

CO-OPERATIVES AWAIT MORE DETAIL ON RALPH TAX REFORMS

THE LONG-ANTICIPATED report of the Ralph Review of Business Taxation, 'A Tax System Redesigned', contains some good news for co-operatives, but there is still uncertainty about its implications in some areas.

The New Business Tax System announced by the Treasurer, **Peter Costello**, on September 21 contains far-reaching reforms that will affect all Australians.

The main reforms that specifically affect co-operatives include:

- All co-operatives will be taxed like companies. However, the Co-operatives Council of Australia (CCA) has negotiated certain significant exclusions in relation to distributions, discounts to members and immediate credit for imputation on distributions.
- Retention of the concession allowing a deduction to eligible co-operatives for principle repaid on certain loans (Section 120 (1)(c) of the Income Tax Assessment Act).
- Co-operatives will receive imputation credits from any associated entities.

A preliminary review of the reforms suggests that a number of the CCA's concerns – outlined in its extensive submissions to the review – have been addressed.

However, according to CCA chairman **Jim Howard**, a number of matters require clarification. These include the extent to which the proposal on distributions caters to co-operatives' normal

SNAPSHOT

While the Ralph Review has some positive news for co-operatives, there's still a long way to go to ensure the tax reformers understand the special needs of co-operatives.

practices, the application of the mutuality principle, transition requirements, and the status of government grants and subsidies to co-operatives.

"Before the council can examine the full effect of the proposals on co-operatives, it will need decisions by the government on those details not covered in 'A Tax System Redesigned'," Mr Howard said.

The CCA has been working hard to ensure that the co-operative sector's needs were not ignored in the tax system revamp.

The retention of Section 120 (1)(c) reflects these efforts. This provision has been under threat for a considerable time and co-operative representatives have had to stay in close contact with policy makers to ensure they understand the reasoning behind what otherwise could be seen as unwarranted support of a particular sector.

A further report resulting from the Ralph Review, which is expected to contain the detail of how the tax reforms will be implemented, is yet to be released. The CCA will be keeping a close eye on that report and the ensuing legislation. ■

New plant for Victorian fruit co-operative

The Australian Fruit Marketing Co-operative officially opened its Silvan, Victoria, processing factory in mid-September.

The factory, which the co-operative bought last year from National Foods, will process local berries and market 100% Australian jam products.

The co-operative was formed in 1997 after strawberry growers east of Melbourne lost 30% of

their market as a result of the local jam factory deciding to source product from Mexico.

A reason for this decision was that the factory no longer wanted to deal with a number of individual growers, preferring to have one contract to supply berries.

Industry figures claim that, largely due to Australia importing about 4500 tonnes of frozen strawberries a year, the number of Victorian

berry growers has dropped from 400 to 200.

The factory, which has the capacity to process 1000 tonnes of fruit a year, will supply other companies and manufacture jam, fruit sauce, topping, mustard, chutney and other products under its own labels.

The co-operative has taken on 25 berry growers to supply it with berries and other fruit.

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AROUND AUSTRALIA

WESTERN AUSTRALIA

Co-op to meet deregulation challenge

A new dairy farmer co-operative has formed in WA to prepare for the deregulation of the Victorian dairy industry on July 1, 2000.

Challenge Dairy Co-operative plans to build a processing plant in the south-west of the state to manufacture powdered milk and specialty bread and cake mixes from spot milk, the milk left after processors have all the drinking and production milk they need.

Chairman, **Larry Brennen**, told the WA Farmers Federation's annual conference on June 29 that the co-operative was formed to explore new markets, knowing that milk prices would fall in WA once Victoria's market was deregulated.

SOUTH AUSTRALIA

Annual conference

The Co-operative Federation of South Australia will hold its annual conference at the Pavilion on the Park in Adelaide on Friday, October 22. The half-day conference will focus on business tax reform. Speakers will include Treasury, Finance and Public Administration Committee chairman, Liberal Senator, **Alan Ferguson**, and Co-operatives Council of Australia (CCA) chairman, **Jim Howard**. The conference will be preceded by a CCA meeting to consider the final report of the Ralph Review of Business Taxation and proposed changes to co-operatives legislation.

