

## MIXED RESPONSE TO ASX PROPOSALS

A DISCUSSION paper produced by the ASX earlier this year outlined a flexible approach to fund raising for co-operatives via one of two mechanisms:

- Transition to a public company via listing on the exchange and a gradual demutualisation process.
- Continuance as a co-operative with the listing of financial instruments such as debentures, subordinated debt or 'co-operative capital units'.

President of the Co-operative Federation of Queensland, **Lui Raiteri**, dismisses the proposal's first mechanism out of hand, saying that listing on the stock exchange as a company is inconsistent with the long-term maintenance of co-operative principles.

While commending the ASX for turning its attention to co-operatives' need for capital, he says an unfortunate side-effect has been to open the door to certain members of the finance profession to "jump on the band wagon of publicly listing co-operatives".

Mr Raiteri says there is a lot of misleading publicity about the supposed benefits to co-operatives of the ASX's proposal.

He sees this as providing finance advisers with the opportunity to increase their business with the co-operative movement, rather than being in the best interests of co-operative members.

Turning to the ASX's second option, Mr Raiteri says the opportunity to list debentures and other debt instruments will

### SNAPSHOT

*A proposal by the Australian Stock Exchange (ASX) to ease the difficulties some co-operatives face in raising funds has received a mixed response from the Australian co-operative sector.*

broaden the available market for co-operatives in their search for capital.

However, the benefits end there.

"The simple fact is ... with the introduction of new co-operative legislation and the retention of co-operative taxation advantages ... co-operatives have been given every reason to maintain their member ownership and retain control of their own Australian owned and operated businesses," he says.

**Don Kinnersley**, consultant to the Co-operative Federation of NSW Ltd, also pours cold water on the ASX's suggestion of listing and gradual demutualisation, arguing that such an approach is impossible under the new co-operative legislation.

"Under the present NSW legislation, shares in co-operatives registered in NSW can only be held by active members of the co-operative and must be forfeited two years after a member becomes inactive," he says.

"These restrictions rule out the listing of shares in a co-operative on the stock ex-

change for purchase by non members."

The new proposals are the ASX's second attempt to accommodate co-operative needs.

This latest effort marks a considerable softening of the ASX approach and attitude to co-operatives.

**Jeremy Martineau**, from the Brisbane legal firm McCullouch Robertson, closely monitored the ASX's first discussion paper and notes the shift in stance.

He says the ASX was initially quite hostile towards the co-operative sector, but this appears to have all changed with the new proposals.

The ASX has basically recognised that co-operatives and former co-operatives represent a special case, confirming that "within broad policy guidelines, the ASX will take a flexible approach and treat each case on its merits".

The reasons for the ASX's new 'enlightened' approach remain a mystery. Some say that last year's Australian visit by representatives of a foreign exchange 'touting for business' increased the pressure for the ASX to be more accommodating.

Others point to the emergence of the secondary or exempt stock markets for co-operatives.

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## NEWS FROM AROUND THE WORLD

**Europeans feel the urge to merge**

Dutch dairy co-operative, Campina Melkunie became Europe's largest milk processing group with its recent merger with German co-operative Milchwerke Kohn Wupperatal (MKW). Pressure for mergers within the German dairy co-operative sector have been growing for some time.

MKW had been looking at potential merger options with other German co-operatives but the strength and size of the Dutch co-operative proved decisive.

Four Dutch dairy co-operatives, Coberco, Friesland, Tweek Provicien and De Zuid Ost Hoek are to merge to form a single co-operative with an annual turnover of around A\$6 billion.

Denmark's oldest co-operative dairy, Hjedding Andelsmejeri, has joined international dairy company MD Foods. Hjedding's has 72 owners supplying 29 million litres of milk per year. Co-operative chairman, Niels Aage Henriksen, indicated the co-operative had found it increasingly hard to compete on the dairy market in recent years.

After months of negotiation, former Irish dairy co-operative (converted to plc status in 1988) Avonmore has finally merged with Waterford Foods (also a former co-operative). The move pushes the combined group into the top five cheese-producing groups in the world.

