

National spotlight on Victorian Bill's release

The long-awaited Victorian Co-operatives Bill has been released by the Victorian Department of Justice for comment from members of the Australian

co-operative sector. The Bill will be considered during the current session of the Victorian parliament, becoming law in 1997. **FULL STORY, PAGE 3**

Federal taxation change under fire from co-operatives

THE FEDERAL Government's recent Budget decision to remove benefits accruing to co-operatives under Section 120(1)(c) of the Tax Act has brought a swift response from co-operatives and their representative bodies across Australia.

Mackay Sugar Co-operative chairman, Graham Davies, condemned the decision, telling the regional press that the change would cost his co-operative \$16 million in 1997.

Mr Davies believes it will dramatically increase the cost of future sugar mill expansion and, given that many co-operatives are located in rural areas, has significant implications for regional development.

Co-operatives throughout Australia have been using the provision. However, Queensland co-operatives borrowing funds through the Queensland Industry Development Corporation are thought to be major users of this type of funding.

They have been leading the protest charge. Co-operatives in other states have been adding weight to

SNAPSHOT

Under section 120(1)(c), co-operatives meeting a specific set of criteria were able to claim deductions for expenditure on assets used for further development of their business. This benefit was abolished in the recent Federal Budget.

the claim that the tax provisions are a crucial factor in keeping Australian regional business in not just co-operative ownership but Australian ownership.

The protest has gone national, with the National Co-operative Council of Australia pursuing the matter with the Federal Government at the highest level.

Co-operatives disadvantaged

Most people within the Australian co-operative sector argue that the provision should remain because co-operatives are disadvantaged when it comes to borrowing funds in the marketplace.

The structure of a co-operative makes it difficult for them to raise equity capital on financial markets and, in many cases, they are forced to pay a higher risk margin on bor-

rowed funds than conventional proprietary companies in the same industry.

Under section 120(1)(c), co-operatives meeting a stringent and specific set of criteria were able to claim deductions for expenditure on assets used for further development of their business.

These funds were largely spent on 'infrastructure' style assets which in turn serviced the regional community.

The concern is that their abolition threatens the viability of those communities, as well as a loss in taxation revenue from lost profits from businesses that depend on co-operative enterprise.

Both factors, it is argued, will place a far greater strain on government resources in the longer term. □

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VICTORIA**Award for outstanding performance**

Victorian dairy co-operative, Tatura Milk Industries, has won the 1996 Age/Dun & Bradstreet award for outstanding performance by a Victorian business.

The company took out the rural category with a score of 97 out of 100; the industry average was 66.

The result places the co-operative in the top 5% of companies on D&B's Australian database.

Judges of the award noted that Tatura was at the forefront of new and specialised milk products development as well as innovative supply arrangements with Japanese dairy giant Snow Brand.

Budget blow to community co-ops

Aboriginal and child care co-operatives may be forced to close or severely restrict their services due to measures announced in the recent Federal budget.

Following a budget cut of \$470 million over four years, the Aboriginal and Torres Strait Islander Commission (ATSIC) has been forced to terminate a number of programs to aboriginal co-operatives in Victoria alone.

Community child care co-operatives also face closure as a result of the loss of their operational subsidy which reduces costs to low income families and isolated areas.

According to the National Association of Community Based Children's Services, the government's decision to cut the subsidy to 1400 child care centres nationally will mean the death of many small parent run centres.

Electrical options

A meeting to discuss options for electrical co-operatives in Victoria will be held on November 6.

It has been organised by the Co-operative Federation of Victoria.

CONTACT

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QUEENSLAND**Darling Downs post**

Darling Downs pig farmer, David Gifford, is the new chairman of Darling Downs Bacon.

Mr Gifford became the youngest ever director on the board in 1989 and was part of the team credited with returning the co-operative to profitability.

Darling Downs Bacon began at Willowburn, Toowoomba in 1911.

NEW SOUTH WALES**Funding for tree co-operatives**

Australian Forest Growers (AFG), the national association of private commercial forestry and farm tree growers, has received funding from the Commonwealth Farm Forestry Program to promote tree growers' co-operatives.

The program aims to promote commercial wood production on cleared agricultural land to provide additional wood.