CONTACT David Osgood, Co-operative Federation of South Australia, (08) 8216 5520 (Mon/Tues), fax (08) 8362 7455.

VICTORIA

Third way conference

'Mutualisation: A third way for Australia' will be a two-day conference about the Third Way Debate. It is being hosted by Mutuality Australia, in association with the Australian Fabian Society, and will be held on November 19-20, 1999, at the New International Bookshop Co-operative, Trades Hall Council, in Carlton, Victoria. Speakers will include **Mark Latham**, **Alan Hunt**, **Race Matthews**, **Martin Stewart-Weekes** and **Vern Hughes**.

CONTACT Vern Hughes, (03) 9326 8245.

PEOPLE ON THE MOVE

Bill Quinlan, CEO of Warrnambool Co-operative, has retired after nearly 40 years in the post. Mr Quinlan began as an artificial insemination technician and, in response to dairy farmer demand, sold farm supplies out of the boot of his car. Since opening its first store in the Victorian town of Allansford in 1960, the Warrnambool Co-operative has grown into a multi-million dollar business, with an annual turnover in excess of \$30 million and employing more than 200 staff. It operates a department and rural supplies store in Warrnambool, and provides milk harvesting and herd improvement services to dairy farmers in the district. **Brien Bierne**, previously managing director of the Melbourne shopping complex, Melbourne Central, and senior executive at Myer Stores, David Jones and McDonnell East, has been appointed as the new CEO.

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Col Davis is the new manager of the NSW Registry of Co-operatives. He has replaced **Bruce Horton**, who will remain in Sydney when the registry moves to Bathurst.

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Tony Gill stepped down from his role in the Co-operative

Pivot fundraising plans

Pivot has announced plans to issue perpetual unsecured notes later this year after the release of its financial results for the year to September 30. The notes, to be underwritten by Melbourne brokers, Austock, will be listed on the Australian Stock Exchange. The stock will carry only limited voting rights, leaving control of Pivot in the hands of ordinary shareholders. Pivot has promised to reserve a "significant" number of the notes for existing investors. The raising is based on one by dairy co-operative, Bonlac Foods, a year ago and it enables Pivot to retain its co-operative status.

— Adelaide Advertiser

Bonlac set to lose tax advantage

Bonlac Foods is set to lose its co-operative tax status, forcing it to frank farmers' share dividends. In a newsletter to farmer suppliers, Bonlac said it expected to retain its co-operative status for income tax purposes for 1998-99, but was unlikely to continue into the next financial year. This is mainly due to an increase in inputs (such as packaging) from non-supplier shareholder sources. Under the tax definition of a co-operative, no more than 10% of inputs can be provided by non-supplier shareholders. Once that level is exceeded, the co-operative loses its taxation benefits. In the past, Bonlac distributed dividends untaxed, leaving farmers to pick up the tab. The dividends will now be taxed at the corporate rate of 36% before being distributed. Tax-paying supplier shareholders will be able to claim the 36% tax as a credit against their own profits.

NEW SOUTH WALES

Parmalat offers merger with Dairy Farmers

Dairy Farmers Group (DFG) has put off consideration of a \$471 million merger offer from Italy's Parmalat until after its members vote on restructuring the group. DFG will send the offer to members, but the board will not consider the proposal until farmers have discussed the matter at their annual meeting in November. The co-operative's chairman, **Ian Langdon**, has played down the chance of a compromise with Parmalat. "All Parmalat is offering is to take control and we have a mandate from our farmers to maintain control," he said.

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Jan Wade, the Minister for Fair Trading in the Kennett Government, retired from politics at the recent Victorian election. Mrs Wade was the minister responsible for developing the Co-operatives Act 1996. She provided the leadership and resources that resulted in the historic 1996 agreement between the states and Commonwealth to adopt a state-based national scheme for consistent co-operatives legislation.

BUSY START FOR ACCORD

THE AUSTRALIAN Centre for Co-operative Research and Development (ACCORD) recently participated in the International Co-operative Alliances' (ICA) congress in Quebec City, Canada.

Executive officer, **Garry Cronan**, attended the congress, which had more than 1000 representatives from throughout the world.

It considered a range of issues, including successful examples of 'making membership meaningful', strategies for commercial success in the global marketplace, and trends and issues in agriculture, public policy and deregulation that may require better co-operative responses.

