



# NURSERY & GARDEN INDUSTRY STRUCTURE REVIEW

FINAL REPORT BY THE NGI FUTURE STRUCTURE COMMITTEE

NOVEMBER 2016

*"The secret of change is to focus all of your energy,  
not on fighting the old, but on building the new."*

*Socrates*

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## Foreword

The decision was made at a joint meeting in 2015 by the National Board, State Presidents and CEO's to conduct a structural review of the Nursery and Garden Industry Australia (NGIA). This is not the first time a review has been undertaken. It is however, now more than ever, critical that we find the most effective and efficient structure for our association. The last review was delivered in 2005 and although some minor changes have taken place many issues remain unresolved.

With the change in the way levy funds are managed and with only small amounts coming through peak industry bodies, our state and national budgets have been severely impacted. Following the demise of the Industry Development Officer project, only the wealthier states are able to deliver the technical support that many members require.

Some states and territories are barely financially viable, while others are surviving with reduced services. The wealthier states are sustainable but mainly owing to reserves built up from earlier times. Membership numbers are static at best. Many progressive innovative businesses are expanding but the total number of individual businesses is declining.

It is with this background that the NGI Future Structure Committee ("The Committee") was formed to research the current situation within our industry and consider how other industries have structured their associations. The aim of the Committee was to find the best structure that will effectively and efficiently deliver services and benefits to members.

The Committee has come to this task with an open mind and the future in our focus. We have consulted extensively with industry stakeholders, looked at many other industry associations, related reports on industry structures and used our own experience to build this report and its recommendations.

The survey developed and circulated by Down to Earth Research was invaluable to our process. The findings highlighted the good and bad parts of the current structure and gave us a platform to work on for the future. The Committee have had the benefit of a professional facilitator in Russell Cummings who has helped compile our findings into what we believe is a comprehensive and holistic report.

I ask you to read this report with an open mind following the extensive process we adopted in reaching our conclusions and recommendation. The Committee have worked within our terms of reference and to the best of our ability to deliver a workable template for the future structure of our industry association.

On behalf of the Future Structure Committee,

Gary R. Eyles

Chairman

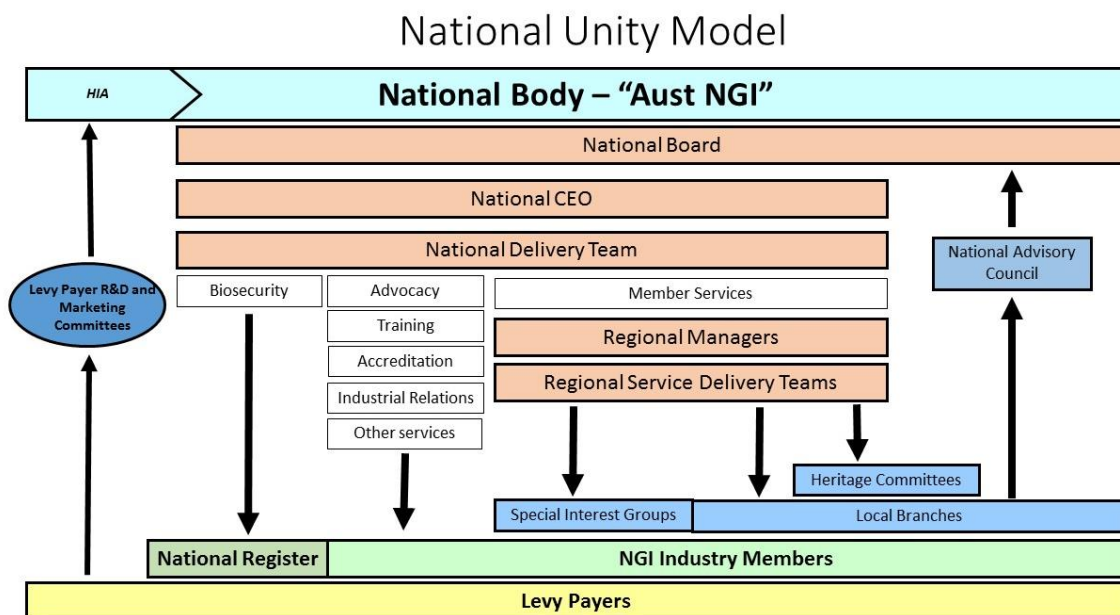
## Executive Summary

The NGI Future Structure Committee (“the Committee”) has made a series of recommendations to the Nursery & Garden Industry. The primary recommendation is that the NGI Associations move to a National Structure with a strong regional Delivery Team responsible for service delivery at a local level.

The Committee has recommended a national structure with a single governing Board, a National Advisory Council and a Regional Structure for service delivery called the “*National Unity Model*” (see Diagram below).

Key elements of this model would be:

- One Constitution;
- One Board;
- Board elected from general membership;
- 2 x Independent Directors;
- One national fee structure; and
- One strategic plan.



The purpose of the Committee was to conduct a broad ranging review of the current NGI association structure and make recommendations on the future structure of the industry.

Under the Terms of Reference, the Committee was required to:

- Consult broadly with NGIA, State and Territory Associations and members;
- Consider the structure of similar national and international not for profit organisations and what can be learnt from their experience;
- Consider the financial implications of the current structure and make recommendations on financial efficiencies of any future structure;

- Make recommendations on the future structure of the NGI and what constitutional changes will be required;
- Consider the heritage issues associated with the current structure and how those matters can be preserved;
- Not to consider any issues arising from the Nursery Industry Levy; and
- Whilst being cognisant of the potential of a wider “green” industry, this is not to be considered for the purposes of a future structure.

The Committee is not required to determine the logistics behind any recommendations made in the report though this report does consider some implications.

In its deliberations, the Committee has consulted with Industry, evaluated industry survey results, reviewed examples of other Industry structures and relied on its own experience and the expertise of consultants including Russell Cummings of Strategic Business Development. These deliberations are discussed in detail in the body of the Report but are outlined below.

Key issues:

- The current system is not working;
- Member Numbers are declining;
- Local representation and activity is good;
- The current structure is “volunteer hungry”;
- Members understand the need to have a national advocacy body focused on their issues;
- Value for membership fees is a challenge;
- Despite rhetoric, States often fail to deliver in regional areas;
- Inefficiencies costing the Industry;
- Poor Knowledge of Industry Organisation roles;
- Lack of coordinated Advocacy;
- Education and Training could be delivered on a national basis;
- Conflict of Interest; and
- Serving the smaller States.

In response to these issues, the Committee has made the following recommendations:

1. NGI Associations move to a National Structure with a strong regional Delivery Team responsible for service delivery at a local level;
2. The National Board is composed of regional representatives and independent directors;
3. The current NGIA Board and Chair should resign and be replaced by a new Board;
4. A National Advisory Council to ensure member needs are being met;
5. NGIA Members to vote on the adoption of a new structure;
6. Investigate commercial agreements/alliances with other organisations to provide a wider range of services at a lower, or similar, cost to members;
7. Existing State Assets are held in trust;

8. Change the name of the NGI Peak Body;
9. NGIA to recommend to Government that a National Grower Register be established;
10. NGI to build stronger alliances and partnerships with allied Industry Groups with common interests;
11. Investigate Education and Training opportunities; and
12. Alternative Membership Options.

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*Socrates*

## Project Overview

### Introduction

The 2016 Structure Review for the Nursery and Garden Industry (“NGI”) of Australia includes States, Territories and National NGI bodies. The review will assess needs and obligations for industry stakeholders, with an understanding of how well those needs are being met under the current industry structure. Extensive research using many different methods investigated the most effective and efficient structure to improve service delivery for members and have a more strategic Nursery Industry Body for the future.

The NGI association structure and the subject of this review includes a network comprising the following organisations:

- Nursery & Garden Industry Australia Limited (NGIA);
- Nursery & Garden Industry New South Wales & ACT Limited (NGINA);
- Nursery & Garden Industry Northern Territory Incorporated (NGINT);
- Nursery & Garden Industry Queensland Limited (NGIQ);
- Nursery & Garden Industry South Australia Incorporated (NGISA);
- Nursery & Garden Industry Tasmania Incorporated (NGIT);
- Nursery & Garden Industry Victoria Limited (NGIV); and
- Nursery & Garden Industry Western Australia Incorporated (NGIWA).

The structure review was initiated after significant changes in the operating environment, resulted in the NGI association network to consider the priorities, responsibilities and resources of the current structure.

The review is being conducted by the NGI Future Structure Committee, (“The Committee”). The Committee was formed under the Terms of Reference and is an independent committee made of current NGI members:

- Gary Eyles, Review Chairman from New South Wales’ AT Eyles and Sons;
- Glenn Fenton, Review Deputy Chairman from Victoria’s Nationwide Trees;
- Gena Campbell of Queensland’s Redcliffe Garden Centre; and
- Carl Heyne of South Australia’s Heyne's Wholesale Nursery.

The committee was supported by Down to Earth Research and consultant, Russell Cummings, who has experience in structure reviews.

The Committee has received administrative support from NGIA and in-kind support from the State and Territory Associations for the promotion of the review to stakeholders. The review is being funded by NGIA; however, committee members are not being paid for their time.

Under the Terms of Reference for the review, the committee operated within a budget and without interference or influence from NGIA or State Associations.

The acceptance and implementation of any recommendations made from the review will be undertaken by consultation between the NGIA Board and State/Territory Boards resulting in a Member ballot vote.

A copy of the Terms of Reference for the Structure Review is attached at *Appendix A*.

## Objective

The purpose of the Committee is to conduct a broad ranging review of the current NGI association structure and make recommendations on the future structure of the industry.

The significant changes in the operating environment have initiated the review, which after consultation, will consider the priorities, responsibilities and resources of the structure. These areas are being researched in an effort to reduce duplication, significantly improve network efficiency, reduce costs and increase membership and member benefits.

## Scope

Under the Terms of Reference, the Committee was required to:

- Consult broadly with NGIA, State and Territory Associations and members;
- Consider the structure of similar national and international not for profit organisations and what can be learnt from their experience;
- Consider the financial implications of the current structure and make recommendations on financial efficiencies of any future structure;
- Make recommendations on the future structure of the NGI and what constitutional changes will be required;
- Consider the heritage issues associated with the current structure and how those matters can be preserved;
- Not to consider any issues arising from the Nursery Industry Levy; and
- Whilst being cognisant of the potential of a wider “green” industry, this is not to be considered for the purposes of a future structure.

The Committee is not required to determine the logistics behind any recommendations made in the report though this report does consider some implications.

During their research, the Committee sought data and constructive input on any aspect relevant to the structure of the NGI in Australia. Some of these areas included:

- Resources available in order to pursue the industry’s strategic plan effectively;
- Priority areas for industry of advocacy and who should be responsible for those areas;
- Perception and value of membership i.e. what are the benefits of membership? Are those benefits valuable? What did members believed they would receive and is that more or less than what is actually received? How can the network better represent the members? Would changes attract new members?;
- Industry structures i.e. are there alternatives; is a new structure required; do we modify the existing structure; is the current structure appropriate?;

- Industry positioning: how the NGI is currently perceived; how do we want to be perceived; what is needed to achieve the goal?; and
- Current heavy reliance on volunteers to make the structure viable.

## Review Methodology

The Committee invited all key stakeholders of the industry to provide input and feedback to the consultation phase of the review. Their invitation extended to include: production, retail and allied members, NGI Associations and other aligned organisations who were invited to contribute to the review process. They welcomed input from industry association members, lapsed members and non-members (both eligible and ineligible for membership) and they are all referred to as “members” in this report.

Similarly, for simplification, this report will refer to:

- “State Associations” - State and Territory Associations across the NGI Federation;
- “NGI Associations” - State Associations plus NGIA; and
- “NGI” - participants of the Nursery and Garden Industry who are, or could be, members of NGI Associations.

## Industry Consultation Meetings

The Committee completed 9 industry consultation meetings, or “Townhall Meetings”, where they met with industry members and/or NGI Association Boards and staff. Meetings were held in: Townsville, Brisbane, Adelaide, Perth, Melbourne, Campbell Town (Tas), Darwin, Alstonville and Gosford.

The Committee travelled extensively, to ensure they were available, for comment and consultation with Industry. In many cases, member turnout was low and would have been very poor if not bolstered by members of State Boards and their employees.

Members of the Committee had meetings with NGIA staff, Bunnings, Garden City Plastics, Landscape Supply Group, Ball Australia and the Australian Retail Association.

## Down to Earth Research Survey

Down to Earth Research (“DETR”) were engaged to provide an online survey of members and industry participants to provide an alternative methodology for industry to provide feedback. 320 individuals participated in the survey.

The results have been summarised into a comprehensive report by DETR.

## Submissions

The Committee was provided with 12 written submissions from a range of organisations and businesses. As agreed prior to accepting submissions, content of the submissions will remain confidential to the Committee. A list of contributing organisations is provided in *Appendix B*.

## Review of Industry Structures

The Committee was supported by Russell Cummings who is a Consultant with NGI experience as well as previously working with the Vegetable and Hardware Industries on reviewing their structures. Russell provided the Committee with insights from previous research and experience, in addition to conducting a brief review of relevant industry structure research and discussions with other industry bodies.

## The Australian Nursery and Garden Industry

Under the Terms of Reference, the Committee is required to consider the heritage issues associated with the current structure and how those matters can be preserved. In order to consider how best to preserve the heritage of the industry, it is necessary to understand where the current structure began, its evolution and current operations.

### The History

The Nursery and Garden Industry in Australia has existed since the pioneering era. It was in the early 1900's shortly after Australia's Federation, the country's Nurserymen began the formal establishment of the various groups that existed around the country.

During the 1800's nurserymen in Victoria were members of the 'professional section' of the Victorian Horticultural Society. However, in 1901 a small group of nurserymen broke away to form The Nurserymen and Seedsmen's Association of Victoria. This Association was officially founded in 1903.<sup>1</sup> It is thought that the need for a separate group was identified as an opportunity to enjoy social interaction on a business-like level to discuss issues affecting their operations of the day including supply of stock, employment, wages and other industrial matters.<sup>2</sup>

The South Australian Association of Nurserymen and Seedsmen gathered to strengthen their voices in relevant matters as well as providing them with the easier access for exchanging ideas.<sup>3</sup> They were established in the early 20th century with the association motto of "Quality of goods, Fair dealing, Protection of customer".

Records of the Queensland Nurserymen's Association have been found for April 1902 with their Annual Meeting being reported in the Telegraph (Brisbane)<sup>4</sup> where they discussed seed supply, plant quality, stock losses and the election of officials.

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<sup>1</sup> Weatherley, N, Gorden D. (1999), Generations of Growth, A History of the Nursery Industry Association of Victoria, Nursery & Garden Industry Victoria, East Malvern, p5

<sup>2</sup> Weatherley, N, Gorden D. (1999), Generations of Growth, A History of the Nursery Industry Association of Victoria, Nursery & Garden Industry Victoria, East Malvern, p59

<sup>3</sup> Swinbourne, R. (1982), Years of Endeavour, An historical recurve of the Nurseries, Nurserymen, Seedsmen and Horticultural retail outlets of South Australia, South Australian Association of Nurserymen, Adelaide, p169

<sup>4</sup> Telegraph (Brisbane), Saturday 5 April 1902, p4, sourced online at <http://nla.gov.au/nla.news-article173969429> on 5 September 2016

The first annual Sydney Seedsmen and Nurserymen's Picnic was held on 29 September 1900 at Clifton Gardens.<sup>5</sup> Later they were known as the NSW Seedsmen and Nurserymen and in the 1940's become the NSW Association of Nurserymen, thereby providing a professional body for growers and sellers of quality plants.<sup>6</sup>

Soon following Federation, the industry found the necessity to come together on a national basis to discuss common problems and to collaborate on common goals.<sup>7</sup> They became increasingly conscious of the importance of consulting with the government for their perceived prosperity and knowledge of legislation. The National Nurserymen and Seedsmen's Association regularly held conferences and passed resolutions relating to issues affecting their commercial interests, restriction of plant movement and the diverging interests of States.<sup>8</sup>

The earliest record of a Federal conference of representative nurserymen of Australia is from Melbourne in September 1905. At this conference, they determined to protest against new legislation banning importation from South Africa, the Vegetable Diseases Act, shipping of product interstate and pest and disease fumigation.<sup>9</sup>

Whilst the Australian nursery industry was growing, state representatives met infrequently during the war and interwar periods.

In 1945, steps were taken to form the Federation of Australian Nurserymen's Association, which was constituted of equal representation from all States. The federation was not made an incorporated body at that time.

The founding representatives of this organisation, having undergone the war and interwar periods believed that a unity of purpose and ideals within the industry was essential, both for the welfare of its members and for the industry overall.

Following a study as to the advantages of incorporation, the Australian Nurserymen's Association, was formed in 1975, with representation made up of individual State members, including wholesale and retail nurserymen, and allied traders. The name was then changed in 1988 to the Nursery Industry Association of Australia Limited (NIAA) to reflect a more-unified organisation.

In 1997, a memorandum of understanding (MOU) was signed between the State associations, and NIAA. This MOU was intended to enable closer cooperation between all

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<sup>5</sup> Australian Town and Country Journal (Sydney), Saturday 6 October 1900 p16, sourced online <http://nla.gov.au/nla.new-article71385242> on 5 September 2016

<sup>6</sup> History of the Nursery & Garden Industry NSW & ACT, sourced online at [www.ngia.com.au](http://www.ngia.com.au) on 5 September 2016

<sup>7</sup> Swinbourne, R. (1982), Years of Endeavour, An historical recurve of the Nurseries, Nurserymen, Seedsmen and Horticultural retail outlets of South Australia, South Australian Association of Nurserymen, Adelaide, p169

<sup>8</sup> Poiner, G, Sybil, J. (2016), Gardens of History and Imagination, Growing New South Wales, Sydney University Press, Sydney, p76

<sup>9</sup> Sydney Mail and New South Wales Advertiser (NSW), Wednesday 13 September 1905 p653, sourced online at <http://nla.gov.au/nla.news-article164999114> on 5 September 2016

eight Nursery & Garden Industry bodies and State members were given a compulsory membership of the national body.

The MOU was revised and updated in March 2001, resulting in the adoption of a common logo and association name, with the national body known as Nursery & Garden Industry Australia (NGIA).

In summary, a review of the history of the industry has highlighted that evolution and change has been a constant throughout. This ability to recognize constraints and opportunities, and continually adapt accordingly are hallmarks of the Nursery and Garden Industry.

The committee believes that any change made on the back of pragmatic decision making will not erode our heritage but rather it will add to it. Our long history does not prohibit change... it encourages it.

## The Stakeholders

Interest in the industry is broad. Membership is open to greenlife growers, greenlife retailers and allied trades including growing inputs (potting media, pots, herbicide/fungicide/nutrition companies) greenhouses, potting machinery, consulting, garden tools, irrigation, lighting, training and service providers, etc.

Other external stakeholders include all tiers of government, educators, the urban green movement including developers, planners and landscapers; production horticulture (fruit, nut and vegetable farming), forestry and horticultural media.

Within the broader nursery industry there are other associations and peak industry bodies which include Garden Centres of Australia, Sustainable Gardens Australia, Australian Institute of Landscape Designers, Architects and Managers, Australian Institute of Landscape Architects, Parks and Leisure Australia, Turf Australia, among many more.

## The Current Structure

The NGI currently operates under a Federated Structure, meaning the industry has State and Territory Associations. These organisations are founding members of the federation and constitutionally appoint the board of the national organisation, Nursery & Garden Industry Australia (“NGIA”).

Each organisation in the structure has a board or management committee and constitution or governing document. Membership benefits and fees differ between the founding organisations.

Under the NGIA Constitution adopted in 2003, Full Members are the members of the State and Territory Associations. Voting Members of NGIA are both Full Members and Life Members. All other memberships of NGIA are non-voting.

The current MOU between all eight organisations in the network has been in place since 2001 and was last updated in 2014. Under the MOU the State and Territory NGI Associations

pay an annual subscription to NGIA which is currently \$250.00 per Full Member. NGIA manages membership levies for the non-voting subscribers.

Attached as *Appendix C* is a diagram of the current structures of the nursery and garden industry in Australia.

Under the constitution the NGIA Board consists of seven national members elected by each state/territory association, serving a two-year term. Board members may serve for a maximum of three consecutive terms dependent upon successful re-election by their state membership.

The President and Vice President are elected from within the board annually. Up to two additional members may be co-opted onto the board for a period of 12 months.

The NGIA Chief Executive Officer acts as company secretary and attends executive meetings contributing to the decision-making process but has no voting rights.

### Perception and value of membership

During the Committee's consultation with industry, one major problem became evident. Many members battled to see the value in their membership in an increasingly competing environment. They wanted to be part of the association but had trouble recognising the value they received versus the cost of membership. For the industry to continue as a viable entity and increase membership levels, it is imperative that any future structure delivers valuable and strategically focussed member benefits.

### Industry positioning

It became clear during the consultation phase that the NGI was not a leader in the horticultural operating environment. It was an active participant, but there was a general feeling that more could be done in shaping political decision making and the public perception of the value of greenlife. It was assessed that this situation has developed as a consequence of the NGI's focus on levy without sufficient consideration on longer term strategic issues.

### The importance of an effective and efficient nursery and garden industry structure

With the change in the allocation of levy funds, and the Industry associations needing to survive in the main without these funds, the importance of association structures has become vital.

Previously when State and National bodies were intertwined with delivery of many levy funded projects, as well as member benefits, there was an opportunity for employees to be engaged to deliver benefits for both levy payers and members.

However, the focus on acquiring levy funded projects in the NGI has been to the detriment of industry development in terms of: member benefits, advocacy, industry messages and modern structures. This situation is now exacerbated with more importance being placed on members' subscriptions to fund national activities. With declining numbers, therefore,

those remaining members are being asked to regularly increase their contribution. This is unsustainable.

As there has been a significant decrease in funding, many levy projects have disappeared and members are still requesting benefits which at the current stage are inaccessible or difficult to fund e.g. IDO support. This state of affairs has highlighted that it is vital that the structure be effective and extremely efficient for the association to be able to deliver services and member benefits.

The Industry is now in the position where we have the opportunity to re-evaluate more effective ways for our association to distinguish itself in the delivery of member benefits, as distinct from the previous levy benefits.

The Committee felt that in the absence of leadership on key issues, other industry bodies were attempting to be the voice of amenity horticulture. In certain instances, in the absence of NGI involvement on an issue, State Associations have led. This has sometimes led to confused and inconsistent messages. Any changes to NGI structure should provide clear lines of responsibility and accountability for this critical role.

## Feedback from the Trenches

### Townhall Meetings, Written Submissions & Survey

As mentioned above, The Committee received 12 written submissions from members and National, State and Territory Associations. While the detailed submissions will remain confidential as part of the agreement when organisations provided their submissions, there are a range of interesting issues and solutions provided.

The Committee facilitated 9 Townhall meetings and discussions with State and Territory Associations as well as a comprehensive survey of members completed by DETR.

The Committee has reviewed submissions, research and the outputs from these activities as part of the review process. The Committee has then synthesised feedback into the key issues that NGI will need to address as part of the process of addressing its future structure.

### “The current system is not working”

It was apparent from overwhelming feedback from members and organisations that “the current system is not working”.

There are challenges with the current structure and delivering value for members at different levels and there was general agreement that a culture of mistrust exists between various organisations that service the Nursery & Garden Industry.

There were numerous comments that echoed the disconnect between the State and Territory Associations and the NGIA as “...ingrained in a fragmented and complicated structure and decision making process”. This situation is exacerbated by “...overtones of ownership, entitlement, power and control”.