AFG national policy director, Alan Cummine, says co-operatives have been nominated by growers, state and federal governments and in forestry industry strategies as suitable vehicles for the expansion of the plantation forestry industry.

He says co-operatives are important for small-scale tree growers

because they are competing in a marketplace which often only has one or two local buyers.

"The economics of transporting wood mean that to make their operation economically viable, tree growers are often dependent on the local or regional saw mill to take their trees," he says.

By forming a co-operative with a number of other growers in a region, a critical mass of wood of the right quality, specification and continuity of supply can be established to provide a sound base for negotiations with saw mills.

"Without some sort of pooling of the resource, the individual grower will have their work cut out for them," Mr Cummine says.

Over the next 12 months, AFG will produce a starter kit on the establishment and operation of tree growers' marketing co-operatives as a model for farmers.

"There are several tree growing co-operatives currently in existence, but each one has done it a different way," Mr Cummine says. "AFG would like to encourage their development via a consistent model."

It is a national market leader with K.R. Darling Downs and Huttons.

Course for directors

A two day residential course for co-operative directors has been organised for November 14 and 15 at the Mercure Inn at Townsville.

CONTACT

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CONTACT

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Key issues in the spotlight

THE 1996 Co-operatives Key Issues conference in Sydney on October 24 and 25 is shaping up to be the biggest gathering of its kind ever held in Australia.

Organised by the NSW Registry of Co-operatives, the Co-operative Federation of NSW and the Asia Pacific Co-operative Training Centre, this year's conference builds on the success of previous years.

More than 400 delegates will hear 50 local and international speakers address co-operative topics over four main themes:

- innovation and identity;
- globalisation;
- democracy, inclusiveness and corporate governance; and
- image, profile and reality

To cover the vast number of sectors and issues within the Australian co-operative sector, several plenary and three streams of concurrent sessions have been arranged, allowing delegates to focus

on their particular area of co-operative interest.

As a part of the program, social commentator Eva Cox will deliver a keynote address on 'Creating wealth and social capital - competition or co-operation'.

International speakers

International speakers include:

- Dr Johnston Birchall, Brunell University in the UK, giving an international perspective on the future of 'mutuality' and co-operatives.
- Dr Lou Hammond Ketilson, University of Saskatchewan, on the role of women in co-operatives and a case study on North American community co-operatives.
- John Storey, chairman of NZ's largest dairy processing group the New Zealand Dairy Group, with a case study on members' democracy in NZ co-operatives.

• Isao Takamura, president of the Japanese Consumers' Co-operative Union, on Japanese co-operative retailing.

• Professor Gert Van Dijk, general director of the National Co-operatives Council of Agriculture in Holland, giving a European perspective on corporate governance in co-operatives.

• Professor Murray Fulton, from the University of Saskatchewan, on co-operative identity and commercial success.

Co-op Awareness Week

The key issues conference is part of the inaugural 'Co-operative Awareness Week' and while it remains the main attraction, the program for the week has been broadened to showcase the diversity of co-operatives and their contribution to society.

Events include a community co-operative seminar, a forum on new

co-operatives and co-operative enterprise, and a workshop on worker co-operatives.

A researchers' forum has been organised to review the current state of co-operative research in Australia, identify new areas of research for co-operatives and problems encountered when pursuing a research agenda within the co-operative movement.

An agricultural co-operative leaders conference has also been organised for local and international agricultural co-operative leaders to discuss a range of issues.

Sessions will be held under the themes, 'Funding for value adding', 'Global strategies for success in the 21st Century' and 'Corporate governance in co-operatives'. □

CONTACT

**The conference secretariat on
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National spotlight on Victorian Bill's release

THE LONG-AWAITED Victorian Co-operatives Bill will be considered during the current session of the Victorian parliament, becoming law in 1997.

It will replace the Co-operation Act 1981, reforming it in a number of ways, including:

- The current four types of societies will be replaced by two – trading and non-trading co-operatives.
- Trading and producer societies will become trading co-operatives, with share capital and enhanced disclosure requirements.
- Non-trading co-operatives are defined as ones that do not give returns or distributions on surplus of share capital to members. The Bill recognises that community service co-operatives – child care, housing, aboriginal, broadcasting clubs, health, education and other not-for-profit co-operatives – are not designed to provide economic benefits to their members. They will have less onerous formation and disclosure requirements compared with trading co-operatives.