There were also meetings of the ICA specialist bodies and committees, including research, HR&D, banking, agriculture, communications, health and workers.

"The congress was particularly relevant to the work ACCORD is doing in Australia," Mr Cronan said.

"We have been commissioned by the Australian credit union movement to examine the nature and relevance of mutuality, membership and co-operation.

"Given the extent of demutualisation occurring in Australia, it was interesting to observe that the rest of the co-operative world is also vitally interested in these topics. Examples of co-operatives successfully marketing their difference were highlighted."

Australian co-operatives, mutuals and credit unions could learn from these

SNAPSHOT

The Australian Centre for Co-operative Research and Development (ACCORD) formally began operations in July. Since, then it has been involved in a wide range of co-operative and mutual projects, locally and internationally.

marketing campaigns, he suggested.

A full report on the congress and the researcher conference will appear in the next issue of **NATIONAL CO-OP UPDATE**.

While in Canada, Mr Cronan reported to the Canadian Government's Co-operative Secretariat on ACCORD's review of Australian co-operative public policy and sector relations. This project is part of a broader study commissioned by the secretariat. The Centre for Co-operative Studies at the University of Saskatchewan is managing the project, which is a comparative study of the role of government in co-operative development in Canada, the US and Australia.

He also held discussions with representatives of the Canadian Co-operative Association about its new national co-operative Act. The legislation, which includes 'investment shares', has a lot in common with the new CCP scheme in Australia, Mr Cronan said.

US connections

To complete his tour, Mr Cronan met with representatives of the US Department of Agriculture's Co-operative Service, the

National Co-operative Business Association, the National Council of Farmer Co-operatives and the National Rural Electric Co-operative Association in Washington.

Mr Cronan was particularly impressed by the role of the rural electric co-operatives.

"Australians would be amazed by the size and range of services being offered by these co-operatives – everything from electricity, gas and telecommunications to rural and regional development services," he said.

ACCORD is examining the viability of establishing a regional electric co-operative in Australia.

ACCORD recently sent a survey to all NSW co-operatives designed to gather information about perceptions of future operations, community relations and key issues. A 'State of the Nation' report will be prepared on the basis of responses and made available to co-operatives and other interested parties.

Other ACCORD activities have included:

- participating in the recent demutualisation forum in Sydney;
- establishing a national beef producers co-operative; and
- working on the viability of creating petrol co-operatives in regional NSW to address price disparities between city and rural areas.

Future possibilities include: rural and regional regeneration using co-operative and mutual structures; and identifying the major training needs of co-operative directors and managers. ■

CONTACT

Garry Cronan, ACCORD's executive officer on 0408 118 629 for further information about the centre.

THIS YEAR'S Top 500 private companies listing in 'BRW' included an article about co-operatives under the headline, 'Going forward, all for one and one for all'.

The introduction argued that, "the co-operative, an idealistic structure that dates from last century, may well suit the age of the Internet".

After a brief history of Australian co-operatives' role in the economy, the article discussed the effects of deregulation and reduced levels of protection in primary industry, focusing on the Dairy Farmers approach to finding a new form.

It finished on a positive note, not often given a forum in the traditional financial press: "Co-operatives may be an old-style corporate model but, in the 'new economy', enterprises based on participation are likely to emerge. The 21st Century co-operative may arrive just as its 19th Century ancestor dies off."

The co-operatives, credit unions and mutual societies (and their ranking) were:

Stars on the Top 500 list

- 7 Dairy Farmers Group
- 12 Bonlac Foods
- 16 Murray Goulburn Co-op
- 23 NRMA
- 24 Mitre 10
- 27 RACV
- 28 Ricegrowers' Co-op
- 32 Pivot
- 47 Mackay Sugar Co-op
- 73 CUSCAL
- 97 Aust. Unity
- 100 RAC of WA
- 114 Co-op Bulk Handling
- 120 Capricorn Society
- 123 Warrnambool Cheese & Butter
- 141 Norco Co-op
- 175 Ardmona
- 180 RACQ
- 207 Darling Downs Bacon Co-op
- 210 Sth Burnett Meat Co-op
- 237 NSW Sugar Milling Co-op
- 238 Illawarra Mutual BS
- 239 Tatura Milk

