater variability. In practice, they were having to test additional subsamples so frequently that they had found it more efficient to test the maximum 5 subsamples at the outset, to meet the maximum service time commitment. Using the power of AWTA's systems, a quick search of several years' test data was conducted, which confirmed that the internal retest rates for these wool descriptions were even higher than for post-sale tests. Consequently, the 1980/81 Budget included a recommendation for these lots to be charged at post-sale testing rates to better align fees with costs.

Another innovation for this Budget was the introduction of an 'Express Service' option for presale tests, with a fee surcharge payable to cover the extra costs incurred in delivering a maximum service time of 6 days, while maintaining the standard 10-day maximum service time. It was clear that the private buying sector would benefit from this option, since it would enable them to pay their grower clients more promptly and also to reduce their own holding costs before on-selling to the trade or delivering wool to a customer. Whilst private treaty merchants were the most likely clients to select this faster service, some brokers were also expected to use it for grower clients needing to sell quickly. [153]

These express service and charge adjustments were received favourably by most clients, except for some private buyers in WA whose main business was to produce blends, reclassed lots and interlots before reoffering the rehandled product to the trade. In their cases, they might incur both the 'express charge' and the higher fee for testing extra subsamples, so they appealed to their Federal President, Bob Chadwick, to demand that these fees be dropped. After Chadwick had examined the subsample variability data and been assured that the 6-day maximum service could only be delivered by AWTA incurring penalty loadings from overtime and shift work, he accepted that the higher fees were justified on cost grounds. Accepting AWTA's assurance that the express surcharge would only apply if specifically requested by the client, he undertook to correct his members' incorrect impression that the express surcharge would be applied automatically. Whilst these explanations were accepted by most PTWMA members, both Westwools Country Division and R D Eastaugh remained antagonistic about WTS' demise and the absence of a competitor.

After Chadwick informed the PTWMA members that the Authority's surcharges were justified on technical, cost and equity grounds, Westwools Country Division and R D Eastaugh decided to send samples to WTS

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[151] For the entire 1979/80 season, the weighted average testing productivity for all 3 laboratories was 1.06 manhours per test versus the budgeted 1.13 manhours per test and 1.44 manhours per test recorded for the previous year.

[152] Analyses of wool auction price data by the AWC and the BAE had found that untested lots were being discounted in the market by more than the cost of testing. They had also reported that subjectively matched interlots and bulk classed wools were heavily discounted. For objectively matched interlots made up of small, tested lots, sale proceeds could be distributed more equitably to each grower and, if advantageous, the buyer could redistribute the component lots.

[153] Some 10 years earlier, AWTA had attempted to introduce an express service for post-sale tests, but it was scrapped due to unpredictable delays in gaining access for sampling which the laboratories were unable to catch up. However, access was not an issue for presale sampling and, further, AWTA could now track and control the service time of every individual test.

(NZ) Ltd, which issued IWTO Certificates in breach of the supervision requirement of the IWTO Core Test Regulations. Attempting to overcome this problem and force AWTA to include non-AWTA test results in Combined Certificates, these companies then engaged AWMSA staff to supervise the sampling operations and submit the samples to WTS (NZ) for certification. The subsequent request for AWTA to include the NZ results in Combined Test Certificates was denied on the grounds that AWMSA had not been appointed as WTS (NZ)'s representative for full-time sampling supervision and, in any case, it was AWTA's firm policy only to certify their own test results. This action was reported to the Authority Meeting held on 5th September 1980, when the following Minutes were approved:

"*In addition to the technical aspects, the Director considered that it must remain the prerogative of the Authority to decide whether, or under what technical and commercial conditions, it would certify test results which it neither supervised nor controlled. This matter had been raised in all discussions with the Western Australian parties but had not been accepted. In fact, the Authority was threatened with legal action for restricting trade and competition and/or for refusing to make its services available, in breach of its alleged obligations under the Act.*

"*The clients had been informed that:*

- *the AWTA was not refusing a combination service for certificates issued by other test houses, but it was refusing to certify such data;*
- *the combined test data for AWTA Certificates would be certified, but where other test houses' results were included, a Report would be issued;*
- *WTS (NZ) Ltd could be asked to issue a Combined Test Certificate for its own tests and/or the AWTA tests;*
- *the IWTO does not make it obligatory for a test house to certify another test house's work;*
- *the Wool Industry Act refers only to 'tests carried out by the Authority';*
- *AWTA would not be prepared to accept full financial responsibility for an IWTO Combined Test Certificate involving other test house results; and*
- *since 1975/76, all of AWTA's overseas clients had obtained Certificates including AWTA tests only; it was important to recognise that the predictable relationships which had been established since then should not be jeopardised by issuing Certificates purporting to be based on AWTA testing.*

"*Following detailed discussion of these points, Members RESOLVED That the Authority support the decision taken by management not to issue AWTA Certificates which include Certificates from other testing houses.*"

Following this Authority Meeting, Ward visited Bill Hughes, principal of Westwools in Fremantle, to explain that the Authority's combination policy was legally sound and circumscribed by the wording of the Act. Nevertheless, it was clear from their amicable discussion that Hughes' goal was to have a competing test house established in WA. In this regard, he admitted freely that his companies had benefited financially from duplicate testing with WTS and AWTA and that a new competitor with an unknown reputation in Australia would be accepted much more quickly by Westwools' customers, if the IWTO Regulations forced the Authority to include a competitor's tests in Combined Test Certificates.

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Regarding the express 6-day service surcharge, Bob Chadwick arranged for Yeo and Ward to attend a meeting of PTWMA's national members, where they were able to explain in detail the extra costs AWTA incurred to deliver the express service without allowing normal service to breach the 10-day limit.

Responding to an allegation that the Authority was acting like a monopoly by forcing clients to pay higher charges, Yeo stressed that the express service was completely optional and would only apply if requested in writing on the test request. Further to this, Ward was able to counter assertions that the new 2-tier service was not required by private treaty merchants or brokers, by reporting that more than 11,000 express tests had already been requested during the first 5 months of the season.

When thanking Chadwick for the opportunity to have face-to-face discussions with the PTWMA members, Yeo announced his intention to recommend that their organisation be represented on the Authority.

Pending the necessary amendment to the Act, he would also seek the Authority Members' approval for their President to attend all future meetings as an Observer.

The Authority approved both recommendations and agreed that the Observer would have access to a complete set of papers at each Meeting but could not retain them. Chadwick appreciated this offer of early attendance, advising that the PTWMA had already applied to the Department for full representation on the Authority, and that AWC had subsequently advised the Minister of their support. Bob Chadwick attended his first AWTA Meeting as the Member representing PTWMA on 3rd July 1981.

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The nett profit achieved for 1980/81 was $1.09 million versus the $1.10 million budgeted, which might generate criticism that the Authority's fees were too high and should be reduced. In this regard, Yeo drew Members' attention to the fact that most of this profit had been derived from non-operating income sources, not from testing operations. In fact, if interest earnings and income from sale of surplus sample material were excluded, an operating loss equivalent to 80 cents per presale test had been incurred. Therefore, the Authority could rightly claim that their testing fees were now below cost. [154]

Bob Chadwick, FCPTWMA's Member of AWTA, drawing David Ward's attention to the place where police pursuing Fredrick Ward – a bushranger known as Captain Thunderbolt – shot the wrong man

[154] When approving the 1980/81 Budget, the Authority had noted that there was a common misconception in Government circles and among agri-political wool growers that the 'Reserves' reported in the annual accounts were cash surpluses. In fact, they mainly represented accumulated profits which had been reinvested over time in buildings, laboratory facilities and equipment. These same critics also claimed that the surplus funds invested in the money market were accumulated profits, whereas they were mostly derived from the aggregated provisions made for depreciation, long service leave and annual leave, which must be set aside to meet future financial obligations.

38. NEW TECHNOLOGY YIELDS MAJOR COST SAVINGS FROM 1976

"*This computerisation will reduce staff levels, improve technical controls, generate operating efficiencies, and facilitate reporting. When fully installed, it has been estimated to generate an annual net cost saving of $657,000.*" [Lindsay Yeo addressing AWC Members – August 1976]

AWTA's first steps to introduce computers into their operations was initiated in February 1970, when the Authority considered a 'Report on Burroughs TC500 Terminal Computer' prepared by David Charlton and Ian Kelly. The initial aim was to improve the efficiency of manual calculations and typing operations, which were vulnerable to the loss of trained staff, absences due to sickness, and human error. It was argued that the automation of these operations would build confidence in the accuracy of Certificate documents issued, reduce staff numbers, and provide greater flexibility in hours of operation. Given that computers in general were new technology at that time, the Authority Members sought independent expert confirmation regarding the TC500's suitability. Subsequently, the purchase of 3 x TC500s plus peripheral items was approved in June 1970. Although these units had limited memory capacity, only operating on paper tape, they were the most cost-effective equipment available at that time.

In addition to their application in processing test results, these minicomputers enabled the Authority to provide a bareme service for wool buyers' use in setting bidding limits, nett of storage, shipping and testing costs. Traditionally, simple Australian Clean on Floor (ACOF) baremes had been provided by banks and shipping companies, whereas the Authority's service could handle multiple cost and yield variables. Within days of Pat McGilvray launching the service to the trade, 20 companies had ordered tailor-made baremes, and this demand increased rapidly to more than 60 wool buying companies. [155]

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Shortly after taking up the WA Manager position, Dr Peter Morgan had developed a strong personal interest in improving AWTA's basic computer programmes and systems. Whilst this was not part of his original accountabilities, he and the Burroughs' technical staff in WA managed to extend the capabilities of the TC500s, which led to him taking the leadership role for information technology (IT) within AWTA. As presale testing gained momentum during 1972/73, he recognised that AWTA's computers would require a major upgrade, and he was authorised to work with Burroughs to find the optimum solution for the Authority's foreseeable requirements. In due course, the decision was made to purchase Burroughs L8000/L9000 minicomputers, which would provide much greater capacity, plus the flexibility to handle punched card systems. Importantly, they were compatible with the TC500s, enabling the changeover to proceed without any significant interruption to testing operations and clerical services. [156]

The Authority's introduction of these minicomputers generated large productivity gains in all testing, clerical and certification operations, and they also facilitated improvements in quality control and Certificate delivery. In this regard, it was advantageous that Morgan was responsible for programme development, since his management of sampling and testing operations gave him first-hand knowledge of systems enhancements that should be incorporated as and when programmes were being updated. Two such improvements were introduced in 1975, namely:

- provision of a 'Clip Check' report enabling Quality Controllers to compare test results for all lots within the same clip/brand, so anomalous results were check tested before issue; and
- the sequential printing of all Certificates for each client, thereby facilitating delivery by AWTA's in-house courier service and simplifying sorting for the client.

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[155] After covering the initial cost of programming, these computers provided a highly profitable service. Buyers requested new baremes each year before the opening wool sales, and they ordered updates whenever a significant cost increase arose.

[156] When the Authority sought approval for this upgrade in June 1973, AWC staff attempted to convince the Corporation that AWTA should be directed to use their computer systems, which were also due for a major upgrade. However, this was rejected when it was realised that the AWC would not guarantee priority access, which was essential for AWTA to control and minimise service times on a continuous basis.

The potential for a major technological leap forward arose in 1974, with Mettler's release of their first electronic laboratory balances. Morgan was authorised to investigate the feasibility of automating the recording of balance data within the Fremantle laboratory. To this end, equipment was purchased for him to develop and assess a pilot system, comprising an electronic balance, a punched card reader, a cassette recorder, plus units for data transfer from the balance and the reader. After a trial-and-error period, he was able to prove that this system could trap the balance data successfully, and in a format suitable for storage and later retrieval from the computer. Although he had established that the balance data could be recorded directly by the L8000/L9000 computer, the cassette tape facility was needed to preserve computer capacity for more costly and/or urgent operations.

When the enormous potential of this breakthrough was reported to the equipment developers in early 1976, Morgan was invited to visit Mettler's Head Office in Switzerland to discuss his findings, with all expenses paid by them. At the same time, Burroughs also invited him to visit their computer development engineers in Detroit to ensure that AWTA would have the most up-to-date computers for comprehensive data trapping, with all costs refundable if/when AWTA placed an order. Prior to making these visits in July, Morgan had provided estimates for the 1976/77 Capital Budget based on the then best advice from the Australian agents of both companies, who had advised that it would take 2-3 years for a fully automated system to be developed and phased in. However, during these visits he was given highly confidential details about new state-of-the-art electronic balances and computers which were ready for launch, but had not yet been disclosed to their agents or staff in WA.

Contrary to the predicted 2-3 years phased development, these advanced technologies would enable the Authority to install its complete requirements within a year and without the complications associated with a phased implementation. In fact, Mettler had just produced a range of balances capable of meeting all AWTA's wool testing requirements, and Burroughs had developed a B80 computer which was ideally suited for direct recording of masses of data. Both companies also advised that suitable devices already existed to provide laboratory staff with direct feedback on issues, such as quality control warnings and error detection. With all essential components now available, Morgan was then convinced that it was now technically feasible and commercially beneficial for AWTA to install a fully automated system of data recording and processing immediately. [157]

Based on the professional advice and quotations from Mettler and Burroughs in relation to Morgan's specification of AWTA's essential requirements including some other desirable items for the 3 laboratories and the Accounts Department, Morgan worked with both companies to prepare new recommendations to replace the items listed in the 1976/77 Capital Budget. Both companies were so keen to support this development that Mettler agreed to buy back all existing balances that would become superfluous, and Burroughs agreed to cancel the Authority's existing orders and to accept the present L8000/L9000 computers as trade-ins, representing a total saving of $137,745. The gross total capital now required was $791,934, of which $449,587 was for computer equipment and $342,347 for electronic data trapping equipment and balances. After deducting the suppliers' credits and allowances, the budgeted nett capital expenditure requiring approval was $654,189.

To support the submission to the Authority and then AWC, a detailed analysis was made of the annual costs and savings applicable in the first full year after implementation. This showed that the B80 systems would reduce the day and evening shifts by 45 and 36 employees, respectively. These reduced staff levels, coupled with other operating and quality control efficiency gains, were estimated to generate a nett annual saving of $657,000.

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[157] The greatest advance over the pilot system was the ability to record all information directly on the B80 minicomputer, which had a complete error detection and recovery routine, and sufficient flexibility to ensure negligible production time-loss in the event of breakdown. All data recorded by the B80 would also be written to a tape cassette for back-up in the event of disc failure and, if the B80 failed completely, the taped data could be transferred to a second B80 which would normally be handling certification, production reporting, checking lot differences within a clip etc., with only a small impact. In addition, the electronic balances and data transfer units would be organised in the system in such a way that a major individual breakdown would only cause a reduction in weighing capacity for less than 15 minutes.

In view of the urgency to proceed, Yeo authorised the submission being sent to the Authority Members and the Corporation simultaneously, also asking the Authority Members to endorse and/or provide comments before the AWC Meeting on 28th August 1976.

Both organisations approved this large capital investment without hesitation. [158]

Major Cost Items	Annual Cost ($)
Equipment depreciation @ 25%	198,000
Service/maintenance - new B80s	26,100
Service/maintenance - balances etc.	3,400
Materials & Supplies - discs & cassettes	12,000
	239,500
Major Sources of Savings	**Annual Saving ($)**
45 less day staff @ $9,000 p.a.	405,000
36 less evening staff $10,800 p.a.	388,800
Replaced equipment - depreciation	51,200
Replaced equipment - service/maintenance	18,650
Elimination of laboratory worksheets etc.	32,850
	896,500

Costs and benefits of the switch to Burroughs' B80 computers

Regarding the computer systems upgrade, AWTA received a windfall gain in late 1976, when Burroughs advised that their new B80s would not be fully operational until the end of 1977. However, to meet AWTA's deadline for implementation by the start of the 1977/78 wool selling season, they offered to substitute 6 much more powerful B1700 units for the 7 ordered B80s, on a permanent or temporary basis, which the Authority could decide once the B80 became available. The Authority approved this change, noting that the much greater capacity gained would postpone any future upgrade for some years. The only negative aspect of this swap was the cost of housing the more powerful computers in controlled atmosphere rooms.

By July 1977, one new B1700 computer was already operating in Fremantle and the first units were being installed in Melbourne and Sydney. However, the sustained growth of testing over the past 2 years had caused Morgan to refocus his systems development priorities on providing enhanced data processing, improved laboratory quality control reports, and other new tools for staff to monitor and control testing productivity at the individual test level – all of which improved service delivery for clients and contributed to higher profitability. On the other hand, this change in priorities would delay the direct linkage of Mettler balance output to the computers by up to 12 months.

In his July 1978 progress report to the Authority, Morgan foreshadowed the need to purchase some extra systems equipment, including additional disc storage capacity, visual display units to assist quality control staff, and telex interface units to enable electronic data exchange between AWTA and wool brokers, which would reduce costs and speed up the delivery of test results.

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In May 1979, the Authority Members were advised that, whereas a computer hardware upgrade would be required within 12 months, there was an immediate need to increase data storage capacity again. Approval was granted for the purchase of 6 x disc storage cartridges at a total cost of $168,000 and Morgan was asked to provide his report on the new requirements by the end of December. Subsequently, he advised that the recommendations for the computer upgrade would be presented at the first Authority Meeting in 1980.

By way of background, Morgan explained that AWTA's application of computers had evolved from their use as production tools, simply calculating test results and printing Certificates, to the present stage where detailed service, production, management and financial information were readily available to assist decision-making.

[158] The AWC were particularly impressed that the new systems would be capable of trapping bale identification and bale weight data at sampling lines, as had been envisaged in the 'AWTA Total Plan'. As a result, it would be possible for AWTA to produce master sheets for catalogue printing and other documents for buyers, such as delivery orders, weight lists etc.

This progression had been the major factor helping management to achieve high levels of productivity, improved service delivery, and profitability. Whilst the decision to focus on management control systems had slowed the development of the Mettler direct data recording system, it should now be progressed by expanding AWTA's computing capacity:

- to complete integration of the Mettler system;
- to provide capacity to link other new electronic testing equipment to computers;
- to enable AWTA to communicate directly with clients' computer systems;
- to reduce the cost of program development and maintenance; and
- to further develop management control systems.

In March 1980, the Authority held a Special Meeting to consider 2 reports requiring urgent approval. Due to serious flight disruptions, it was necessary to conduct this meeting in 2 locations connected via intercom telephones. [159]

The first report was Morgan's comprehensive assessment of 'AWTA Computerised Systems Development & Requirements', wherein the principal recommendations were to replace the current 6 x B1700s with 6 x B1815 units, and to purchase of one larger B1855 computer to enable the IS team in Fremantle to continue their programming and systems development without causing any interruption to the local testing operations.

The key benefits to be gained from this upgrade included:

- faster processing speeds, larger memory, greater efficiency in handling increases in workload, and more sophisticated and detailed production management and control systems;
- all instruments having electronic outputs, including the Mettler balances, NIR equipment, staple length & strength testing devices etc., could be connected directly to the computers;
- the ability to track the progress of every individual test to ensure that service times did not exceed the declared maximum limits, thereby assisting in smoothing workflows and meeting brokers' needs for the regular return of results; and
- the larger capacity of the Accounts & Administration computer would enable installation of more sophisticated systems, and would be used to improve productivity in the Textiles Testing Division.

The Authority approved the recommended purchases at a nett capital cost of $626,000. [160]

Early in June 1980 Burroughs advised that they could not meet the delivery deadline for the B1815 computers, but they were willing to substitute much more powerful B1855 computers at no extra cost. Both the Authority and AWC approved this windfall change without hesitation. Within 3 months, the new computers were being installed without any hitches, and they were already recording all fibre diameter test output directly from AWTA's enhanced 2-Airflow system.

However, history was repeated when, instead of supplying the second B1855 units to Melbourne and Sydney laboratories, Burroughs decided to substitute even more powerful B1915 computers at no extra cost to the Authority, providing yet another capacity windfall for the Authority.

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[159] The Sydney-based Members and Sas Douglas met in Sydney, while the Chairman and all other Members met at the Head Office in Melbourne, with Ward, Artomonow and Morgan. It was agreed that Yeo would summarise the key points for both groups, which would then hold their own separate discussions before rejoining the meeting to resolve any concerns, and to make the final decisions.

[160] In view of the urgency to place orders, the paper had been sent to the AWC for their earliest consideration. They approved the purchase only 2 weeks later.

39. INDUSTRIAL ACTION FOCUSES ON WORK VALUE CASES

"*In the industrial relations community, your negotiations with the FSPU have become known as the 'Blue Hills' case, having run for 6 months already and involving a cast of hundreds Australia-wide.*" [Wool Brokers Employers Federation advocate, Barry Purvis – July 1979]

Following the Fraser Government coming to power in late 1975, the national wage guidelines were tightened such that the scope for Unions to gain wage increases for their members was limited to running a successful work value case before the Arbitration Commission. To initiate such a claim, it was necessary for the Union to create a dispute in the first instance, before referring the issues to the Commission when negotiations inevitably broke down. Given the obvious impact of presale testing and sale-by-sample on wool store handling operations, coupled with the Authority's continuing investment in new technology and systems, it was inevitable that the FSPU would commence industrial action at a time of their choosing.

In October 1978, during the peak sampling and testing period of the year, the FSPU demanded a full review of Determination 11 of 1965 which covered AWTA's wages and conditions, advising that a full Log of Claims would be served by their Federal Office in Melbourne. AWTA's initial response was to remind the Union of their obligation to forward the claim and their recommended response to the Industrial Relations (IR) Coordinating Committee in Canberra, once the Log of Claims was received in writing. While the detailed claim was still being prepared, the NSW Branch of the Union invoked overtime bans in Sydney on 8th November. Despite assurances to the contrary, the bans spread to Melbourne and Fremantle within a week, and they were reinforced when FSPU members in wool stores were instructed to place black bans on sampling, commencing in Sydney and Melbourne on 16th and 17th November, respectively. [161]

On 21st November, Ward and Mansfield met the FSPU's National Organiser, Mike O'Grady, to obtain specific details of their issues, and to remind him that the Commonwealth IR Committee had recently issued a directive that all wage and penalty rate claims must be determined by the Public Service Arbitrator. The Union reacted angrily, instructing all sampling and testing employees to commence strike action on the following day, with future votes to extend this strike action to be held on 27th November and 1st December. After numerous phone calls and meetings with the Union and their delegates, the FSPU finally provided a formal and list of identifiable claims, to which AWTA responded by telex on 5th December stating that:

"*When all sampling and testing staff have fully resumed normal work without bans and/or other limitations, AWTA will notify the Public Service Arbitrator of the dispute. Once notification has been made, AWTA will provide details of salary scales and actual rates being paid in each grade.*"

On the following day, employees Australia-wide voted to return to work within 24 hours. The Arbitrator then called a statutory Conference on 8th December, which concluded with the Union being instructed to put their wage grievances and any suggested solutions in writing, and the Authority being told to draft appropriate clauses covering all other claims. Over the next few days, both parties cooperated in documenting the main issues on a 'without prejudice' basis.

When the Conference resumed on 13th December, the Arbitrator announced that the wage claims could only be resolved via a 'Work Value Case'. For this purpose, he instructed the parties to document the changes which had occurred in AWTA's operations since 1st January 1970. In this regard, he explained that the new 'Wage Indexation Guidelines' required the changes to be assessed to determine whether they "… *constitute a significant nett addition to work requirements to warrant a wage increase*", rather than simply being a variation to work.

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[161] Barry Purvis had alerted Ward that the FSPU would provoke a dispute with the Authority as part of their campaign against all wool industry employers. They had already won wage increases from Grazcos, gained significantly improved conditions for the Skin & Hides Award, and were planning to hit the brokers after their AWTA claim was settled. By timing industrial action for the peak testing months, the Union intended to create maximum pressure and, in view of this, the best tactic for both AWTA and the brokers was for the Authority to delay the start of negotiations until all bans were lifted. However, this delaying action became unnecessary because the Union failed to produce the written Log of Claims until December.

He also stated that it was the Court's role to make this judgement based on evidence. FSPU and AWTA were not required to assess or reach agreement on the work value aspects of any of the listed changes, since this would be determined independently by the Arbitration Commission. In addition, the Arbitrator directed both parties to re-examine the current classifications and terms and conditions.

WORK CHANGES SINCE 1ST JANUARY 1970

1970:	Sampling offices established in Albury and Launceston
	New Fremantle laboratory completed to improve efficiency
1971:	Airflow fibre diameter test method approved by IWTO
	VM type dissection combined twigs with hard heads
1972:	BWF mechanical yield test method discontinued
	AWTA-designed continuous ashing furnace introduced
	AWTA-designed caustic soda dispensing units enabled batch testing
1973:	Presale yield test method approved by IWTO
	AWTA scours enhanced to automate more functions
	Mechanical core & grab sampling machines introduced progressively
	Electronic balances introduced in Melbourne laboratory
1974:	Use of sampling machines extended Australia-wide
	New "William Gunn Laboratory" in Sydney increased capacity/efficiency
	Fremantle laboratory extended to increase capacity/efficiency
	Hobart sampling office established
1975:	AWTA-designed multi-head dryers replaced CSIRO triple-head units
	Preprinted worksheets and tags replaced manual recording operations
	Batching/grid system introduced to improve work-flow control
	Introduced AWTA-designed sample blenders using compressed air
	Prediction of ash of Total Alkali-insolubles replaced testing
	Electronic balances introduced in Fremantle and Sydney
1976:	New Melbourne laboratory and Head Office increased capacity/efficiency
	Weighing samples before and after blending to account for loss
1977:	AWTA-developed centrifuge replaced commercial spin-dryers
	Aluminium Soxhlet thimbles enabled mechanisation of packing/unpacking
1978	Airflow fibre diameter measured using 2 machines with separate operators
	Sampling machines introduced for "Jumbo" bales
	Some coring machines modified to automate repositioning of the core head

For this purpose, key negotiating meetings were held on 19th and 30th of December 1978, and January 26th, February 1st, 9th and 14th, and March 2nd, 1979. Throughout this protracted period, Ward and Mansfield fine-tuned the draft clauses, which they had provided to the Arbitrator on 13th December, making amendments as progress was made. Between each negotiating session, the FSPU's Federal Office sought input from the AWTA delegates via their State branches.

Four weeks after the 2nd March meeting, the Union had still not responded formally regarding the final draft clauses, causing AWTA to give notice that a formal objection would be lodged with the Arbitrator. The Union responded by approving all terms and conditions within the week. By this time, this prolonged process had become known within industrial relations circles as 'Blue Hills', due to its longevity and the size of the Australia-wide Union cast. [162]

[162] 'Blue Hills' was an ABC radio serial, written by Gwen Meredith, which had gone to air twice each weekday for a total of 5,795 episodes, from February 1944 to September 1976.

Regarding the work value case, the Public Service Board appointed an experienced industrial advocate, Adrian Fitzpatrick, to run the case at AWTA's expense. He accompanied O'Grady and the Arbitrator on inspections of AWTA's operations in Fremantle, Sydney and Melbourne, commencing on 7th May, following which he argued before the Arbitrator that there had been no significant change in work value. On 5th July 1979, the decision was handed down by the Court rejecting the FSPU claim for increased wages.

When the senior management team reviewed their interactions with the FSPU and the causes of previous disputes, they concluded that some terms and conditions were able to be interpreted differently by AWTA and the Union. To ensure consistency throughout AWTA, Ward produced a comprehensive manual headed 'Guidelines, Interpretations and Instructions re New Terms & Conditions', which inserted detailed interpretations under every individual clause listed in the new Determination. Confidential copies were held in the offices of all Regional and State Managers and executive staff, where they could be accessed by their direct reports whenever considered necessary. [163]

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As Purvis had foreshadowed 6 months earlier, FSPU commenced low-key negotiations with the Australian Wool Selling Brokers Employers' Federation, which resulted in a work value case proceeding without any serious industrial disruption. Purvis informed the Authority that the main issues were wages, permanency and superannuation, and that they could expect the Union to seek a flow-on of any gains. When this occurred, it would be practically impossible for the Authority to argue against the flow-on, given the Arbitration Commission's previous recognition of a nexus between the Wool Stores Award and AWTA's Determination 11 of 1965.

In January 1980, when Purvis refused to give ground on the non-wage issues, wool store employees across Australia went on strike immediately following the Christmas/New Year break. As sampling operations ground to a halt, the Union was told that all casual employment at AWTA had ceased, and that other employees were being encouraged to take recreation leave and/or leave without pay. AWTA decided against seeking stand down orders, to avoid a confrontation that might confound the brokers' dispute.

On 21st December 1979, Mr Justice Staples awarded wage increases for wool store employees in the range of $12.50 - $15.90 per week and, as predicted, the FSPU sought a flow-on to the Authority on 3rd January. As required, this claim was reported to the IR Coordinating Committee. However, they deferred a response when they learned that Purvis had lodged an appeal to be heard by a Full Bench of the Arbitration Commission. In due course, Purvis won the appeal, and the wage increases were reduced to a flat $8.00 per week across all wool store classifications.

On 21st March 1980, immediately following this Full Bench decision, FSPU sought a flow-on for AWTA to increase wage rates by $8.00 per week, backdated to 27th October 1979, plus a further $4.25 per week to apply from 21st March. At the same time, they placed their claims on the Agenda for an Anomalies Conference of the Commission, scheduled for 26th March. After urgent consultation with the Department of Industrial Relations, DPI and the new AWC Chairman, David Asimus, Ward was authorised to negotiate a resolution, provided the Union agreed to request an adjournment of the Anomalies Commission hearing. The principal goal of these actions was to minimise the risk of another Union confrontation that might lead to further disruption of the wool industry. [164]

After a series of negotiating sessions, the following agreements were reached:

- the FSPU would adjourn the Anomalies Conference hearing, as soon as they received written confirmation that Ward had full authority to deal with the flow-on;
- the $8.00 rise would be argued before the Public Service Arbitrator as a Work Value Case; and
- the over-Award payment would be negotiated directly between Ward and the Union.

To hasten proceedings, Ward lodged a formal objection with the Acting Public Service Arbitrator, who called a Statutory Conference for 23rd April 1981 at which he determined that the AWTA work value

[163] Thereafter, the resultant consistency in interpretation Australia-wide proved to be beneficial, improving industrial relations at local level and reducing the potential for conflict. This manual was a 'living' document, which was updated as and when previously unforeseen situations arose and required interpretation.

[164] David Asimus, a wool grower, had been appointed Chairman of AWC following the death of Alf Maiden on 30th July 1979.

changes were "… *at least equivalent to those recognised by the Full Bench*". On that basis, he was able to determine that the same $8.00 wage increase would apply and be effective on and from the same date as the Wool Stores Award increase.

Regarding the additional $4.25 over-Award claim, Ward successfully negotiated this down to $2.75 per week, arguing that it was important to maintain the historical nexus between rates of pay for AWTA's sampling employees and the wool store classifications.

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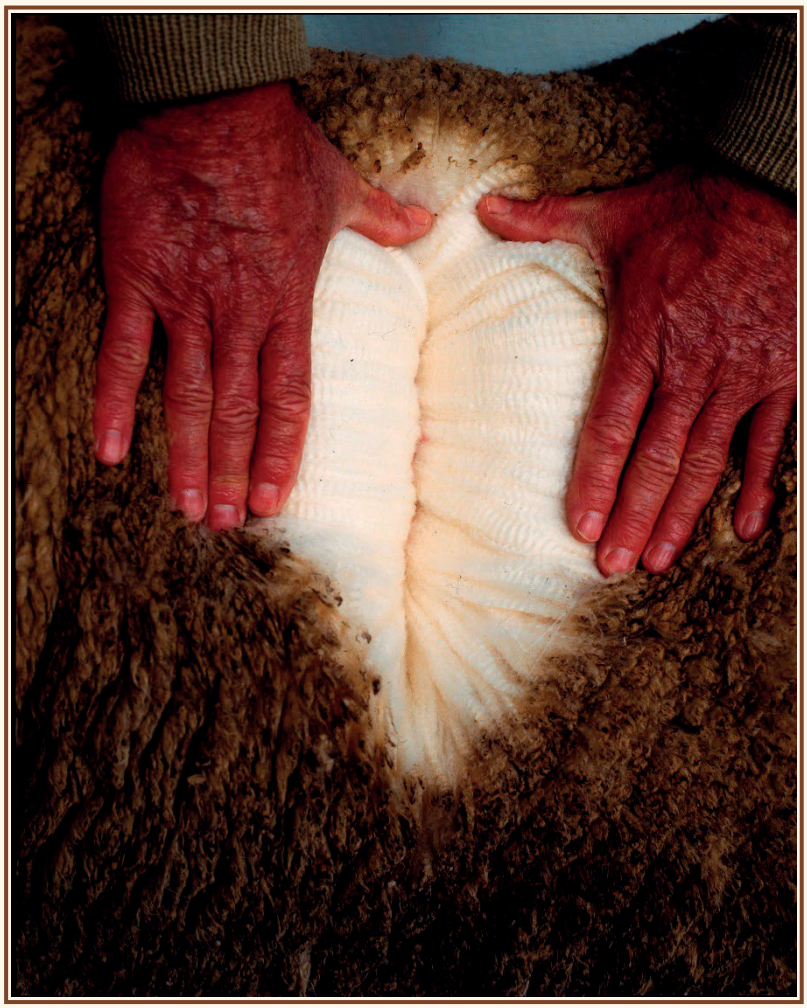
On 14th December 1981, the FSPU delivered another comprehensive Log of Claims on AWTA, this time covering 52 separate items. As required, the details were again referred to the IR Coordinating Committee, which responded by authorising Ward to negotiate suitable outcomes without breaching the historical nexus with the Wool Stores Award.

The Authority's written response was delivered to the FSPU on 23rd December, rejecting 39 claims outright, rejecting another 9 with a counteroffer, conditionally accepting one, and accepting only 3 as presented. Without further discussion, the Union held votes of members Australia-wide which resulted in the Authority's response being accepted.

On face value, this willingness to recommend AWTA's responses to members was thought to be motivated by a desire to resolve the issues before the Christmas and New Year break. However, in April 1982 when the Australian Council of Trade Unions (ACTU) applied to the DPI Minister, Peter Nixon, for representation on the company being formed to replace the Authority, it was considered more likely that their cooperative attitude was to improve the Union's chance of gaining a seat at the board table.



40. CULTURE OF EXCELLENCE BUILT ON FACTS AND DATA

"*If we want to improve performance, the targets for change must be measurable with factual data, and should be reported to the Authority Members, knobs and all, so they can assess performance trends on the basis of facts, rather than subjective opinions.*" [Alex Artomonow to the Policy Managers Conference – February 1977]

During the initial period of Alec Dixie's tenure as 'The Director' of AWTA, he was preoccupied with establishment issues, which included core sampling research, explaining the application of condition testing to the semi-processed wool sector to gain business, and educating the Authority Members at their fortnightly Meetings. He had little time left to produce regular formal reports, and reports to the Authority were generally to provide responses to Members' requests, or to present cases for essential capital expenditure. Although he kept statistical records for each type of test conducted, these were not reported on a regular basis. The appointment of Les Burditt as Secretary enabled the Authority to receive some basic monthly statistical reports covering bales sampled, numbers and types of tests conducted, and employee numbers and locations, and he later expanded the scope of reports to include details of income and expenses, capital expenditure, and interest payment schedules.

When the Authority was subsumed within the structure of the Australian Wool Board, several ad hoc AWB/AWTA Committees were established to oversee operations and provide technical support. However, Dixie perceived their interventions as unwarranted interference, which undermined his role to such an extent that he felt compelled to resign. Following his departure in 1964, a senior research scientist from the CSIRO Division of Textile Physics, Jim James, was appointed as Acting Director for a period of 6 months, during which the Board made Harold Lay available to improve administration and reporting.

At this time, AWB had taken over the Authority's payroll, accounting and finance functions and their qualified staff had improved the scope, quality and timeliness of financial reports, giving both the Authority and the Board greater confidence. With access to the payroll details, Lay had produced a new fortnightly report on Staff Establishment, which listed all employees by location (State and city/town), by function (Head Office, testing, sampling, clerical or administration), and by maturity (adult or junior). However, as this was simply a head-count summary of total personnel paid, regardless of hours worked, it was of historical interest only, rather than being a useful management tool.

When James Campbell commenced as Director in 1965, he was keen to make reports to the Authority more informative and analytical. Coming from a managerial position in a paper production mill, he decided to focus on developing reporting systems to provide executive staff with factual data which would improve their decision-making and facilitate control over operating costs. Consistent with this, he introduced more useful monthly reports for the Authority and the AWB and, by December 1965, they were receiving a comprehensive set of monthly Reports covering:

- month and year-to-date income and expenditure, with comparisons against Budget and the previous year;
- assets and liabilities, plus a debtors statement listing all debts outstanding over 90 days;
- capital commitment versus Budget, including a list of capital expenditure passed for payment since the previous report;
- testing activity reports for each test type, with statistical comparisons against budget and the previous year;
- a labour establishment chart; and
- a list of outstanding matters, to be considered at a future Authority Meeting.

Campbell's strategy to report a comprehensive range of transparent information to the Members and the Board proved to be successful. With more detailed knowledge of AWTA's business and performance, AWB became more confident in the Authority's ability to manage their own affairs. Having met these corporate requirements, his next objective was to reconstruct the financial and activity data reports to facilitate more detailed cost analysis and ensure that fees were aligned with costs.

To this end, he had engaged 'Rex O Thiele & Associates – Cost Consultants' to examine all services, identify operating cost-centres, define the essential data to be recorded routinely by employees during each operation, and to design reports which would simplify analysis by management and enable improved cost control. Whereas this project was expected to be completed by April 1966, Rex Thiele had only tabled and presented their final report at the Authority Meeting held on 23rd September, which was Campbell's final day with AWTA. Consequently, it was left to Yeo, Ward and Mansfield to examine the proposed system in detail, following which they recommended its adoption.

For several months thereafter, Thiele & Associates analysed the monthly data for each cost centre and produced succinct dashboard reports and commentary highlighting important changes in income, costs and profitability. They progressively involved Murray Mansfield until they were confident he could manage the new reporting system competently, without their involvement. Subsequently, when appointed as AWTA's first qualified cost accountant, Wayne Nettleton used the trends data to calculate the monthly split of the annual budget to make comparisons of actual monthly results against budget more informative for the Authority Members, and more useful for managerial staff.

Throughout this evolution, senior staff became increasingly committed to the use of data as the basis for decisions and planning, instead of relying on past experience and personal opinions. This change encouraged the development of a corporate culture of excellence based on facts, which culminated in reports to the Authority being revised whenever the base data could be presented in a more relevant format for performance assessment. By way of example, in late 1975 Lay's 'Staff Establishment' report was redesigned to help management focus on productivity, and to ensure that the Authority and the Board stopped assuming that the headcount numbers were all full-time personnel. Instead of counting heads, the decision was made to divide by 80 the total hours worked per fortnight in each cost centre, thereby producing 'full-time equivalent' staff numbers - a much better measure of productive strength.

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The AWTA Policy Managers' Conference held immediately following the 1976 Spring testing peak focused on new opportunities to improve productivity, in the absence of competition. With the closure of WTS, brokers were more willing and able to provide estimates of expected testing demand up to a week in advance, which enabled AWTA to better align labour costs with expected daily workloads. Upon closer examination, they realised that significant cost-savings could be gained by using this advance data to smooth laboratory workloads. To this end, procedures were introduced for the daily allocation of tests to the Melbourne, Sydney and Fremantle laboratories in the ratio of 5:4:4, in line with their respective capacities. Having this advance knowledge, AWTA could predict and control service times more precisely, enabling them to declare a public commitment to provide maximum services time for all presale tests, regardless of the worst-case remoteness of any sampling location. Although higher sample freight costs would be incurred, this disadvantage would be more than offset by management's improved ability to control labour costs.

Under the allocation strategy, each laboratory received the samples from all centres within their own State. Samples from Queensland and Tasmania were normally allocated to their nearest laboratory, and South Australian samples were allocated to balance the ratios. In practice, each sampling centre reported their daily sampling volumes to Peter Morgan, who then calculated the allocation totals and issued instructions in sufficient time to meet the express air or road freight schedules.

The smoothing of workload fluctuations across all 3 laboratories meant that they were almost always equally busy, rather than having one or more laboratories starved for work while others were incurring overtime and shift work penalty costs to meet the declared service time limits.

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This change coincided with AWTA's increasing investment in computer systems. Whilst Peter Morgan's principal applications were focused on the efficiency of testing operations and certification processes, he also developed programmes to assist managerial and supervisory staff by measuring productivity and recording service performance data, creating a new opportunity to enhance the monthly reports to the Authority and the Board.

In February 1977, the Authority were advised that future Director's Reports would include factual service time data for all presale tests, and that the Sales Reports and Financial Statements would be restructured to align with the test allocation ratio.

AUSTRALIAN WOOL TESTING AUTHORITY

CENTRE MANAGEMENT REPORT FOR MONTH ENDED 31ST MAY, 1977

	VIC	NSW	WA	QLD	SA	TEXT
REVENUE($)	129590	118322	82289	10990	14628	10347
EXPENSES($)						
Sampling	30704	22979	18540	8403	8147	0
Testing	38050	61436	46742	0	0	3576
Clerical	12026	16626	10810	50	75	545
Centre Admin.	20278	19298	18104	4106	4089	2703
TOTAL	101058	120339	94196	12559	12311	6824
CONTRIBUTION($)	28532	(2017)	(11907)	(1569)	2317	3523
PRODUCTIVE MANHOURS						
Sampling	4931	4006	3384	1318	1571	0
Testing	7935	10294	8988	0	0	803
Clerical	2086	2700	1976	0	16	107
Centre Admin.	1068	688	894	488	480	352
TOTAL	16020	17688	15242	1806	2067	1262
BALES SAMPLED						
Number	67491	45306	37308	24073	34851	0
Bales/Manhour	13.7	11.3	11.0	18.3	22.2	
TESTS CONDUCTED						
(Greasy Certs)						
No. of Tests	4335	4483	2901			
Budget %	38%	31%	31%			
Actual %	37%	38%	25%			
Manhours/Test	1.83	2.30	3.10			
SERVICE TIME	DAYS	DAYS	DAYS			
Presale						
Range	4-10	3-6	2-8			
Average	6.6	4.6	3.5			
Post Sale						
Range	3-11	3-11	2-11			
Average	6.2	7.2	5.6			

Centre Management Report expanded to show test allocation, sampling and testing productivities, and service time data

Thereafter, Artomonow regularly reviewed all reports to the Authority, inserting detailed performance comparisons of sampling and testing productivity in the monthly Statements of Financial Accounts. His overriding objective was to use all readily accessible data to provide the Members with the most accurate measures of management efficiency. In this regard, he introduced an informative 'Centre Management Report' which summarised:

- total revenue and total expenses for all States and Textiles, with expenses broken down into sampling, testing, clerical and centre administration;
- productive manhours related to each expense category;
- total bales sampled and bales sampled per productive manhour, per State;
- total greasy Certificate tests conducted per laboratory and productive manhours per test; and
- the average and range of service times for both presale and post-sale tests.

For the 1978/79 financial year, more service measures were added, including factual data regarding median service times and the percentage of tests exceeding the declared maximum service.

As expected, the progressive expansion of productivity data being reported to the Authority Members stimulated greater competition between the 3 Regional Managers responsible for laboratories, and also between the State Managers responsible for sampling operations only. Initially, the reported data were derived from presale and post-sale testing only, ignoring the proportions of laboratory manhours being committed to condition testing, guidance reports, fleece measurement, and developing other services such as fibre length and strength testing. As intra-AWTA competition intensified, the management team insisted

that the calculated productivity data must be made more accurate by including all types of tests in the workload data. Unless this was done, the figures being compared would continue to be distorted by the fact that these extra tests were not evenly distributed across all laboratories.

In particular, they were concerned that the Authority Members were interpreting the current data as being completely accurate measures of managerial performance. [165]

By 1979/80, AWTA's corporate culture of excellence and willingness to invest in technology were producing remarkable results in relation to profitability, with minimal fee changes, and clients were able to predict service times reliably. In fact, the systems for performance monitoring were so effective that the Annual Report for that year included the following statements:

> *In common with other service organisations in the Australian wool industry, the Authority's raw wool testing services are influenced by the fluctuations in wool receivals and the peaking nature of shearing patterns. To maintain its service commitments to clients, to reduce the service time from sampling to issue of test results, and to control operating costs, it is essential for the Authority to monitor its performance via computerised systems.*
>
> *During the year, the average service times for all services were reduced and, regardless of sale cataloguing deadlines even at the peak work-load period, in the presale testing area not one single test out of some 362,000 tests exceeded the maximum service time of 10 days.*

During 1980/81, AWTA developed new technology to improve the precision of certified test results. In this regard, Sas Douglas was able to report the following initiatives to the January 1981 Authority Meeting:

- implementation of a 2-Airflow system, whereby each sample is tested on 2 separate instruments to improve accuracy, as now approved by IWTO;
- Australia-wide use of electronic dryer monitors, minimising drying time and saving power costs;
- progressive implementation of direct data recording from instruments to computers; and
- design, construction and installation of semi-automatic VM dissolving and rinsing apparatus.

Besides saving operating costs, these actions also reduced the risk of operator error significantly. Having just returned from the IWTO Meetings, he was also able to report that:

- the Draft Grab Sampling Method had been approved by the IWTO Technical Committee as a Test Method Under Examination (TME);
- major topmakers and combers were keen to participate in processing trials aimed at elucidating the predictive value of staple length and staple strength measurements; and that
- the Sumerbank Merinos mill in Bursa, Turkey, greatly appreciated the Authority's assistance in convincing them to abandon the use of PM test and US Wool Grades, and updating their purchase specification to take advantage of the certified Airflow fibre diameter results available for every presale tested lot in their purchases.

In his capacity as the new IWTO President, Sandy Nevile, commended AWTA staff for their continuing leadership in IWTO matters, expressing his view that no other organisation had ever contributed as much to the revision and improvement of IWTO's technical standards and commercial trading Regulations.

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[165] Since the total number of presale tests was by far the largest component of total workload, it was agreed that a single presale test would be the standard work unit for calculating productivity and, consequently, every other test type had to be rated to establish its 'presale test equivalent' work value. These ratings were subjective judgements based on experience. As such, the majority view was adopted initially, on the understanding that the relative ratings would be debated whenever changes in the nature of the testing work were thought to be distorting the calculated productivity figures. In practice, the ratings were reviewed and fine-tuned at Policy Conferences held over several years.

While systems development had focused mainly on collating and standardising data to measure testing productivity, similar action was initiated to monitor sampling productivity in each sampling centre and by State. This required sampling supervisors to record throughput data and sampling times as the basis for calculating productivity in bales per manhour.

These sampling data were incorporated within the monthly and progressive Centre Management Reports provided to Members, stimulating questions as to whether the large variations between States were due to poor management. It took several months to reassure the Authority Members that, unlike laboratory testing operations, sampling productivity within each centre was affected by many local factors beyond AWTA's control, not the least of which were shearing and receivals patterns, the number and location of individual wool stores to be serviced, and the priority decisions made by wool store managers having limited numbers of employees. Although the aggregation of individual centre data to obtain State figures masked some of these differences, the number, size and remoteness of sampling centres varied so significantly between States that comparisons between them were somewhat meaningless.

In due course, the Authority Members accepted that the most appropriate indicator of management performance in sampling operations was provided by comparing the actual data for the current year against both Budget and the previous year. Once 2 years of sampling productivity data had been collated, the decision was made to hold AWTA's first Sampling Managers' Conference to discuss the use of productivity data as the basis for estimating operating costs for the coming 1981/82 budget. This Conference was held in Adelaide on 26th and 27th March 1981, with the participants being the Assistant Director, the 3 Regional Managers and their Sampling Managers, and the Qld and SA State Managers. Besides budgeting, discussions were focused on future plans to meet clients' specific need, the maintenance of machine and manual sampling equipment, and on procedures to improve checks on weighing scales. Notwithstanding the important outcomes of those discussions, the most significant decision taken was to develop a comprehensive 'AWTA Sampling Manual', which proved to be an invaluable tool to raise and maintain sampling standards and efficiency across Australia.

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For the entire 1980/81 season, only 21 tests out of 405,000 presale tests exceeded the declared 10-day maximum service time. This result reflected the fact that the status of every individual test could be tracked via AWTA's computer systems. During this year also, the availability of sampling productivity data assisted staff to increase sampling efficiency, to the extent that it became possible to reduce the declared maximum service times by one day.

The final enhancement to reports for the statutory Authority was announced on 5th March 1982, when Peter Morgan informed the Members that the performance data in the monthly and progressive 'Centre Management Reports' would be expanded to include trends in retest rates, the percentage of errors detected, the ILRT round trial results for each of AWTA's 3 laboratories vis-a-vis the average results for all 8 participants, the number of justified complaints, and the cost of all claims paid as compensation for proven errors. [166]

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[166] During Alec Dixie's years as Director, when the laboratory was ill-equipped, the IWTO test method was still rudimentary, and only the CSIRO Member had sufficient statistical knowledge to understand testing variation, the reporting of technical performance data would have caused the Authority Members to lose confidence.