There were similar comments that the Constitution and MOU between NGIA and the member organisations is outdated and ineffective and has not been revised since inception.

The Committee noted that many commentators failed to recognise that structure is an integral part of the execution of strategy for the Industry and blamed a range of other issues for the poor culture that currently exists between organisations.

### Member Numbers are declining

As shown in the table below, NGI Association Membership is declining rapidly and has fallen by 25% since 2010. An average decline of over 50 members per annum.

Table 1: Members of NGIA 2010 to 2016

Year	2010	2011	2012	2013	2014	2015	Jan 2016
<b>Member</b>	1,336	1,249	1,259	1,136	1,066	1,026	1,004

Source: NGIA 2016

There is little data on “why members leave” but business consolidation and closures are often cited as primary reasons. However, it is understood that many members have left as they have joined other organisations and/or because they are unhappy with the current value proposition.

Table 2: Industry Membership by Region

Location	Members	Levy Payers	% Members
NGINA	234	1,176	20%
NGINT	0	0	0
NGIQ	251	1,337	19%
NGISA	115	406	28%
NGIT	29	18	161%
NGIV	293	1,384	21%
NGIWA	57	687	8%
<b>TOTAL</b>	<b>979</b>	<b>5,008</b>	<b>20%</b>

Source: NGIA and Garden City Plastics - personal communications<sup>10</sup>

Table 2, above, illustrates the wide gap between membership and levy payers as only 20% of levy payers are members of NGI organisations. This means that there is significant opportunity for NGI Associations to gain additional members and it also identifies that there

*What is a “free rider”? As changes to policy, biosecurity and market access will often benefit all industry participants, “Free Riders” are industry participants who appropriate these benefits without being financial members of industry associations. Free Riders are a challenge for many industry associations.*

is a significant level of “free riders” across the Nursery & Garden Industries.

As discussed below, more members also equate to a higher level of legitimacy with policy makers and commercial contacts. Industry Associations need to build membership numbers by engaging with more industry participants.

Interestingly, there is no national register of Industry participants to facilitate better communication and management of issues like biosecurity. The Committee has speculated that the national organisation should develop a “National Grower Register” with registrants receiving regular biosecurity updates and alerts, if required, from Industry. “Grower Registration” would incur a nominal fee to cover administration.

### “Local representation and activity is good”

Feedback from the Industry was strong in terms of local representation and activity. Members like the “local feel” that having state-based organisation provided, especially networking and social events.

The presence and activity of Industry Development Officers (“IDO”) was appreciated, although there were comments that IDOs can be polarised towards a smaller group of members. As funding models change under the Horticulture Innovation Australia regime, there may be less opportunities to fund IDO activities which will negate some of the current benefits to members in a future model.

<sup>10</sup> Personal Communication - Garden City Plastics, (2016)

Townhall meetings reinforced that local events, trade market days, garden shows and expos, were a key component of the value add to members and are an essential part of the service delivery for any future structure moving forward. Interstate association-imposed restrictions on trade market days remains a symptom of the current system and should be removed to encourage greater participation.

Having strong local interest groups was seen as a key characteristic of a strong membership base. For example, the “*Tree and Shrub Growers*” in Victoria. This requires high levels of volunteerism but is an effective part of the value proposition to members.

Feedback from members also indicated that communication to members was much better from a state level than the national NGIA level, which is to be expected. However, many participants commented on the level of duplication of effort, potential for cross-communication and “over-messaging” (“inbox dilution”) that is occurring with multiple bodies communicating to the same membership base. This assists in the escalation of mistrust between organisations that many participants see as toxic.

### The current structure is “volunteer hungry”

The involvement of volunteers is key to the success of any Industry organisation as they are required to populate boards and committees as well as participating in the running of the organisation. The demands on individual members are high, as there are a lower proportion of members engaging at this level.

NGIA estimates that there is a minimum of 92 leadership positions required each year for governance and management of the various boards, committees, councils and groups across the NGI. This is regarded as being a low estimate.

The estimates indicate that the average volunteer fills 2.4 positions per annum across a 5-year period. When you consider that 20% of volunteers do not re-engage after the first term this places a lot of responsibility back on the other volunteers, who do re-engage.

As member numbers decline and business pressures increase, under the current structure, there will be an ongoing challenge to fill these industry positions.

### “Members understand the need to have a national advocacy body focused on their issues”

Many members understand the need to have a national advocacy body focused on their issues.

There was clear understanding that many issues need to be addressed at a national level by a national body and a single voice is often required for communicating with politicians and government bodies.

As discussed in the AFI Report<sup>11</sup>, for an organisation to have legitimacy it needs to represent a large proportion of the membership and the industry needs to have a clear, consistent policy platform, unencumbered by varying perspectives across regions.

It was recognised that a national body should be responsible for the following areas:

- Advocacy;
- Biosecurity;
- Research and Development;
- Federal industrial relations;
- National water and environmental issues that affect the industry;
- National Training and Education;
- Industry Marketing;
- National Industry Conference;
- National Industry Awards; and
- Export assistance and Market Access.

This does not mean that a large national body is required. Many of these areas require an oversight and, when required, a sub-committee to be formed to develop policy. There were strong feelings from membership that the NGIA needs to be a very lean organisation that effectively uses sub-committees and technology to develop and distribute information.

### “Value for membership fees is a challenge”

Feedback from members indicated that the vast majority of members are not clear on the value received compared to the amount of their annual membership fees.

A number of members commented on the issue of “free riders” and how the industry must address this. The “free rider” situation is further compounded by the levy system where levy payers are not necessarily members of NGI Associations.

Some members were unclear on the split between funds to national and state bodies, and how this worked. There were comments around membership fee structures often not suiting the needs for members and that most organisations have taken a “one size fits all” approach, whereas others like NGINA have a tiered membership approach.

There was some conjecture that possibly a “User Pays” model is a better model for some services within the industry and this could also involve a hybrid model of fixed fees coupled with User pays.

The difference in membership fees and perceived value between State Associations was also commented upon by members. Examples of businesses crossing state lines for cheaper membership fees was raised at some Townhall Meetings.

Similarly, the costs for a multi-state business of being in multiple State Associations was also raised. The benefits of multiple state memberships was not seen as cumulative but linear ie.

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<sup>11</sup> Australian Farm Institute: Opportunities to Improve the Effectiveness of Australian Farmers' Advocacy Groups, (March 2014)

despite higher cost to the business overall, value to the businesses increased only slightly. For example: the business only needs one IR service not two or three. Many businesses resolved to have one membership and forego additional memberships in other states.

The perception of the value of NGI membership has diminished over time in comparison to other related industries. Other industry groups, such as Citrus Australia, have evolved and continually updated their organisational structures and added to their value proposition as well as retaining or increasing their membership base.

It was noted in conversations with members and in interviews with CEOs from other industry organisations, that there are many organisations competing for the “member dollar” across a range of industry groups that could, or are already servicing, the Nursery & Garden Industry.

The current situation in the NGI Associations is exacerbated by duplication in roles and responsibilities and as a consequence, has become a confused offering to our members. Many retailers feel they would get more value out of belonging to a purely retailing industry group. Several wholesalers mentioned that they do not perceive value in remaining within their current organisations.

These organisations are involved in: landscape, grower, retail and professional associations and they are delivering a range of similar services as well as having similar issues at a Federal level as the issues facing the Nursery & Garden Industry. As a result of scale, many of these organisations offer similar services to their members for a much lower investment.

Discussions at Townhall meetings indicated that members were unclear as to where their membership fees should be paid i.e. state or a national level. They were unsure how national level fee payments would be allocated and distributed to the states.

### “Despite rhetoric, States often fail to deliver in regional areas”

Overwhelming feedback from the state organisations were that they often do a superior job of delivering services into regional locations. Feedback from members were that despite this rhetoric that the states, they often fail to deliver services to regional areas at a level that members feel comfortable with.

Townhall meetings in regional areas highlighted some of these shortfalls in communication and service delivery at a regional level. This is compounded by the extreme distances in states, for example Queensland and New South Wales.

Members gave the perception that the state organisations don't necessarily understand regional issues and often gave poor service and responses when addressing a regional issue that was important to local members, but may not have appeared to be a significant issue on the “state radar”. A similar criticism is made of the national body in relation to state issues.

Other comments were that IDOs often concentrate their services on a small number of members whilst failing to service the large majority of members resulting in service inequity.

This is not the case with all IDOs however it was mentioned frequently in feedback. The Committee discovered that this perception is due mainly from the previous IDO project being focussed on delivering NIASA. Any future extension support to members, (which was a major discussion point), should be based on providing biosecurity, communication, education and training as priorities.

Rather than members speaking openly at the Town Hall Meetings, the Committee were approached privately about the perception that State Associations are concentrating on their own survival, to the detriment of adding value to the members. Also, some members were uncomfortable raising issues that may have been critical or contradictory to State organisations in the presence of State Association representatives (Board and/or Staff) at public meetings.

### “Inefficiencies costing the Industry”

There’s a general perception across industry that inefficiencies in organisational structures are costing the industry in terms of focus, opportunity and duplication.

Examples were provided where there was poor use of technology for information dissemination and similarly travel costs for state and national boards are high. Directors on these organisations could make better use of web technologies to reduce time away from their business, and significant costs to the industry.

There was also the perception that there is quite a lot of duplication of effort between states and national bodies with multiple CEOs and EOs, overlapping staff roles, etc. For example, in 2015, there were 53 Board positions across NGI Associations not to mention committees, etc. This is a large drain on the industry’s talent and represents significant duplication of effort and cost.

Feedback was also strong that with so many boards, too much of the focus of industry is on the governance of individual organisations, rather than focusing on addressing the specific needs of members in those organisations. This was also emphasised in other studies like the Newgate Report.<sup>12</sup>

### “Poor Knowledge of Industry Organisation roles”

Feedback from members at both Townhall meetings and through the DETR survey were that members were unclear on the respective roles of state and national organisations. They were especially unclear on the size, resourcing and funding tool for NGIA, with confusion around staffing levels and resourcing.

Misinformation is rife in this space with many members referring to an NGIA structure from many years ago. The dual membership structure between state and NGIA is confusing for most members and this is exacerbated as there is no “real” member connection with the national body.

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<sup>12</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation

### “Lack of coordinated Advocacy”

Feedback from members indicated that they considered there was a lack of coordinated advocacy at both the national, state and regional level. This was exacerbated by inconsistent strategic plans and priorities between state and national organisations.

It was seen that this lack of coordination and communication leads to poor implementation and inconsistent messaging for policy and advocacy, and in the presentation of the industry to political and government leaders.

### “Education and Training could be delivered on a national basis”

Feedback from a range of members is that industry training should be delivered on a national level. It was felt that the level of industry-wide education and training was quite low, inconsistently applied and uncoordinated between State and Federal levels.

There was little being done to engage students in the NGI at a school, tertiary, between job or traineeship level. It was felt this would need to be nationally coordinated but possibly delivered via regional bodies.

Members felt that there was little being done to improve education in schools, or nursery and horticulture at TAFE and university level, with comments that “...landscape architects are no longer required to complete horticulture as part of their studies”.

Members also commented on a lack of industry-focused management and leadership training at any level.

### “Conflict of Interest”

Members highlighted a perceived conflict of interest between the national and state bodies, and this is highlighted in questions like “are state representatives on the NGIA board for industry or to represent their state organisation?”

The general consensus was that they are representing their state organisation rather than being focused on the NGI strategic objectives. As a consequence, this has led to paralysis in key decision making, misalignment of priorities and creates an environment of contempt and mistrust.

It also means that there is poor communication between the national body and the representative state bodies. The assumption is that because the states have a representative on the board, that communication back to that state body will be effective, but this is rarely the case. Some national board members felt ostracised by the State Board because their national focus was seen to be in misalignment with state interests.

Feedback from members stated there is disconnection and distrust between the national and state organisations representing the Nursery & Garden Industry and that this has been reinforced by evolutions of the current structure over many years, despite many indicators for change.

## “Serving the smaller States”

Townhall meetings highlighted the challenge of servicing smaller states, for example: Tasmania, Northern Territory and Western Australia, where declining membership and increasing competition from other organisations has meant that funds are extremely limited for service delivery in these areas.

At the Townhall meetings, there were comments such as “how do we service these remote and regional members, especially in those smaller states, but also in the larger states where the “tyranny of distance” will often mean that members are a long way from the state or national office?” For example, Northern Queensland, where Cairns is approximately 1,700 kilometers from Brisbane.

Distance increases costs and challenges for delivering services to this regional area. At the Alstonville Townhall meeting, members commented that service from Sydney was poor and that some Northern Rivers businesses had joined NGI Queensland to reduce costs and improve service delivery. The extent to which this is happening was not verified by the Committee.

## A discussion on the key structural issues of the Nursery and Garden Industry

### Defining the challenge of structural reform

The Committee reviewed a range of structural research documents across a number of industries particularly those relating to farmer and rural-based organisations. Key points raised in this research are highlighted below.

#### The DTER Survey of members

As part of this review, NGIA engaged DTER<sup>13</sup> to complete a survey of industry members. DTER surveyed 320 industry participants who were either current members (64%), lapsed members (11%) or not-ever-been members (25%), on a range of issues surrounding the restructure. Key lessons from the DTER survey are outlined below:

Figure 1, below, illustrates the degree to which Industry Associations have met the business needs of members over the last 5 years. 46% of current members felt that their business needs were poorly met - this rises to 53% of retail members. In general, mid-tier and large members (\$1M to \$3M, and >\$3M turnover, respectively) had a higher proportion of satisfied members than businesses with less than \$1M turnover.

74% of lapsed members thought needs were not being met which correlates to shrinking membership numbers highlighted above. Only 3% of respondents “...believe the current

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<sup>13</sup> Down to Earth Research – “Nursery & Garden Industry Structure Review Member Survey”, (July 2016)

structure of the network has met their company’s business needs very well over the past 5 years compared to 21% saying it has met them very poorly.”<sup>14</sup>

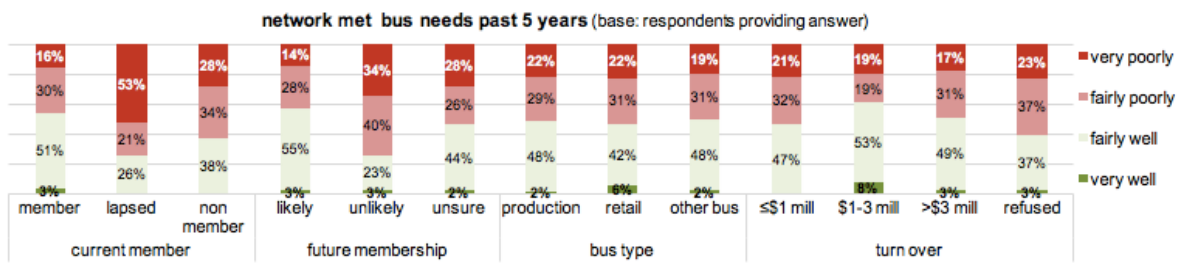


Figure 1. Degree to which business needs have been met in the last 5 years

Interactions with the current associations are illustrated in Figure 2, below and highlight that a large proportion (62%) of respondents (members, lapsed and non-members) have limited engagement with NGIA, whilst 51% of respondents had interactions with State Associations. Interestingly, 21% of current members said they had not much/no engagement with their State organisation.

This is important because “...survey results reveal a close link between satisfaction levels and the amount of contact with NGIA but the link is less clear for State Associations.”<sup>15</sup>

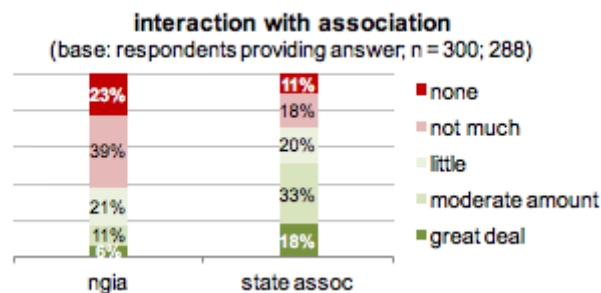


Figure 2. Interactions with National and State Associations

In addition, “...more than half the NGIA members completing the survey have either a moderate to great deal of interaction with the organisation and it is notable that this is the group most likely to renew their membership when the new network is formed.”<sup>16</sup>

Industry Associations did not perform well when participants were asked to rate the performance of the national network (national and state bodies) refer to Figure 3, below. “Overall, national network performance rating results for each of the services and activities tested are arguably low. In DTER’s experience, it is not uncommon for average performance scores to achieve 7 or above.”<sup>17</sup>

<sup>14</sup> Down to Earth Research – “Nursery & Garden Industry Structure Review Member Survey”, (July 2016), p19

<sup>15</sup> Down to Earth Research – “Nursery & Garden Industry Structure Review Member Survey”, (July 2016), p17

<sup>16</sup> Down to Earth Research – “Nursery & Garden Industry Structure Review Member Survey”, (July 2016), p9

<sup>17</sup> Down to Earth Research – “Nursery & Garden Industry Structure Review Member Survey”, (July 2016), p21

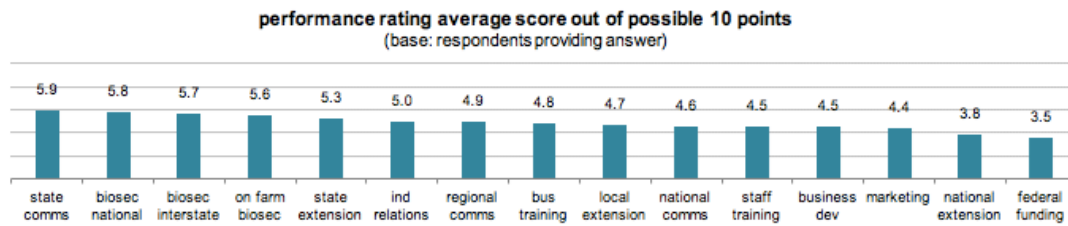


Figure 3. Performance Rating of Services

These results indicate that the current organisations and structure are not meeting member expectations for performance. This is a great opportunity for Industry.

When asked about their attitude to a potential restructure, the responses were overwhelmingly positive with approximately 60% of respondents positive and an additional 30% neutral. These figures are summarised in Figure 4, below.

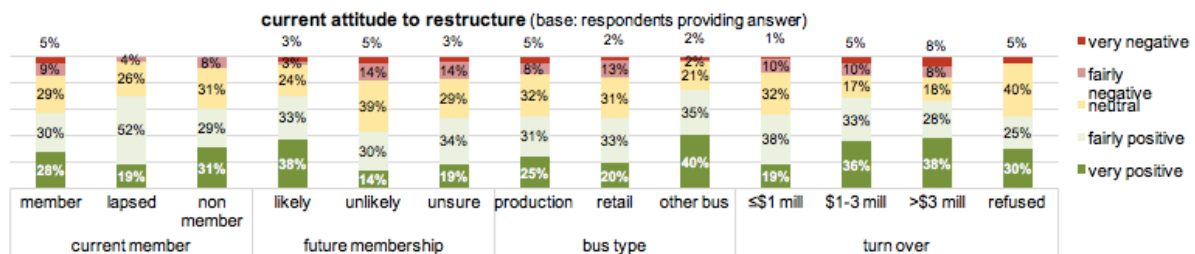


Figure 4. Current attitude to the restructure

The survey also found that 65% of current members were likely to seek membership in a new body and an additional 21% are unsure. Only 14% of current members said they were unlikely to join a new body. Lapsed and Non-members indicated that 38% and 15% of respondents, respectively, are likely to join a new body, even though the scope of a potential new body had not been identified.

The Committee agree that future NGI structures must foster a high level of engagement and communication with members to significantly improve the value proposition for membership. The survey highlights that there are high levels of dissatisfaction with the current structure and strong support for a new more efficient structure. If the current trend were to continue, then the NGI would struggle to claim legitimacy as the representative NGI organisation in the future.

### The MOKO Report - 2005

Horticulture Australia Limited commissioned an industry review “*Building Better Businesses - A Report of the Review of Resources and Structures in the Nursery & Garden Industry - September 2005*”<sup>18</sup> known as the “MOKO Report”. The report made recommendations on changing the federated structure to a unified structure.

<sup>18</sup> Building Better Businesses – A Report of the Review of Resources and Structures in the Nursery & Garden Industry, (September 2005)

At the time, this report was considered by the Board of NGIA, however its major recommendations were shelved due to reluctance by State Associations to concede on changes to organisational structure. The environment at the time influenced that decision. The industry was well serviced by levy funded projects, State Associations were strong and membership numbers were stable. Those critical factors are not present now and some of the MOKO recommendations are still relevant in the current environment.

### The Newgate Report

The Newgate “*Review of the future of Australian Farm Sector Representation*”<sup>19</sup> (“Newgate Report”) reviewed the National Farmers Federation (“NFF”) and made recommendations on specific structural reforms and many of the research findings and attributes of their structural model are applicable to the Nursery & Garden Industry.

The Newgate Report highlighted that there were consistent challenges for the agriculture and rural sectors in Australia, and that there had been quite dramatically altered farmer perceptions of the value of farmer advocacy groups which has resulted in:

- declining memberships across the sector,
- increased fragmentation of organisations and issues; and
- rising concerns about the future viability of some organisations in those industries.

The Steering Committee (and the Newgate Report) also referred to the Australian Farm Institute (“AFI”) report from March 2014 titled “*Opportunities to Improve the Effectiveness of the Australian Farmers’ Advocacy Groups – A Comparative Approach.*”<sup>20</sup>

This report undertook an extensive literature review and interestingly established a set of objectives qualitative criteria to compare the effectiveness of advocacy groups:

#### 1. Strength of the business model

This criteria relates to the potential effectiveness of an advocacy group to financially sustain its advocacy services in the future. The report highlighted the fact that membership in many advocacy groups is declining at a faster rate than the decline in industry businesses and this is partly due because advocacy is a poor basis on which to build a business model.

The challenge for many organisations is that they are “forced to” invest in things that are of benefit to the wider industry and therefore benefit “free riders” as well as paying members.

#### 2. Coverage

This criteria relates to the variety and breadth of issues that an organisation needs to address in order to satisfy its members. The AFI report considered that it was important for an advocacy group to have the broadest coverage possible in order to appeal to a wider range of member issues as possible.

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<sup>19</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation

<sup>20</sup> Australian Farm Institute: Opportunities to Improve the Effectiveness of Australian Farmers' Advocacy Groups, (March 2014)

The most effective groups were those that had systems which allow them to select the most relevant issues for action and then enable them to focus their attention in these areas. The challenge is that advocacy must cover many issues and trying to stay across all the issues confronting a broad member base had led to fragmentation of effort and lack of coordination across the industry.

### 3. Legitimacy

According to AFI, it appears that the effectiveness of advocacy is directly related to the number of members that it represents i.e. “legitimacy by numbers”. This means that the more members represented, then the more legitimate the organisation is in the eyes of politicians and government, and the general public.

### 4. Consistency

AFI found that the elements involved with consistency are related to brand, reputation and reliability, and organisations who were consistent in their decision making over time, became a reliable partner for Policymakers who were then able to anticipate the position of the group.

For the Australian Nursery Industry, the challenge will be that clear messages around certain issues, such as biosecurity, can also be diluted by a contradictory approach when looking at other issues such as: Free Trade and Market Access for our exporters. This contradiction impacts our ability to be seen as a consistent partner by policymakers.

### 5. Competition

Advances in communication technology combined with increasing pressure on declining members means there is more competition now for the membership dollar from advocacy groups - not only industry-based, but also special interest groups, who are able to muster support across the community on a range of different issues.