The Bill contains the seven new co-operative principles recently adopted by the International Co-operative Alliance. The principles that define the structure of a co-operative are reflected in the relevant clauses of the Bill.

It also provides that, in the interpretation of the Act or regulations, a construction promoting co-operative principles is to be preferred to one that does not.

With the new Victorian Act likely to become a reality, there are en-

SNAPSHOT

With the new Victorian Act likely to become a reality, signs in a number of the other states indicate the journey to nationally consistent co-operative legislation may have begun in earnest.

couraging signs from a number of the other states that the journey to nationally consistent co-operative legislation may have begun.

South Australia

David Osgood, secretary of the Co-operative Federation of South Australia, says SA supports the main thrust of the proposed Victorian legislation and the principle of nationally consistent legislation.

Using the Victorian Act as a model, the current proposal is for SA to adopt core provisions in the legislation (which would be consistent throughout the whole of Australia). Once this was done, minor alterations may be made to the Act to specifically suit SA.

"We have already had discussions with our corporate affairs commission and they are looking to recommend to the SA Attorney-General that a draft Act be prepared for comment early next year," he says.

Queensland

Queensland is also looking at the whole process with interest.

Co-operative Federation of Queensland director, Jim Howard, says Queensland is satisfied with the overall thrust of the Victorian Bill but has suggested some amendments which it believes have been looked at favourably.

Like SA, the Queensland Federa-

tion is looking to adopt major sections of the Victorian Bill subject to minor amendments reflecting the needs and wishes of Queensland co-operatives.

Northern Territory

The Northern Territory is not dragging its feet on the issue.

NT Registrar of Co-operatives, Barbara Bradshaw, has worked closely with those involved in drafting the Victorian legislation and its consultation process.

She hopes to have a draft Bill up for consideration by the NT government as early as November with a view to enacting legislation early in the new year.

She says the interstate trading provision of the new legislation is of particular interest to the NT and a number of new co-operatives are waiting in the wings.

Widespread acceptance of the core provisions in the Victorian Bill, covering nearly 90% of its operations, is an encouraging sign for the goal of state-specific but nationally consistent legislation.

As Barbara Bradshaw puts it, "the champagne is not yet on ice, but we have been down to the shop to check out the price". □

CONTACT

Tony Gill, Co-operative Federation of Victoria, (053) 457 466.

Revamp for NSW registry

THE NSW Minister of Fair Trading, Faye Lo Po', has announced changes to the structure of the NSW Registry of Co-operatives.

Changes to the Registry, which became part of the Department of Fair Trading in March 1995, were foreshadowed in the last issue of National Co-op Update.

Under the new structure, the registry's policy component will be transferred to the department's policy area – the Fair Trading Strategy Division.

The rest of the registry's functions will be kept together as a complete unit.

Mrs Lo Po' said a review of the NSW Registry of Co-operatives, conducted in conjunction with the Premier's Department, suggested changes which would put greater emphasis on the development of co-operative policy.

"The Carr government is very committed to co-operatives – an exciting area of potential business growth in NSW," Mrs Lo Po' said.

"Co-operatives have a proud tradition going back to the turn of the century and a strong enterprising spirit. We respect this and need to ensure they receive a more comprehensive yet still very specialised service."

Mrs Lo Po' said the review process took eight weeks to complete. Additional time was taken for detailed consultation with industry representatives, members of the NSW Co-operative Council and staff at the Registry of Co-operatives.

"There are enormous benefits for co-operatives under the new structure," she said.

"Greater priority will be given to the development of co-operative policy and the Registry of Co-operative will have access to the wider resources of (the Department of) Fair Trading."

Mrs Lo Po' said co-operatives in NSW were thriving with new co-operatives being formed nearly every week.

"At last count there were 894 on the NSW Register with a total of 1,038,630 members," she said.

