



Western Australian Co-operative News

Newsletter of the Co-operative Federation of Western Australia Inc.
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CO-OPERATIVE GOVERNANCE

This year's conference theme 'Corporate Governance and Co-operatives' resulted in 42 registrations representing 21 co-operatives—the best attended conference in the last four years.

The topics, theoretical and practical, were well accepted by the delegates.

Terry Cunningham used Co-operative Bulk Handling Ltd. as a case study of a very effective system of corporate governance. Unfortunately only a few WA co-operatives have the human and financial resources required to attain the CBH level of governance, but Terry presented the case study in a way that it can be used as a template for the guidance of all co-operatives.

Jim Howard, Executive Director of the Queensland Co-operative Federation, explained the requirements for accessing borrowings under Section 120(1)(c) of the Income Tax Act. He also talked about proposed amendments that will enable co-operatives to frank distributions to members. (See page 5.)

In Jim's second presentation he looked at some of the more important operational changes resulting from the introduction of the CCP legislation in Queensland.

(cont page 2)

CO-OPERATIVE CHAIRMAN WINS AUSTRALASIAN GOLD MEDAL AWARD

Rod Madden, Chairman of United Farmers Co-operative Company Limited (UFCC), is the winner of the fifth Sir John Monash Gold Medal Award for Australasian agribusiness co-operative directors.

An Australasian-wide judging panel selected Rod at the recent Monash University Agribusiness Co-operative Leadership and Governance Forum.

(cont page 2)

Seasons Greetings!

The Federation wishes members
a happy and safe Christmas and
the best of co-operator
success in 2003

COOPERATIVE GOVERNANCE

(cont from page 1)

This topic was of particular interest as the WA CCP legislation could be introduced during 2003.

John Booth explained the current position of the legislation, why it has not yet been introduced into WA, and some of the problems being experienced by the other jurisdiction.

Mark Bahen a senior partner with Clayton Utz, presented an informative paper on directors' legal responsibilities to an increasingly hushed audience as the ramifications of being a director unfolded.

Kristy Duane, a senior solicitor with Clayton Utz, summarised the technical topic of Privacy legislation in such a way that some non-complying co-operatives are now introducing privacy policies.

Trish Ridsdale, a presenter for the Australian Institute of Company Directors, discussed the accepted theories of governance with an expressive and interactive performance. In answering the question 'Does co-operative governance differ from corporate governance, and if so where and why?' she suggested the principles were very similar, other than problems arising from the user being a) the member b) electing the directors c) forming all or at least the majority of the board d) in some instances being involved in management, requires a much greater emphasis on transparency. Delegates at future conferences will no doubt see and hear more from Trish.

The Federation was fortunate to have as guest speaker Harry Perkins, Chairman of Wesfarmers Ltd. Harry provided interesting insights into the relationships between the board and management, the compilation of the board and the, at times, necessary one-on-one morning tea parties required to ensure the board had directors with the right balance of skills. Wesfarmers has an acknowledged superior system of corporate governance.

GOLD MEDAL AWARD

(cont. from page 1)

Under Rod's chairmanship, UFCC has grown from five shareholders with a capital base of \$5,000 in 1992 to about 3,000 members and a turnover of almost \$100M in 2002.

Rod, being a true and vocal advocate of co-operative principles, accepted the award as recognition of the joint effort of the board, management and members for the success of UFCC. (See 'United

Farmers Co-operative Company Limited:
The First Ten Years', on page 10.)

Previous winners of this prestigious agribusiness award are:

John Roadley, Chairman Fonterra
Co-operative Group (NZ)

Terry Hogan, Chairman Ricegrowers

Peter Stewart, Chairman Genetics
Australia

Ian Langdon, Chairman Dairy Farmers
Group.