- 257 SA Co-op. Bulk Handling
- 259 Plumbers' Supplies Co-op
- 264 Bega Co-op.
- 297 Aust. Central Credit Union
- 307 Geraldton Fishermen's Co-op
- 313 Over 50's FS
- 315 Greater BS
- 318 Credit Union Aust.
- 325 Uni Co-op Bookshop
- 343 Proserpine Co-op Sugar
- 348 Mildura Co-op Fruit
- 382 Northern Co-op Meat
- 398 Savings & Loans Credit Union
- 442 Capilano Honey
- 455 Co-op Purchasing Services
- 467 Fremantle Fishermen's Co-op
- 486 NSW Teachers Credit Union

New co-operatives on this year's list included:

- Fremantle Fishermen's Co-op
- Mildura Co-op Fruit

Co-operatives which dropped off this year's Top 500 list included:

- Victorian Producers Co-op. (merged with Elders)
- United Milk Tasmania (merged with Bonlac Foods)
- Dairy Vale (acquired by Dairy Farmers)
- Dairyfields Co-operative (acquired by Pauls)

PRESERVING THE MUTUAL TRADITION IN AUSTRALIA

THE DEMUTUALISATION forum was organised by Mutuality Australia, an organisation formed in March to influence public debate and the policy agenda around themes of mutuality, economic ownership, social entrepreneurship, social capital and civil society.

It involved participants from a range of co-operatives and mutuals, peak bodies and specialist support agencies.

The mutual tradition has a long history in Australia and has given us many institutions which have shaped our economic and social security and sense of fairness. But the tradition has been allowed to stagnate and failed to renew itself sufficiently to meet new challenges.

Forum participants were in broad agreement about why its core principles of self-help and mutual benefit have been allowed to slip from the public mind.

Members and boards of co-operatives and mutuals have, in many cases, allowed second and third generations of managers to shape the culture of their organisations. Over time, many mutuals have come to resemble their non-mutual competitors.

Culture withers

The distinctive culture of membership-based enterprise has been allowed to wind down and sometimes wither. Membership has not been sufficiently developed and promoted as the key to economic and social benefit (individually and mutually), and has rarely served as the key to market differentiation.

A vigorous entrepreneurial culture based around membership benefit has emerged all too rarely.

The irony is that large investor-owned corporates are now using membership concepts and loyalty schemes as the basis for their growth and marketing strategies, at the very time when many genuine membership-based businesses have overlooked this feature of their identity and structure.

Inarticulate

Our failure as a sector to articulate our distinctive culture has marched hand-in-hand with our marginalisation in the public arena and political debate.

For many decades, the debate about economic ownership and development has been defined by its concentration on the public and private sectors. The third sector

SNAPSHOT

How do Australia's co-operatives and mutual movements respond to the trend towards demutualisation? How do we turn around the current set of factors which make demutualisation commercially attractive and politically correct? These were questions posed at a demutualisation forum in Sydney during early September.

Vern Hughes, secretary of Mutuality Australia, reports.

(mutuals, co-operatives, clubs and associations) has rarely featured in this debate, despite its significant size. By not being present in the public debate, our sector has not been able to influence its ideological shape or character.

Price of marginalisation

We are now paying a heavy price for this marginalisation. Policy makers, financial analysts and media commentators, with rare exceptions, know nothing of our sector. Our historical contribution to evening out market imbalances, and enhancing regional development and social cohesion, is largely forgotten and counts for precious little in the public arena.

The distinctive ownership and governance structure of credit unions, friendly societies and building societies are no longer seen as worthy of specific legislative recognition.

We are regarded as dinosaurs.

There is another great irony here. In the UK, Europe and North America, themes of social and ethical accountability in business, social entrepreneurship and the social economy are emerging as mainstream business and public policy issues. They are emerging in Australia, too, though the local promoters of these themes often know little of our mutual and co-operative traditions.

The irony is that large investor-owned corporates are now using membership concepts and loyalty schemes as the basis for their growth and marketing strategies, at the very time when many genuine membership-based businesses have overlooked this feature of their identity and structure.

Sadly, the demutualisation trend is occurring at precisely the same time as this new interest in social and stakeholder enterprise.