**US mega co-operative mooted**

The US seems determined not to be left out of the merger frenzy. Four of the country's largest dairy co-operatives have signed a memorandum of understanding to discuss the formation of the world's largest dairy co-operative.

Associated Milk Producers, Mid-American Dairymen, Milk Marketing and Western Dairymen Co-operative individually are giants by Australian standards and the scale of the new entity is staggering. If it goes ahead it would process 25% of total US production – almost 20 million tonnes or about 18 billion litres a year.

The individual processors also sell some of their milk to other processors, but it is believed that in cheese alone they have a combined output of 500,000t, making the proposed new venture the world's largest cheese producer by far.

According to industry sources, the deregulation of prices and reduction in government support have provided the main driving forces for these mergers.

**Co-operatives poised for growth in Singapore**

Co-operatives in Singapore will play a larger role in housing, aged and health care, and other areas of community need, according to **Abdullah Tarmugi**, Singapore's Minister for Community Development. Speaking to delegates of the Singapore National Co-operative Federation, he paid tribute to the significant role co-operatives already played in the areas of insurance and credit, child care and consumer essentials.

**Canadians profit from wheat**

Canada's largest co-operative, Saskatchewan Wheat Pool (SWP), increased its net earnings in 1996 by 48% to C\$48.4 million.

According to the latest issue of the International Co-operative Alliance's newsletter, ICA News, SWP successfully completed its conversion into a publicly-traded co-operative in the same year.

Under the adopted structure, existing member share capital was converted into class A (voting) and class B (non-voting) shares. The report says the class B shares, listed on the Toronto Stock Exchange, increased in value during the year. Class A shares are held only by active farmer members in order to retain member control.

**Ikea recognises co-operative style**

Slovak producer co-operative KNK, in Lubietova, has won the best supplier award from the international home goods retailer, Ikea, accompanied by a prize of 100,000 Swedish crowns. The 240-employee co-operative has been supplying furniture accessories to Ikea for eight years, with sales rising from 3 million to 12 million Swedish crown during this time.

**International co-operative movement in print**

The International Co-operative Alliance (ICA) has commissioned **Dr Johnston Birchall** to write a book on the international co-operative movement. The book is expected to be published by Manchester University Press later this year.

Dr Birchall is an author and social policy lecturer at Brunel University in the UK. He is also the editor of the Journal of Co-operative Studies and was a guest speaker at last year's Co-operatives Key Issue Conference in Sydney.

**Co-operatives on TV**

The first video news release as part of the ICA's targeted television strategy was released earlier this year to coincide with the International Day of Co-operatives.

The four-minute video shows how co-operatives can improve the lives of ordinary people and stresses, among other features, the considerable contribution agricultural co-operatives make to world food security. The video was shot on location in Kenya and sent to major news agencies, with additional footage to enable them to make their own documentaries on co-operatives. The footage will also feature in the ICA's corporate video, due to be produced in the coming months.

**World-wide co-operative database**

With funding from the European Union, a project is under way to collect information on European co-operatives. The final database will be made available to interested ICA member organisations on disk and through the Internet. It is hoped to eventually extend the database to include co-operatives throughout the world, with an emphasis on developing regions.

Although this project will require substantial resources, the ICA believes the results will enable co-operative leaders and economists to analyse trends and make informed decisions based on accurate statistics.

**ICA's Internet development**

The ICA web site has recently been reorganised to aid navigation through the increasing amount of information within the site. The site now contains four separate sections:

- The ICA – containing information on the International Co-operative Alliance.
- Co-operative information – containing information related to the co-operative movement world-wide.
- Outreach – with information on the Internet, the co-operative 'gopher' to news groups, relevant business sites and international organisations.
- New! – which as the name suggests contains new information, including a new site called Co-ops for Kids.

**'National Co-op Update' welcomes contributions of news and articles. Contact Chris Greenwood, (03) 9576 1510, fax (03) 9576 1276.**

## SEMINAR TO EXPLORE RURAL HEALTH AND CO-OPERATIVES

A seminar in NSW on multi-purpose health centres and the role of co-operatives in rural health will review and discuss opportunities for co-operatives to help provide health facilities in rural areas.