FEDERATION COUNCIL NEWS

THE COUNCIL

Following the Annual General Meeting held on 15 November, Council Members and their nominated representatives for next year are:

Federation member

Associated Newsagents (WA)
Co-operative Ltd.
Capricorn Society Ltd
Community Co-operative Travel Ltd
Co-operative Bulk Handling Ltd
Co-operative Purchasing Services Ltd
Geraldton Fishermen's Co-operative Ltd
MBL Food Services Co-operative Ltd
Mt. Barker Co-operative Ltd
United Farmers Co-operative
Company Ltd

Representative

Brent Armanasco
Trent Bartlett
Gary Allomes
John Carstairs
Noel Higgins
Robin Judd
Tony Wray
Warren York

Vern Dempster

THE EXECUTIVE

Chairman
Deputy Chairman
Executive Committee Member
Executive Officer

Tony Wray
John Carstairs
Brent Armanasco
John Booth

COUNCIL RESIGNATION

With the merger of the Grain Pool of WA and Co-operative Bulk Handling Ltd. (see report pages 4 and 5) the Grain Pool is no longer a member of the Federation and has therefore resigned as a council member. Andy McGlew's contribution as the Grain Pool's representative will be acknowledged at a luncheon following the February Council meeting next year.

There are now two vacancies on Council. The positions are not onerous or time-consuming - there are four meetings scheduled for 2003, February, May, August and November.

Any member wanting further information or considering nominating for Council, please contact John Booth.

CONFERENCES 2003

Following are preliminary details of conferences and seminars that may be of interest.

March	WAFF Annual Conference, Perth
March	Seminar for regional retail Co-operatives, Katanning
June July	The Co-operative Company Secretary seminar, Perth
September	CFWA Annual Conference, Perth
September	NSW Co-operative Federation Annual Conference, Sydney, NSW
September	Monash Agricultural Directors Seminar, New Zealand

CBH AND GRAIN POOL MERGER BENEFITS

Since the approval of the merger with the Grain Pool of WA by Co-operative Bulk Handling's voting members at the Annual General Meeting in March 2002, CBH and the Grain Pool are progressing towards full integration of the services they provide for WA grain growers and the wider industry.

The decision to merge and add value to the complementary bodies responds to a grains industry in which alliances and mergers have become common in trying to gain and maintain a competitive edge.

CBH is a leading Western Australian company of 9,000 members that specialises in grain storage and handling. It operates at about 200 country receival centres and four port terminals. The company has diversified into engineering and logistics through a fully-owned subsidiary company, Bulkwest Pty Ltd. CBH has an annual turnover of \$200 million and is one of the biggest employers in WA rural areas.

The Grain Pool is a specialist marketing organisation handling the sale and shipment of 11 grain types to more than 30 export destinations. It holds single-desk status in WA for the prescribed grains of barley, canola and lupins. The Grain Pool markets about 3 million tonnes of Western Australia's annual harvest.

The purpose of the merger is to integrate the main elements of the WA grain industry supply chain to create value for the benefit of Western Australian grain growers and customers. It is designed to:

- Deliver substantial economies through the elimination of duplicated services, cost savings from improved industry-wide operational efficiencies and value creation opportunities
- Enhance access to premium paying markets by focusing on grain quality and identity preservation
- Improve service delivery to growers and customers by providing a seamless operation from point of production to end-user customer
- Provide a more efficient approach to storage construction and utilisation through combined research and development activities.

Benefits already being realised include:

- Construction of aeration facilities along the south coast of Western Australia, which will increase the harvesting window for growers
- Planned construction of a new centre for excellence for grain technology at CBH's Metro Grain Centre to facilitate grain sampling and give customers an opportunity to conduct grain testing on-site
- Enhanced understanding of each organisation's logistics functions, which will reduce duplication of services and drive-down costs
- Commitment to improving grower access to information, which will assist growers to make more informed harvesting and marketing decisions
- Closer co-operation in community-based activities such as field days and sponsorships.

Grain Pool of WA assets and liabilities will be transferred to Grain Pool Pty Ltd, which is to become a fully-owned subsidiary of the CBH group.

A new Board of Directors has been elected to govern the merged organisation. To ensure continuity between the existing Boards and the new Board, the Chairman and Deputy Chairman from the existing Boards have been appointed to fill four of the nine district-elected director positions.



CBH GPWA MERGER



The upgraded Albany Port Facilities from the air.

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CO-OPERATIVES CAN NOW FRANK DIVIDENDS

Changes to the law in relation to franking of dividends by co-operatives to take effect from 1 July 2002 was introduced into Federal Parliament on 5 December 2002.