"In the past five years, more than 150 new co-operatives have been formed in NSW – more than 15% of the number of co-operatives currently operating." □

Proposed changes to the Victorian legislation include:

- **Minimum number:** Number of people required to form a co-operative will be reduced to five.
- **Active membership:** When a person ceases to use the services of a co-operative, they would also cease to be a member of that co-operative.
- **Capital:** Under the proposed Act, there is greater flexibility in capital raising from members. The nature of a share is defined, shares can be issued at par value or at a premium, different classes of share are permitted and issuing of bonus shares has been clarified.
- **Management:** The duties and liabilities of directors, officers and employees are spelt out and have been expanded to reflect contemporary corporate law; in addition, provisions have been

made for a limited number of non member directors.

- **Foreign co-operatives:** The state and territory governments are considering common core provisions for co-operatives wishing to operate across state borders. Victorian co-operatives wishing to do business with interstate members will be first required to register as a foreign co-operative in that state and vice versa for interstate co-operatives trading with Victorian members.
- **Takeovers:** The bill makes it difficult for co-operatives to succumb to hostile takeovers by adopting the takeover measures found in the NSW Co-operatives Act 1992, which have been successfully tested in courts.

Credit unions – a history of co-operative success

THIS YEAR the Australian Credit Union Movement celebrates its golden jubilee.

The first credit union was the Universal Credit Union, founded in Sydney on October 4, 1946.

Kevin Yates brought credit unions to Australia after witnessing their successful operation in Canada during World War II.

The impressive history of Australian credit unions has been achieved within the framework of a 'self help' philosophy of members

SNAPSHOT

Peter Challis, state manager of Credit Union Services Corporation (Australia) Ltd (CUSCAL), highlights the string of 'firsts' on which credit unions have built their booming business.

– assisting others to achieve a better life for themselves and their communities.

Australia now has 284 credit unions, with more than three million members and \$15.6 billion in assets.

The diversity and innovation of

credit unions over the years has cemented their place among the strongest financial institutions in Australia.

As a collective and co-operative group, credit unions are the:

- largest provider of personal loans;
- largest Australian issuer of internationally accepted debit cards (Visa);
- second largest provider of fixed term deposit accounts;
- fourth largest issuer of cheque accounts; and
- seventh largest provider of home loans.

Credit unions have a history of technological innovation which has revolutionised retail financial transactions.

In the mid-1960s, credit unions

were among the first to process direct payroll deductions for their members.

In 1977, a Queensland credit union installed the first automated teller machine (ATM) ever seen in Australia and in 1981 a credit union operated the country's first electronic funds transfer at point of sale (EFTPOS) facility.

Three years later, a Bondi credit union processed the first international Visa withdrawal in the world and Australian credit unions were the first to offer payments of public utility accounts over the phone using a debit card.

In 1995, credit unions continued to be at the forefront of technology development with Australia's first trial of Visa's 'disposable stored value of chip' cards at a retail outlet in Sydney.

Australian credit unions form part of the world-wide credit co-operative movement.

The World Council of Credit Unions was established in 1970 to assist member credit unions promote credit unions and their co-operative ideals world wide. □

CONTACT

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AUSTRALIAN CREDIT UNIONS

State	Number	Total assets (\$m)
NSW	143	6949
Victoria	70	2667
Queensland	27	2070
SA/NT	16	2086
WA	15	956
Tasmania	8	541
ACT	5	289
Total	284	15,558

A toast to 50 years of fine wines

AUSTRALIA'S leading wine co-operative, the Australian Wine Consumers' Co-operative Society Ltd, will celebrate its 50th anniversary in November.

Also known as The Wine Society, the organisation has been a major player in the growth of the Australian wine industry.

The founder, Sydney surgeon and wine connoisseur Dr Gilbert Phillips, led a group of wine-loving friends in 1946 to pool funds and buy wine in quantity to achieve greater value for money.

The society has enjoyed co-operative status since it was formed.

It currently holds the number one liquor store licence in NSW, and Dr Phillips would be overwhelmed by the purchasing power of Wine Society membership.

In 1946, table wine was not widely consumed in Australia. It was hard to come by, and drinking it with meals was not yet part of our culture.

SNAPSHOT

For 50 years, Wine Society members have toasted the benefits of co-operative buying power.