Legislative mechanisms

What is to be done? **Race Matthews**, a long-time observer of Australia's mutuals and international 'mutualisation', outlined a number of legislative mechanisms in place in North America to deter some of the internal and external drivers of demutualisation. These include legislative requirements for the proceeds of demutualisation to be placed in not-for-profit foundations, and prohibitions on directors and officers from benefiting from demutualisations beyond their ordinary entitlements as members.

But it was acknowledged that these defensive mechanisms would have little prospect of political support in Australia. The political conditions for their acceptance are not in place.

A more immediate and potentially fruitful step might be the convening of a public inquiry into Australia's mutuals: their benefits, strengths and weaknesses. The process of conducting such an inquiry and the holding of public hearings might serve as a useful catalyst for the debate.

Reinvention?

A key question to emerge from the forum was that of reinvention. Can and should mutuals reinvent themselves to serve new purposes?

Some argued that once a mutual had served its founding purpose, its members should 'retire' their mutual instrument, and either realise its net assets or re-allocate those assets to another entity.

Others argued that mutuals are repositories of community assets which can be turned to new purposes.

Social commentator, **Eva Cox**, used the term 'modern mutual' to describe an evolving mutual structure that might be turned to a wide variety of economic and social purposes.

Ancient or modern, mutuals face many challenges. The forum concluded that the work of renewing and reinvigorating our mutual tradition remains a task of great importance and urgency as Australia hurtles headlong into the brave new world of global markets, footloose capital and social insecurity. ■

CONTACT

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NEW ZEALAND NEWS

Producer board restructuring

Legislation restructuring the dairy, kiwifruit, and apple and pear industries has been passed by the Government as it accelerates towards what may be the end of its tenure in power.

The government believes it has negotiated arrangements with the respective industries, but many observers think the industries have been 'screwed'. When a government forces its views on an industry, it could hardly be called 'negotiation'.

This seems to be a doctrine-driven approach by the Government, which looks to be bent on removing co-operative and mutual businesses as we know them.

As far as the NZ Government is concerned, there is no place in serious business for the co-operative model. It holds the stated view that the model is inefficient and ineffective. Watch it, Australia, the disease could be catching!

Tucked in a statement to the Commerce Commission about the dairy industry changes, the Government advised its intention to review the Co-operative Companies Act 1996. That Act was introduced during the term of the present Government – albeit by a different minister.

The NZ Co-operatives Association said it would take an active role in ensuring the continuation of the co-operative business option.

It has requested information from the Minister for Enterprise and Commerce about how the Government came to believe it needs to review the Co-operative Companies Act 1996 after two years in operation.

Dairy industry mega co-op

The dairy industry has formed a Mega Co-operative Establishment Group to handle the issues and guide the changes arising for the establishment of the mega co-op.

The 'MegaCo-op' is expected to include NZ Dairy Group (Hamilton based), Kiwi Co-operative Dairies (Hawera, Taranaki based) and possibly a few of the smaller, independent dairy co-operatives.

The establishment group has seconded Kiwi's chief executive, **Craig Norgate**, as its chief executive. The chairman is **Graham Calvert**, who has a NZ Dairy Group background.

More haste say farmers!

Progress on the MegaCo-op project was jolted recently when NZ Dairy Board chairman, **John Storey**, lost his ward seat on the NZ Dairy Group Board, which made him ineligible to be nominated to the NZ Dairy Board.

That means Mr Storey will be lost to the top echelons of the industry during this period of major change.

It is clear that farmers from the Te Awamutu Ward were not happy with the pace or nature of the changes being driven by Mr Storey.

Commerce Commission will be sticky

A preliminary response from the Commerce Commission to a proposal to merge NZ Dairy Group and Kiwi has rejected the application and raised some issues for the industry.

The industry has told the commission it will need about three months to deal with and reply to the issues that have been raised.

A positive aspect of this rebuttal is that the industry will need to brief its farmer members on more of the proposal's details than it has to date.

Many farmers are frustrated by the lack of real detail and have had to take the generalised word of industry leaders about the possible positive effects of the sought changes.

Once the proposed MegaCo-op is planned on paper and has the approval of the Commerce Commission (by no means easy), its introduction must have the support of at least 75% of farmer members before it can go ahead.