It is important when looking at competition, NGI groups are seen to have a consistent approach to particular issues and where appropriate, engage with competing organisations in order to have a unified voice for policymakers.

### 6. e-Capacity

NGI members now have higher levels of access to digital web-based technologies and communication platforms enabling them to seek information and express themselves to policymakers in a large number of ways. AFI assessed Australian advocacy groups as being poorly equipped to communicate via new channels of choice, particularly related to social media and the internet.

The AFI report highlighted effective advocacy groups were hallmarked by strong local engagement leading to increased membership, providing them with strength in a number of areas such as their business model, consistency, legitimacy and leverage engaging in improved communication technologies.

The Newgate Report highlighted case studies of local and global organisations who are relevant to the Nursery & Garden Industry structure debate. These are included in the below Review of Industry Structures.

In reviewing the National Farmers’ model, the Newgate Report highlighted that often the “target audience of farm sector advocacy (e.g. government/departmental officials, community, media) were confused by farm sector representation due to:

- the plethora of organisations make it difficult to know which to engage with (which organisation has credibility); and
- message conflict between the various organisations (advocating for different outcomes).”<sup>21</sup>

The Newgate Report highlighted “...each individual organisation has an independent entity (name, brand, logo) with its own touch points promoting the issues of concern to its members via the website, annual reports, policy documents, social media collateral, etc. And this challenges the industry’s capacity, not only to speak with a unified voice but to project a unified message representative of a unified position.”<sup>22</sup>

Feedback to the NGI Steering Committee indicated similar issues may occur when multiple NGI entities are visiting the same policymakers and expressing potentially different points of view.

The Newgate Report highlights the impact of industry silos/organisations focused on specific regional or commodity outcomes and the result of these silos is “duplication across the system representing an immense drain on funds available for farm sector representation. Each organisation has its own board, executive and resources for operations (marketing, policy, finance) dedicated to serving the siloed interest of the individual body.”<sup>23</sup>

Feedback regarding NGIA through Townhall meetings, submissions and the member survey indicate that members see much waste in having multiple organisations which are all focused on achieving the same task and the same outcomes. There is little evidence to indicate that the NGI will have different outcomes to the organisations highlighted in the Newgate Report.

The Newgate Report highlighted some common characteristics of influential representative bodies that were identified as follows:

1. “**Internal cohesion:** the organisation speaks on behalf of a unified membership;
2. **National Structure:** the organisation has a national structure and strategy that aligns resources and advocacy of regional, or commodity-specific advocacy;
3. **Modern Communications:** the organisation understands and utilises digital media to proliferate compelling messages that guarantee community and member buy-in. Messages strike the appropriate balance between policy precision and emotional resonance;

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<sup>21</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p27

<sup>22</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p27

<sup>23</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p30

4. **Social Licence:** the organisation is able to address the broader Australian community and engage and support of audiences beyond its immediate constituency. It then uses this broader community support as political power;
5. **Empowered Professional Teams:** the organisation is driven by an empowered, professional staff who have authority to act in the interest of the organisation; and
6. **Efficient:** the organisation is run efficiently ensuring it is appropriately resourced and funded.”<sup>24</sup>

Based on its research, the Newgate Report recommended a unified model for the National Farmers’ Federation based around:

- ”One unified organisation;
- One brand, consistent and coordinated messaging;
- One national fee structure and budget allocation;
- Closing the gap between national representation and grass roots farmers; and
- Clean slate approach and a direct relationship between the organisation and the farmer.”<sup>25</sup>

“The Unified Model should emerge as a result of consolidation of resources currently spread across all levels of the farm sector representation. A unified structure would see the establishment of a national executive with state-based branch representation reporting back to a national executive. A unified model merges current national and state farm representation to a single body.

Sector-wide resources are approved to establish a national executive to service the farm sector with “best in class” resources whilst removing sector-wide duplication.

State branches would require resources to address state-specific issues. Branch structure would be developed to reduce resource footprint whilst ensuring state-specific skills and knowledge are retained. It is recognised that this would need to be determined on a case-by-case basis as each state will have specific “on the ground” needs.

Importantly, whilst the state offices would be reduced the regional footprint is increased. Regional manager numbers would be broadened to ensure face-to-face liaison with grass roots farmers which is a fundamental principle of a unified body.”<sup>26</sup>

It should be noted that the NFF Member Council moved a motion that was supported unanimously to move towards a Unified Model that pursues the characteristics of the Unified Model outlined in the Newgate Report.

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<sup>24</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, page iv

<sup>25</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p31

<sup>26</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p32

## The AFI Report

The Australian Farm Institute produced a research report in March 2014 titled “*Opportunities to Improve the Effectiveness of Australian Farmers’ Advocacy Groups – A Comparative Approach.*”<sup>27</sup> The research involved an analysis of the potential effectiveness of farmers’ advocacy groups in Canada, New Zealand and France as well as advocacy groups in Australia that are not related to our farmer groups.

Groups were assessed against six criteria (mentioned above in the Newgate Report) in order to assess their capacity as an advocacy organisation.

Key conclusions from the AFI report which are relevant to the Nursery & Garden Industry are as follows:

- “A group with a business model based largely on providing advocacy services and which relies on voluntary membership contributions is not sustainable over the longer term especially in deregulated political environments such as the case in Australia;
- In order to maintain legitimacy and a sustainable business model, agriculture advocacy groups need to deliver a range of services and benefits that are exclusive to members and which can act as an attractant to encourage membership;
- Providing attractive opportunities for local engagement appears to be a powerful way to gain and retain members, and to ultimately strengthen the legitimacy of farmers’ advocacy groups;
- A consistent approach to policy issues is an important element of the identity and legitimacy of advocacy organisations, and also critical to their long term effectiveness;
- Australian farmers’ advocacy groups have a significant opportunity to enhance their effectiveness by more directly engaging with the Australian community. Due to the decreased importance and visibility of agriculture, policy change is unlikely to be achieved without relatively strong community support;
- Farmers’ advocacy groups have to change from a reactive attitude to a proactive attitude when it comes to contentious societal issues. It is necessary for them to engage directly with opposing advocacy groups on the issues of mutual interest; and
- The development of e-capacity will be essential to the future effectiveness of agricultural advocacy organisations and it provides the potential to address some of the disadvantages associated with fragmentation and geographical isolation that have limited the effectiveness of farmer advocacy organisations in the past.”<sup>28</sup>

The farmers’ survey by AFI found the two main reasons farmers gave for not being a member of an advocacy group was “lack of value for money” and “lack of engagement.”

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<sup>27</sup> Australian Farm Institute: *Opportunities to Improve the Effectiveness of Australian Farmers’ Advocacy Groups*, (March 2014)

<sup>28</sup> Australian Farm Institute: *Opportunities to Improve the Effectiveness of Australian Farmers’ Advocacy Groups*, (March 2014)

Both these reasons are associated with a lack of relevant activities perceived to be of value to the potential member.

The AFI report referred to successful organisations such as the *Young Farmers of New Zealand and the American Farm Bureau* which had structures where the majority of members are actively engaged at the local level in production-related issues such as workshops and field days. In fact, it was noted that the majority of members in these organisations were not actively involved in state or national policy issues. These findings are confirmed by the results of the farmers' survey.

The AFI report highlights that most farmers are more interested in engaging in issues related to the successful running of their farm and are happy to leave the “political stuff” to the small proportion of farmers who are interested in politics.

Successful large farm organisations such as the American Farm Bureau, appear to have recognised this in the evolution of their structure, with reportedly more than 95% of their members not involved in the political processes of those organisations but heavily involved in local activities.

### The Primrose Report

In the paper titled “*Best Structure for Best Practice NFPs – Federated or Unitary*,”<sup>29</sup> Neil Primrose reviewed the role and cost effectiveness of the entire state/territory branch management in federated structures and a movement towards more unitary national structures.

Primrose highlighted that most national Australian not-for-profit organisations are structured as federations, but that one of the complexities of federations is the issue of who are the members of the national body, and how to achieve benefits for members from a national approach. This generally was not achievable by the branches at a state or territory level.

Primrose states from experience of working with federated bodies in the NFP sector, more often than not, the meetings of a national body are shackled by the interest and perspective of the state/territory branches. This focus being on the local negates the opportunities and objectives sought from having a national perspective and momentum. This practice of focusing on the local is particularly strong in boards that have the state/territory CEOs as members of the board.

Experience shows significant duplication of effort with state/territory branch employees clinging on to functions that would be far more cost effective if centralised. This applies to financial administration, career paths, IT, communications, services to members and marketing of the organisation to serious sponsors.

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<sup>29</sup> Primrose, N. (February 2009), *Best Structure for Best Practice NFPs – Federated or Unitary* (A Primrose Solutions Discussion Paper)

Primrose also argues that the most common benefit from a state/territory tier of management is that they are far better positioned to keep in touch with the grassroots, that is individual members, at the state/territory level.

“Complaints about the aloofness of state/territory branches however are frequent. The track record of state/territory branches keeping close touch with the membership gives no confidence that this tier of management achieves the purpose of which is often justified, or that it is better at it than the national body would be. Capable people at both levels can and do make the effort to keep in touch with memberships but this depends more on their personal commitment to the communication than it does to structure.

...Having a state/territory branch interpose between the individual members and the national body is no guarantee of effective communication. In many cases, it makes it harder by creating another bureaucracy. It reduces the onus on the national body to ensure that effective communication happens. Moreover, much energy and undue resources are devoted to the dealings between the state/territory branches and the national body.

While the state/territory tier of governance had a role to play in the past, when communication was more difficult; that has been changed by the revolution in corporate communication brought by the ICT revolution. The supposed benefits have evaporated and the costs remain significant.”<sup>30</sup>

The Primrose report also highlights that there are challenges with the priority for local strategic directions. “State and territory branches often claim that they are necessary to ensure local interests are effectively represented in the strategic direction of the national body. There is a related fallacy that national directions must be antithetical to local interests which need a protector.

Experience is that state/territory branches are often more interested in developing and preserving their own local objectives and local marketing initiatives than achieving national benefits.

The result is often a variety of strategic directions that are not harmonised with the national directions and local state/territory branches tripping over one another in approaches to potential sponsors. This reduce the effectiveness of the national body by fracturing the clarity of purpose. It creates confusion, if not rivalry, within the membership and reduces the effectiveness of the organisation for significant sponsors...”

“State/territory branches often possess property and/or funds of their own, which may give a local branch the wherewithal to provide a high quality of service to local members. However, it can also be a significant impediment to robust support of national objectives or programs”.<sup>31</sup>

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<sup>30</sup> Primrose, N. (February 2009), Best Structure for Best Practice NFPs – Federated or Unitary (A Primrose Solutions Discussion Paper), p3

<sup>31</sup> Primrose, N. (February 2009), Best Structure for Best Practice NFPs – Federated or Unitary (A Primrose Solutions Discussion Paper), p4

In reviewing the NGI structure, “Care needs to be taken to assess rationally whether the continuation of separate financial wealth or property is best used in the hands of a national organisation or the local branch?”<sup>32</sup> This will be a highly emotionally-charged issue and is often a major impediment to strengthening national objectives.

The Committee believe that a unified structure doesn't necessarily need centralization of wealth or assets. Examples from other associations have shown that this can be sensibly managed through trusts with revenue distributed to support member benefits.

The Primrose report also highlights that “proponents for change need to be sensitive to the often long histories and loyalties of state/territory branches and the desire of well-meaning people to continue playing a role in the organisation. This relates to often well-respected work undertaken within the branches, which needs to be acknowledged and celebrated, while recognising the need to move on.

Programs for change need to allow time for those who feel strongly about the existing structure to come to terms with the loss of familiar structures/titles/roles and the need to provide clear reason and assessment of the benefits in order to reduce the backlash that accompanies any change. The process of coming to terms with a well-justified change will be assisted by negotiating acceptable timeframes and instituting salient waypoints.”<sup>33</sup>

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<sup>32</sup> Primrose, N. (February 2009), Best Structure for Best Practice NFPs – Federated or Unitary (A Primrose Solutions Discussion Paper), p4

<sup>33</sup> Primrose, N. (February 2009), Best Structure for Best Practice NFPs – Federated or Unitary (A Primrose Solutions Discussion Paper), p5-6

## Key Learnings on Industry Structures

### Structures Research

Russell Cummings, consultant assisting the Committee, completed a review of Industry structures for the Australian Vegetable Industry Development Committee in 2008. After researching a number of industry organisations across the globe, the team working on this project identified that there are in reality only a small number of potential models being used:

- **Federated Models** - where state or regional bodies are members of a larger “national” body and the National Board is comprised of members of the state/regional bodies e.g. National Farmers Federation, Ausveg, Cotton Australia;
- **National Models** - where there is a single body often with branches in state/regional locations e.g. Hardware Australia, Citrus Australia;
- **Centres of Excellence Models** - where a national body may have component members that are focused on areas of technical excellence e.g. NZ Kiwifruit; and
- **Specific Functions Model** - where individual organisations take on specific functions like: marketing, R&D, advocacy, etc. e.g. Australian Wine and Grape Industry.

Examples of these models (adapted for the Nursery & Garden Industry) were presented by Russell Cummings at the January 2015 NGIA Strategic Planning Workshop. They are presented below.

### Alternative Federation Model

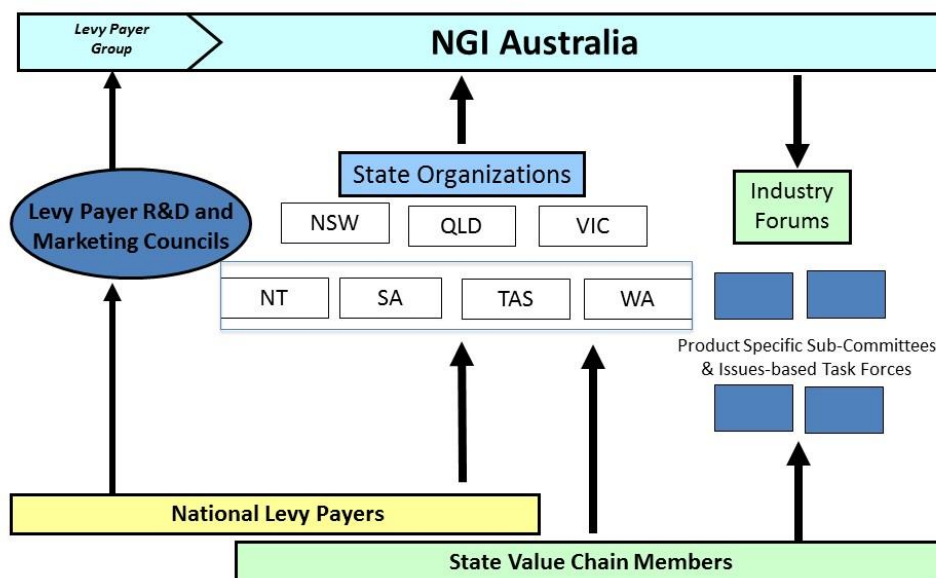


Figure 5. Alternative Federation Model

## National Association Model

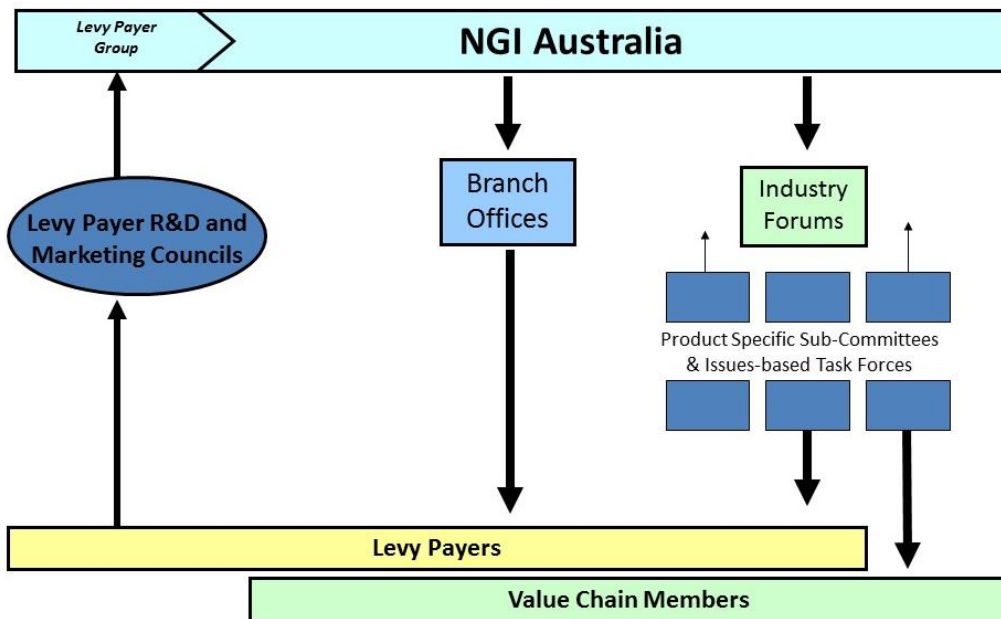


Figure 6. National Association Model

## Specific Function Model

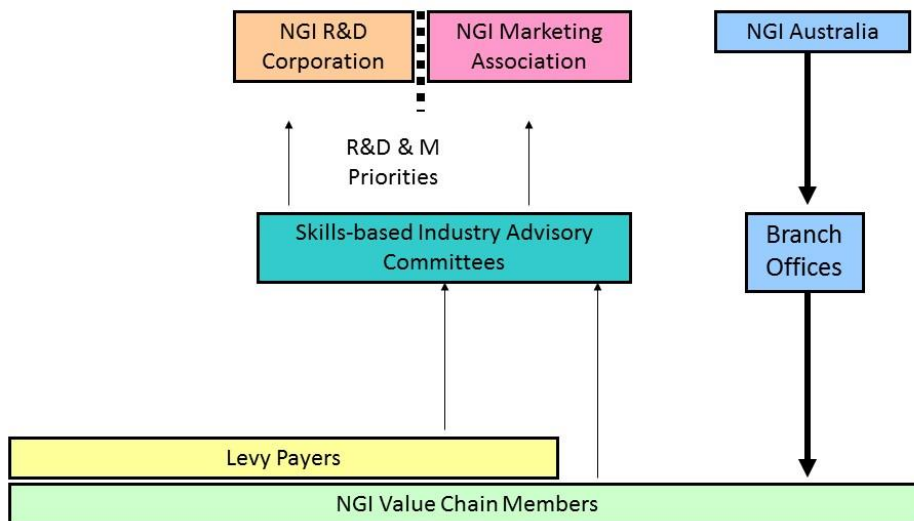


Figure 7. Specific Function Model

## Centres of Excellence Model

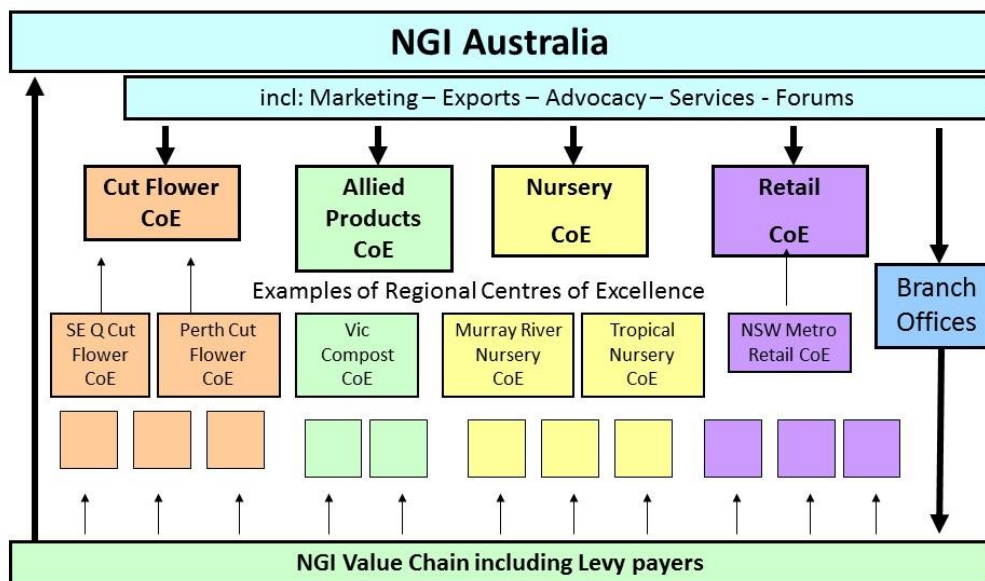


Figure 8. Centres of Excellence Model

The reality is that only Federated and National models are appropriate for the NGI given the diversity of geographic areas, products and services, business types and end-markets serviced by the industry.

A number of industry groups were reviewed by the Steering Committee and learnings have been synthesised from discussions with these groups. The following points highlight some of the key learnings from these discussions and reviews of alternative industry organisations and their structures.

### Key Learnings from other Industry Organisations

#### Cotton Australia

The Australian Cotton Industry has a federated structure that is not based on state-based organisations, rather they are based on regional organisations that represent the particular cotton growers in those regional areas.

Key lessons gleaned from the Australian Cotton Industry are:

- No state boundaries - regional organisations are structured around the members for effective local contact;
- Build strong relationships with affiliated organisations at national and state levels to facilitate contact with decision makers in government at all levels;
- Build strong relationships with the members, focus on services that are of value to them;
- Discuss industry issues with the entire industry through an industry-wide forum that includes competing and affiliated organisations; and

- Federation can work if there is clear communication channels with members, and the members feel that they're being heard by the national body.

Cotton Australia improves communication to the members by establishing grower panels that set the R&D direction for the Cotton Research & Development Corporation.

Cotton Australia also convenes a general assembly of all members 3x per annum ("members" are member organisations not individual farmers) and convenes the Cotton Industry Conference which had 1,900 attendees in 2016.

Cotton Australia also convenes the Cotton Industry Forum which is a semi-annual event where the entire Industry from growers to ginners to consultants to shippers/merchants meet to discuss mutual industry issues.

Cotton Australia provides a range of services for the cotton growers including: policy, advocacy, R&D direction, stewardship, best management practices, community and capability building, education and an industry crisis management plan.

The Association is working hard to improve industry education and has recently launched the "Cotton Gap" initiative encouraging school leavers who may be interested in a long-term cotton industry career, or a 12-month "gap year", to participate in the program.

Cotton Australia is funded by a voluntary levy for members which means it is highly responsive to the needs of membership to ensure its financial viability.

Further information is available at <http://cottonaustralia.com.au>

### Young Farmers of New Zealand

Young Farmers of New Zealand ("NZYF") is a very progressive and dynamic social network for rural youth which develops leadership and personal skills of its members through participation and achievement. This organisation was highlighted in the AFI Report.<sup>34</sup>

In contrast to other agricultural advocacy groups, the NZYF has increased membership by over 400% in the last decade and this offers some interesting lessons on how to provide farmers with reasons to join collective activities.

The NZYF is a national structure supported by 97 clubs across New Zealand and with each club has its own identity and community spirit. NZYF focuses on delivering value to local members with advocacy a secondary priority.

### Hardware Australia

Hardware Australia is a recently formed national organisation for the Australian Hardware Industry, whose members are independent hardware retailers (not Bunnings & Masters) and industry suppliers with approximately 520 members across Australia. The organisation is funded by membership fees. Industrial relations and other member services are provided by an alliance with the National Retail Association.

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<sup>34</sup> Australian Farm Institute: Opportunities to Improve the Effectiveness of Australian Farmers' Advocacy Groups, (March 2014), p2

Hardware Australia will deliver the following services to members: advocacy, events, awards, communication, education, training and policy in addition to the services provided by the National Retail Association.