Seminar organiser, **Col Francis**, says co-operatives offer a real alternative in enabling communities to be part of changes to rural health services.

If communities do not move with the changes to the health care system apparent throughout Australia today, they may lose their existing services, he says.

"Yeovil is a perfect example of what co-operatives can achieve in this area," he says.

The Yeovil District Hospital was closed in 1988. A public meeting led to the formation of the Yeovil Community Hospital Co-operative Ltd in an effort to address and fund local community health needs.

This first step was followed by the establishment of

the first multi-purpose health care centre in NSW. It includes a new hospital, a nursing home and hostel, a day care centre for residents and older people living locally, and a host of general health services, including physiotherapy, optometry, community nursing, outreach services and meals-on-wheels.

The seminar will include a case study on Yeovil and addresses on co-operatives as alternatives to rural hospitals, community concerns in rural health and other areas related to providing health services in rural areas.

The seminar will run from 9am to 4.30pm on November 6. Registration costs \$10.

### CONTACT

Col Francis, Yeovil Multi-Purpose Health Centre, 3-7 Lord St, Yeovil, NSW 2868. Phone (02) 6846 4100, fax (02) 6846 4304.

# Workshops focus on co-operative health care

OPTIONS for co-operatives in health care were the subject of two recent workshops held under the auspices of the Co-operative Federation of Victoria.

The workshops addressed four major areas:

- co-operative alternatives to rural and small hospital closures;
- new modes of primary care provision;
- providing pharmacy services to members of co-operatives in association with friendly society dispensaries; and
- providing health insurance to co-operative members either through existing friendly societies or through a co-operative health fund.

According to the workshop co-ordinator, **Vern Hughes**, the workshops explored ways of increasing public interest and debate on the concept of membership-based health services.

Mr Hughes said one possibility which was closely examined was the formation of a co-operative to undertake certain functions which complemented the work of existing membership-based health organisations.

"One such function might be the provision of a member's health record in which practitioners across various disciplines enter records of consultation, treatment and health maintenance strategies, drug prescription and check-up schedules," he said.

"This record would not be a substitute for practitioners' records; it would be a patient record, retained by the patient for their use and remaining the property of the co-operative for as long as the patient is a member of the co-operative. Its purpose would be to help overcome fragmentation in the health system."

According to Mr Hughes, a co-operative of this kind might act as a consumer entity in the re-structure of primary care and community health. It might also provide access to pharmacy services in association with dispensaries and provide discounted prices for members from fee-for-service practitioners.

### CONTACT

Vern Hughes, (03) 9326 8245.

## GETTING DOWN TO BUSINESS

'Co-operatives getting down to business' is the theme of the 1997 Co-operative Federation of NSW's conference.

It will provide an opportunity for co-operative directors, management and their advisers to hear the latest information on a range of issues important to Australian co-operatives.

Topics to be covered over the two days include:

- Recent government and legislative changes affecting co-operatives and what they need to do to comply.
- The CEO's relationship with the board and how to make it work.
- A 'hypothetical' board meeting – selected board members deal with real issues affecting many co-operative directors.
- Getting greater value out of assets through mergers and joint ventures.
- Recent ASX policy initiatives relating to co-operatives.
- Options for co-operative fund raising.
- How the board assesses its own effectiveness and managing conflict among members and at board meetings.

The conference will be held on November 13-14 at the Panthers Club in Penrith, Sydney. Registration and a welcoming function will be held in the evening on November 12.

### CONTACT

Co-operative Federation of NSW consultant, Don Kinnerley, 2 Chatham Close, Belrose, NSW. Fax/phone (02) 9975 7228.

## CO-OPERATIVE LEADERS HONOURED

**Jim Kennedy**, managing director of the Ricegrowers Co-operative Ltd, has been named an 'export hero' in the inaugural Westpac heroes awards.

The award recognised Mr Kennedy's efforts in helping create niche markets for Australian rice across the globe.