This is a turbulent time for the dairy industry, which is having to cope with lower international prices, as well as the protective markets of other countries.

Being a major milk product exporter (more than 90% of its production is exported) NZ requires reasonable access to world markets. Roll on the time when the penalties to export to many countries are removed.

NZ Dairy Board result for 1999

With such industry turmoil, it was pleasing to see a positive result from the Dairy Board for the year to May 31, 1999.

Group revenue was NZ\$7.4 billion, up from NZ\$7.2 billion the previous year, while production volume was down slightly on the previous year. The revenue was helped by a weaker NZ dollar, but had to overcome lower international prices and barriers to trade.

Dairy represents some 23% of NZ's total exports, so it is a vitally important ingredient for the well being of the country.

NZ cannot afford to get the changes to the dairy industry wrong, as the effects would affect the nation's economy.

NZ heads for bumper milk supply

With warmer temperatures than last year and just about the right amount of rain, grass growth is roaring.

Daily milk production is up on the same time last year by 3% to 10%, depending on the location. This is the flush of the season and the two major co-operatives are expecting milk collections of almost 50 million litres a week at the peak.

CONTACT Ian Reid, Executive Officer, NZ Co-operatives Association Inc, phone +64 4 472 4595; fax +64 4 472 4538 or Internet www.nzcoops.org.nz

AROUND THE WORLD

US co-operative development system

Ten co-operative development organisations from throughout the US have created Cooperation Works, a unified system of co-operative development centres and partners aimed at cultivating co-operation as the cornerstone of prosperous, sustainable communities.

Cooperation Works will bring together the programs of these organisations:

- Centre for Cooperatives at the University of California;
- Cooperative Development Foundation;
- Cooperative Development Institute;

- Cooperative Development Services;
- Federation of Southern Cooperatives;
- Mississippi Association of Cooperatives;
- National Cooperative Business Association;
- North Dakota Association of Rural Electric Cooperatives;
- Rocky Mountain Farmers Union; and
- Winrock International Institute for Agricultural Development.

Herb Cooper-Levy has been appointed interim executive director of Cooperation Works. He is the former executive director of the National Association of Housing Cooperatives.

CONTACT Herb Cooper-Levy, Cooperation Works, (202) 638 6222

REFLECTIONS ON AUSTRALIAN CO-OPERATION – 1920-WWII

FOLLOWING World War I, Australia's rural co-operative movement never fully recovered from wartime regulations, which set a powerful precedent for statutory marketing authorities.

This was especially so in newer primary industries associated with soldier settlement, which actively sought government support.

A proliferation of marketing authorities began after 1921, significantly reducing the field for co-operative activity. This 'compulsory co-operation' was first enshrined in the Queensland Primary Producers' Co-operatives Association Act (1921), establishing a Registry of Co-operative Associations for the first time in Australia.

Legislative nexus

Some consider this to be the first Australian legislation specifically for co-operatives, although this is debatable. Certainly, it firmed the nexus between government, co-operation and rural productivity, and served to galvanise Queensland agriculture.

The NSW Co-operation Act (1923) was partly a response to the Queensland legislation, but was broader in concept. It contemplated general co-operatives – producer, consumer, urban and rural credit – community advancement and community settlement.

By segmenting co-operatives into rigid types, however, the Act hampered efforts within the movement to achieve unity.

On the other hand, it did create a Registry of Co-operative Societies, which has, for much of the century, acted as a powerhouse of co-operative ideas and development in the largest and most diverse of all the state movements.

The compulsory co-operation of the Queensland model was repugnant in Western Australia, South Australia and some primary industries in the eastern states.

There, co-operators formed voluntary commodity pools, including the immensely successful Western Australian Wheat Pool, which conducted a lucrative trade with the English Co-operative Wholesale Society (CWS) for decades and underpinned the early success of Westralian Farmers.

Universal co-operation

Idealistic notions of 'universal' co-operation occasionally resurfaced to animate co-operative debates in the period.