Previously, the Hardware Industry was represented by a federation of state-based member organisations but declining membership numbers and challenges with relevancy and funding of smaller state organisations have meant the industry has changed to a national structure and board. State advisory committees had been established to focus on key local issues without being hampered by governance, strategy and structures of the large national body.

Feedback is that the national body is more focused than previous entities and currently is having more cut-through with state government organisations. This is in direct contrast to the rhetoric from the state-based organisations that they were required to build strong relationships with state government.

The new Hardware Australia has found that previously “wasted time” on governance and administration at a state level is now focused on delivering industry outcomes and as a result has progressed key industry issues. For example, the industry has moved closer to implementing a national Enterprise Bargaining Agreement which will allow members to compete fairly with Bunnings.

Hardware Australia has also progressed the establishment of a national “Hardware as a Career” Program that is being integrated through schools and colleges.

The new national body has ensured that it maintains local content and relevance by still engaging in local awards nights and training, and leadership development programs that are part of a larger national framework but are delivered at a local level. Building a “national recognition” program increases value and prestige for members whilst maintaining the heritage of previous state-based awards and conference programs.

The transition from a federated structure to a national structure has not been without challenges and it is important that the industry compromises on some of the small issues that may remain at a state-based level in order to achieve the larger industry goal of cohesion and focus.

Some of these issues involved state funds which are held in trust and controlled by a relevant state-based committee with contributions towards some of the national objectives, where required.

### Minerals Council of Australia

The Newgate Report identified the *Minerals Council of Australia* (“MCA”) as an organisation that has done particularly well.

“The MCA demonstrated its capacity to influence policy outcomes that benefit the sector. Intrinsic to the MCA’s success and influence is its national structure that has provided a level of internal unity and created the external perception of organizational strength. Industry unity at the national, state and commodity level is reinforced by the MCA’s

national branding structure that supports a consistent approach to messaging and communications.”<sup>35</sup>

The MCA, in comparison to the NGI, has significant reserves which enable it to be highly effective in an advocacy role, so a direct comparison of its effectiveness is not necessarily relevant. However, elements that may be relevant to the NGI are:

- “A national platform/branding/campaign function which can be leveraged at the local commodity-specific level;
- An empowered executive and professional CEO acting with authority over a representative board; and
- An external presence that demonstrates internal cohesion, unity and inspires political influence”.<sup>36</sup>

### National Cattlemen’s Beef Association

The Newgate Report also highlighted the National Cattlemen’s Beef Association (“NCBA”) as an extremely effective lobby group in the United States, “...known for its ability to influence elective representatives in Congress and ensure favorable policy outcomes for its constituents.

The NCBA is built around a strong local membership base and the political influence that comes from representing a large proportion of US beef growers.

Interestingly, the organisations “agenda” focus on significant breakthroughs on a handful of policy objectives, rather than being distracted by pursuing incremental change across a broad range of issues. Members sign off on three key issues each year, at the annual conference which allows the NCBA executive to focus on progressing their political agenda with a strong mandate from the membership.”<sup>37</sup>

“The NCBA is based on a national structure, it has a unified message but provides grass root members with the tools they require to prosecute these messages at the local level.”

Key characteristics of the NCBA that are relevant to an NGI sector model would include:

- “Focused agenda with demonstrable benefits to grassroots stakeholders;
- Extensive regional outreach to grassroots stakeholders;
- High quality internal communications team capable of initiating campaigns quickly (with internal social media, advertising, design, design capability);
- Consistent campaign themes and key messages launched nationally that could be leveraged by the individual members or local organisations; and

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<sup>35</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p6

<sup>36</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p6

<sup>37</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p7

- Simple emotional messages that resonate with the wider community and establish social licence.”<sup>38</sup>

### Citrus Australia

In 2006 Citrus Australia began the process of looking at the structure of the then Australian Citrus Growers Incorporated. After a comprehensive discussion paper released in 2007 and followed by a white paper showing the favoured models released in 2008 a vote was taken where a new national unified model was accepted.

The process of change was split into three phases.

#### **Phase 1:**

Change the national body. This was put to a vote and achieved 77% in favour enough to make the change at the national level. The change allowed direct membership and provided for a skills based board of seven directors with a minimum of four which must be grower members. Allowing for some independent directors.

Voting by the membership is on a pro rata basis depending on size of the member. Membership is paid at a per hectare rate with a minimum of \$250. This is a similar process to the NGI where it is on full time equivalent employees. The difference is NGI are one member one vote.

#### **Phase 2:**

States and regions cease operations and join the national structure as a committee of Citrus Australia.

This sounds simple but has been a lengthy sometimes difficult process.

#### **Phase 3:**

Raise the HIA levy for R&D and Marketing. This was voted on, passed and is now going through the government phase for final approval.

This was lengthy ten-year process but Citrus Australia is now doing well, providing benefits to members in many ways from market development to political advocacy.

Attached in the appendices are the following documents (*Appendix D*):

- Discussion Paper 2007;
- Final Report White paper 2008;
- Information Memorandum on the change process; and
- Citrus Australia Constitution.

### Australian Institute of Landscape Architects (AILA)

AILA is a very successful advocacy group with a national office in Canberra supporting State Chapters and it has recently reformed its strategic focus nationally re-enforced by the State chapters.

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<sup>38</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p8

AILA has over 2,700 Landscape Architects as members and aims to:

- provide members with advocacy, training, recognition and a forum to share knowledge, ideas and action; and
- strongly advocate for: quality design and planning of outdoor spaces; healthy communities; and considered stewardship of the landscape.

The Institute is funded by a combination of:

- Membership subscriptions - Paid directly to the national office. 35% (recently up from 8%) is paid to the regional chapters based on their membership size;
- Corporate Partnerships - Sponsors are national, with sponsorship fees payable directly to the national office and then a portion of income distributed to chapters; and
- Local Partnerships - Chapters are able to recruit their own partners with 100% of fee payable directly to their chapter office. These partners cannot be competitors of National Corporate Partners.

The organisation has recently undergone a structural transformation that sees the following elements:

- One constitution. One strategic plan;
- A national board made up of 5 volunteer elected members. Not determined by region. Plus provision for up to 2 professional directors;
- National office has 1 full time Chief Executive officer, based in Canberra and a four other National Support staff working in varying roles. Advocacy and lobbying is a strength of the current CEO;
- The board assemble a strategic steering committee; and
- The board has established a number of National committees which all report to the board including an advocacy committee who set the advocacy agenda based on member engagement and industry knowledge.

Other committees include Membership, Honours, CPD, Education, Finance, Risk Management & Audit Committee, Practice, regional along with other Task Groups as required. Each Committee has a Terms of Reference.

- Regional chapter Executive Groups are voted by regional members with 4 core Executive including President, Vice President, Treasurer and Secretary with maximum of 8 State Executive members;
- Some Regional chapters have State Managers who are employed by AILA National however wages are all managed through chapter budgets (approved by National each year); and
- The AILA Strategic plan sets the direction for the whole organization with chapter Executives developing State based Strategic Plans based on the National four strategic pillars. A number of regional Executive have 4 working committees reflecting the Strategic pillars detailed below.

1. Growing membership
  2. Building the profile of the profession
  3. Advocating government
  4. Ensuring sustainability
- Some Regional chapters have other Committees to progress State related initiatives similar to the National Committees listed above.

Key lessons for the Australian NGI are:

- Very focused strategic thinking;
- Harmony between the national office and the regional chapters;
- Membership growth of over 100% in two years since beginning a structural overhaul approx. 1100 to 2700 members;
- AILA operates on a very small budget; and
- Chapters are a delegation of the national office.

Additional information at

[http://www.aila.org.au/imis\\_prod/documents/AILA/News/2015/2015-2020%20Strategy.pdf](http://www.aila.org.au/imis_prod/documents/AILA/News/2015/2015-2020%20Strategy.pdf)

### Australian Retailers Association

The Australian Retailers Association (“ARA”) prides itself as the leading voice for retailers in relation to policy making changes for the retail sector. It is a strong advocate in relation to media, government, regulators and other various retail industry stakeholders. Codes of Practice initiatives have been developed for Best Practice enabling their members to achieve higher outcomes both financially and in efficient and effective practices.

ARA is a National based organisation with State based offices. It is quite a large organisation offering many services to its 5000 members of which 4000 of these are retailers. It is the leading retailer association in Australia and is continually increasing its membership due mainly to the amount of quality services and benefits that they provide.

Subscriptions are sent via the National office to members directly. Monies are then allocated to the States for service delivery, wages, office expenses etc. Subscriptions begin at \$495 for most retailers increasing according to the size of the business. They have existing alliances with the CBA Bank and Insurance companies.

The state offices provide most of the services to their members but there is a coordinated approach from the National perspective. They offer Human Resources, Retail Training, Support and Advice, HR Portal, Industry Updates, Exclusive Discounts, Retail Tenancy & Networking. They provide Accredited Courses and Workshops both electronically and in person. They also provide Custom made courses if required as well as a full Consulting Service assisting retailers on a one to one basis in their own business.

The ARA has expressed interest in forming an alliance with NGI to provide its retailer members with their full scope of Membership Benefits at a much lower cost to NGIA. ARA is estimating a full membership to NGI members could be less than \$300 per member which

would be of great assistance to NGI retailers and may be the point of difference for retaining and increasing retail members.

### Gift and Homewares Association

The Gift and Homewares Association (“GHA”) has a National membership and is completely run out of their NSW Head Office. There are no offices in States due to the large expense outlay.

The CEO stated that although there are more travel costs, they believe that travelling costs are a small price to pay compared to employing staff and providing state offices. The CEO did not feel that the extra expense could be justified to their members.

GHA represents the four sectors being: Gift, Homewares, Toys and Electronics. They also welcome joint ventures between industry bodies and are actively involved in providing their members the highest quality of services to enable wholesaler / retailer success.

Subscriptions for the wholesaler membership of approximately 1600 is \$400. The subscriptions for their 2,000 retailers is \$200. This year GHA added another tier to their subscriptions by adding Associate members for \$100 subscription.

However, if the business attends any state Gift Fair, they automatically become an Associate member. This initiative has increased their total membership to 16,000 businesses. Associate members can upgrade to the Retailers membership for just \$99.

Increasing their membership has made them far more relevant to business partners and they now find that sponsors are knocking on their doors on a regular basis. GHA offer various types of sponsorship packages, providing benefits to the sponsor. Sponsorship usually begins at \$50,000 and they have a strong relationship with Australia Post and CBA who are major sponsors.

Joining the Australian Chamber of Commerce has added to their ability to advocate for their members. They have found much benefit by aligning themselves with Peak Industry Bodies and working closely with them for improved outcomes.

Accrued investments from subscriptions and various Trade events has allowed them to purchase Commercial Properties. They see these acquisitions as being important security for their organisation.

GHA is also keen to form an alliance with NGI retailers and would welcome the chance to be involved in the future of the Nursery & Garden Industry of Australia.

### Australian Meat Industry Council

Researching the Australian Meat Industry Council (AMIC) did not provide similarities or opportunities for alliances with the Nursery and Garden Industry.

AMIC is divided into two sections:

1. Processors are made up 50 larger members. They receive National advocacy support and Media Govt Societal requirements. They are a specialist large manufacturing sector who have their own specific needs.
2. Within this industry, there are 600 retail members and 400 wholesale members. As an industry exporting 10 - 12 billion dollars per year, they have 2.5% of Queensland's GDP and are larger than the Mining industry.

The Smallgood & General Meat Industry run Government funded apprenticeship programmes which are extremely important to the industry. There is extensive training in WH&S due to this industry having a large amount of serious industrial accidents. Safety is paramount for each of their members as it is a costly experience for both the worker and the employer when any industrial accident has occurred.

They have strong alliances with Training bodies and Superannuation companies.

### Australian Rugby Union

Australian Rugby Union ("ARU") is the peak industry body for the Rugby Union Football code in Australia and is responsible for growing participation and support for rugby. The ARU represents the interest of Australian Rugby at SANZAAR and World Rugby levels.<sup>39</sup>

The ARU is comprised of a federation of 10 State and Territory organisations and the Rugby Union Players Association. There are an additional 8 non-voting member associations.

The ARU Board is comprised of up to 9 Directors including the CEO, Chair and Deputy Chair and the Board has adopted the ASX Corporate Governance Principles and Recommendations as framework for governance that promotes corporate integrity and ethical standards.

The Board has 3 Sub-Committees: Human Resources, Audit & Risk, and Governance and Policy. There is a separate Nominations Committee comprised of 3 Independent persons and the Chair of the Board.

The Nominations Committee is responsible for assisting with: board appointments, re-election, board performance, cultural and diversity obligations. Nomination Committee members are comprised of an ARU Board appointee and 2 x people elected by members.

The ARU has adopted a skills-based board structure that aims to strike a balance between understanding of the ARU, providing an external perspective and providing a balance of cultural, geographic, gender and age diversity. The ARU Board is to consist of:

- The Managing Director;
- 6 x Directors appointed by members by a two thirds majority vote following nominations by the Nominations Committee; and

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<sup>39</sup> Australian Rugby Union Annual Report, (2015), sourced online at <http://www.aru.com.au/> on 1 November 2016

- Up to 2 x Directors appointed by the Board following nominations by the Nominations Committee.

The ARU Board operates to 8 key principles:

- Lay solid foundations for management and oversight
- Structure the Board to add value
- Promote ethical and responsible decision making
- Safeguard integrity in Financial Reporting
- Make timely and balanced disclosure
- Respect the rights of Members
- Remunerate fairly and responsibly

Key lessons for the NGI:

- Structure the Board for value not proportional representation;
- Base the Board on strong frameworks and guidelines like the ASIC Recommendations;
- Use a Nominations Committee to ensure diversity and skills mixes and to measure and review Board performance (group and individual); and
- Build the Board around strong governance principles.

More information at <http://www.aru.com.au/>

## What are some potential models?

The Committee highlighted a number of potential models for the industry, focusing on structures that improve the allocation of resources, engagement with members and the unity and cohesion of the industry for advocacy and community engagement purposes.

The Committee drew on the recommendation for the National Farms Federation, expressed in the *Newgate Report*, to define some guiding principles for their model:

- “One unified organisation;
- One brand, consistent and coordinated messaging;
- One national fee structure and budget allocation;
- Closing the gap between national representation and grassroots members;
- Clean slate approach; and
- A direct relationship between the organisation and the grass root member.”<sup>40</sup>

In addition, there were several criteria that the Committee thought were important to incorporate into the future structure of the NGI:

- Service delivery at a local/regional level, especially awards and trade shows;
- Policy Team that is active at both National, State and Regional levels - facilitated by strong alliances with other industry horticultural and rural groups with similar issues;
- Regular industry forums where members raise issues of concern and agree industry priorities;
- Regular forums with “Green Life” Industry groups to get sector wide alliances and issues addressed;
- Better use of technology to improve access to information, training and resources;
- Educational programs that profile the NGI at a primary school, secondary school, school leaver, job transition and tertiary level, promoting and training the industry and engaging with the next generation of nursery operators;
- Reduce the number of “Boards” and volunteers required to manage and govern - have volunteers focused on growing the industry and their businesses;
- A national conference with quality speakers, as well as being focused on understanding issues and helping members to network, grow and prosper;
- A single “industry brand” that can speak on behalf of members with clarity of voice;
- A new membership model that better reflects the different types of NGI businesses and their membership needs; and
- A standardised national fee structure that has a single point of collection.

The Committee were also aware that NGIA has a statutory requirement to deliver under the Emergency Plant Pest Response Deed, therefore there will be a need for national representation. Second, Horticulture Innovation Australia requires a peak industry body to provide advice and direction and will not engage with state and/or regional bodies in these

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<sup>40</sup> Guthrie, S, Akindoyeni, F. (August 2014), *The Newgate Review of the Future of Australian Farm Sector Representation*, page v

matters nor provide project funding to these organisations. There is a strong requirement for a national organisation.

The Committee evaluated the following scenarios against these criteria:

1. Do Nothing - leave industry structures “as is”;
2. Revitalise the current Federation; and
3. Restructure the industry organisations.

Each of these scenarios is discussed briefly below.

### Option #1 - Do Nothing

Feedback from Town Hall meetings, survey and submissions indicated that this option was a non-viable. There is general agreement that the operation of the current structure is flawed so maintaining the status quo wasn't an option that the Committee considered.

### Option #2 - Revitalise the Federation

As discussed earlier in this document, there are a number of challenges with the current structure, which have been exacerbated over time.

Linda Mollenhauer in “*A Framework for Success for Nonprofit Federations - Revised*”<sup>41</sup> highlighted that there are 14 Critical Success Factors for Federation success:

1. Share a passion for the Mission;
2. Live by shared values;
3. Forge a common direction based on shared priorities;
4. Delineate roles and responsibilities;
5. Clarify decision making;
6. Build Board Capacity;
7. Undertake ongoing engagement;
8. Abide by a process of conflict management and dispute resolution;
9. Enforce rules for association and disassociation;
10. Implement an integrated Federation revenue development plan;
11. Adopt a fair and sustainable revenue allocation model and formula;
12. Promote and safeguard the Federation brand;
13. Develop a system to measure, monitor and improve the Federation; and
14. Adhere to Federal policies and positions.

Feedback from Industry and observation of the Industry over time by the Committee highlighted that the NGI would score poorly in nearly every one of these 14 criteria and there is little motivation to make the necessary changes to lift these scores. A long history of rivalry between organisations and the vested interests of organisations, directors and staff will make meaningful changes within the current structure very difficult, if not impossible.

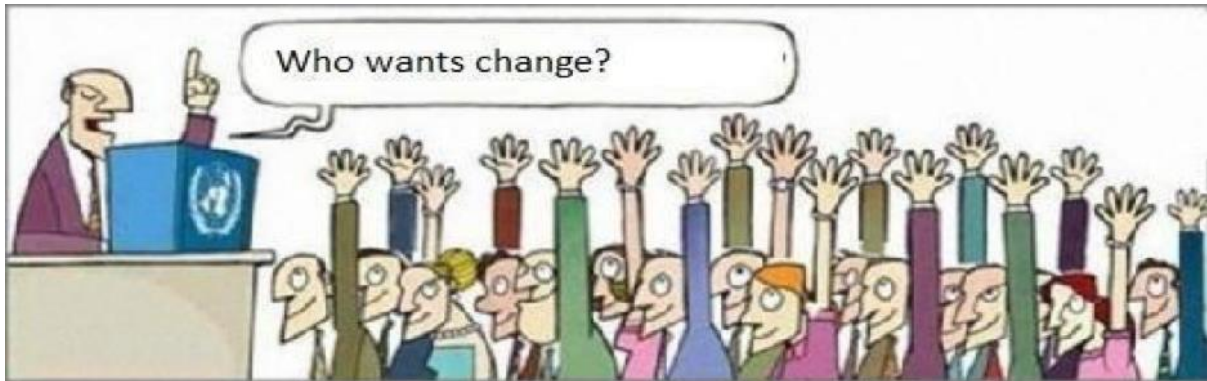
The Committee noted that in 2005 the MOKO Review highlighted many of the same issues facing the industry that this current project has also identified, but there has been little or

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<sup>41</sup> Mollenhauer, L. (2009), “A Framework for Success for Nonprofit Federations – Revised”

no movement towards addressing them in over a decade. The Committee noted that if there was going to be internal change in this space it would already have started.

The Committee also noted that despite the rhetoric for change there is little appetite amongst the current organisations for this change.



The review of Industry Groups has highlighted that while there are successful examples of federated structures e.g. Cotton Australia, the Australian Rugby Union, invariably this is when there is:

- Clear strategy for industry;
- Organisations are held accountable by members to deliver value for members;
- There is more “equity” between member organisations i.e. similar levels of resourcing; and
- The national Board is focused on the national organisation, not on representing the various state member organisations.

It could be argued that few of these criteria apply to the current structure of the NGI. There is no evidence to indicate a willingness since the MOKO report was released in 2005, for successive Boards at NGIA or State Associations to achieve a successful federated structure.

This paralysis in decision making, when membership numbers are shrinking and members are questioning why they should belong in the NGI, is sufficient evidence to change the existing model. At present the industry is barely surviving. If change is not undertaken, as

per feedback from members, there will be an exacerbated amount of terminations of memberships.

Submissions commonly focused on making the following changes to the existing model:

1. Changing the NGIA Board structure with proportional representation and/or voting;
2. Ensuring that NGIA Board members were either the CEO or Chair of their respective State or Territory Association;
3. An Independent Chair;
4. Change the Federation membership structure so that individual businesses are not members of NGIA - only State and Territory Organisations would be members of NGIA. Industry participants can only be members of State or Territory organisations;
5. Making better use of industry resources, through NGIA outsourcing some activities to State organisations with larger resource pools; and
6. Amalgamating smaller States and Territories between each other, or with larger States, to provide scale for service delivery.

The Committee discussed these issues at length and while some elements such as: proportional representation, Independent Chair, amalgamations and outsourcing - have merit, the Committee felt that changing the Board composition to include CEOs and/or Chairs would not provide better communication. There are already Board representatives from each State which proves that system is not working. It was agreed that it would exacerbate rather than improve the paradox of whether board members are to represent the “national” or “state” entity.

Good practice and current legislation would suggest that National Board Members are obligated (ethically and legally) to act in the best interests of the national body. There is a distinct conflict of interest with CEOs and Chairs being on the National Board. This was noted during several town hall and state board meetings with the Committee.

While making small changes to the status quo is palatable to a proportion of the industry, who are extremely comfortable with state-based organisations, and the full-time staff of these organisations, the research has indicated that this style of model has a limited future in most industries and there is no reason to believe that the Nursery & Garden Industry in Australia would be any different.

The challenges with the existing structure as highlighted above are that there is:

- lack of unity and cohesion of focus on strategic issues;
- duplication of effort and resources;
- mistrust and miscommunication;
- silos of influence and service delivery;
- less than optimal service delivery to retail members, regional communities and smaller states;
- Several under-resourced and/or shrinking membership states;

- Strategic planning is predicated on state based survival;
- Paralysis in decision making at Board level due to Directors unwilling to make decisions that might affect their States;
- NGIA directors are appointed by states; and
- Smaller states are over-represented.

However, the current structure also has several advantages:

- a long history of service delivery to members within state boundaries;
- existing relationships with state government and policy makers;
- quality service delivery (in larger well-resourced states) for members, especially those in close proximity to the “head office.”; and
- In the larger states, there are well developed interest groups and alternative sources of income through garden shows and events and/or commercial assets.

These elements need to be preserved in any future models whilst addressing the shortcomings of the current structure.

### Option #3 - Restructure the Industry organisations

As discussed above, there are really only 2 applicable models for the Nursery & Garden Industry and the remaining contender is a “National Structure”.