Jim Howard, of the Co-operative Federation of Queensland, was requested by Treasury to make a submission on behalf of the co-operative sector and in the preparation of the submission Jim requested input from John Booth on behalf of the WA co-operative sector. We are very pleased with the outcome.

The amendments will provide co-operative companies with the choice to frank distributions made to members on or after 1 July 2002. Co-operative companies choosing not to frank distributions made to members will still be entitled to claim a deduction for the distributions made. Thus a deduction will be allowed for the

unfranked part of the distributions made in the income year to the extent that the unfranked distributions were paid from assessable income of that income year.

The legislation also makes provision for a distribution paid by a co-operative company within three months after the end of an income year to be considered paid during that income year. Thus legislative authority confirms a practice which, up until now, has been tolerated by the ATO.

The Bill can be downloaded from www.aph.gov.au It is expected that an information fact sheet will shortly be published on www.taxreform.ato.gov.au

For other queries call the Business Tax Reform Helpline 13 24 78.

CO-OPERATIVE SCUTTLEBUT

Beverley Co-operative Ltd.

Beverley Co-operative, incorporated in 1920, has sold its business and real estate to local identities who own and operate the local 4 Square grocery store. It is always disappointing to witness the passing of a town icon into the history books but unfortunately it is becoming more prevalent with the reduction in regional populations.

Mt. Barker Co-operative Limited

In July the co-operative formally opened its impressive new retailing premises. It has re-badged its grocery operations under the DEWSONS banner.

Boyup Brook Co-operative Limited

In November the co-operative opened its extensive new farm merchandising premises. It was established in 1919 and has operated from various locations in Boyup Brook.

Ord River District Co-operative Limited

The co-operative (Ordco) and Wesfarmers Landmark have merged their agricultural merchandise businesses—to trade as Ordco Agriculture—from Ordco's existing facilities. The combined purchasing power of the merged business will result in considerable benefits to all growers in the Ord River irrigation region.

Geraldton Fishermen's Co-operative Limited

The co-operative has opened a lobster collection and processing facility at Rous Head, Fremantle, to process live lobster for the export market.

Esperance Organised Primary Producers Co-operative Limited

The co-operative has completed a very successful year, paying an inaugural patronage rebate to its members. Having assessed a need to provide competition in the agricultural merchandise business, it formed a joint venture, which in its first year of operations achieved a turnover in Investment of \$50,000 it returned a profit of excess of \$5M; on the co-operative's initial \$130,000.

United Farmers Co-operative Company Limited

Tony Usher has been appointed CEO to fill the vacancy left by the resignation of John Connell. The co-operatives business continues its rapid growth (see the article on page 10.) and as a result, Tony Edwards has been appointed to the new position of Chief Financial Officer. During December the company will relocate its head office from Rivervale to Rous Head, Fremantle.

Capricorn Society Limited

Hugh Lennerts has resigned as company secretary and taken up the position of CEO at Vianet Australia. Stephen Walker has been appointed to the new position of Chief Financial Officer, bringing significant commercial experience and a strong reputation developed in the Western Australian automotive industry.

Geraldton Fishermen's Co-operative Limited

Wayne Hosking has been appointed CEO upon the resignation of Derek Smith.

Co-operative Purchasing Services Limited (CPS)

Noel Higgins was appointed Chief Executive Officer upon the resignation of Keith Prout, who has accepted a position with Bunnings.

KATANNING WORKSHOP PRODUCES BUSINESS PLANS

Seventeen delegates from eight regional retail co-operatives produced business plans during a highly successful workshop in August at Katanning. The Federation co-ordinated the event and Michael King, of Mindshop, was the facilitator.

Another workshop is being planned for March 2003, the topic to be either Profit Improvement (waste management for government and statutory bodies) or Marketing.

AUSTRALASIAN AGRIBUSINESS CO-OPERATIVES HALL OF HONOUR

The inaugural inductions into the Hall of Honour were announced at the recent Monash University Agribusiness Co-operative Leadership and Governance Forum.