For example, **Reverend Frank Pulsford**, a

SNAPSHOT

*In a series of articles for **National Co-op Update**, co-operatives historian, Dr Gary Lewis, reflects on some highlights of Australian co-operation in the 20th Century.*

passionate co-operative advocate recently returned from the trenches, organised widely representative co-operative congresses in Sydney and Melbourne in the early 1920s. They called for a Co-operative Union of Australian Producers and Consumers linked to the International Co-operative Alliance (ICA).

Spoiled by tensions between producers and consumers, these efforts lapsed when Rev. Pulsford died suddenly, still a young man.

What direction Australian co-operation might have taken had Rev. Pulsford lived can only be guessed.

Major changes

Curiously, for a method used to overcome adversity, there was little new co-operative activity during the Great Depression, almost certainly because of inadequate resources. However, two major changes altered the environment for co-operatives.

First, the then National Commission of Taxation defined a 'co-operative company' for federal taxation purposes in 1930, introducing a federal element into co-operatives. Second, the regulation march grew quicker as governments rescued sections of primary industry from collapse.

In this context, Australian co-operatives drew closer to 'mother', the English CWS. A cycle of loyal trading developed which kept sections of industry tied to British markets more slavishly and for a longer period than was wise. Certainly this was so for the Rochdale consumer movement.

There was a renaissance of building societies between the Great Depression and World War II.

The NSW government passed legislation guaranteeing loans raised for terminating

Curiously, for a method used to overcome adversity, there was little new co-operative activity during the Great Depression, almost certainly because of inadequate resources.

building (co-operative housing) societies registered under the Co-operation Act.

Known as the Stevens Scheme, after the premier who initiated it, this actuarial scheme saw a proliferation of terminating societies from which a great national movement of permanent societies would emerge after the war.

Christian socialists

Another wave of co-operative idealism emerged among Christian Socialists and peace activists just before the war, also focused on financial co-operation but, specifically, credit unions.

For example, the Champion Movement and the Movement Towards a Christian Social Order in Victoria looked to the Antigonish Movement in Quebec, Canada, where Catholic social activists had developed a successful co-operative movement among poor fishing folk and rural communities.

In 1935, this group brought the Japanese union advocate and farmer organiser, **Toyohiko Kagawa**, to Australia. Mr Kagawa lectured extensively throughout Australia, inspiring the formation of the Christian Co-operative Fellowship (CCF), with branches in Victoria, South Australia and NSW.

A Victorian Co-operative League formed from this which promoted financial co-operation as Christian service and the economic foundation of a Co-operative Commonwealth.

CCF activists conducted 'cottage' discussions during World War II, promoting interest in co-operation as an ethical and Christian way of conducting business. Such ferment flowered after the war in the form of the credit union movement.

With the return of war in 1939, government-to-government trading resumed, lasting until 1948.

It is interesting to note that almost half of this century's first 50 years in Australia were characterised by emergency wartime regulations or depression. Such centrally controlled conditions were ill-suited to a co-operative movement espousing principles of autonomy, voluntarism and free trade in a developing nation.

That such development should occur in these conditions is a tribute to the vision and dedication of the inter-war co-operative pioneers. ■

CONTACT

Gary Lewis, author of 'A Middle Way' and 'People Before Profit', is writing a 'History of the Australian Co-operative Movement in the Twentieth Century'. Make sure your co-operative and key personnel are included in this landmark study. Send information to: Dr Gary Lewis, 90 Norton Road, Wamboin, NSW 2620. Please include stamps if you require the material returned or a reply.

WHAT IS GOOD GOVERNANCE?

BEFORE getting down to the keys to good governance, management consultant, **Adolph Hanich** of Fairhaven Associates, explained what it was not.

"It is not something one can be prescriptive about. It is not fixed and immutable. It has to be relevant to time and circumstance. Nor is it something new or only recently contrived. Our ancestors for thousands of years have struggled with the question of how best to govern the collective enterprise of a number of people," he told delegates at the 1999 Co-operative Federation of NSW conference in March.

That said, he explained the four key aspects of good governance:

1. Accountability

"Good governance is not possible without clear accountability. Great leaders have always known this, as have wise councils of elders," Mr Hanich said.

"Accountability simply means that every member of the board knows what the board is accountable for and to whom. This also applies to the chief executive officer (CEO) and their team. The CEO must know they are accountable to the board and must know what they are accountable for."