The Moko Report (2005)<sup>42</sup> recommended a change in the structure of NGI organisations from a federated to national structure. A similar strategy was recommended to the National Farmers’ Federation (“NFF”) by Newgate (see above) and is currently in the process of implementation. Interestingly, some submissions highlighted the NFF as an example of a strong federation, obviously, with little understanding of the challenges faced by this organisation as outlined in Newgate.<sup>43</sup>

The Committee evaluated a number of structural models, with the following components, in a variety of formats and combinations. The Committee has agreed upon a *National Unity Model* that includes:

1. **National Body** – a “Not for Profit” body with an appropriate structure and where industry members are direct members of the national body e.g. Hardware Australia, Citrus Australia;
2. **National Board** – skills based Board nominated and elected by the membership with Independent Directors e.g. Australian Rugby Union;
3. **An Industry Council** – Appointed representatives from the Regions and Branches provide feedback on issues, challenges, service delivery and policy positions to the National Board via a regular forum e.g. Cotton Australia, Hardware Australia;

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<sup>42</sup> Building Better Businesses – A Report of the Review of Resources and Structures in the Nursery & Garden Industry, (September 2005)

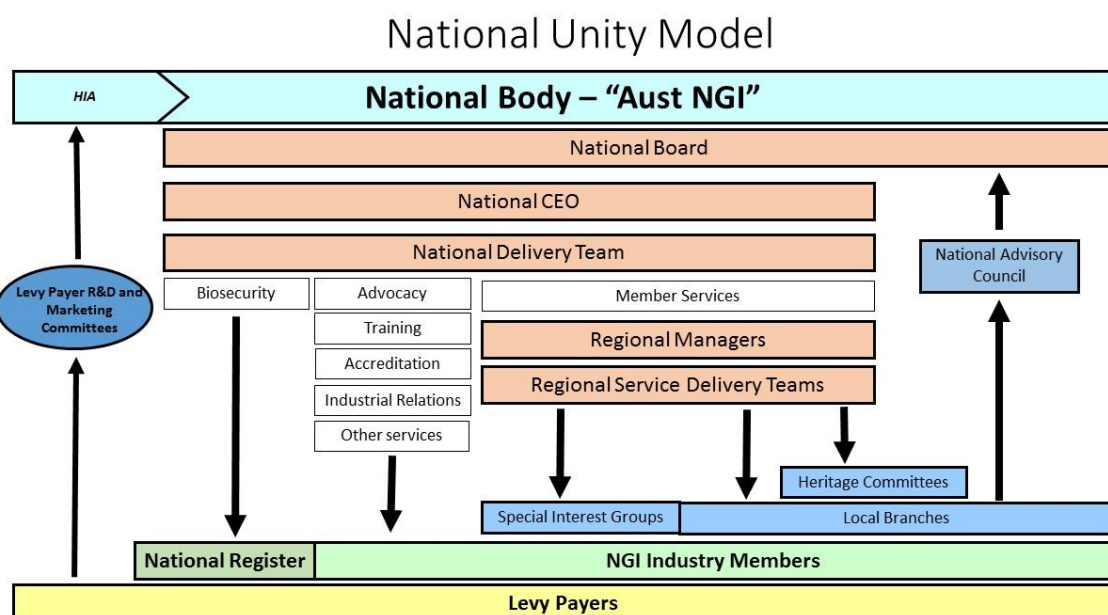
<sup>43</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation

4. **Local Branches** for members to collaborate, communicate and network with – These will be located based on member interest and in many areas, these already exist. In some cases, for example, Northern Territory the branch would cover a large area. Local groups will be supported and serviced, where required, by the appropriate Regional Delivery Team. They will also provide rapid feedback to the National Body on issues of local importance via the Regional Delivery Team. All members will join a Branch and/or Special Interest Group e.g. Cotton Australia, Citrus Australia, Hardware Australia, NZYF, National Cattleman’s Beef Association;
5. **Special Interest Groups** – for members to participate in where a particular focus or activity is required. Many of these groups are already in existence;
6. **Heritage Committees** – established in regions to address issues such as: historical preservation, management of assets in trust, Awards Nights and Regional Events; and
7. **NGI Delivery Team** – structured with a small central team for national and state issues (advocacy, biosecurity, etc.) coupled with a coordinated Regional Delivery Team that is focused on engaging with members and the wider community of stakeholders. Each region will be supported by a Regional Manager with resourcing allocated to service membership numbers in local branches. Each region will support its branches, committees and interest groups.

Some regions will lie within existing state boundaries whilst others may span state lines to provide the best service delivery for members e.g. Northern NSW Rivers and SE Queensland could be a single region for service delivery.

The Committee recommends that the following regions are considered: Victoria and Tasmania, South Australia and Northern Territory, Western Australia, North Queensland, Northern Rivers and SE Queensland, Central and Southern NSW.

This “*National Unity Model*” proposed by the Committee is illustrated diagrammatically below.



Positive aspects of combining these elements:

- Continuity of state-based activities and historical references;
- Membership of a single organisation with a central fee collection point.
- Continuation of metropolitan-based trade shows showcasing the industry, for example the *Melbourne International Flower and Garden Show* through Special Interest Groups;
- Removing layers of cost and governance;
- Service delivery focused on the regions with strong Regional Delivery Teams;
- Clear delineation of responsibilities between National Body, Advisory Council and branches;
- Funding distribution based on membership numbers. Additional assistance could be provided, based on submissions from regions;
- Remove some volunteer pressures through a smaller committee system in the regions while not restricting volunteer input if required for regional projects and special interest groups.
- Removal of the catalyst for some of the poor culture that currently exists between states and national bodies;
- Move to better representation through a single voice and a focused advocacy team operating at national, state and local levels;
- Improved method of electing a national board with a broader base of skills through bringing in independent directors;
- Streamlined strategic planning; and
- Levels of membership that better represent the types of businesses in the NGI. Technical affiliation should also be considered for those large businesses that cannot join an industry association.

There will be several challenges to a change in the Industry Structure that will need to be addressed:

1. **Existing assets and heritage** – generated over decades by some State- based groups, these will need to be maintained and managed. The Committee proposes that small, working Heritage Committees are established within each state for the purpose of historical preservation, and where appropriate, to manage state-owned assets, and to organise Awards Nights and social events in conjunction with the Regional Delivery Team. Assets will be held in trust to be invested in member focused activities as managed by the State Heritage Committee;
2. **Existing employees of national and state based organisations** – there will be a range of employment contracts and arrangements that will need to be reviewed, rationalized and transitioned. There will also be demand for employees in the national and regional delivery teams. The Committee is not suggesting that current employees are under-performing, rather that their skills, networks and experience can be more effectively utilised to improve service levels to members. It is envisaged that most current employees could be retained and

redeployed under the new model. Where new skills are required, then it is recommended that existing employees are offered the opportunity to be reskilled before new personnel are sought. The resourcing structure of the new organisation will be determined by the Board and CEO; and

3. **Existing State-based Events** – e.g. Trade Days and shows, e.g. *Melbourne International Flower and Garden Show, Queensland Garden Expo and Brisbane International Garden Show* etc. will continue to be delivered by the Regional Delivery Team (in place of the previous State Association) and/or Special Interest Groups. Here existing commercial agreements for events are in place, then these should continue under the current arrangement and be migrated to the Heritage Committee structure at the most appropriate time.

## Managing the Change

Organisational change is difficult to manage in any organisation and especially difficult where the change involves multiple stakeholders and organisations. Research has shown that there are 10 criteria that when addressed improve the chances of “change success”.<sup>44</sup> The Change Success Model is outlined in *Appendix E*.

The 10 elements of Change Success are:

1. Leadership Support
2. Understanding of the need for Change
3. What’s in it for the people involved in the change (WIIFM) ?
4. Effective Change process
5. Confidence ability to deliver the change
6. Organisational Capability
7. Individual Capabilities of the Change Agents
8. Peer Pressure from “significant others”
9. Attitudes to the change
10. Perceived difficulty of the change

For industry to make a successful transition to a new structure, it will require a change plan that addresses each of these 10 elements in order to optimise its chance of success. The specific strategies for industry to achieve this are outside the scope of the Committee’s engagement.

In addition, there are a number of barriers to change that were highlighted by Newgate<sup>45</sup> and the Committee believes are directly applicable to in the NGI as outlined in Table 3, below.

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<sup>44</sup> Mason, C. (2014), A mixed methods study on how change intentions and change readiness predict organizational change success

<sup>45</sup> Guthrie, S, Akindoyeni, F. (August 2014), The Newgate Review of the Future of Australian Farm Sector Representation, p50

Table 3: Obstacles to structural change in the NFF

Obstacles to change	Possible solutions
<i>Push back on change will be driven by 'turf protection' and self-interest</i>	<ul style="list-style-type: none"> <li>Therefore, our recommendations will be framed by the idea that 'everyone will have to change'.</li> <li>No organisation will benefit at the expense of another (e.g. this is not about expanding the powers of the NFF)</li> </ul>
<i>We have to be ambitious and realistic</i>	<ul style="list-style-type: none"> <li>We will acknowledge that change will not occur overnight.</li> <li>Phased implementation will be vital to a successful outcome</li> </ul>
<i>Some people are going to be left behind, angry and loud in their criticism</i>	<ul style="list-style-type: none"> <li>We must look for organisations that support the model and are willing to embrace and commit to change.</li> <li>We acknowledge we are not going to bring everyone with us. We must identify those who are coming, and act accordingly</li> </ul>
<i>There will be a lot of talk, and then nothing will happen</i>	<ul style="list-style-type: none"> <li>We must demonstrate internal cohesion via quick wins.</li> <li>An audit of 'low hanging fruit' should be conducted as a priority (e.g. duplication audit, movement on branding, new national committee structure)</li> </ul>
<i>Everyone knows there is a problem, but no one wants to put their hand up to fix it</i>	<ul style="list-style-type: none"> <li>Broader change needs to be planned, consistent and driven from within the sector.</li> <li>Cairns was an opportunity to agree to embrace the new model.</li> <li>Organisations should then be charged with developing their own internal change plans to be tabled at the next Members Council meeting.</li> <li>A dedicated committee should be established to drive change and report on progress</li> </ul>

The Committee recommends that a detailed Transition Plan, addressing the Change Success and Obstacles, should be developed by a Sub-Committee that reports to the NGIA Board. It should consist of key stakeholders from the Regions and the NGIA CEO.

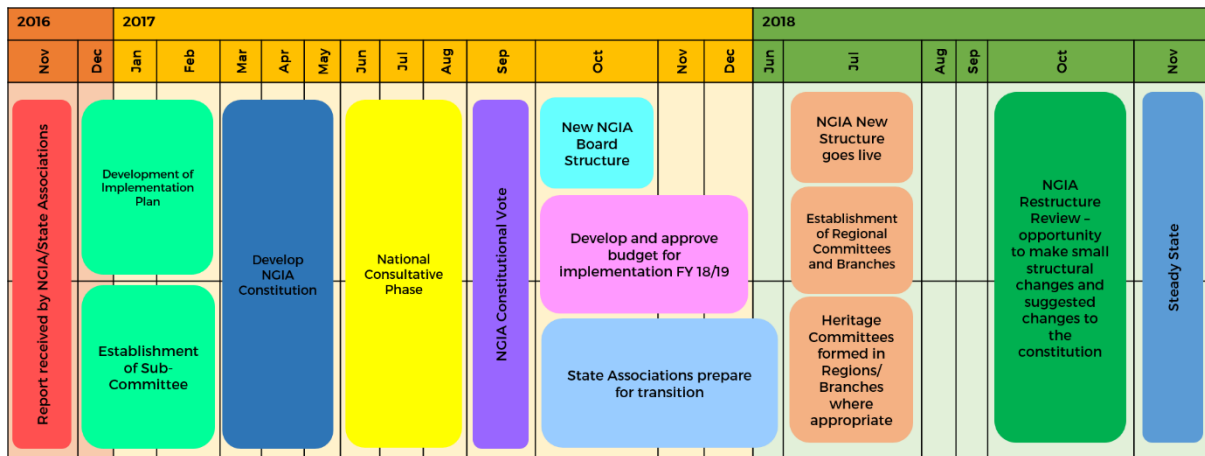
Because the key components to the change model require a change to the NGIA Constitution, in the first instance, and then unwinding statutory matters at State Association level, this will require a multiyear focus. For that reason, it is recommended that existing full time staffing levels in key positions remain stable throughout the transition.

It is suggested that the outline plan should be undertaken over a 3-year period. For example:

- Year 1:
  - Nov 16 - Report received by NGIA/ State Associations;
  - Dec 16 - Feb 17 - Development of implementation plan.
  - Dec 16 - Feb 17 - Establishment of Sub-committee;
  - Mar - May 17 - Develop NGIA Constitution;
  - Jun - Aug 17 - National consultative phase;
  - Sep 17 - NGIA Constitutional vote;
  - Oct 17 - New NGIA Board structure implemented and appointed;
  - Oct - Dec 17 - Develop and approve budget for implementation FY 18/19; and
  - Oct 17 - Jun 18 - State Associations prepare for transition.

- Year 2:
  - 1 Jul 18 - NGIA New structure goes live;
  - Establishment of Regional Committees and Branches;
  - Heritage Committees formed in Regions/Branches where appropriate; and
  - Oct 18 - NGIA restructure review - opportunity to make small structural changes and suggested changes to the constitution.
- Year 3: Nov 18
  - Steady State

This Transition Process is represented in the Chart below:



Given that the new structure is fundamentally different to the existing structure, it is recommended that the NGI consider changing its name to better represent its core focus.

## Recommendations

### Recommendation #1: NGI Associations move to a National Structure with a strong Regional Delivery Team responsible for service delivery at a local level

The Committee has recommended a national structure with a single governing Board, a National Advisory Council and a Regional Structure for service delivery called the “National Unity Model” (see Diagram below).

Key elements of this model would be:

- One Constitution;
- One Board;
- Board elected from general membership;
- 2 x Independent Directors;
- One national fee structure; and
- One strategic plan.

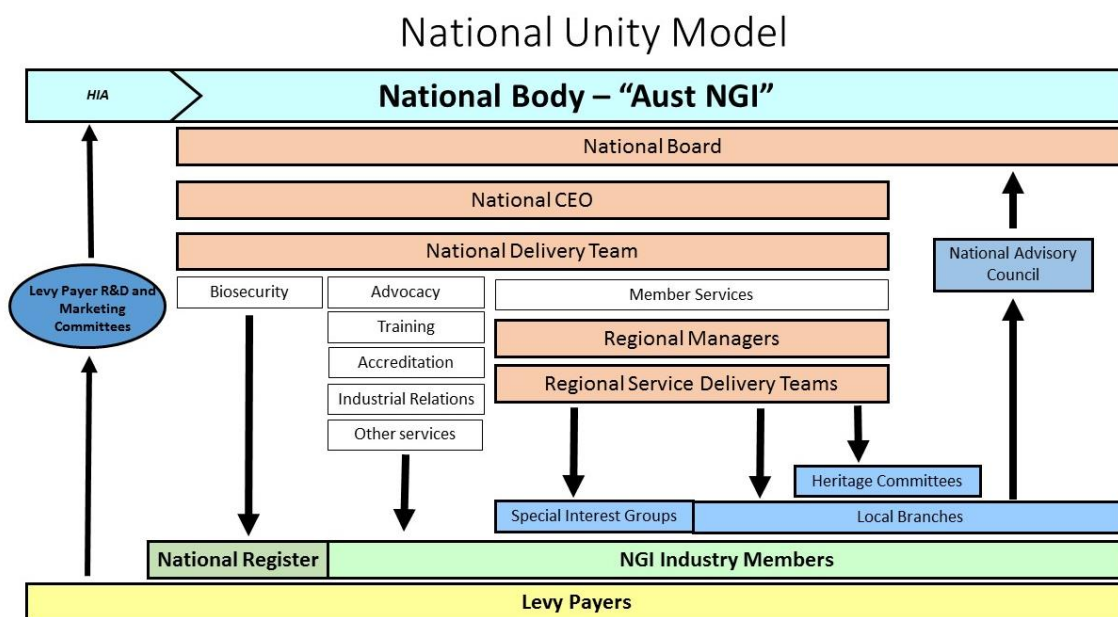


Figure 9. National Unity Model

Key components of the model:

1. **National Body** - a “Not-for-Profit” body with an appropriate structure and where industry members are direct members of the national body
2. **National Board** - skills based Board nominated and elected by the membership with Independent Directors
3. **An Industry Council** - Appointed representatives from the Regions and Branches provide feedback on issues, challenges, service delivery and policy positions to the National Board via a regular forum

4. **Local Branches** for members to collaborate, communicate and network with. These will be located based on member interest and in many areas these already exist. In some cases, for example, Northern Territory the branch would cover a large area. Local groups will be supported and serviced, where required, by the appropriate Regional Delivery Team. They will also provide rapid feedback to the National Body on issues of local importance via the Regional Delivery Team. All members will join a Branch and/or Special Interest Group. Branches are linked to the Board via the National Advisory Council with no “regional State” structure for branches. Service delivery will be via Regional Offices.
5. **Special Interest Groups** - for members to participate in where a particular focus or activity is required. Many of these groups are already in existence;
6. **Heritage Committees** - established in regions to address issues such as: management of assets in trust, Awards Nights and Regional Events; and
7. **NGI Delivery Team** - structured with a small central team for national and state issues (advocacy, biosecurity, etc.) coupled with a coordinated Regional Delivery Team that is focused on engaging with members and the wider community of stakeholders.

Each region will be supported by a Regional Manager and a Regional Office with resourcing allocated to service membership numbers in local branches. Each region will support its branches, committees and interest groups.

Some regions will lie within existing state boundaries whilst others may span state lines to provide the best service delivery for members e.g. Northern NSW Rivers and SE Queensland could be a single region for service delivery.

The Committee recommends that the following regions are considered: Victoria and Tasmania, South Australia and Northern Territory, Western Australia, North Queensland, Northern Rivers and SE Queensland, Central and Southern NSW.

This recommendation will require the development of new legal entities and a constitution.

## Recommendation #2: The National Board is composed of Regional Representatives and Independent Directors

The Committee recommends that the new National Board is comprised of 8 members: 6 x Member Representatives and 2 x Independent Directors so that the Board has a balance of skills, objectivity and Industry focus.

Member representatives will comprise 3 x Directors elected from the National Advisory Council to maintain strong strategic linkages, and 3 x Directors nominated and elected from the membership.

Independent Directors will be appointed by the Member Directors based on an Expression of Interest.

A Chair will be nominated and elected by the Board. The CEO will participate in Board Meetings but has no voting rights.

There will be a “Nominations Sub-Committee” of the Board to manage the nomination and election of all Directors and the Chair.

The Nominations Sub-Committee should along with skills, consider diversity in the directors this includes gender.

### Recommendation #3: The current NGIA Board and Chair should resign and be replaced by a new Board

The current Board should resign as an act of good faith and encourage the process of change. That does not mean that they have acted inappropriately in any way. Rather, the Committee strongly believes that to facilitate the initial transition phase to a new structure, the new organisation will require a “new Board and Chair”. The existing NGIA Board should resign and a new Board be appointed by the membership. This board would be a caretaker board with the clear mandate to oversee the change process.

Existing NGIA Directors will remain eligible to nominate for positions on the new Board.

### Recommendation #4: A National Advisory Council to ensure member needs are being met

The Committee recommends that a member driven, *National Advisory Council* is established to provide direct member feedback to the CEO and Board on key issues and priorities. The Advisory Council would provide guidance on key issues that the Board and CEO are to address from a policy and service delivery perspective, like the National Cattlemen’s Beef Association and Cotton Australia.

The National Advisory Council would comprise approximately 15 members elected from local branches, or amalgamations of smaller branches, with more than 60 members.

The National Advisory Council would notionally meet 3 x times per annum at a meeting convened by the National Body. The CEO and Regional Managers are able to attend the National Advisory Council Meetings as observers and have no voting rights.

### Recommendation #5: NGIA Members to vote on the adoption of a new structure

The Committee recommends that the decision to move to a National Unity Model be the subject of a vote by NGIA members. Members should be provided access to this Report and appropriate forums for discussion convened. Members can then be asked to vote on the future of their Industry organisations.

This vote is the key point in the three-year Transition Plan. A vote in favour is the point where change really starts and the process begins. All efforts will come together to make the change happen within the time frame.

The Committee recommends that the question put to the members be as simple and unambiguous as possible with a simple Yes/No response.

### Recommendation #6: Investigate commercial agreements/alliances with other organisations to provide a wider range of services at a lower, or similar, cost to members

The Committee recommends that the NGI Associations research the outsourcing of some services between current State Associations and/or to external bodies.

Initial investigations by the Committee into a potential alliance with the Australian Retailers Association, whereby the ARA could provide a range of Industrial Relations, Employment Law and retail specific advice and training at a significantly lower cost to members. As an example, the National Retail Association provides similar services to Hardware Australia.

### Recommendation #7: Existing State Assets are held in trust

The Committee recommends that existing state assets are held in trust for use as determined by the appropriate State/Regional heritage Committee.

Heritage Committees would be established to manage the future use of these assets. These Committees would comprise prior members of State Associations. The Committees would be supported by the Regional Manager and the Regional Delivery Team.

### Recommendation #8: Change the name of the NGI Peak Body

The Committee recommends that new national entity adopts a new name and that branding strategy to clearly differentiate it from prior organisations.

### Recommendation #9: NGIA to recommend to Government that a National Grower Register be established

In order to enable efficient and effective communication around important industry issues such as biosecurity, the Steering Committee recommends that the national body seeks funding through HIA to build a mandatory national register of nursery growers and establish an effective database for this purpose. For a nominal fee “*Growers Register Members*” will receive regular updates and communications on critical biosecurity issues.

### Recommendation #10: NGI to build stronger alliances and partnerships with allied Industry Groups with common interests

Townhall Meetings often raised the wider issue of a “green life organisation” to address wider industry issues that affect not only our nursery and garden industry, but also landscaping and other service providers.

The Committee recommends that the national body is charged with convening and leading a national forum comprised of industry representatives from allied industry groups that have an interest in common NGI strategic objectives. This forum to be convened twice per annum.

## Recommendation #11: Investigate Education and Training opportunities

The Committee recommend that current NGI Associations investigate the development of a national training and education strategy, which can be adopted by the new entity in time. This strategy would be developed nationally but delivered locally.

The strategy could focus on the following areas:

- “*Nursery and Gardening as a Career*” – targeting high school leavers and those on non-university pathways;
- “*Transitioning to a Nursery & Garden Career*” – for workers who would like to transition from one career path to the NGI;
- “*Build your NGI technical skills*” – a series of short courses to lift retail and technical skills and ensure that NGI businesses are compliant with legislation;
- “*NGI Seedlings*” programs to grow our young NGI leaders;
- “*Growing the Nursery & Garden Industry*” – Training in business management skills and concepts for NGI middle management and owner operators; and
- “*Leadership in the NGI*” – for growing our current and future leaders.

The Committee is aware that components of these programs already exist in the industry or are easily adaptable or available from existing suppliers. The strategy requires a national strategic approach so that training is consistent across Australia. Where appropriate, the NGI should seek to form alliances with other industries to deliver training outcomes where it is considered appropriate and cost effective.

Much of this training can be delivered using a range of delivery methods to ensure that it is cost effective and available to all members - not just those close to regional centres.

## Recommendation #12: Alternative Membership Options

The Committee recommends that the new Industry Association investigates various tiers of membership options to increase member numbers, thereby expanding the Industry's profile with Governmental and major Stakeholders, as well as potentially producing an increased financial return.

Some options include but are not limited to Trade Show members, Grower Registration members, Retailers, multi-region members etc. Official sponsorship with larger organisations could also be sought on a national basis, for example: Banks, Superannuation institutions, Insurance, etc.

## Concluding comments by the Chair

There is no doubt that the NGI has some difficulties with the current structure. That is why this project was begun. During the consultation phase it became obvious that structural changes are both necessary and desired. The difficulties, inefficiencies and the necessity for change are addressed throughout this document.

Our first decision was relatively easy, in that there was a compelling case for change followed by the need to research and develop the most appropriate structure to take the place of the current federated structure. This was an exhaustive process which we feel was well worth the effort.

Our recommendation to move to the National Unity Model has come after much thought and discussion. We have drawn upon all our consultations, both written and verbal, the survey conducted by DTER, other industry models, Russell's and our own experience. We are united in our recommendation and look forward to the industry taking up the challenge and making the change.