The criteria for nominations of both historical and current leaders required those nominated to have:

1. contributed a significant and sustained lifetime leadership to the agribusiness co-operative sector as a director, executive, official, member or in some other recognised capacity.
2. maintained co-operative vision and values in the face of adversity
3. demonstrated ethical leadership during periods of conflict
4. inspired loyalty, commitment and trust from members
5. been recognised as a role model for fostering co-operative values in the wider community.

The eight inductees, including Thomas Bath, from Western Australia, were selected by an Australasian judging panel. The inaugural inductees are:

Charles E. D. Meares (1861–1934) dairy Farmers Co-operative Milk Company Limited, NSW

Harry W. Osborne (1865–1934) Western District Co-operative Produce Company Victoria

John Pearce South Australian Farmers Co-operative Union Ltd.

J. J. (Jack) Mc Guire, Managing Director (1957–1972) Murray Goulburn Co-operative, Victoria

Ian Davidge, Chairman (1984–2002) Ricegrower's Co-operative NSW

Philip Bruem, Director Deputy Chairman (1984–2002) Dairy Framers Co-operative NSW

Thomas Bath, (d. 1956) Tammin Farmers Co-operative, Co-operative Federation of Western Australia, Trustee of the Wheat Pool of Western Australia, Co-operative Federation of Australia.

Bill Kidson, Poultry Farmers (red comb) Co-operative (Brisbane), Co-operative Federation of Queensland.

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NOTICE TO READERS

Every effort is made to ensure the accuracy of information presented in this newsletter.

However, no responsibility is accepted for any errors, or for views expressed, which may not necessarily reflect those of the Co-operative Federation of Western Australia Inc.

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FROM THE EXECUTIVE OFFICER

Motor vehicle registrations

Three co-operatives recently advised the Federation they were unable to reregister motor vehicles or forklift trucks because they did not have an ACN. As a result of representations by the Federation to the relevant departments, the problem appears to have been resolved. However, if any co-operative should experience difficulties of this kind in the future please contact John Booth.

Member input

It is vital for a peak body to receive continual constructive input from its members to remain relevant. The Federation regularly demonstrates achievements in its role of co-operative development and in the advisory service it provides to member co-operatives. What is lacking is member input, whether that be advice on how the Federation can better service its members or just articles for publication in this newsletter.

Increase in lodgement fees

The Department of Consumer and Employment Protection increased the fees for the lodgement of co-operative company documents from 1 July 2002. The minor increase is the first in at least ten years.

National Co-operative Update publishes last issue

Because of lack of support, NCU published its last edition in October 2002. This is a major blow to the Australian co-operative sector as it was the only publication with national and international news and articles of interest to co-operatives.

ACCoRD News

ACCoRD will extend its news coverage on national articles of interest to co-operatives in an effort to overcome the void left by the demise of NCU. *ACCoRD News* is different in content and style from NCU but is very relevant and the Federation recommends it to members. To obtain further information or subscribe to *ACCoRD News* please e-mail accord@uts.edu.au

Co-operative legislation

The latest advice from the Minister's Office and the department is that a draft bill may be available about the middle of 2003. The office reports that legislation might be introduced into Parliament during 2003 but not proclaimed until 2004.

The Federation is preparing a summary of the new rules required by the Core Consistent Provision Legislation to assist WA co-operatives prepare for changes that may effect their individual and / or unique methods of operation. This summary should be available during March 2003

ANNUAL CONFERENCE

SEPTEMBER 2003

Council has retained September as the date of the Annual Conference and Annual General Meeting. This follows acceptance of the change, which was reflected by the increased registrations at the 2002 conference: the exit surveys of those attending the 2002 conference showed near unanimous support for the change. The Federation was very pleased with this year's initiative, which resulted in:

- Attracting more delegates, co-operatives and third parties, to the conference
- Making the Federation's Annual General Meeting more relevant and interactive by holding it during the conference.

...AND BRIEFS

This space is for comments and contributions by members and/or readers. Why not give it a go? We can always increase the available space!

John Booth, Executive Officer

CO-OPERATIVE LEGISLATION

THE NEW CCP LEGISLATION

Some confusion still exists about the amount of input interested parties and the Federation will have in the final Bill and its implications on current operations. Implications of the new legislation can not be resolved until the Act has been introduced, but the following may assist in lifting the veil.