Mr Hanich said board accountability needs to be clearly defined in a co-operative's constitution and, beyond that, in the law. However, not everything can or should be legally defined, and this is where ethical and moral standards become essential.

"An enterprise built on the shaky foundation of 'flexible' ethics will not stand against

SNAPSHOT

Good governance is an art, not a science. Management consultant, Adolph Hanich of Fairhaven Associates shared some of its key aspects with 1999 Co-operative Federation of NSW conference delegates.

the challenges of tough times. The behaviour of the board and the CEO guides the behaviour of all others employed in the organisation. What they do is far more important than what they say," he said.

2. Defining purpose

The reason why a co-operative or company exists is not always clear to those involved in an enterprise. This lack of clarity can lead to confusion, conflict and debilitating staff morale, Mr Hanich said.

It is the board's responsibility to ensure the purpose is clearly defined and understood.

3. Setting direction

This is an area of good governance crying out for change, Mr Hanich said.

Unfortunately, most boards tend to rubber stamp a business strategy developed by the executive team, rather than becoming seriously involved in its development.

"Not long ago, corporate leaders had to learn to lift their game from budgeting to strategic planning. The new challenge is to go beyond stereotypical strategic planning and deepen the capacity for foresight," Mr Hanich said.

"The next wave in this ever-evolving field

is way beyond forecasting and goal setting. They still remain as ingredients, but are no longer enough. The new challenges are to be able to think globally, to comprehend ever more complex interactions and to extend the innate foresight capacity to far more distant time horizons.

"The emerging realisation is that we are the creators of the future and, in doing so, we have a non-renounceable obligation to ensure that the future we are creating is life sustaining and enhancing, and not destructive to our planetary life support system.

"In short, we have an obligation way beyond the narrow purpose of wealth creation for shareholders or benefit maximisation of members."

4. Staffing and motivation

A board's staffing responsibilities go beyond appointing and, if necessary, removing the CEO, Mr Hanich said.

"At the very least, the board must be satisfied that those executives who are directly accountable to the CEO make up an adequate talent pool for the company's needs," he said.

"Beyond that, the board has further obligations to ensure that adequate recruitment and development policies are in place and that the company's reward policies are equitable and applied equitably.

"As the importance of knowledge workers continues to grow, the board will have to focus more of its attention on the critical issues of attracting and holding the best talent available. Ultimately, the board cannot abdicate from its responsibility to ensure that all its employees are treated fairly, are not exploited and are not just treated as disposable hired hands." ■

CPS TAKES TO THE INTERNET

VICTORIAN-BASED Co-operative Purchasing Services Ltd (CPS) entered the world of electronic commerce this year when it gave local council suppliers Internet access to tenders.

General manager, **Ian Holden**, says the move to e-commerce has been well received by potential suppliers, with the added benefit of halving the office traffic and hard copy document production generated by supplier inquiries.

Visitors to the CPS website can view the list of available tenders, select contracts of interest and buy the tender document electronically.

CPS covers more than 120 categories of goods and services used by councils, ranging from travel and computers to playground equipment and quarry products.

In 1994, the Victorian Government introduced compulsory competitive tendering (CCT) requiring all councils to put 50% of their annual expenditure to a competitive tendering process.

All purchases made through arrangements put in place by CPS qualify under CCT.

CPS is funded through commission paid by suppliers on its members transactions.

After expenses, surplus income is returned to members by way of a transaction based rebate – this recognises each member's level of support for the scheme.

Since 1989, CPS has returned \$800,000 surplus funds to members, in addition to the point-of-sale savings members make with every purchase.

The Municipal Association of Victoria sponsored the formation of CPS in 1989 to

aggregate the buying power of its members, in those days 210 councils. The state-wide restructure earlier this decade reduced that number to 78.

In addition to local councils and co-operatives, CPS has a number of community and charitable organisations in its membership.

The Co-operative Federation of Victoria has actively promoted CPS and has a delegate on the CPS Board.

More recently, CPS has entered into arrangements to provide its services to councils in South Australia in partnership with a similar co-operative there and also in Tasmania in partnership with the local government association.

More about Co-operative Purchasing Services can be found on its web site (www.cps.asn.au), including details on how to join or become a product supplier. ■

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