James Campbell had adopted a more commercial approach, reinforced by his engagement of cost accountants Thiele & Associates, to record activity statistics, income and expenditure in a format that facilitated analysis by management and provided Members with a better understanding of the factors affecting profitability.

Following the employment of Wayne Nettleton as in-house accountant, the Members received a more comprehensive set of factual reports which demonstrated that AWTA's financial management was well controlled. As testing services expanded, he had appointed a cost accountant, Alex Artomonow, whose specific focus was on identifying the key cost factors that could be controlled by operations management, and to collect time and motion data for analysis of them. His mantra, which was adopted by David Ward and the Policy Group of senior Managers, was: "*If we can't measure it, we can't improve it.*" By 1982, the Authority Members were receiving a comprehensive range of performance data, enabling them to 'measure' the extent to which the AWTA's accuracy, service time and minimum cost objectives were being met.

41. COLLABORATION AIDS INDUSTRY EFFICIENCY AND PRACTICES

"*AWTA are well placed to initiate positive changes for the industry's benefit, and to assist in eradicating malpractices that threaten to undermine the integrity of marketing systems ... Retention of the team is vital for the industry, not just the Authority, since they play an integral role in developing IWTO Standards, Regulations and Contracts.*" [Sandy Nevile – May 1981]

As wool industry selling systems became increasingly dependent upon presale test Certificates and the integrity of grab samples used to value non-measured characteristics, the Authority's management team were constantly on alert for malpractices by rogue wool handlers and/or traders, whose actions could damage local and overseas confidence. Whilst this had been less of a problem with post-sale testing, from time-to-time AWTA exposed cases involving alterations to Certificate data and assisted State and Federal Police with prosecutions. Tampering with a "*Commonwealth document issued under Seal*" was a serious crime. The introduction of S x S selling systems provided new opportunities to rort the system, including the substitution of certified bales with untested wool delivered in repacked or completely rebranded bales, and the presentation of grab samples that were unrelated to the actual bales tested or had been 'enhanced' by removing impurities such as dags, stains, or burrs. [167]

In late 1976, AWTA was alerted to the fact that some buying firms were drawing type samples from presale tested wool, thus invalidating the Certificates. When this was reported to the Joint Wool Selling Organisation (JWSO), they asked AWTA to devise a procedure which would require buyers to declare the weight of sample material withdrawn. When those rules were introduced, random checks on compliance found many cases of samples not being weighed and/or not being declared to the Authority. In one case, a massive 480 kg of wool had been removed from a large sale lot, with no declaration being lodged. If this had not been detected, the combing mill would have suffered a significant underyield and blamed AWTA's testing. This case alarmed the members of JWSO, who delegated 3 ACWB members (Michael Lempriere, Jim Lillie and John Westmore) to work with AWTA to devise a much tighter procedure that would not rely upon the honesty of declarations. Prior to that meeting, Ward and Douglas had documented a procedure to ensure that sample weights were recorded, that affected test Certificates were adjusted, and that the invalidated original Certificates were removed from circulation. The key disciplines endorsed by the 3 buyers, and subsequently accepted by AWC and brokers at JWSO, were:

- the buyer must lodge a sampling request with the selling broker within one hour of the daily market close, to ensure that the 2 buyer copies of AWTA's Certificates were still held by the broker;
- at the time of sampling, the broker must record on the "original" Certificate the name of the buyer and the weight of sample removed, and return both copies to AWTA for cancellation; AWTA would then adjust the weight data and issue an amended Certificate to the buyer; and
- if a late sampling request was lodged after Certificates had been released, the buyer must return both Certificate copies to the broker before they would allow sampling to proceed.

After JWSO approved this procedure for inclusion in the Australian Wool Selling Regulations, AWTA submitted the text to IWTO, where it was added to the Core Test Regulations for world-wide application.

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In 1977, having directed the change from imperial to metric values for Australia's currency, weights, measures, distances, climate etc., the Australian Metric Conversion Board notified all wool industry organisations, including the Authority, that it was mandatory to replace the word 'micron' with 'micrometre'. AWTA responded immediately, opposing the change on the grounds that wool growers and wool industry participants interpreted 'micron' as "*fibre diameter of wool*" in all its forms, rather than being the unit of

[167] Almost invariably, when a problem was suspected at an overseas mill, the first reaction was to assume that the sampling or testing was deficient, so AWTA encouraged mills to report back any cases where core tube holes appeared to be absent or where packs were abnormal. All local trade rumours were treated seriously, with Pat McGilvray on hand to report any current concerns. Each time a culprit was caught, a leak of details via the 'wool trade grapevine' effectively put paid to their ongoing business prospects. This reaction was faster and more effective than waiting for a legal prosecution, which was likely to result in a good behaviour bond or a fine much lower than the ill-gained profit.

measurement equal to one millionth of a metre. Hence, the change would cause unnecessary confusion. As expected, this argument was rejected, being deemed to be contrary to the Metric Conversion Board's mandate. In collaboration with other wool industry sectors, AWTA developed a case to be supported by ANC, AWC, IWTO and DPI, which drew attention to the fact that 'micron' was in such common usage that it was now used extensively in all official wool industry texts, including the Australian Wool Selling Regulations and the IWTO's 'Test Specifications, Standard Contracts and Core Test Regulations', which underpinned the IWTO Arbitration Agreement. On this basis, it was argued successfully that 'micron' should be accepted as a specific wool industry unit, similarly to the world-wide acceptance of 'knots' to describe speed in nautical and aviation navigation.

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Also in 1977, preparing for the possible introduction of Sale-by-Description (S x D), AWC appointed Dr Ken Whiteley and Sandra Welsman to establish a new Fibre Specification Department. Their goal was to develop a minimum specification for unmeasured characteristics of sale lots, known as 'MINSPEC'. The key element was to station AWC appraisers at grab sampling machines, where they were expected to examine individual grab samples to assess wool type, colour, VM distribution etc, and could also record the presence of stains and other abnormalities. At the same time, they were expected to check wool classers' compliance with the approved classing standards. Without any prior consultation with AWTA, the MINSPEC planners assumed that the appraisers would also take over the roles of AWTA's supervisors, thus enabling them to claim that overall industry costs would only increase marginally. Inevitably, this lack of consultation placed the Corporation and the Authority on a collision course.

When the draft Board paper recommending MINSPEC was discussed by the AWC Chairman's Policy Committee in 1978, Ward advised that the Authority would not step back from its policy for full-time test house supervision, as was now mandated in the IWTO Regulations. Referring to the cost savings as illusory, he explained that in most brokers' stores AWTA's supervisors were now either weighing the bales or operating coring machines while supervising, so their proposed replacement by the AWC appraisers would add to brokers' costs. In addition, he referred to the fact that wool buyers were already sceptical about the Corporation's motives and further advised that NCWSBA members and private stores would almost certainly oppose having AWC staff working in their stores.

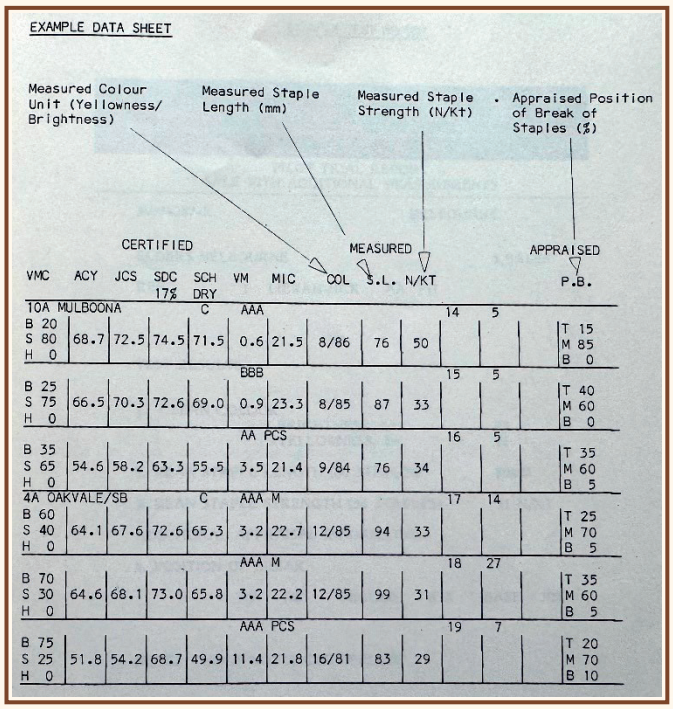
AWC terminated the MINSPEC project, deciding instead to establish a Specialist Working Group to examine whether additional OM tests could describe wool adequately in Sale-by-Description (S x D) pilot trials. In this case they invited Sas Douglas to participate, to ensure that AWTA's requirements were met. At their first meeting, Douglas recommended that representatives of buyers and brokers be involved in planning and running the trials, but the AWC staff did not think it was necessary to seek broader industry advice during the planning stage. Their alternative was to appoint a Pilot Trial Working Group with the only members being co-opted from AWC's Fibre Marketing Division, AWMSA, AWTA, and CSIRO.

In June 1979, the Pilot Trial Working Group recommended the conduct of 6 trials in Adelaide, each covering 400 sale lots. In addition to the standard presale yield and fibre diameter results, additional test data for colour, staple length, staple strength and 'position-of-break' would be included in the sale catalogues. The Authority had quoted for the testing work and was awaiting AWC's decision. When Douglas reported this development to the Authority on 6th July 1979, Members were concerned to learn that some of the test methods to be used had not yet been approved for use by IWTO. In view of this, the Authority resolved to advise the Corporation as follows:

"*That AWTA strongly affirms its belief that the proposed Pilot Trial to evaluate 'Sale with Additional Specifications' ought not proceed until Standards acceptable to members of the participating groups, and likely to be acceptable to IWTO, are drafted to ensure that the trial can then proceed under the guidelines laid down by those Standards, thus giving the results a better chance of ultimate official recognition in Australia and overseas.*"

Despite the Fibre Specification staff wishing to push on regardless, the Corporation Members agreed to accept the Authority's advice. Within 6 months, final arrangements for the then renamed 'Sales with Additional Measurements' (SAM) Trials were approved. As recommended originally, there would be a total of 6 trials covering 400 lots each. However, AWTA would test staple length and colour only, and staple strength would be jointly assessed subjectively by AWC's and broker valuers. The Corporation

also decided that their Economics Department staff would collaborate with AWTA in costing the SAM operations for the OM Advisory Committee. [168]

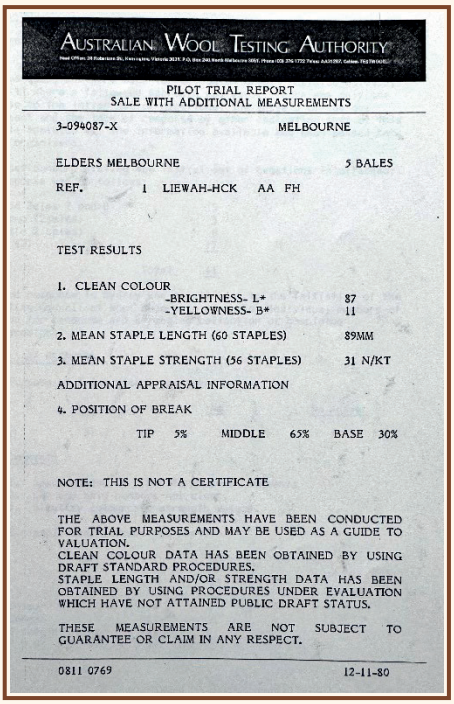


EXAMPLE DATA SHEET

Measured Colour Unit (Yellowness/ Brightness) · Measured Staple Length (mm) · Measured Staple Strength (N/Kt) · Appraised Position of Break of Staples (%)

CERTIFIED · MEASURED · APPRAISED

VMC	ACY	JCS	SDC 17%	SCH DRY	VM	MIC	COL	S.L.	N/KT			P.B.
TOA MULBOONA				C	AAA					14	5	
B 20 S 80 H 0	68.7	72.5	74.5	71.5	0.6	21.5	8/86	76	50			T 15 M 85 B 0
					BBB					15	5	
B 25 S 75 H 0	66.5	70.3	72.6	69.0	0.9	23.3	8/85	87	33			T 40 M 60 B 0
					AA PCS					16	5	
B 35 S 65 H 0	54.6	58.2	63.3	55.5	3.5	21.4	9/84	76	34			T 35 M 60 B 5
4A OAKVALE/SB				C	AAA M					17	14	
B 60 S 40 H 0	64.1	67.6	72.6	65.3	3.2	22.7	12/85	94	33			T 25 M 70 B 5
					AAA M					18	27	
B 70 S 30 H 0	64.6	68.1	73.0	65.8	3.2	22.2	12/85	99	31			T 35 M 60 B 5
					AAA PCS					19	7	
B 75 S 25 H 0	51.8	54.2	68.7	49.9	11.4	21.8	16/81	83	29			T 20 M 70 B 10



AUSTRALIAN WOOL TESTING AUTHORITY

PILOT TRIAL REPORT
SALE WITH ADDITIONAL MEASUREMENTS

3-094087-X MELBOURNE

ELDERS MELBOURNE 5 BALES

REF. 1 LIEWAH-HCK AA FH

TEST RESULTS

1. CLEAN COLOUR
-BRIGHTNESS- L+ 87
-YELLOWNESS- B* 11
2. MEAN STAPLE LENGTH (60 STAPLES) 89MM
3. MEAN STAPLE STRENGTH (56 STAPLES) 31 N/KT

ADDITIONAL APPRAISAL INFORMATION

4. POSITION OF BREAK
TIP 5% MIDDLE 65% BASE 30%

NOTE: THIS IS NOT A CERTIFICATE

THE ABOVE MEASUREMENTS HAVE BEEN CONDUCTED FOR TRIAL PURPOSES AND MAY BE USED AS A GUIDE TO VALUATION.
CLEAN COLOUR DATA HAS BEEN OBTAINED BY USING DRAFT STANDARD PROCEDURES.
STAPLE LENGTH AND/OR STRENGTH DATA HAS BEEN OBTAINED BY USING PROCEDURES UNDER EVALUATION WHICH HAVE NOT ATTAINED PUBLIC DRAFT STATUS.

THESE MEASUREMENTS ARE NOT SUBJECT TO GUARANTEE OR CLAIM IN ANY RESPECT.

0811 0769 12-11-80

Examples of the proposed sale catalogue and Test Report for the SAM Trials

When the question of test data certification was raised by the AWC Members, they accepted that AWTA must supervise the grab sampling operations. In this regard, the DPI appointee to the Corporation, Murray Collins, announced that AWTA could replace AWMSA's part-time supervision role to avoid unwarranted duplication. AWC also noted that NCWSBA had already agreed to AWTA supervising grab sampling and would also delay disposal of S x S display samples to allow time for post-sale drawing of tufts. This was essential for mills now wanting to assess the extent to which staple length and strength data might improve their predictions of combing outcomes, for which all lots in the combing batches must be tested. [169]

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During 1977/78, Peter Morgan invited Keith Timmel of Wesfarmers Co-operative Ltd (WFCL) in Fremantle to join him in developing a process for exchanging data in electronic cassette form which could be read by their respective computer systems and would reduce the duplication of data entry. The initial plan was for the Authority to provide all completed test Certificate results, bale weights, testing fees and basic reference details on a cassette, which would facilitate WFCL's cataloguing and accounting, and for WFCL to provide all essential identifying details of brand, description etc. to be reported on the test Certificates.

After completing a series of simple trials, Morgan and Timmel concluded that significant cost savings and gains in efficiency were achievable, and they agreed to continue close collaboration as their respective computer systems were upgraded progressively. They agreed that the ultimate goal was to introduce computer-to-computer exchange of data, such that WFCL could download sale lot identification details to AWTA's system and simultaneously upload their clients' test Certificate results in sale catalogue format, together with the individual bale weights recorded at the time of core sampling.

However, to achieve the optimum benefits for the industry, they agreed that it would be impractical for AWTA to develop and manage a range of different systems for individual brokers. In view of this, the decision was made for Timmel to report on their progress to NCWSBA's Operations Committee, and for

[168] Within 12 months, AWTA was equipped to replace the subjective assessments of strength with test results. Based on a detailed costing, a total fee of $31.00 per lot was quoted for the package of staple length, strength and colour tests.

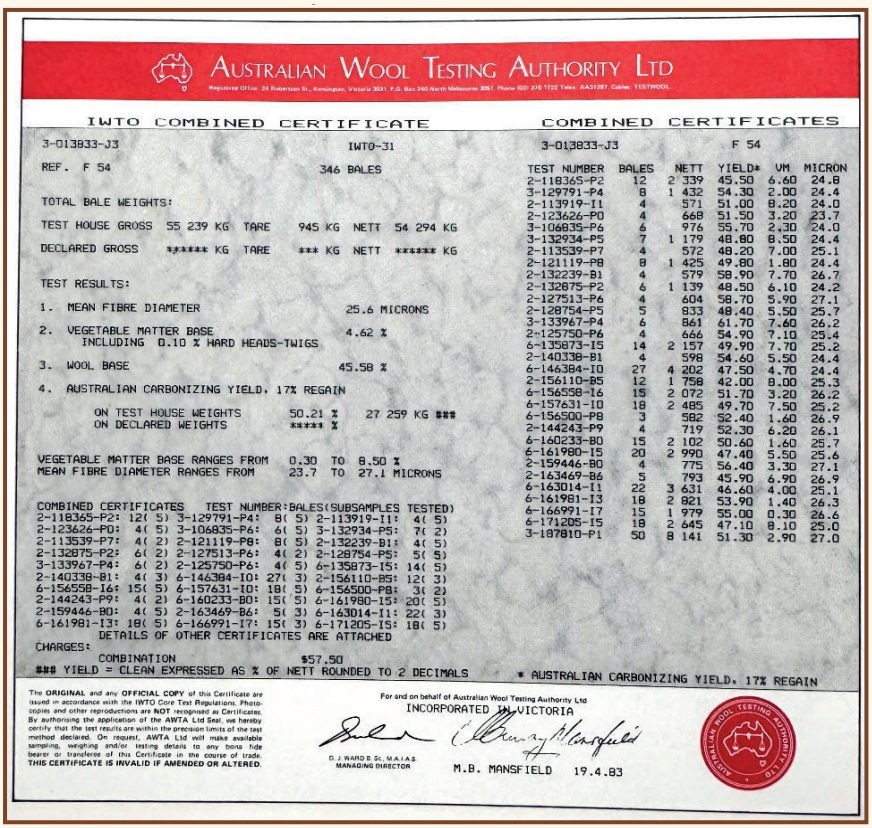
[169] By this time, all wool industry sectors were working cooperatively for their mutual benefit, and all necessary arrangements for the SAM Trials were agreed.

Morgan to brief the Secretary, Bill Williams. Subsequently, Williams arranged for Morgan to discuss the project with the systems specialists at Australian Mercantile Land & Finance Company (AML&F) and Elder Smith Goldsbrough Mort & Co (ESGM), who were already well advanced in computerising their wool sales administration. All parties agreed that the concept was excellent and would be developed further by IT specialists from AML&F, Dalgety, ESGM and AWTA. [170]

By the late 1970s, a number of wool industry organisations were attempting to computerise aspects of wool selling, with limited success. Among those developments:

- NCWSBA had engaged a specialist team to run computer bidding trials, using terminals located in buyers' offices;
- EWP was operating a sealed bid selling system, receiving bids via fax machines;
- Computer Services Australia had developed 'Woolnet', which was an extension of the EWP system using a central computer to process bids made by telex; and
- ACWB had sponsored a Honeywell system similar to 'Woolnet', to support the auction system through the rapid dissemination of market statistics direct to buyers' offices.

At the same time, AWTA had redesigned their Certificate documents, making them wider with the addition of a detachable page reporting all the essential identifying sale lot data, bale weights and sampling details, attached to the test Certificate data via a perforation.



AUSTRALIAN WOOL TESTING AUTHORITY LTD

IWTO COMBINED CERTIFICATE

3-013833-J3 IWTO-31

REF. F 54 346 BALES

TOTAL BALE WEIGHTS:

TEST HOUSE GROSS 55 239 KG TARE 945 KG NETT 54 294 KG

DECLARED GROSS ****** KG TARE *** KG NETT ****** KG

TEST RESULTS:

1. MEAN FIBRE DIAMETER 25.6 MICRONS
2. VEGETABLE MATTER BASE 4.62 %
   INCLUDING 0.10 % HARD HEADS-TWIGS
3. WOOL BASE 45.58 %
4. AUSTRALIAN CARBONIZING YIELD. 17% REGAIN

ON TEST HOUSE WEIGHTS 50.21 % 27 259 KG ###
ON DECLARED WEIGHTS ***** %

VEGETABLE MATTER BASE RANGES FROM 0.30 TO 8.50 %
MEAN FIBRE DIAMETER RANGES FROM 23.7 TO 27.1 MICRONS

COMBINED CERTIFICATES TEST NUMBER:BALES(SUBSAMPLES TESTED)
2-118365-P2: 12(5) 3-129791-P4: 8(5) 2-113919-I1: 4(5)
2-123626-P0: 4(5) 3-106835-P6: 6(5) 3-132934-P5: 7(2)
2-113539-P7: 4(2) 2-121119-P8: 8(5) 2-132239-B1: 4(5)
2-132875-P2: 6(2) 2-127513-P6: 4(2) 2-128754-P5: 5(5)
3-133967-P4: 6(2) 2-125750-P6: 4(5) 6-135873-I5: 14(5)
2-140338-B1: 4(3) 6-146384-I0: 27(3) 2-156110-B5: 12(3)
6-156558-I6: 15(5) 6-157631-I0: 18(5) 6-156500-P8: 3(2)
2-144243-P9: 4(2) 6-160233-B0: 15(5) 6-161980-I5: 20(5)
2-159446-B0: 4(5) 2-163469-B6: 5(3) 6-163014-I1: 22(3)
6-161981-I3: 18(5) 6-166991-I7: 15(3) 6-171205-I5: 18(5)
DETAILS OF OTHER CERTIFICATES ARE ATTACHED

CHARGES:
COMBINATION $57.50

YIELD = CLEAN EXPRESSED AS % OF NETT ROUNDED TO 2 DECIMALS

The ORIGINAL and any OFFICIAL COPY of this Certificate are issued in accordance with the IWTO Core Test Regulations. Photocopies and other reproductions are NOT recognised as Certificates. By authorising the application of the AWTA Ltd Seal, we hereby certify that the test results are within the precision limits of the test method declared. On request, AWTA Ltd will make available sampling, weighing and/or testing details to any bona fide bearer or transferee of this Certificate in the course of trade. THIS CERTIFICATE IS INVALID IF AMENDED OR ALTERED.

For and on behalf of Australian Wool Testing Authority Ltd
INCORPORATED IN VICTORIA

D. J. WARD B.Sc, M.A.I.A.S
MANAGING DIRECTOR

M.B. MANSFIELD 19.4.83

COMBINED CERTIFICATES

3-013833-J3 F 54

TEST NUMBER	BALES	NETT	YIELD*	VM	MICRON
2-118365-P2	12	2 339	45.50	6.60	24.8
3-129791-P4	8	1 432	54.30	2.00	24.4
2-113919-I1	4	571	51.00	8.20	24.0
2-123626-P0	4	668	51.50	3.20	23.7
3-106835-P6	6	976	55.70	2.30	24.0
3-132934-P5	7	1 179	48.80	8.50	24.4
2-113539-P7	4	572	48.20	7.00	25.1
2-121119-P8	8	1 425	49.80	1.80	24.4
2-132239-B1	4	579	58.90	7.70	26.7
2-132875-P2	6	1 139	48.50	6.10	24.2
2-127513-P6	4	604	58.70	5.90	27.1
2-128754-P5	5	833	48.40	5.50	25.7
3-133967-P4	6	861	61.70	7.60	26.2
2-125750-P6	4	666	54.90	7.10	25.4
6-135873-I5	14	2 157	49.90	7.70	25.2
2-140338-B1	4	598	54.60	5.50	24.4
6-146384-I0	27	4 202	47.50	4.70	24.4
2-156110-B5	12	1 758	42.00	8.00	25.3
6-156558-I6	15	2 072	51.70	3.20	26.2
6-157631-I0	18	2 485	49.70	7.50	25.2
6-156500-P8	3	582	52.40	1.60	26.9
2-144243-P9	4	719	52.30	6.20	26.1
6-160233-B0	15	2 102	50.60	1.60	25.7
6-161980-I5	20	2 990	47.40	5.50	25.6
2-159446-B0	4	775	56.40	3.30	27.1
2-163469-B6	5	793	45.90	6.90	26.9
6-163014-I1	22	3 631	46.60	4.00	25.1
6-161981-I3	18	2 821	53.90	1.40	26.3
6-166991-I7	15	1 979	55.00	0.30	26.6
6-171205-I5	18	2 645	47.10	8.10	25.0
3-187810-P1	50	8 141	51.30	2.90	27.0

* AUSTRALIAN CARBONIZING YIELD. 17% REGAIN

Combined Test Certificate, widened to include test data for each certified component lot

This innovation was greatly appreciated by growers, brokers' and buyers' clerical staff, and other users of Certificates, who had previously been faced with the task of matching each Certificate with the buyer's specification issued by the broker. As a further aid to exporters and their clients, AWTA used the wider stationary to list the test data for each certified component lot included in Combined Test Certificates.

[170] When it was suggested that AWTA should pay for the data provided by brokers, Morgan argued that the Authority were equally entitled to charge for their electronic delivery of test results and bale weights, so there would be no nett gain to either party. In due course, it was agreed that the electronic exchange of data should be free of charge.

Importantly, these enhancements caught the attention of Rene Vandervaere, the Chairman of ACWB, who recognised the potential for even greater efficiencies to be gained via the coordination of electronic data transfers between companies operating within all sectors of the industry. In April 1979, he requested AWTA, NCWSBA and AWC to join the ACWB in a 'Joint Study and Survey' to assess the potential applications for computer technology to streamline the industry's data and document handling processes, on the strict condition that no single organisation should attempt to take control. The Authority agreed to join the proposed study group, subject to all parties reaching agreement on specific terms of reference before commencing the study. When responding, AWC announced that they had already moved to set up a 'Wool Industry EDP Committee' for the same purposes and comprising the same bodies. Further, they had already appointed Alastair McGregor to chair it. [171]

The politics finally dissipated when all parties agreed to Vandervaere's request for each organisation to appoint up to 2 representatives on the Committee. The AWC-sponsored EDP Committee was established in July 1979, with the Manager of AWC's EDP Department, Terry Grigg, appointed as Secretary. All 4 member organisations were then invited to submit suggestions for the Terms of Reference to Grigg, who produced a composite draft for approval at the first Committee Meeting held on 31st August 1979. The Authority's contribution to the Committee's deliberations was particularly significant, due to their strategic sampling and testing position whereby they accumulated most of the data used by the other sectors. As various alternative data transfer options were investigated, most members of the Committee recognised that the major benefits of standardised data communication would be obtained by linking their computers directly to AWTA's comprehensive database.

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En-route to IWTO Annual Conferences and Working Meetings, Ward and Douglas regularly visited key members of the overseas industry to brief them and answer questions about wool testing papers that they would be considering within a few days. In particular, they held discussions with Walter Willich in Bremen, who was appointed as the Wool Committee's representative at IWTO technical meetings and was required to report on the commercial implications of any proposed changes to Specifications or Regulations.

Prior to the 1980 Conference in Monte Carlo, Ward drew Willich's attention to his concerns that laboratories were included on the official IWTO List of Conditioning Establishments on the basis of a simple declaration of compliance with the 'International Regulations for the Conditioning of Wool'. There was no process to check the integrity of those declarations by an independent third party or the IWTO National Committees. Historically, when most of the Public Conditioning Houses had been listed, the written test procedure occupied only 2 short paragraphs in the IWTO Condition Testing Regulations issued in 1963. Those procedures were so lacking in detail that the declarations were meaningless. Ward also questioned the relevance of listing the Public Conditioning Houses in 2 categories, namely 'Members of the International Union of Public Conditioning Houses' and 'Other Public Establishments', implying some difference in technical status. Examining the 'List of Condition Testing Establishments 1979', they noted that there were 37 Public Conditioning Houses, of which 15 were Union Members, and a total of 70 'Private Conditioning Establishments'. Willich was surprised to find that most of those listed in the 'Private' category were combers, scourers or merchants. Based on his experiences at many of those processing plants, he knew that some were much less competent than others. He agreed to support any action taken to remedy the situation. As a first step, the opportunity was taken to discuss the issues with Derek Austin (NZWTA) and Bill Carter (NZ Council of Wool Exporters), who shared the same concerns and expressed willingness to join AWTA in drafting a framework for a rigorous accreditation system. Since round trials were not contemplated, they agreed that the process should be managed by IWTO, not Interwoollabs.

During the Conference, Ward and Austin took the opportunity to discuss the subject with the new IWTO Secretary General, Bill Lakin, who was interested in modernising the organisation's processes. After

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[171] Vandervaere's immediate reaction was to challenge McGregor directly as to whether this was an attempt by AWC to take control. After receiving an assurance that AWC's only special role would be the provision of secretarial services, all parties agreed to McGregor chairing the Committee, as he was engaged in several wool industry sectors.

It was later discovered that the Corporation's decision had been made a month before the ACWB's invitation, after they had considered a staff paper on 'Wool Industry Coordination of EDP', which had focused their attention on the fact that "*all organisations involved in the movement of wool from the farm to the mill are reprocessing the same data many times*".

explaining the technicalities, they agreed that the immediate goal would be to develop a low-cost process whereby all IWTO-listed conditioning houses would be required to prove their awareness and understanding of both the condition testing method and the regulations for which they were declaring compliance. However, before proceeding along those lines, it was essential to replace IWTO's totally inadequate Conditioning Regulations with:

- a fully documented and comprehensive test method, to be developed by the IWTO RWCS-c and approved as an official IWTO Test Specification; and
- a complete set of rules specifying mandatory sampling and certification procedures, covering the same scope as the existing Core Test Regulations, to be approved as the 'IWTO Condition Testing Regulations for Scoured and Carbonised Wool'.

Following the Conference, Ward reported to the Authority that the German delegates would support introduction of performance monitoring for IWTO's List of Conditioning Houses, and that NZ interests had agreed to work with AWTA to specify the minimum equipment requirements and the essential technical procedures. However, to avoid confrontation with Union of Public Conditioning House members of the IWTO Technical Committee, it would be essential to establish a technical Working Group with members drawn from both the Technical Committee and the RWCS-c. It was also important to acknowledge the years of work by M. Boudaliez, who had set out to develop new IWTO Regulations but had produced a *magnum opus* covering the scientific aspects of wool drying titled 'Conventional System of Conditioning Wool Products'. It was more a scientific textbook than a document suitable for conversion into the IWTO Regulations required to govern the application of condition testing. This prerequisite work was completed in 1981, when the IWTO Conference in Christchurch, NZ, approved a 'Method for the Determination of Oven-Dry Mass and Calculated Invoice Mass of Scoured and Carbonised Wool' and 'IWTO Condition Testing Regulations for Scoured or Carbonised Wool'. [172]

Having completed these texts for scoured and carbonised wool, it was still premature to introduce the accreditation scheme until a similar set of documents were completed and approved for condition testing of wool tops. This was important, given that most Public Conditioning Houses had been established for moisture testing and press packing of wool tops, rather than for scoured and carbonised wool, and especially because the IWTO list included so many combing mills.

In fact, the IWTO Working Group for conditioning of wool tops had commenced drafting the required test method, largely guided by the now approved text developed for scoured and carbonised wool. However, their task was much more complex, due to the need to account for differences between dry combed tops and tops combed with the addition of oils. In the latter case, the oils would also evaporate as the test samples were being dried to establish oven-dry mass, thus requiring extra testing to ensure that the weight loss due to moisture was not confounded by the loss of volatile combing oil. While producing the 'Method for the Determination of Oven-Dry Weight and Calculated Invoice Mass and Calculated Merchantable Mass of Wool Tops', the Working Group decided to update and improve the 'Method for the Determination of the Dichloromethane Soluble Matter in Combed Wool Sliver', used to measure the oil content. Notwithstanding this slower progress, drafting of the required 'IWTO Condition Testing Regulations for Wool Tops' was expected to take even longer, due to the need to develop detailed sampling procedures for a range of diverse situations which had never been documented by IWTO. In this regard, different sampling procedures were required for 'Industrial Sampling' and 'Traditional Sampling from Bales' and, within the latter case, the wool tops could be packed as balls, bumps or broken webs – each of which required a different sampling procedure.

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[172] Boudaliez's work was acknowledged formally in the Introduction section of the Regulations via the following text:

"*These Regulations have been prepared from the appropriate sections of a much more comprehensive regulation for the 'Conventional System of Conditioning Wool Products' which was prepared by the IWTO Technical Committee's Working Group on Conditioning. That comprehensive document should continue to be regarded as the reference from which particular sections of the industry may derive Regulations governing the condition testing of particular products.*"

42. REVIEW OF RELATIONSHIPS, POLICY AND PLANNING

"*With regard to the Australian Wool Corporation, there has been no interference or direction over the last three years – only highly valued support and co-operation. The Corporation has always dealt with the AWTA on a commercial basis.*" [Lindsay Yeo addressing the IWTO Wool Committee – London June 1979]

By the mid-1970s, the Authority's statutory relationship with the Corporation was being perceived as a potential threat by members of the buying trade and some wool brokers, due to AWTA being the sole test house in Australia and the Corporation's power to affect their businesses through reserve price intervention, the accumulation and disposal of stocks, and their attempts to establish alternative marketing schemes for stockpiled wools and small lots. On face value, it might be argued that the IWTO Core Test Regulations for greasy wool disqualified AWTA from testing AWC-owned wool, due to the requirement for the test house issuing IWTO Certificates to be "… *independent of the sales transaction*". [173]

Fortunately, the Wool Industry Act 1972 included the following clause making it clear that the Authority was independent with regard to technical policies and standards and, by exclusion, that AWC had no power to control or influence their testing:

"Tests by the Authority shall be carried in such manner, and on the basis of such standards, as the Authority, in its discretion, determines, but in determining standards, the Authority shall have regard to any standards that receive international recognition."

Knowing that few delegates at IWTO Conferences would ever have read the Act, the Authority Members and staff took every available opportunity to publicise the fact that independence was assured through the legislation, thereby mitigating the risk of AWTA's compliance being put to a vote. Unfortunately, this emphasis on independence from AWC became a source of irritation for some new AWC Managers. Having no prior wool industry knowledge, they chose to interpret the Act without regard to the historical evolution of AWTA's relationship with the AWB, and later the AWC. They complained internally that the Authority's comments implied that AWTA's integrity was superior to AWC's, and that this was adding to trade criticism of the Corporation. Coinciding with this unrest, those who read the Act as 'black and white' law asserted that their responsibilities should include control over AWTA, so they were motivated to seek internal complaints to justify this view. [174]

The merger of the Board and the Commission had created an unsettled environment reflecting a combination of suspicion, resistance to change and personal envy, which presented opportunities for some staff to boost their roles by criticising others, including AWTA. In stark contrast, the Authority's management and staff had not been affected. The wool testing business had grown profitably and the AWC Board had demonstrated their confidence by approving all the Authority's recommendations to invest in new technology.

The first clear indication that AWC staff were agitating for greater control over AWTA arose in 1976. Notwithstanding that the Corporation had already approved the major upgrade to AWTA's computer systems, an 11th hour attempt was made to cancel that order and have AWTA's system requirements incorporated within a major upgrade planned for AWC's own computer facilities. When the Authority responded to this proposal, the Corporation accepted that it was not commercially feasible for the Authority

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[173] When the Authority had been a separate statutory body, and later when subsumed within the AWB, they were and could be seen to be independent of sales transactions, since the functions and powers of the Board were related exclusively to research, development and promotion. However, when the Board merged with the Wool Commission to form the Australian Wool Corporation, the Authority's degree of independence had become questionable. Unlike the Board, the AWC was both a buyer and a seller, through the operation of their wool price support schemes. Inevitably, AWTA's competitors and others opposed to AWC's market intervention raised doubts as to the validity of Certificates issued by AWTA.

[174] At this time, there was still a residual degree of staff dissatisfaction within AWC, due to difficulties encountered in forcing together 2 practically incompatible organisations. The Board and the Commission staff had continued to operate as 2 separate divisions, with the AWB's Arthur Farnworth as General Manager - Corporate Services & Research and the Commission's Malcolm Vawser as General Manager – Fibre Marketing. Integration had been difficult because the Board's salaries and terms and conditions of employment were related closely to those of the Commonwealth Public Service, whereas the Commission had adopted a more commercial approach to remuneration.

to incur months of delay while AWC staff determined their own needs. They also recalled that a previous attempt had been made to force AWTA to use AWC's computer services, but this was abandoned when AWC staff refused to guarantee priority for AWTA's time-critical services. Furthermore, the Authority Members representing the trade were adamant that any attempt at integration must be rejected, to reinforce AWTA's independence and reassure clients in the buying trade that AWC could not access any of their private and/or confidential data held by AWTA.

When complaints alleging AWTA's lack of cooperation, conflict over AWC rents, audit issues etc were made by Farnworth's staff, he invited the complainant to repeat their claim with Ward present. Almost invariably, this effectively exposed those engaged in self-serving politics and others who were raising old issues which had long been resolved. To ensure that this strategy was also applied to Malcolm Vawser's ex-Commission staff, a joint meeting of AWTA and both AWC Divisions was held in February 1978, attended by Farnworth, Walker and Young from AWC and Ward, Douglas and Morgan from AWTA. Prior to this meeting, it had been agreed that any latent issues believed to be affecting AWC/AWTA relationships negatively would be discussed on a frank and 'without prejudice' basis, so they could be addressed in the review of AWTA/AWC relationships being prepared by Ward for the AWC Chairman's Policy Committee.

Opening the discussion on behalf of AWC, Farnworth expressed his personal opinion that most of the relationship issues were due to Lindsay Yeo being "*too commercial*", which Ward knew dated back some 5 years to one of the early AWC Meetings chaired by Yeo, when Farnworth and Vawser were competing to impress the new Corporation Members. [175]

He was followed by Jim Young (Fibre Marketing Division), who recommended that AWTA should take over the roles of policing wool classing standards, arbitration, and setting the rules for S x D, thereby leaving his Fibre Marketing staff to concentrate on managing the Reserve Price Scheme and trading wool stocks. Regarding complaints from the AWC staff involved in the MINSPEC and the Limited Offer to Purchase Scheme (LOPS) initiatives, who had claimed that AWTA's technical policies had hindered their progress, Young conceded that they should have discussed their plans with the relevant AWTA staff. He also agreed that, whereas his Southern Region valuers were unhappy being tenants of AWTA, this was simply due to their disappointment at being housed in the industrial Kensington area, rather than in the Corporation's modern Head Office building in Parkville.

On the other hand, John Walker, AWC's new Corporate Administration & Finance Manager, avoided any specific criticisms, except for a reference to AWTA's opposition to AWC rent rises which had been a feature of commercial negotiations between Ward and the AWC's Property Manager, Jim Brierley. Instead, he spoke against the current AWC/AWTA arrangements in hypothetical terms, referring to AWC as "… *the parent company of a wholly owned testing business*". Based on his recent experience in commerce, he believed that AWC should control the Authority by having more than their current single Member, preferably with the addition of the AWC Chairman and both General Managers. Furthermore, the Authority should pay dividends to the Corporation, and the Corporation should be free to pull money out of AWTA for purposes unrelated to testing.

Prior to this meeting, the Corporation representatives had received a summary of the items which AWTA's representatives would raise for discussion, including:

- a recommendation for 'AWTA Matters' to be a standard item on all future AWC Board Agendas, thereby ensuring that the AWC Members received current information and data;
- a recommendation that AWTA be consulted early on important OM-related matters, especially during the planning stages of new AWC marketing initiatives, such as MINSPEC and LOPS, to avoid AWTA's later technical input being misrepresented as obstruction; also to avoid conflict, AWTA should be invited to join technical delegations promoting the use of OM;
- a complaint against AWC's decision to prevent AWTA from manufacturing and selling testing

[175] Ward had been in the AWC Boardroom when Maurie Pell presented a major 3-year Product Marketing Programme, which had been endorsed by Farnworth and circulated well before the Meeting. Farnworth had been appalled when Yeo proposed that the submission be taken as read, denying Pell the opportunity to perform, and he was visibly angered when Yeo subsequently turned to Vawser and said "now, let's get on with the real business". Immediately following that meeting, Farnworth had vented his hostility in an expletive-laden phone call to Ward about "your … Chairman!".

equipment to test houses in IWS member-countries, and a recommendation for the Act to be amended if necessary;

- criticism that AWC's Administration Advisory Committee were developing control procedures for their own convenience, without regard to their impact on AWC's commercial operations and AWTA; top-down direction from the relevant AWC General Manager was recommended to improve overall efficiency of such controls;
- a request for AWTA to have separate AWC-approved Terms and Conditions of Employment, to minimise the risk of the FSPU trying to force the Corporation's conditions onto other wool industry employers via AWTA;
- regarding personnel management issues, a suggestion that the AWC should reconsider using the Hay Associates' system of salary administration, since AWTA's decision to adopt this system was proving to be beneficial, particularly since the documentation of specific Job Descriptions had eliminated uncertainty about individual staff roles;
- a criticism that AWC had ignored the key role played by Peter Morgan in developing data transfer arrangements with Wesfarmers, by failing to include AWTA as a member of their proposed EDP Users' Committee; given that AWTA's computers held most of the data used by commercial sectors of the industry, this action had been viewed as 'territorial'; and
- a recommendation that AWTA be authorised to issue their own full set of annual accounts, since the consolidated financial figures in the AWC Annual Report made it impossible for anyone to make an accurate assessment of the Authority's performance. [176]

Coinciding with these discussions, AWTA management had started defining the scope of a new 3-year plan, since the previous review of 'AWC Policy re AWTA Operations 1973/74 - 1976/77' had expired. Initially, this involved intra-AWTA planning sessions, with the Policy Committee Managers analysing demand trends, likely wool industry developments, and the potential for AWTA to expand services. This process progressed intermittently through 1978, with Ward reporting to the Authority and receiving helpful input. To ensure the requested 'Review of AWTA/AWC Relationships' paper was considered in the context of the Authority's future plans, it was agreed to its incorporation it as a separate section of the 'Review of Policy, Relationships and Planning'.

By early 1979, both the Authority and the Corporation were aware that the principal recommendation arising from this review would be to sever the statutory relationship between the Authority and the Corporation, with the Authority reconstituted under its own independent Act. Although Maiden and the senior AWC Managers had expressed general support for this action, Ward agreed not to put a final recommendation to the Authority until a wider group of AWC Managers were given the opportunity to comment on alternative structural options that might improve their interactions with AWTA. [177]

Maiden delegated Lionel Ward (Economics & Planning) and Barry Hess (Secretariat & Legal) as Policy Committee representatives to discuss future structural options with Ward, which included:

- selling the AWTA testing business to private enterprise;
- changing the AWTA to a joint statutory/private organisation;
- reinstating the AWTA as a separate statutory Authority; and
- amending the Wool Industry Act 1972 to give the Authority self-contained status with direct power over property and staff, while still reporting to Government via the AWC.

At their initial meeting, it was agreed unanimously that the first 2 options should be disregarded, due to the potential risk of the Authority losing their independence from wool trading companies reliant upon its Certificates, including the Corporation. The only real question was whether the Authority and the Corporation could agree on the optimal statutory relationship option for the future.

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[176] Following this discussion, Ward, Douglas and Morgan agreed that Walker's concentration on his so-called 'hypothetical' commercial relationships, rather than on specific problems, was a clear indication of his motivation for the Authority to become a 3rd Division of the Corporation, thus expanding his role.

[177] Following the complaints discussion 12 months earlier, AWTA's management team had been expecting a move to be made for greater control by AWC staff. With Maiden supporting statutory separation, their counter move had to be made now.

Alf Maiden (AWC Chairman), Sir William Gunn (past AWB Chairman), and Lindsay Yeo (AWTA Chairman) attending the Official Opening of the "William Gunn Laboratory" at Yennora, Sydney in 1974

As the scope and content of the 'Review of Policy, Relationships and Planning' had been discussed progressively for more than a year, the Authority Members' position had become so clear that they now considered statutory separation from the Corporation to be essential, due to AWC's trading role. By May 1979, except for the deferred AWTA/AWC relationships section, the Draft Review document had been completed, covering the Table of Contents listed below.

1. *Historical Background*
2. *Functions Objectives and Responsibilities*
3. *Review of AWTA Activities*
4. *Future Wool Industry Environment*
5. *Operating Plans and Budgets: 1980/81 – 1982/83*
6. *AWTA Funding*
7. *Potential AWTA Services*
8. *Current and Future Relationships (Excluding AWC)*
9. *Current and Future Relationships – AWC (TO BE COMPLETED)*
10. *Key Features of an AWTA Act*
11. *Future AWTA/AWC Relationships (TO BE COMPLETED)*
12. *Recommendations*

TABLE OF APPENDICES

Appendix I: AWTA Statutory History – Government Policies / Decisions
Appendix II: TableA - Growth of Major Raw Wool Services
Table B - First-Hand Auction Bales Presale Tested
Table C - Textile Testing Activity
Appendix III: AWTA Role in Research and Development
Appendix IV: Operating Budgets: 1980/81 – 1982/83
Appendix V: A Practical Programme for Sale-by-Description Implementation
Appendix VI: Outline of Key Features of an AWTA Act

As requested, Ward had removed the relationships section, so it could be developed as a stand-alone document for consideration by the AWC Chairman and Policy Committee. When completed, this 'Discussion Paper - Current and Future Relationships' was sent to Drs Farnworth and Lionel Ward, Vawser, Young, Hess and Walker on 23rd July 1979. Unfortunately, this draft was never discussed with Alf Maiden, due to his absence on sick leave and his subsequent death on 30th July 1979. [178]

[178] Prior to his death, Alf Maiden had indicateds support for statutory separation. Having viewed Ward's draft for an AWTA Act, his only cautionary comment was that "… *the Parliamentary draftsman won't be too impressed that you've done his job for him.*"

43. PROPOSED SEPARATION EXPOSES AWC MOVES FOR CONTROL

"If separated, AWC and hence wool growers would lose control … the new AWC Chief General Manager position should be in ascendance for management and control purposes over the Director (AWTA) … industry representation could be changed to an industry advisory capacity in similar manner to JWSO." **[AWC Minutes – October 1979]**

Upon his death in July 1979, Alf Maiden was replaced as AWC Chairman by David Asimus, who immediately made it clear to senior AWC management that he wanted the Authority to remain part of the Corporation. He did not accept the independence argument and thought that AWTA should be subject to more direction from the Corporation, not less. This view encouraged the power-seeking Managers to speak more openly about the need to integrate AWTA's operations within AWC.

Attending Asimus' first Chairman's Policy Committee meeting, it was obvious to Ward that Asimus had been irritated by Yeo's reference to the Authority's relationship with the Corporation, when he addressed the IWTO Wool Committee only a few weeks earlier. In defending Yeo's statement, Ward pointed out that the intent was to compliment the Corporation for their record of non-interference in AWTA's affairs, and he was sure that the IWTO delegates had appreciated that message. [179]

Within days, the Legal & Secretariat Manager, Barry Hess, instructed an in-house AWC lawyer to examine AWTA's management authority, via a memorandum commencing as follows:

"*You might recall that for some time I have been concerned at the precise method whereby Mr Ward exercises management authority on behalf of the AWC in conducting the affairs of AWTA*."

Hess went on to challenge the need for the Instrument of Delegation from AWC to Ward, expressing doubts as to whether the Auditor-General would approve the extent to which it interfered with AWC's obligations to "*manage*" property, people and money provided to AWTA. [180] In a paper submitted to the AWC Meeting in December 1979 (annotated AJF/BJH/emb), disturbing references were made to:

- an AWC Members' discussion of revisions to the Corporation's organisation structure in October 1979, whereby they had agreed that AWTA "… *should be an organisational entity ultimately responsible to the newly created position of Chief General Manager for matters of management responsibility within the purview of the Corporation*";
- the A-G's formal qualification of the AWC accounts, allegedly due to "… *AWTA financial dealings involving bank overdrawings*", which had actually resulted from failures by AWC staff to return funds to AWTA's bank account when requested;
- an incorrect claim that AWC had "… *no management input to AWTA staffing decisions*", contrary to the fact that all appointments, salaries, and terms and conditions for the most senior AWTA staff were subject to specific approval by the Corporation;
- the current situation "… *stretching the limits of the statutory provisions to the maximum*", implying that AWTA should come under greater AWC control;
- AWC, and hence wool growers, "… *losing control over a test house facility of good worldwide reputation*" if statutory separation was approved, also implying that AWC wanted more control;
- the industry representation on the Authority being "… *more historic than functional*" and "… *of little practical effect in running a scientific test facility*";
- a suggestion for the Authorty's role could be diminished to an "… *industry advisory capacity in similar manner to JWSO*", enabling AWC to disregard the trade's views; and
- some hypothetical ways to exercise greater control, including the new Chief General Manager of

[179] Note: Lindsay Yeo's address on 'The Continuing Role of the Australian Wool Testing Authority' was presented to the IWTO Wool Committee Meeting in London on 6th June 1979. The full text is attached as APPENDIX 4.