In the past 10 years Australian rice production has doubled and Mr Kennedy was responsible for placing large tonnages into often over supplied and unwelcoming world markets.

Dairy industry stalwart, **Pat Rowley**, chairman of the Australian Dairy Industry Council, dairy farmer and a leading member of a dairy supply co-operative in Queensland was also named an 'export hero'.

As chairman of the industry's peak policy body, Mr Rowley has had a pivotal role in the development of the dairy sector.

The awards are an initiative of the Australian Institute of Export (NSW) Ltd with Westpac as a principal sponsor.

## NEW LOGOS

### LAUNCHED

The Australian Credit Union movement and the NSW Co-operative Federation have both launched new logos recently.

## NEWS FROM AROUND AUSTRALIA

## NATIONAL

**Credit union victory**

Credit unions have won the right to compete against banks for the financial business of Federal Government departments, agencies, companies and authorities.

The reform has been introduced through an amendment to the Financial Management and Accountability Bill 1996 and the Commonwealth Authorities and Companies Bill 1996.

The amended Bills are part of a legislative package designed to modernise controls on financiers and businesses owned and operated by the Commonwealth.

**Dr Vern Harvey**, chief executive of the Credit Union Services Corporation, has welcomed the decision as a demonstration of the government's commitment to competitive neutrality.

"The broad support of these amendments through both Houses of Parliament is recognition of the competitiveness and high prudential standing of credit unions," he says.

"The credit union movement's efforts in assisting rural and remote communities – including Aboriginal and Torres Strait Islander communities – through the CreditCare project will be greatly enhanced by this reform."

**Co-operatives in the top 20**

Co-operatives continue to maintain their strong economic performance, with a number featuring in the top 20 of BRW's top 500 private companies. Pharmaceutical wholesaler Sigma and dairy processor Bonlac Foods made it into the top 10. Fellow dairy processors Murray Goulburn and the Dairy Farmers Group made it comfortably into the top 20.

## VICTORIA

**New Act proclaimed**

The 1997 Victorian Co-operatives Act was proclaimed in October. Victorian Co-operative Federation secretary, **Tony Gill**, with the assistance of the Office of Fair Trading and Business Affairs, is running a series of seminars around Victoria in October on how the new legislation will affect co-operatives.

**CONTACT: TONY GILL, CO-OPERATIVE FEDERATION OF VICTORIA, (03) 5345 7466 OR 019 176 372.**

**New buyer co-op forms**

A community purchasing co-operative was launched in Melbourne in September.

The New Market Co-operative aims to provide economic and social benefits for members by pooling their purchasing power. It hopes to buy co-operatively to save on services and products, including phone calls, electricity, gas, petrol, insurance, trade services, motor vehicle, pharmacy and health services.

Founding member, **Vern Hughes**, says the introduction of competitive markets in areas such as electricity, gas and telecommunications means the availability of more than one supplier. He says large businesses and institutions have already wielded their bargaining power to obtain significant price savings and acceptable service arrangements.

"By pooling their purchasing through a co-operative, small consumers can enhance their economic power. The more members, the greater the bargaining power.

"Our purchasing co-operative will work to benefit households, small businesses and community organisations. For some products

and services, we will explore alliances with other purchasing co-operatives to achieve greater market leverage," Mr Hughes says.

**CONTACT: VERN HUGHES ON (03) 9326 8245.**

**Co-op targets bigger suppliers**

Dairy processing giant Bonlac Foods recently introduced price incentives for bigger suppliers following the shift of about 20 of its major northern Victorian suppliers to competitors. Bigger suppliers offer improved efficiencies in collection and administration and Bonlac feels it must protect its larger supplier base.

In other news at Bonlac, Standard and Poor Australia (S&P) has assigned the co-operative its BBB plus/A-2 rating. S&P said its ratings reflected Bonlac's low-cost, large-scale manufacturing, a strong domestic brand position and growing export opportunities.