Much of the wine that was consumed was fortified wines, such as sheries and ports.

By establishing The Wine Society, Dr Phillips aimed to increase general wine appreciation and, in particular, appreciation of Australian vintages.

He was particularly concerned that labels should specify grape variety and the region in Australia in which the fruit was grown.

He wanted to get away from European generic terms, such as 'claret', 'chablis', 'burgundy' and 'hock'.

These days, the Australian wine export industry is booming.

In 1995-1996, more than 307 million litres of domestic wines were consumed within Australia alone.

The Wine Society has boomed too. In 1996, it achieved sales of around \$25 million, up 11.95% from last year's figures.

Membership now stands at 48,000, an increase of nearly 10,000 since June 1995.

50,000 members

By the end of 1996, The Wine Society expects to welcome its 50,000th member.

The Wine Society's wine committee – which includes international and national wine show judges – ensures members enjoy a premium selection and guaranteed quality.

There are also exclusive wine society labels, a 24-hour ordering hotline, free wine advice and regular newsletters.

With its 50th anniversary celebra-

tions, The Wine Society intends to celebrate the remarkable growth of Australian wine production while at the same time providing tangible benefit to members.

Wine Society CEO, Allan Moss says, "The Wine Society has organised a wide range of functions and events throughout Australia which have proved tremendously popular with all our members."

Members of The Wine Society are required to buy 25 \$2 shares.

There are no annual membership or subscription fees, but members are asked to buy a minimum of \$25 of wine or services from the society each year.

In return, members have access to a wide choice of events, programs and courses, which include wine education courses, free wine tasting and trips to wine growing regions around the world. □

CONTACT

Alan Moss (02) 9358 1766.

Mondragon: Co-operative capital drives industry

THE CAPACITY of co-operatives to contribute on a major scale to Australia's economic well-being and, in particular, to regional economic development, was brought home to me in the course of a recent visit to Mondragon.

Mondragon, in the Basque region of Spain, has a great complex of manufacturing, retail, agricultural, service and support co-operatives.

Since my original visit in 1985, the Mondragon co-operatives have further strengthened their co-operation with one another and are known collectively as the Mondragon Co-operative Corporation (MCC).

For many Australians, the word 'co-operative' carries connotations of smallness and ineffectuality, despite the fact that dairying and other farm co-operatives are among our larger businesses.

The MCC is, by any measure, a major economic entity, with annual sales approaching US\$6 billion.

What began in 1956 as a handful of workers using hand tools and sheet metal to make oil heaters and cookers is now among Europe's corporate heavy weights.

The MCC includes Spain's 10th largest bank and third largest – and fastest growing – chain of supermarkets, hypermarkets and shopping malls.

It is also Spain's largest manufacturer of white goods, such as refrigerators and washing machines, and Europe's third largest supplier

SNAPSHOT

Race Matthews recently visited Mondragon, in Spain. He argues that similar credit union-driven mobilisation of capital in Australia would clear the way for regional economic development on a genuinely grassroots basis.

of automotive components.

In 1992, General Motors designated the MCC as its 'European Corporation of the Year'. Whole factories are designed and fabricated to order in Mondragon for delivery overseas.

Exports account for 40% of the income of the MCC's manufacturing divisions.

International sales in 1995 were 34% higher than in 1994.

Employment in the MCC grew by 1960, to a new high of 27,950. Productivity levels in the co-operatives are much higher than in their private sector counterparts. Signs of workplace dysfunction, such as absenteeism, are less evident.

Strengths

The MCC's remarkable success points to a possible competition advantage for Australia from alternatives to the conventional firm.

The essentials of the Mondragon system are simple. The 100 or so manufacturing companies within the MCC are the property of their workers, often referred to as 'co-operators'. The retail and service co-operatives are owned jointly by their workers and customers.

Each co-operative has a general assembly to set broad policy

directions and a board of directors is elected by, and from, the members.

Voting is on a one member/one vote basis. There are no external directors. The board hires a manager, to whom the running of the business is delegated.

The co-operatives also have social councils to deal with industrial issues such as job ratings and industrial health and safety.

The highest income co-operators receive cannot be more than six times greater than the lowest and, in practice, the ratio is usually much lower.