[180] Unbeknown to Hess, this Instrument of Delegation had been prepared in 1975 by Whiting & Byrne, the AWB's and AWC's own solicitors, due to the A-G's criticism of AWC for not having delegated powers to the AWTA Director. In fact, Whiting & Byrne had obtained the A-G's approval of the wording before the Instrument of Delegation had been signed.

AWC being "… *in ascendance for management and control purposes over the Director (AWTA)*."

Throughout their paper, the AWC authors had ignored the provisions of the Wool Industry Act 1972, which clearly stated that the Authority was "… *preserved and continues in existence under the same name as a body corporate*", and they also failed to recognise that the Wool Industry Act granted the Authority the power to manage a wool testing business, not a scientific institute. When given the opportunity to comment, Yeo and Ward objected strongly to these patent omissions and misrepresentations, which had been presented to support the Corporation's tentative decision for the AWTA Director to report directly to the newly created position of Chief General Manager. They also expressed concern that the Corporation had withheld their October 1979 decision from the Authority. [181]

As token gestures, given that the AWC staff paper had already been distributed to AWC Members, Ward was given the opportunity to discuss it with the authors, and Farnworth delivered a copy to Yeo less than a week before the AWC Meeting in December. Both Ward and Yeo were appalled by the extent to which truth had been ignored and/or distorted, and at the self-serving inclusion of so-called "*facts*" and "*issues*" which had been resolved amicably years earlier. On 11th December, Yeo wrote to Asimus expressing his view that the paper was both inaccurate and unfair, and stating his grave concern that the Corporation Members, not having his long association with AWTA, would not be able to identify those areas of misrepresentation. In conclusion, he asked for copies of his letter to be provided to the Corporation Members prior to their Meeting.

On the same day, Ward sent a memo to Farnworth, in which he noted that:

- although some of his previous objections had been accepted by amending the text, some completely new falsehoods had been inserted in sufficient detail to identify the offenders, enabling him to state categorically that the listed issues had been resolved to both parties' satisfaction;
- the paper was clearly an attempt to mislead the Corporation Members into believing that a change in reporting relationships would solve the alleged Auditor-General problem, avoid future rental debates, improve investment returns, make staffing decisions more efficient and less costly, and would also remove what the paper described offensively as a "… *burden on AWC*"; and that
- no facts had been provided to the AWC Board to back up the spurious claims.

The AWC staff paper was considered by the Corporation 'In Committee', such that no discussion or decisions were included in the extract of Minutes normally sent to advise the Authority of any decisions taken relating to the AWTA. Yeo and Ward agreed that this abnormal lack of transparency could only be viewed as confirmation that the AWC Chairman would attempt to exercise full control over the Authority. Due to the absence of any attempt to implement the decision for Ward to report directly to Farnworth, they considered it reasonable to assume that the AWC Board had deferred any final decision, pending consideration of the Authority's 'Review of Policy, Relationships and Planning' document.

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The completed AWTA submission was released to the AWC Chairman on the same day it was sent to the Authority Members for their Special Authority Meeting on 14th March 1980. Asimus reacted by calling an urgent meeting of his Policy Committee to discuss the paper on 11th March, with the attendees being Jim Young, John Walker, Barry Hess, Terry O'Keefe (as Secretary), Jim Brierley (AWC Property Manager) and Ward, with Alex Artomonow on hand to explain specific points. A long discussion ensued which was mostly positive, indicating acceptance of the criticisms raised by Yeo and Ward when countering the 'straw man' allegations made by various AWC staff. The main outcomes recorded in Terry O'Keefe's 'Record of Decisions' were as follows:

- the Authority should remain a statutory body, either fully independent or with the existing AWC relationship "*tidied up*" via amendments to the Wool Industry Act;
- while the respective roles of AWC and AWTA were marketing and testing, there had been no real conflict regarding S x D; in fact, AWTA had initiated important measurement technology which had assisted AWC in this endeavour;

[181] After the Board and the Commission had merged to form the AWC, it had taken years to align salaries and to phase out other anomalies, during which time some senior staff had been unsettled by a perceived lack of fairness. Following Maiden's death, Asimus had appointed Farnworth as Chief General Manager, with Vawser and Ward subservient to him.

- when cost savings were available to share resources, they had been given full consideration;
- AWC and AWTA were working cooperatively on important industry projects, such as the SAM Trials and the Industry EDP Committee;
- the 1962 Wool Industry Act had transferred accountability for assets used by the Authority to the AWB, due to the Authority's then parlous financial situation, whereas the Authority had now been financially viable for many years; and
- whilst the Authority had been allowed to operate pragmatically and without direct AWC supervision, the wording of the Act must take precedence over the wording of the Minister's Second Reading Speech regarding the issue of independence.

However, Terry O'Keefe's 'Record of Decisions' also repeated the AWC's assertion that the Authority was "… *not a separate corporate body*" as justification for AWC exercising greater control, giving the false impression that Ward and Artomonow had also accepted this claim. [182]

At the end of the meeting, Asimus announced that, following AWTA's Special Meeting later that week, their finalised submission should come to the Corporation together with the Authority's specific views on the 3 options for AWTA's future status, either as an operating division within AWC, or in their present form but with some amended legislation, or as a separate statutory body.

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Due to flight disruptions, the Special Authority Meeting was held via intercom connections between groups of Members and executive staff located in Sydney and Melbourne. Lindsay Yeo introduced the 'Review of Policy, Relationships and Planning' paper, summarising the history of relationships with AWB and AWC, particularly with respect to the importance of AWTA being independent and allowed to manage their own affairs. He referred to concerns raised by IWTO delegates about the AWC connection, which had led to him address meetings of the Wool Committee in Basel and London to provide assurances as to the Authority's impartiality and the absence of interference by the Corporation and the Commonwealth Government. However, the emergence of AWC as a dominant trader in wool had now made the question of independence of such critical importance that he strongly supported management's recommendation for the Authority to be separated from the Corporation under their own Act, since this would establish their complete technical and commercial independence by statute.

The 2 groups of Members and staff, in Sydney and Melbourne, then held separate discussions, following which the full teleconference reconvened to consider any additions and/or amendments required to clarify the text. In this regard, it was noted the 'AWTA Objectives' section would be updated to include extra goals included in the draft 1980/81 Budget submission, and that the sections covering 'Current and Future Relationships – AWC' and 'Future AWTA/AWC Relationships' could not be completed until the AWC had clarified their position. [183]

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On 13th October 1980, the final 'Review of Policy, Relationships and Planning' folder was considered at a Special Meeting of the Authority called for that sole purpose. After working through the document page-by-page and agreeing to some relatively minor editorial changes, all recommendations were approved, enabling Yeo and Ward to discuss the Authority's formal position with the Corporation on 24th October.

Complete folders of the Review and Appendices were produced for each AWC Member and delivered to the Corporation, together with a 'Summary of Key Considerations'. In his covering letter, Yeo noted that AWC's former Chairman, Alf Maiden, and his Policy Committee had supported the recommended statutory separation of the Authority from the Corporation.

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[182] In fact, the relevant clause in the Wool Industry Act 1972, describing AWTA's status vis-à-vis the new Corporation, stated that the Authority was "… ***preserved*** *and continues in existence under the same name,* ***as a body corporate***."

[183] AWC approved the AWTA Budget Submission on 23rd May and the 'Statement of AWTA Objectives as at 1/7/80' was approved by the Authority on 18th July. Subsequently, the Authority Members realised that the Board and the Corporation had only ever delegated powers to the Director, whereas an Instrument of Delegation ought to be in place between the AWC and the Authority.

At the AWC Meeting on 24th October, the Corporation agreed that the paper would be taken as read, and Yeo was invited to speak to the 'Summary of Key Considerations' set out below.

"*Background and Issues*

1. *The AWTA was created as a separate statutory body by the Australian Wool Testing Authority Act 1957. It was fully autonomous with control over its own assets, finances and staff.*

2. *In 1963, in accordance with Part III of the Wool Industry Act 1962, AWTA was reconstituted as a body corporate responsible to the Australian Wool Board. In view of the uncertainty concerning the Authority's future and especially its finance difficulties, the powers relating to property, finance, personnel, facilities and administration were all vested in the Board. However, the Authority retained the power to determine its own testing standards, having regard to standards which are internationally recognised. In this regard, and in the management of its technical operations, the AWTA remained completely independent.*

3. *The 1962 Act provided the Authority with the essential powers to manage and control, but not to own, the resources provided by the Board. The Act did not presume interference in day-to-day affairs, but it provided the Board with the power to issue directions to the Authority, on a corporate body to corporate body basis.*

4. *A relatively minor statutory revision was effected in 1970 and, in 1973, the Australian Wool Board was formally subsumed into the Australian Wool Corporation by the Wool Industry Act 1972. The 1972 Act preserved and continued in existence the AWTA as a body corporate and carried over all the pre-existing arrangements and relationships. That situation has not altered to the present time.*

5. *The various Acts, coupled with the Ministerial statements explaining the legislative intent, demonstrate a consistency of Government policy with respect to AWTA which has been reinforced by both the Board and the Corporation. In particular:*
   - *the membership has always been predominantly commercial, with representation of the major wool industry bodies and client groups;*
   - *the Authority has always retained the power to set its own technical standards and to manage its technical procedures;*
   - *it has always been envisaged that the Authority should operate on a commercially self-supporting basis, setting its charges in relation to the cost of its operations;*
   - *the Authority should be accountable for the efficient and economical management of its business; and*
   - *provided external control can be exercised on major issues, the Authority should operate, and be seen to operate, as an independent, impartial organisation.*

6. *Both the Board and the Corporation have encouraged a more pragmatic and mutually beneficial arrangement, whereby responsibility has been delegated informally to the Authority itself, thereby ensuring that the Authority remained accountable for its commercial viability.*

   This operating strategy has relieved the Corporation of a large, significant financial commitment and has facilitated the efficient allocation and management of its financial resources in relation to its other statutory obligations and priorities.

7. *The Authority believes that the Act should be amended to formalise the funding arrangements which have evolved. Besides clarifying the managerial responsibilities and relationships, both within and between the Corporation and Authority, these amendments would ensure that the Auditor-General's statutory functions in relation to the Authority were clarified and conducted directly.*

8. *It is considered relevant to draw attention to the fact that, since 1962, the Authority's statutory relationships with the Board/Corporation have not been amended, despite the major changes which have occurred within the wool industry and, in particular, the expanded role and activities of the Corporation in wool marketing, where it is now seen to compete with other AWTA clients.*

It is important to consider the impact of wool industry changes since 1962, particularly those changes which have had to be accommodated within the informal, practical arrangements between the AWTA and AWC Chairmen, Members and senior staff.

Relevant issues and developments include:

- *the consistent policies of the Board and the Corporation, encouraging the Authority to accept accountability for the efficient and economical performance of its operations;*
- *the progressive implementation of this policy, through formal and informal delegation, as confidence was established and developed in relation to the AWTA's ability to manage and control its business;*
- *the recoupment of early losses, the repayment of AWB/AWC capital advances, and the establishment of long-term financial viability by the Authority;*
- *the enormous growth in wool testing activities, which were predominantly related to scoured wools in 1962 and are now dominated by pre-sale testing for woolgrowers;*
- *the need for increased staffing flexibility and much more rapid decision-making, in order to manage the large and frequent fluctuations in pre-sale testing demand efficiently;*
- *the inclusion of AWTA sampling and testing staff within the membership of the Federated Storemen and Packers' Union;*
- *growing recognition within the wool industry of the intrinsic need for users of test Certificates to be able to accept that test houses are impartial and independent of both buyers and sellers;*
- *the official decision by IWTO that IWTO Certificates can only be issued by a test house which is "independent of the sales transaction", and its inclusion in both the IWTO Core Test Regulations and the IWTO Standard Contracts and Arbitration Agreements;*
- *the inclusion of Corporation functions and responsibilities within the 1972 Act, which have or are seen to have a direct impact upon the commercial operations of the Authority's clients and/or upon organisations with whom the Authority must have a close working relationship, if it is to meet its objectives efficiently;*
- *the introduction of specific AWC marketing activities, such as LOPS, the Wool Marketing Service, and the market development activities in Israel, USA etc.; and*
- *the policies adopted by the Board and the Corporation, with the advent of commercial wool testing competitors, to ensure that the AWTA was in as commercially independent a position as possible, and that the Board/Corporation could not be accused of favouring (subsidising) the AWTA.*

This last point was perhaps the most significant factor which had led to the establishment of a proper business relationship between the Board/Corporation and the Authority.

9. *In any objective review of the relationship between the Corporation and the Authority, it is essential:*
   - *to define the objectives and responsibilities of each organisation, particularly in relation to the needs of the wool industry and the policies of the Government;*
   - *to consider the need for and extent of recognition to be granted to the Authority as a separate corporate entity;*
   - *to establish the degrees of independence required by both the Corporation and the Authority, to ensure that their respective objectives and responsibilities are able to be met in the most efficient and economical way; and*
   - *to ensure that, where co-ordination of the respective roles is necessary to advance the interests of the wool industry, reporting responsibilities and relationships are defined clearly.*

   However, it is important to stress that the Authority acknowledges and accepts that it is the policy of the Government to ensure that the interests of the Australian wool industry are protected, and to this end, the Corporation has been given extensive responsibilities. In addition to its role in assisting the wool growing industry to maintain long term viability, the Corporation is required to advise the Government on the current status, outlook and needs of the industry.

Within the scope of these responsibilities, it is obvious that the Corporation should continue to exercise an advisory role in relation to wool testing. Any new legislation covering the AWTA should provide for this role.

10. *Before any expansion of AWTA's role is contemplated, it is essential to ensure that the Authority is performing its current functions fully and efficiently, and that it has demonstrated the capacity to manage its own affairs responsibly. Members of the Authority are convinced that this status has been achieved, but that a significant factor inhibiting industry demand for new services is the lack of statutory separation from the Corporation. The current position, whereby the Corporation can direct the Authority on all matters except technical policies and standards, creates uncertainty among clients as to whether the AWTA might be manipulated to support those AWC operations or policies which are strongly opposed by the trade.*

11. *With the trend towards greater external public surveillance, which is likely to continue, it is imperative for the Authority to ensure that:*
    - *the significance of its role as a commercial service entity in fibre and product trading is understood;*
    - *its objectives, functions and powers are clearly defined publicly, especially within the legislation; and*
    - *the Annual Report presents a proper account of the Authority's operations as a body corporate, and that the financial statements comply with acceptable, commercial standards.*

"*Recommendations*

12. *In summary, the major recommendations are:*

    (i) That a separate Australian Wool Testing Authority Act be enacted, thereby establishing a statutory separation between the Authority and the Corporation.

    (ii) That the new legislation be drafted to:
    - *vest in the Authority the legal responsibility to meet and be accountable for its financial obligations;*
    - *reinstate within the powers of the Authority the power to acquire, hold and dispose of real and personal property;*
    - *make provisions for the Authority to borrow money from approved sources for the purpose of carrying out its functions, subject to the normal Ministerial approvals;*
    - *provide the Authority with power to invest in approved securities and approved banks;*
    - *provide the Authority with power to employ staff required to meet its responsibilities;*
    - *provide the Authority with power to develop, manufacture and sell testing equipment, where such equipment has been developed specifically for use by the AWTA and its subsequent availability to other organisations is beneficial to the encouragement of objective measurement; and*
    - *establish the present AWTA functions as principal functions, but to include, as incidental functions, the conduct of research and the testing of other materials/products, where such services are compatible with these principal functions.*

    (iii) That the future funding arrangements for the Authority's research and development activities be as follows:

        (a) Where internal research and development is conducted, for the exclusive use of the Authority, it will be funded by AWTA.

        (b) In the case of projects allocated high priority by the AWC Distribution Research Advisory Committee, the AWTA will compete for available Wool Research Trust Fund grants.

        (c) Where commercial proving trials are conducted on new apparatus and/or developmental work is undertaken, and where there is doubt as to whether a commercially viable service will result, then:
            - *capital costs will be met by the Wool Research Trust Fund, initially;*

- *the commercial viability of the development will be subject to review, at least annually, by AWC staff on behalf of the appropriate AWC Research Advisory Committee; and*
- *when agreed that a commercial service is likely to result, the AWTA will reimburse the Fund at an agreed book value, for any capital equipment having a continuing use.*

"*Future AWTA/AWC Relationships*

13. *It should be noted that the proposed AWTA Act acknowledges the Corporation's responsibilities within the wool industry and, in particular, it provides for:*
    - *a Member of the Corporation to be appointed as a Member of the Authority;*
    - *the Minister to consult with the Corporation with respect to all Members of the Authority;*
    - *consultation between the Corporation and the Authority, with regard to terms and conditions of employment;*
    - *AWTA borrowings for premises to be available from the Corporation, which would necessitate close consultation;*
    - *formal submission of the AWTA Annual Report to the Corporation for its comments to the Minister; and*
    - *formal consultation between the Chairman of the Corporation and the Chairman of the Authority, and regular reporting by AWTA to the Corporation.*"

Led by the AWC Chairman, David Asimus, comments by the Corporation Members were generally defensive of the status quo. It was claimed that the Government would be reluctant to create a new statutory body, given the strong criticisms being made by the Rae Committee which had been investigating the performance of Statutory Authorities of the Commonwealth. [184]

Asimus agreed that a Joint AWC/AWTA Meeting would be necessary but could not be held until the Corporation had received and considered a new AWC staff paper on the "*original*" relationships issue, which he claimed had been "… *a review of factors in the Corporation/Authority relationship which might be impeding the efficiency of the Authority's day-to-day operations.*"

Following this meeting, Yeo and Ward were intrigued by Asimus' claim that the new staff paper was to help AWTA by removing impediments to their efficiency. However, the real purpose of the new staff paper was exposed when the Authority received the extract of the Corporation's Minutes which recorded the AWC Members' comments on the matters they wanted the staff paper to address, which included:

- the Corporation opposes separation under a new Act, but would consider maximum independence;
- AWTA is already independent regarding technical aspects of testing, but is "… *subject to directions of AWMSA*";
- the Act "…*effectively made AWTA a wholly owned subsidiary of AWC*" and it was normal in private enterprise for a controlling parent to exercise powers over the composition of a subsidiary's Board;
- wool growers' interests were adequately protected by AWC's policy to appoint one of its grower Members as an Authority Member, and through AWC exercising control over AWTA's financial affairs and charges;
- it would help if AWC's Chief General Manager attended AWTA Meetings as an Observer;
- growers were now AWTA's largest client group, but had no direct membership; WCA should have a Member of AWTA and, if accepted by the DPI, the AWC-appointed Member could then be any one of their Members; and
- the paper must include a formal definition of all Corporation/AWTA relationships. [185]

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[184] Rae had described Statutory Authorities as 'Quasi Autonomous Non-Government Organisations' and referred to them as 'QANGOS'. He had been critical about the number of these bodies failing to submit annual reports to the Government and particularly scathing that some had never reported. On face value, the Authority was in this category, so Ward had written to the Committee to clarify that the Authority's report was incorporated within the AWC's Annual Report.

[185] In March 1981, DPI agreed to amend the Wool Industry Act for WCA to appoint a grower Member of the Authority. Their first Member, Des O'Connell, attended his first Meeting on 3rd July, when Bob Chadwick also attended as the new PTWMA Member.

The agreed Joint AWTA/AWC Meeting was held on 23rd January 1981 with Lindsay Yeo as Chairman. Having agreed that the 'Review of Policy, Relationships and Planning' could be taken as read, discussion focused on the recommendations. Yeo summarised the factors leading to the Authority's position, following which Asimus announced that the Corporation had not yet firmed up their views, but they were opposed to AWTA being separated from the Corporation.

Each of the 8 AWTA Members then took the opportunity to speak in favour of the recommendations, both as AWTA Members and on behalf of the specific wool industry sectors which they represented. Asimus and 3 other AWC Members responded with contrary views. Having heard all opinions, Asimus then announced that the Corporation would consider a final paper at their February Meeting, following which it would be sent to the Authority for consideration. [186]

In fact, the Chief General Manager's staff paper was delayed until the Corporation Meeting held on 27th March 1981. Contrary to long-standing arrangements, the extract of AWC's Minutes was not sent to the Authority until Alex Artomonow asked for a copy to complete the papers for the next Authority Meeting. Upon receipt of that extract, it was discovered that had resolved that:

"*The final position of the Corporation remains unchanged from that resolved in October 1980, viz., statutory separation is neither justified nor feasible and would not be in the best interests of the wool growing industry.*"

Other points recorded in the Minutes reiterated every idea previously floated as "*hypothetical*" by John Walker, confirming that senior AWC Managers had convinced the Corporation that the Authority must be controlled completely by them. To this end, the specific recommendations included:

- AWC having 2 representatives on the Authority via the addition of the Chief General Manager;
- the AWTA Director reporting to AWC's Chairman with respect to statutory functions and delegated responsibilities;
- extending the AWC Policy Committee's powers to consider AWTA policy papers and reports, "…*before their release to AWTA Members*"*;*
- amending the Act to give AWC the power to approve AWTA's budgets and charges, and to withhold part or all profits generated;
- a requirement for all A-G's reports on AWTA to be sent to the Chief General Manager, to enable him to seek comments from AWC staff, in addition to those from the Director; and
- allowing the AWTA to issue activity reports, subject to approval by the Chief General Manager.

Notwithstanding these suggestions, the only firm decision taken by the Corporation was their rejection of statutory separation. Regarding all other aspects recommended by the Authority, the AWC Members resolved that the Chairmen and Chief Executives of both bodies would meet to devise suitable Instrument(s) of Delegation to be approved by both the Authority and the Corporation.

Within 5 weeks, the relevance of these negotiations was thrown into serious doubt, when the Government announced their acceptance of all recommendations made by a Parliamentary Committee led by Phillip Lynch, known as the 'Lynch Razor Gang', which had undertaken a 'Review of the Functions of Government and of Public Service Staffing Levels'. Through this decision, the Government announced that the Authority would be sold to the private sector. In retrospect, this raised serious doubts as to whether the Corporation, or at least the Chairman and some senior Managers, had been negotiating the AWTA/AWC relationships issues in good faith.

[186] Note: The Minutes of the Joint AWTA/AWC Meeting held on 23rd January 1981 are attached as APPENDIX 5.

44. DECISION TO PRIVATISE AWTA POLARISES THE INDUSTRY

"*Despite 6 months of turmoil in the wool industry, the reasoning behind the Government's announcement is still unclear … Did Mr Nixon realise that AWTA was run by the wool industry, funded by the wool industry, for the benefit of the wool industry, linked to Government only through AWC?*" [Shadow Minister for Primary Industry, John Kerin – September 1981]

In 1980, Prime Minister Fraser announced that a 'Review of the Functions of Government and of Public Service Staffing Levels' would be conducted by a Cabinet sub-committee of 3 senior Ministers, to be headed by Phillip Lynch, Minister for Industry & Commerce, and with the other members being John Howard, Treasurer, and Senator Margaret Guilfoyle, Finance Minister. They were tasked with the explicit objective to achieve smaller government by eliminating the costs of functions that the government saw as waste, duplication and/or unnecessary. This Committee, known as the 'Lynch Razor Gang', called for submissions from industries and the public to identify targets for review. Being Statutory Authorities within the DPI portfolio, the commercial operations of both AWC and AWTA came under scrutiny.

Within weeks, the DPI Minister, Peter Nixon, notified the Corporation that several submissions to the Review Committee had drawn specific attention to operations that were competing with private enterprise, in particular, the leasing of wool stores and wool testing. He expected the Committee to recommend that some functions be curtailed or divested, so the Corporation should prepare for such an eventuality.

From the time he was appointed as AWTA Director, Ward participated in the AWC Chairman's Policy Committee meetings. With the Razor Gang focused on AWC/AWTA, Asimus called Ward aside at the close of each meeting to disclose "*in confidence*" what he was hearing in relation to AWC's property and AWTA's testing operations. These discussions always ended with an assurance that AWC would protect AWTA from any change, so Ward and his staff need not worry about "… *the goings on in Canberra*." Unbeknown to Asimus, Ward had already been questioned by DPI officers in search of specific details about AWTA's operations and assets, indicating that the Authority was very much in the Razor Gang's sights, regardless of Asimus' assurances to the contrary. With the Property Division generating annual profits of more than $7 million for AWC's use, and AWTA paying AWC practically nothing, it would be illogical for Asimus to divest the property operations. As the 'Razor Gang' review progressed, despite calming words to the contrary from the AWC Chairman, it became increasingly likely that the sale of AWTA would become the wool industry's contribution to the government's cost-cutting goal. [187]

The release date for the Review of Commonwealth Functions (RCF) Report coincided with the IWTO Conference in Christchurch, New Zealand, which all AWTA Members and senior executives were attending. In view of this, Ward had prepared a detailed 'Briefing Paper' to be sent immediately to the rural press, in the event of an announcement that the Authority was to be sold or otherwise targeted. It contained all the key facts and arguments as to why it was not in customers' interests, especially wool growers, for AWTA to be sold to the highest bidder(s).

The Government announced the decision to sell AWTA to the private sector on Friday 1st May 1981, which was the final day of the IWTO Conference. Attempting to justify their decision, they declared that there was no longer a requirement for the Authority to have a link with Government, since it was controlled by the wool industry, funded by the wool industry, and exercised its functions for the benefit of the wool industry. They went on to claim falsely that Australian taxpayers would be relieved of the cost of 700 staff. However, since AWTA had never been a cost to the Government, this blatant misinformation opened the opportunity to challenge the Razor Gang's credibility. The staff reduction claim had been anticipated, so the Briefing Paper set out the facts and stated clearly that the Authority's initial funding had been provided solely via Treasury loans, since repaid in full, and they had never been a cost item in the Federal Budget.

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[187] The final proof of Asimus' obfuscation was obtained by the AWTA Chairman, Lindsay Yeo, who had been kept fully informed of Asimus' comments. Fortuitously, he and Senator Margaret Guilfoyle were both residents at 99 Spring Street, Melbourne, and were close friends. By pure coincidence, the Yeos and the Guilfoyles had dined together on the day that Ward had expressed his scepticism to Yeo about AWC's motives. After dinner, Yeo took the opportunity to enquire about the Razor Gang's progress in relation to the wool industry. After mentioning what he had heard, she indicated that those statements were misleading, but she could not comment further due to her confidentiality obligations as a member of the Committee.

Within an hour of the announcement, the paper was released to the press, all grower bodies and industry associations, and to the Authority Members. When news of the decision reached the Australian delegation in Christchurch, they reacted immediately, placing the following resolution before the IWTO Council:

"IWTO is deeply concerned at the proposal that AWTA may be sold to commercial interests. Members of IWTO are strongly of the view that, in its unique function between sellers and buyers, AWTA must be, and be seen to be, an official independent and impartial body."

Several countries apologised for having to abstain from voting, due to their National Committee's rules requiring all IWTO Council resolutions to be discussed fully before they could vote. Notwithstanding their positions, the resolution was carried with 11 countries in favour, 8 abstentions and no votes against. It was then formally adopted by the General Assembly without further debate and, by the end of the day, the text of this resolution had been received by the Government and the rural press. It was fortuitous that most of the world's wool industry leaders received the news simultaneously. Being at the Conference, they heard first-hand the major users of AWTA Certificates expressing disbelief that the Government could have been so poorly informed. Great concern was expressed at the commercial trading ramifications which would result, if the sale of AWTA resulted in any loss of independence, and the IWTO President was urged to ask the Government to reconsider the decision. By the time Australian delegates had returned home, the Government was already being assailed from all sides, both nationally and internationally, and the Federated Storemen & Packers' Union (FSPU) had also reacted to protect the interests of their members employed by AWTA. Since the FSPU held exclusive rights to cover AWTA's sampling and laboratory employees, Ward decided to send the Briefing Paper to their Federal Secretary, Simon Crean, to limit the risk of any unhelpful industrial unrest. After agreeing to keep each other informed, Crean advised that he intended to contact the DPI to register the Union's interest in protecting employees' jobs and related entitlements.

Following contact with the DPI Minister, Peter Nixon, Lindsay Yeo called a Special Meeting of the Authority, which was held on 8th May to consider tactics to overturn the decision. He also invited as Observers the Chairmen of wool industry bodies who were not AWTA Members, namely Asimus and Farnworth (AWC), Bob Chadwick (FCPTWMA), Graham Duncan (WSC&FFA), Michael Lempriere (ACWB), and Kevin Perrott (WTMA). This meeting was advised that both the AWTA and AWC Chairmen had been told that the decision was irrevocable and that the assets would be sold by tender - not as a going concern. In response, Yeo had told the Minister that such an outcome would cause serious disruption to wool selling and trading, with large cost impacts on AWTA's clients, especially wool growers. After those ramifications were explained, Nixon had expressed his willingness to consider any proposals that could minimise the cost. To this end, he had invited the Authority to submit their views to him.

Having provided this summary, Yeo then announced his preference for AWTA to be transferred to a trust or foundation, being a company limited by guarantee with no shareholding, since this could preserve the present management and Board structures, while still meeting the Government's objective to transfer the testing functions to private enterprise. If structured carefully, the business would be exempt from income tax and, under such a corporate structure, ultimate control would be in the hands of the guarantors, which would be the same industry bodies appointing the current Authority Members. Asimus responded immediately, expressing strong doubts that the legislation would allow such a course to be taken, as it would not qualify as the "sale" announced by the Government. He also advised that, while they opposed the decision, AWC were preparing proposals for the Government which would ensure objectivity, reliability, independence and minimum cost, leaving it to the growers to take the front running of opposition via WCA. To the surprise of all present, he then announced that AWC had already engaged Hill Samuel to develop alternatives that might offset the negative impact of a fully commercial sale, adding that a sale price of $12 million had already been estimated to force testing fees up by more than 50%. Under questioning, he admitted that the Corporation had received a first draft of the enabling Bill and had already expressed their concerns to the Government that it lacked flexibility and would preclude AWTA being sold as a going concern. It seemed illogical that the draft Bill would preclude such a sale. [188]

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[188] The reasons became clear when the brokers' Authority Member, Bill Williams, phoned Ward to report that, while dining in South Melbourne, AWTA was being mentioned at a nearby table out of his line of sight. Their obvious conviviality suggested that they had done a deal, and he was intrigued that some voices were familiar. Leaving the restaurant discretely, he had identified the group as Phillip Lynch and executives of Dalgety Australia, Elders IXL and Westwools.

Several attendees were highly critical that AWC had taken this action unilaterally, without any reference to Yeo and Ward or consultation with the Authority Members. When pressed for more details, Asimus claimed that the Minister had said he would only take advice from AWC, as "… *owner of the business*" and had insisted that all DPI/AWC negotiations must remain confidential. This assertion was patently at odds with Nixon's direct invitation to Yeo for the Authority Members to submit their views to him. When asked about the $12 million figure, Asimus initially described it as being "*hypothetical*". However, subsequent responses confirmed it was the amount that AWC expected to receive from the sale, which had probably been advised to the Minister as a realistic reserve. [189]

To obtain essential financial data for Hill Samuel's task, AWC staff had referred them to Alex Artomonow, who had subsequently constructed a series of Balance Sheets covering a range of possible sale prices, ranging from $12 million to zero. For each alternative, he had calculated the percentage fee increase required to achieve a break-even result and had tabulated them on the whiteboard in AWTA's boardroom, where they caught Asimus' eye and prompted him to seek an explanation. When Asimus' was told that testing fees would have to increase even if all assets were transferred free-of-charge to a new company, he declared that such "… *wishful thinking*" was a complete waste of time and would be unacceptable.

Before the Observers withdrew, Yeo invited Ward to comment on the views of the management team, whom he knew had discussed the possible sale of AWTA at their February Policy Managers' Conference. In responding, Ward explained that the shared attitudes and motivations of all senior Managers were completely focused on achieving the Authority's objective to balance technical accuracy, service efficiency and cost control, for the benefit of the wool industry. If the sale outcome inhibited them from achieving those goals, or if AWTA lost its independence, he believed that the resultant loss of job satisfaction would cause the team to break up.

Speaking on behalf of the ANC, Sandy Nevile expressed the view that retention of the AWTA team was vital for the industry, not just for the Authority. He referred to the integral role they continued to play in developing IWTO Test Methods, Regulations and Blue Book Contracts, which he believed the IWTO Council had recognised when passing their critical resolution at the Christchurch Conference.

Asimus' only comment was to assure the meeting that AWC would insist upon all staff entitlements being protected. Then, as he was withdrawing from the meeting, he made an aside remark that the AWC did not want to have control over any new body, but the growers surely would.

Sandy Nevile, Chairman of the Australian National Committee of IWTO

Once the Observers had left the meeting, the Authority Members reviewed their situation and agreed unanimously that they could no longer rely upon AWC to act in the Authority's best interests. In fact, it seemed clear from Asimus' statements that he was in favour of the sale and was intent on controlling all communication with the Minister.

Having regard to Nixon's invitation for the Authority to provide their views to him, they formulated a position statement to be passed to the Minister via the Corporation – the correct protocol consistent with the Authority's reporting relationship under the Act.

[189] AWTA's briefing paper had explained why the sale of AWTA would result in large increases in testing fees, making cost the major topic for press headlines and highly critical Letters to Editors, which were causing Prime Minister Fraser and Nixon to be inundated with complaints.

After a wide-ranging discussion led by Yeo, the following Resolutions were passed unanimously:

"*RESOLVED: That Members of the Australian Wool Testing Authority recommend, through the Australian Wool Corporation, to the Minister for Primary Industry that:*

(i) the statutory status of the AWTA be preserved in view of its fundamental importance to the maintenance of confidence in international trade in Australian wool - its Certificates having become the cornerstone of the wool industry;

(ii) AWTA not be sold to vested sectional interests, since this would impeach the independence of its wool testing laboratories, whose Certificates presently receive international recognition as the impartial basis for trading between buyers and sellers of wool;

(iii) a delegation comprising representatives from the Authority, the Australian Wool Corporation, the International Wool Textile Organisation, the Wool Council of Australia and the Federated Storemen and Packers' Union wait on the Deputy Prime Minister, the Minister for Primary Industry, the Chairman of the Committee of Review of Commonwealth Functions and other appropriate Ministers; and that

(iv) the delegation be asked to impress upon those Ministers the urgent need for a thorough inquiry into the implications of the sale of AWTA to the private sector, before implementing any move to change the status of AWTA."

"*RESOLVED: That if the AWTA must be sold to private interests, it be sold to a non-profit organisation such as a company limited by guarantee, representing all sectors of the industry in Australia, thereby avoiding control by vested interests.*"

As soon as the Authority Meeting had closed, these decisions were sent to the AWC Chairman with a request that they be forwarded to the Minister without delay. During subsequent discussion among the industry organisations, it was agreed that the proposed delegation should be limited to representatives of WCA and ANC only, being Ian McLachlan and Sandy Nevile, respectively.

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During their ensuing private discussion, Yeo agreed that Ward's top priority for the foreseeable future must be to fight for AWTA's survival as an independent business, structured to achieve the goals of these 2 Resolutions, whilst avoiding disruption to clients. In the light of AWC's attitudes and actions, Yeo accepted Ward's recommendation for Sas Douglas to take over all responsibilities for AWTA's commercial operations, so he could concentrate full-time on managing the politics to achieve the best outcome.

Ward then called a meeting of his Policy Group of senior Managers to inform them of this change and to bring them up to date regarding the state of negotiations and the positions already being taken by each industry organisation. However, the main reason for this meeting was to establish whether any of the management team would prefer not to commit to the fight, given the real risk that serious repercussions could result from failure. In this regard, he made it clear that everyone was entitled to have their personal opinions respected, but he needed to know their views now, to avoid creating any conflicts of interest for them. At this point, the Manager responsible for the Textile Division stated that he was prepared to live with the Government's decision, although he understood completely why the outcome was much more critical for everyone else on the raw wool testing side.

In closing this meeting, Ward reminded the group that they were all staff of the AWC under the Act. As such, they risked being threatened with dismissal for any aggressive criticisms or actions against the AWC. Consequently, only he and/or the Chairman would be issuing any future public statements. Finally, he stressed that their attendance at this Meeting must remain confidential, which was why there had been no written Agenda and there would be no Minutes.

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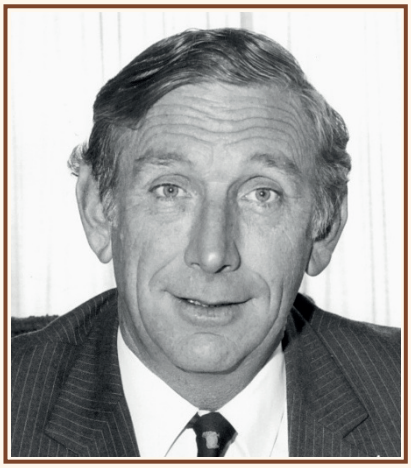
The Authority scheduled another Special Meeting on 28th May following McLachlan's and Nevile's meeting with the Ministers and the Prime Minister, to receive and consider their report on the outcome. In short, Nevile advised that the discussions had concluded with a formal statement that:

- the Government's decision was not negotiable;
- the legal status of Certificates would be preserved;

- the accruing rights and entitlements of staff would be preserved; and
- there would be practically no change in AWTA's operations or costs.

To lock-in these commitments, both he and McLachlan had immediately confirmed those points in separate letters to the Prime Minister, which had since been acknowledged as received.



David Asimus, Chairman of the Australian Wool Corporation

However, 2 days before this Special Meeting, Asimus called an urgent meeting with Yeo, Ward, McLachlan and Nevile, which they had all been misled to believe would inform them of more favourable developments in Canberra. Contrary to their expectations, the AWC Chairman announced that the Corporation was already finalising their recommendations to the Government.

In this regard, he expected that a 'Commonwealth Functions (Statutes Review) Bill 1981' would be drafted to provide for the establishment of a new body corporate, which would be wholly owned by the Corporation and have joint voting powers to ensure that the AWC and the WCA could exercise control over a second company, established to operate the testing business.

After seeking clarification of these actions, Yeo, McLachlan and Nevile criticised Asimus for not acting in good faith by continuing to negotiate unilaterally. They expressed serious doubts that the Government would deem a sale to AWC, a statutory body, to be a "*sale to the private sector*" as had been recommended by the Razor Gang. When Asimus declined to comment further, they sought an adjournment to determine an agreed course of future action.

During those private discussions, Yeo advised McLachlan and Nevile that the AWC had now instructed Hill Samuel to make provision in their costings for a sale price of $8.00 million, to be paid to AWC by the new company via annual payments of $800,000 over 10 years. These details had been discovered when Alex Artomonow was invited by Hill Samuel to participate in a joint costing exercise, which had confirmed that this price would require testing fees to increase by 47% over 5 years. Having agreed that such an outcome was completely unacceptable, they returned to the adjourned meeting and informed Asimus that:

- the IWTO would not accept either the 2-stage transfer to private sector wool industry ownership or the transfer to AWC, due to the AWC being a party to wool sales transactions;
- wool growers should not have to pay a second time for the funds and equipment which had been financed from fees paid by them since 1976, and mostly by the trade prior to that year;
- organisations represented on AWTA had not been consulted regarding essential guarantees or any other aspects; and
- a company limited by guarantee without share capital could not be "*owned*" by AWC or WCA.

When these developments were reported to the Special Authority Meeting, it was agreed that equal voting rights at Board level were essential to ensure impartiality in decision-making, and that AWTA clients' equity should be recognised by transferring all assets and funds, excluding rented land and buildings, at no cost. It was also noted that the AWC proposal for 50% of the guarantees to be paid by AWC/WCA was confusing ownership and control, and that AWC did not understand that exemption from income tax would not be achievable if any party owned a share or received payments from the new company.

Whereas the Authority had been relying upon AWC to pass their views to the Minister as recently as the 2 most recent Resolutions, it now seemed likely that this had only been done superficially, if at all. Consequently, they agreed that their formal response to the Minister's invitation must now be submitted directly to him, and urgently. In this regard, they agreed to argue the case for AWTA to be sold as a going concern to a company limited by guarantee and without shareholding, which could be structured to be exempt from income tax and be controlled by member guarantors from the same industry bodies as those currently represented on the Statutory AWTA.

Following a further comprehensive discussion, it was agreed unanimously (in the absence of the AWC Member or his Deputy, who were both attending an IWS Board Meeting in London) that the following 'Features of Any New Organisation' be recommended to the Minister:

"*(i) A Company known as "Australian Wool Testing Authority Limited" should be formed and incorporated under Section 14(2)(e) of the Companies Act, being a "Company Limited by Guarantee and Not Having a Share Capital".*

"*(ii) The Company would apply for a licence under Section 24 of the Companies Act, to permit it to delete the word "Limited" from its name. This would ensure continuity of the AWTA's name, thereby limiting disruption to trading contracts and arrangements.*

"*(iii) The Company would be established as a non-profit organisation, with all property and income being applied solely towards the promotion of its Objects. No property or income shall be payable or transferable to the Members of the Company, except for reasonable remuneration for services actually rendered to the Company.*

"*(iv) In the event of the Company being wound up, any property or funds remaining after meeting all liabilities shall not be payable to, or distributed amongst, the Members, but shall be transferred or distributed to one or more companies or bodies having Objects which are substantially similar to the Objects of the AWTA Ltd., and which (in each case) by its Constitution shall also prohibit the distribution of its property and income to or amongst its Members to an extent at least as great as is imposed on the AWTA Ltd.*

"*(v) The Memorandum of Association and Articles of Association would spell out the Objects of the Company such that it can qualify for exemption from income tax under the provisions of Section 23 (h) of the Income Tax Assessment Act. In this regard, the Company would conduct its functions "for the purpose of promoting the development of the agricultural, pastoral, manufacturing and industrial resources of Australia", and would not operate for the purposes of profit or gain to its individual Member bodies.*

"*(vi) As a Company Limited by Guarantee, the Memorandum of Association would limit the liability of individual Members to contribute towards the liabilities of the Company, should it ever be wound up. The Guarantee per Member should be $50.00 only, provided all the funds and assets generated and held by the current AWTA are transferred to the new Company. No Member of the new Company should contribute more or less than each other Member.*

"*(vii) The Members of the new AWTA Ltd. should be the:*

Australian Council of Wool Buyers
Australian Wool Corporation
Commonwealth Scientific and Industrial Research Organisation
Federal Council of Private Treaty Wool Merchants
National Council of Wool Selling Brokers of Australia
Wool Council of Australia
Wool Scourers' and Carbonisers' Association of Australia
Wool Textile Manufacturers of Australia.

In the case of C.S.I.R.O., it was noted that Membership is legally possible and would be likely, provided its participation was considered to be consistent with C.S.I.R.O.'s own aims.

Any of these bodies which are unincorporated associations would nominate their representatives as Associate Members of the Company.

"*(viii) Voting should be equal amongst Members.*

"*(ix) The new Company should be administered by a Board of Directors, comprising one Director nominated by each ordinary and/or Associate Member, together with two Directors having special qualifications (the current independent Members of AWTA), and a Managing Director.*

"*(x) The Managing Director should be appointed by the Board of Directors and would have a seat on the Board.*

"*(xi) The Board of Directors would appoint a Chairman from amongst their number.*

"*(xii) The new Company must be formed such that the operations of the current AWTA can be transferred*

to it at minimum cost, and with minimal disruption to policies, strategies, etc. In this regard, there should be no transitional arrangements, but rather the new Company should be fully established, and all financial and property arrangements should be negotiated and approved, before any change in the current AWTA's status. The establishment of a body corporate wholly owned by the Corporation, as provided for in the Commonwealth Functions (Statutes Review) Bill 1981, should be avoided, since the testing operation would lose, and be seen to lose, its independence from sales transactions as required by the International Wool Textile Organisation.

"*(xiii) As the AWTA repaid all previous capital advances to the Australian Wool Corporation in June 1976, and has been self-funding since that time, the assets and funds currently utilised should be transferred to the new Company at no cost. In effect, these assets and funds have already been paid for by the raw wool and textile industries, via the AWTA's charges. Such a transfer would represent an equitable arrangement, particularly if the Membership of the new Company remains practically identical and with the industry-representative membership which has existed since its inception.*

As a result of this transfer of funds and assets, the new Company would not require debt finance, and no guarantor payment would be required.

"*(xiv) Since the only property and assets not funded by the current AWTA are the land and buildings occupied, the new Company should purchase these from the Australian Wool Corporation at a commercial valuation.*

However, if the Australian Wool Corporation and the Commonwealth Government wished to minimise the cost impact of the transfer/sale of AWTA to the private sector, these assets might be sold to the new Company at book value.

"*(xv) Provision should be made in the Articles of Association for a Common Seal of the Authority, with specific clauses covering both:*

- *the affixing of the Seal on legal documents; and*
- *the application of the Seal (in printed form) on Certificates issued.*

This would provide adequate legal status for such Certificates.

"*(xvi) In view of the fact that a non-taxable "Company Limited by Guarantee and Not Having a Share Capital" cannot have owners or proprietors, without jeopardising its income tax exemption, the new Company should not be controlled by any sectional interest. (This is also essential to ensure impartiality and independence from particular trading interests.)*

However, in the event that the new Company was being wound up, the current and future interests of woolgrowers should be acknowledged in, and protected by, the Articles of Association.

In addition to the points outlined in (iv) above, these Articles could prescribe that, in the event of dissolution, the Members of the AWTA Ltd. shall be empowered to determine which companies and/or bodies shall benefit by the transfer or distribution of 50% of any property or funds remaining after meeting all liabilities; with the remaining 50% being transferred or distributed to companies and/or bodies selected by the Wool Council of Australia and nominated to a general meeting of the Members, convened for the purpose of winding up the Company."

As a matter of courtesy, copies were also telexed to the AWC Chairman and Board Members, who had attended the IWS Board Meeting and were still in London for AWC Meetings on 9th and 11th June 1981, at which they would consider their final proposals to the Government for the 'Disposal of AWTA', which had again not been discussed with Yeo or Ward.

When the Minutes of those meetings were received by AWTA, it was discovered that the AWC was now proposing a different 2-body structure, whereby an industry-representative Holding Company would purchase the AWC assets and lease them to an Operating Company having a representative Board similar to the present AWTA. Importantly, the Holding Company would have the power to control testing fees and AWC/WCA would have a controlling vote. [190]

[190]. At the next AWTA Meeting, the new Member representing the AWC, Michael Davidson, advised that AWC's intention was for the Chairman of the Holding Company to be drawn solely from the AWC and WCA nominees and would have a casting vote.

Asimus' immediate response was to telex a hostile letter to the Minister, in which he complained that the Corporation had not been consulted or represented at the Authority Meeting. He demanded that the Minister must only take advice from AWC, "*not AWTA*", and he also asserted that AWTA's proposals would be totally unacceptable to wool growers and were certainly not acceptable to the AWC.

> **"… IN CONFORMITY WITH YOUR INSTRUCTIONS AND PUBLIC STATEMENTS, AND ALSO THE OBLIGATION AND RESPONSIBILITY WHICH THE CORPORATION, NOT AWTA, HAS TO ADVISE YOU ON THIS MATTER, THE CORPORATION WILL SUBMIT TO YOU AS SOON AS POSSIBLE RECOMMENDATIONS FOR THE RESTRUCTURING OF AWTA … "**

The immediate feedback from Ward's contacts in Canberra confirmed that Nixon had considered this letter to be a blatant attempt to bully him into accepting only the AWC's plans, and they believed that the unwarranted aggression had now raised doubts as to whether AWC's consultation with the commercial sectors of the industry had been perfunctory, rather than genuine.

In fact, the Minister was so attracted to AWTA's detailed proposals that he instructed the Corporation to negotiate a consensus position with the Chairmen of all major wool industry organisations, including AWTA and IWTO, before AWC was able to submit their new proposals to him. At the first meeting of the commercial sectors called for this purpose in July 1981, Sandy Nevile set the tone by stating at the outset that IWTO would never agree to any arrangement controllable by the AWC and, in fact, that the ANC strongly supported the Authority's proposal to the Minister. This meeting agreed that it was essential for the proposed company to be fully established from the outset, with no transitional arrangements, and that all financial and property transfer arrangements must be negotiated and approved before any change was made to the Authority's status. It was also considered essential for AWTA's operations to be transferred at minimum cost and with minimal disruption to its services.