We are well aware that change can be difficult. However as in our own businesses, if we don't adapt to suit our ever-evolving challenges, we do so at our own peril. Although membership has been shrinking, previous reviews conducted by the association have been largely ignored with seemingly minimal negative effect. This recommendation for change is contrasted to previous reviews in that the association is no longer 'propped up' by running levy funded projects. For this and many other reasons we are at a critical point where change is not only necessary for the future of the organisation but also inevitable for the survival of the NGI.

I want to highlight that the four of us on this committee are all members. We have taken on the project for the benefit of our industry. We are not external consultants we are from within the industry. We came to the project with an open mind and we ask the industry to look at our report and recommendations with the same open mind. We hope you will consider the recommendations carefully and embrace the changes we have outlined in this document.

On behalf of the Future Structure Committee,

Gary R. Eyles

Chairman

## Appendices

Appendix A – Terms of Reference for the Structure Review

Appendix B – List of Contributing Organisations

Appendix C – Diagram of the current structures of the nursery and garden industry in Australia

Appendix D.1. – Discussion Paper 2007

Appendix D.2. – Final Report White Paper 2008

Appendix D.3. – Information Memorandum on the Change Process

Appendix D.4. – Citrus Australia Constitution

Appendix E – Change Success Model

Appendix A  
Terms of Reference for the Structure Review

Terms of Reference for the  
Nursery and Garden Industry Future Structure Committee

## **1. Introduction**

Nursery and Garden Industry Australia Limited (NGIA) is the peak industry body representing commercial growers, retailers and suppliers in Australia. NGIA is charged with providing leadership, support and additional resources to drive key industry initiatives that meet the goals of the industry strategic plan. In recent years, the Nursery and Garden Industry (NGI) has struggled to deal with the challenges of its federated structure and the changing economic circumstances of its state based associations. In late 2015, the Board of the NGIA decided to establish a special project committee to review the future structure of the NGI.

## **2. Purpose**

The purpose of the Nursery and Garden Industry Future Structure Committee (NGIFSC) is to conduct a broad ranging review of the current structure of the NGI and make recommendations on the future structure of the industry.

## **3. Scope**

The NGIFSC is required to:

- Consult broadly with NGIA, State Associations and members.
- Consider the structure of similar national and international not for profit organisations and what can be learnt from their experience.
- Consider the financial implications of the current structure and make recommendations on financial efficiencies of any future structure.
- Make recommendations on the future structure of the NGI and what constitutional changes will be required.
- Consider the heritage issues associated with the current structure and how those matters can be preserved.
- Not to consider any issues arising from the Nursery Industry Levy.
- Whilst being cognisant of the potential of a wider “green” industry, this is not to be considered for the purposes of a future structure.

## **4. Authority**

The NGIFSC is an appointed committee of the NGIA for funding, administration and the purposes described above. However, the NGIFSC is required to operate as an independent committee without interference or influence from the NGIA or State Associations.

## **5. Membership**

The NGIFSC members are unpaid volunteers. The committee consists of:

Mr Garry Eyles (Chairman)  
Mr Glenn Fenton (Deputy Chair)  
Ms Gena Campbell  
Mr Carl Heyne

## **6. Meeting Arrangements**

The NGIFSC is to develop a schedule of meetings by 31 January 2016.

Proposed meetings of the committee are below:

Meeting 1 – 29 January 2016 – NGI Structure Team - Qantas Meeting room Sydney airport

Meeting 2 – May 2016 – date to be confirmed

Meeting 3 – July 2016 – date to be confirmed

Meeting 4 – October/November 2016 – date to be confirmed

## **7. Resources and Budget**

The NGIFSC is to prepare a draft budget for consideration by NGIA by 15 Feb 2016. Budget considerations are to include:

- The maximum use of teleconference calls/meetings
- Town hall meetings/consultations are to utilise planned State Association meetings wherever possible
- A minimum of two committee members are required for consultation meetings.

## **8. Reporting**

The NGIFSC is to provide an interim report on key findings and options to NGIA by xxxx  
A final report is to be provided by xxxx

## **9. Proposed Process**

The process proposed to conduct the review is detailed below:

- i. Selection of review committee
- ii. Selection of facilitator by review committee
- iii. Email all NGI members on process to be undertaken, review committee and facilitator
- iv. Information and data gathering – survey, workshops, forum, meetings, written submissions, other
- v. Update members on process
- vi. Analysis of information and data.
- vii. Development of report
- viii. Presentation of report to NGIA Board and State Presidents
- ix. NGIA Board and State Presidents consider action plan from report
- x. Communicate to all members actions to be taken

## Appendix B – List of Contributing Organisations

Confidential written submissions were received from:

- Flemings Nursery & Birdwood Nursery
- Garden Centres Association of Australia
- Jongs Nursery
- Landscape Supply Group
- Nursery and Garden Industry Australia - Board
- Nursery and Garden Industry Australia - Staff
- Nursery and Garden Industry NSW and ACT
- Nursery and Garden Industry Queensland
- Nursery and Garden Industry South Australia
- Nursery and Garden Industry Victoria
- Nursery and Garden Industry Western Australia
- Proteaflora

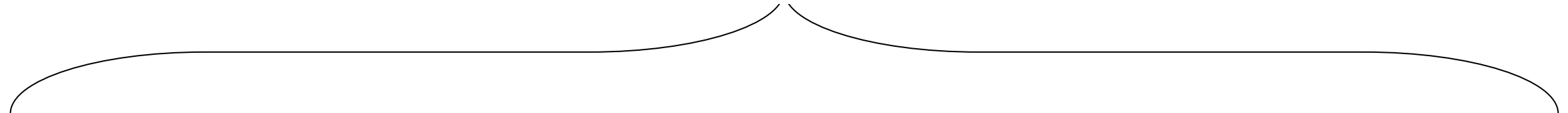
## Appendix C

Diagram of the current structures of the nursery and garden industry in Australia

# Nursery and Garden Industry Structure



Nursery & Garden Industry



Nursery & Garden Industry  
Queensland

- QLD**  
**Branches**  
Gold Coast  
Toowoomba  
Sunshine Coast  
North Brisbane  
South Brisbane  
Wide Bay  
North Queensland  
Far North Queensland

- Special Interest Groups**  
NextGen QLD



Nursery & Garden Industry  
Western Australia



Nursery & Garden Industry  
Victoria

- VIC**  
**Special Interest Groups**  
Tree and Shrub Growers  
NextGen VIC  
Garden Retailers of Victoria



Nursery & Garden Industry  
South Australia



Nursery & Garden Industry  
Tasmania



Nursery & Garden Industry  
NSW & ACT

- NSW & ACT**  
**Regional Groups**  
Central Coast Hunter  
Mid North Coast  
Northern Rivers  
ACT & South West  
Tweed-Brunswick  
Western
- Special Interest Groups**  
Growers & Suppliers  
Tubestock Growers  
Garden Centres NSW & ACT  
NextGen NSW



Nursery & Garden Industry  
Northern Territory



Nursery & Garden Industry  
Australia

- NGIA**  
**Constitutional MOU Members**  
NGIQ, NGIWA, NGIV, NGISA, NGIT, NGINA, NGINT
- Direct Members**  
Australian Nurserymen Fruit Improvement Co Ltd  
Garden Centres of Australia  
Houseplants Of Australia  
National Allied Trades
- NGIA is engaged with**  
Association of International Horticulture Producers  
DAFF (PEPICC & HEC)  
Plant Health Australia  
Voice of Horticulture  
National Urban Forestry Alliance  
Smart Approved Water Mark  
TreeNet

## Appendix D.1.

### Citrus Australia Discussion Paper (October 2007)



**Restructuring the Citrus  
Industry's grower bodies**

**Discussion  
Paper**

**October 2007**

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2. INTRODUCTION
3. WHY CHANGE
4. CURRENT STRUCTURE OF LEVY FUNDED GROWER BODIES
5. A NEW BODY TO REPLACE AUSTRALIAN CITRUS GROWERS INC
6. THE OPTIONS
  - Multi Structure
  - Single Structure
7. HOW A NEW STRUCTURE WOULD START
8. TIMING
9. HOW TO COMMENT

This paper was prepared by the Australian Citrus Growers' Restructure Task Force for the purpose of consultation with citrus growers and other interested parties. The information and ideas put forward are for discussion.

*Dear Grower,*

*Australia's citrus industry is adjusting to keep up with the demands of a rapidly changing global and local market. However, on an environment front, one of the biggest challenges has been surviving the worst recorded drought in Australia's history.*

*Citrus growers, particularly in the major production regions, are confronting unknown territory with the continuation of critically low water allocations.*

*It has recently become clear that our production area will be reduced, at least in the short term, as growers make difficult decisions about their future. This will heavily impact all sectors of the industry, including grower bodies particularly through reduced levy collections.*

*Your peak body, Australian Citrus Growers (ACG), has invested heavily in time and resources, over the past number of years, and worked in partnership with the Federal Government to develop a way forward for our industry.*

*As a result, I strongly believe that a restructure of all the grower funded bodies is a critical component in assisting growers through these changing times and ensuring effective and efficient use of your levies.*

*The structures of our current grower bodies are based on a traditional, agri-political, regional representative model that is seen to be less relevant in these modern times.*

*This Discussion Paper is designed to broadly define two options that have been suggested by growers and industry bodies that will best service the grower.*

*You have an active role in helping to shape the future structure of the Australian citrus industry. I encourage you to read this document carefully, and look forward to receiving your response and suggestions.*



Mark Chown  
ACG President

# 1. EXECUTIVE SUMMARY

The Citrus Industry has always been a leader of innovation and change, whether it be market, competitor or environmentally driven.

Never, however, has the Industry met such a strong challenge for change from markets, production costs, export competitors and natural resources, as in these current tough conditions.

Australia's citrus growers have asked for the existing grower funded industry bodies to be restructured. This follows increasing demands of a consumer-driven market, both export and domestic.

Australia's citrus sector is the largest fresh fruit exporting industry, with a Gross Value of Production of \$420 million (2005/2006). Today, about 20% of growers produce nearly 70% of production.

Within the citrus growing Industry, growers currently support 13 citrus bodies through levies or voluntary contributions (this does not represent all citrus grower bodies).

In short, this equates to one citrus body for every 160 growers.

While our supply chain has changed significantly to conform to the increasing commercial demands, the structure of the Citrus Industry's grower bodies has only been minimally modified.

Criticism about the Industry's current structure is mounting as levy payers' vent their frustration.

In 2005, levy payers requested a review of the existing structure. As a result, Federal funds were secured in 2005/ 2006 to commission an independent report on possible structural options as well as the development of a new direction for the industry – Citrus 2015. The independent report recommended two similar options as described below.

In 2006, the Industry's Strategy – Citrus 2015 – strongly recommended aligning the industry's structure and resources to more effectively lead the industry forward.

The reports also revealed that the Industry needed to have better interaction with levy payers, supply chain, government and consumers.

To address these concerns, the formation of a new peak body that had direct grower membership was suggested. The new peak body would also have a strong commercial influence from a board of seven (7) Directors with grower, supply chain and commercial experience.

Further discussion with levy payers saw the development of two possible structure options for the Industry:

- Improved coordination (Multi Structure) between the existing regional grower bodies by:

- Encouraging the amalgamation of regional grower bodies.
- Formal contracts between State Statutory Authorities and the new peak body.

depending on the final option, any change could take up to three years to implement.

The time for change is now, no more reviews and reports.

**Or**

- Full integration (Single Structure) of all existing grower bodies by:
  - Nationally coordinated programs through a regional presence as directed by the new peak body.
  - One set of national levies and membership fees for a more equitable, efficient service delivery and strong leadership.

History has demonstrated that citrus growers have the ability to change. It is now clear that the time for action has come and levy payers must provide direction on the future of their industry's structure and contributions.

Consequently, levy payers will be asked to decide on the best possible structural option to drive the Industry forward in early 2008.

It must be emphasised that the result will not be immediate, or easy,

# AT A GLANCE:

<b>NEW PEAK BODY</b>	
<ul style="list-style-type: none"> <li>- Company Limited by Guarantee under <i>Commonwealth Corporations Law</i></li> <li>- Grower ownership through direct membership</li> <li>- Grower members vote for Directors and at General Meetings</li> <li>- Grower members vote is based on area of production (hectares)</li> <li>- Seven (7) person Board of Directors elected by grower members (maximum four grower Directors, minimum three commercial Directors)</li> <li>- Provide national leadership and strategic direction</li> <li>- Delivers defined services</li> <li>- Government liaison and lobbying</li> <li>- Affiliate members (non-voting) could include organisations, supply chain companies or individuals</li> </ul>	
<b>Multi Structure Option</b>	<b>Single Structure Option</b>
<ul style="list-style-type: none"> <li>- Minimal change from current structure</li> <li>- Regional presence maintained through State Statutory Authorities and grower member bodies</li> <li>- Improved coordination through formalisation of the current structure</li> <li>- Maintain current levels of state resources</li> <li>- Implementation relatively straight forward</li> <li>- Grower bodies still exist to supply a regional presence but encourage grower bodies, in each state, to amalgamate</li> <li>- The opportunity for marginal efficiency gains</li> <li>- The ability to join a national body directly but with a nominal additional fee</li> </ul>	<ul style="list-style-type: none"> <li>- Regional presence may include; Industry Development Officers, contractors, growers focus groups and sub-committees such as market access or water/natural resources</li> <li>- Full integration of all bodies</li> <li>- Develop high levels of national resources with a more focused regional presence</li> <li>- Cost of administration and duplication can be transferred to more efficient and effective national programs</li> <li>- Simplify current collection of state and national levies and voluntary contributions into one set of national levies and voluntary membership fees, providing greater value for money for the Australian citrus levy payer</li> <li>- Opportunity for significant efficiency gains</li> <li>- Longer implementation phase that requires a series of independent decisions in states</li> </ul>

## 2. INTRODUCTION

This Discussion Paper has been written in response to your calls for change to the existing structure of the grower-funded bodies.

It is intended to help citrus growers decide on a future structure and explains, in broad terms, the design and the implementation process of two possible structural options.

A Restructure Task Force was formed this year by ACG to assist in the development of the structural options.

The Restructure Task Force includes seven (7) respected grower leaders, including the Chairs of the State Statutory Authorities.

It is important to be aware that the Paper presents structural options and not recommendations. The Options are here for you to consider, review and then comment upon.

This Paper will also be used as the basis for discussion and consultation with citrus growers across Australia from October until December 2007.

It will be widely distributed to growers and industry, with your feedback required by 14 December, 2007.

Once all submissions have been considered a final report will be distributed by February 2008 and voted on by all growers at a national postal ballot in March 2008.

## Background

The catalyst for 'change' was ignited in 2005 by growers at the ACG Annual General Meeting with a resolution unanimously passed:

**“That ACG undertake a broad review of existing industry structures to meet the needs of a modern export orientated industry.”**

The issue of industry structures was examined by an independent report conducted by the internationally renowned accounting/consultants KPMG in 2005.

The KPMG review was the first stage of a project funded through the Department of Agriculture, Fisheries and Forestry (DAFF) – funded Industry Partnerships Programme.

After more extensive consultation, in 2006, the industry agreed to a new direction – Citrus 2015.

Citrus 2015 was developed with four goals outlining the Industry's future. They have been labelled the 4 C's:

### **1. Increase CONSUMER demand for Australian citrus:**

- Strong **MARKETING** of Australian citrus to consumers
- Expand **EXPORT** markets
- **SECURE** Australia's position as a premium quality fruit supplier
- Increase **CONSUMPTION** of fresh Australian citrus juice

## **2. Improve industry**

### **COMPETITIVENESS:**

- Develop and encourage INVESTMENT in new technology
- Focus on WHOLE-OF-CHAIN productivity
- Strengthen ENVIRONMENTAL sustainability

## **3. Improve industry**

### **COMMUNICATION and information systems:**

- Form supply chain ALLIANCES to improve information flow and decision making
- MONITOR markets and competitors
- Increase the value and delivery of INFORMATION

## **4. Enhance the CAPABILITY of our industry decision-making, structure, resource use and leadership:**

- Improve industry STRUCTURE and RESOURCE use
- Improve the Industry's ability to make BETTER business decisions

This year, a National Citrus Leadership Group was formed to help drive the Industry's Citrus 2015.

The Group, which consists of key industry people from growers to major retailers, unanimously agreed that "the highest priority for the implementation of Citrus 2015 was to align all resources and organisational structures".

### 3. WHY CHANGE?

A series of factors have combined to create a strong case for fundamental change to the current structural arrangements:

- Levy payer frustration and ongoing criticism or confusion about the current grower body structures
- More evidence of value for money required by growers and governments
- Grower numbers falling; scale of production increasing (today around 20% of growers produce 70% of our citrus crop)
- Supply chain alliances changing
- Increasing demands from global and domestic markets
- Need for more professional partnerships between businesses, government and industry bodies
- Better communication required
- Increasing import competition
- Southern Hemisphere competition increasing
- Water and environmental pressures

From all the reviews and the discussions with growers, one clear message was repeatedly heard, "the need for a new strong national body with regional presence that is accountable, market driven and result-orientated".

### What you have asked for?

- Direct membership into a national body for levy payers
- A direct vote for the election of board Directors
- A "globally savvy" company accountable to each individual member, incorporating a national and regional presence
- More efficient use of statutory levies and voluntary contributions
- Better communication with levy payers, governments, supply chain and consumers
- Delivery of services that are professional, commercially orientated, accountable and measurable, including:
  - Lobbying
  - Research and Development
  - Promotion
  - Export Market Access
  - Industry Development
  - Plant Health/Biosecurity
  - Natural Resources - including water and climate change

## 4. CURRENT STRUCTURE OF THE LEVY FUNDED GROWER BODIES

The current structural arrangements are quite complex and include many bodies, committees and employees in the delivery of services for grower levy payers.

ACG is the current national peak body of the citrus growing industry.

Incorporated in 1948, ACG has 13 grower body members which represent about 2100 commercial citrus growers.

The nine full grower body members are:

1. Sunraysia Citrus Growers Inc
2. Mid-Murray Citrus Growers Inc
3. Griffith and District Citrus Growers Inc
4. Leeton Citrus Growers Inc
5. Narromine Citrus Growers Inc
6. Citrus Growers of South Australia Inc
7. Queensland Citrus Growers Inc
8. Western Australian Fruit Growers Association Citrus Council
9. Northern Territory Citrus Growers Association Inc

The three State Statutory Citrus Authorities are non-voting members:

1. Murray Valley Citrus Board
2. Riverina Citrus

3. South Australian Citrus Industry Development Board

Growcom, a Queensland based horticultural group, is also a non-voting member of ACG.

ACG is a member of:

1. Horticulture Australia Limited (HAL)
2. Plant Health Australia (PHA)
3. Horticulture Australia Council (HAC)
4. Auscitrus

ACG also works in conjunction with:

1. Department of Agriculture, Fisheries, and Forestry (DAFF)
2. Biosecurity Australia (BA)
3. Australian Quarantine Inspection Service (AQIS)
4. Australian Horticultural Exporters' Association (AHEA)
5. Australian Fruit Juice Association (AFJA)
6. National Citrus Packers Association (NCPA)

ACG is recognised by the Federal Government as the eligible peak industry body for the Citrus Industry in relation to national statutory levies.

There are currently four (4) national citrus levies:

1. Research and Development
2. Marketing (oranges only)
3. Plant Health

4. Biosecurity (remains at zero until required)

The Industry-owned Research and Development and Marketing Services Body, Horticulture Australia Limited, is required to consult with ACG before it makes a recommendation to the Government concerning statutory levies for the Citrus Industry.

The Citrus Industry Advisory Committee provides recommendations to Horticulture Australia Limited in regard to the allocation and management of the National Research and Development and Marketing Levies.

ACG nominates the Citrus Industry Advisory Committee which is a committee of Horticulture Australia Limited. The role of the Industry Advisory Committee is to provide a five year strategic and annual operating plan to direct expenditure of the National Levies.

Expenditure of the National Research and Development Levy is matched dollar for dollar by the Federal Government.

Levy funds also are provided to the peak body under stringent guidelines for consultation with growers (levy payers) and Horticulture Australia Limited.

Federal Government funds are not available to be used for lobbying (agri-political) activities.

ACG in partnership with Plant Health Australia assists in the management of the National Plant Health and Biosecurity Levies.

The new peak body also would work closely with the peak horticultural body, Horticulture Australia Council, to lobby and liaise with government(s) on key industry issues.

ACG is currently incorporated under the *South Australian Associations Incorporation ACT, 1985*. It has a ten (10) – person board of Directors, all of which are commercial citrus growers, whom are nominated by the grower bodies:

- Two from South Australia
- Two from New South Wales
- Two from Victoria
- Two from Queensland
- One from Western Australia
- One from the Northern Territory

Each state must also nominate an alternate Director.

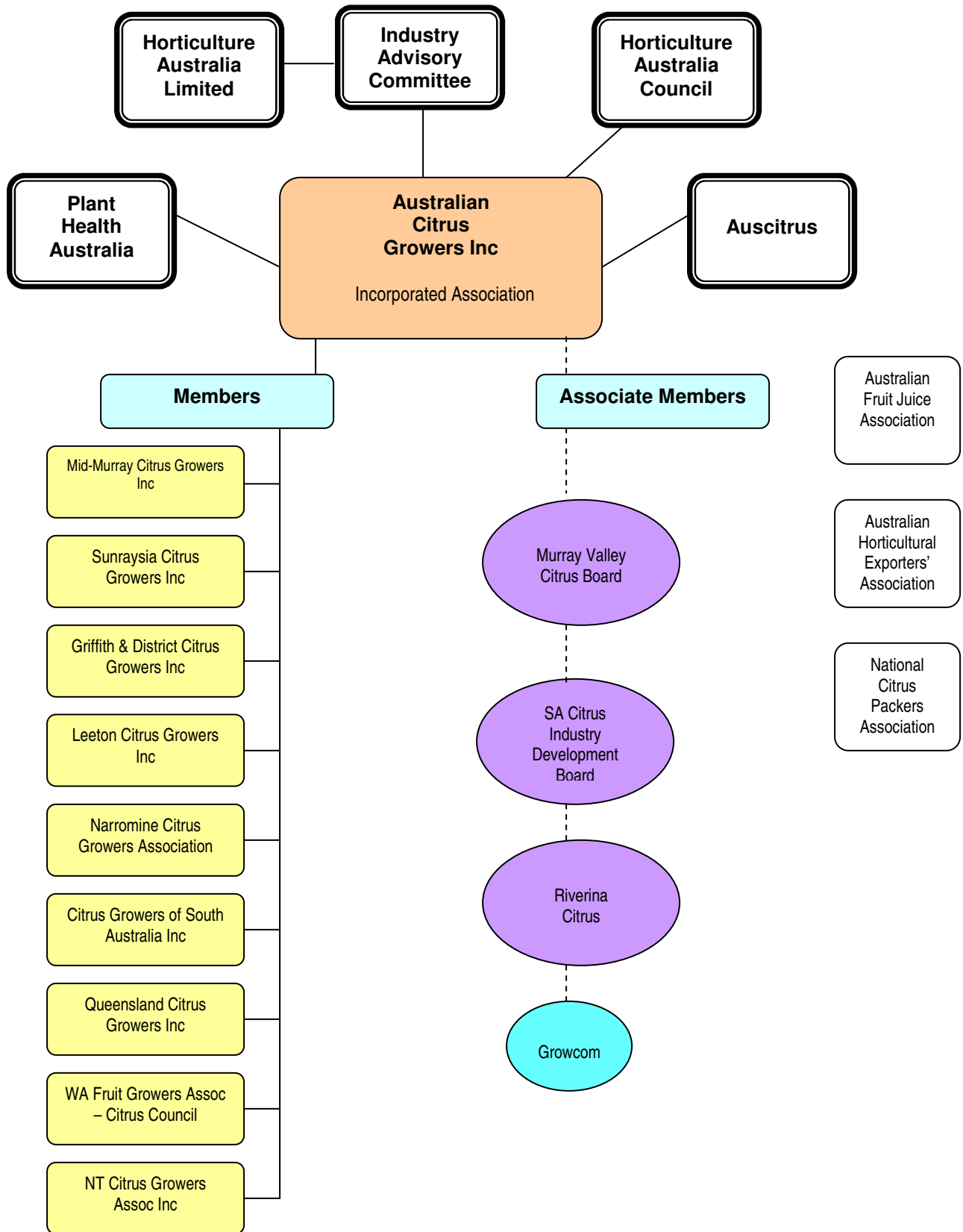
The States also select national delegates which have voting rights at general meetings.