Bonlac has also just won the bid to be the exclusive supplier of dairy foods and an official supporting sponsor of the Sydney 2000 Olympic Games. Managing director, **Phil Scanlon**, says the exclusive supplier category means the co-operative will provide all designated dairy products to all official venues during the Sydney 2000 Olympic and Paralympic Games.

## NEW SOUTH WALES

**New NSW Act still a goer**

Contrary to rumours within the co-operative movement, NSW will not be a dissenting state in the development of nationally consistent co-operative legislation.

**John Schmidt**, director of fair trading strategy with responsibility for the co-operative policy unit of the NSW government, told **NATIONAL CO-OP UPDATE** that agreement on proposed amendments had been reached with the other states at a meeting in Adelaide in September.

He said the amendments proposed were aimed at addressing NSW's problems with the legislation, while at the same time introducing core consistent provisions to allow national operation of co-operatives. He was confident NSW would be able to announce in early December new co-operative legislation consistent with the national framework adopted by other states.

**Doing the paperwork**

The NSW Treasury Corporation is developing the necessary documentation for co-operatives wishing to apply for loans from the NSW government which comply with the conditions of Section 120(1)(c) of the Taxation Act.

**ANZ to advise the Dairy Farmers Group**

Major dairy processing co-operative, Dairy Farmers, has appointed ANZ as its corporate adviser to investigate options for accessing funds for co-operative growth and methods by which its members can gain access to the co-operative's wealth. The move indicates the co-operative's desire to ensure it has adequate access to funds to capitalise on any future opportunities in the dairy market. Managing director, **Alan Tooth**, says the co-operative is questioning whether its members should be the only source of equity required to fund future initiatives.

**Take your positions please**

Staff changes at the NSW Department of Fair Trading seem to be over for now. Key position holders include: **David O'Connor**, director-general and registrar of co-operatives; **Bruce Horton**, manager, co-operatives; **John Schmidt**, director, fair trading strategy; and **Garry Cronan**, manager, co-operative policy unit.

## NSW business expansion assistance

The NSW Department of State and Regional Development oversees a 'business expansion program' providing funds to businesses (with at least three employees and \$300,000 turnover) for projects aimed at increasing employment, exports, import replacement and competitiveness. The scheme can provide up to 80% towards \$10,000 projects submitted by NSW business.

**CONTACT:** NICK MUNK, STATE AND REGIONAL DEVELOPMENT, PHONE (02) 9282 6988, FAX (02) 9282 6962.

## SOUTH AUSTRALIA

### SA Act passed, regulations on the way

The new SA Co-operative Act has been passed by the state's parliament but has been held up by the state election on October 11. SA secretary, **David Osgood**, says only the regulations attached to the Act remain unfinalised, but he does not expect any major problems with this process. He says he is hopeful that the Act will be proclaimed by December 1.

**CONTACT:** DAVID OSGOOD, CO-OPERATIVE FEDERATION OF SOUTH AUSTRALIA (08) 8216 5520 (Mon/Tues), FAX (08) 8362 7455.

## NORTHERN TERRITORY

### Co-operatives Bill on track

NATIONAL CO-OP UPDATE believes that, although the progress of the new co-operatives Bill has been delayed by the recent NT elections, the process remains on track to have the legislation in place before the end of the year.

## AUSTRALIAN CAPITAL TERRITORY

### Election interrupts Act's progress

The ACT's registrar of co-operatives, **Ian Keightley**, says any new legislation will have to wait until after the ACT elections in February. However, he confirms the government's intention to go along with the process of creating nationally consistent legislation by adopting core consistency provisions in a new ACT Co-operatives Act.

## WESTERN AUSTRALIA

### Draft Bill still to come

WA legislation is not at draft stage yet. WA Co-operative Federation secretary, **John Booth**, hopes to see a draft Bill released for comment in time for the federation's next meeting in November.

**CONTACT:** JOHN BOOTH, WA CO-OPERATIVES FEDERATION, (08) 9472 4210, FAX (08) 9472 4213.

## QUEENSLAND

### Queensland quick to Act

Queensland became the first state to introduce new nationally consistent co-operative legislation with the proclamation of the 1997 Co-operatives Act on September 1.