Nevile also reported that Asimus was planning to hold an AWC/WCA/ANC meeting to discuss the new company's membership, ownership, asset values, taxation and the monopoly issue, and that he had already been lobbying individual ANC members. Regarding participation in that meeting, Yeo recommended that ANC's representatives should be the Chairmen of ANC member bodies only, and should not include any current Authority Members.

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While the debate over these developments was being held at wool industry organisation level, Eric Waring and other DPI Officers had been seeking more and more specific details and data about AWTA's operations, including the management and organisation structures, the relative importance and level of profitability of the various types of testing conducted and the like. The collation of these details was delegated to Alex Artomonow, who soon alerted Ward to the fact that the requested data appeared to be a due diligence exercise, rather than being related to the evolving industry proposals. This warning immediately reminded Ward of the restaurant meeting reported by Bill Williams, which had raised the question as to whether Lynch might have agreed to the 3 brokers purchasing one laboratory each. When Ward, Douglas and Artomonow discussed the possibility of AWTA being broken up in this way, they noted some additional facts which were consistent with this being a live option. In particular:

- the 3 named companies were dominant in States serviced by AWTA's laboratories in Sydney, Melbourne and Fremantle, so it would be logical for Dalgety to purchase the NSW & Qld operations, Elders IXL to acquire SA & Vic/Tas, and for Westwools to take WA;
- such a 3-way split would explain why the draft Bill precluded sale as a going concern, and it would also accord fully with the "*sale to the private sector*" wording in the decision;
- with John Elliott's known motivation to dominate industries, Elders IXL had already expanded its presence in the wool industry by taking over 2 early-stage processors in Melbourne and several small wool broking companies; and
- to gain influence, Elliott had negotiated a Woolmark sponsorship for his VFL Carlton Football Club, occasionally inviting a key AWC Manager to his President's Lunch, so it was highly relevant that Ward and Farnworth had been invited to join him soon after the AWTA sale was announced.

Nevertheless, they were reasonably confident that this option would be abandoned, as soon as Waring and others seeking the business data realised that the main data processing, certification and invoicing functions for all 3 laboratories were centralised in Melbourne, such that neither the Sydney nor the Fremantle laboratories could function, if sold as independent units. In this regard, Artomonow estimated that it would take months for the purchasers to develop functional stand-alone systems, and much longer before they reached AWTA's current level of sophistication and service control.

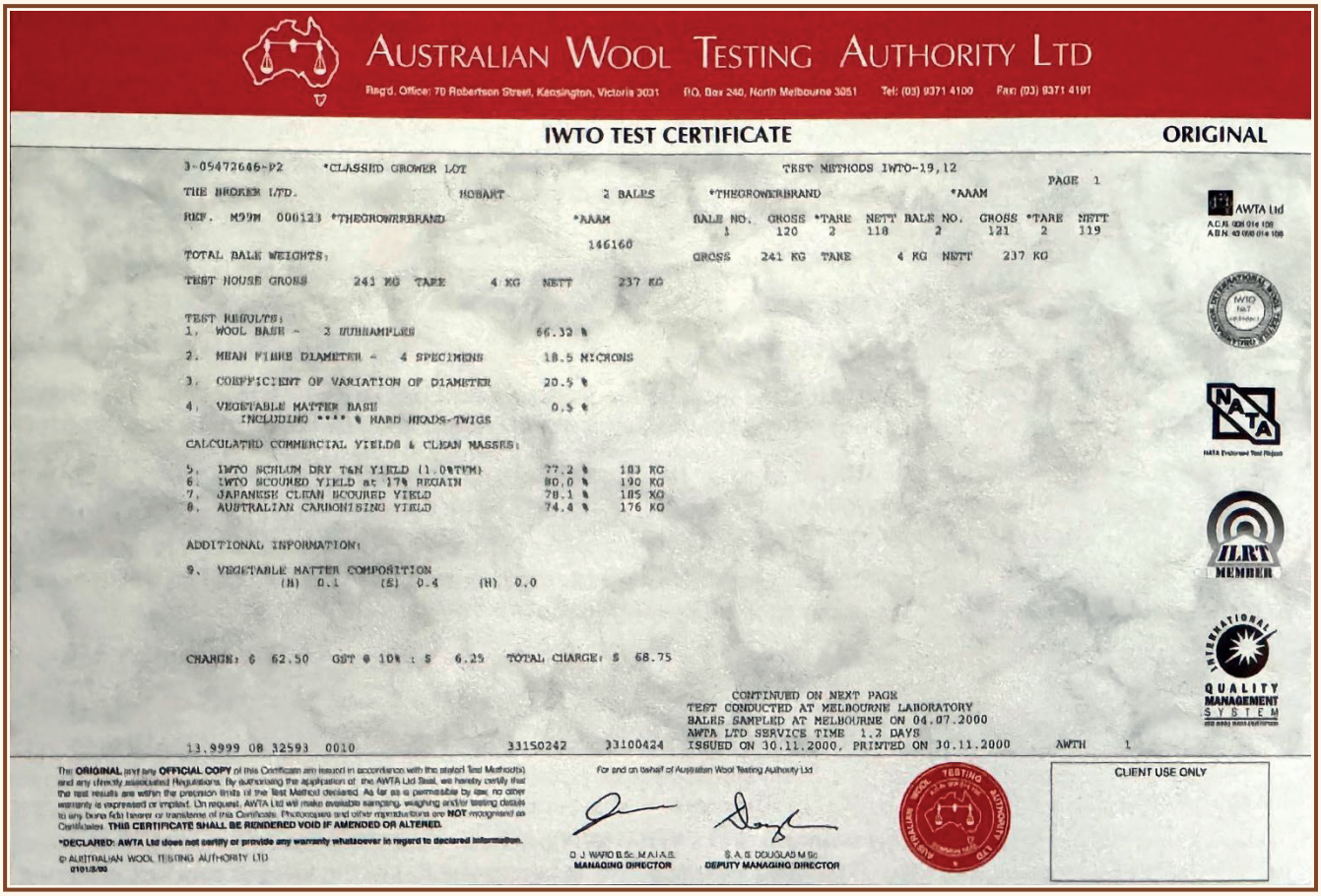
During the resultant hiatus period, affected grower clients would be denied timely access to their test Certificates, and the disruption to wool sales would be damaging for all sectors. Eventually, the blame for such chaos would be sheeted home to Waring and the other DPI officers advising the Government.

It was now time to drip-feed these problems to Waring, to convince him that the Authority must continue as a going concern, and to remind him that the proposals sent by Yeo to Nixon could be implemented with minimal disruption.

Before alerting Waring to these issues, Ward had briefed 2 rural journalists in Canberra, namely Hugh McDiarmid and David Kidd. Both had already been helpful to the Authority's cause by asking difficult questions of Ministers, which had locked the Government into repeated declarations that the sale of AWTA would not increase costs to wool growers. They agreed to raise questions about "… *a rumoured 3-way sale*", and to query what would happen "… *if AWTA's Managers refuse to cooperate*"

When Ward next spoke to Waring, it was clear that the journalists had already questioned him, as he tried to discover what Ward had heard and how AWTA's staff might react. After a cat-and-mouse discussion, with Waring expressing personal doubts about any such sale, Ward decided to name those present at the South Melbourne dinner, to inform him also of the AWTA Managers' decision to stand as one, and to predict that the blame for any industry disruption would fall on the AWC and DPI, not on the Authority. An awkward silence was followed by tentative expressions of concern.

Thereafter, the draft legislation and the AWC's advice to Government became focused on sale as a going concern, but the final arrangements were far from settled.



AUSTRALIAN WOOL TESTING AUTHORITY LTD

Regd. Office: 70 Robertson Street, Kensington, Victoria 3031 P.O. Box 240, North Melbourne 3051 Tel: (03) 9371 4100 Fax: (03) 9371 4101

IWTO TEST CERTIFICATE — ORIGINAL

3-05472646-P2 *CLASSED GROWER LOT — TEST METHODS IWTO-19,12 — PAGE 1

THE BROKER LTD. HOBART 2 BALES *THEGROWERBRAND *AAAM

REF. M99M 000123 *THEGROWERBRAND *AAAM

BALE NO.	GROSS	*TARE	NETT	BALE NO.	GROSS	*TARE	NETT
1	120	2	118	2	121	2	119

TOTAL BALE WEIGHTS: 146160 — GROSS 241 KG TARE 4 KG NETT 237 KG

TEST HOUSE GROSS 241 KG TARE 4 KG NETT 237 KG

TEST RESULTS:

1.	WOOL BASE - 3 SUBSAMPLES	66.32 %	
2.	MEAN FIBRE DIAMETER - 4 SPECIMENS	18.5 MICRONS	
3.	COEFFICIENT OF VARIATION OF DIAMETER	20.5 %	
4.	VEGETABLE MATTER BASE INCLUDING **** % HARD HEADS-TWIGS	0.5 %	

CALCULATED COMMERCIAL YIELDS & CLEAN MASSES:

5.	IWTO SCHLUM DRY T&N YIELD (1.0%VM)	77.2 %	183 KG
6.	IWTO SCOURED YIELD at 17% REGAIN	80.0 %	190 KG
7.	JAPANESE CLEAN SCOURED YIELD	78.1 %	185 KG
8.	AUSTRALIAN CARBONISING YIELD	74.4 %	176 KG

ADDITIONAL INFORMATION:

9. VEGETABLE MATTER COMPOSITION (H) 0.1 (S) 0.4 (H) 0.0

CHARGE: $ 62.50 GST @ 10% : $ 6.25 TOTAL CHARGE: $ 68.75

CONTINUED ON NEXT PAGE
TEST CONDUCTED AT MELBOURNE LABORATORY
SALES SAMPLED AT MELBOURNE ON 04.07.2000
AWTA LTD SERVICE TIME 1.2 DAYS
ISSUED ON 30.11.2000, PRINTED ON 30.11.2000 AWTH 1

13.9999 08 32593 0010 33150242 33100424

The **ORIGINAL** print any **OFFICIAL COPY** of this Certificate are issued in accordance with the stated Test Method(s) and any directly associated Regulations. By authorising the application of the AWTA Ltd Seal, we hereby certify that the test results are within the precision limits of the Test Method declared. As far as is permissible by law, no other warranty is expressed or implied. On request, AWTA Ltd will make available sampling, weighing and/or testing details to any bona fide buyer or transferee of this Certificate. Photocopies and other reproductions are **NOT** recognised as Certificates. **THIS CERTIFICATE SHALL BE RENDERED VOID IF AMENDED OR ALTERED.**

***DECLARED:** AWTA Ltd does not certify or provide any warranty whatsoever in regard to declared information.

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For and on behalf of Australian Wool Testing Authority Ltd

D J WARD B.Sc. M.A.I.A.S. MANAGING DIRECTOR

S A S DOUGLAS M.Sc DEPUTY MANAGING DIRECTOR

CLIENT USE ONLY

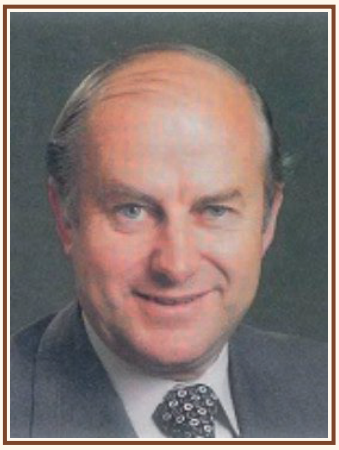
45. ‘GANG OF FIVE’ DEMAND INDEPENDENCE FOR NEW COMPANY

“*Ian McLachlan and the Gang of 5 will only join the new company if the Minister and the Prime Minister promise to legislate an income tax exemption, to limit the 51% WCA/AWC voting power to ‘significant policy issues’ excluding budgets and charges, and to transfer all assets and funds at no cost.*” [Ward’s response to Nixon via Murray Collins – 19th February 1982]

Historically, the relationships between individual wool industry sectors were often strained by actions taken to defend their roles and/or compete for business. Nevertheless, any lack of trust or antagonism was mitigated by the need to cooperate on matters of common interest, such as when the ANC needed to establish a national position on issues being addressed by the IWTO. Whilst the Government’s decision to sell AWTA to the private sector had been roundly criticised internationally, some local wool brokers were known to be interested in acquiring an interest in wool testing.

The fact that AWC had become a significant competitor to wool buyers, with legislated powers over brokers’ and other wool industry charges, had caused the commercial sectors to be sceptical about their motives. Consequently, when AWC’s opportunistic moves were exposed, the buyers, brokers, private treaty wool merchants, wool scourers and carbonisers, and the wool textile manufacturers stood together so strongly that Asimus dubbed them “*the Gang of Five*”.

During the first 3 months of 1981/82, AWC had produced several Draft Reports, headed ‘Disposal of Australian Wool Testing Authority’, for industry discussion. Whilst each appeared to edge closer to the principles underpinning the Authority’s proposals to the Minister, they contained very little commentary on recommendations for implementation. However, this situation changed in October 1981, when AWC sent a further set of recommendations to the Minister - this time without consulting the industry, and ignoring Nixon’s assurances to the commercial sectors that the legislation would accord with their views. [191]



Hon Peter Nixon, Minister for Primary Industry 1979 - 1983

Upon learning of this obfuscation, Nixon authorised the immediate release of classified copies of the AWC’s most recent proposals, on a ‘restricted’ basis for the AWTA Members to consider and respond.

A thorough examination of those recommendations revealed that AWC were still intent on gaining control over the new company, despite having failed to achieve this objective through their attempts to achieve majority ownership. This issue of ultimate control had been one of the key focal points in the industry negotiations required by the Minister. AWC wanted the industry to accept that the current assets used by AWTA were owned by the Corporation, whereas the WCA sought recognition that growers had funded all capital requirements since presale testing had become the Authority’s major source of income, during the 1970s.

Pursuant to the Minister’s desire for industry consensus, the commercial sectors agreed, albeit reluctantly, to a compromise proposed by Yeo, whereby WCA and AWC would be deemed to have a joint 51% controlling vote at any Special General Meeting called to resolve a “… *major policy dispute*”. As a specific condition for this agreement, the commercial groups had agreed that such a vote must not be applicable to day-to-day issues, technical policies, and/or fees and budgets. Despite AWC having been party to those negotiations and agreements, their latest submission to Nixon stated unequivocally that the AWC/WCA voting power would be used “… *to exert positive influence over ongoing management and operational activities*”.

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[191] Ward became aware of this action as a member of the AWC Chairman’s Policy Committee, when a discussion ensued about a Board paper which had been withheld from him. He immediately contacted the Minister’s office to ensure that Nixon and the 2 most senior staff members in DPI’s Wool Section, Murray Collins and Eric Waring, were aware that the AWC had again bypassed the AWTA and the commercial industry sectors.

When McLachlan became aware of this breach of trust, he declared that WCA had not supported this change and would stand by its word. However, the reactions of the commercial sector leaders were so hostile that they advised the Minister they were no longer willing to negotiate with the Corporation, since arguments made by AWC to support their proposals were factually incorrect and misleading. As examples, they pointed to the false statements claiming that the Authority had been "… *funded by woolgrower levies*", that wool testing had been "… *introduced against industry opposition*", and that innovation and certification had been "… *frustrated by entrenched sectoral interests*". It was also wrong for the Corporation to claim that growers had controlled the AWTA via the AWB and AWC, when all past legislation covering the Authority's governance had been written to ensure that no single wool industry sector or body could have total control.

By November 1981, the Minister was forced to conclude that further attempts to reach a consensus would be futile, and it was now time to declare the Government's current position in relation to the sale of AWTA. Consequently, he notified the industry that:

- the Government would not legislate an income tax exemption for the new company;
- the Government endorsed the structure and composition of the new organisation as a company limited by guarantee, with membership and management agreed with the industry and one of the 2 Independent Members appointed as Chairman;
- voting powers at Board level would be equal, but the Government would endorse the position adopted by AWC and WCA concerning a 51% voting power in General Meetings;
- the Government had rejected the Corporation's financial recommendations;
- all existing provisions and entitlements of AWTA staff would be preserved; and
- AWTA employees could not remain in Commonwealth Superannuation Schemes.

At their late November meeting, AWC Members were advised that the Government had endorsed the appointment of Asimus, Nevile, McLachlan and Yeo to form a Policy Steering Committee, and that an Implementation Group had been created comprising Ward and Artomonow for AWTA, Barry Hess (AWC's Legal Counsel), and Allan Mahoney (AWC's Finance & Accounting Manager). An Inter-Departmental Committee had also been established to deal with all aspects of the sale and to provide advice. [192]

On 1st December 1981, the private sector groups and WCA met with the AWC to negotiate a final draft of the Memorandum and Articles of Association for the new company. The 'Gang of Five' reiterated their total opposition to the 51% voting power for AWC/WCA to apply to all matters, except technical policy matters, announcing that they were unlikely to participate in the new company unless this was changed. When the 'Gang of Five' met the Minister only 3 days later to explain their position, they were encouraged to find him sympathetic towards their stance, and that he fully understood the reasons for their opposition.

As Convenor of the Implementation Group, Ward informed the meeting that detailed work was proceeding with Hill Samuel Australia and Hedderwicks Fookes & Alston (Lawyers) with respect to financing, taxation and other legal aspects. Simultaneously, staff were working through the many employer/employee complexities that must be resolved, since the Inter-Departmental Committee had confirmed that all employees were covered by the redundancy and redeployment provisions applicable to Commonwealth public servants. Under these provisions, each employee must be given the options of accepting redundancy or electing to seek redeployment, effective immediately prior to the 'commencement day' of the new company. Consequently, it was not possible to execute a simple transfer of employment from AWC/AWTA to the new company and, therefore, the new company would have to appoint each employee individually, also effective on the commencement day. At the December Authority Meeting, Ward foreshadowed the need for the company to have an attractive superannuation scheme, as some long-serving staff might accept the redeployment option to remain members of the Commonwealth Superannuation Fund. He also outlined the employment consequences of what the Inter-Departmental Committee were now calling a "*transfer*" to the private sector, not a "*sale*".

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[192] When Ward contacted the senior officer representing the Department of Industrial Relations, he was informed that the FSPU was expected to seek assurances that an estimated $1.2 million would be transferred to cover accrued sick leave, since it was common industrial practice for such leave to be paid out when a business closed. This was a key factor in rejecting AWC's claim to retain all liquid reserves and might result in all assets being transferred at a nominal charge.

Regarding the name for the new company, the Authority urged the Implementation Group to argue strongly for the current name and the initials 'AWTA.' to be retained, despite the preliminary advice from DPI that the word 'Authority' was reserved for statutory bodies only. The Members representing the trade were adamant that any change of name would create confusion, particularly in Eastern Europe and some less developed markets.

Meanwhile, the 51% voting issue remained unresolved and implementation progress was being held up by delays in obtaining unequivocal answers from Canberra to the many unforeseen complexities which had been identified by the Implementation Group. Progress was slowed because the Implementation Group was breaking new ground. The sale of a Government body to private enterprise had never been implemented prior to this, and the other Razor Gang disposals had hardly. In fact, most complications now discovered were not recognised when the 'Government Guidelines for Disposal' were formulated.

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Having passed the resolution opposing the AWTA sale at their Christchurch Conference, IWTO had been kept informed of developments via the ANC and through personal contacts with Ward, Douglas and the trade representatives on the Authority. Towards the end of January 1982, when IWTO held their Working Meetings in Paris, the world wool industry became aware of the reasons for the Gang of Five's opposition to AWC's attempts to gain control. After hearing details of the current stalemate, the Wool Committee proposed the following resolution to be telexed to Minister Nixon:

"*The IWTO reaffirms its strongly held view that the crucial role played by wool testing establishments in the world wool industry must not be made questionable by ownership control being vested in parties that can be seen to be predominantly either sellers' or buyers' interests.*"

This resolution was passed unanimously at both the Wool Committee and Council Meetings, where 14 member-countries voted in favour, none voted against, and 3 abstentions were recorded from France, UK and South Africa, who again had to abstain because their National Committee rules required issues to be discussed at a formal meeting, prior to casting a formal vote.

This international advice to Nixon was timely, since it highlighted the need to resolve the ownership and voting issues as proposed by the Authority and the 'Gang of Five', and also confirmed that those proposals were strongly supported by IWTO.

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The next catalyst for action came in the form of Hill Samuel's official confirmation that testing charges would have to rise by 28%, if the AWC's financial plans for the sale were implemented. They had also found that 50% of this increase was directly attributable to the loss of statutory status, as had been predicted by Artomonow and Ward. This was the last straw for McLachlan and the WCA Executive Committee, who now realised that the Corporation's advice had been self-serving, rather than protective of growers' interests. To avoid being accused of facilitating such a massive cost increase by their wool grower constituents, it was obvious that they must now act independently from AWC and side with ANC, AWTA, and the 'Gang of Five'. [193]

McLachlan brought matters to a head, by declaring that the estimated 28% fee increase was completely unacceptable to wool growers. In so doing, he drew specific attention to the misleading assurances from the Government and declared that the WCA would not join the new company, unless a legislated income tax exemption was granted and all assets were transferred to the new company for a nominal sum. In response, the Prime Minister and the Minister for Primary Industry moved immediately to reassure wool growers, again declaring publicly that the AWTA sale would not increase testing costs.

Despite having their financial predictions discredited and now being isolated from WCA and the rest of the industry, Asimus still refused to give ground, thereby forcing the Government to make a final decision. At this point, DPI's contact with the AWTA was elevated from Waring to Murray Collins, First Assistant

[193] McLachlan knew that Hill Samuel's findings would place the Prime Minister and Members of Cabinet in an untenable position. Their repeated assertions of a negligible cost impact had been debunked by recognised experts, and the Government was in the position of either meeting the industry's demands or facing censure motions for repeatedly misleading the Parliament.

Secretary - Wool, who asked Ward to update him as to where he thought the industry leaders now stood, and whether there was any possible chance of reaching an acceptable compromise. In response, Ward explained how the progressive loss of trust in AWC's bona fides had now caused the commercial sectors to make only small compromises when reaching their current unified position. In his view, the Minister must accept McLachlan's demands, to reassure wool growers that testing fee increases will be contained, as had been stated repeatedly by both Prime Minister Fraser and DPI Minister Nixon.

The penultimate contact from Collins was an urgent phone call to Ward at 10.30 p.m. a couple of nights later, when Collins advised that the Prime Minister had just instructed the Minister to ensure that the sale was implemented by 30th June 1982. Since this was now less than 5 months away, Nixon had called Collins at home, instructing him to find out exactly what he must do to bring the non-AWC parties across the line together to form the company limited by guarantee. After again highlighting the actions which had led the commercial sectors refusing to compromise any further, and noting the latest ultimatum from McLachlan, Ward advised Collins that 3 specific decisions must be made, namely:

- the company must be granted a legislated income tax exemption;
- the 51% voting power for WCA and AWC must only apply to 'significant policy issues', excluding budgets and charges, and must only be exercised at a Special or Annual General Meeting; and
- all assets and funds accumulated by AWTA must be transferred to the new company at no cost.

Collins' frustration was palpable. He could not believe that the Government would retreat so far from a proper commercial sale. Nevertheless, he accepted that Ward had answered the Minister's request and said that he would now call Nixon to "… *give it a fly*". Within the hour, Collins called Ward again to tell him that "… *the Minister and Prime Minister have gone for it*", and that Nixon would call a meeting of all parties in Canberra, as soon as practicable. On Nixon's behalf, Collins sought and received Ward's assurance that he would tell nobody, not even Lindsay Yeo, since a premature leak would be politically disastrous and would likely scuttle the process.

All parties received one week's notice of a meeting to be held in Parliament House on Monday 22nd February 1982, at which the Minister would announce the Government's final decisions. On Friday 19th, Collins phoned Ward in confidence to outline the proceedings to be followed on the day. In short, the invitees would congregate outside the Cabinet Room annex until the Minister arrived. They would then be invited to enter, at which time Collins and Nixon would divert Asimus into an anteroom to give him a heads-up as to the decisions about to be announced, and to inform him that he would be receiving a Ministerial directive for the Corporation to complete implementation of the AWTA sale package by 30th June 1982.

Due to last minute airline disruptions, Asimus chartered a 6-seater plane before inviting Yeo and Ward to join him, Barry Hess and Allan Mahoney on the flight from Melbourne to Canberra. However, being Deputy Chairman of National Mutual, Yeo was bound by a strict policy only to fly on planes having at least 2 engines and 2 pilots, which caused the AWC to upgrade the plane, albeit reluctantly. During the Monday morning flight, the 3 AWC representatives appeared confident that they would receive good news. Being the sole person on board knowing that this would not be the case, Ward disengaged from conversations about the sale, which Yeo misinterpreted as due to airsickness. At Parliament House, events unfolded precisely as foreshadowed by Collins, with Nixon and Asimus entering the room a few minutes late. Nixon appeared resolute and Asimus was clearly shocked. Without further ado, Nixon announced the Government's final decisions.

- **The Government's decision to transfer AWTA to the private sector will not change.**
- **The 51% voting power for WCA/AWC when a poll is taken at a General Meeting will be limited in application to "*significant policy issues*", only.**
- **AWC will provide to the new company sufficient of AWTA's current cash reserves to limit any increase in test charges arising from the transfer to a maximum of 4%.**
- **Income tax-free status will be legislated for the new company, to limit cost impacts.**
- **AWC will receive a Ministerial directive to complete implementation of the transfer by the end of the current financial year.**
- **These final decisions are non-negotiable. An industry group which now declines to join the new company cannot expect to be allowed entry at a later date.**

46. CHALLENGE TO RECOVER LOST PRODUCTIVITY DURING 1981/82

"*Given that salaries and wages make up more than 65% of our operating costs, any prolonged loss of productivity will have a major impact on profitability. The impending sale of AWTA has distracted key staff, and the extent to which this has contributed to current losses is a latent cost of the Government's decision.*" [Ward reporting to the Authority – October 1981]

The Authority's Budget Submission for 1981/82 was prepared and presented to the Authority by Sas Douglas and Alex Artomonow on 8th May 1981, having been finalised following Nixon's announcement only one week earlier. In the absence of any knowledge to the contrary, the Members accepted the basic assumption that any new organisation would be structured to have minimal impacts on the status and costs of AWTA. Therefore, the major objectives of the Operating Budget remained entirely consistent with those approved in the 'Review of Policy, Relationships and Planning' document, which were:

- "*to continue to encourage the growth and utilisation of objective measurement, particularly in the Presale testing area;*
- *to generate sufficient funds to enable the Authority to finance its current and future capital expenditure, thereby avoiding the necessity to utilise AWC resources and minimising the cost of AWTA to the Corporation;*
- *to maintain the purchasing power of funds accumulated by AWTA;*
- *to incorporate all resources, used by the Authority in providing its services, within the accounts of the Authority;*
- *to optimise productivity through the implementation of new systems;*
- *to eradicate errors in test results;*
- *to contain the normal Presale test service within a 10-working day limit, while offering an alternative rapid service within a 6 working day limit for an additional charge;*
- *to maintain a 12-working day service limit for Post Sale sampling and testing;*
- *to ensure that all Fleece Measurement tests are completed within 12 working days of receipt of samples;*
- *to provide overnight service for Condition testing and for Combined Certificates;*
- *to ensure that facilities utilised by the Authority are expanded to allow service developments to be introduced, operating efficiency to be facilitated, having regard to the need to maintain an acceptable corporate image;*
- *to ensure that adequate testing capacity is available to meet the wool testing requirements of the industry; and*
- *to promote more actively the services of the Textile Testing Division throughout Australia, and conduct those operations at a profit.*"

Regardless of the potential for unforeseeable complications to arise as the Government and the AWC attempted to implement the AWTA transfer decision, the Budget predicted a difficult year ahead, due to continuing high inflation across the Australian economy. Specifically, it was estimated that the rates of inflation would be 11% for salaries and wages, 25% for sample freight and travel, and 10% for all other expenses. Given that the rate of growth in presale testing was slowing, the Authority approved a 5% increase in fees for greasy wool tests, thereby ending years of fee containment. The Budget Submission was duly approved by the Corporation on 26th May 1981. Despite the 5% fee increase, the budgeted nett profit of $729,600 was still almost $460,000 below the reassessed result for 1980/81.

As was the case for the previous year, estimates of sampling and testing productivity were now the key factors in budgeting operating expenses. For 1981/82, the weighted average productivity gains for sampling and testing were budgeted at 8% and 10%, respectively. However, during the May to June quarter, immediately after the sale announcement, AWTA lost productivity, such that the overall 1980/81 productivity figures for both sampling and testing finished the year below Budget and the previous year. Sampling productivity for the year was 20.4 bales per manhour, whereas 23.0 bales per manhour had been budgeted and 20.8 bales per manhour had been achieved in the previous year.

The loss of testing productivity was more alarming, with the actual 12-month result of 1.15 manhours per test being much worse than the budgeted 0.89 manhours per test and the 1.06 result for 1979/80.

Contrary to expectations, this downward productivity trend continued into the new financial year. By the end of the first quarter of 1981/82, the Authority Members were very concerned that a nett loss of $423,058 had been incurred in such a short period. Expenses had exceeded budget in all major sectors, except Head Office Administration. For the normally profitable month of September alone, the nett loss of $39,997 was almost $300,000 below budget and an alarming $393,000 below the previous September. When providing a comprehensive report to the Authority, Sas Douglas advised that he and the 3 Regional Managers had jointly investigated this reversal of performance, and had concluded that:

- the essential balance between accuracy, service and cost objectives had been lost, due to staff training having over-emphasised accuracy factors, and to the fact that productivity monitoring had not been given the priority required to contain labour costs;
- the Victorian operations had become over-staffed in sampling, laboratory and clerical areas, due to inadequate management control caused in part by the loss of some key supervisory staff;
- on the positive side, the greater focus on accuracy had produced higher precision, as measured by lower retest rates, testing of fewer subsamples per test, significantly shorter service times, and test result queries from the trade and brokers had fallen to minimal levels; and
- in summary, while the loss of balance had seriously impacted AWTA's bottom line, clients had gained technical and service time benefits.

Ward noted that the Regional Managers had not blamed the 'Razor Gang' decision, but he believed it had distracted managerial staff from their normally high focus on performance monitoring. In this regard, his own full-time involvement in wool industry discussions and negotiations concerning the Authority's future had placed much greater responsibility on the senior management team at a time when they were endeavouring to lift AWTA's technical and service image to a higher level.

The Members accepted these views, noting that increased costs and time commitments were affecting many individuals, companies and industry organisations, as they worked to mitigate the negative effects of the sale decision.

Douglas advised Members that the following specific corrective actions had been taken immediately to correct the productivity situation:

- staff numbers were being managed down, taking particular care to ensure that client service and technical standards did not suffer;
- all new appointments, including replacements, now required his approval;
- staff training would be controlled at commercially realistic levels; and
- daily throughput and productivity targets had been set and were being closely monitored.

By January 1982, all factors affecting productivity had been thoroughly investigated and acted upon. This examination had thrown more light on the impact of small lot-sizes on sampling productivity, which had not been considered previously. Douglas advised Members that he now considered sampling operations to be under control, having regard to the significant growth in sampling for 1-bale, 2-bale and 3-bale lots which caused an inevitable loss of productivity. This had not been recognised when budgeting sampling productivity. The key factor was the mandatory requirements to obtain a minimum core sample weight for a test, which increased the cores per bale and slowed the process. The Authority accepted that the bales per manhour unit of productivity was not a true reflection of sampling efficiency for these small lots, and that a more accurate measure would be 'cores per manhour'.

Another factor affecting sampling productivity was an increase in the number of manual sampling sites which tended to have small throughputs. Most were in country towns, incurring downtime while samplers were on the road. Also, manual coring of small lots was much less productive than machine coring, with more than twice the number of cores having to be drawn to achieve the minimum sample weight.

Regarding the testing laboratories, Douglas was able to report in January that the most recent monthly performances had recovered to be above the previous year, but not by enough to offset the losses incurred in the early months. He also advised that additional cost savings had been made by introducing

productivity monitoring within discrete sections of laboratories, by introducing an energy conservation campaign, by having tighter controls over downtime associated with meal and tea breaks, and by placing restrictions on overtime.

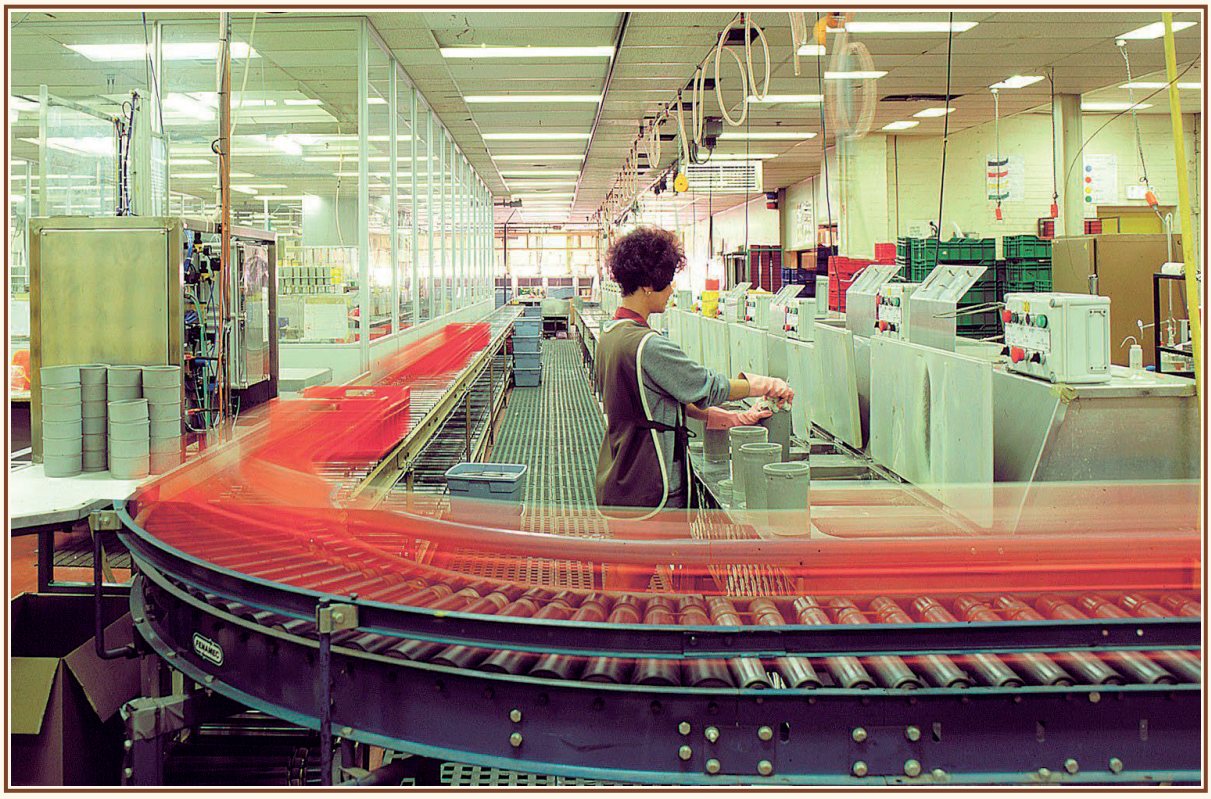
The full-time/casual, adult/junior, and day/shift ratios were also being studied to ensure that the mix of employees' experience was balanced. Finally, he advised that preparations were underway to introduce productivity monitoring within clerical operations, which had not previously been measured objectively.

As a result of these actions, the 12-month performance data for 1981/82 were:

- sampling productivity of 20.6 bales per manhour, which exceeded the previous year's 20.4 result despite the negative impacts of small lots and manual sampling sites, but it failed to reach the budgeted 21.6 figure;
- testing productivity of 1.18 manhours per test, which failed to reach the previous year's 1.15 result, and fell well short of the unrealistic 1.01 figure budgeted; and
- a preliminary financial result showing a nett loss of $116,707 which was $846,307 less than the budgeted nett profit of $729,600 and a massive $1,207,109 downturn from the nett profit achieved in the previous year. [194]

YEAR	MELBOURNE (Manhours/Test)	SYDNEY (Manhours/Test)	FREMANTLE (Manhours/Test)	AUSTRALIA (Manhours/Test)
1979/80	0.93	1.20	1.10	1.06
1980/81	1.12	1.20	1.12	1.15
1981/82	1.16	1.23	1.16	1.18

Testing productivity, which peaked in 1979/80, fell during the next 2 years, with each change of 0.10 manhours/test representing an annual cost of $455,000



[194] After the Authority ceased operations on 30th June, Commonwealth Audit approved abnormal adjustments to the accounts arising from the terms of the 'Deed of Transfer', which converted this preliminary nett loss to a meagre nett profit of $94,859.

47. IMPLEMENTING THE DIRECTIVE FOR AWC TO SELL THE ASSETS

"*We must shut down AWTA by midnight on 30th June, have AWTA Ltd fully operational a split-second later, ensure that testing doesn't miss a beat, and make the transfer so smooth that clients barely notice it.*" [Implementation Group objective – February 1982]

With only 4 months remaining to meet the Prime Minister's 30th June 1982 deadline, it was now imperative for the industry organisations to cooperate, by accepting Minister Nixon's directive and making their final decisions as to whether, or not, they would join the new company. This was now urgent, given that the Memorandum and Articles of Association for the new company could not be finalised until the member/guarantors and their inaugural nominee Directors were known. Furthermore, the Implementation Group had drawn AWC's attention to the fact that the new company must be operational well before the June deadline, principally to deal with the complex personnel issues arising from the need for the company to offer employment to each redundant employee, individually. Understanding these complexities, the FSPU agreed to defer lodgement of a new Log of Claims, which would include the introduction of a 38-hour week. Once the statutory AWTA was abolished, wages and employment conditions would no longer be determined by the Public Service Arbitrator. [195]

Pressure exerted via the Inter-Departmental Committee resulted in the Government's approval for the new company to be named 'Australian Wool Testing Authority Limited' (AWTA Ltd). This decision was well received by local wool trade and internationally.

In view of the urgency to act, the Corporation considered an option of incorporating the company with replaceable nominee subscribers and directors. However, an extract of the relevant AWC Minutes showed that they were hesitant to proceed before WCA agreed to participate, since the assets might otherwise be transferred to the new company "… *with no provision for AWC to get them back*", and the Corporation would "… *merely have an equal vote and could then be outvoted by other participants on any issue.*"

Nevertheless, good progress was made at the March Corporation Meeting, when the Corporation agreed:

- to participate in AWTA Ltd on the terms set out in the Memorandum, with each subscriber member required to accept a guarantee liability of $50.00 only;
- to incorporate AWTA Ltd with nominee subscribers and directors, if necessary;
- to endorse the appointment of Lindsay Yeo and Nelson Johnston as Independent Directors;
- to endorse the appointment of David Ward as the first Chief Executive of AWTA Ltd;
- to appoint Ernest Barr as nominee Director of AWTA Ltd, subject to the current AWC Member of AWTA, Michael Davidson, agreeing to be replaced; and
- to authorise David Asimus and Arthur Farnworth to complete negotiations and prepare a final implementation proposal for their endorsement and subsequent approval by the Minister.

Thereafter, the Inter-Departmental Committee treated as urgent all subsequent actions requested by the Implementation Group, especially requests for clarification and/or decision, to ensure the Prime Minister's 30th June deadline was met. In his Director's Report to the Authority on 14th May, Ward was able to report the following progress:

"*Since the March Meeting of the Authority, the following developments have occurred:*

(i) The Director addressed staff meetings in Melbourne, Brisbane, Sydney, Adelaide and Fremantle, which were called to discuss the industrial relations aspects of the transfer. A representative of The Federated Storemen and Packers' Union accepted the Director's invitation to accompany him to all meetings, the last of which was held on 29th March.

(ii) Detailed notes, summarising employees' options and entitlements, were prepared and circulated to all staff Australia-wide.

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[195] The FSPU's most pressing need was to establish a completely new Award, including the introduction of a 38-hour week, to cover the new company. This was expected to involve detailed negotiations over several weeks, under the purview of the Arbitration Commission, which could only commence after the company was registered and had employed staff.

(iii) *By 8th April, all prospective Member/Guarantors had agreed to participate in the new Company.*

(iv) *The AWTA/AWC Implementation Group finalised and forwarded a draft "Transfer Package" to the Department of Primary Industry, for consideration by the Inter-Departmental Committee on 8th April.*

(v) *On 13th April, Messrs Ward and Hess met with the Inter-Departmental Committee in Canberra to discuss the 'Transfer Package'.*

(vi) *On 21st April, the Minister for Primary Industry notified the Corporation of his approval for them to proceed with incorporation of the new company.*

(vii) *On 23rd April, the Corporation approved the 'Transfer Package' for formal submission to the Government.*

(viii) *Formal signing of the Memorandum and Articles of Association was completed on 23rd April 1982. The Member/Guarantors are as follows:*

Australian Wool Corporation	*(as a body corporate)*
Mr. R.E. Chadwick	*Federal Council of Private Treaty Wool Merchants*
Mr. I. M. McLachlan	*Wool Council of Australia*
Mr. J. A. Michell	*Wool Scourers and Carbonisers' Association of Australia*
Mr. K. J. Perrott	*Wool Textile Manufacturers of Australia*
Mr. R. E. Vandervaere	*Australian Council of Wool Buyers*
Mr. W. A. Williams	*The National Council of Wool Selling Brokers of Australia.*

Signatories to the AWTA Ltd Memorandum & Articles of Association in May 1982 are, from the left, Kevin Perrot (Wool Textile Manufacturers of Australia), Hugh Beggs (Wool Council of Australia), Dr Arthur Farnworth (Australian Wool Corporation), Bill Williams (The National Council of Wool Selling Brokers), David Asimus (Australian Wool Corporation), Lindsay Yeo (AWTA Chairman), Rene Vandervaere (Australian Council of Wool Buyers), David Ward (AWTA Director), Bob Chadwick (Federal Council of Private Treaty Wool Merchants) and John Michell (Wool Scourers' & Carbonisers' Association of Australia)

(ix) Signing of the "Consent to Act as Director" form was also completed on 23rd April. The proposed Directors were as follows:

Dr. M. W. Andrews	*C.S.I.R.O.*
Mr. E. W. Barr	*Australian Wool Corporation*
Mr. R. E. Chadwick	*Federal Council of Private Treaty Wool Merchants*
Mr. G. W. Duncan	*Wool Scourers and Carbonisers Association of Australia*
Mr. A. N. Johnston	*Independent*
Mr. S. S. Nevile	*Wool Textile Manufacturers of Australia*
Mr. J. D. S. O'Connell	*Wool Council of Australia*
Mr. D. J. Ward	*Chief Executive*
Mr. J. K. Westmore	*Australian Council of Wool Buyers*
Mr. L. J. Yeo	*Independent.*

(x) On 26th April, the Victorian Attorney-General approved the registration of the Company name, "Australian Wool Testing Authority Ltd".

(xi) On 26th April, the AWC Chairman forwarded a letter to the Minister for Primary Industry, advising him of the transfer details recommended by the Corporation.

(xii) All constituent documents and supporting forms were lodged with the Corporate Affairs Office on 29th April.

(xiii) The Corporate Affairs Office issued the Certificate of Incorporation on 5th May, 1982.

(xiv) On 5th May, the Bill to give effect to the promised income taxation exemption was introduced into the House of Representatives. It was passed by the House on 6th May, and has been forwarded on to the Senate, where it is expected to be passed in the current sitting. The specific legislation amends the Income Tax Assessment Act 1936 by inserting in Section 23 (relating to exempt income) the following paragraph:

"(jd) income derived by the Australian Wool Testing Authority Limited, a company incorporated in Victoria, being -

(i) Income derived by the company from –

(A) the carrying out by the company of tests on sheep's wool, lambs' wool, other fibres (whether natural or otherwise), products made wholly or partly from sheep's wool or lambs' wool or similar products made wholly of partly from other fibres (whether natural or otherwise); or

(B) the issue of certificates, or the making of reports, by the company in respect of tests of the kind referred to in sub-sub-paragraph (A); or

(ii) income derived by the company from the investment of –

(A) income to which sub-paragraph (i) or this sub-paragraph applies; or

(B) moneys that are to be used by the company in, or in connection with, the carrying out by the company of activities referred to in sub-paragraph (i).

The Bill provides for the exemption to apply to income derived on or after 1st July, 1982.

(xv) Discussions have been held with Deputy Commissioner Maddern, of the Conciliation and Arbitration Commission, who has commenced making arrangements to handle the dispute which will exist when the AWTA Ltd rejects the Log of Claims from the Federated Storemen and Packers' Union of Australia.

(xvi) The ambit Log of Claims was served on AWTA Ltd on 6th May.

Provided the transfer package and the taxation legislation are approved by the Government before the end of May, Australian Wool Testing Authority Ltd will be in a position to take over the functions of the current AWTA on 1st July."

After congratulating Ward and Artomonow for achieving these outcomes ahead of time, the Authority Members reviewed the details set out in the final 'Transfer Package', which had already been approved

by the AWC. They were agreeably surprised to discover that the assets to be transferred to AWTA Ltd now included premises rented from AWC, which had not been funded by the Authority.

The complete package of assets was summarised as follows:

- all equipment and facilities used by AWTA;
- the Head Office premises and laboratories in Melbourne, Yennora, Fremantle (being the whole of AWC Store 3 and the occupied part of Store 2); and
- all investments, cash in hand and at bank; and all other assets and liabilities.

The rest of AWC Store 2 not currently occupied in Fremantle was to be sold to AWTA Ltd at an agreed valuation, since the cost to separate the title and build a fire-rated separation wall would exceed its value. Given that the premises rented in Brisbane and Adelaide were jointly occupied with local AWC staff, they would not be transferred to AWTA Ltd. [196]

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The inaugural AWTA Ltd Board Meeting was also held on 14th May, immediately following the Authority Meeting, to appoint the Chairman, Chief Executive, Company Secretary, Auditors, Principal Accounting Officer, Public Officer, Solicitors, and a Remuneration Committee to recommend *inter alia* remuneration packages and appointment terms and conditions to be offered to the senior management team. Decisions were also required regarding bank accounts, signatories, the Registered Office address and the AWTA Budget Submission for 1982/83.

Under the terms of the enabling legislation, the senior management team of Ward, Douglas, Artomonow, Morgan, Mansfield, Hopkins and Connors were required to continue working as AWC staff beyond 30th June. They would be available to both AWTA and AWTA Ltd until their new terms and conditions of employment were finalised by AWTA Ltd and the statutory AWTA was abolished. [197]

Notices of Retrenchment were issued on 31st May to all other AWTA full-time and part-time employees, under a joint AWC/AWTA letterhead. All post-retrenchment options and benefits were set out in detail, and they were assured that they would receive their full retrenchment benefits, irrespective of their ultimate decision, either to accept a position with AWTA Ltd, to reject that offer and seek redeployment, or to reject the offer and resign. Responses were required no later than the specified retrenchment date of 30th June.

For mutual convenience, AWTA Ltd's Offer of Employment was included in the same envelope, with a covering letter encouraging early advice of acceptance to facilitate the establishment of new personnel records. Of the total 325 employment offers made, 314 or 96.6% were accepted, 6 employees resigned to receive their lucrative redundancy cash benefits, and 5 decided to seek redeployment within the Commonwealth Public Service.

Being entirely separate legal entities, the Authority and AWTA Ltd had to be managed simultaneously until the appointments of the 7 senior staff were completed by the new company. Having issued the requisite redundancy notices and employment offers to employees, the next highest priorities were:

- to negotiate an Award in response to the FSPU's Log of Claims and have it formally ratified by a Full Bench of the Conciliation and Arbitration Commission;
- to assist in drafting the official 'Deed of Transfer' and have it checked by the new company's solicitors to ensure complete consistency with the approved 'Transfer Package'; and
- once cleared, to arrange for the Deed to be signed and sealed.

Regarding the establishment of the Award, AWTA Ltd formally rejected the FSPU's Log of Claims to precipitate a hearing on 26th May before Deputy Commissioner Mr Justice Madden, who found that a dispute existed within the terms of the Conciliation and Arbitration Act and instructed the parties to hold private discussions with a view to its resolution.

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[196] Complete details of the Transfer Package Approved by AWC in April 1982 are provided in APPENDIX 7.

[197] In view of this, no effective date could be included in their initial Notices of Retrenchment, which were otherwise identical to those received by all other employees. They would receive Final Notices of Retrenchment once the Authority's abolition date was determined.