A production formula determines the number of delegates that can be selected from each state – with a minimum of two per state.

The three State Statutory Authorities also have compulsory grower levies while the different grower bodies have a range of voluntary contributions.

All the bodies have differing financial years; committee or Boards; voting/representation processes and level of resourcing.

Figure 1: CURRENT INDUSTRY STRUCTURE



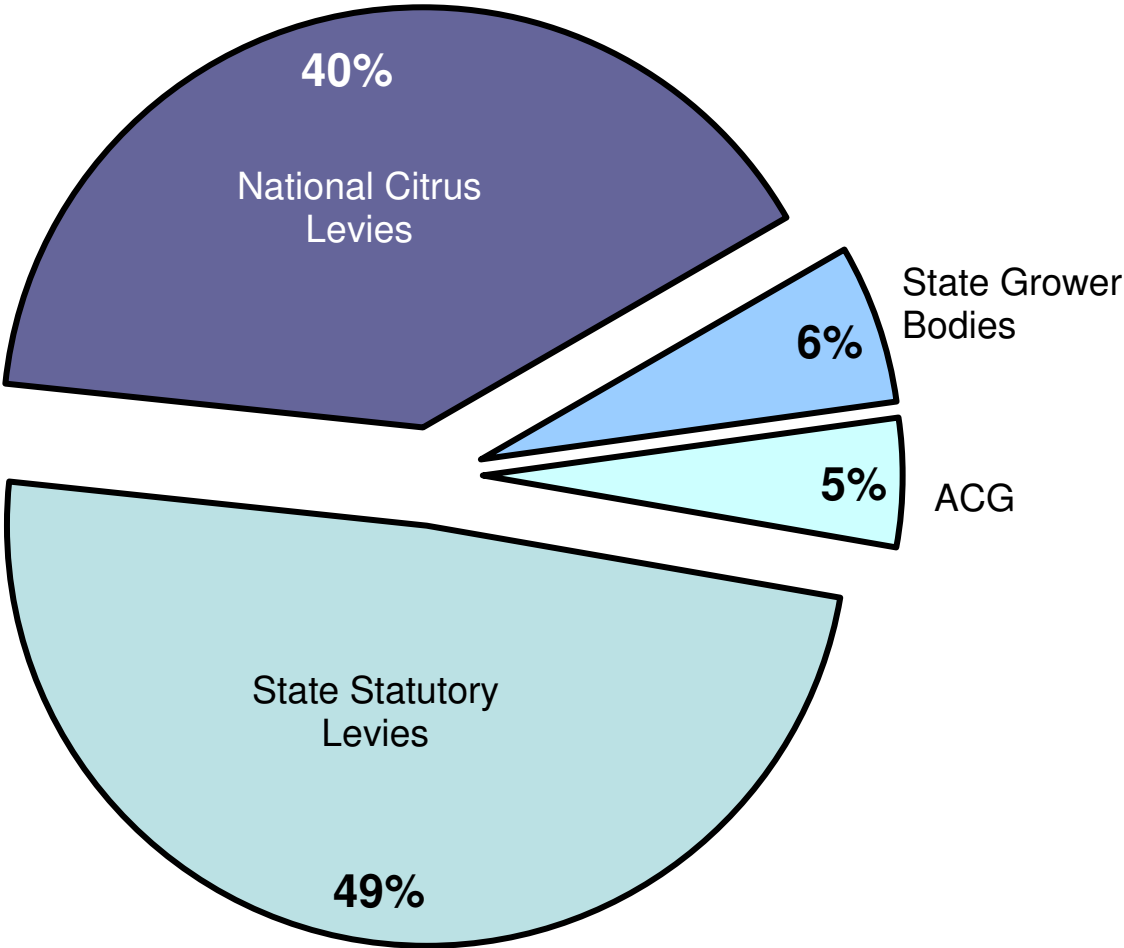
# WHERE YOUR LEVIES AND CONTRIBUTIONS GO...

Growers currently fund a variety of organisations through the National and State Statutory Levies and voluntary payments. The investment by individual growers varies by state, which creates some inequities.

Chart 1: Your levies

LEVY COLLECTION ANALYSIS: 2005/2006 - 712,000 TONNES > CURRENT SCENARIO							
Body	State Statutory Levy	Voluntary Contribution (GST exclusive)	2005/2006 (712,000 t)	National R&D Levy	National Marketing Levy (Oranges only)	Plant Health Levy	Approx. Total/t
<b>VICTORIA</b>							
Murray Valley Citrus Board >	\$5.50/t		<b>\$903,000</b>	\$1.97/t	\$0.75/t	\$0.03/t	<b>\$9.25/t</b>
Sunraysia Citrus Growers >		\$0.50/t					
Mid Murray >		\$30pa					
Australian Citrus Growers >		\$0.50/t					
<b>NSW</b>							
Riverina Citrus >	\$4.50/t		<b>\$674,000</b>	\$1.97/t	\$0.75/t	\$0.03/t	<b>\$7.25/t</b>
<b>SA</b>							
South Australian Citrus Industry Development Board >	\$3.20/t (\$2.20/t others + \$1.00/t oranges)		<b>\$670,000</b>	\$1.97/t	\$0.75/t	\$0.03/t	<b>\$7.22/t</b>
Citrus Growers of South Australia >		\$0.65/t					
Australian Citrus Growers >		\$0.50/t					
Queensland Citrus Growers >		\$3 - \$6/t	<b>\$180,000</b>	\$1.97/t	\$0.75/t	\$0.03/t	<b>\$5 - \$8.75/t</b>
WA >	\$10/t		<b>\$140,000</b>	\$1.97/t	\$0.75/t	\$0.03/t	<b>\$12.75/t</b>
NT >		\$110pa		\$1.97/t	\$0.75/t	\$0.03/t	
<b>SUBTOTAL</b>			<b>\$2,567,000</b>	<b>\$1,322,600</b>	<b>\$387,000</b>	<b>\$11,360</b>	<b>\$6.00/t</b>
<b>PLUS FEDERAL GOVT. MATCHED FUNDING</b>				<b>\$1,322,600</b>			
			<b>\$5,610,560</b>				

Chart 2: A snapshot of where your levies go



## 5. A NEW BODY TO REPLACE AUSTRALIAN CITRUS GROWERS

Regardless of the Option chosen, the new citrus peak body must be a Company Limited by Guarantee under the *Commonwealth Corporations Law*.

Levy payers (growers) would be the members of the new peak body upon payment of an annual membership fee.

### The Board

The seven (7)-person Board would be elected by the levy payers (growers) and include at least four (4) grower members and a maximum of three (3) appointed for their commercial skills or supply chain experience.

The role of the Board will be to:

- Action the priorities spelt out in the Industry's direction – Citrus 2015
- Deal with the major issues facing the Industry
- Be the public face of the Industry
- To consult with levy payers on the appropriateness of the current levy rate and, if required, make representation to the Government on behalf of Industry
- Liaise with the Federal Government on matters that affect the future of the Industry

- Ensure effective relationships and coordination with the supply chain

### Appointment of Directors

A transparent process for appointing Directors is essential to ensure a high-level of industry ownership and the best possible mix of expertise and experience.

A process will be designed to appoint the new Company's first Board of Directors. Once the new Company is incorporated, its constitution will establish the rules for the appointment of the future Directors as positions become vacant.

The Restructure Task Force recommends that:

- Selection of Directors for the inaugural Board will be managed by an implementation team and endorsed at the first AGM by grower members
- Directors for subsequent boards will be recommended for appointment at AGMs
- The Directors of the new Company to select the Chair from within the group
- The new Directors will appoint the Chief Executive Officer for the new Company
- Payment of the Chair and the Directors will be at market rates,

taking into account Remuneration Tribunal guidance

### **Future election of Directors**

Director nomination and selections will be undertaken through a transparent process by a Director Selection Committee. This committee would use strict selection criteria and scrutinise all nominations.

Those individuals that satisfy the selection criteria would be put forward at the AGM for election by the grower members.

### **Membership**

Growers (levy payers) would become the **PRIMARY MEMBERS** of the Company. Each grower could register as a member, through the payment of a national membership fee. Votes would be allocated based on planting area (hectares). It is essential that a simple and equitable voting system is adopted.

Grower members would utilise their voting power:

- At the Company's AGM or any special general meeting
- To elect the Board of Directors
- In setting and/or altering National Levies

**AFFILIATE MEMBERS** (with a determined membership fee) would not vote at AGMs, special general meetings or vote on Director elections.

Affiliate members could provide advice to the Board and could be eligible to be a Director.

The Restructure Task Force considers it important for the Company to embrace all sectors of the Industry.

Therefore firms and organisations from throughout the production to the customer supply chain could become financial members.

### **Partnerships**

The Company would be recognised by the Federal Government as the eligible peak industry body for the Citrus Industry in relation to national statutory levies.

There would remain four (4) national citrus levies:

1. Research and Development
2. Marketing
3. Plant Health
4. Biosecurity (remains at zero until required)

The Industry-owned Research and Development and Marketing Services Body, Horticulture Australia Limited, would consult with the new company before it makes a recommendation to the Government concerning statutory levies for the Citrus Industry.

The Citrus Industry Advisory Committee would provide recommendations to Horticulture Australia Limited in regard to the allocation and management of the National

Research and Development and Marketing Levies.

The Company would nominate the Citrus Industry Advisory Committee which would be a committee of Horticulture Australia Limited. The role of the Industry Advisory Committee would be to provide a five year strategic and annual operating plan to direct expenditure of the National Levies.

Expenditure of the National Research and Development Levies would be matched dollar for dollar by the Federal Government.

Levy funds also would be provided to the peak body under stringent guidelines for consultation with growers (levy payers) and Horticulture Australia Limited.

The new peak body, in partnership with Plant Health Australia, would assist in the management of the National Plant Health and Biosecurity Levies.

The new peak body also would work closely with the peak horticultural body, Horticulture Australia Council, to lobby and liaise with government(s) on key industry issues.

## **Funding**

The new peak body would need proper resources.

This could include:

- Membership fees
- Levy funds to be provided under stringent guidelines for consultation with growers (levy payers) and Horticulture Australia Limited
- Project work

- And other forms of income determined by the Board

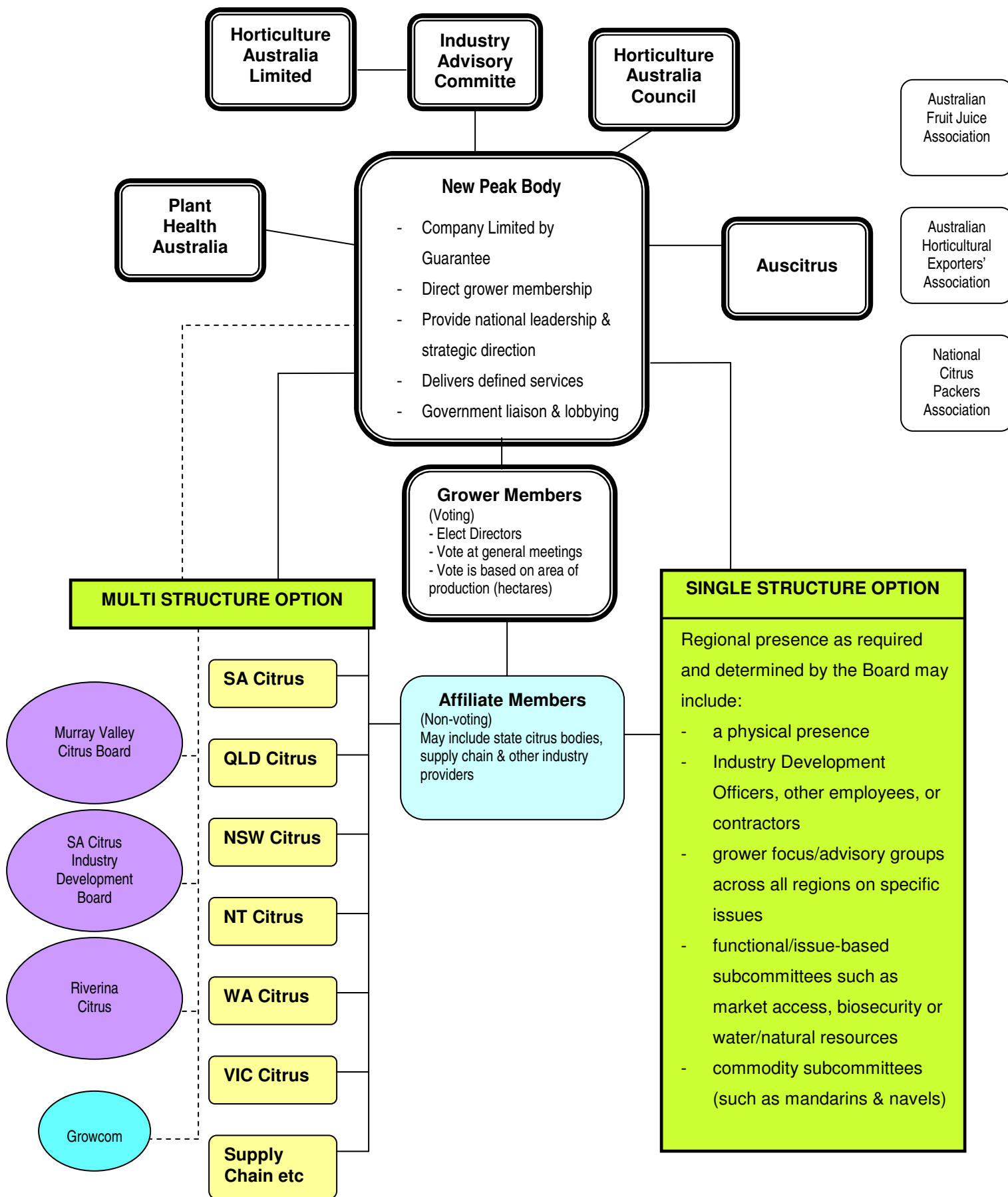
## **Major Features**

- Direct grower membership
- Accountable to its members
- Action the priorities spelt out in the Industry's direction – Citrus 2015
- Nominate a Citrus Industry Advisory Committee to provide recommendations to Horticulture Australia Limited in regard to the allocation and management of the National Research and Development and Marketing Levies
- Advise the Industry's plant health and Biosecurity responsibilities, in partnership with Plant Health Australia
- High industry and government confidence and support
- Provide strong leadership
- Create a positive future for the Citrus Industry
- Deliver value for money for members (growers)

From these major features, the Restructure Task Force used the requirements to identify two realistic options for the Industry to consider.

Given your feedback, the Restructure Task Force recognised that the current structure is not an option.

Figure 2: THE NEW PEAK BODY & THE OPTIONS



## Multi Structure Option

*(Refer to Chapter 5 (page 15) for a description of the new peak body as a Company.)*

A new peak industry body established as a Company:

### Regional bodies

- Non-voting members
- Amalgamation of regional bodies would be encouraged

For example:

- Victoria – Mid-Murray and Sunraysia
- NSW – Leeton, Griffith, Narromine and the rest of NSW
- Maintain and manage specific regional projects
- Offer an advisory role to the new peak body
- Be possible service providers for the new peak body

### Statutory Authorities

Victoria, South Australia and New South Wales would retain their respective State Statutory Levies.

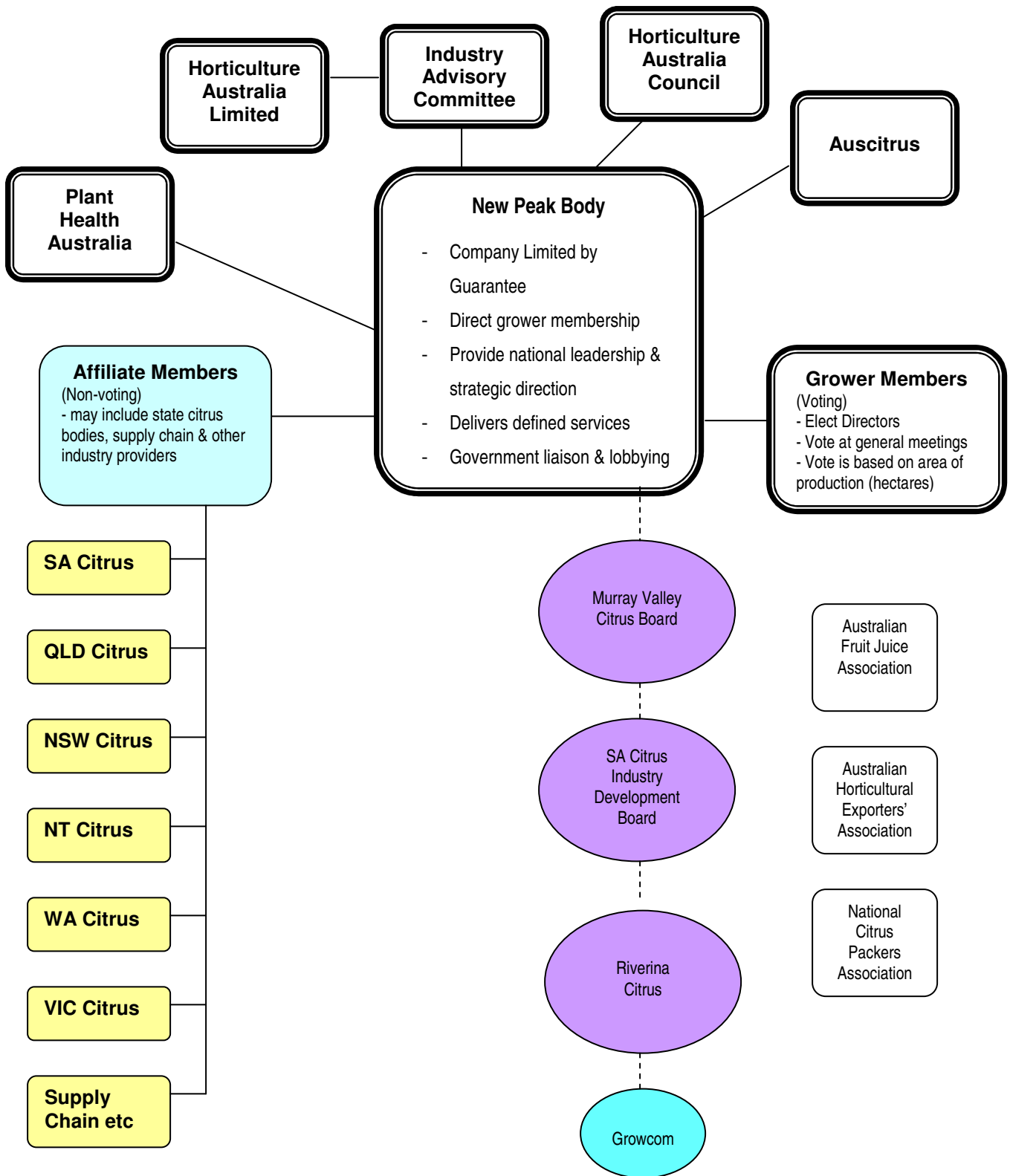
Due to the inability for Statutory Authorities to become members of the Company, specific performance-based contracts would be implemented to deliver the needs of levy payers (growers).

A regular formal line of communication would be established between the peak body and the State Authorities to prevent the duplication of services.

### Overview of this Option

- Minimal change from the current arrangements
- Growers continue existing memberships and payments, plus pay to join the new company directly
- Maintains offices and representation at a regional level
- Formalising of delivery of defined services through contracts between the new company and the State Statutory Authorities. These contracts would be two-way, with various bodies providing complementary services to the industry
- Implementation phase relatively straight forward

Figure 3: THE NEW PEAK BODY & THE MULTI STRUCTURE OPTION



# Single Structure Option

*(Refer to Chapter 5 (Page 15) for a description of the new peak body as a Company.)*

A new peak industry body established as a Company:

## Regional Presence

National programs to be delivered through various means to maximise efficiency and effectiveness, and may include:

- A physical presence
- Industry Development Officers, other employees, or contractors
- Grower focus/advisory groups across all regions on specific issues
- Functional/issue-based sub-committees such as market access, biosecurity or water/natural resources
- Commodity sub-committees (such as mandarins and navels)

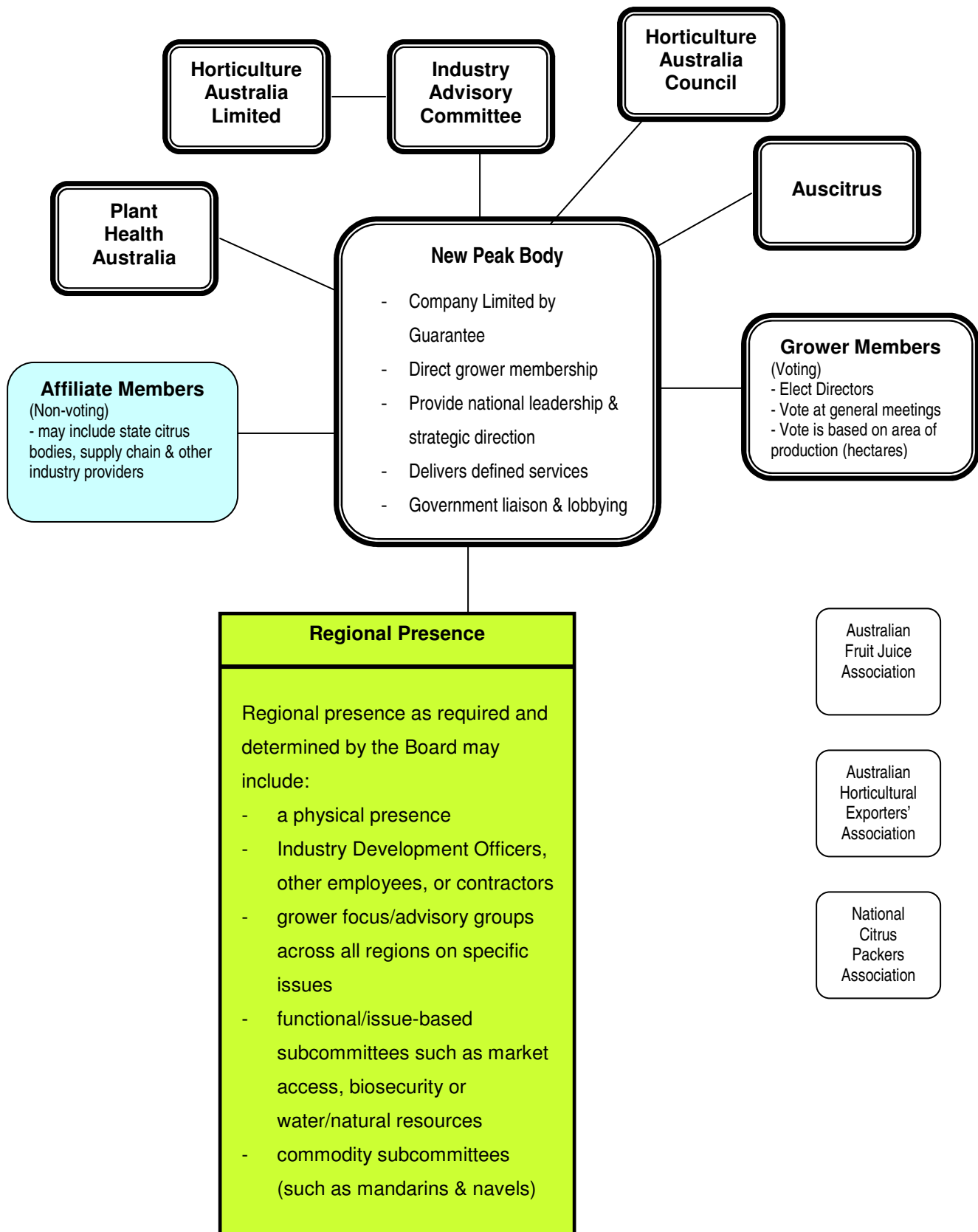
Under this option, the State Grower Bodies and the Statutory Authorities would be phased out.