Co-operative Federation of Queensland executive director, **Jim Howard**, hailed the new Act as a major achievement for the Queensland co-operative sector. He praised the efforts of the government and its representatives, particularly the Attorney General and Minister for Consumer Affairs, **Denver Beanland**, in ensuring the new legislation was up and running in record time.

**CONTACT:** JIM HOWARD, (07) 3355 3331, FAX (07) 3855 1113.

## PROJECT TO NUTURE NEW CO-OPERATIVES FOR VICTORIA

'Building a future for rural communities through co-operation' is the title of a new project organised jointly by the Centre for Rural Communities, the Co-operative Federation of Victoria and Co-operative Energy.

The project involves a program of study circles and workshops over an 18-month period from October 1997, with the aim of facilitating co-operative development in rural Victoria in five specified streams:

**Finance:** Community-based credit unions, investment, mutual aid and superannuation funds. The Wallis report has recommended new regulatory provisions, enabling the development of new kinds of community-based financial institutions.

**Health:** In 1988, a town in NSW was faced with the closure of its local hospital. The community responded by forming a Community Hospital Co-operative which now runs an innovative multi-purpose health centre with a mix of public and private funding.

**Utilities:** As a result of the restructure of Victoria's energy industry, community and other co-operatives will, in the near future, be able to buy electricity and gas directly from power utilities. Without aggregation of purchasing power, rural communities will be disadvantaged when the existing cross subsidisation is removed.

**Agriculture:** Co-operatives have long been a successful model for agricultural supply. The model remains very attractive for new and developing agricultural industries.

**Agroforestry:** There are three forestry co-operatives in Tasmania, two newly formed in Victoria and one in the process of formation in North Queensland. These co-operatives provide small landowners with economies of scale in production and management and marketing expertise.

### CONTACT

Tony Gill, Co-operative Federation of Victoria, (03) 5345 7466 or 019 176 372.

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## MIXED RESPONSE TO ASX PROPOSALS

Another explanation is that it is part of the ASX's gradual awakening to the importance of co-operatives as intrinsically Australian-owned highly competitive businesses.

Regardless of the cause, it seems the ASX still has a long way to go to meet the needs of the co-operative sector.

In fact, Mr Martineau makes the point that the proposals are more useful for former co-operatives which have retained their co-operative values, than true co-operatives.

"For former co-operatives, the ability to retain control through the mechanism of a 'golden' share (which the ASX had consistently opposed previously) is a real advance," he said.

He echoes state co-operative federation claims that listing shares is not an option for true co-operatives registered under the new Act. However, the new legislative provisions dealing with subordinated debt (see National Co-op Update, July/August) creates a flexible instrument which may be suitable for listing.

Mr Martineau says the ASX is looking at this whole issue and may well make further moves to help capital raising by co-operatives through the mechanism of subordinated debt. □

### CONTACT

For more information and copies of the ASX proposal contact **Alan Shaw**, manager policy development, Stock Exchange Centre (03) 9617 8655 or for the response of the Australian co-operative movement contact **Jim Howard**, Co-operative Council of Australia, (07) 3355 3331.

# A FAIR DAY'S PAY FOR A FAIR DAY'S WORK ON THE BOARD

PRO=NED chief executive, **Guy Pease**, says the responsibilities of company directors often make headlines in the media, but what they are paid is seldom discussed openly.

He hopes a new report from his organisation will provide a 'do-it-yourself' guide for companies, boards and management to examine their own policies on non-executive director (NED) remuneration.

PRO=NED, which specialises in the appointment of non-executive directors to company and co-operative boards, sent questionnaires to 236 individual NEDs, representing more than 770 board seats in public, private, government, co-operative, credit union and not-for-profit organisations.

The questionnaire sought information and opinions on directors' time commitment and remuneration, board practices, and related issues, such as retirement benefits, fee packaging and liability insurance.

"Each board has to decide for itself what is appropriate to pay its directors in relation to the company's particular situation. This must be supported by its best assessment of the board's ability to 'add value' to the organisation," Mr Pease says.