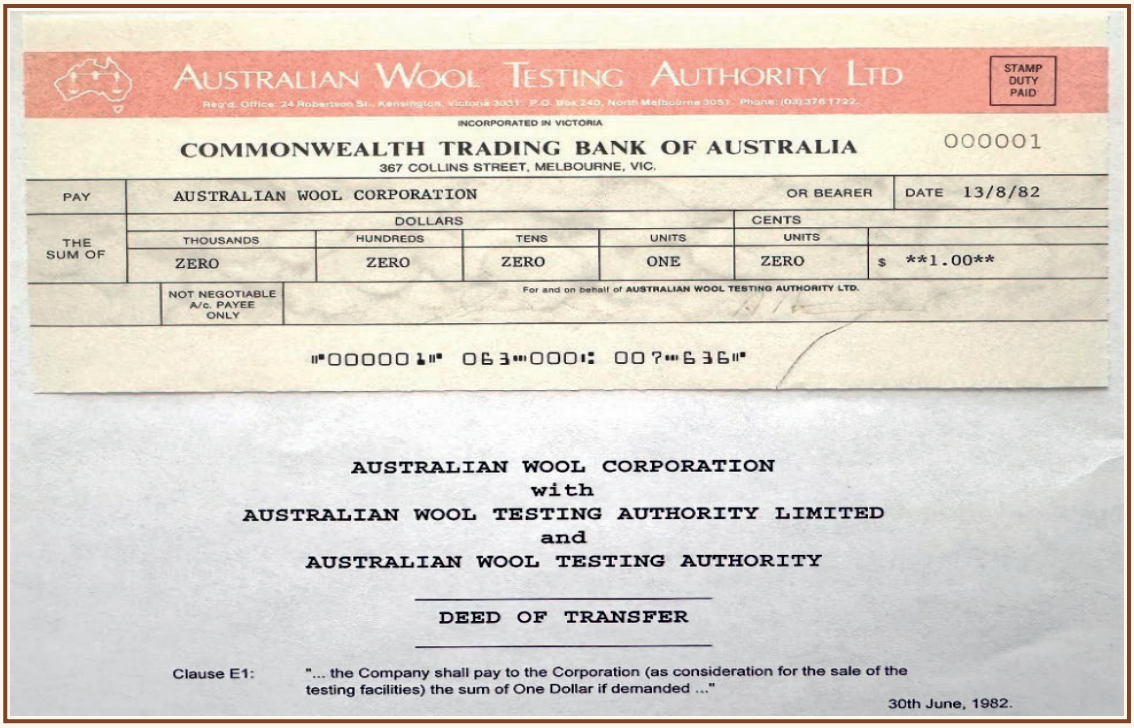
A further hearing was held on 28th May, when an agreed draft Award was submitted for ratification by a Full Bench. Subsequently on 25th June, a Full Bench of Mr Justice Alley, Mr Justice Madden and Commissioner Barnes made an Award in the same terms as the agreed draft, to come into operation on 1st July 1982. Despite several meetings over a 3-month period, the FSPU had still not accepted AWTA Ltd's 'Negotiating List of Offsets Against the 38-Hour Week Claim'. To meet the 30th June deadline, the Full Bench deferred a decision on these matters and appointed Mr Justice Madden to chair any future conferences required to resolve the outstanding issues.

Regarding the 'Deed of Transfer', preliminary drafts were made available to AWTA Ltd and their Solicitors between 17th and 24th June. Several amendments were made to ensure complete consistency with the detail and intent of the 'Transfer Package' approved by the Government.

After close examination by the Chairman, Managing Director and Company Secretary of AWTA Ltd (Yeo, Ward and Artomonow, respectively), and discussions with Hedderwicks, Fookes and Alston, the 'Deed of Transfer' was cleared and finally approved at the AWTA Ltd Board Meeting on 14th May 1982.

The 'Deed of Transfer' was in the form of a sale contract specifying the consideration payable to AWC by AWTA Ltd. Whereas AWTA, WCA and the 'Gang of Five' had expected the AWC to retain funds up to the value of all assets which had not been funded by AWTA, they were elated to find that the sale price was an incredible "*One (1) Dollar, if demanded*".

Finally, Commonwealth Audit determined that the total value of the assets and liabilities sold to the new company was $10,117,000. This figure was adopted by the AWTA Ltd Directors when approving the creation of a Revaluation Reserve. [198]



AUSTRALIAN WOOL TESTING AUTHORITY LTD

STAMP DUTY PAID

INCORPORATED IN VICTORIA

COMMONWEALTH TRADING BANK OF AUSTRALIA

367 COLLINS STREET, MELBOURNE, VIC.

000001

PAY	AUSTRALIAN WOOL CORPORATION				OR BEARER	DATE 13/8/82
THE SUM OF	DOLLARS				CENTS	
	THOUSANDS	HUNDREDS	TENS	UNITS	UNITS	
	ZERO	ZERO	ZERO	ONE	ZERO	$ **1.00**

NOT NEGOTIABLE A/c. PAYEE ONLY

For and on behalf of AUSTRALIAN WOOL TESTING AUTHORITY LTD.

⑈000001⑈ 063⑆0001⑆ 007⑆6361⑈

AUSTRALIAN WOOL CORPORATION
with
AUSTRALIAN WOOL TESTING AUTHORITY LIMITED
and
AUSTRALIAN WOOL TESTING AUTHORITY

DEED OF TRANSFER

Clause E1: "... the Company shall pay to the Corporation (as consideration for the sale of the testing facilities) the sum of One Dollar if demanded ..."

30th June, 1982.

Finally, the Common Seal of Australian Wool Testing Authority Ltd was applied to the 'Deed of Transfer' on 30th June 1982, with K.J. Perrott (Director) and A. Artomonow (Secretary) as Signatories.

[198] Relieved that the tensions of the previous 14 months had finally been lifted, and buoyed by the outcome, Alex Artomonow arranged for a cheque to be issued in the amount of "ONE DOLLAR, IF DEMANDED". It was framed and hung on the wall outside the AWTA Ltd Board Room at 70 Roberson Street, Kensington, to symbolise the new company's bona fides.

48. FINAL AUTHORITY MEETINGS ENSURE A SEAMLESS TRANSITION

"*I must place on record my personal appreciation of and admiration for the management team who have given the Authority its excellent service and technical reputations and placed it in such a financially strong position … the persistence and dedication of the Director and his executive staff throughout the past 14 months has achieved a final transfer position exceeding the most optimistic expectations of the Members.*" [Lindsay Yeo at the penultimate Authority Meeting – 14th May 1982]

Since there was still a remote possibility that the legislated income tax exemption for AWTA Ltd might not be passed before 30th June 1982, causing AWTA to continue operations into the new financial year, it was considered prudent for the AWTA Ltd 1982/83 Budget Submission to be considered also by the Authority Members. For optimum efficiency, arrangements were made for AWTA Ltd to hold their Board Meeting immediately following the Authority's Meeting on 14th May 1982, with the 2 Directors who were not common to both invited to participate in the preceding AWTA Meeting as non-voting Observers.

At the Authority's Meeting, it was noted that testing productivity for the February to April 1982 period had recovered to be higher than for the same period in 1981, raising total investments in the money market to $5.20 million, earning interest at rates ranging from 15.00% to 21.00%.

Introducing the Budget Submission, Ward drew attention to the following important assumptions:

- that AWTA Ltd would commence operations from 1st July 1982;
- that the 'Transfer Package' recorded in the AWC Minutes would be approved by the Government without amendment;
- that no significant loss of experienced staff would result from the transfer arrangements;
- that the Income Tax Assessment Bill (No. 3) 1982 would be passed before 1st July, to make the new Company exempt from income tax;
- that the 38-hour week would apply to all positions covered by the Union and, coupled with additional employee benefits expected to arise from the pending re-negotiation of the FSPU (AWTA Ltd) Award, these changes would increase operating costs by $376,800; and
- that the recommended 21% increase in charges would not reduce demand for raw wool testing.

Ward explained that this exceptional 21% charge increase was required to generate a level of profit that would maintain the purchasing power of the current liquid assets. To achieve this, it would be necessary to reverse the currently projected nett loss of $258,500 for 1981/82 and produce a nett profit of $519,700 for 1982/83. In this regard, the Authority noted that, although the recommended charges would produce a nett loss on operations of $621,900, this would be more than offset by non-operating income from interest earnings and sale of surplus wool sample material, being $541,600 and $600,000, respectively.

Being the first Budget to reflect the extra costs arising from implementation of the 'Transfer Package', Members also noted the following abnormal financial impacts:

- due to some $1.5 million of the cash reserves having to be paid out on retrenchment benefits, plus the purchase of the balance of AWC Store 2 in Fremantle, interest earnings would fall by $225,000;
- insurance would increase by $188,500 due to loss of access to the low-cost Commonwealth Government workers' compensation scheme;
- depreciation would increase by $97,500 mainly due to the acquisition of buildings;
- Directors' fees and expenses of $70,400 would be incurred, whereas these had been met by the AWC previously;
- due to FSPU's demand for all employees to be covered, superannuation costs would increase by $64,300;
- audit fees would be $32,000 higher than the low-cost Commonwealth Audit service;
- external legal and consultancy costs would increase by $21,500; and
- Head Office salaries would increase by $27,500 to cover the cost of one new staff member.

On the other hand, total savings of $112,700 were estimated to arise from the transfer of land and buildings, with a significant reduction in rent being partly offset by the need to pay rates.

SUMMARY OF COST IMPACTS DUE TO TRANSFER

Cost Item	$ AWTA Cost	$ AWTA Ltd Budget	$ Change (Saving)	Main Factors Resulting in Increased or Decreased Costs
Reduced cash	766,600	541,600	225,000	Retrenchments & Fremantle Store 2 purchase
Insurance	114,000	302,500	188,500	Mainly due to workers' compensation
Superannuation	170,800	235,100	64,300	Superannuation for all staff (Union demand)
Directors' costs	Nil	70,400	70,400	Previously paid by AWC per the Act
Head Office staff	Nil	27,500	27,500	One extra staff member needed
Depreciation	953,000	1,050,500	97,500	Acquisition of buildings
Audit Fees	13,000	45,000	32,000	Commercial audit fees vs Auditor-General
Legal & Consulting	5,000	26,500	21,500	Lost statutory exemptions and AWC access
Rent and rates	185,600	72,900	(112,700)	Rented real estate transferred

Regarding the proposed increase in testing fees, the Members representing the 2 major client sectors were concerned that a 21% increase was too low. Des O'Connell, representing wool growers, favoured a higher increase to ensure that fees would be held constant for the entire season, and ACWB's appointee, John Westmore, considered that the budgeted 4% profit margin on total turnover was inadequate. They were supported by the brokers' representative, Bill Williams, who believed that the charges should cover operating costs more fully, given that the budgeted profitability was so heavily dependent on interest income and the "*fragile*" market for the sale of core sample waste.

In response, Ward reminded Members that the Government's decision to transfer all funds to AWTA Ltd was intended to minimise the cost impact of the change in status. Consequently, they should not ignore interest earnings when setting charges. He considered it was also important to recognise that the Authority's and the new company's primary objectives were to maintain an appropriate balance between accuracy, service efficiency and cost to clients, rather than to maximise profit. Finally, he informed all attendees that the management team were confident a higher fee increase was now unnecessary, since:

- the 1981/82 slump in productivity had been recovered;
- the recommended charges would fund the required capital and ensure financial viability; and
- a higher profit would increase the significance of interest earnings.

Notwithstanding those comments, the Authority resolved "… *that the proposed 21% average fee increase be increased to 23%*", with 4 Members voting in favour, 3 against and 2 abstentions, following which the AWTA Budget Submission for 1982/83, as amended, was approved to take effect only if the transfer to AWTA Ltd missed the 30th June deadline.

As their final act in relation to the transfer, the Authority resolved:

"*That the Transfer Package approved by the Australian Wool Corporation on 23rd April 1982 be approved, and that its implementation be authorised.*"

Before closing the Meeting, Lindsay Yeo made the following statement, to be recorded in the Minutes:

"*Since this Meeting may be the last one held by the statutory Authority, the Chairman wished to place on record his appreciation of and admiration for the management team, whose efforts had given the Authority its excellent service and technical reputation and had placed the Authority in a financially strong position. In particular, he paid tribute to the persistence and dedication of the Director and his executive staff throughout the past fourteen months. They had achieved a final transfer position which exceeded the most optimistic expectations of the Authority Members.*"

The Members and Observers unanimously endorsed these comments.

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At the AWTA Ltd Board Meeting held immediately following this Meeting, Directors agreed that they had already presented their points of view concerning the Budgets and charges. Consequently, the Managing Director recommended that the 'AWTA Ltd Budget Submission – 1982/83' be approved.

An amendment was then moved recommending that the average charge increase of 21% be increased to 23%. However, prior to the vote being taken, WTMA's Member/Guarantor, Kevin Perrott, exercised his

power under Article 21(b) of the Company's Articles of Association, formally appointing himself as a Director to fill the vacancy created by the recent tragic death of Sandy Nevile.

When the Chairman then put the amendment to a vote, it was rejected, with 4 Directors voting in favour and 6 against. The original motion was then put and the AWTA Ltd Board resolved to approve the Budget Submission as presented, with 6 Directors voting in favour and 4 abstentions.

*****

Having finally established a firm basis for the transfer of AWTA's functions to AWTA Ltd, Ward arranged for Lindsay Yeo to address the IWTO Wool Committee at the Venice Conference, held in June 1982. Yeo had previously made a reassuring presentation to IWTO, following WTS' closure in 1976, and had reiterated those assurances in 1979 as part of a report on the Authority's performance over the 3 subsequent years. Given IWTO's firm resolutions and advice to the Government that the new Company must remain independent of control by vested interests, it was important to reassure international users of Certificates that this outcome had been achieved. [199]

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Whilst the new Company took over the functions of the statutory Authority on 1st July 1982, the legislation abolishing the statutory AWTA did not come into effect until the close of business on Friday 6th August. In view of this, the Authority held a final Meeting on 27th July, at which they were informed of the final actions taken regarding the transfer to AWTA Ltd. Those actions, listed in Ward's final Director's Report to Members, were as follows:

(i) the legislation conferring income tax exemption upon AWTA Ltd was passed by the Senate on 25th May 1982;

(ii) all full-time and part-time staff, excluding those on workers' compensation for an indeterminate period, were issued with a Notice of Retrenchment, jointly signed by the AWTA Director and the AWC Personnel Manager, on 31st May 1982. On the same day, casual employees were notified of the impending closure of AWTA, and of the fact that they would be retrenched if still employed up to the close of business on 30th June 1982;

(iii) with the exception of the seven senior staff members whose remuneration was subject to approval by the AWC Board, the Notices of Retrenchment took effect on 30th June 1982;

(iv) staff on workers' compensation for an indeterminate period became the direct responsibility of AWC on and after 17th June 1982;

(v) redeployment assistance was provided to eight AWTA employees, three of whom decided ultimately to accept positions offered to them by the new Company;

(vi) on Wednesday 30th June 1982, the Deed of Transfer entered into between the Australian Wool Corporation, Australian Wool Testing Authority and Australian Wool Testing Authority Ltd was formally executed; and

(vii) the Common Seal of Australian Wool Testing Authority was applied to the Deed of Transfer, with Messrs. L. J. Yeo and R. E. Chadwick as signatories.

Being a material cost increase, Alex Artomonow, reported that AWTA's provision for long service leave was some $75,000 short of the amount paid out as retrenchment benefits. This shortfall was due to the Commonwealth's retrenchment benefit being calculated to cover all service, excluding any personnel employed for less than 12 months, whereas the Authority's provision had only covered the entitlements for personnel who had completed a minimum of 4 years of continuous service.

*****

During general discussion about possible future expansion, Members noted that management would not consider diversification beyond the current services for at least 12 months, particularly since some WA politicians were already lobbying DPI and Treasury to remove AWTA Ltd's legislated income tax

[199] The full text of the 'Address by Mr. Lindsay J Yeo to the International Wool Textile Organisation 51st Annual Conference - Venice: 10th June 1982' is attached as APPENDIX 8.

exemption. Those protagonists were a small group of private treaty wool traders in Fremantle, who were by then encouraging the Harry Stanger Group in the UK to set up a competitive wool testing service in Fremantle. In fact, representatives of that company had attended the IWTO Conference in Venice to meet prospective clients.

Lindsay Yeo reported that he had met the Stanger people after delivering his address to the Wool Committee and had gained the impression that they were receiving little encouragement from Australian delegates and overseas users of AWTA Certificates. Bob Chadwick added that, as President of the Federal Council of Private Treaty Wool Merchants Association (PTWMA), he had been informed of a formal meeting between the WA Branch of the PTWMA and Stanger representatives, at which a guaranteed testing volume of 250,000 bales had been sought. No firm commitments had been given, but their representatives were due back in Australia in August for follow-up discussions.

As the final Authority Meeting was about to close, the second Independent Member, Nelson Johnston, drew Members' attention to the fact that Pat McGilvray had been given the opportunity to continue his employment with AWC, since the transfer arrangements did not provide for staff his age to join the new Company. To increase his years of service and boost his Commonwealth Superannuation benefits, Arthur Farnworth had accepted a recommendation by Ward for the Corporation to continue his employment for a further 2½ years, until his compulsory retirement at age 65. As he would be leaving the AWTA team, Members agreed to record their appreciation of his service in the Minutes, resolving unanimously:

"*That the Chairman write to Mr M. N. McGilvray thanking him for his excellent service to AWTA and acknowledging the contribution he had made in promoting the acceptance of objective measurement by wool buyers.*"

On behalf of the Authority and executive staff, the Chairman then thanked Dr Farnworth and his senior staff for their generous decision to enable McGilvray to maximise his superannuation benefits.

*****

Finally, Part V of the Wool Industry Act 1972 was repealed on 6th August 1982, thereby abolishing the statutory Australian Wool Testing Authority.

During the almost 25 years since the establishment of AWTA as a statutory wool testing body, the Principal Officers and their terms of appointment had been:

Mr W H (Bill) Lempriere, Chairman from 12th December 1957 to 11th September 1964

Dr J A (Alec) Dixie, The Director from 21st April 1958 to 30th September 1964

Mr I F (Ian) McLaren, Chairman from 11th September 1964 to 20th August 1965

Mr J F P (Jim) James, Acting Director from 1st October 1964 to 25th April 1965

Dr J G (James) Campbell, Director from 26th April 1965 to 23rd September 1966

Mr C M (Mac) Scott, Acting Chairman from 20th August 1965 to 21st January 1966

Mr L J (Lindsay) Yeo, Chairman from 21st January 1966 to 5th August 1982

Mr D J (David) Ward, Director from 26th September 1966 to 13th August 1982 [200]

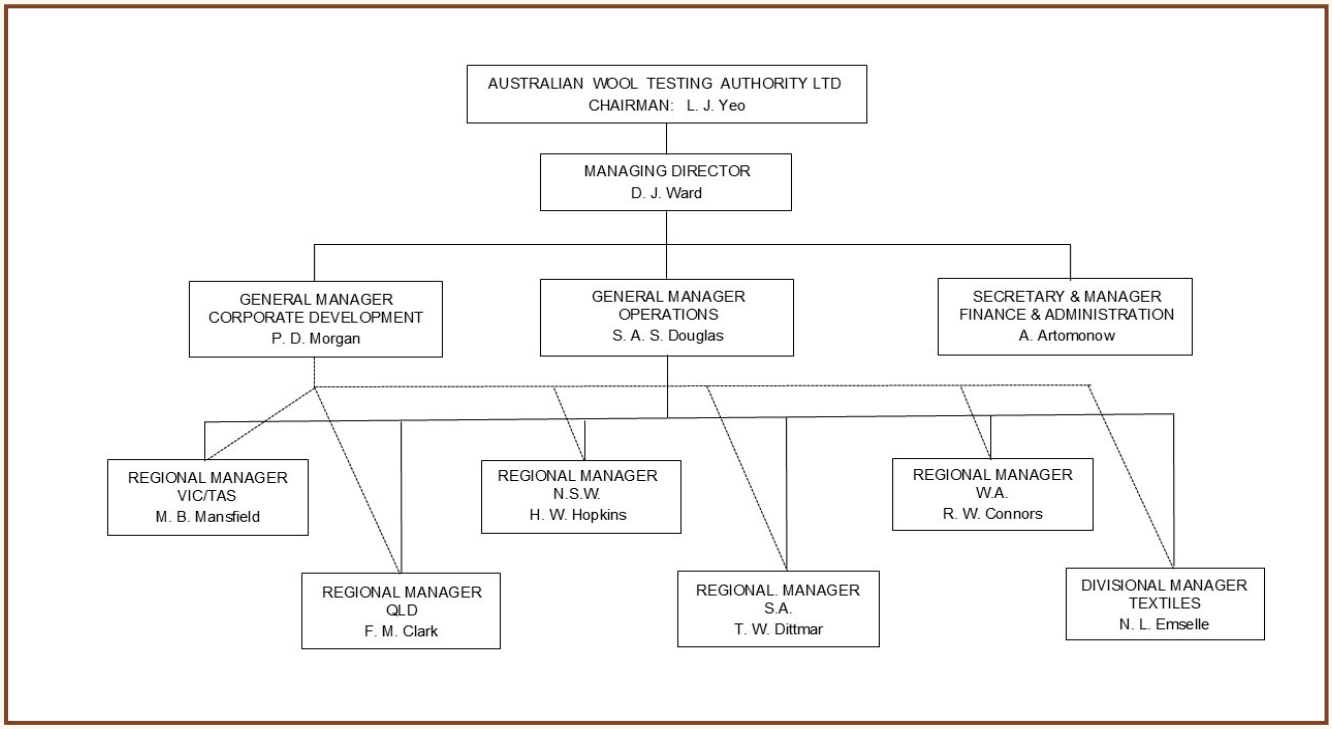
*****

On 1st July 1982, AWTA Ltd took over the testing and certification functions of AWTA.

At their Board Meeting also held on 27th July, the AWTA Ltd Directors approved remuneration packages and terms and conditions of employment for Ward, Douglas, Morgan, Artomonow, Mansfield, Hopkins and Connors, as recommended by AWTA Ltd's Remuneration Committee, clearing the way for the Corporation Chairman to issue their 'Final Notice of Retrenchment', to be effective at the close of business on Friday 13th August, and for their appointments to commence with AWTA Ltd on and from 16th August 1982.

[200] The legal bases for appointing Members of AWTA and a list of appointees from 1st December 1957 to 5th August 1982 are attached as APPENDIX 9, together with details of their terms and nominating organisations.

Final AWTA Policy Committee Managers Meeting - 1982



AWTA Ltd's Organisation Chart - 1982

ACKNOWLEDGEMENTS

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APPENDIX 1: AGENDA & FINAL DECISIONS OF THE INVESTIGATING COMMITTEE (1956)

SUMMARY OF DECISIONS REACHED BY TECHNICAL SUB-COMMITTEE AND FULL INVESTIGATING COMMITTEE ON ESTABLISHMENT OF CONDITIONING HOUSES IN AUSTRALIA

Technical Sub-Committee met at 9.30 a.m. on Tuesday, 17th July, 1956.

PRESENT: *Mr C. M. Greenwood, Australian Council of Woolbuyers*
Mr J. E. Duncan, Wool Supervisor, Department of Agriculture, New Zealand
Mr A. E. Wallace, Department of Primary Industry
Mr T. Pressley, C.S.I.R.O.
Mr A. L. Biggar, Processor, New South Wales
Mr R. Bebarfald, National Council Wool Selling Brokers of Australia
Mr L. Harwood, Secretary, Australian Council Wool Buyers

CHAIR: *Mr C. M. Greenwood occupied the chair in the absence of Mr W. H. Lempriere due to illness*

Full Investigating Committee met at 9.30 a.m. on Wednesday 18th July, 1956.

PRESENT: *Mr W. H. Lempriere, Chairman, Australian Council of Woolbuyers, occupied the Chair*
Mr Tom Argyle, Australian Council of Wool Buyers
Mr C. M. Greenwood, Australian Council of Wool buyers
Mr L. Harwood, Australian Council of Woolbuyers, (Secretary)
Mr W. R. Carney, Department of Primary Industry
Mr. A. E. Wallace, Department of Primary Industry
Mr R. W. Duncan, President Wool Scourers, Carbonisers and Fellmongers' Federation
Mr A. L. Biggar, Wool Scourers, Carbonisers and Fellmongers' Federation
Mr I. F. Morris, Wool Scourers, Carbonisers and Fellmongers' Federation
Mr R. Bebarfald, National Council of Wool Selling Brokers of Australia
Dr Lennox, C.S.I.R.O.
Mr T. Pressley, C.S.I.R.O.

THE FORM OF AUTHORITY TO BE ESTABLISHED TO ENSURE OVERSEAS AND LOCAL RECOGNITION REGARDING INTEGRITY AND EFFICIENCY

Agreed that a Statutory Corporation be constituted to control and administer Conditioning Houses comprising of the following:

(A) Two Members of the Department of Primary Industry
(B) One Member of the CSIRO
(C) One Member of the Australian Wool Bureau
(D) One Member of the National Council of Wool Selling Brokers of Australia
(E) One Member of the Australian Council of Wool Buyers
(F) One Member of the Wool Scourers, Carbonisers & Fellmongers' Federation of Australia

Resolved that the Commonwealth Government be approached to create a Statutory Corporation for conducting Conditioning Houses in Australia.

The IWTO had already indicated that the Constitution of the above body is such as to inspire confidence overseas.

NUMBER OF CONDITIONING HOUSES TO BE ESTABLISHED

Agreed that Two (2) Conditioning Houses be established providing Finance was forthcoming, and that Melbourne be set up first in order to overcome any Technical difficulties, and Sydney to follow shortly afterwards. If Finance not available for Two (2) Centres, then Melbourne to take priority as the more Central Centre.

ESTIMATION OF THE NUMBER OF BALES WHICH MAY BE HANDLED IN THE FIRST 12 MONTHS OF OPERATION

Figures supplied by Mr A. E. Wallace of the Department of Primary Industry.

Production of Scoured Wool

	1953/54	1954/55	1955/56
Totals:	82,887,000 lbs.	87,065,000 lbs.	66,948,000 lbs.

Export of Scoured Wool

1953/54	66,338,000 lbs.	-	292,717 bales
1954/55	69,698,000 lbs.	-	310,926 bales
1955/56	Not available		

Total production of scoured wool for 1954/55 Season 87,065,000 lbs., say 400,000 bales.

Production of Carbonised Wool

	1953/54	1954/55	1955/56
Totals:	30,675,000 lbs.	27,096,000 lbs.	21,088,000 lbs.

Export of Carbonised Wool

1953/54	14,424,000 lbs.	-	65,533 bales
1954/55	12,521,000 lbs.	-	56,650 bales
1955/56	Not available		

Total production of carbonised wool for 1954/55 is say, 100,000 bales.

Total estimated production of both scoured and carbonised wool for 1954/55 Season is say, 500,000 bales.

Agreed that a reasonable expectancy of number of bales likely to be treated in initial year is conservatively estimated at 40% of total production of both scoured and carbonised wool say, 200,000 bales.

FINANCE

Agreed approach the Commonwealth Government for finance on the following basis for fifty duplicate tests in each centre:

Capital Expenditure (Plant, equipment)	£10,000
Provisional Fund to tide over period until fees are paid	£10,000
For one centre	£20,000
For two centres	£40,000

INCOME

Agreed that a charge of 5/- per bale be made, this figure is approximately ¼d. per lb. and based on 200,000 bales would return £50,000 in first year's operations.

EXPENSES

Salaries	£12,500
Rent, Fees, Interest etc.	£ 8,500

Total expenses for one Testing House £21,000. Total income from one Testing House £25,000. Excess of £4,000 to be used as follows -

Redemption Fund to pay back Loan	£2,500
Fund for Research	£1,500
	£4,000

STANDARDS TO BE USED

Agreed that the standards used would be the Bradford Conditioning House standards for all types of testing and that the Officer appointed to be in charge of Conditioning Houses to visit Mr Duncan in New Zealand and investigate their scheme at first hand.

AIMS OF CONDITIONING HOUSES

Initially for the testing of moisture in scoured and carbonised wools, but eventually to incorporate functions now undertaken by the Bradford Conditioning House, with particular emphasis on wool tops and any other tests which may be required in the future.

GENERAL

Scoured Wool

The experience of New Zealand was that the conditioning of wools immediately brought in an increase of 2.6% of overseas currency by invoicing adjusted weights up. At an average of 96d. per lb. Australian currency, 2.6% would be equivalent to approximately an increased income of 2½d. per lb. which on 69,698,000 lbs. exported in 1954/55 is approximately £725,000 Australian currency.

Carbonised Wool

Working on similar percentage (2.6) as for scoured wool at an average price of 93d. per lb. Australian currency, the figure remains at approximately 2½d per lb., which on 12,521,000 lbs. exported in 1954/55 is approximately £126,000.

Total estimated increase of export value £850,000 (on estimate of likely first year use of facilities say, 40% of this amount).

ADJUSTMENT OF INVOICES

New Zealand Scourers are now turning out wools nearer to world standards of moisture content, adjustments of invoice weights are now only about 0.1%.

ACCEPTANCE OF CERTIFICATES

Agreed overseas bodies will only accept certificates from a disinterested body and the signing of such by the Commonwealth Government authority is by far the most likely to be recognised by the overseas controlling bodies, and private control of the scheme would be looked on with suspicion by overseas body.

Private enterprise would be under control of shareholders who in a public company could and would dictate policy and so undermine confidence with overseas and local customers.

Scientific apparatus which constitutes almost entirely the capital funds has little collateral value in terms of private banking circles.

(The Agenda for the full Investigating Committee Meeting follows for context and completeness.)

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AGENDA

GENERAL COMMITTEE CONDITIONING HOUSES

Thanks to Member of Technical Committee.

1. *Short Talk (with slides) by Mr. J. E. Duncan of the N.Z. Govt. Conditioning Houses of Technical Committee.*
2. *Suggestions to be put forward for discussion*
   - *(a) Form of Authority to control scheme*

     Statuary (sic) Corp.
   - *(b) Number of establishments required*

     1 - Melbourne
     1 – Sydney

but if finance not forthcoming for both centres, priority to Melbourne as being more central to all Australian scouring centres. Even if unable to have both Sydney and Melbourne, Melbourne to go ahead immediately and so overcome teething troubles as soon as possible.

(c) Estimation of possible number of bales likely to be treated in the first 12 months of operation of Australian Conditioning House or Houses.

Production figures given by Mr. Wallace of the Dept:

9 months of 1955/56	
July	*7,935,000 lbs*
August	*7,460,000 lbs*
September	*6,664,000 lbs*
October	*7,617,000 lbs*
November	*8,360,000 lbs*
December	*7,291,000 lbs*
January '56	*5,900,000 lbs*
February	*7,901,000 lbs*
March	*7,820,000 lbs*
	66,948,000 lbs

12 months 1954/5 87,832,000 lbs. at 220 lbs. approx. 400,000 bales.

Export of Scoured Wools (Scoured only)

1950/1	*294,600 bales*	
1953/4	*292,717 bales*	*Production 82,920,000 lbs*
1954/5	*310,926 bales*	*(very close to estimate above)*

(d) Estimation of expectancy of number of bales likely to be treated in initial year, say 50% production = 200,000 b/s.

(e) Government finance to be asked for -
For each centre on the basis of up to 50 tests per day, in duplicate:

Capital Funds for equipment, but not including premises or salaries/wages	*£10,000*
Provisional Funds to tide over the period until fees are paid	*£10,000*
For each centre	*£20,000*
Total Two Centres	*£40,000*

Income - suggested charge of 5/- per bale
(approx. ¼d. per lb.) 200,000 bales £50.000
(out of which £20,000 provisional loan to be repaid and will only have to be provided out of the first year's income, but as this money will be used to pay wages and salaries, etc. does not affect income)

Expenses Wages and salaries (no estimate)
Rental of premises?
Selling Brokers, Brokers, Dumpers and independent Dumpers charges?
Interest on monies provided
Sinking Fund

Residue of income after all expenses to be used by scientific organizations for the research in testing methods for wool, noils, tops, etc.

(f) Staff required.

(g) Problem of samplers especially in centres not directly served by testing houses - solicit aid for part time assistance from State Departments of Agriculture.

(h) C.S.I.R.O.'s assistance in establishing the Testing Houses.

(i) *Standards to be used - Bradford Conditioning House Standard.*

(j) *Officer appointed to be in charge of Conditioning Houses, to visit New Zealand and investigate first- hand from Mr. Duncan how the N.Z. Scheme works and learn pitfalls to be avoided.*

(k) *Aims - Initially the testing for moisture, etc. on Scoured and carbonised wools, but eventually to incorporate all functions now undertaken by the Bradford Conditioning House.*

(l) *Deputation to interview the Minister to put case fully before him and obtain his blessing / points to be emphasized for and against -*

Federal Government full support

(i) *The experience of N.Z. that the conditioning of wools immediately brought in 2.6% of overseas currency by invoicing adjusted weights up at an average of 96d. per lb. Aust. currency, 2.6% would be equivalent to an increased income of 2½d. per lb. which on 87,832,000 lbs. produced in 1954/5 - see (c) = £914,916 Aust. currency (on estimate of likely first year use of facilities, say half this amount.*

(ii) *Scourers now turning out wools nearer to world standards of moisture content, adjustment of invoice weights now about 0.1% up.*

(iii) *Overseas bodies will only accept certificates from a disinterested body and the signing of such by the Commonwealth Govt. authority is by far the most likely to be recognized by the overseas controlling bodies.*

(iv) *Private control of the scheme would be looked on with suspicion by overseas body.*

(v) *Private enterprise would be under control of shareholders who in a public company could and would dictate policy and so undermine confidence with oversees and local customers.*

(vi) *Scientific apparatus which constitutes almost entirely of the capital funds has little collateral value in terms of private banking circles.*

APPENDIX 2: AWTA ACTING DIRECTOR'S REPORT (1964)

AUSTRALIAN WOOL TESTING AUTHORITY

DIRECTOR'S REPORT – DECEMBER, 1964

The resignation of the Secretary, Mr. L. Burditt, the issue of new Chemical Core Testing Regulations by the International Wool Textile Organisation and the imminent textile testing work required by the Australian Wool Board's Wool Quality Mark, have made an assessment of the operations of the AWTA an urgent necessity. As a seconded scientist from CSIRO who will not be an applicant for the position of Director, I have tried to look at the present and likely future operations of the AWTA from the viewpoint of its maximum usefulness to the Wool Trade.

Two assumptions form the basis of my evaluation of the Authority:

1) The continued existence of the AWTA is vital to the Australian wool trade.

2) The aims of the Authority are:

(a) Accuracy and reliability

(b) Fast service

(c) Economical operation

Provided these two major premises are accepted, the rest of my suggestions follow as logical deductions; it should be made quite clear that only major matters will be discussed, details of implementation can safely be left to a qualified Director.

It should not be necessary to convince you of the validity of my first assumption. However, it may be desirable to refresh your memory on some particulars.

There is a widespread feeling current in both the Wool Trade and in scientific and technological circles that the amount of objective testing of wool will increase, both in the grease, in processed wools, and in all stages of manufacture into textiles and garments. Throughout the world, the trend to buying and selling wool on a specification which can be scientifically checked is gaining momentum. Within Australia, the inevitable adoption of some form of orderly marketing of wool will bring with it the need for more objective testing.

This testing will be done, either by one impartial Government sponsored Testing Authority with an international reputation, or by a host of small testing concerns which are adjuncts to commercial wool establishments or exist entirely as profit-making testing firms. We now test only about 3% of the greasy wool exported, and there is great and increasing difficulty in arranging for access to the bales for weighing and coring. An increase in greasy wool tests and in the number of testing organisations trying to get at the bales for coring would cause a virtual traffic jam in the wool stores.

There may come a time when greasy wool is sold on clean wool content alone; top and noil yields being estimated by the mills themselves. The woolbuying trade is generally very much in favour of this method of trading. If it comes, the trade will need an accurate and impartial testing authority, preferably with Government backing to establish international confidence and acceptance of the Wool Content certification.

In the textile testing field, the recent announcement by the AWB of the mechanism for the policing of the Wool Quality Mark has highlighted the need for an impartial arbiter whose decisions, based on precisely specified tests, will have legal weight. As well as the Wool Quality Mark, the introduction of performance standards will be welcomed by the trade, if they are backed by the status and technical tests of an impartial Testing House.

Finally, Australian scientists are now establishing themselves as world leaders in wool research; it is surely fitting that the premier wool producing country should also have the best Testing House facilities. This will be possible, in time, if active co-operation with scientists in CSIRO, and the Universities is maintained and every effort is made to improve the accuracy of the tests carried out by the AWTA.

This brings into sharp focus my second premise, that our aim should be to provide an accurate, fast and dependable service to the wool trade on an economical basis. The Authority today faces three criticisms from the trade; it is not correct, it is too slow and it is too dear. The last is definitely the least frequent complaint, and is usually added as a rider to one or both of the main complaints. I do not propose to deal here with the charges for tests; these should be reviewed early next year when more detailed information is available.

The main complaint of the raw wool trade is excessive delays; complaints on accuracy are often due to a misunderstanding, although we have made mistakes at times. There is ample evidence from the trade that much more use would be made of our services if we were faster. The AWTA is a service organisation, not a manufacturing or a merchandising one. We have only one thing to sell, a fast accurate test result. If we can provide this service, then people will use it. The benefits of core testing of raw wool both for diagnostic and contractual purposes are slowly but surely percolating through the Wool Trade, which is notoriously conservative and relies overmuch on what grandfather did. In the textile field, the increased employment of University trained technologists in Australia is producing an increasing awareness of the need for objective testing for both quality control and arbitration purposes.

There is no need to provide costly promotion and advertising activities once we have a reputation for reliability and speed, and without this reputation promotion will be unavailing.

We do not have this reputation at present, except with some of our best customers for whom special efforts are made.

Let us assume then that the AWTA must continue to exist, and that its policy will be to provide an accurate and fast service to the wool trade as economically as possible.

Can the AWTA operate on a break-even financial basis? At present we run at a loss at a much lower standard of accuracy and service than is wanted. All possible economies have been made to try to cut our losses. We have not enough staff to meet the demand for speedy service. In some sections staff turnover has been high and staff training has been inadequate. An excessive amount of overtime is regularly worked at the Melbourne laboratories. The proportion of junior staff employed is usually high; while this is a cheap source of labour it is a dangerous expedient in a testing organisation, unless adequate supervision is available.

The technical supervision of the bulk of our staff is inadequate and often non-existent. Equipment is generally adequate to handle the raw wool testing, but is not of the highest standard, nor is it always the most economical equipment for the job. Textile equipment is out of date and out of repair.

Thus, substantial increased costs in both staff and equipment are needed to allow the AWTA to meet its aims of speed and accuracy.

Equipment will be a big initial expense, but its annual charges will be relatively small compared to the increased expenditure on staff. If we now run at a loss, how can we break even with increased running costs? The answer is more business, but we need at least 50% more.

When such fixed charges as Rent, Depreciation and Amortization shown in the budget as charges against testing are transferred to Administration, the costs are Sampling and Testing £90.5 thousand, Administration £40.1 thousand. Thus, our sampling and testing £1 earns £1.34.

Provided administration costs do not rise, we need to increase the volume of business by 50%, in order to break even. Thus:

	Now	***x 1.5***
Sampling and Testing	*£90.5*	*£135.8*
Administration	*40.1*	*40.1*
Expenditure	*130.6*	*175.9*
Income	*121.5*	*182.0*
Balance	*- 9.1*	*+ 6.1*

This is a greatly over-simplified example, but illustrates my main point that we will not break even until much more raw wool testing is done. Increased volume of sampling will lead to better use of our sampling staff, but any worthwhile improvement must come from improved regularity in the demand. This is outside our control, but some improvement may be obtained when more testing is done.

On the raw wool side then, it is unlikely that we will operate at a break-even level until we have increased our business by half again. This will be most unlikely for at least the next two or three years. The conclusion is inescapable that we will continue to make a loss on the raw wool side of our testing over the next few years, due to the unique difficulties of sampling at so many widely dispersed wool selling centres in Australia, but the volume of testing will definitely increase – we must ensure that the AWTA has the major share of it. If we stand by our aim of fast and accurate service, we must continue to use only our own men for the vital task of weighing and sampling, and we must expect a loss at first.

The textile testing had dwindled to a mere 6% of our income this year, largely through the withdrawal of Seal of Approval testing. A large and sustained demand from AWB for Wool Quality Mark testing, together with related quality control testing for industry is expected beginning in February 1965. Although the initial expense of setting up the equipment and engaging and training suitable staff will be high, the textile testing should be a profitable activity. We will not be involved in the expense of samplers scattered around Australia; the power demands and the volume of computation are both negligible compared with the raw wool testing. The increased revenue from textile testing will not involve much, if any, overhead additional to the existing, although amortization of expensive facilities will be needed. On the whole, it would be reasonable to expect a small profit from the textile testing side of our work and an increasing demand for our services once trade confidence is established.

The biggest single problem facing the Authority today is that its reputation is not high enough. In the textile testing field, there is an almost complete lack of confidence in the Authority's ability to carry out tests correctly in a reasonable time. I do not intend to pursue the reasons for this; it is real and widespread and it is impossible to alter the poor impression with our present equipment and staff. The difficulties here are entirely technical.

The raw wool situation is not so bad, but it is rapidly getting worse. The main complaint is of excessive delays and this complain is justified, but capable of remedial action by employment of more staff. A more serious but fortunately less well-known failing is inaccuracy. Too many mistakes are made too often. The situation is not yet out of hand, but any sizeable increase in the volume of testing with the present staff and equipment would be disastrous. The criterion in the past has been firstly cost, then service, with accuracy coming a very poor last. This has been a direct result of the Authority's policy that the service must be made to pay. Excessive economy measures on staff, testing procedures and equipment maintenance have slowly run down the efficiency of the raw wool testing to its present state, which is far below that of an internationally accredited Testing House. It has only been possible to keep a service going by the unstinted loyalty and overworking of all our senior staff. This is particularly true of the Secretary, who has worked wonders in keeping our staff together and in trying to plug up leaks in the system, and so prevent errors and inaccuracies.

That the raw wool testing still has a fair reputation with the trade is due almost entirely to the quality of the work done by the Secretary and our senior staff. Now that Mr. Burditt is leaving, a re-grouping of our staff has been made on an acting basis, pending your approval, so as to keep the essential continuity in our work. A complete re-organisation of staff, equipment, and procedures is needed due to these three things:

(i) Introduction of the new IWTO Chemical Core Testing Regulations

(ii) The start of operations in Australia by Wool Testing Services Ltd

(iii) The resignation of Mr. L. Burditt

<u>Director</u> There is a suggestion that, if a technically qualified Director is not soon available, a managerial type of Director who would rely on a technically trained subordinate for technical advice should be appointed. I do not agree that expediency should have any place in the selection of the man to run such an important service as the AWTA. Either a Technical or a Managerial Director is required, once this is decided it must be implemented in spite of difficulties of finding the right man.

I submit that a technically trained Director of an adequately high academic standard is needed for the following reasons:

1. *The calibre of the Director decides the standard attained by the establishment.*
2. *A Technical Director will be able to resist pressures to reduce accuracy to gain cheapness and expediency. It is the Director alone who can set a standard and see that it is kept up. CSIRO scientists can and will help, but they cannot do the Director's job for him.*
3. *The international reputation of the Authority rests on the status of the Director and his ability to influence IWTO technical Committees where problems unique to Australia are involved.*
4. *Our raw wool business is largely controlled by the opinion of overseas mills and technical people as to our accuracy and reliability. The importance of overseas liaison by a technically able and respected Director is obvious. Dr Dixie's outstanding work with the IWTO in having our core-boring techniques accepted, and his success in getting business from Turkey and Mexico are evidence of the importance of a technical man overseas.*
5. *The Australian Wool Trade generally identifies the Authority with the person of its Director. Important customers insist on discussing their problems with the Director; he must be able to talk knowledgeably on many aspects of wool processing and wool research to hold their respect.*
6. *Co-operation with CSIRO and the Universities can only be gained by convincing an individual scientist that there is an interesting and important problem in his field of work. It is necessary for continued cooperation that results of research work are used in the Authority's operations. Only a person with a sufficiently high technical status, and with executive authority can achieve good cooperation with the scientific world. Even then it is not easy, but the results are invaluable.*
7. *Planning*

   A Technical Director should keep himself well informed of current research and projected new testing methods, and new uses for wool. Only with this background can effective planning of the Authority's future activities be carried out.
8. *Standards*

   Both testing and performance standards are constantly under review. The Authority has an excellent opportunity of keeping in touch with the trade's needs, and its Technical Director should be a member of the panel of scientists and technologists who draw up such standards.

   In order to carry out his duties, the Director needs technical assistance, men who are skilled technologists with some experience in the trade and with a Diploma or preferably a degree in wool or textile subjects. Together with the Administrative Officer, these men will form the key staff of this Authority, they will ensure that policy is carried out, free the Director of much detailed work, and provide the needed continuity during his absence overseas.

Technical Supervisors

The working of the Authority is carried out at present almost without supervision, except that given by the Director in person at infrequent intervals when he is free of other duties. This intermittent supervision, and the absence of detailed quality control of the testing process have allowed a number of sub-standard practices to become accepted by the whole staff. There is a general lack of understanding of the testing methods by the men carrying out the tests. Few of the senior staff members know why they do what they do; appreciation of possible or likely sources of error is practically non-existent.

There is no system of routine checking of the testing operation itself, and none is possible at present because there is no-one except the Director to do the job.

An essential part of our operations is the meticulous and conscientious performance of their duties by every member of our staff. In the raw wool testing, every stage from sampling to certification, over 40 separate human operations, the reputation of the Authority rests in the hands of each member of the staff who is a link in the chain. Mistakes are not self-evident, nor are they easily found by looking at the final product – the Certificate or the Test Report. It is not possible to use a Go / No Go gauge on the results, and it is not possible to appoint a final inspection station where faulty results are rejected.

The only practicable method of quality control is thorough training, frequent randomly timed detailed inspection and supervision, and regular 'double-blend' check tests. These must be so arranged that once a test sample is selected and fed into the system, not only is its identity unknown to the operators, but the fact that a test is proceeding is also unknown to everyone except the supervisor.

TEXTILE SUPERVISOR

For textile testing, the wide range of technical knowledge needed as well as the skill and experience required to select the appropriate test, make the appointment of a diplomate or graduate mandatory. The Textile Supervisor will be required to train and supervise a small staff who will need to acquire a number of special skills. He will often be required to exercise his judgment in interpreting test results in which the total effect of a number of inter-related tested qualities of a textile material is needed. The full-time activities of such a man in the test room will be essential, initially for training and detailed supervision of staff, and later for selection and evaluation of tests to be applied in a particular case. Even without the expected volume of work from the AWB under the Wool Quality Mark, such a man is essential to permitting testing of blends, and the introduction of tensile strength tests in February 1965 for Wool Quality Mark makes the appointment of a Textile Supervisor a matter of great urgency.

RAW WOOL SUPERVISOR

The main work of this man will be in sampling and yield testing. Sampling is of paramount importance; it is the base on which the whole testing process rests. Of equal importance is the accurate weighing of the bales at the time of sampling.

Continuous monitoring of our samplers all over Australia is needed to maintain high standards of conscientious sampling and weighing, to avoid mistakes and to prevent local variations in core-boring practice becoming established.

In the three laboratories, there is an urgent need for improvement in the actual physical operations of sub-sampling, scouring, drying and weighing. The high turnover of staff in these routine and repetitive operations requires a continuous training and monitoring. It is essential that one man be made responsible for ensuring that the Director's instructions on the detailed technical operations be carried out and maintained at a high level of accuracy in all three laboratories.

A considerable change in the methods of both scouring and drying is envisaged; this cannot be instituted until adequate supervision is available. Any experimental or development work on improving equipment and methods of handling the workflow needs at least one competent man to carry it out. This will be constant feature of the Raw Wool Supervisor's work.

Much of the delay in raw wool testing is caused by the difficulty of gaining access to the wool for sampling. An on-the-spot study of the problems of the AWTA and the Wool Brokers is overdue, it must be done by someone who is personally concerned that a solution be obtained. This would be an important first task of the Raw Wool Supervisor.

It will be necessary for this man to travel extensively within Australia to supervise laboratory and sampling centres; with a widely spread organization, such supervision is essential for uniformity.

The operations of our Testing Officers in Sydney, Melbourne and Fremantle are so much concerned with trade contacts, organisation of work and sampling appointments, that a change in name to State Managers is suggested. This is in line with trade practice; as our Testing Officers are frequently called Managers by the trade. The extension of this term to the present Sampling Supervisors in Brisbane and South Australia would increase our importance in the eyes of the local trade and would be an asset in our coming competition with Wool Testing Services Ltd.