In addition, the co-operators share equally in the profits and losses of their co-operatives, through a system of capital accounts which are held in trust until they retire.

Support

Mondragon's success was due initially to a unique system of secondary support co-operatives.

A co-operative bank or credit union – the Caja Laboral Popular (CLP) – mobilised local capital for the expansion of existing co-operatives and the creation of new ones.

The skilling requirements of the co-operatives were met by a co-

operative polytechnical college, which is about to become a fully fledged university of technology. There were further support co-operatives for research and development, management training and social insurance.

The co-operatives were linked to one another through contracts of association with the CLP.

An entrepreneurial division within the CLP saw that new co-operatives had sound business plans and were established on a firm footing. Co-operatives in difficulties were supported through regional groups, which also operated shared services, such as purchasing and marketing.

A series of congresses of the co-operatives since 1987 has largely transformed these arrangements and enabled the co-operatives to re-invent themselves.

Re-positioning the MCC

Strategic planning is now the responsibility of the Mondragon Co-operative Corporation, which came into being in 1991.

The regional groupings of co-operatives are being replaced by sectoral groups reflecting the businesses in which they are engaged.

The bank has surrendered its central co-ordinating function to the MCC and is largely now a conventional co-operative financial intermediary, lending largely to private businesses. The functions of the entrepreneurial division have been divided between the MCC and two new consultancy co-operatives.

Rather than start-up co-operatives being created from scratch, they are now mostly being spun-off from existing co-operatives. A mutual fund is to be established to assist the co-operatives in matching their capitalisation of jobs to European Union levels. □

An model for Australian regional enterprise

A key feature of Mondragon to Australian eyes has been the use of a credit union to mobilise local capital for regional economic development.

Australia has one of the most successful credit union movements in the world, with three million members and more than A\$15 billion in assets.

What brought our credit unions into prominence in the 1950s and 1960s was the pressing social need for households to have access to affordable consumer finance. Where families then needed cheap loans for refrigerators and floor coverings, their current need is for capital to fuel growth for local businesses and create jobs.

There is no reason why Australian credit unions

should not now re-position themselves to drive regional economic development, either along co-operative lines, as in Mondragon, or through conventional businesses as is done by the Desjardins credit unions in Canada.

A credit union movement counterpart for the entrepreneurial division of the CLP could be created to provide risk assessment services and on-going management consultancy support.

Credit union-driven mobilisation of capital would clear the way for regional economic development on a genuinely grassroots basis, which requires no more of governments than that they should stay out of its way.

CONTACT

Race Matthews is a senior research fellow in the Graduate School of Government, Monash University, Victoria; chairman of the Waverley Credit Union Co-operative and a former Labor Government Minister in Victoria. He can be reached at (03) 9903 8754.

The Mondragon Co-operative Corporation now has an Internet site at <http://www.mondragon.mcc.es>

IN THE BOARDROOM

Does the left hand know what the right hand's doing?

RESULTS of a survey of Californian agricultural marketing co-operatives shows the importance of directors and management evaluating their co-operative's strategic planning and performance.

The study involved more than 200 board members and senior management in 10 co-operatives.

They were asked to respond to two questionnaires, one dealing with co-operatives strategic planning and another with performance evaluation in terms of grower payments, market performance and related issues.

The report aimed to promote discussion among co-operative boards and management on the direction and implementation of their strategic plan.

'Three of the 10 boards said there was not a 3- to 5-year plan although management indicated such a plan existed.'

It also provided information for, and a formal method of, evaluating co-operative strategic planning and performance.

Co-author of the study, Dr David Schaffner, senior lecturer at the Centre for Co-operatives at the University of California, was in Australia recently.

He says the study indicates a number of planning areas, and strategic and competitive issues on which the board of directors and management disagreed.

SNAPSHOT

Directors and management may not be on the same track when it comes to steering their co-operative and measuring its success.

MEASUREMENTS OF SUCCESS:

1.	Member-patron payment
2.	Market performance
3.	Financial performance
4.	Member relations

"There needs to be improved communication between the directors and their management," he says.

"The long-term viability of a co-operative depends on many of the strategic issues where there was disagreement or misunderstanding."