"We have tried to set out this report in such a way that individual companies can quickly and easily find out for themselves what comparable companies in their own and related industries are doing and paying."

Mr Pease notes there is no definitive formula in setting remuneration levels, but a number of considerations should be kept in mind, including:

- the company's growth and development record, profitability and return on shareholder's funds;
- the calibre and experience of board member the company can realistically attract;
- where your company stands in relation to directors' fees for comparable companies;
- your estimate of the 'time required' for directors to carry out their duties for the company – a major determinant of fees;
- the split between basic board fees and

other commitments (e.g. finance/audit committees, etc), which will vary from one director to another; and

- when you last adjusted the directors' fees, and subsequent CPI and wages movements.

The report does not set out to be the final word on board remuneration, simply a guide to what other organisations are doing in this important area. Just as significantly, it presents anonymous thoughts (and collective wisdom) on the topic from the nearly 250 current board members.

## What the survey found

### Remuneration

The full report contains a breakdown of individual industry sectors by size and type of firm to enable more accurate matching of results with particular companies. However, Table 1 gives approximate remuneration results for selected types of companies.

Mr Pease says the overall results for chairmen suggest they are underpaid in many Australian companies.

"With ultimate responsibility for the performance of the company, its management and board, chairmen seem to be underpaid for the load they carry. A chairman's workload is almost always two to three times that of any director,

regardless of other considerations," he says.

The differing workload does not seem to be reflected in the remuneration rates between chairmen and non-executive directors. Similarly, Mr Pease says, the survey suggests deputy chairmen do not get the recognition they deserve in monetary terms.

"Deputy chairmen carry distinct added responsibilities to non-executive directors," he says.

Though only a relatively small percentage of companies in the survey actually had a deputy chairman, Mr Pease believes the pay rates should be more closely examined where the position does exist (particularly as half the deputy chairmen surveyed felt they were unfairly compensated for their role and the work involved).

### Hourly rate

Interpretation of hourly rates is subject to many variations, but working on average remuneration levels, the average hourly rate for NEDs was \$165 and \$202 for the chairman.

Measured against the rates charged by outside consultants and professional advisers, whose rates can range from \$250 to \$500 an hour, the report says many directors are still poorly rewarded.

## SNAPSHOT

*Are boards paying their directors enough to match the financial and governance responsibilities they are expected to carry?*

**TABLE 1: REMUNERATION (ROUNDED TO NEAREST \$1000).**

Company yardsticks	Chairman	Deputy chair	NEDs
Total average remuneration	\$46,000	\$32,000	\$31,000
Total av. for publicly listed company	\$64,000	\$52,000	\$41,000
Total av. for company with assets >\$1 billion	\$82,000	\$58,000	\$52,000
Av. for company with turnover >\$1 billion	\$97,000	\$65,000	\$56,000
Av. for company with >5000 employees	\$92,000	\$62,000	\$66,263
<b>Small and private companies</b>			
Av. for company (assets up to \$20m)	\$28,000	\$15,000	\$19,000
Av. for company (turnover up to \$20m)	\$26,000	\$10,000	\$20,000
Av. for company up to 50 employees	\$27,000	\$16,000	\$19,000

### Workload/time commitments

Chairmen reported an average of 38 days a year devoted to board work; 27 days for deputy chairman; and 28 days for NEDs.

Mr Pease believes these time commitments are conservative, particularly in the case of chairmen. He says it is quite common for chairmen to understate their time commitment due to the nature of the job.

### Incentive payments

Some companies are following the trends of management remuneration policy and introducing incentive payments (usually share options), but at a much lower level than for executive management. Six percent of those surveyed received some form of incentive payment.

### Director satisfaction

Of those directors surveyed, around 62% were satisfied with the level of pay they were receiving. This was slightly up on a similar study in 1995, which registered 57% satisfaction.

Although most directors seemed satisfied with their general level of remuneration, Mr Pease says there were some notable exceptions. Around 58% of chairmen and NEDs in government positions, and 80% of NEDs on co-operative/credit union boards expressed considerable dissatisfaction with their remuneration.