A list of specific recommendations on staff and equipment follows, together with a suggested diagram for the proposed staff establishment:

1. *That the acting appointment of M. Mansfield as Administrative Officer be confirmed. Salary increments are due next July; I therefore suggest his salary on appointment be £1,850 and the salary range for the position should be about £1,800 - £2,400;*
2. *That the acting appointment of H. Beckinsale as Testing Officer Melbourne be confirmed at a salary of £1,725;*
3. *That a Supervisor Textile Testing and a Supervisor Raw Wool Testing be appointed on a salary within the range £1,600 - £2,500;*

4. *That the re-advertisement for the Director be issued at the same time as those for the two Supervisors. The knowledge that technical assistants will be available will be a powerful attraction for the prospective Director;*

5. *That the present premises at Melbourne, Sydney and Fremantle be retained for the next two years. This is discussed in detail in the report of the Premises Committee;*

6. *That expenditure of a maximum of £11,000 be authorized for the provision of an air-conditioned Test Room at Melbourne, the test room to be built on contract by a special firm after the calling of quotations to a specification prepared by the Acting Director;*

7. *That the following expenditure on equipment required for Textile Testing to the specification of the AWB be authorized:*

Instron Tensile Tester and accessories	*£10,000*
Dylan Cutex Wash Tester	*400*
Xenon Arc Fade Tester	*1,400*
Semi-micro Balance	*400*
Binocular Microscope	*200*
Minor equipment, thermometers, rules, graticules, etc.	*200*
	£12,600

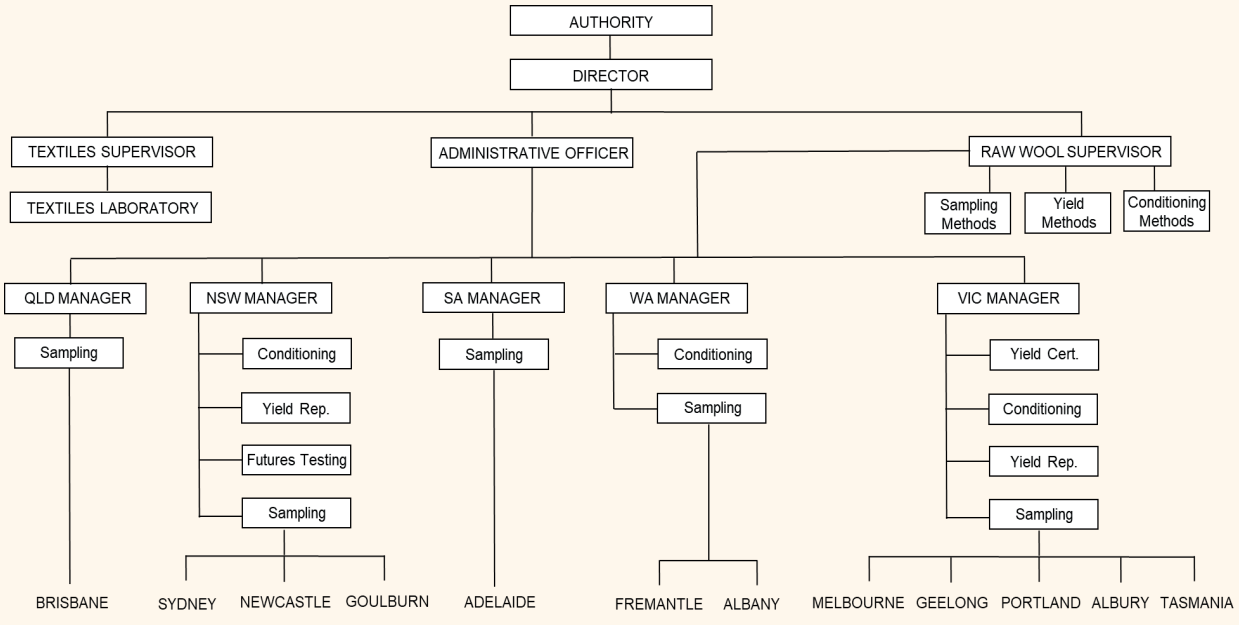
8. *That an amount of £2,000 be authorised for modification and relocation of the raw wool testing equipment in Melbourne; this will mainly be the drying section;*

9. *That all contract sampling be discontinued which is required if the AWTA is to issue certificates in conformity with its obligations as a recognised Testing House under the IWTO; sampling at Southern Centres (Albury, Geelong, Portland and Tasmania) to be done from Melbourne; in Western Australia, Albany to be done from Fremantle;*

10. *That all Northern districts hand samples be tested at Sydney as well as all tests for the Sydney Wool Futures Exchange; this will reduce delays and may be essential to retain our contract with Futures.*

J.F.P. JAMES
Acting Director

15th December, 1964



APPENDIX 3: LINDSDAY YEO SPEECH TO IWTO BASEL (1976)

"THE ROLE OF THE AUSTRALIAN WOOL TESTING AUTHORITY"

Address to the IWTO Wool Committee, presented by Mr L J Yeo (Basel 9/6/76)

Mr Chairman, Ladies & Gentlemen,

It has been suggested that in my capacity as Chairman of the Australian Wool Testing Authority (sometimes known as AWTA), I should inform members of the Wool Committee about recent developments in Australia which led to the closing down of the laboratories operated by Wool Testing Services and the purchase of their plant and equipment by my organisation.

Australia, as you all know, has suffered well above the average rate of industrial stoppages and the most recent stoppage involving the Storemen & Packers' Union forced a curtailment of wool testing at all laboratories in Australia for a period of 8 weeks. It was during this stoppage that the Director of AWTA, Mr David Ward (who is present here today) was approached by Wool Testing Services and he arranged a meeting between their Chairman and myself. Now, I have known the Chairman of WTS. for some years, both of us being Chartered Accountants. As members of the same profession, we speak the same financial language, and we understand each other's problems. Mr Ward and I were informed that the prolonged industrial stoppage was causing WTS very serious problems and unless an early solution could be found – not only to industrial problems but also to problems of cost of sampling – WTS might have to dispose of its Australian operations. They could see no possibility of obtaining an adequate return on investment.

Australian laws affecting Trade Practices prevent competitors from agreeing to increase prices and, in any event, we also have Prices Justification legislation to contend with. Rather than agree to increase prices, AWTA and WTS explored the possibility of a joint sampling operation, the idea being that instead of having two sampling teams in the wool stores, we would operate with only one.

Meantime, WTS were discussing with other parties the possibility of selling their Australian business as a going concern. However, these negotiations were not successful, due no doubt to the fact that on two prior occasions other wool testing laboratories, controlled by substantial financial interests, had been forced to close due to lack of profitability.

After further negotiations between WTS and AWTA, several important points became clear:

(1) That the proposed joint sampling operation, or even an offer by AWTA to undertake all sampling at an agreed fee, would not provide WTS with an acceptable return on investment.

(2) That the Federal Government legislation, which originally incorporated AWTA, did not give power to AWTA to purchase a competitors' business as a going concern.

(3) That, since no other purchasers of the W.T.S. business could be found, W.T.S. would have to close its laboratories.

(4) That AWTA had power under its legislation only to purchase plant and equipment within the scope it its own capital expenditure budget, and this we did.

You may ask, Mr Chairman, where all of this leaves members of the I.W.T.O. Some of your members will fear that the testing of their Australian purchases is in the hands of a monopoly – a monopoly controlled by the Government of Australia or by the Australian Wool Corporation. Let me put your minds at ease.

Firstly, with regard to AWTA being under the control of the Government of the Commonwealth of Australia; this is true, but the legislation carefully prescribes the powers and responsibilities of AWTA and, provided the Board of Directors of AWTA operates within these limits, there is no interference.

In the period of approximately 10 years during which I have been Chairman, I have never been called to see the Minister, his Deputy, or any member of his Department to answer questions or to receive instructions. There has been no government interference.

Secondly, with regard to the Australian Wool Corporation, which until recently provided AWTA's capital amounting to $350,000, it is true that, together with David Ward, my Director, I report on our stewardship about 4 times each year at meetings with the Wool Corporation. We submit to them our Budgets, our cash flow forecasts and our monthly profit and loss statements, but they leave the implementation of policy and the day-to-day operation of AWTA to its Director and the Board of the Authority. As a matter of record, last month the AWTA repaid to the Corporation the whole of its capital advance, so one could claim that AWTA has a high degree of financial independence, but nevertheless we will continue to report our results to the Corporation as required by the legislation.

Finally, with regard to AWTA's so called monopoly of wool testing in Australia, I suppose that every monopoly poses at least three basic threats to its customers:

(i) quality will suffer or there will be a departure from generally accepted standards and procedures or there will be a decline in accuracy;

(ii) the monopoly will become greedy for profit or careless about expenditure, so customers will be asked to pay higher prices; and

(iii) service will deteriorate, customers will have no redress (or no alternative test house) and they will have long and unjustified delays in the issue of certificates of the results of the testing.

Mr Chairman, my concluding remarks deal concisely with these three areas of quality, price and service.

At AWTA we have a unique Board of Directors whose members represent all of our major client groups. So, if you have a complaint about quality, price or service and you are unable to obtain a satisfactory explanation, one should communicate with Mr David Ward (Director of AWTA). In the unlikely event of dissatisfaction in that area, one could appeal to his particular representative on the AWTA Board:

Textile Manufacturers	*Mr C. Grimshaw*
Wool Scourers, Carbonisers & Fellmongers	*Mr F.G. Stuart*
Wool Buyers	*Mr J.K.Westmore*
Wool Selling Brokers	*Mr W.A.Williams*
C.S.I.R.O.	*Mr H.G.David*
Australian Wool Corporation	*Mr J.A.McGregor*
Independent Members	*Mr A.N.Johnston and myself.*

I know of no other monopoly which has its customers in control of its Board. Therein lies your safeguard and remember that imposed over and above that there is the body substituting for Interwoollabs in Australia, named the Australian Wool Measurement Standards Authority, who carry out continuous monitoring and checking of the test results from our laboratories so as to harmonise our procedures and results with those of test houses in other parts of the world.

On the sensitive question of prices charged for testing services, let me remind you that our general scale of charges has not risen since 1st July, 1974. In fact, we are budgeting not to raise our charges in 1976-1977. Earlier in season 1975-1976, AWTA actually made a significant reduction in fees for pre-sale testing. It will be appreciated therefore that AWTA operating on a strictly commercial basis, and free from bureaucratic control, is earnestly endeavouring to serve all sectors of the industry with utmost efficiency and at minimum cost. Seven of the eight members of the Board of Directors are free enterprise men: that is a final point which ought to be noted by members of IWTO.

APPENDIX 4: LINDSAY YEO SPEECH TO IWTO LONDON (1979)

"THE CONTINUING ROLE OF THE AUSTRALIAN WOOL TESTING AUTHORITY"

Address to Wool Committee – I.W.T.O. 50th Anniversary (London) on June 6th, 1979

by Mr L.J. Yeo, Chairman of AWTA

Mr Chairman, Ladies and Gentlemen,

Three years ago, I addressed members of the I.W.T.O. Wool Committee at Basle to inform them of developments in Australia which led to the closing down of the operations of competitors of the Wool Testing Authority and the emergence of the Authority as the sole surviving test house in Australia. Fears had been expressed in Europe and Japan that the testing of Australian wool purchases was in the hands of a monopoly – a monopoly controlled by the Government of Australia or by the Australian Wool Corporation.

Judging by the favourable reactions to the speech I made in Basle, I believe that members of the Wool Committee were satisfied, for the time being, that their interests were adequately protected, that there was no interference from the Government of the Commonwealth of Australia or from the Australian Wool Corporation and, that they had nothing to fear in respect of evils so often associated with monopolies. I refer of course to price "hikes" or increases, delays in service, or deterioration in accuracy or reliability in AWTA certificates.

It is appropriate, I believe, at this Conference, for the Wool Committee to review the performance of AWTA in the three years since the Basle Conference. Firstly, in relation to Government interference or control, I can re-assure delegates that there has been no such intervention. We suffered a brief industrial stoppage about six months ago when members of the Storemen and Packers' Union closed down our laboratories and consequently certain wool sales were cancelled. The AWTA sought Government advice on how to deal with this emergency, having regard to guidelines laid down in relation to Wages and Salaries in Australia. Far from suffering Government interference, AWTA actively sought and received from the Government strong support which enabled us to get Union members back to work without any immediate wage increase, and we are awaiting the results of a legally constituted work value review.

With regard to the Australian Wool Corporation, there has been no interference or direction over the last three years – only highly valued support and co-operation. The Corporation has always dealt with the AWTA on a commercial basis. We are currently considering a proposal whereby AWTA would acquire from the Wool Corporation certain properties which the Authority occupies as tenant. Such a proposal, if adopted, would be another indication of independence – a principle which members of the Wool Committee regard as being of prime importance.

If I was to prepare a flow chart to illustrate the many movements which a bale of wool must follow from the time that it leaves the woolgrower's property until it reaches its ultimate destination, it would become clear that one of the first links in the chain of events is the testing procedure which links grower, broker, and buyer through the AWTA computers. AWTA was one of the first organisations in Australia to install the Burroughs B1700 computer. Next year we propose to change to the B1800 series. That will be our fourth generation of computers, thus indicating rapid progress on the part of AWTA in keeping pace with technological change. Credit for this initiative must be given to AWTA Director, David Ward, and to Assistant Director Dr Peter Morgan, both of whom are present at this Conference. Dr Morgan has achieved a significant advance in computer technology by linking the Mettler balance, which weighs wool samples, to the computer, which will read and print the results, thus eliminating the possibility of human error and materially assisting AWTA to contain its costs of operations.

I am conscious of the fact that the mind can only absorb what the seat can endure, so I shall be brief in assuring members of the Wool Committee on three remaining important issues, namely, quality or accuracy, prices, and service.

Accuracy is assured by the highly sophisticated computer programs which have been developed exclusively by AWTA. These programs contain inbuilt counter checks and cross checks and, as I have already indicated, certain manual processes, with their inherent possibilities of human error, have been eliminated. I cannot claim perfection, but there is always a better way to do things. That is one of our philosophies.

On the sensitive matter of prices and fees charged by AWTA, I am in a position to give you the good news that Pre-sale Testing Charges will be held constant for yet another season at the levels established in November 1975, when the Pre-sale Charges set in July 1974 were reduced by an average of 8%. How many business organisations do you know which have been able to stabilise their prices for so long over a period of world-wide inflation? With one minor exception, Post Sale Testing Charges will be held at the July 1974 levels for a further year. However, I should warn that any significant rise in wages following the recent industrial unrest could cause AWTA to revise its price structures, but that will be done only after exhaustive study of all the alternatives available to us.

With regard to service, I would remind members of the Wool Committee that AWTA has a unique Board of Directors, whose members represent all of our major client groups. So, if you have a complaint about quality, price or service you should communicate with AWTA Director, David Ward. I am sure that he can effectively deal with such problems, but here we have AWTA – a monopoly which has its customers in control of its Board of Directors, which consists of the following representatives:

Wool Textile Manufacturers	-	*Mr S.S.Nevile*
Wool Scourers, Carbonisers & Fellmongers	-	*Mr F.G.Stuart*
Wool Buyers	-	*Mr J.K.Westmore*
Wool Selling Brokers	-	*Mr W.A.Williams*
C.S.I.R.O.	-	*Mr H.G.David*
Australian Wool Corporation	-	*Mr J.A.McGregor*
Independent Members	-	*Mr A.N.Johnston and myself.*

I firmly believe that the interests of members of the Wool Committee are very adequately protected by the safeguards which I have described.

In conclusion, Mr. Chairman, I wish to thank you for giving me the opportunity of informing the members of this Committee of the Continuing Role of the Australian Wool Testing Authority.

APPENDIX 5: MINUTES OF JOINT AWTA/AWC MEETING (1981)

MINUTES OF JOINT AWTA/AWC MEETING HELD 23RD JANUARY 1981

PRESENT

AWTA CHAIRMAN:	*Mr L J Yeo*
AWTA MEMBERS:	*Dr M W Andrews, Mr A N Johnston, Mr S S Nevile, Mr F G Stuart, Mr J K Westmore, Mr W A Williams*
OBSERVER:	*Mr R E Chadwick*
AWTA STAFF:	*Mr D J Ward, Mr S A S Douglas, Dr P D Morgan, Mr A Artomonow*
AWC CHAIRMAN:	*Mr D J Asimus*
AWC MEMBERS:	*Mr J S Silcock, Mr F M Davidson, Mr P D Moore, Mr E L O'Brien, Mr E W Barr, Mr W J Holcroft, Mr D F Jones, Mr B N Kelman, Mr F H M Collins*
AWC STAFF:	*Dr A J Farnworth, Mr P M Creagh, Dr L E Ward, Mr J M Walker, Mr J C Young*

The Meeting was chaired by Mr. Yeo.

After introducing the AWTA and AWC Members to each other, Mr. Yeo welcomed the Corporation representatives and outlined the proposed programme for the afternoon. It was agreed that matters arising from the AWTA "Review of Policy, Relationships and Planning" would be considered and, following these discussions, there would be an inspection of the Raw Wool and Textile Testing laboratories and the Head Office Administration area.

On behalf of his Members, Mr. Asimus thanked the Authority for its welcome.

1. *In introducing the matters for consideration, Mr. Yeo recalled that the decision to hold joint discussions had arisen when the AWC Board had met with the AWTA Director and himself on 24th October 1980. To facilitate discussion, the AWTA Recommendations, which had appeared as Clause 12 of the "Summary of Key Considerations", had been separately documented and copies were now tabled. Referring to that document (attached as **Appendix 1**), Mr. Yeo made the following comments.*

1.1 *It is the Authority's view, in Recommendation (i), that it should revert to its original legally independent status. If this separation is not accepted in the short term, the AWTA and the AWC should examine alternative means of acting upon the principal issues incorporated within Recommendation (ii).*

1.2 *During his term as AWTA Chairman since 1965, the Authority and the Corporation have generally had a good working relationship. However, in recent years the dramatic growth of AWTA and the closure of its commercial competitors, WTS and Supervise-Auscore, have led to AWTA being seen in some quarters as a Government monopoly under the control of a major customer - the AWC, whereas according to IWTO Regulations Test Houses must be, and must be seen to be, independent of the sales transaction.*

1.3 *Currently, AWTA operates under an Instrument of Delegation from the Corporation to the Director. There is no delegation from the Corporation to the Authority, although the Director's actions are monitored by Members through Authority Meetings. In addition to this, AWC Members and senior staff receive all Meeting papers and major reports on AWTA operations. It is suggested, with respect, that the Members of the Authority representing the various sectors of the wool industry and, in particular, the various client groups, are in the best position to monitor AWTA performance and to accept responsibility for it.*

1.4 *In the absence of legislative change, it appears that the current Instrument of Delegation should be more comprehensive and strengthened, and that powers should be delegated to the Authority itself.*

1.5 Turning to Recommendation (ii), it appears that all points, except perhaps the last two, could be implemented through Delegations.

1.6 With regard to Recommendation (iii), Item (a) is not considered contentious and requires no debate. Item (b) is intended to ensure that the Authority is free to compete for research funds and not to automatically receive them. Item (c) suggests a formula for the funding of developmental work.

1.7 Arising from the joint meeting, the Corporation might agree to proceed with new Instruments of Delegation, which could be drafted by a committee comprising the two Chairmen and two Chief Executives.

Mr. Yeo informed the Meeting that a number of the AWTA Members had indicated their wish to present specific comments to the Corporation Members, but before they did so he invited Mr. Asimus to comment.

2. In response, the Chairman of the Corporation stated that:

2.1 the Corporation had now discussed the AWTA / AWC relationships on two occasions, but had not yet firmed up its views;

2.2 the Corporation rejects the concept of AWTA becoming a separate Statutory Authority; and

2.3 under the present political climate, it would be foolish to recommend major legislation to establish any new Statutory Authority.

3. Members of the Authority proceeded to present their particular points of view, speaking as Members of AWTA and on behalf of specific wool industry interests.

3.1 Mr. Johnston stressed that, as an independent Member, he considers himself to be in an excellent position to analyse the Authority's role and its business performance. He believed that the Authority has developed to a status where it is successful in relation to its management, profit, technical orientation and consideration of the needs of the industry. It is integrated within the industry but needs to be separate from any specific industry sector. The arguments are well documented in the Review submitted to the Corporation, and the requirements are set out clearly in the proposed Act included in that report.

3.2 With regard to the Members of AWTA, although they have specific interests, in his experience they have always acted as the Board of the Authority, having a mutual and overriding interest in ensuring its success.

3.3 Mr. Westmore expressed his full support for Mr. Yeo's opening remarks and stated that the Recommendations in the AWTA paper have the support of the Australian Council of Wool Buyers. He could not claim to be as objective as Mr. Johnston, because the ACWB had been committed to the AWTA's development since its inception. In fact, it was the Chairman of the ACWB who approached the Department of Primary Industry in 1957, requesting the establishment of a Testing Authority.

3.4 It has been the consistent view of the ACWB that the AWTA should be independent of both buyer and seller.

3.5 Mr. Williams expressed disappointment that the Corporation had apparently rejected the Recommendation for a separate Act, when at the same time it had been stated that no firm views had been adopted.

3.6 He found it difficult to accept that the present political climate was a threat to the role of AWTA. He believed that the need for independence is still recognised at Government level. Section 45 of the Act patently indicates that AWTA is a separate entity.

3.7 The financial problems which AWTA had encountered in its infancy ought to have been expected. The fact that that they were not predicted was the sole reason for the Authority being reconstituted as part of the Australian Wool Board.

3.8 It is important to recognise that, unlike the AWC, the Australian Wool Board was not a competitor with the trade.

3.9 Mr. Chadwick, who had attended his first AWTA Meeting as an Observer that day, declared his interest as covering both buying and broking operations. The PTWMA supported the need for AWTA to be independent from the Corporation and believed that it should only make sufficient profit to meet its own requirements.

3.10 The AWTA is seen to lose its independence through the AWC acting in direct competition with industry sectors, in schemes such as the Wool Marketing Service.

3.11 Speaking as President of IWTO, Mr. Nevile confirmed the IWTO view that Test Houses should be completely independent of the sales transaction.

3.12 The relationship between the AWTA and the Corporation, as set out in the Act, skirts along the edge of this requirement, and in view of this AWTA Certificates might be declared invalid in an arbitration.

3.13 If the proposed changes to the legislation cannot be effected, formal Delegation of the powers envisaged in Recommendation (ii) would represent a move towards IWTO requirements.

3.14 With sale-by-sample well established, and sale-by-description being developed, it is imperative that AWTA Certificates be accepted internationally.

3.15 Mr. Stuart endorsed the previous remarks and stated his belief that the Authority is now well placed to stand on its own feet.

3.16 Dr. Andrews wished to emphasise future requirements and, in particular, the degree of international confidence necessary if sale-by-description is to be introduced. The independence of the Authority had previously persuaded people to experiment with and adopt new techniques, and this would continue to be essential.

4. In responding to these views, the Chairman of the Corporation presented the following opinions.

4.1 The opposition to legislative change is not entirely related to the political climate.

4.2 Unlike the situation in the past, the grower is now paying directly for testing services. If the Authority was to be separate from the Corporation, it would perhaps have a grower-controlled Board. This is a major reason for AWC retaining control.

4.3 The respect for AWTA in the eyes of the trade is due to its technical performance and maintenance of standards, not to its parentage.

4.4 The Corporation questions the validity of AWTA's concern for its independence, since the Act provides independence on technical issues.

4.5 The current degree of success must mean that the existing arrangement has been satisfactory.

4.6 Notwithstanding these points, there is scope for changes to be made.

4.7 Mr. Silcock supported the view that the present arrangement had enabled sale-by-sample to expand. He believed that areas of concern could be tidied up. In his view, nothing would be achieved if the Corporation and the Authority continue to espouse two opposite points of view, as this might prove to be disastrous to the industry. Progress is only likely through compromise by both sides.

4.8 In addition, he confirmed that there are moves within the industry for growers to have direct representation on the AWTA. Growers recognise that they provide the bulk of the business, and they have no representation except through AWC.

4.9 Mr. Holcroft stated that, being a relatively new Member on the Corporation Board, he views most issues in terms of his private enterprise background. He tended to see the AWTA's relationship with the Corporation as being similar to that between a subsidiary and its parent company.

4.10 Provided the Instrument of Delegation was correct, the maximum amount of independence would be possible.

4.11 The suggestion to review and expand the Instruments of Delegation would represent good management in any case.

5. *Mr. Yeo then summarised the points listed in Recommendation (iii) and he proposed that, if it was felt that there were areas where progress could be made, the meeting should proceed to discuss them, leaving the final drafting to the committee suggested earlier.*

6. *Mr. Asimus informed the Meeting that the Corporation had given consideration to a number of issues earlier that day. Referring to a paper considered at the Corporation Meeting, he indicated that:*

   6.1 *The Corporation could formally delegate much of its function in the area of funds, equipment and property, with the AWTA being formally charged with the generation and management of its own funds.*

   6.2 *Funds could be exchanged for property, although the Corporation would retain ownership. Changes in these areas would be subject to the Corporation retaining its right to have access to AWTA profits, and the Authority would be required to adopt the AWC reporting format for its official accounts.*

   6.3 *Dr. Farnworth qualified these remarks by referring to the attitude of the Auditor-General. The extent of Delegation would depend upon the attitude of Audit.*

7. *Mr. Asimus then referred to the Corporation's consideration of reporting relationships. Aspects being considered were:*

   7.1 *The establishment of a line reporting relationship between the Director of AWTA and the Chairman of the Corporation, to cover those matters concerned with testing and certification only, with a line relationship between the AWTA Chairman and the Corporation Chairman for responsibilities delegated to the Authority itself.*

   7.2 *The establishment of a functional relationship between the Director of the Authority and the Chief General Manager of the Corporation.*

   7.3 *The suggestion had been made that the Chief General Manager should be on the AWTA Board as an additional AWC representative. In view of possible Wool Council of Australia membership, perhaps the Chief General Manager might attend as an Observer.*

8. *Mr. Yeo responded by agreeing that woolgrower representation is important. He had always believed that such representation was provided through the Corporation (formerly Australian Wool Board) Members. Concerning the involvement of the Chief General Manager, he felt that this would be seen by IWTO and the Authority's clients as AWC taking over management control.*

9. *Mr. Asimus added that the Chief General Manager's paper to the Corporation, considered earlier that day, had included a recommendation that the Authority should be free to choose equipment to meet its needs.*

10. *Mr. Johnston sought the AWC reaction to Recommendation (iii) relating to Research and Development funding.*

11. *Mr. Silcock pointed out that there may be a problem with Recommendation (iii)(b) in the short term if the AWTA was unable to receive research funds.*

12. *The AWTA Director summarised the factors which had led to the current discontinuation of funds and reported that an advising from the Attorney-General was awaited.*

13. *In conclusion, Mr. Asimus stated that the Corporation has no objections to Recommendation (iii), provided the legal position is clarified.*

14. *Mr. Yeo commented that he understood the paper to which Mr. Asimus was referring had been forwarded in confidence to the AWTA Director. In view of its classification, it had not been seen by the Authority, and he wondered whether the Corporation would be prepared to release it for consideration by AWTA Members. Mr. Silcock explained that it was only a discussion paper, and Mr. Jones suggested that the Corporation should prepare a new paper, taking into consideration the views expressed at this joint Meeting.*

15. *It was unanimously agreed that the Corporation will prepare a discussion paper for consideration at its February meeting. This paper will be submitted to AWTA for its consideration following that Meeting.*

Mr. Yeo thanked the Corporation Members for clarifying their views and invited all Members to proceed with their inspection of AWTA's operations.

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APPENDIX 1: REVIEW OF POLICY, RELATIONSHIPS AND PLANNING

Recommendations to A.W.C. Meeting: 24th October, 1980

(i) That a separate Australian Wool Testing Authority Act be enacted, thereby establishing a statutory separation between the Authority and the Corporation.

(ii) That the new legislation be drafted to:

- *vest in the Authority the legal responsibility to meet and be accountable for its financial obligations;*
- *reinstate within the powers of the Authority the power to acquire, hold and dispose of real and personal property;*
- *make provisions for the Authority to borrow money from approved sources for the purpose of carrying out its functions, subject to the normal Ministerial approvals;*
- *provide the Authority with power to invest in approved securities and/or with approved banks;*
- *provide the Authority with power to employ staff required to meet its responsibilities;*
- *provide the Authority with power to develop, manufacture and sell testing equipment, where such equipment has been developed specifically for use by the AWTA and its subsequent availability to other organisations is beneficial to the encouragement of objective measurement;*
- *establish the present AWTA functions as principal functions, but to include, as incidental functions, the conduct of research and the testing of other materials/products, where such services are compatible with these principal functions.*

(iii) That the future funding arrangements for the Authority's research and development activities be as follows:

(a) Where internal research and development is conducted, for the exclusive use of the Authority, it will be funded by AWTA.

(b) In the case of projects allocated a high priority by the AWC Distribution Research Advisory Committee, the AWTA will compete for available Wool Research Trust Fund grants.

(c) Where commercial proving trials are conducted on new apparatus and/or developmental work is undertaken, and where there is doubt as to whether a commercially viable service will result, then:

- *capital costs will be met by the Wool Research Trust Fund, initially;*
- *the commercial viability of the development will be subject to review, at least annually, by A.W.C. staff acting on behalf of the appropriate AWC Research Advisory Committee; and*
- *when agreed that a commercial service is likely to result, the AWTA will reimburse the Fund at an agreed book value, for any capital equipment having a continuing use."*

APPENDIX 6: AWTA & AWC REPORTS AND MINUTES RE SALE OF AWTA (1981-82)

CHRONOLOGICAL SUMMARY OF AWTA & AWC REPORTS AND MINUTES

(The contents of this Appendix have been extracted from official AWTA and AWC records. They are presented in date order to show the wool industry leaders' evolving reactions and their roles in negotiations between the key parties, from the day the Government announced the decision to to sell AWTA to the ultimate implementation date of that decision.)

AWTA Meeting 8th May 1981 (AWTA Director's Report)

"The official announcement of the Government's decision to sell AWTA was received by members of the Australian delegation, prior to the Meeting of the I.W.T.O. Council on Friday, 1st May. It was agreed immediately that the following resolution would be tabled at the Council:

> *"I.W.T.O. is deeply concerned at the proposal that AWTA may be sold to commercial interests. Members of I.W.T.O. are strongly of the view that, in its unique function between sellers and buyers, AWTA must be, and be seen to be, an official independent and impartial body."*

"Following discussion, during which a number of countries indicated that they could not vote since their National Committee rules required a Meeting, this resolution was carried:

For: 11 countries, Against: Nil, Abstentions: 8 countries

"The German delegation stated that it would not oppose the motion, provided the Minutes recorded its views that existing commercial laboratories were not being criticised.

"The resolution was then formally adopted by the General Assembly, without further debate. It is understood that the Government was then informed of this resolution by telex.

"The largest overseas users of AWTA Certificates were astonished that the Government had been so poorly informed and were concerned at the commercial/trading ramifications which would inevitably result.

"Since Messrs. McLachlan, Gorman and Ashton-Jones of the Wool Council of Australia were present, they received first-hand impressions of the I.W.T.O. views, and the support for AWTA, despite its statutory status.

"It is also noteworthy that the Deputy Chairman of the Corporation, Mr. Silcock, expressed appreciation for the I.W.T.O. resolution, especially concerning the need for independence."

AWTA Meeting 8th May 1981 (AWTA Minutes)

"CHAIRMAN: Mr L.J. Yeo

MEMBERS: Dr M.W. Andrews, Mr F.M. Davidson, Mr F.G. Stuart, Mr A.N. Johnston, Mr S.S. Nevile, Mr J.K. Westmore, Mr W.A. Williams

OBSERVERS: Mr D.J. Asimus, Mr R.E. Chadwick, Mr G.W. Duncan, Dr A.J. Farnworth, Mr M.R. Lempriere, Mr K.J. Perrott

STAFF: Mr D.J. Ward, Mr S.A.S. Douglas, Dr P.D. Morgan, Mr A. Artomonow

"In opening the Meeting, the Chairman welcomed all Observers, and invited them to participate fully in the discussions concerning the Government's decision to sell the AWTA to the private sector. It was explained that the invitation to attend had been extended to them in view of the significance of this decision to all wool industry interests. As might be expected, they would not be able to vote.

"1. DECLARATION OF INTEREST

"1.1 The Chairman asked each Member and Observer present to declare his interests, in accordance with the now standard AWTA practice. Relevant statements which were not already in AWTA's official records were as follows:

Mr. W.A. Williams: N.C.W.S.B.A.'s Board of Principals had not discussed the sale of AWTA. If

such discussions do take place, and an interest is shown in acquiring a share of any new company, the AWTA will be informed immediately.

Mr. J.K. Westmore: There are some rumours that companies connected with I.C.C.H. Ltd. and/or I.C.C.H (Aust.) Pty. Ltd. may be interested in the purchase of AWTA. As a Director of these companies, should any such interest be confirmed, both companies and the Authority would be informed immediately, and he would withdraw from all discussions thereafter.

Mr. F.G. Stuart: As a member of the E.S.G.M. Ltd. group, his company had been informed on 26th May that the group might be interested in making a bid to purchase the Authority.

Mr. K.J. Perrott: No members of W.T.M.A. were known to have expressed any interest in the purchase of the Authority. On the contrary, that Association had expressed its concern directly to the Prime Minister and other relevant Ministers.

Mr. M.R. Lempriere: The A.C.W.B. had not expressed any interest in purchasing AWTA.

Mr. G.W. Duncan: Dodd & Company, which is part of the E.S.G.M. Ltd. group, had been informed of E.S.G.M.'s interest in forming a consortium with another merchanting/processing/broking group and a superintendence company in the United Kingdom.

Mr. R.E. Chadwick: No companies with which he is connected have expressed any interest in purchasing any share of the Authority.

Dr. M.W. Andrews: C.S.I.R.O. has a specific and real interest in the Authority's operations and policies remaining relatively unchanged. Collaboration on research projects has been essential.

Mr. L.J. Yeo: If the freeholds of the laboratories were to come onto the open market, it was possible that T & G Mutual Life, of which he is Deputy Chairman, may be interested in bidding.

Mr. D.J. Asimus: As Chairman of the Corporation, he has an obvious interest in the sale of the Authority.

"1.2 The AWTA Chairman reported to Members that, in response to a suggestion by the Corporation Chairman, he had spoken with the Minister for Primary Industry on the evening of 5th May 1981. In the course of that conversation, the Minister had made it clear that the decision was irrevocable, and that it would probably be necessary to sell the assets by tender. When advised of the possible cost impact on AWTA clients and various options which might limit such cost increases, the Minister had indicated his wish to receive the Authority's views.

"1.3 The A.W.C. Chairman informed the Meeting that the Corporation was adopting a neutral stance. However, its proposed actions were:

- to have the decision reversed; but
- if unable to succeed, to be ready with proposals which would ensure objectivity, reliability, independence and minimum cost in any new company.

"1.4 The Wool Council of Australia was taking the front running. In particular, they had:

- issued press releases deploring the sale;
- visited the Minister; and
- written seeking answers to a series of questions relating to the decision.

"1.5 Mr. Asimus stated that he hoped to see the Minister on Tuesday, 12th May, when he would put the growers' case strongly. If that failed, the growers would intensify their campaign, since they are not prepared to accept any alternatives.

"1.6 In addition, he had spoken with Simon Crean (F.S. & P.U.), who had indicated that the Union felt it was counter-productive for it to provoke the Prime Minister with industrial action, at this stage. Mr. Crean had suggested that a round table discussion between the Government and a wool industry delegation might be useful; the delegation might comprise the A.W.C., AWTA, IWTO,

brokers and buyers.

“1.7 However, Mr. Asimus said he was pessimistic, and believed that the sale would proceed. For this reason, the A.W.C. had already engaged Hill Samuel to examine alternatives. He assured the Meeting that there was no doubt that woolgrowers will not allow AWTA to be controlled by any vested interests. Further, Hill Samuel had been briefed to advise AWTA and the Corporation on the most appropriate alternatives to continue with the present Management and Board, yet still meet the Government's disposal guidelines.

“1.8 Messrs. Yeo and Asimus described the following alternatives in some detail:

- direct sale to private enterprise, which would increase charges by over 50%, if the purchase price was $12 million; and
- sale to a trust or foundation, being a company limited by guarantee and having no shareholding.

“1.9 The A.W.C. Chairman was uncertain as to whether the Act would allow sufficient flexibility for such a trust to be established. In his view, all profits made would have to be applied to wool industry purposes.

“1.10 It was AGREED that relevant Members should check whether or not the bodies which they represented are incorporated, as this would be important should a company limited by guarantee be established.

“1.11 Mr. Davidson strongly expressed the view that it was essential to play for time, as he believed the Government would shift ground under pressure and may never proclaim the legislation. It was important to ensure that the legislation was flexible.

“1.12 The A.W.C. Chairman doubted that the Government would change its intention, as the first draft of the Bill had been received by the A.W.C. for comment. Concern had been expressed already to the Department that there was no flexibility and that the clauses would preclude the possibility of AWTA being sold as a going concern.

“1.13 The Chairman invited the Director to inform the Meeting of the Managerial staff's points of view. In response, the Director advised Members that:

- the Policy Conference had discussed the question of AWTA being sold at the end of February, due to the increasing sources and frequency of hints that the "Razor Gang" was looking at the Authority;
- since he became Director in 1966, the attitudes and motivation of the Management team had become completely consistent with the three principal objectives now adopted formally by the Authority, namely:
  (1) to maintain a national and international reputation for technical expertise and commercial independence;
  (2) to provide accurate, impartial and efficient testing services, as required by the wool industry and textile industry, at a minimum cost;
  (3) to maximise nett income to the Australian woolgrowing industry, by encouraging the optimum application of objective measurement by woolgrowers, brokers, buyers and both local and overseas processors;
- the concern of the Management team, and his own personal concern, was that the final arrangements could inhibit the staff from achieving these objectives on a continuing basis, in which case the team would certainly break up.

“1.14 Mr. Nevile expressed the view that the senior staff were vital to the industry, not just the Authority. They have played an integral role in developing IWTO Test Methods, Regulations and commercial contracts. This had been recognised by IWTO delegates in New Zealand.

“1.15 Mr. Artomonow gave an explanation of a series of Balance Sheets which were displayed on the white board. These showed that charges would have to rise in all cases, even if all assets were transferred to the new AWTA at no cost.

“1.16 Mr. Asimus commented that the Corporation was making sure that staff benefits and accruing entitlements would be protected.

“1.17 In response to a statement from Mr. Chadwick, supporting a non-profit foundation divorced from the A.W.C., Mr. Asimus said that the Corporation did not want control, but the growers themselves might.

“1.18 Mr. Chadwick then added that his Council would be equally opposed to a consortium of brokers, buyers or any other sectional interest having undue influence or control.

“1.19 The Director stressed that the importance of being statutory should not be overlooked. In particular:

- it was important, since most wools were now valued on measurement data, that Certificates used for valuations in the Reserve Price Scheme were seen to have a strong legal backing;
- the AWTA has a legal obligation to provide a range of services, since the Act specifically forbids discrimination;
- the Act gives the AWTA the legal responsibility to adopt official standards;
- statutory backing of AWTA Certificates has been important in gaining acceptance of wool testing in Eastern Europe, India, Taiwan, Korea and Turkey, where Government regulations rely upon presentation of AWTA documents;
- the word "Authority" has very great significance, and adds to the confidence of traders; and
- if statutory status is lost, the AWTA would lose its IWTO listing as a Public Conditioning House.

“1.20 Dr. Farnworth said that he found it gratifying to see such unanimity and support among wool industry groups, who quite often have differing views on many issues.

“1.21 A number of Members present reported upon the actions which their respective organisations had already taken, and there was a general consensus that the "Razor Gang" Ministers had been so poorly advised that they were unaware of the international significance and ramifications of AWTA's operations. This led to considerable discussion as to how such lack of knowledge in Canberra could best be rectified.

“1.22 Following detailed consideration of all issues raised, it was RESOLVED:

That Members of the Australian Wool Testing Authority recommend, through the Australian Wool Corporation, to the Minister for Primary Industry that:

(i) the statutory status of the AWTA be preserved in view of its fundamental importance to the maintenance of confidence in international trade in Australian wool - its Certificates having become the cornerstone of the wool industry;

(ii) the AWTA not be sold to vested sectional interests, as this would impeach the independence of its wool testing laboratories, whose Certificates presently receive international recognition as the impartial basis for trading between buyers and sellers of wool;

(iii) a delegation comprising representatives from the Authority, the Australian Wool Corporation, the International Wool Textile Organisation, the Wool Council of Australia and the Federated Storemen and Packers' Union wait on the Deputy Prime Minister, the Minister for Primary Industry, the Chairman of the Committee of Review of Commonwealth Functions and other appropriate Ministers; and that

(iv) the delegation be asked to impress upon those Ministers the urgent need for a thorough inquiry into the implications of the sale of AWTA to the private sector before implementing any move to change the status of AWTA.

“1.23 It was further RESOLVED:

That if the AWTA must be sold to private interests, it be sold to a non-profit organisation such as a company limited by guarantee, representing all sectors of the industry in Australia, thereby avoiding control by vested interests.

"1.24 It was AGREED that a press release be drafted, during the luncheon adjournment, embodying the first of these Resolutions and stressing the private sector nature of the current AWTA Membership.

(All observers left the Meeting except Mr. Chadwick, whose continuing attendance had been agreed in November upon the suggestion of the Department of Primary Industry)."

AWC Meeting 22nd May 1981 (AWC Minutes of Decisions re AWTA)

"The Corporation RECEIVED a staff paper "Australian Wool Testing Authority - Additional Member", and additional information concerning the Federal Council of Private Treaty Wool Merchants.

"It was AGREED that, subject to legislation being passed, the Corporation approve the appointment to the Australian Wool Testing Authority of Mr. J.D.S. O'Connell as a representative of the Wool Council of Australia and Mr. R.E. Chadwick as a representative of the Federal Council of Private Treaty Wool Merchants.

Special AWTA Meeting 28th May 1981 (AWTA Director's Discussion Paper)

"Representatives of the Wool Industry have been asked to inform the Government as to:

(a) the industry's desired form and new structure of the AWTA;

(b) the preservation of the legal status of Certificates issued by the AWTA;

(c) the uninterrupted provision of service which the industry requires of the AWTA so that the present staff, facilities, premises, equipment and working capital will continue to be available; and

(d) how free enterprise can operate the AWTA without dependence on government.

"There appear to be at least two ways of achieving these ends, and those methods are outlined in this paper. It is proposed that this paper be presented to Members of the Australian Wool Testing Authority so as to ensure that all sectors of the industry approve its recommendations. Then the paper should be provided to the Australian Wool Corporation before going forward to the Minister for Primary Industry, who has sought the views expressed herein.

"In the past, the independence of AWTA has been questioned by members of the International Wool Textile Organisation (I.W.T.O.) on the grounds that the Australian Wool Corporation, which exercises a measure of control over AWTA, is a buyer and seller of wool and, as such, ought not to be involved in the issue of wool testing Certificates used so extensively in the trading of wool around the world. I.W.T.O. has expressed its deep concern that AWTA might pass into the hands of vested interests, thus completely destroying its independence. This paper therefore recommends ways and means by which AWTA's absolute independence can be assured.

Formation of a Non-profit Company Limited by Guarantee

"It is proposed that a public company, limited by guarantee, be incorporated under Part III of The Companies Act - the company to be known as Australian Wool Testing Authority.

"In order to enable it to acquire the freehold and leasehold properties presently occupied by AWTA, the new company should have power to issue to the A.W.C. debentures carrying a reasonable interest rate, and the interest and sinking funds provisions would become an annual charge against the company's profits. If this proposal is not acceptable to A.W.C., then AWTA should realise sufficient of its investments (which have been built up out of accumulated provisions for depreciation and accrued employees' entitlements as well as from accumulated profits) and the resultant cash can be used to pay A.W.C. for the properties at independent valuations.

"The remaining assets of AWTA have already been paid for in full - all advances from A.W.C. and its antecedent bodies having been repaid. AWTA needs working capital to ensure its ongoing viability. At present, its current liabilities exceed its current assets, and thus AWTA relies on short term investments maturing regularly throughout every month to provide the liquidity necessary to meet its liabilities as and when they fall due for payment.

"The subscribers of the new company could be the bodies mentioned hereunder, in the proportions

indicated:

Wool Textile Manufacturers of Australia	$10,000	10%
Wool Scourers' & Carbonisers' Association of Aust.	$10,000	10%
Australian Council of Wool Buyers	$10,000	10%
National Council of Wool Selling Brokers of Aust.	$10,000	10%
Private Treaty Wool Merchants Association	$10,000	10%
Wool Council of Australia	$25,000	25%
Australian Wool Corporation	$25,000	25%

“The amounts subscribed by these bodies will not entitle them to a dividend, because the new company is to be a non-profit organisation, limited by guarantee. Each body would, however, be paid normal directors fees of, say, $5,000 per annum, in respect of its representative serving on the board of directors. AWTA could continue to retain its present board of directors (including the two independent members), with the addition of representatives of member bodies not presently represented on the board.

“Enquiries have revealed that it would not be feasible for some of the member bodies to subscribe more than $10,000. The necessity to be members of a company limited by guarantee could deter some from subscribing to the new company, so it is essential for the company to own the properties and to be provided with adequate working capital so that the member bodies can be protected from exposure to the risk of their guarantees being called up. The main protection will lie in the ability of AWTA to vary its charges to avoid trading losses.

“Fundamental to the viability of this proposal is the right of the new company to use the AWTA name and to drop the word "Limited". Corporate Affairs Commissioners would have to be requested to ensure that this can be done. Section 22 of The Companies Act is the relevant Section.

“The new company would then be in a position to affix its seal to Certificates, subject to this power being set out in its Memorandum and Articles of Association.

“The proposed membership in the new AWTA ensures that no individual body controls the company. However, it should be noted that woolgrower organisations have a combined holding of 40% which, in some circles, is considered to be a controlling interest.

Reversion of AWTA to its original independent status

“The recommendations of the Review of Commonwealth Functions in relation to AWTA have resulted in objections from all sections of the wool industry. It is suggested that these objections and the government's objectives could be met if AWTA reverted to its original independent status under the control of private enterprise, as envisaged in The Australian Wool Testing Authority Act 1957. The assets and liabilities of AWTA presently vested by law in A.W.C. could revert to AWTA control and the investments utilised to purchase from A.W.C. the freehold and leasehold properties. The board of the AWTA could be enlarged to represent the bodies listed in the earlier proposal, including the independent members.

“This alternative fits well with suggestions contained in Hill Samuel's draft report, and in The Australian Financial Review of Friday, 15th May 1981. The Act would have to provide that AWTA must operate as an independent body corporate, and that its charges must be fixed at a level which ensures that it will not have or need access to government funds.

Special AWTA Meeting 28th May (AWTA Minutes)

“CHAIRMAN: Mr. L. J. Yeo

MEMBERS: Dr M.W. Andrews, Mr F.G. Stuart, Mr J.K. Westmore, Mr W.A. Williams

OBSERVER: Mr R.E. Chadwick

STAFF: Mr D.J. Ward, Mr S.A.S. Douglas, Dr P.D. Morgan, Mr A. Artomonow

APOLOGIES: Mr F.M. Davidson, Mr A.N. Johnston, Mr S.S. Nevile

“2. DECISION TO SELL AWTA TO THE PRIVATE SECTOR

"2.1 Members AGREED that, before discussing the form of any new organisation which might be established to meet the decision of the Government, they should be brought up-to-date with the key developments which had taken place since the Authority Meeting on 8th May. In particular, they wished to be informed of:

- the status of the proposal for a delegation to meet appropriate Ministers;
- the meeting which had taken place between the Prime Minister, the Minister for Primary Industry, the Chairman of the Committee of Review of Government Functions, and Messrs. Nevile and McLachlan;
- the meeting on 26th May, called by the Chairman of the Corporation; and
- the legislation.

"2.2 The Chairman tabled a letter which he had received from Mr. Johnston, in which he set out his views and recommended:

- *"that the Board of AWTA now present to the Government (advising A.W.C. of this action), that the Wool Industry Act be amended to set up the AWTA as a separate statutory Authority";*
- *"in the event of the Government deciding to proceed with their now proclaimed 'foundation/trust' concept, the Board proposes an independent working party to report on the feasibility of this type of organisation, replacing the present AWTA with similar objectives, policies, operating services and costs acceptable to the industry"; and*
- *"that the Board, in negotiating 'legal status' for AWTA Certificates, strongly advise that a minimum of accreditation or monitoring would be required to ensure the smooth running of the Authority and national and international acceptance of Certificates".*

"2.3 Mr. Yeo pointed out that the suggested working party was, in effect, the A.W.C./AWTA/IWTO and Wool Council of Australia group which had met on 26th May. Many of the issues raised by Nelson Johnston had been discussed by that group and would be taken up in later discussion.

"2.4 Members were informed that, at the meeting with the Ministers and the Prime Minister, it had been stated that:

- the decision was not negotiable;
- the legal status of Certificates would be preserved;
- the accruing rights and entitlements of staff would be preserved; and
- there would be practically no change in the AWTA's operations or costs.

These assurances given to Messrs. McLachlan and Nevile had been summarised in a letter to the Prime Minister. This had not yet been acknowledged.

"2.5 It was AGREED that the maintenance of Commonwealth Superannuation entitlements might be a problem. However, the new organisation may qualify as an approved body.