Dr Schaffner says performance criteria for evaluating agricultural co-operatives is seldom as straightforward as that of an investor-owned firm (IOF).

An IOF has the primary objective of maximising owner returns on investment, while an agricultural co-operative has a number of possible objectives relative to its grower owners.

Long-term planning

The survey found that four of the 10 co-operatives surveyed (40%) showed some confusion as to whether their co-operative had a 3-5 year plan in place.

According to Dr Schaffner, this typically manifests itself in board members tending to focus on the short-term issues such as personnel, product marketing and opera-

'Communication between the boards of directors and their managements needs to be improved.'

tions. This undermines management's ability to run the day-to-day operations and switches the responsibility for those decisions from management to directors.

Co-operative strategy

There were often significant differences in the type of business strategy directors and management believed the co-operative was pursuing.

Dr Schaffner expressed concern at this apparent uncertainty within the leadership of the co-operatives studied.

"If one group in the co-operative believes that the grand strategy is growth and the business level strategy is differentiation, but another group believes it is stability and focus, it can have huge implications for a co-operative's development," he says.

"Each group will focus on different short-term tactics and different marketing strategies with different performance criteria."

Investment

Even though a large majority of respondents indicated their co-operative was pursuing a strategy of product differentiation for its future prosperity, an equally significant number identified plant

modernisation as a key factor in improving the co-operative's performance.

Dr Schaffner believes that this represents an incongruity between a co-operative's grand strategy and the measures to fulfil that strategy.

The pursuit of a strategy based on differentiation suggests that emphasis should be placed on marketing and creating that differentiation in the consumer's mind; plant modernisation could be seen as a measure more in line with the pursuit of a low-cost strategy.

"The high-priority investments should ideally be those that move the co-operative towards the goals established in the co-operatives grand and business level strategies," he says.

Dr Schaffner acknowledges that the pursuit of a mixed strategy could incorporate these different views. However, the responses didn't indicate that this was the case.

Strengths and weaknesses

Asked to nominate their co-operative's greatest strength, staff management skills was the most common response, followed by staff technical skills.

Directors favoured management skills, while management highlighted technical skills as the greatest advantage.

The most commonly nominated weakness was the board's lack of ability to communicate.

Dr Schaffner sees this as an interesting response, in that one would expect that co-operatives would put a high value on getting its communication strategy right.

Another interesting result was that an equal number of respondents nominated member relations as a strength *and* as a weakness.

Performance

Despite differences in some crucial areas, the directors and management involved in the Californian study were in almost total agreement that overall co-operative performance was most strongly measured by member patron payment, followed by marketing performance, financial performance and, finally, member relations performance. □

PERCEIVED CO-OPERATIVE STRENGTHS:

1.	Staff management ability
2.	Staff technical skills
3.	Member relations

PERCEIVED CO-OPERATIVE WEAKNESSES:

1.	Board's communication skills
2.	Staff communication skills
3.	Staff technical skills

CONTACT

Chris Greenwood (03) 9576 1510.

Study targets directors' skills

A RECENT Australian Institute of Management study has focused on the training needs of co-operative directors.

The study, commissioned by the NSW Registry of Co-operatives, specifically targets the duties and skills areas.

The broad aims were to establish a profile of current co-operative directors and then identify skills which would enable them to better serve their co-operatives and members in the modern business environment.

It builds on other work by the registry which identified 'director skills' as a crucial area for improvement to help in the development of co-operatives.

The study also sought to:

- identify impediments to the development of these skills;
- compare the skills of Australian co-operative directors with those of their overseas counterparts.
- compare co-operative director skills with those of similar-sized

SNAPSHOT

In an age where there seems to be a course and a qualification for just about everything, there have been few recognised benchmarks or courses to qualify a person to be a board director. Two recent initiatives have highlighted the need for appropriate training for co-operative board members.

companies in similar industries; and

- recommend training programs appropriate to meeting any deficiencies revealed by the study.

