

## The Australian Wheat Board Under Fire

**Australia Fact Sheet Series ~ #3**

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The Australian Wheat Board (AWB) has been under fire since October 2005 over its involvement in the United Nations Oil For Food (OFF) Program. The OFF Program was designed to ease the impact on ordinary Iraqis of UN sanctions imposed in 1990 after Baghdad's troops invaded Kuwait. Saddam Hussein evaded the sanctions by imposing extra transport fees and using front companies to funnel the money to his regime.

A UN-appointed inquiry, led by former US Federal Reserve chief Paul Volcker, found the AWB accounted for nearly \$300 million of the \$2.4 billion in illicit payments pocketed by Hussein under the Oil for Food Program. The Volcker report was released in October 2005 and named 2,200 companies as giving kickbacks to Hussein, with AWB the single biggest provider. AWB paid transport fees of around \$220 million to a Jordanian trucking firm, Alia, a company partly owned by Iraq's transport ministry. Alia has said it did not actually move any Australian grain during the inquiry period. Australia launched an inquiry in January 2006 led by former Supreme Court judge Terrance Cole into what the Australian government knew about the alleged kickbacks. The Cole inquiry was due to report on its findings by June 30, 2006, however the deadline has been extended to September 29, 2006.

The Cole inquiry has called a number of witnesses including AWB employees and government officials. A former AWB manager testified that senior AWB executives knew the trucking fees violated UN sanctions while AWB officials claimed they had no reason to believe the trucking fees were bogus. One of the issues in the Cole inquiry is whether AWB broke federal laws relating to

bribing foreign officials - an offence which carries a prison term of up to 10 years.

In May this year, the Cole Inquiry released AWB's draft apology document written for then Managing Director Andrew Lindberg by a public relations firm. AWB did not release the apology letter but it was mistakenly delivered to the Cole Inquiry. AWB fought the release of the document in federal court but lost its bid to keep the contents confidential. The court battles continue with the result that the inquiry is taking longer than expected.

The apology letter states, "AWB accepts that in paying money for inland transportation and after sales service it paid money to the Iraq government in contravention of the UN sanctions." The letter goes on to say, "While AWB can ex-post rationalize its participation in the OFF program and claim it did not have the benefit of hindsight or the complete picture, this does not excuse what occurred and is not offered as an excuse. We simply should have done better; and I am deeply sorry we didn't."

The Australian government is due to review the single desk system by 2010. The controversy has greatly increased calls in Australia for an end to the single desk before the review although the AWB insists that the inquiry is not about the single desk. AWB share prices have fallen by nearly 20 percent since the inquiry began. Share prices were over AU\$6.00 prior to the Cole Inquiry and fell to AU\$3.55 in early March. Prices have recovered to over AU\$4.00 since March but the loss in equity has triggered a class action lawsuit against AWB.

**For further information (or to suggest topics for future information sheets), contact:**

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[www.agric.gov.ab.ca/agc](http://www.agric.gov.ab.ca/agc)

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Or through the Choice Matters website Contact/Feedback section. [www.choicematters.gov.ab.ca](http://www.choicematters.gov.ab.ca)

Australian Agriculture Minister Peter McGauran has said publicly that the government would not make any changes to the single desk before the inquiry is done but the status quo of today cannot exist into the future. Australian Trade Minister Mark Vaile spoke at a conference in early March 2006 and outlined the conditions and possible schedule for the removal of Australia's single desk. Significant trade liberalization through the WTO negotiations is one of the conditions. Australia's Treasurer said that it could be worth ending AWB's monopoly on wheat sales by granting licenses to other companies that want to export. Andrew Lindberg, managing director of AWB Limited, has resigned over the scandal and the AWB has

undertaken a review of internal reporting structures and controls.

The Iraq Grain Board announced in February 2006 that it would not deal with AWB in light of the OFF scandal. A new co-operative called Wheat Australia was formed between GrainCorp Ltd., ABB Grain Ltd. and Co-operative Bulk Handling to bid on wheat sales to Iraq while the AWB was under investigation. Wheat Australia has signed an agreement for 350,000 tonnes of wheat bringing Australia back into the Iraq wheat market. Prior to the 2003 overthrow of Saddam Hussein by the US, AWB dominated Iraq's wheat import market selling over 2 million tonnes per year.

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