"2.6 The Chairman and the Director summarised the meeting held on 26th May at the Australian Wool Corporation. Whilst it had been understood that this meeting would only be attended by Messrs. Asimus, McLachlan, Nevile and Yeo, to inform them of developments, it became clear at the outset that the Corporation wished to produce recommendations to the Government. At that meeting, general agreement had been reached that:

- the two-stage transfer to private sector wool industry ownership was not acceptable to IWTO, since the A.W.C. was a party to sales transactions;
- growers should not have to pay twice for the funds and equipment which had been funded by clients since 1976:
- the organisations represented on AWTA had not been consulted concerning the extent of guarantee;
- a company limited by guarantee without share capital could not be "owned"; and
- costings should be done for a range of alternatives.

"2.7 The costings, which had been completed and provided to the A.W.C. Chairman, were tabled.

“2.8 Members discussed in detail the question of establishing a company limited by guarantee having no shareholding. Such a company was envisaged by Hill Samuel in a report, prepared for the A.W.C., which was discussed on 26th May.

“2.9 It was considered that such a company should comprise the industry organisations currently represented on AWTA, whereas the Board could include independent Members as Members with special qualifications.

“2.10 The Chairman drew attention to the key elements in the Hill Samuel report. In particular, Members AGREED that:

- having equal voting at the Board level would ensure impartiality in the AWTA's decision-making;
- provided the clients' equity in AWTA was recognised, especially that of growers, such that all funds and assets except land and buildings were transferred to the new AWTA, there would be no requirement for a large guarantee sum and no need for unequal sums to be subscribed; a proposal requiring a liability of $25,000 each from A.W.C. and W.C.A. and with $10,000 each from the other five bodies was being considered, but this was being confused with the questions of ownership and control;
- it was believed that it would be essential that there was no ownership, if taxation exemption was to be gained;
- recognition of growers as being by far the major clients could be included in the winding-up clauses for the company; the remaining assets of the new AWTA could be transferred to organisation(s) or a company nominated by the growers; and
- the new company should retain the name "Australian Wool Testing Authority", if at all possible.

“2.11 It was AGREED that the figures which had been tabled should include an additional column showing charge increases if the purchase price was $8 million.

“3. KEY FEATURES OF ANY NEW ORGANISATION

“3.1 Following further discussion, Members present AGREED unanimously that, should the loss of statutory status become inevitable, the following actions should be taken:

(i) A Company known as "Australian Wool Testing Authority Limited" should be formed and incorporated under Section 14(2)(e) of the Companies Act, being a "Company Limited by Guarantee and Not Having a Share Capital".

(ii) The Company would apply for a licence under Section 24 of the Companies Act, to permit it to delete the word "Limited" from its name. This would ensure continuity of the AWTA's name, thereby limiting disruption to trading contracts and arrangements.

(iii) The Company would be established as a non-profit organisation, with all property and income being applied solely towards the promotion of its Objects. No property or income shall be payable or transferable to the Members of the Company, except for reasonable remuneration for services actually rendered to the Company.

(iv) In the event of the Company being wound up, any property or funds remaining after meeting all liabilities shall not be payable to, or distributed amongst, the Members, but shall be transferred or distributed to one or more companies or bodies having Objects which are substantially similar to the Objects of the AWTA Ltd., and which (in each case) by its Constitution shall also prohibit the distribution of its property and income to or amongst its Members to an extent at least as great as is imposed on the AWTA Ltd.

(v) The Memorandum of Association and Articles of Association would spell out the Objects of the Company such that it can qualify for exemption from income tax under the provisions of Section 23 (h) of the Income Tax Assessment Act. In this regard, the Company would conduct its functions "for the purpose of promoting the development of the agricultural, pastoral, manufacturing and industrial resources of Australia", and would not operate for the purposes of profit or gain to its individual Member bodies.

(vi) As a Company Limited by Guarantee, the Memorandum of Association would limit the liability of

individual Members to contribute towards the liabilities of the Company, should it ever be wound up. The Guarantee per Member should be $50.00 only, provided all the funds and assets generated and held by the current AWTA are transferred to the new Company. No Member of the new Company should contribute more or less than each other Member.

(vii) The Members of the new AWTA Ltd. should be the:

Australian Council of Wool Buyers
Australian Wool Corporation
Commonwealth Scientific and Industrial Research Organisation
Federal Council of Private Treaty Wool Merchants
National Council of Wool Selling Brokers of Australia
Wool Council of Australia
Wool Scourers' and Carbonisers' Association of Australia
Wool Textile Manufacturers of Australia.

In the case of C.S.I.R.O., it was noted that Membership is legally possible and would be likely, provided its participation was considered to be consistent with C.S.I.R.O.'s own aims.

Any of these bodies which are unincorporated associations would nominate their representatives as Associate Members of the Company.

(viii) Voting should be equal amongst Members.

(ix) The new Company should be administered by a Board of Directors, comprising one Director nominated by each ordinary and/or Associate Member, together with two Directors having special qualifications (i.e., the current independent Members of AWTA), and a Managing Director.

(x) The Managing Director should be appointed by the Board of Directors and would have a seat on the Board.

(xi) The Board of Directors would appoint a Chairman from amongst their number.

(xii) The new Company must be formed such that the operations of the current AWTA can be transferred to it at minimum cost, and with minimal disruption to policies, strategies, etc. In this regard, there should be no transitional arrangements, but rather the new Company should be fully established, and all financial and property arrangements should be negotiated and approved, before any change in the current AWTA's status.

The establishment of a body corporate wholly owned by the Corporation, as provided for in the Commonwealth Functions (Statutes Review) Bill 1981, should be avoided, since the testing operation would lose, and be seen to lose, its independence from sales transactions as required by the International Wool Textile Organisation.

(xiii) As the AWTA repaid all previous capital advances to the Australian Wool Corporation in June 1976, and it has been self-funding since that time, the assets and funds currently utilised should be transferred to the new Company at no cost. In effect, these assets and funds have already been paid for by the raw wool and textile industries, via the AWTA's charges. Such a transfer would represent an equitable arrangement, particularly if the Membership of the new Company remains practically identical with the industry-representative membership which has existed since its inception.

As a result of this transfer of funds and assets, the new Company would not require debt finance, and no guarantor would be required.

(xiv) Since the only property and assets not funded by the current AWTA are the land and buildings occupied, the new Company should purchase these from the Australian Wool Corporation at a commercial valuation.

However, if the Australian Wool Corporation and the Commonwealth Government wished to minimise the cost impact of the transfer/sale of AWTA to the private sector, these assets might be sold to the new Company at book value.

(xv) Provision should be made in the Articles of Association for a Common Seal of the Authority, with specific clauses covering both:

- the affixing of the Seal on legal documents; and

- the application of the Seal (in printed form) on Certificates issued.

This would provide adequate legal status for such Certificates.

(xvi) In view of the fact that a non-taxable "Company Limited by Guarantee and Not Having a Share Capital" cannot have owners or proprietors, without jeopardising its income tax exemption, the new Company should not be controlled by any sectional interest. (This is also essential to ensure impartiality and independence from particular trading interests.)

However, in the event that the new Company was being wound up, the current and future interests of woolgrowers should be acknowledged in, and protected by, the Articles of Association.

In addition to the points outlined in (iv) above, these Articles could prescribe that, in the event of dissolution, the Members of the AWTA Ltd. shall be empowered to determine which companies and/or bodies shall benefit by the transfer or distribution of 50% of any property or funds remaining after meeting all liabilities; with the remaining 50% being transferred or distributed to companies and/or bodies selected by the Wool Council of Australia and nominated to a general meeting of the Members, convened for the purpose of winding up the Company.

“3.2 It was further AGREED that these points be forwarded with an accompanying letter to the Minister for Primary Industry, as the Authority's response to his requests for a submission.

The cost figures should also be included, with an indication of the further charge increases should exemption from paying income tax not be gained.

“3.3 In addition, Members suggested that these details be provided to Mr. McLachlan personally, and it was AGREED that Mr. Westmore should present the Members' views at such a meeting.

“3.4 As suggested in Mr. Johnston's letter, Members considered it essential to ensure that the A.W.C. Chairman and Board Members were aware of this correspondence, and it was agreed that copies should be forwarded to them direct.

“3.5 Finally, the Director informed Members that he had been unable to obtain the final legislation from A.W.C. or the Department. He would circulate copies as soon as possible.”

AWC Meeting 9th June 1981, London (AWC Minutes of Decisions re AWTA)

“The Corporation RECEIVED a paper entitled "Disposal of AWTA".

“Discussion arose on the following main points:

- An awareness of industry opinion and the view that any transfer may not be a sensible use of funds;
- The responsibility of the Corporation to comply with the Wool Industry Act and proceed with the disposal or be ready to do so if instructed;
- Communication with the Government on AWTA matters;
- The critical issues raised in the Board Paper for meeting 26 June 1981 ie:
  - asset transfer
  - taxation position
  - ownership of assets
  - representative membership
  - monopoly on test certificates

“It was AGREED that:

1. The AWC position had not changed since the previous meeting.
2. That the outstanding issues above should be progressed for the meeting on 26 June 1981.
3. That possible options should be considered in regard to costs arising and control aspects.”

AWC Meeting 11th June 1981, London (AWC Minutes of Decisions re AWTA)

“At a further meeting on 11 June 1981, a telex-received attachment to the AWTA letter to the Minister dated 3 June 1981 was tabled. The points raised in discussion included:

- Representation at AWTA meeting by AWC;
- Lack of formal communication to AWC on the AWTA meeting;
- Power under the Wool Industry Act for the AWTA to consider such issues; however, this was apparently in response to a Ministerial request;
- The possibility of establishing a two body structure ie:
  (a) A "holding" organisation which would be industry-controlled and which, having purchased AWC assets, would lease to;
  (b) An operating company with a board similar to the present AWTA plus;
  (c) Holding company control of charges of the operating company.
- The need for further work to assess, for the 26 June, 1981 meeting:
  (a) The issues outlined in the 26 June 1981 paper;
  (b) The validity of increased costs claimed by AWTA.
- The possibility of the President of the WCA meeting with AWC on the 26 June 1981.

“It was AGREED that the telex as amended be sent to the Minister with copies to Messrs Yeo and Ward, and that staff further progress all issues for the 26 June 1981 meeting.”

AWTA Meeting 3rd July 1981 (AWTA Director’s Report)

“Since the Special Meeting of the Authority held on 28th May, the following developments have occurred:

(i) On 9th June, 1981, the Corporation met in London to consider a paper entitled "Disposal of AWTA". This paper was prepared for the Chief General Manager without input from the Authority's staff.

(ii) On 11th June, the Corporation telexed the Minister for Primary Industry and the Acting Minister for Primary Industry as follows:

MR. YEO HAS SENT TO ME AND MY FELLOW MEMBERS A COPY OF HIS LETTER OF JUNE 3RD 1981 AND ATTACHMENT CONVEYING TO YOU RECOMMENDATIONS WHICH QUOTE MEMBERS OF THE AUTHORITY AGREED UNANIMOUSLY SHOULD THE LOSS OF STATUTORY STATUS BY AWTA BECOME INEVITABLE END OF QUOTE. IT IS REGRETTABLE THAT THESE PROPOSALS WERE CONVEYED TO YOU WITHOUT THE KNOWLEDGE OF OR PRIOR CONSULTATION WITH EITHER ME OR MY COLLEAGUES.

THE AUSTRALIAN WOOL CORPORATION WAS NOT REPRESENTED AT THE 28TH MAY 1981 MEETING WHICH FRAMED THOSE RECOMMENDATIONS. ALL CORPORATION MEMBERS HAVE STRONG DISAGREEMENT WITH SOME ITEMS WHICH THEY BELIEVE WOULD BE TOTALLY UNACCEPTABLE TO GROWERS AND ARE CERTAINLY NOT ACCEPTABLE TO THE CORPORATION.

IN CONFORMITY WITH YOUR INSTRUCTIONS AND PUBLIC STATEMENTS, AND ALSO THE OBLIGATION AND RESPONSIBILITY WHICH THE CORPORATION, NOT AWTA, HAS TO ADVISE YOU ON THIS MATTER, THE CORPORATION WILL SUBMIT TO YOU AS SOON AS POSSIBLE RECOMMENDATIONS FOR THE RESTRUCTURING OF AWTA. THESE RECOMMENDATIONS WILL HAVE BEEN DISCUSSED WITH THE WOOL COUNCIL OF AUSTRALIA AS AN ACCEPTABLE ALTERNATIVE TO RETENTION OF THE PRESENT ARRANGEMENTS.

IN VIEW OF THE PRIME MINISTER'S CLOSE INTEREST IN THIS MATTER, I WOULD BE GRATEFUL IF HE COULD BE INFORMED OF THE CONTENTS OF THIS TELEX.

D.J. ASIMUS
CHAIRMAN
AUSTRALIAN WOOL CORPORATION.

As is obvious, the Corporation members were extremely hostile about the AWTA Members' decision that the Chairman should respond to the Minister's request for their views, without consulting with them in the first instance.

(iii) The Corporation considered a further paper entitled "Disposal of AWTA" at its Meeting on Friday, 26th June. It is not known what decisions were taken, since the paper was dealt with "in Committee".

(iv) AWTA staff provided the Corporation with an Information Paper, verifying the cost of $406,000 as being a realistic estimate of the cost to AWTA of loss of its statutory status. Apparently, this figure was considered to be biased, and A.W.C. staff were asked to produce an alternative paper; it showed an estimated cost increase of $263,000."

AWTA Meeting 3rd July 1981 (AWTA Minutes)

"2.4 Mr. Davidson explained that he had left the 8th May Meeting before the question of calling the Special Meeting had arisen. Nevertheless, he had been notified verbally of the Meeting, though he considered it regrettable that no formal notification had been sent to the Corporation, either by the Authority or by himself.

"2.5 The Meeting was informed that it had never been the Authority's practice to notify any Member's Deputy. It was up to the Member himself to make this decision and contact. As there was only one matter to discuss, no formal notification had been sent to any Member.

"2.8 With regard to Item 3.1 (vi) on Page 4 of the Minutes of the Special Meeting, Members confirmed that the $50.00 figure had been agreed, provided the current assets and funds, excluding land and buildings, were transferred to the new organisation. If this did not occur, it may be necessary to think in terms of a guarantee of $5,000 per Member of the company.

"2.9 Members NOTED the Corporation decisions relating to:

- its approval of the "AWTA Budget Submission - 1981/82";
- the appointments of Messrs. Chadwick and O'Connell, subject to the amending legislation being proclaimed;
- disposal of AWTA and, in particular, the suggestion of a two-body structure; and
- the AWC Chairman's telex to the Minister, which was copied to Messrs. Yeo and Ward.

"2.10 Mr. Nevile made it quite clear that the IWTO would not agree to any new arrangement, whether a two-tier structure or not, whereby the Corporation could control all operations and policy decisions. The testing organisation must be independent of the owner of the wool. However, some representation of the Corporation would not be opposed, as it is a significant wool industry organisation. Further, he pointed out that, whilst it might be claimed that the Corporation controlled the Authority now, such power did not exist over the technical standards questions and, on other matters, it would only be exercised on a formal Board to Board basis.

"2.11 Mr. Davidson stressed that there had been no suggestion that the A.W.C. itself should control the new company. He believed it should be controlled by wool industry interests. The Corporation was considering a staff paper which proposed that:

- the A.W.C/Wool Council of Australia should have a 50% weighted voting entitlement at company membership level;
- the A.W.C./W.C.A. should have a 50% voting entitlement at Board director level; and
- the Chairman, who should have a casting vote, should be drawn solely from A.W.C. or W.C.A. nominees.

"2.12 Members AGREED that, under such circumstances, all decisions would be controlled by one sectional interest.

"2.13 Mr. Chadwick informed the meeting that his Federal Council would certainly not consider such proposals as meeting the principles of the Government's decision to remove AWTA from Government.

"2.14 Mr. Nevile expressed the views that IWTO would not agree to such control, and would certainly require the Chairman to be independent, if grower interests held 50% of the vote.

"2.15 The Chairman informed Members of the details of a telephone conversation between the A.W.C.

Chairman and himself.

“2.16 Mr. Nevile reported that recent telexes to the Minister were a source of irritation to A.W.C., but that these had arisen from the uncertainty within the trade caused by conflicting statements from the Minister. On the one hand, the Corporation believed that it was to express the industry's views, having consulted the Wool Council and the IWTO, whereas the Minister had also referred to no changes being made to AWTA without full consultation with the industry.

“2.17 He reported that Mr. Asimus was planning a further meeting between the Corporation, the Wool Council and IWTO. He had telephoned some members of the Australian National Committee about this. The items for discussion would be asset values, taxation, ownership and membership control, and monopoly consideration.

“2.18 Members AGREED with Messrs. Davidson and Nevile that the quicker an industry meeting was held the better. However, it was stressed that, if an IWTO viewpoint was to be presented, the National Committee should meet on the matter. Otherwise, the Australian organisations would have to insist upon direct consultation. It was important to recognise that most AWTA testing transactions are national, whereas the international involvement is indirect.

“2.19 The Chairman suggested that he should not press to be present at the proposed Meeting.

“2.20 Mr. Davidson said that, as a Member of the Authority, he believed that it was fair and reasonable that the client groups should be consulted, and he would press for this to happen.

“2.21 However, Mr. Johnston regretted that he did not agree with the Chairman's gesture of goodwill. In particular, he stated that:

- the AWTA is a body corporate in its own right, and the Members have a legal responsibility to it;
- Members have an obligation to serve the Authority itself; and
- it was essential that the Authority be represented in its own right, irrespective of whether other persons on AWTA's Board attended the industry meeting as part of an IWTO group or as representatives of their own industry organisations.

“2.22 Mr. Nevile offered to take up privately with Mr. Asimus his belief that an open discussion was essential, and that the industry groups should also be in attendance.

“2.23 Mr. Williams believed it was important that all wool industry sectors should be consulted, since they were not entirely growers' funds which had established the Authority. In the early days, before growers had their wool tested and when AWTA was practically insolvent, the National Council had made several donations, in the form of research grants, to keep the organisation afloat. There were also the textile industry clients to consider.

“2.24 In response to a question from Mr. Williams, Mr. Davidson re-affirmed that he would use his good offices with the Corporation to have the industry meeting include the AWTA Chairman, in addition to the industry bodies. He believed that there was evidence of goodwill within both the Corporation and the Authority.

“2.25 Mr. O'Connell reported that he had sought a background briefing prior to attending the Meeting, and was concerned about the apparent conflicts which were arising. For example, he believed that the argument underlying the A.W.C. staff costings vis-a-vis the AWTA figures was political. There appeared to be a "political" need to demonstrate that costs increases would not be as high as AWTA staff had estimated.

“2.26 Dr. Andrews stated that the C.S.I.R.O. would not expect to be invited to the industry meeting. However, he wished to reinforce the points made by Mr. Johnston, especially in relation to the AWTA Board being an entity in its own right. The judgement of Mr. Justice Street in the Bennett case, which had been publicised by Senator Rae, was highly relevant. Consequently, the Authority Board should be represented, and its representative must express the views of that Board.

“2.27 Mr. Davidson pointed out that his offer to contact the Corporation Chairman reflected his

obligation to both Boards.

“2.28 Following further discussion, Members present AGREED unanimously that, in the event that the industry meeting could be arranged, the attendees should preferably be the Chairmen of the industry bodies, rather than those bodies' nominees who were Authority Members.”

AWC Meeting 31st July 1981 (AWC Minutes of Decisions re AWTA)

“The Corporation RECEIVED a paper entitled "Disposal of AWTA" and also a third report prepared by Hill Samuel Australia setting various options for valuation of assets on transfer to the new organisation.

“Discussion points included:

- consensus that there was a need for AWC and WCA to maintain a position on residual voting that allowed ultimate control of the new organisation on any issue (other than test related matters) to be achieved through 51% AWC/WCA vote at membership level;
- acknowledgement that the taxation position appeared to be more settled following the positive advice received from N H M Forsyth Q.C. but recognition of the need to further explore that aspect with taxation officials;
- consideration of the position of Director AWTA and whether that position should be represented as a board member of the new organisation in view of the possible taxation and company law implications;
- consensus that the company constituent documents should grant to AWC/WCA a general 51% voting position and rejection of the alternative that the 51% voting position should apply only on specified issues;
- canvassing of the various options available for commercial valuation of the assets to be transferred with main interest concentrated on the options set out as Appendix VII and IX of the Hill Samuel Report being:

  VII

  - Plant and equipment transferred to AWTA;
  - Land and buildings leased by AWC;
  - Full price to be paid for assets transferred;
  - Commercial funding of the required asset price and working capital totalling $5.1m.

  IX

  - Plant and equipment transferred to AWTA;
  - Land and buildings leased by AWC;
  - Plant and equipment transferred by gift;
  - Commercial funding of required working capital of $2.6m.
  - consensus that the transfer should be achieved on the basis of Appendix VII as:
  - Commercial funding of required assets and working capital of approximately $5.1m.
  - Interest rates for the commercial funding to be set for discussion in the range 10% -16%;
  - Rental of land and buildings at preferential rates.

- the need for an AWTA sub-Committee comprising Messrs. Silcock, Barr and Davidson, to represent the Corporation in ongoing deliberations on disposal of AWTA.”

AWC Meeting 28th August 1981 (AWC Minutes of Decisions re AWTA)

"The Corporation RECEIVED by way of information a series of papers concerning the disposal of AWTA comprising:

(a) An industry telex and AWC response of 4 and 6 August 1981.

(b) Notes of the industry meeting of 14 August 1981.

(c) AWC letter to Minister of 18 August 1981.

(d) AWC letters to industry representatives of 21 August 1981.

(e) A letter of 27 August from J.S. Silcock to the Chairman.

"The Corporation was informed that no further information had been received from the industry representatives since the meeting of 14 August 1981. However, those representatives would be meeting with the AWTA Board on 4 September 1981 and it was anticipated that formal responses would be provided soon thereafter. In addition, some indications had been received that NCWSBA members might revise their formal position and again participate in the new organisation.

"Discussion then centred on the two issues remaining unresolved with the industry, namely, appointment of a Chairman and the 51% voting position of AWC/WCA.

"It was AGREED that the 51% voting control position must remain firm but that the attitude to be adopted concerning appointment of Chairman should take account of views expressed by industry representatives and the Wool Council."

AWTA Meeting 4th September 1981 (AWTA Director's Report)

"On 14th August 1981 there was a meeting of representatives of the various wool industry groups with the Australian Wool Corporation. At this meeting, the following agreements were reached:

(i) The new body established to take over the role of the present AWTA should be a Company limited by guarantee, having no shareholding.

(ii) The Guarantors would be the trade bodies who agree to participate, the Australian Wool Corporation and the Wool Council of Australia. (It was understood that C.S.I.R.O. did not wish to become a Guarantor.)

(iii) The Board should comprise one Member from each of the Guarantors, a C.S.I.R.O. Member and two independent Members.

(iv) The Chairmanship should be restricted to the two independent Board positions.

(v) Voting would be equal at the Board level.

(vi) The Budget and charges would be approved by the Board (provision would be included in the Articles for any two Members to call a Special General Meeting in the event that they disagreed with the Board's recommendation).

(vii) The sale of AWTA should continue to be opposed, but if it must proceed the assets should be transferred at the lowest possible cost.

"Matters which remained unresolved or uncertain at the conclusion of the Meeting were:

- the question as to whether brokers would participate in the new company, which would have a bearing on decisions relating to the number of Guarantors and the final composition of the Board;
- the question as to whether the Managing Director should have a seat on the Board;
- the question as to whether the Chairman is to be appointed at the Annual General Meeting, (i.e., by the Guarantors) or by the Board;
- the question of voting control at the Annual or Special General Meetings (the Corporation and the Wool Council are insisting upon having a combined vote of 51%, whereas the industry groups would prefer a 50:50 buyer:seller voting formula); .and
- the actual cost of the asset transfer.

"In view of the lack of unanimity on some issues, the Corporation has invited the industry organisations to reconsider their positions and to submit their final views by 11th September 1981.

"A meeting of the industry groups will be held on Friday, 4th September, immediately following the scheduled Authority Meeting. Members of the Authority have been invited to attend."

AWTA Meeting 4th September 1981 (AWTA Minutes)

"The Chairman welcomed Mr. Vandervaere, who was attending his first meeting of the Authority as a deputy for Mr. Westmore.

“2.9 Hedderwick, Fookes & Alston had been retained by the Corporation to draw up the Memorandum and Articles of Association, and it was understood that these documents would be distributed to the proposed Guarantors before they are required to commit themselves to become part of the new Company.

“2.10 Members AGREED that the Solicitors for the new Company should not be the Corporation's normal Solicitors.

“3.10 In considering the section of the Report headed "Sale of AWTA to the Private Sector", it was NOTED that the seven points listed as "agreements" were not yet finalised. In particular, Point (vi), concerning the approval of Budgets and Charges, would be subject to further debate.

AWC Meeting 25th September 1981 (AWC Minutes of Decisions re AWTA)

“REPORT TO GOVERNMENT

"The Corporation RECEIVED a draft Report on the Disposal of the Australian Wool Testing Authority.

“Discussion points included:

- That industry bodies have confirmed their attitude of opposition to any combined WCA/AWC vote of 51%. The Report picks up the points of opposition and recommends rejection of them by the Minister;"
- WCA appeared to now favour disposal of AWTA in accordance with the Government's decision by effecting a zero cost transfer rather than by any attempt at notional commercial sale. That point should not detract from the Report because it was a view that WCA, not AWC, should put to the Minister;
- Editorial revisions to various points of the Report to more clearly define the Corporation position and responsibilities on the several recommendations.

“It was AGREED that the Report, as amended, should be forwarded as soon as practicable to the Minister together with a covering letter from the Chairman summarising the main points of the Corporation position.”

AWTA Meeting 16th October 1981 (AWTA Minutes)

“6.1 The Chairman informed Members that copies of the A.W.C. Report, headed "Disposal of Australian Wool Testing Authority", had been provided for tabling at the Meeting. However, advice from the Department of Primary Industry (which was also confirmed that morning, at the request of Members) classified the document as restricted. It could be tabled on the basis that it was strictly confidential to AWTA Members but was not available for release to represented organisations.

“6.2 Following considerable discussion it was AGREED that Members could retain their copies but, if any Member considered that he faced an unacceptable conflict of loyalties, he should leave the Report on the table and the Minutes would record such action.

“6.3 Members AGREED that it was impossible to consider the Report in detail, not having had the opportunity to study it. On the suggestion of the Chairman, it was decided to restrict discussion to the six Recommendations, as summarised on Pages 20-22.

“6.4 With regard to Recommendation One, seeking a legislated tax-exempt status, Mr. O'Connell stated that the Wool Council was not happy to accept exemption being subject to the discretion of the Taxation Commissioner. However, it was generally AGREED that a Company Limited by Guarantee would be tax-exempt, provided its Memorandum and Articles were adopted to prohibit guarantor members from gaining financially.

“6.5 It was AGREED unanimously that Recommendation Two was acceptable and accurately reflected the consensus within the industry.

“6.6 With regard to Recommendation Three, it was NOTED that the numbering of the Articles was incorrect. If corrected and presented in the current order, the Article covering the 51% residual

voting position would become Article 18. Members expressed concern that the text of the Report (Page 9) confirmed the fears, which they had expressed in industry meetings with the Wool Council and the Corporation, that the 51% vote would be exercised in relation to Budgets and Charges and *"... to exert positive influence over ongoing management and operational activities…"*. This was in complete conflict with the Corporation and Wool Council statements that there would be no involvement in day-to-day activities and that Budgets and Fees would be the Board's responsibility.

"6.7 Strong views were expressed by Members that the text supporting the Corporation view was incorrect and/or misleading. In particular,

- AWTA had never been funded by woolgrower levies;
- the impetus of innovation and certification had never been *"frustrated by entrenched sectoral interests"*;
- it was misleading to state that wool testing was *"introduced against industry opposition",* since the Authority had been established at the request of the trade interests and the move towards Presale testing had been initiated by the Chairman of the Australian Council of Wool Buyers and the Authority itself; and
- contrary to the claim made in the first sentence on Page 11, AWTA history and the policies of the Wool Board and Wool Corporation supported the position that no industry sector should control the Authority.

"6.8 Mr. Johnston expressed his concern that the independent Members of the Authority had not been consulted/included in the industry discussions. In response, Dr. Farnworth pointed out that *"the industry"* had been defined as the member organisations of I.W.T.O., however, the Corporation had invited dissenting parties to present their arguments to the Minister direct.

"6.9 With regard to Recommendation Four covering the A.W.C. preferred option concerning sale and financial arrangements, Dr. Farnworth was unable to advise Members as to how the $3.00 million to be retained by the A.W.C. had been calculated. Based upon the September 1981 Balance Sheet it was NOTED that, if AWTA was to be transferred as a going concern, it would be essential to retain funds to cover the provisions made for its future, namely,

Provision for Depreciation	$2.880m
Provision for Recreation Leave	$0.414m
Provision for Long Service Leave etc.	$0.716m

In addition, it had been confirmed during discussion with the senior officer of the Department of Industrial Relations appointed to the Inter-Departmental Committee dealing with the sale of AWTA, that the Union could be expected to seek assurances that adequate funds were available to cover accrued Sick Leave, currently costed at approximately $1.2 million.

The Chairman pointed out that the Corporation recommendation would only leave the Authority with $2.8 million dollars in investments plus cash.

"6.10 On the question of Sick Leave accrued, Members NOTED that the probability of this having to be paid out could not be overlooked. There were several examples of retrenchment pay-outs where sick leave was covered directly or indirectly (e.g. G.M.H. Pagewood).

"6.11 Members were advised that the estimated fee increases were understated on Page 15, due to a $32,000 understatement of the increase in actual rent payable and failure to account for the reduced interest income on investments, arising from the removal of $0.75 million nett. (i.e, the $3.00 million retained by the A.W.C. less the $2.25 million, if the budgeted purchase of land and buildings did not proceed). Consequently, the suggested charge increases were understated by about 1.5%. Dr. Farnworth stated that he was aware that the Director had raised these points with senior A.W.C. staff during the final drafting of the Report, but he had been assured that no amendment was necessary.

"6.12 Mr. O'Connell summarised the position of the Wool Council, which was trying to devise a sale basis which would prevent an increase in charges. His view, and that held by some other W.C.A. members, was now that the cost increases had been understated. The Council is adamant that

an assurance was given by the Prime Minister that charges would not have to increase. Mr. Nevile confirmed that the Prime Minister had given Mr. McLachlan and himself an unequivocal assurance on this matter.

"6.13 With regard to Recommendation Five, Members queried the implications of the words *"as necessary"*. Dr. Farnworth reassured Members of the government's intent to recognize existing entitlements to accrued leave. These words should not be interpreted as qualification of A.W.C. assurances given to staff and to Mr. Crean of the Federated Storemen & Packers' Union.

"6.14 On the matter of Superannuation (Recommendation Six) the Director pointed out that, if access to the Commonwealth Superannuation Fund was discontinued, it was important not to be misled by the popular press viewpoint that a similar private scheme was too costly. In particular,

- the scheme was unattractive to most staff unless they actually retired, since there was absolutely no vesting of employer contributions;
- this was illustrated by the fact that only 54 staff out of the 600-700 currently employed were participants;
- any scheme which vested employer contributions in the employee after 5 years or so, as is the case with the A.W.C. Provident Fund, would attract a much greater membership and hence a much greater total employer cost;
- if the A.C.T.U./Storemen & Packers' scheme was forced upon the company, most staff would join, since vesting is automatic immediately a member joins the scheme (i.e., in effect, this is a deferred pay scheme); and
- the cost of such comprehensive membership of the Union scheme could be exorbitant, since the employer must contribute twice the employee's contributions, with no fixed upper limit to the employee's contributions.

From the point of view of a commercial organisation with a work-force such as AWTA, the establishment of a scheme similar to the present one could possibly be the cheapest available.

Dr. Andrews confirmed that the Commonwealth scheme was only attractive to career-oriented staff, who had decided to remain in Government employment for life.

"6.15 Members NOTED that AWTA charges already fund the employer contribution to the Commonwealth Scheme i.e. 15% of salary.

"6.16 In summary, Members AGREED that Recommendations Three and Four were the ones upon which wool industry consensus had not been achieved. It was considered inappropriate for the Authority itself to comment further on the first of these. However, following discussion it was RESOLVED That the Chairman would write to the Minister, expressing the views of the Authority on the repercussions of the recommended funding arrangements as Set out in A.W.C. Recommendation 4. To ensure that there was no misunderstanding, this letter would be directed to the A.W.C. Chairman."

AWC Meeting 23rd October 1981 (AWC Minutes of Decisions re AWTA)

"6.1 Status Report on Disposal of AWTA

The Corporation was informed that the Report on Disposal of Australian Wool Testing Authority was forwarded to the Minister on 13 October 1981.

Additional points included:-

- recent financial results from AWTA indicated some decline in profitability from reduced productivity which could have a longer term effect on financial reserves required for ongoing activities. Final details on that aspect can only be resolved once the Minister's decision is known on the 51% voting aspect and on the option of a commercial or a "no-cost" sale arising from the AWC Report.
- AWC had passed to Hill Samuel a request of WCA for further analysis of AWTA financial requirements to enable WCA to better make comments to the Minister on the various AWC recommendations.

“Discussion points included:

- report of some misgivings raised in Canberra concerning the ability of AWC to effect certain of the recommendations relating to lease of land and buildings and transfer of appropriate financial reserves because of possible legislative constraints;
- consideration of the Corporation position on release of the Report and acknowledgement that the Report containing the full terms of the Chairman’s letter to the Minister was unlikely to be satisfactory to the Minister for public release, in which case an alternative Report with an appropriate covering statement had been provided for public release;
- consensus that there should be no attempt to rewrite the text of the Report for publication nor should there be any release of the recommendations.”

AWC Meeting 27th November 1981 (AWC Minutes of Decisions re AWTA)

“The Corporation expressed concern at the loss of productivity and revenue which had appeared in the last 3 months of AWTA operations and received assurance that the situation appeared to be rectified. With that in mind, however, it was important that the potential cost to Reserves should be recognised and that any increases in test charges clearly delineated productivity recoveries from unavoidable increases arising from the Government's decision.

“The Chairman advised members that, since the last meeting, the Minister had advised the Government's decision on the AWC recommendations for disposal of AWTA. Basically, the decision endorsed Recommendations 2, 3 and 5 and rejected Recommendations 1, 4 and 6 of the Report. Thus, while the Government endorsed the AWC position on the 51% voting entitlement for AWC/WCA, it rejected the financial recommendations, proposing instead that all assets be transferred at nominal cost in consideration of AWC retaining liquid reserves held on behalf of AWTA.

“Action on the decision had been:

- Creation of a Policy Steering Committee comprising industry representatives endorsed by the Government as Messrs. Asimus (AWC), McLachlan (WCA), Nevile (IWTO) and Yeo (AWTA).
- Creation of an Implementation Group comprising Messrs. Ward and Artomonow (AWTA) and Hess and Mahoney (AWC).
- Issuing of invitations to industry groups to attend a meeting at AWC to discuss the Government's decision, participate in the ongoing implementation and incorporation programme and seek final resolution on the draft Articles. The meeting was set for 1 December 1981 and it was not yet certain whether all invitees would attend.

“Mr. D. J. Ward, Convenor of the Implementation Group, reported that work was proceeding with Hill Samuel Australia Ltd. and Messrs. Hedderwick, Fookes and Alston into financing, taxation and other legal aspects and that staff work was proceeding on the many employer/employee issues that must be resolved as a result of the Government's decision which renders all present AWTA (AWC) employees formally redundant on the commencement date of the new body. It was intended that a Report would be prepared, in due course, for submission to the Corporation and, if approved, to the Minister detailing all aspects of the issues involved in the disposal of AWTA.

“Discussion points included:

- Concern at the obvious and continuing private sector opposition to the AWC Report and the Government's decision which was making it difficult to progress implementation of the decision;
- Recognition that the industry opposition stemmed from a misplaced concern that AWC/WCA wished to exercise the combined 51% voting position over minor issues. Although the contrary had been stated by both AWC and WCA at various times, the clear statement at Article 18, which was not restricted to policy issues, created doubts as to the AWC position.
- Endorsement of attempts to achieve consensus with the industry groups on the matter of 51% through issue of a formal letter of comfort or better definition of the AWC/WCA position

but with a cautionary note that any relaxation of the clear statement of words within the Articles would serve only to achieve apparent present consensus at the expense of delayed dissension for successors and should only be considered as a last resort, if at all.

- Corporation approval for payment of any expenses incurred by WCA in seeking a study by Hill Samuel into financial data relating to AWTA."

AWTA Meeting 11th December 1981 (AWTA Director's Report)

Since the last Meeting of the Authority, the Government has considered the AWC Report entitled "Disposal of Australian Wool Testing Authority".

"With regard to the individual AWC recommendations, the following decisions were taken:

One: It was decided not to legislate tax-exempt status.

Two: The Government endorsed the structure and composition of the new organization as a Company Limited by Guarantee, with membership and management as agreed with the industry, the Chairman to be appointed from the Independent Members, and equal voting powers at Board level.

Three: The Government endorsed the position adopted by the Corporation and the Wool Council of Australia concerning a 51% voting position in General Meetings.

Four: The Government rejected the Corporation's financial recommendations.

Five: Decisions were taken to preserve the existing provisions and entitlements of AWTA staff; and

Six: It was decided that AWTA employees could not remain in the Commonwealth Superannuation Scheme.

"Details of the Government's decisions were conveyed by telex to each of the industry bodies."

AWTA Meeting 11th December 1981 (AWTA Minutes)

"6.1 The Chairman summarised the present status of the transfer negotiations, concluding that the 51% voting issue (Article 18 of the Articles of Association) appeared deadlocked. On the one hand, the grower interests appeared adamant that this power should apply to *"any"* issue, whereas private sectors of the industry wanted the 51% strictly limited to dissolution, sale of major assets, etc.

"6.2 Referring to his conversation with the Minister, Mr. Yeo was certain that the Government did not intend to give absolute power to either side.

"6.3 Members discussed a number of alternative solutions to the impasse, which were based upon limiting the powers of the Board of Directors. In the Chairman's business experience, this was a relatively normal mechanism for overseas corporations, to protect their interests.

"6.4 Mr. Vandervaere suggested that this was not really a matter for the AWTA itself to resolve. However, the Chairman responded by pointing out that it was of vital importance to AWTA that its Members accepted their responsibility of ensuring that the basis of transfer did not damage the Authority's reputation or future prospects. In addition, there was no other forum within which the CSIRO and independent Members could contribute towards or influence the final arrangements.

"6.5 In response to questioning, the Director outlined the industrial relations and staffing consequences of the transfer to the private sector. In particular, Members NOTED that:

- on the day of sale, all staff would be officially and legally retrenched;
- as part of the sale terms, staff would have to be offered equivalent positions by the new company;
- each individual had the right to accept the appointment or to reject it and seek redeployment;
- salary maintenance for up to six or twelve months, depending upon prior service/age, would apply to staff seeking redeployment;

- there would be an exceptionally large amount of work involved in providing individual consultation to all staff, to ensure that they understood their options; and
- there was a distinct possibility that experienced staff may opt for redeployment, in an endeavour to retain their access to Commonwealth Superannuation.

"6.6 The Director sought the views of Members concerning the possible loss of the current name.

Following discussion, it was unanimously:

RESOLVED That the new Company established to take over the assets of the current AWTA should retain the name "Australian Wool Testing Authority".

"6.7 The Director undertook to take this matter up with the AWTA/AWC Implementation Committee, and to ensure that the Department of Primary Industry was aware of the serious disruption and possible loss of international confidence which could result if the AWTA name was lost."

AWC Meeting 18th December 1981 (AWC Minutes of Decisions re AWTA)

"The Corporation received a telex from the industry groups proposing revisions to the draft Articles, particularly Article 18.

"The Corporation was informed by the Chairman that the meeting set for discussion of the draft Articles had taken place on 1 December 1981 and that all representative parties had presented views. It was clear that the industry groups were quite opposed to the 51% position of AWC/WCA set by Article 18 of the draft Articles and probably would not participate in the new AWTA as the wording currently stood. Those industry groups had met with the Minister on 4 December 1981 and it was understood that the Minister had been sympathetic to their position.

"At present, it appeared that if progress was to be achieved, AWC should reconsider its attitude to the wording of Article 18 and the extent of application of the 51% so that a compromise could be reached which was based on a mutual trust in the representative participation in the new body.

"After discussion, it was agreed that the revisions proposed by the industry groups' telex were not acceptable but the Chairman could propose to the industry groups a revised wording of Article 18 which enabled the combined vote to be exercised on matters such as "significant policy issues" - such a position being noted as a relaxation of the current optimum legal position in an endeavour to achieve compromise and enable incorporation to progress in accordance with the Government's decision.

"Mr. D. J. Ward, Convenor of the Implementation Group, reported that work was still proceeding with Hill Samuel Australia Limited and it was likely that a draft Report would be finalised in the next few days for circulation to Members, the Wool Council Executive and AWTA. Some difficulty was being experienced by the Group in obtaining from the Government proper answers on the complex industrial relations and/or employment issues which required resolution before meaningful negotiations would commence with AWTA employees. That position basically arose because the AWTA disposal was much ahead of others and the Group was identifying complexities which had not been envisaged, or addressed, at the time that the Government's Guidelines for Disposal had been formulated. Because of that, it now appeared that a disposal by 30 June 1982 might be optimistic. Other matters which will require policy resolution in the immediate future were:

- whether property to be transferred included Yennora and Fremantle (Store 2); and
- whether the new body would have full endorsement to continue with the use of the name "Authority".

"The Corporation was also informed that the Minister had given permission for AWC to proceed with incorporation of a "shell-company" provided that the industry groups were informed of the reasons for that action and the extent to which it would be taken. It was unlikely that any step would be taken at this stage because it would be preferable for a further meeting to be held with the industry groups in an endeavour to achieve consensus and a joint approach in the incorporation/disposal process. Such a meeting would be attempted in January."

AWC Meeting 29th January 1982 (AWC Minutes of Decisions re AWTA)

“The Corporation RECEIVED:

- a Report prepared by Hill Samuel Australia Ltd. (December 1981) into the financing of the new AWTA and the likely test charge increases arising from that sale;
- copies of telex communications (January 1982) between the Chairman of the Wool Council, the Acting Chairman (AWC) and the Chairman (AWC), concerning the resolutions of the WCA Executive withdrawing WCA participation in the ongoing sale arrangements of AWTA;
- a summary position paper prepared by the Acting Chairman (J. S. Silcock).

“Discussion points included:

- the WCA resolutions, as well as withdrawing from ongoing participation in the disposal of AWTA, also expressly rejected the AWC proposed compromise adopted for Article 18 (in December 1981), namely, application of Article 18 to "significant policy issues" so that, given the stated opposition of the other five industry groups to the AWC compromise, little basis for consensus seemed to be available to achieve agreement on the constituent documents. In view of that, there seemed no point in advancing the Minister's approval by AWC seeking to achieve unilateral incorporation of a "shell-company" at this stage;
- discussion with the WCA Executive had indicated that their opposition centred on the Hill Samuel projected increases for test charges of up to 28%, of which 14% was clearly referable to the Government decision to sell AWTA. Throughout the 1981 negotiations, WCA had reserved its final position on the Government's decision until details of likely test charge increases became available. Now, the level of likely test charge increase was totally unacceptable and contrary to personal assurances allegedly given to Messrs. Nevile and McLachlan by the Prime Minister and Minister at the time the Government's decision was announced in May 1981;
- withdrawal of participation by WCA was of fundamental significance to the AWC obligations to the Government because WCA was the only body representing the woolgrowers of Australia to whom the woolgrower-owned assets of AWTA, currently held by AWC, could be transferred on the basis of the Minister's decision of November 1981. Without woolgrower participation - or a strengthened AWC position to conform to the existing statutory position - there was no basis for transfer of valuable AWTA working assets to any private industry sector or grouping without adequate compensation. The "cosmetic accounting" of the AWC Report and the Minister's subsequent decision were founded on an assumption of ongoing woolgrower participation which was no longer tenable;
- it was open to the Minister, in accordance with the Government's presumed philosophy and the enabling legislation, to direct AWC on the sale of AWTA on appropriate terms and conditions, but such a course would have wider political implications and was unlikely;
- the Chairman had proposed a meeting with the five industry groups to seek to achieve consensus on the unresolved position on Article 18. In view of the WCA resolutions, it may now be more appropriate to again seek the attitude of the industry groups to the proposed AWC position on Article 18 as well as on the general position as set out in the Hill Samuel Report, particularly concerning ongoing participation in implementation of the Government's decision to dispose of AWTA.

“It was AGREED:

(i) That the industry groups be contacted, or a meeting convened, to determine the final position of those groups on the sale of AWTA in view of the information contained in the Hill Samuel Report and the resolutions of the WCA to withdraw from participation in the disposal of AWTA on the basis of the Report.

(ii) That, in view of the recent WCA resolutions, the Minister be advised formally of the current difficult position facing AWC in the ongoing programme set by his letter of 2 November 1981 to achieve a consensus between the various industry groups on the terms for participation in the new company formed to take over AWTA activities, with a final further advice to follow after the attitude of the various industry groups was finally expressed to the proposed compromise Article 18, to the Hill Samuel Report and to continuing participation in the

disposal of AWTA."

AWC Meeting 26th February 1982 (AWC Minutes of Decisions re AWTA)

"The Corporation RECEIVED a paper entitled "Disposal of Australian Wool Testing Authority".

"Additional points included:

- None of the possible participants in the new AWTA had yet stated an intention to join with AWC in the new body. However, some informal indications had been received that industry participants would join the new body and the Wool Council Executive decision was likely after its meeting on 4 March 1982. Nevertheless, in view of the Minister's desire to complete the transfer by 1 July 1982, AWC should proceed to incorporate the new company with those initially willing to participate - leaving others to join as desired.
- As set out in the paper, the totality of the package presented by the Minister's decisions effectively created in a private company the equivalent of AWTA as a statutory body. As such, the new AWTA was in a strong financial position from the beginning and the granting of tax exemption should minimise the effect of competitive entrants. For those reasons, ongoing success of the new body should be assured.

"The Corporation AGREED to the decisions of the Minister as follows:

(a) Application of the 51% combined AWC/WCA vote to "significant policy issues" as set out in Article 18 and agreed by the Corporation in December 1981;

(b) Transfer to the new AWTA of such of the AWC reserves used for AWTA purposes as are necessary to hold any increase in test charges arising from the transfer of ownership to no more than 4%;

(c) Legislation for tax exempt status for the company.

"In addition, it was AGREED that incorporation of the new company should proceed on the basis of the constituent documents, amended as necessary, which were passed to the Government as part of the AWC Report of October 1981, such incorporation to proceed in Victoria if that was more practicable. The Minister should be advised of the Corporation decision."

AWTA Meeting 5th March 1982 (AWTA Director's Report)

"The Minister for Primary Industry called a Meeting of representatives of the five private sector organisations, the Wool Council of Australia, the Australian Wool Corporation and AWTA, which was held in Canberra on Monday 22nd February. (Messrs. Yeo and Ward represented the Authority).

"Mr. Nixon opened the Meeting by stating that he had decided to arbitrate on the outstanding issues upon which consensus had not been reached, namely,

- the 51% voting arrangements;
- increases in charges for Test Certificates; and
- the income tax status of the new company.

"He announced that the decisions of the Government were as follows:

- there would be no change in the decision to transfer AWTA to the private sector*;*
- the 51% voting power when a poll is taken at a General Meeting would be limited in application to "significant policy issues" only;
- the Corporation would be asked to provide sufficient of the cash reserves of the current AWTA to the new company as are necessary to limit the increase in test charges, arising from the transfer, to a maximum of 4%;
- the Government would assist in containing costs by legislating for tax free status for the new company.

"It was made quite clear that these decisions were non-negotiable and that any industry group which decided not to join the new company could not expect to be allowed entry at a later date."

AWTA Meeting 5th March 1982 (AWTA Minutes)

"2.5 With regard to Item 2.5, Members were informed that the Articles of Association for the new AWTA Limited had been amended to incorporate decisions announced by the Minister for Primary Industry on 22nd February 1982, and the final draft would be circulated to relevant organisations within a few days.

"2.6 In response to a number of specific questions from Members, the Chairman and the Director provided an outline of the administrative actions which were essential to finalise the constituent documents and to comply with incorporation requirements.

In particular, it was NOTED that the Articles of Association would include the names of all the individual Board Directors, and that the AWC Chairman would be requesting such nominations in the letter which would accompany the Memorandum and Articles.