The study made a number of recommendations which it believes would assist in the area of director development:

- develop a set of benchmark standards against which individual directors and boards as a whole can assess their performance and plan their on-going development;
- implement more formal assessment and accreditation processes if, and when, the relevant competency standards are adopted – this means that directors would

need to demonstrate competence in a range of areas to achieve recognition of prior learning and experience;

- target and promote director development activities and initiatives that work towards the development of key director competencies; and
- incorporate 'action learning' strategies complete with a feedback loop and regularly review the training service on offer to ensure they maintain relevance and effectiveness. □

CONTACT

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New training program for dairy co-op directors

THE RURAL Training Council has approved a move to establish a program to train potential candidates for their role as co-operative board directors.

The program is an initiative of the United Dairyfarmers of Victoria (UDV) in conjunction with the University of Melbourne and a number of dairy co-operatives.

UDV administrative director, Terry O'Callaghan, says that most proprietary or publicly listed company board members have a history of working in the conventional corporate culture.

They have often been a chief executive or senior manager in another company and have first-hand experience of the requirements of a corporate manager's role.

In dairy co-operatives, however, most board members are farmer-suppliers to the co-operative and have limited 'corporate' expertise or experience.

Mr O'Callaghan says farmers who join co-operative boards have many valuable skills, but they often have difficulty understanding the roles of various departments within an organisation and existing re-

porting mechanisms. Part of a co-operative board's role is to monitor the performance of senior management and lack of experience in this area can make this job quite difficult.

Information gap

"Understandably, when a farmer is appointed to a board there is a huge information and experience gap they are expected to bridge," Mr O'Callaghan says.

"But, it is too important a position for 'on-the-job learning'. A system is needed to provide that training before a farmer is appointed."

The new training course is aimed at bridging this gap.

Rather than being based on theory and 'book work', the course centres around developing skills to deal with real life situations and problems that occur at board level.

Rather than being based on theory and 'book work', the course centres around developing skills to deal with real life situations and problems that occur at board level.

As a result, the course is very practical, involving group discussion, role playing and meeting with directors and executives of corporate bodies to discuss roles and expectations of directors.

Mr O'Callaghan says all the work they have done on how best to deliver the course pointed to the need for practical examples of the desired skills.

"You can go away and study the legal responsibilities of directorship, but if you are going to argue the merit of a particular point of view at board level, you need communication skills and analytical abilities which can best be developed by practical exercises and experience," he said.

While the program is designed to help farmers currently in a director's position, it is hoped that in the future such qualifications will be a prerequisite for nomination to a board position. □

Rabobank profit up

BANKING co-operative, Rabobank Australia, has announced a 23% increase in before-tax profit – to \$17.68 million – for the half year to June 30.

Assets were 32% higher than a year earlier.

Chief executive officer, Cor Broekhuysen, says this is an excellent result, which confirms that the Rabobank Group's strategy to become a major player in rural and agribusiness finance in Australia and New Zealand is on target.

"Our portfolio is now 8% of total rural lending in these markets and we plan to increase this over the next year," he says.

"To strengthen our product base, we launched PIBA Equipment Finance Ltd, which provides farmers with competitive hire purchase and leasing products for new and quality used agriculture machinery.

"We also forged a strategic alliance with Wesfarmers Dalgety Ltd, to provide seasonal finance to primary producers."

Rabobank Australia incorporates the Primary Industry Bank of Australia's farming finance operations in Australia and NZ, as well as Rabobank's corporate banking operation.

Tax change protest

AUSTRALIA is not the only place where national tax changes are causing co-operatives angst.

In the Philippines, proposed co-operative tax changes have drawn significant protest from NATCCO, the country's national confederation of co-operatives.

In essence, the proposed reforms reduce the threshold limits after which a co-operative will pay tax on both gross receipts from business activity and the total reserves of the co-operative.

In a position paper and subsequent national protest rally, NATCCO noted that, as an organisation, it was not against tax reform, but that co-operatives occupied a special status in society.

Co-operatives, it said, were self-help organisations made up of people whose needs were generally not adequately met by society.

NATCCO believes that co-operative activities involve a significant proportion of 'public good' activities in terms of self help, education and community welfare.

From housing to dairying, from credit unions to fishing, from Western Australia to Queensland, the co-operative movement affects the lives of millions of Australians who are either co-operative members or provide goods and services to the sector.

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