As a group, deputy chairmen expressed the greatest concern, with nearly 50% believing they were not fairly compensated. This was compounded for those on government boards, where 86% felt they were underpaid.

### Summary

Mr Pease says NED remuneration continues to be a controversial subject. At annual general meetings it often gets lumped in, and confused with, executive director remuneration, to the detriment of informed discussion on the subject.

Despite the increasing recognition of the important role NEDs play in the successful running of companies, he says there appears to be many areas of business, particularly in government authorities, where they are under rewarded for their duties and responsibilities.

With increasing emphasis on company performance and increasing pressure on boards to monitor and drive this performance – the importance of making sure directors are properly rewarded can only grow. □

# HARNESSING CO-OPERATIVE POWER IN THE MARKET

'SEIZING CONTROL – The International Market Power of Co-operatives' investigates opportunities for co-operatives in a changing world.

The operating environment for agriculture and food sectors across the world has changed dramatically in recent years, with many businesses being re-organised, restructured and renewed.

This book's editors and contributors say the business literature pays considerable attention to these changes from the company perspective, but little attention is given to the co-operative perspective.

This remains the case, even though co-operatives in recent years have grown into multi-billion dollar organisations crossing national frontiers. The book says these co-operatives are encountering foreign cultures and business law which need to be properly understood.

The lack of attention by educational, scientific, financial and political institutions to co-operatives led Dutch co-operative, Campina Milkunie, to survey an international team of academics.

Top international economists and business professors were approached and their thoughts on co-operatives are recorded in this book. Among the contributors are:

- **Professor Douglas North**, a Nobel Laureate for economics, discussing the process of adjusting to a changing world. He suggests methods for co-operatives to evaluate whether they can still change their business environment within the political economy. In the process, he outlines a strategy for co-operatives to reduce transaction costs for their members.
- **Professor David Hughes**, holder of the Sainsbury chair of Management and Agribusiness at Wye College at the University of London in the UK since 1991, presents a new look at power in the food chain. He maintains that power lies with the consumer, not the large retail chains, and this offers new opportunities for farmers and their co-operatives.
- **Roel in't Veld**, professor of Public Administration at Leiden University in Holland, looks at co-operatives as organisations for the future. He defines the concept of the 'value set' of society and how society's values are

### SNAPSHOT

*Seizing Control – The International Market Power of Co-operatives*, edited by Professor Gert van Dijk, Dutch journalist Pieter Bos and American journalist Lee Egerstrom.

again moving in the direction of the co-operative way of doing business.

- **Professor Jesper Strandkov**, from the Asarus School of Business in Denmark, stresses the need for co-operatives to gain control of the entire production and marketing chain for their produce, perhaps by combining forces through mergers. He outlines four models with which Danish co-operatives can expand internationally and develop new products.

Other contributors include:

- **Jerker Nilsson**, professor of Co-operative Business Administration at the Swedish Agricultural University, Uppsala, on 'The involvement of members as the most precious asset of a co-operative – A view from Sweden'.
- **Professor Werner Grosskop**, director of the Institute of Agricultural Markets and the Research Centre of the Co-operative Movement, on 'How farmers can influence strategic decision making – A view from Germany'.
- **Michael Cook**, professor in Co-operative Leadership at the University of Missouri, on 'New generation co-operatives as an alternative approach – A view from North America'.
- **Professor Gert van Dijk**, director of the National Co-operatives Council of Agriculture in Holland and one of the book's editors, argues that co-operative management needs to consider the influence of members, issues of accountability and the thorny questions of investment and risk. (*Prof. van Dijk was in Australia for last year's Co-operatives Key Issues conference.*) 'Seizing Control' aims to "broaden and deepen discussions on what the future holds for co-operatives". □

### CONTACT

Copies of the book, published by Lone Oak Press, are available from Allen Gerber, President, Minnesota Association of Co-operatives, 30 East Seventh Street, #1720, St Paul, Minnesota, US.  
Phone (612) 228 0213, fax (612) 228 1184.

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