"2.7 The Director advised Members that the Implementation Committee had now concluded that:

- an application to delete the word "Limited" from the name of the new Company would not succeed unless Board Directors received no fees;
- since this legal opinion had also been confirmed by the Corporate Affairs Commission, there was no reason to register in the A.C.T., and the new Company should now be incorporated in Victoria, where the Authority's Head Office is located;
- with regard to costs, it appeared that most AWTA documentation could be utilised by the addition of "Ltd.". However, current stocks of Order Books and Letterheads could only be used as waste paper.

"2.13 With regard to the industrial relations aspects of the disposal of AWTA (Item 6.5), the Director reported that direct consultation with staff was being planned but had not yet occurred.

Members NOTED that new Terms and Conditions of Employment would have to be negotiated and incorporated within an Award of the Conciliation and Arbitration Commission, and that these issues would need to be finalised well in advance of the disposal deadline of 30th June 1982. However, it was also noted that the Commonwealth Functions (Statutes Review) legislation could be used to overcome any last minute delays due to industrial problems, since it included provision for staff to remain employed by AWC but to be made available to the new Company. Nevertheless, it was desirable to avoid the administrative complications which would be associated with such arrangements, if at all possible.

"2.14 With regard to the incorporation timetable, Members AGREED that the relevant industry organisations should respond to the invitation to participate in AWTA Limited by 26th March 1982. The incorporation process itself could take up to five weeks, and the Board would need to meet by the middle of May to consider the Budget and to avoid the period when some Members would have overseas travel/IWTO commitments.

3.4 With regard to the disposal of AWTA, industrial issues which were likely to be debated were:

- the 38-hour week;
- retention of current Sick Leave, Recreation Leave and Long Service Leave conditions; and
- provision of a replacement for the Commonwealth Superannuation Scheme, and/or introduction of the Labor Union Co-Operative Retirement Fund."

AWC Meeting 26th March 1982 (AWC Minutes of Decisions re AWTA)

"7.1 Testing Fees

The Corporation RECEIVED a paper entitled "Proposed Increase in AWTA Testing Charges".

Additional points included:

- The proposed fee increase had become necessary because of a loss of profitability and had been endorsed by a majority of the members of the Authority. In addition, the Minister had

indicated that the question of a fee increase covering productivity losses was a matter for AWTA (AWC) and should be kept separate from fee increases arising from the transfer.

- If the fees were increased as recommended, the projected loss of $140,000 would be turned to a profit of $30,000 so that AWTA operations would be profitable when passed over to the new company.
- Any cost estimates exclude cost projections which will arise from extension of the 38-hour week to AWTA now that brokers and private merchants have agreed to the Union position of a 19 day month.

Discussion points included:

- Some difficulty was caused in properly assessing budget projections because no estimates had been made of the cost impact of extension of the 38-hour week to AWTA or the cost impact of the unavoidable increases arising from loss of statutory status. Hence, the projections of costs in the paper were very conservative.
- While it was recognised that the full cost impact of the lost productivity did not become apparent until the peak trading months, it was unfortunate that the recommendation for a charge increase proposed an increase over the last two trading months. If the recommendation had been made earlier it may have been more supportable. As it stood, however, an imposition of a charge increase in the last two months placed an inequitable burden on growers selling in that period which was contrary to the implied position at the beginning of the season that charges would be held constant for 12 months. It was also counter to AWC policy to encourage sales in the period.
- If there had been no Government decision to dispose of AWTA the charge increases approved in 1981 would have stood for 12 months and the Government's decision should not alter that position. AWTA still had very large reserves available to cover an interim loss. Responsibility for any increase in charges should rest with the new company once all cost details and projections derived from the loss of statutory status were available.
- In the absence of clear commercial reasons for approving a charge increase at this stage, the only other basis was political. In that regard, the Minister's desire to ensure separation of the cost increases arising from the transfer of AWTA from other losses over the year should be recognised. However, that separation could be achieved by the new company when the basis of the charge increases was announced. To do otherwise might be more misleading when AWC could be seen as endorsing a two-part charge increase when growers would not see any differentiation in allocation of responsibilities to the Government for the increases.
- If AWTA operations have not been transferred to the new company by 1 July 1982, it may be appropriate to reconsider the matter at that time.
- It was not correct, as intimated by the Paper, that the Corporation role was merely one of endorsement of the AWTA decision to increase fees. Rather, since the Corporation had set the current fees to be effective for the year to 30 June 1982, any departure from that required approval of the Corporation on the basis of a recommendation by AWTA and AWTA could not unilaterally impose a fee increase.

On the basis of the above discussion, the Corporation (with G.L. Miller dissenting) DECLINED TO APPROVE any increase in the level of current fees charged by AWTA.

“7.2 Progress Report on Disposal – AWTA Ltd

The Corporation was informed that since the last Corporation meeting, a programme of staff/union/AWTA management meetings had commenced. In general, staff reaction and support had been positive, encouraged to a considerable extent by union desires to ensure that AWTA should continue operating through the new company. Commonwealth decisions affecting employee rights for long service leave payouts could have some impact on the level of reserves, but that matter was still under review. In addition, discussions had been held with a member of the Arbitration Bench to clear the way for settlement of a new award once the company commenced operation.

The Implementation Committee had resolved most of the uncertainties concerning the transfer package to be proposed to the Minister and that should be presented for Corporation approval at either the April or May meeting.

If the Minister's desire to achieve transfer by 1 July 1982 was to be met, there was a very tight timetable for implementation and that timetable was dependent on the date of incorporation of the new company because only after that date could negotiations commence with the company, AWC, unions and employees.

Present indications were that all potential participants eventually were willing to join with AWC in the new company, but each participant was *"standing-off"* on the basis of the Wool Council position on non-participation until tax exemption was secured. If that remained the position, incorporation would be impossible and AWTA could not be transferred until tax exemption had been legislated. That matter would be further reviewed with participants as a matter of urgency.

Some indications had been received that the Government's decision assuring tax exempt status to the new company had not been well received in Western Australia and that political representations were likely. Whether those representations would affect implementation of the Government's decision was unknown at this stage.

"7.3 Australian Wool Testing Authority Limited

The Corporation RECEIVED a paper entitled "Australian Wool Testing Authority Limited".

Additional points included:

- Concern that any conditional participation by members in the new company could place AWC in a difficult position if, on failure of a condition, members withdrew leaving all AWTA (AWC) assets and employees with the new company with no provision for AWC to get them back. Further, in view of the formulation concerning the 51%, the participation of WCA was essential to protect grower interests. Otherwise, AWC would have merely an equal vote and could then be outvoted by other participants on any issue.
- In view of continued uncertainty surrounding participation by other associations, and the increasingly tight timing requirements, it may become necessary to incorporate the company using nominee subscribers and directors so that the company is ready for effective commencement once designated industry association representatives replace the nominees.
- An indication that, subject to concurrence of F M Davidson, the AWC representative for the new AWTA should be E W Barr.

It was AGREED that the Corporation:

(i) (a) Participate in AWTA Ltd on the terms set out in the Memorandum and Articles with a liability as a Subscriber Member Guarantor limited to $50 as set out in the Memorandum;

(b) Move to incorporation of the Company with Nominee Subscribers and Directors, if necessary, pending resolution of current uncertainties surrounding participation by Industry Associations;

(ii) Endorse the appointment of Messrs L.J Yeo and A.N Johnston as Independent Directors of AWTA Ltd;

(iii) Endorse the appointment of Mr D.J. Ward as the first Chief Executive of AWTA Ltd;

(iv) Appoint E.W Barr as its nominated representative for participation as Director of AWTA Ltd;

(v) Appoint the Chairman and Chief General Manager to be its representatives in ongoing negotiations for implementation of the Government's decision on disposal of AWTA and for finalization of a proposal for approval by the Corporation and decision of the Minister in accordance with the enabling Legislation."

AWC Meeting 23rd April (AWC Minutes of Decisions re AWTA)

"3.1 AWTA Ltd - Tax Exemption

The Corporation was informed that no further information had become available on the nature or

extent of possible opposition from Western Australia on the grant of legislated tax-exempt status for AWTA Ltd. Further, at this stage, there was no information concerning the likely form of that legislation, but it was expected that the legislation would be presented during the Autumn sittings.

AWTA Ltd - AWC Board Representative

The Corporation was informed that F.M. Davidson had agreed to stand down in favour of E.W. Barr as the AWC representative on the board of AWTA Ltd.

"7.1 Recommendations for Disposal of AWTA

The Corporation RECEIVED a paper entitled "Recommendations for Disposal of Australian Wool Testing Authority".

Additional points included:

- Advice that since the last meeting, all the various industry bodies had agreed to join with AWC in the new company on the understanding that tax-exempt status for the company would be legislated in line with the Minister's assurance. Because of those changed positions, it was now possible for incorporation to proceed. The Minister's approval for that step had been received and formal signing of the constituent documents was proposed for the luncheon adjournment.
- The industrial relations staff meetings had been completed in all States and had met with a reasonable response. Two meetings had been held with the Federated Storemen and Packers' Union on the new award for AWTA Ltd and further meetings were scheduled. In view of that, the union was not actively pursuing the 38-hour week question for AWTA employees at this stage.
- The Implementation Committee had finalised a timetable for critical decision if transfer was to be achieved by 30 June 1982. Most of the decisions were outside the control of AWC because the final details of the transfer package had also been completed and would be submitted to the Minister for consideration and approval once endorsed by the Corporation. Any delays in government consideration of the package beyond mid-May would mean that considerable difficulties may be encountered in finalising the transfer by 30 June 1982, as requested by the Minister.

Discussion points included:

- Advice that the proposed sale of AWC Store 2 at Fremantle to AWTA had been agreed as the best alternative for both parties but that any sale price would take account of valuations as agreed by the parties or the Commonwealth-Valuer.
- The payments to employees arising from the Government Guidelines were not known at this stage. However, it was projected that the likely payment for Long Service Leave and Recreation Leave would be approximately $1 million drawn from AWTA (AWC) reserves while the payments to redeployed staff would be made from AWC funds.
- Valuations for most aspects of the package were not identifiable at this stage and would not be known until sometime after transfer. Approval in principle of the package was under consideration on the assumption that the totality of the financial arrangements would be sufficient, and no more, to hold the projected level of test charge increase to within the level of 4% acceptable to the Minister.

"It was AGREED that the Corporation approve the proposed arrangements for transfer of AWC (AWTA) activities to the new Company for immediate submission to the Minister in accordance with the Government's decision to dispose of the activities of AWTA to the private sector as follows:

AUSTRALIAN WOOL TESTING AUTHORITY TRANSFER PACKAGE

"1. PROPERTY (LAND AND BUILDINGS)

Property considered to be transferable is as follows:

Kensington, Vic (AWTA Head Office)

Transfer of unencumbered titles to the land in Robertson Street, including improvements, occupied by AWTA.

Yennora, NSW

Transfer of leasehold improvement occupied by AWTA at Yennora Wool Centre, with an undertaking by AWTA Ltd to continue repayment of outstanding loans until 1992.

Fremantle, WA

Transfer of unencumbered title to the Land, including improvements known as AWC Store 3 in Marine Parade, South Fremantle. The land and improvements occupied by AWTA in AWC Store 2 will also be considered as transferred to AWTA Ltd as at the date of disposal. However, since the cost of establishing separate title to this area and building a dividing wall is of the same order as the value of the balance of Store 2, AWTA Ltd will be required to purchase the balance of Store 2 by 30 June 1983 at agreed or defined valuation. This valuation is to include the cost of title separation between Stores 1 and 2 and is to reflect present use and occupancy. Final details will be covered by deferred purchase arrangements.

In accordance with Part VII (S76) of the Wool Industry Act 1972, specific Ministerial approval will be required for disposal of Store 2 to AWTA Ltd.

AWC premises part-occupied by AWTA in Brisbane and Adelaide are not to be transferred. Current lease arrangements will continue to be available from AWC.

"2. ASSETS (PLANT, EQUIPMENT AND STOCKS)

Transferable assets in this category are as follows;

- Equipment as detailed on the Asset register held by AWTA;
- Stocks of Spare parts, Stationery, Materials and Supplies and Chemicals required for testing;
- Stocks of Unsold Core Waste;
- Miscellaneous non-capitalised assets already written off.

"3. OTHER ASSETS AND LIABILITIES

All other assets and liabilities are to be transferred on a "going concern" basis to maintain continuity of business and eliminate the cost to A.W.C. of debt collection, payment of creditors and the liability for contingent claims. A.W.C. will transfer the following to AWTA Ltd:

- Debtors (Trade and Sundry);
- Prepayment expenses;
- Creditors and accrued expenses;
- Contingent Liabilities for Sick Leave, orders placed, and Test error claims;
- Balance of provision for Long Service Leave, Recreation Leave and associated payroll tax (refer industrial relations options below).

Establishment of values for these items will be subject to post-transfer audit.

"4. INVESTMENTS, CASH IN HAND AND AT BANK

AWTA Ltd will take over all existing investments and cash reserves generated from AWTA operations and currently managed by AWTA (AWC), including uncredited deposits (if any) and liabilities for unpresented cheques.

"5. INDUSTRIAL RELATIONS ASPECTS

In view of the Government's decision to transfer AWTA as a going concern, staff will be offered continuity of employment by the new Company on pay and conditions which, as a package, are broadly comparable with those currently applicable. Particular employment aspects have been resolved pursuant to Government Guidelines as follows:

(a) Retrenchment

Consistent with "Guidelines for Redundancy Situations in Australian Government Employment" (RAGE Guidelines), and advice from the Departments of Primary Industry and Industrial Relations, all current AWTA staff are to receive at least one month's notice of retrenchment. However, at the same time, AWTA Ltd must offer positions having

comparable pay and conditions to all staff except those receiving workers' compensation payments for an indeterminate period. Current employees have the option of accepting such offers or seeking re-deployment. Staff on compensation will remain employees of AWC, in view of the continuing Commonwealth liability.

(b) Superannuation

With regard to superannuation, contributors accepting offers of employment with AWTA Ltd will cease to be eligible for continuing membership of the Commonwealth Superannuation Fund when they cease to be employees of AWC (AWTA). The Superannuation Act defines the options and entitlements available.

(c) Recreation/Long Service Leave

Retrenched staff accepting offers of employment may elect to receive payment for recreation leave and long service leave entitlements, or may transfer part or all of these entitlements to AWTA Ltd records.

(d) Sick Leave

Accrued sick leave benefits are to be transferred to AWTA Ltd and will be held in reserve for transferring staff. AWTA Ltd is to accept ongoing liability for sick leave.

(e) Re-deployment - Income Maintenance

Where staff choose the re-deployment option, they will remain employees of AWC until the relevant provisions of the RAGE Guidelines have been met. Such staff are eligible for income maintenance.

(f) Storemen and Packers' Award

Negotiations for a new Award will commence with the Federated Storemen and Packers' Union as soon as AWTA Ltd is incorporated. Details of this Award must be finalised prior to the deadline for staff to accept/reject offers of employment.

"6. AUDIT

As already mentioned above, in view of the impact of the above package on the AWC Balance Sheet and, since current AWTA operations will continue without disruption, the final financial details and dollar values will not be known until disposal is under way. Commonwealth Audit's subsequent involvement will be necessary only to finalise AWC accounts as at 30 June, 1982.

This final Commonwealth Audit will be based upon the normal scrutiny of registers, schedules and accounting records.

"7. RECORDS

All records of AWTA are, of course, property of AWC and will be retained in AWC ownership after the transfer. However, appropriate arrangements will be made between AWC and AWTA Ltd for grant of access for availability, inspection and/or copying of necessary records for ongoing business activities of AWTA Ltd. These arrangements may require oversight by Commonwealth Archives.

"8. TAXATION STATUS

All constituent documents of AWTA Ltd and participation by industry groups are entirely conditional on income tax exemption being legislated in accordance with the commitment announced by the Minister on 22 February 1982. It will be essential for the legislation to be passed prior to the new company commencing to act. Any delay in this legislation will prevent completion of the disposal of AWTA by the 30 June 1982 deadline."

"7.2 Meeting with Industry Participants - AWTA Ltd

The Corporation met with signatory member guarantors to the new company Australian Wool Testing Authority Ltd at the occasion of signing the constituent documents to the new company."

AWTA Meeting 14th May 1982 (AWTA Director's Report)

"Since the March Meeting of the Authority, the following developments have occurred:

(i) The Director addressed staff meetings in Melbourne, Brisbane, Sydney, Adelaide and Fremantle, which were called to discuss the industrial relations aspects of the transfer. A representative of the Federal Office of The Federated Storemen and Packers' Union accepted the Director's invitation to accompany him to all meetings, the last of which was held on 29th March;

(ii) Detailed notes, summarising employees' options and entitlements, were prepared and circulated to all staff Australia-wide;

(iii) By 8th April, all prospective Member/Guarantors had agreed to participate in the new Company;

(iv) The AWTA/AWC Implementation Committee finalised and forwarded a draft "Transfer Package" to the Department of Primary Industry, for consideration by the relevant Inter-Departmental Committee on 8th April;

(vi) On 13th April, Messrs. Ward and Hess met with the Inter-Departmental Committee in Canberra, to discuss the "Transfer Package";

(vii) On 21st April, the Minister for Primary Industry notified the Corporation of his approval for them to proceed with incorporation of the new Company;

(viii) On 23rd April, the Corporation approved the "Transfer Package" for formal submission to the Government."

"(viii) Formal signing of the Memorandum and Articles of Association was completed on 23rd April 1982. The Members/Guarantors are as follows:

Australian Wool Corporation (as a body corporate)

Mr. R.E. Chadwick	Federal Council of Private Treaty Wool Merchants
Mr. I.M. McLachlan	Wool Council of Australia
Mr. J.A. Michell	Wool Scourers and Carbonisers Association of Australia
Mr. K.J. Perrott	Wool Textile Manufacturers of Australia
Mr. R.E. Vandervaere	Australian Council of Wool Buyers
Mr. W.A. Williams	The National Council of Wool Selling Brokers of Australia

"(ix) Signing of the 'Consent to Act as Director' form was also completed on 23rd April. The proposed Directors were as follows:

Dr. M.W. Andrews	C.S.I.R.O.
Mr. E.W. Barr	Australian Wool Corporation
Mr. R.E. Chadwick	Federal Council of Private Treaty Wool Merchants
Mr. G.W. Duncan	Wool Scourers and Carbonisers Association of Australia
Mr. A.N. Johnston	Independent
Mr. S.S. Nevile	Wool Textile Manufacturers of Australia
Mr. J.D.S. O'Connell	Wool Council of Australia
Mr. D.J. Ward	Chief Executive
Mr. J.K. Westmore	Australian Council of Wool Buyers
Mr. W.A. Williams	The National Council of Wool Selling Brokers of Australia
Mr. L.J. Yeo	Independent

"(x) On 26th April, the Victorian Attorney-General approved the registration of the Company name, "Australian Wool Testing Authority Ltd".

"(xi) On 26th April, the AWC Chairman forwarded a letter to the Minister for Primary Industry, advising him of the transfer details recommended by the Corporation.

"(xii) All constituent documents and supporting forms were lodged with the Corporate Affairs Office on 29th April.

"(xiii) The Corporate Affairs Office issued the Certificate of Incorporation on 5th May, 1982.

"(xiv) On 5th May, the Bill to give effect to the promised income taxation exemption was introduced into the House of Representatives. It was passed by the House on 6th May, and has been forwarded on to the Senate, where it is expected to be passed in the current sitting.

The specific legislation amends the Income Tax Assessment Act 1936 by inserting in Section 23

(relating to exempt income) the following paragraph:

(jd) income derived by the Australian Wool Testing Authority Limited, a company incorporated in Victoria, being -

(i) income derived by the company from -

(A) the carrying out by the company of tests of sheep's wool, lambs' wool, other fibres (whether natural or otherwise), products made wholly or partly from sheep's wool or lambs' wool or similar products made wholly or partly from other fibres (whether natural or otherwise); or

(B) the issue of certificates, or the making of reports, by the company in respect of tests of the kind referred to in sub-sub-paragraph (A); or

(ii) income derived by the company from the investment of -

(A) income to which sub-paragraph (i) or this sub-paragraph applies; or

(B) moneys that are to be used by the company in, or in connection with, the carrying out by the company of the activities referred to in sub-paragraph (i);"

The Bill. provides for the exemption to apply to income derived on or after 1st July, 1982.

"(xv) Discussions have. been held with Deputy Commissioner Maddern, of the Conciliation and Arbitration Commission, who has commenced making arrangements to handle the dispute which will exist when the AWTA Ltd rejects the Log of Claims from The Federated Storemen and Packers' Union of Australia.

"(xvi) The ambit Log of Claims was served on AWTA Ltd on 6th May.

Provided the transfer package and the taxation legislation are approved by the Government before the end of May, Australian Wool Testing Authority Ltd will be in a position to take over the functions of the current AWTA on 1st July."

AWTA Meeting 14th May 1982 (AWTA Minutes)

"2.4 Members NOTED the AWC decisions relating to:

- disposal of AWTA;
- AWTA Fee increases;
- AWC participation in AWTA Ltd;
- AWTA Ltd income tax exemption;
- AWC Board representation on AWTA Ltd; and
- AWC recommendations for disposal of AWTA, including an approved Transfer Package.

"2.5 With regard to AWTA Ltd tax exemption, the Director summarised events that had occurred in Parliament and assured Members that the legislation would have to be passed before AWTA Ltd could commence operations. This view was supported by Mr. J. K. Westmore, who had also obtained similar assurances.

"2.6 The detailed Transfer Package was reviewed. Members NOTED that:

- the Yennora premises would be transferred to AWTA Ltd;
- the portion of Store 2 in Fremantle not currently occupied by AWTA would be sold to AWTA Ltd;
- the premises in Brisbane and Adelaide were not being transferred to AWTA Ltd, but would be available on a rental basis;
- all equipment and facilities used by AWTA would be transferred to AWTA Ltd;
- other assets and liabilities would be transferred to ensure continuity of operation;
- all investments, cash in hand and cash at bank are also to be transferred to AWTA Ltd.

"2.7 The Director reported that the new Award was well under way and was expected to be finalised by 30th June, 1982.

"7.1 RESOLVED That the Transfer Package, approved by the Australian Wool Corporation on 23rd April 1982, be approved, and that its implementation be authorised.

"7.2 Since this Meeting may be the last one held by the Statutory Authority, the Chairman wished to place on record his appreciation of and admiration for the Management team, whose efforts had given the Authority its excellent service and technical reputation and had placed the Authority in a financially strong position. In particular, he paid tribute to the persistence and dedication of the Director and his executive staff throughout the past fourteen months. They had achieved a final transfer position which exceeded the most optimistic expectations of the Authority Members. Members unanimously endorsed these concluding comments."

AWTA Meeting 27th July, 1982 (AWTA Director's Report)

"At the close of business on 30th June 1982, the statutory Australian Wool Testing Authority ceased to conduct the testing and certification functions conferred upon it by the Wool Industry Act 1972.

"These functions were taken over by the public company, Australian Wool Testing Authority Ltd, as from the commencement of business on 1st July 1982.

"Key events involving the statutory AWTA which occurred between the May Meeting and 30th June 1982 were as follows:

(i) the legislation conferring income tax exemption upon AWTA Ltd was passed by the Senate on 25th May 1982;

(ii) all full-time and part-time staff, excluding those on workers' compensation for an indeterminate period, were issued with a Notice of Retrenchment, jointly signed by the AWTA Director and the AWC Personnel Manager, on 31st May 1982. On the same day, Casual employees were notified of the impending closure of AWTA, and of the fact that they would be retrenched, if still employed up to the close of business on 30th June 1982;

(iii) with the exception of the seven senior staff members whose remuneration was subject to approval by the AWC Board, the Notices of Retrenchment took effect on 30th June 1982;

(iv) staff on workers' compensation for an indeterminate period, became the direct responsibility of the AWC on or after 17th June 1982;

(v) redeployment assistance was provided to eight AWTA employees, three of whom decided ultimately to accept positions offered to them by the new Company;

(vi) on Wednesday, 30th June 1982, the Deed of Transfer entered into between the Australian Wool Corporation, Australian Wool Testing Authority and Australian Wool Testing Authority Ltd was formally executed;

(vii) the Common Seal of Australian Wool Testing Authority was applied to the Deed of Transfer, with Messrs. L.J. Yeo and R.E. Chadwick as signatories.

"Whilst Members approved the Transfer Package and authorised its implementation at the Meeting held on 14th May 1982, it is recommended that the application of the Seal be formally approved."

AWTA Meeting 27th July 1982 (AWTA Minutes)

"The Chairman opened the Meeting and welcomed Dr. Farnworth, who was deputising for Mr. Davidson, and Messrs. Barr and Duncan, who were attending as observers.

"As had been the case at the previous Meeting, the Directors of AWTA Ltd who were not Members of the Authority were invited to participate fully in the Meeting.

"Letters of resignation from Mr. F.G. Stuart and Mr. J.K. Westmore were tabled. In accepting the resignations, it was AGREED that the Chairman would write to both parties, acknowledging their periods of dedicated service which had certainly contributed to the success of the Authority. In particular, Forster Stuart had been a Member of the AWTA from 3rd February, 1972 until 31st May, 1982, and John Westmore had served from 21st June, 1974 until 23rd July, 1982."

"3.0 <u>DIRECTOR'S REPORT</u>

"3.1 Members AGREED that the report could be taken as read.

"3.2 The following points were NOTED:

- key events which had occurred in the transfer of AWTA to AWTA Ltd since the May Meeting and up to 30th June, 1982;
- the budgeted revenue for Raw Wool Testing had marginally exceeded the Budget whereas Textile Testing revenue was almost 10% below Budget;
- for the 16th consecutive year AWTA had sampled a record number of bales; and
- raw wool testing demand during the last quarter of 1981/82 had been significantly higher than in the previous year, due to early shearing, dry weather and increased production in Queensland.

"3.3 It was NOTED that the Chairman's Address to the IWTO Wool Committee in Venice had been received with acclamation and had reassured overseas delegates.

"3.4 With regard to the transfer of AWTA to AWTA Ltd, Members AGREED that the action taken in executing the Deed of Transfer entered into between the Australian Wool Corporation, the Statutory AWTA and AWTA Ltd was in accordance with decisions taken at the previous Authority Meeting.

"3.5 RESOLVED That the application of the Common Seal of the Australian Wool Testing Authority to the Deed of Transfer, with Messrs. L.J. Yeo and R.E. Chadwick as signatories, be approved."

(Note: The Statutory AWTA ceased to exist from the close of business on 5th August 1982.)

APPENDIX 7: TRANSFER PACKAGE FROM AWC TO AWTA (1982)

AUSTRALIAN WOOL TESTING AUTHORITY LTD

TRANSFER PACKAGE

On 23rd April 1982, the Australian Wool Corporation approved the following arrangements for the transfer of AWC (AWTA) assets and functions to the new company for immediate submission to the Minister, in accordance with the decision to transfer the activities of AWTA to the private sector.

1. **PROPERTY (LAND AND BUILDINGS)**

The property considered to be **transferable** is as follows:

Kensington, Vic (AWTA Head Office)

Transfer of unencumbered titles to the land in Robertson Street, including improvements, occupied by AWTA.

Yennora, NSW

Transfer of leasehold improvement occupied by AWTA at Yennora Wool Centre, with an undertaking by AWTA Ltd to continue repayment of outstanding loans until 1992.

Fremantle, WA

Transfer of unencumbered title to the land, including improvements known as AWD Store 3 in Marine Parade, South Fremantle. The land and improvements occupied in AWC Store 2 will also be considered as transferred to AWTA Ltd as at the date of disposal. However, since the cost of establishing separate title to this area and building a dividing wall is of the same order as the value of the balance of Store 2, AWTA Ltd will be required to purchase the balance of Store 2 by 30 June 1983 at agreed or defined valuation. This valuation is to include the cost of title separation between Stores 1 and 2, and is to reflect present use and occupancy. Final details will be covered by deferred purchase arrangements.

AWC premises part-occupied by AWTA in Brisbane and Adelaide are not to be transferred. Current lease arrangements will continue to be available from AWC.

2. ASSETS (PLANT, EQUIPMENT AND STOCKS)

Transferable assets in this category are as follows:

- Equipment as detailed on the Asset Register held by AWTA;
- Stocks of Spare Parts, Stationery, Materials and Supplies, and Chemicals required for testing;
- Stocks of Unsold Core Waste;
- Miscellaneous non-capitalised assets already written off.

3. OTHER ASSETS AND LIABILITIES

All other assets and liabilities are to be transferred on a “going concern” basis to maintain continuity of business and eliminate the cost to AWC of debt collection, payment of creditors and the liability for contingent claims. AWC will transfer the following to AWTA Ltd:

- Debtors (Trade and Sundry);
- Prepayment expenses;
- Creditors and accrued expenses;
- Contingent Liabilities for Sick Leave, orders placed, and Test error claims;
- Balance of provision for Long Service Leave, Recreation Leave and associated payroll tax (refer industrial relations options below).

Establishment of values for these items will be subject to post-transfer audit.

4. INVESTMENTS, CASH IN HAND AND AT BANK

AWTA Ltd will take over all existing investments and cash reserves generated from AWTA operations and currently managed by AWTA (AWC), including uncredited deposits (if any) and liabilities for unpresented cheques.

5. INDUSTRIAL RELATIONS ASPECTS

In view of the Government's decision to transfer AWTA as a going concern, staff will be offered continuity of employment by the new Company on pay and conditions which, as a package, are broadly comparable with those currently applicable. Particular employment aspects have been resolved pursuant to Government Guidelines as follows:

(a) **Retrenchment**

Consistent with the "Guidelines for Redundancy Situations in Australian Government Employment" (RAGE Guidelines), and advice from the Departments of Primary Industry and Industrial Relations, all current AWTA staff are to receive at least one month's notice of retrenchment. However, at the same time, AWTA Ltd must offer positions having comparable pay and conditions to all staff except those receiving workers' compensation payments for an indeterminate period. Current employees have the option of accepting such offers or seeking redeployment. Staff on compensation will remain employees of AWC, in view of the continuing Commonwealth liability.

(b) **Superannuation**

With regard to superannuation, contributors accepting offers of employment with AWTA Ltd will cease to be eligible for continuing membership of the Commonwealth Superannuation Fund when they cease to be employees of AWC (AWTA). The Superannuation Act defines the options and entitlements available.

(c) **Recreation/Long Service Leave**

Retrenched staff accepting offers of employment may elect to receive payment for recreation leave and long service leave entitlements, or may transfer part or all of these entitlements to AWTA Ltd records.

(d) **Sick Leave**

Accrued sick leave benefits are to be transferred to AWTA Ltd and will be held in reserve for transferring staff. AWTA Ltd is to accept ongoing liability for sick leave.

(e) **Redeployment – Income Maintenance**

Where staff choose the redeployment option, they will remain employees of AWC until the relevant provisions of the RAGE Guidelines have been met. Such staff are eligible for income maintenance.

(f) **Storemen and Packers' Award**

Negotiations for a new Award will commence with the Federated Storemen and Packers' Union as soon as AWTA Ltd is incorporated. Details of this Award must be finalised prior to the deadline for staff to accept/reject offers of employment.

6. AUDIT

As already mentioned above, in view of the impact of the above package on the AWC Balance Sheet and, since current operations will continue without disruption, the final financial details and dollar values will not be known until disposal is underway. Commonwealth Audit's subsequent involvement will be necessary only to finalise AWC accounts as at 30 June 1982.

This final Commonwealth Audit will be based upon the normal scrutiny of registers, schedules and accounting records.

7. RECORDS

All records of AWTA are, of course, property of AWC and will be retained in AWC ownership after the transfer. However, appropriate arrangements will be made between AWC and AWTA Ltd for grant of access for availability, inspection and/or copying of necessary records for ongoing business activities of AWTA Ltd. These arrangements may require oversight by Commonwealth Archives.

8. TAXATION STATUS

All constituent documents of AWTA Ltd and participation by industry groups are entirely conditional on income tax exemption being legislated in accordance with the commitment announced by the Minister on 22 February 1982. It will be essential for the legislation to be passed prior to the new company commencing to act. Any delay in this legislation will prevent completion of the disposal of AWTA by the 30 June 1982 deadline.

APPENDIX 8: LINDSAY YEO SPEECH TO IWTO VENICE (1982)

ADDRESS BY MR LINDSAY YEO TO INTERNATIONAL WOOL TEXTILE ORGANISATION

51ST ANNUAL CONFERENCE – VENICE: 10TH JUNE, 1982

"I very much welcome having the opportunity to inform you, as members of the Wool Committee, of the future status of the Australian Wool Testing Authority resulting from the implementation of the Australian Government's decision to transfer its functions to the private sector.

"You will recall that the industry was stunned by this announcement, which coincided with the Annual Conference in Christchurch, New Zealand, and, in fact, the IWTO's strong reaction to that announcement contributed significantly to the highly satisfactory outcome which has now been achieved, after months of negotiation.

"In April this year, the interests which have controlled the AWTA as a statutory body in the past joined together to form a public Company Limited by Guarantee and without shareholding, to take over all current assets and liabilities of the AWTA on a "going concern" basis on and from 1st July 1982. This Company was formally incorporated on 5th May and has been registered as "Australian Wool Testing Authority Limited".

"The Member/Guarantors of the Company are nominees of:

Australian Council of Wool Buyers (Mr R E Vandervaere)

Federal Council of Private Treaty Wool Merchants (Mr R E Chadwick)

The National Council of Wool Selling Brokers of Australia (Mr W A Williams)

Wool Council of Australia (Mr I M McLachlan)

Wool Scourers and Carbonisers Association of Australia (Mr J A Michell)

Wool Textile Manufacturers of Australia (Mr K J Perrott) and

Australian Wool Corporation (as a corporate body)

"Each of these Member/Guarantors is entitled to appoint a Director to the Board and, in addition, the Member/Guarantors may appoint two independent Directors and a Director nominated by the Commonwealth Scientific and Industrial Research Organisation.

"The Chief Executive of AWTA Ltd also becomes a Director.

"The Inaugural Meeting of the Board of Directors of Australian Wool Testing Authority Ltd was held on 14th May 1982, at which Meeting I was honoured to be appointed as Chairman of the Company, and the current AWTA Director, Mr. David Ward, was appointed as Managing Director.

"I believe that the new Company is indeed fortunate to have a Board of Directors on which its major client groups are represented. In my commercial experience, this is unique, and it will continue to provide Members of IWTO with a guarantee that the Company will remain committed to striving towards its current primary objectives, namely:

- *to maintain a national and international reputation for technical expertise and commercial independence;*
- *to provide accurate, impartial and efficient testing services, as required by the wool industry and textile industry, at a minimum cost; and*
- *to maximise nett income to the Australian wool industry, by encouraging the optimum application of objective measurement by woolgrowers, brokers, buyers and both local and overseas processors.*

The Directors of AWTA Ltd, many of whom are well known to you through their participation in IWTO Conferences, were appointed at the first Meeting of the new Company. They are:

Dr M W Andrews	*CSIRO*
Mr E W Barr	*Australian Wool Corporation*
Mr R E Chadwick	*Federal Council of Private Treaty Wool Merchants*
Mr G W Duncan	*Wool Scourers and Carbonisers Association of Australia*
Mr A N Johnston	*Independent Director*
Mr K J Perrott	*Wool Textile Manufacturers of Australia*
Mr J D S O'Connell	*Wool Council of Australia*
Mr D J Ward	*Chief Executive*
Mr J K Westmore	*Australian Council of Wool Buyers*
Mr W A Williams	*The National Council of Wool Selling Brokers of Australia*
Mr L J Yeo	*Independent Director*

"Before his untimely and tragic death, Mr S S Nevile had accepted the nomination as Director representing the Wool Textile Manufacturers of Australia.

"In conclusion, I would like to draw your attention to a number of specific features of the new Australian Wool Testing Authority Ltd. In particular:

- *neither the Member/Guarantors nor the Directors have an equity interest in the Company; AWTA Ltd owns itself;*
- *since there is no shareholding, none of the profits generated can be distributed, but rather they will continue to be used to invest in technology and facilities which are essential to the maintenance of high testing standards;*
- *the Company is no longer accountable to the Commonwealth Government; and*
- *AWTA Ltd's Memorandum and Articles of Association have been drawn up to ensure independence of operation, especially with regard to the establishment and management of technical standards and policies.*

"As Chairman of both the statutory AWTA and the private sector AWTA Ltd, I am in the best possible position to assure you, and all clients of AWTA, of the continuation of current services to all sectors of the wool industry, without disruption to technical standards or efficiency.

"I can assure you that the Authority will operate as a commercial free-enterprise entity and that there is a commitment by its Directors and Management to ensure that services are accurate, impartial, efficient, and provided at minimum cost."

APPENDIX 9: MEMBERS & PRINCIPAL OFFICERS (1957-1982)

AWTA CONSTITUENCY AND MEMBERSHIP - 1ST DECEMBER 1957 TO 6TH AUGUST 1982

The Australian Wool Testing Authority Act 1957 assented to on 12th September 1957 prescribed that:

"*… the Authority shall consist of 7 Members, who shall be appointed by the Governor-General and shall be –*

(a) a person nominated by the Australian Council of Wool Buyers;

(b) a person nominated by the National Council of Wool Selling Brokers of Australia;

(c) a person nominated by the Wool Scourers, Carbonizers and Fellmongers' Federation of Australia;

(d) a person nominated by the Australian Wool Bureau;

(e) a person nominated by the Commonwealth Scientific and Industrial Research Organisation;

(f) an officer of the Department of Primary Industry; and

(g) one other person."

Each Member was appointed to hold office for 3 years or, if a Member ceased to hold office during that term, the replacement Member was appointed for the remainder of the 3-year term only.

A Member representing the wool textile industry was added to the membership when Part III of the Wool Industry Act 1962 incorporated the Australian Wool Testing Authority as part of the new Australian Wool Board. This Act prescribed that:

"*… the Authority shall consist of 8 Members, who shall be appointed by the Board and shall be –*

(a) a person who is a member of the Board;

(b) a person nominated by the organization known as the Australian Council of Wool Buyers;

(c) a person nominated by the organization known as the National Council of Wool Selling Brokers of Australia;

(d) a person nominated by the organization known as the Wool Scourers, Carbonizers and Fellmongers' Federation of Australia;

(e) a person nominated by the organization known as the Wool Textile Manufacturers of Australia;

(f) a person nominated by the Commonwealth Scientific and Industrial Research Organization; and

(g) two persons who, at the time of appointment to the Authority, are not directly connected with the Australian wool industry."

Although the 1962 Act was assented to on 14th December 1962, Part III was proclaimed to come into effect on 1st July, 1963, when the Members' 3-year terms of appointment commenced.

The Wool Industry Act 1972 creating the Australian Wool Corporation preserved and continued the Authority in existence. With respect to membership, this Act replaced the Member of the Board with a Member of the Corporation, and the Corporation replaced the Board as the appointing authority.[201]

The Wool Industry Amendment Act 1981, assented to on 12th June 1981, increased the membership from 8 to 10 persons, by including a person nominated by the organisation known as the Federal Council of Private Treaty Wool Merchants, and a person nominated by the organisation known as the Wool Council of Australia.

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[201] The Wool Industry Act 1972-1976 included a minor amendment to reflect a change in name to the Wool Scourers, Carbonizers and Fellmongers' Association of Australia.

AUTHORITY MEMBERS APPOINTED FROM 1ST DECEMBER 1957 TO 5TH AUGUST 1982

Member	Term	Nominating Organisation
W.H. Lempriere	01/12/57 - 08/10/64	Australian Council of Wool Buyers
T.G. Carter	01/12/57 - 01/12/58	Australian Wool Bureau
A.E. Wallace	01/12/57 - 30/06/63	Officer of Department of Primary Industry
J.S. Gale	01/12/57 - 31/07/64	National Council of Wool Selling Brokers of Australia
R.W. Duncan	01/12/57 - 01/10/64	Wool Scourers, Carbonizers & Fellmongers' Federation of Australia
F.G. Lennox	01/12/57 - 05/05/65	Commonwealth Scientific and Industrial Research Organisation
I.F. McLaren	01/12/57- 20/08/65	Commonwealth Government (Independent)
W.A. Gunn	01/12/58 - 30/06/63	Australian Wool Board
J.M.B. White	01/07/63 - 08/05/64	Wool Textile Manufacturers of Australia
S.S. Nevile	01/07/63 - 31/12/72	Member of the Australian Wool Board
A.E. Wallace	01/07/63 - 05/01/73	Person not directly connected with the Australian wool industry
C.R. Nichols	08/05/64 - 13/04/73	Wool Textile Manufacturers of Australia
R.H.L. Roberts	01/08/64 - 31/07/69	National Council of Wool Selling Brokers of Australia
C.M. Scott	08/10/64 - 30/06/66	Australian Council of Wool Buyers
W.A. May	08/10/64 - 03/02/72	Wool Scourers, Carbonizers & Fellmongers' Federation of Australia
V.D. Burgmann	05/05/65 - 09/04/69	Commonwealth Scientific and Industrial Research Organisation
L.J. Yeo	17/12/65 - 05/08/82	Person not directly connected with the Australian wool industry
R.E. Gebbie	01/07/66 - 17/05/68	Australian Council of Wool Buyers
C.F.G. Stagg	17/05/68 - 21/06/74	Australian Council of Wool Buyers
J.G. Downes	09/04/69 - 10/10/75	Commonwealth Scientific and Industrial Research Organisation
J.F. Strachan	20/08/69 - 22/08/75	National Council of Wool Selling Brokers of Australia
F.G. Stuart	03/02/72 - 30/06/78	Wool Scourers, Carbonizers & Fellmongers' Federation of Australia
C. Grimshaw	13/04/73 - 30/06/78	Wool Textile Manufacturers of Australia
S.S. Nevile	01/01/73 - 31/12/74	Member of the Australian Wool Corporation
A.N. Johnston	08/02/74 - 05/08/82	Person not directly connected with the Australian wool industry
J.K. Westmore	21/06/74 - 23/07/82	Australian Council of Wool Buyers
J.A. McGregor	14/02/75 - 28/03/80	Member of the Australian Wool Corporation
W.A. Williams	22/08/75 - 05/08/82	National Council of Wool Selling Brokers of Australia
K. Baird	10/10/75 - 12/02/76	Commonwealth Scientific and Industrial Research Organisation
H.G. David	12/02/76 - 23/05/80	Commonwealth Scientific and Industrial Research Organisation
S.S. Nevile	01/07/78 - 27/04/82	Wool Textile Manufacturers of Australia
F.G. Stuart	01/07/78 - 31/05/82	Wool Scourers, Carbonisers & Fellmongers' Association of Australia
F.M. Davidson	28/03/80 - 05/08/82	Member of the Australian Wool Corporation
M.W. Andrews	23/05/80 - 05/08/82	Commonwealth Scientific and Industrial Research Organisation
R.E. Chadwick	12/06/81 - 05/08/82	Federal Council of Private Treaty Wool Merchants
J.D.S. O'Connell	12/06/81 - 05/08/82	Wool Council of Australia

PRINCIPAL OFFICERS OF AWTA (1st DECEMBER 1957 – 13th AUGUST 1982)

Appointee	Office Held	Term
W.H. Lempriere	Chairman	12/12/57 - 11/09/64
J.A. Dixie	The Director	21/04/58 - 30/09/64
I.F. McLaren	Chairman	11/09/64 - 20/08/65
J.F.P. James	Acting Director	01/10/64 - 25/04/65
J.G. Campbell	The Director	26/04/65 - 23/09/66
C.M. Scott	Acting Chairman	20/08/65 - 21/01/66
L.J. Yeo	Chairman	21/01/66 - 05/08/82
D.J. Ward	The Director	26/09/66 - 06/08/82

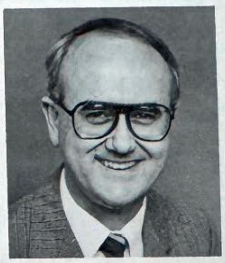
AWTA LTD'S INAUGURAL MANAGEMENT TEAM PROFILES

David J. Ward B Sc (Hons)

Joined AWTA in 1965 as Wool Supervisor. Appointed Deputy Director and then Director in 1966. Took up appointment as Managing Director of AWTA Ltd in May 1982. Located in Melbourne Head Office, he is accountable to the Board of Directors for planning, directing and controlling the activities of AWTA Ltd to ensure that its primary objectives are achieved. In addition, as a Director on the Board he shares accountability to the Member/Guarantors of the Company for policy formulation and overall supervision of the Company's operations.

S.A.S. (Sas) Douglas M Sc

Joined AWTA in 1970 as Assistant Director. Appointed Deputy Director in 1972. Took up position as General Manager — Operations with AWTA Ltd in July 1982. Located in Sydney, he is accountable for planning, directing and controlling the commercial services and research programmes of AWTA Ltd, ensuring that operating performance meets the primary objectives of the Company.

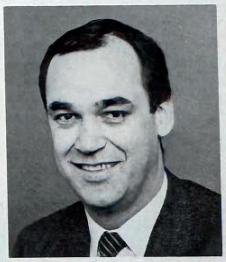


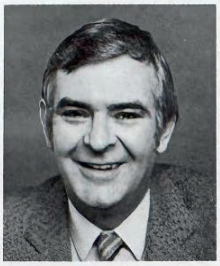
Peter D. Morgan M Sc, Ph D

Joined AWTA in 1972 as Western Manager. Appointed Regional Manager in 1973 and Assistant Director in 1977. Took up position as General Manager — Corporate Development with AWTA Ltd in July 1982. Located in Fremantle, he is responsible for planning and controlling the technical and systems operations of AWTA Ltd, and for developing such technical resources and skills within its staff as are essential to ensure that current and future commercial services can meet the Company's primary objectives.

Alex Artomonow F Dip Com, B Bus, AASA

Joined AWTA in 1972 as Assistant Accountant, and progressed through a number of accounting positions before being appointed Finance and Administration Manager in 1978. Appointed Company Secretary of AWTA Ltd in May 1982, and took up position as Finance and Administration Manager with AWTA Ltd in July 1982. As Finance and Administration Manager, located in Head Office, he is accountable for planning and controlling the financial and administrative functions to enable AWTA Ltd to operate at optimal efficiency. As Company Secretary, he is accountable for ensuring that the Company meets its legal obligations.



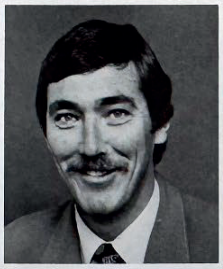


Murray B. Mansfield

Joined AWTA in 1962, gaining wide experience in sampling, testing and administrative managerial positions before his appointment as Regional Manager in 1973. Took up position of Regional Manager — Victoria/Tasmania with AWTA Ltd in July 1982. Located in Kensington at the Melbourne laboratory, he is accountable for the management of all AWTA Ltd raw wool operations in Victoria/Tasmania. In addition, he is responsible for liaison activities in East Asia.

Hugh W. Hopkins B Com, M Sc

Joined AWTA in 1971 as Northern Manager. Appointed Regional Manager in 1973. Took up position of Regional Manager — New South Wales with AWTA Ltd in July 1982. Located at the Authority's Sydney laboratory in Yennora, he is accountable for the management of all AWTA Ltd operations throughout New South Wales.

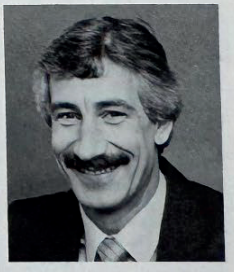


Ron W. Connors B Sc

Joined AWTA in 1977 as Regional Manager. Took up position of Regional Manager — Western Australia with AWTA Ltd in July 1982. Located at the laboratory in South Fremantle, he is accountable for the management of all AWTA Ltd operations throughout Western Australia.

Terry W. Dittmar

Joined AWTA in 1967 as a Sampling Officer. Appointed South Australian Manager in 1969. Took up appointment as Regional Manager — South Australia with AWTA Ltd in July 1982. Located in Adelaide, he is accountable for the management of all AWTA Ltd operations in South Australia.

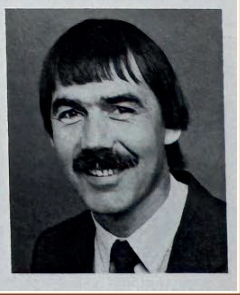


F. Malcolm Clark

Joined AWTA in 1960, holding key sampling and testing positions in Sydney, Brisbane and Melbourne before being appointed Northern Manager in 1966. Appointed Queensland Manager in 1970. Took up appointment as Regional Manager — Queensland with AWTA Ltd in July 1982. Located in Brisbane, he is accountable for the management of all AWTA Ltd operations in Queensland.

Noel L. Emselle Dip Tex Chem, B Sc

Joined AWTA in 1970 as Regional Manager. From 1972 held the position of Research and Development Manager before being appointed Manager — Textile Division in 1980. Appointed Divisional Manager of AWTA Ltd in July 1982. Located in Melbourne, he is accountable for managing the Australia-wide operations of AWTA Textile Testing — a division of AWTA Ltd.



AUSTRALIAN WOOL TESTING AUTHORITY LTD