1] Because of the Core Consistent nature of the legislation, it will conform with those in the other Jurisdictions and there will be no substantive amendments. If the other jurisdictions do not amend the 'non workable' clauses on distribution of a surplus, then WA will endeavour to have the current procedures 'grandfathered' (retained). The Federation will also be requesting non-substantive changes to make the Act more user-friendly.

2] Operational implications will probably be less disruptive in WA than in the other jurisdictions because the legislation will reflect criteria which is included in our co-operatives' Memorandums and Articles but not included in our legislation, ie active membership criteria.

3] The Federation is preparing an analysis of a set of model rules under the CCP legislation, emphasising the major changes required, which should be available in March 2003. This newsletter includes a reference to some of these changes and see pages 4 and 5 in the May 2002 issue.

CHANGES REQUIRED BY THE CCP LEGISLATION

Repurchase of shares

Where shares have been forfeited because the holder has become an inactive member or has been expelled from the co-operative the shares must be repurchased at the par value, or if the balance sheet shows a deficit in net assets then the purchase price can be reduced to reflect this deficit. The new legislation *does not* allow shares to be repurchased in these circumstances at less than par.

The rules of a co-operative *may* authorise the repurchase of shares at the request of a member and with the members consent at a price, which could be less than the par value. There is a limitation of 5% of the nominal value of the issued capital for shares purchased under this clause.

Voting

The right to vote attaches to membership and not shareholding. Thus because inactive members shares *must* be forfeited, all shareholders must be members and will have a vote: the principle of non voting shareholder members is no longer possible.

Editor's comment: for established co-operatives the most significant effect of the CCP legislation will probably be the combination of changes requiring the immediate forfeiture of an inactive members shares, with changes relating to repurchase of shares and voting rights.

Special resolutions

Notice of the proposed special resolution must be given to the registrar 28 days prior to notice being given to members, which must be at least 21 days prior to the meeting.

Special resolutions must be passed by a two-thirds majority, except in a special postal ballot where a three-quarters majority is required.

A special postal ballot is required in the following circumstances:

- 1] conversion of a share capital co-operative to a non-share capital co-operative or a trading co-operative to a non-trading co-operative.
- 2] *acquisition or disposal of assets representing 5% or more of the total value of the undertaking relating to its primary activity*
- 3] takeovers mergers or members voluntary winding-up.

Directors

Non member directors can be appointed to the board. However there must be a majority of member directors on the board and a quorum must have of a majority of member directors.

LINKS FOR CO-OPERATIVE ACTS

WA – www.austlii.edu.au/au/legis/wa/consol_act/ca1943225/>

Victoria – www.austlii.edu.au/au/legis/vic/consol_act/ca1996157/>

NSW – www.austlii.edu.au/au/legis/nsw/consol_act/caa1997237/>

QLD – www.austlii.edu.au/au/legis/qld/consol_act/caa1997

For more information on links to legislation in other jurisdictions please contact John Booth.

UNITED FARMERS CO-OPERATIVE COMPANY LIMITED: THE FIRST 10 YEARS.

A WA farming co-operative established to help reduce farm costs has celebrated its first 10 years, defying early critics who said it wouldn't survive.

Five shareholders started the United Farmers Co-operative Company Limited (UFCC) in July 1992 with a capital base of \$5,000. By the end of the first year of trading, UFCC turnover was \$14.7M, profit was \$1.1M and the company had 500 shareholders.

Today the co-operative has 50 full and part-time employees and bulk phosphate facilities in Perth, Kwinana, Geraldton, Esperance and Albany. The Kwinana works are being expanded with the addition of an 80,000-tonne storage and distribution centre.

Mr Madden commented: "We are the first co-operative to make in excess of \$1M in our first year of trading and now one of the fastest growing agricultural businesses in Australia. Our profit has grown more than sixfold in the 10-year period, with a return on share capital of around 40%!."

The UFCC's Chief Executive Officer, Tony Usher, said that the co-operative's turnover was expected to exceed \$100M next financial year. All profits are returned to the 2923 shareholders in a mixture of shares and cash.

Mr Madden said that the co-operative might have produced excellent results in the first 10 years but there was still much to achieve, particularly in the crop protection and grains areas. "We have only just started," he said.