## Overview of this Option

- It potentially offers a full integration of all existing grower bodies, involving one board responsible for all industry policy and service delivery functions
- A new national peak body with a regional presence

- Simplify the current collection of national and state levies and voluntary contributions into one set of national levies and voluntary membership fees to provide greater value for money for the Australian citrus grower
- A single national entity provides the industry, governments and the citrus marketplace with one contact point
- With the phasing out of the State Statutory Authorities (Victoria, NSW and South Australia), the State Statutory Levies would no longer exist
- Consequently, an increase in the National Levies would be required to maintain services
- This implementation phase will require more management:
  - The wind-up of current state/regional grower bodies with differing financial years
  - The wind-up of the Statutory Authorities which would involve state government liaison and a separate ballot and voting process in each statutory authority area

Figure 4: THE NEW PEAK BODY & THE SINGLE STRUCTURE OPTION



## 7. HOW THE NEW STRUCTURE WOULD START

An Implementation Team, chosen by the existing ACG Board, will be responsible for the initial set-up and operations of the new peak body.

The Implementation Team, which would include growers, could also include people with expertise in:

- Change management
- Corporate governance
- Corporate law
- Industry communications
- Human resource management

The Chair and the Directors of the new peak body would be involved from an early stage in the implementation process.

There are several key issues common to both options that will set the framework for the Implementation Team.

These include:

- The process of appointing Directors
- The process for appointing the Chair
- Eligibility of levy payers (growers) for membership of the new body
- The mechanism for funding and effective lobbying and government liaison

- Operational matters such as the location of the new Company's office and its staff resources.

When the Industry decides to change, arrangements will be required to manage and fund the transition.

A Communications Strategy would be needed to ensure the continual information flow between the Implementation Team and the Industry.

## 8. TIMING

The Restructure Task Force recommends the following outline as a possible approach to implement whatever option is chosen:

### **October 2007**

Discussion Paper (this paper) released

### **October – December 2007**

Consultation and feedback

### **December 2007**

*Deadline for submissions 14 December*

Work commences on the Final Report

### **February 2008**

Final Report prepared based on grower consultation and feedback

### **March 2008**

Grower vote on the industry- preferred structural option

### **May 2008**

ACG AGM – levy payers represented by their national delegates will set the timetable for the wind-up of ACG (regardless of the option chosen)

### **May 2008**

Implementation team established

### **October 2008**

Selection of the new Company

Appointment of the Company's new chair

### **October 2008 – June 2009**

Integration of assets and activities (depending on option chosen)

Wind-up of current ACG structure complete

### **July 1 2009**

Commencement of new peak body

## 9. HOW TO COMMENT ON THIS PAPER

This discussion paper was written as a basis for discussion and feedback from the Citrus Industry and other interested parties.

You are invited to comment on the two options discussed through written submissions by **14 December 2007**.

You are able to obtain more information about the restructure process through:

- The industry's official magazine – *Australian Citrus News*
- Regional roadshows beginning mid-October
- ACG's website: [www.australiancitrusgrowers.com](http://www.australiancitrusgrowers.com)
- Phoning ACG office on Tel: (03) 5023 6333

If you choose to write a submission, please consider the following:

- What issues or concerns have not been covered within the Paper
- What further information would you require in the Final Report to help you vote
- Your thoughts on a preferred option, and why

We require you to supply your full name and contact details in case further clarification is needed.

Submissions can be provided by mail, fax, or email to the following:

Leonie Burrows  
Facilitator  
ACG Restructure Taskforce  
PO Box 5091  
MILDURA VIC. 3502  
Fax: 03 5023 3877  
Email: [lburrows@ncable.com.au](mailto:lburrows@ncable.com.au)

### Roadshow Dates:

#### 18 October 2007

Queensland meeting, Gayndah

#### 23 October 2007

NSW Coast meeting, Gosford

#### 31 October 2007

Riverina meeting, Griffith, NSW

#### 1 November 2007

Auscitrus

#### 7 November 2007

Riverland meeting, Berri Hotel, SA

#### 8 November 2007

Murray Valley meeting, DPI Research Station, Dareton, NSW

#### 9 November 2007

Australian Horticultural Exporters' Association

#### 12 November 2007

ACG General Meeting, Mildura

#### 16 November 2007

Western Australia meeting, Moora

*The Restructure Task Force acknowledges that this timetable and the activities is notional and will depend on the Option that the Industry chooses.*

## Appendix D.2.

Citrus Australia Final Report White Paper (June 2008)



# **Restructuring the Citrus Industry's grower bodies**

**Final Report  
(White Paper)  
June 2008**

## **CONTENTS**

1. Open Letter from the President
2. Executive Summary
3. Introduction and Background
4. A new body Citrus Australia Limited to replace Australian Citrus Growers Incorporated
5. Business Case / Cost: Benefit Analysis Summary
6. The Single Structure – ticking all the boxes
7. Where to from here?

# 1. OPEN LETTER FROM THE PRESIDENT

**Dear Grower,**

*After three years of extensive consultation and independent research into the Australian Citrus Industry's strategic directions and organisational structure, I am pleased to report that the Board of Australian Citrus Growers Inc. (ACG) is unanimous in its recommendation for change that will benefit growers.*

*For several years, growers have recognised the need for change and this was reflected in the Industry's strategy Citrus 2015. Citrus 2015 recommends aligning the Industry's organisational structure as a critical, positive step for the future of Australia's citrus industry.*

*The Board's recommendation is for all of the Industry's grower-funded bodies to move, in a staged process, into a Single Structure Model and replace the current arrangement.*

*The Single Structure Model combines existing state and regional grower organisations and the majority of the state statutory authority functions into a new national body. This national body would be owned and accountable to growers, along with all service delivery benefits.*

*The first part of the staged process is for a new national body to be established under Commonwealth Corporations Law. The New National Body would be called "Citrus Australia Limited" (CAL) and would replace the existing ACG Inc. CAL would have a regional, national and global presence and, for the first time, individual citrus growers would own and direct their national body.*

*Citrus growers would be able to directly join CAL through an annual voluntary membership fee based on their area (hectares) or volume (tonnes) of*

*production. Voting will reflect the grower members' area or volume of production and hence their level of investment in the Industry.*

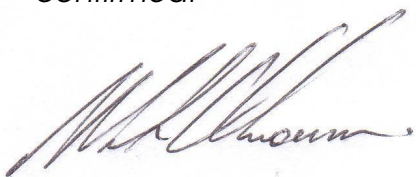
*CAL will be governed by a seven (7) person Board of Directors, appointed by grower members through a transparent process based on skills criteria. At least four directors will be grower members and up to three (3) with commercial experience or supply chain skills. The CAL Board will then establish advisory committees based on national issues, varieties and/or regions.*

*The Board will recommend that our current national grower delegates vote to establish CAL to replace ACG at a Special Meeting on or before 14 October 2008. Pivotal to this is the finalisation of a new Constitution and Implementation Plan. The Implementation Plan will include a due diligence process and transitional arrangement to ensure the continuity of services to guide Industry through the change.*

*The ACG Board is proud of how the Industry's current structure and previous achievements have served growers during the past 60 years. But the time has now truly come to embrace change that will more effectively and efficiently meet the needs of today's modern export-oriented industry.*

*I urge everyone with a financial interest and commitment to the Citrus Industry to read this final report (White Paper) with an open mind.*

*I look forward to presenting this paper at ACG's 60<sup>th</sup> Annual General Meeting on May 29 in Mildura, where remaining questions can be answered and a direction confirmed.*



**Mark Chown, ACG President**

## 2. EXECUTIVE SUMMARY

The Board of Australian Citrus Growers Inc (ACG) unanimously recommends that:

- The Grower Industry Bodies move, through a staged process, to a single structure.
- The first step is the formation of a new national peak body, Citrus Australia Ltd on, or before, the 14 October 2008 (*subject to ACG delegates voting at the proposed Special General meeting*).

Pivotal to the first step is the finalisation of a new Constitution and Implementation Plan. The Implementation Plan, which would include a robust due diligence process and transitional arrangement to ensure continuity of services, will guide industry through the change.

### **Citrus Australia Ltd (CAL)**

CAL will be a Company Limited by Guarantee under the *Commonwealth Corporations Law*.

Growers will form its voting membership upon payment of an annual fee.

It is recommended that the membership fee, and subsequent voting rights, be based on a growers' area (hectares) or volume (tonnes) of production and hence their level of investment in the Industry.

Individuals, organisations or firms from the citrus supply chain may form its affiliate non-voting membership upon payment of an annual fee.

### **Citrus Australia Ltd's Board**

The seven (7)-person Board would be elected by the Grower Members and include at least four (4) grower members and a maximum of three (3) appointed for their commercial skills or supply chain experience.

The role of the Board would be to:

- Execute the priorities spelt out in the Industry's Direction Plan Citrus 2015, and national grower objectives
- Consult with levy payers on the appropriateness of the current national statutory research & development (R&D), marketing and biosecurity levy rates and, if required, make representation to Horticulture Australia Ltd (HAL), Plant Health Australia (PHA) and the Government on behalf of the Industry
- Nominate members to the HAL Citrus Industry Advisory Committee, whose role is to provide a five year strategic plan and annual operating plan that recommends expenditure of national R&D and Marketing levies
- Assist in the expenditure of National Plant Health and Biosecurity levies in partnership with PHA

- Liaise with the Federal Government on matters that affect the future of the Industry
- Ensure effective relationships and coordination with the supply chain
- Represent the public face of the Industry to governments and community

The Board would obtain specialist advice from national committees based on issues or varieties as well as regional advisory committees where necessary.

### **Appointment of Board Directors**

The appointment of the Board's Directors must be a transparent process to ensure a high-level of industry ownership and the best possible mix of expertise and experience.

A Director Selection process has been designed to appoint CAL's first board, possibly by October 2008. Once CAL is formed, its constitution will establish the rules for the future

appointment of Directors as positions become vacant.

It is recommended that:

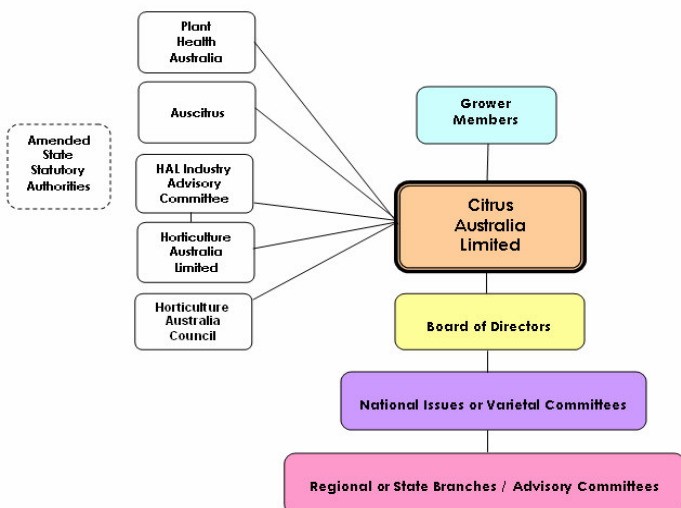
- Directors for the Inaugural Board be selected by an inaugural Director Selection Committee and endorsed by grower members at the first Annual General Meeting (AGM)
- CAL Directors select the Board's Chair from within the Group
- Directors of CAL to appoint the Chief Executive Officer (CEO).
- The Chair and the Directors be appropriately remunerated, recognising market rates and grower endorsement

## Why a Single Structure?

The ACG Board's recommendation to move towards a Single Structure Model for the Grower Industry is based on three years' of consultation and research with growers, grower bodies as well as other industry leaders and participants. The recommendation also includes the Board's consideration of:

- The findings of an independent review by the international consulting firm KPMG
- The findings of a cost: benefit analysis and resulting business case which were prepared by Deloitte on the basis of information provided by ACG, regional grower bodies and state statutory authorities
- The Development of an industry strategic plan Citrus 2015
- Extensive grower and supply chain consultation

## A Single Structure:



- Ongoing input and support from ACG member organisations

The case for changing to a Single Structure Organisational model is timely given the pressing challenges and potential opportunities facing the Industry.

Based on services currently received by the Australian citrus growers and the desired objectives as described in Citrus 2015, as well as detailed financial / operational data and qualitative information provided by ACG, regional grower bodies and state statutory authorities, an independent cost: benefit analysis for the Current Structure and Proposed Structural Options has been performed. The financial viability of each structure over the next five year period is described below:

- The Current Structure is the aggregation of the current operations for ACG, the state statutory authorities and the

regional grower bodies within the Australian citrus industry.

The financial model for the Current Structure, which was prepared on the basis of assumptions and information provided by ACG, regional grower bodies and state statutory authorities, produces the following:

- cash flow deficits for each forecast period;
- a negative terminal value; and
- accordingly, a negative net present value (NPV) of approximately \$9.7 million.

The negative NPV suggests the Current Structure is not financially viable without a significant increase in revenues or a substantial reduction in expenses.

- The Single Structure represents an assumed single national peak body structure that retains regional presence.

The financial model for the Single Structure, which was prepared on the basis of assumptions and

information provided by ACG, regional grower bodies and state statutory authorities, produces the following:

- cash inflows in years 1 and 5 and cash flow deficits in years 2, 3 and 4;
- a positive terminal value; and
- accordingly, a positive NPV of \$157,000.

The positive NPV suggests that the Single Structure proposed is a financially viable structure compared with the Current Structure over the longer term, provided the projected cash flow deficits in years 2, 3 and 4 can be funded.

The Single Structure is more financially viable than the Current Structure and the Multiple Structure option because of removal of duplication and efficiency gains from nationalisation of services.

- The Multiple Structure represents an assumed organisational

structure similar to the Current Structure with the additional committees to assist in the delivery of industry objectives.

The financial model for the Multiple Structure, which was prepared on the basis of information and assumptions provided by ACG, regional grower bodies and state statutory authorities, produces the following:

- cash flow deficits for each forecast period;
- a negative terminal value; and
- accordingly, a negative NPV of approximately \$12.6 million.

The negative NPV suggests that the Multiple Structure proposed is both not financially viable and inferior to the Current Structure from a financial perspective.

In short, the findings reflect the views of the Industry – "...that the current arrangements are unsustainable and that a single, integrated structure

would be more appropriate and viable”.

Consequently, the ACG Board considers that the case to move to a Single Structure is very clear, and a decision to make the necessary change is essential.

### **Who decides on the Structure?**

At ACG Inc.’s AGM on May 29 2008, a special presentation of the White Paper’s recommendations will be delivered.

ACG’s legal advisers, Finlaysons, will be available to answer questions on the legal aspects and the draft constitution of CAL. Representatives from Deloitte will also be on hand to answer any questions relating to the Business Case Study.

The elected delegates of ACG will then vote at a Special Meeting to form CAL - a new Company Limited by Guarantee - and instigate wind-up procedures for the old incorporated association.

Subject to majority approval by delegates, the Implementation Team, appointed by the ACG Board, will proceed with the processes to form CAL and the Director Selection Committee will commence a transparent process to select and recommend the new Company’s Directors.

An Implementation Plan, which includes a robust due diligence process and transitional arrangements to ensure continuity of services, will guide the Industry through the change.

The decision to move towards a Single Structure Model is not one that can be made solely by ACG (or the new company, CAL).

Growers, themselves, will need to make that decision through:

- Choosing to join CAL as a direct, voting member
- Advising their current regional associations of their decision
- Advising their state statutory authorities and state

governments that they want  
Australia's Citrus Industry to be  
a Single Structure Model

State and regional associations have obviously been considering their options and, it is anticipated that, if growers so wish, the move towards a Single Structure would be a staged process. This is because there are different and independent processes involved in the alteration, or winding-up, of regional associations and state statutory authorities.

It is now clear that the time for action has come. Growers must change their industry representative structure to more effectively and efficiently meet the needs of today's export oriented industry.

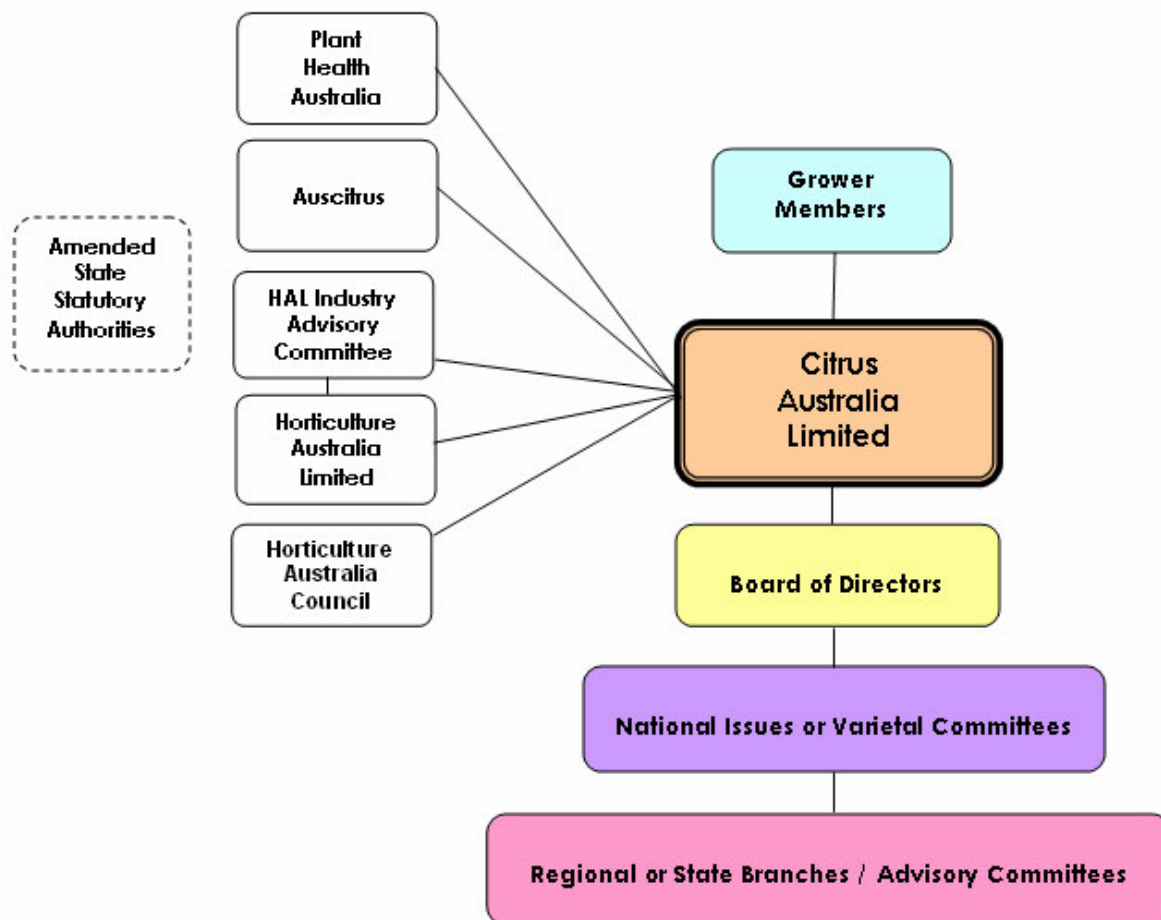
## **CITRUS AUSTRALIA LIMITED**

### **A Single Structure at a Glance:**

- A Company Limited by Guarantee under Commonwealth Corporations Law
- Grower owned through direct membership
- Grower members vote for the Board's Directors and at General Meetings (the membership fees and votes to be based on area or volume of production, such as hectares or tonnes)
- A seven (7) person Board of Directors elected by grower members (minimum four grower Directors, maximum three (3) commercial Directors)
- Provide national leadership and strategic direction
- Deliver defined services
- Lobby and liaise with government
- Has affiliate members (non-voting) which could include organisations, supply chain companies, or individuals
- Increased grower and industry involvement coordinated through:
  - National varietal or issues advisory committees which would draw on industry expertise
  - State or regional branches with advisory committee structures, offices and staff as required
- Requires integration of all citrus organisations to transfer the cost of administration and duplication to more efficient and effective national policy and service programs

- Provide greater value for money for the Australian citrus grower through simplifying the current collection of state and national levies and voluntary contributions into one set of national levies and voluntary membership fees
- Offer an opportunity for significant efficiency gains
- More flexible, accountable and market-focussed

An Implementation Plan which will include due diligence and transitional arrangements will serve to guide industry through the change, recognising a series of independent processes in the regions / states.



### 3. INTRODUCTION & BACKGROUND

*(subject to ACG delegates voting at the proposed Special General meeting).*

#### Introduction

This is the Final Report (White Paper) on the findings of the Industry restructure process which has been designed to "...align all organisational structures and resource use".

Unlike the previous Discussion Paper (Green Paper) presented in October 2007, this Report (White Paper) presents the ACG Board's final recommendations on how the Industry should be restructured, based on three (3) years of consultation and research.

#### **The Board of Australian Citrus Growers Inc (ACG) unanimously recommends that:**

- The Grower Industry Bodies move, through a staged process, to a single structure.
- The first step is the formation of a new national peak body, Citrus Australia Limited on, or before, the 14 October 2008

Pivotal to the first step is the finalisation of a new Constitution and Implementation Plan. The Implementation Plan, which would include a robust due diligence process and transitional arrangement to ensure continuity of services, will guide industry through the change.

#### **Background**

The catalyst for "change" was ignited in 2005 by growers at ACG's AGM when the following resolution was unanimously passed:

"That ACG undertake a broad review of existing industry structures to meet the needs of a modern export orientated industry."

Following the resolution by ACG members, funding from the Federal Department of Agriculture, Fisheries and Forestry (DAFF) was secured and the international consulting firm KMPG was commissioned to review

structural options. The KPMG report outlined three possible options (current structure; multi-structure and single structure). It also recommended the Industry develop a strategy before structural changes were undertaken.

In 2006, further DAFF funding allowed ACG to facilitate the development of an industry strategy (Citrus 2015) using an extensive consultation process. This involved growers as well as participants from the citrus supply chain.

Citrus 2015 outlined four main areas of focus for the Industry over the next five (5) to eight (8) years. They were:

- Increase CONSUMER demand
- Improve industry COMPETITIVENESS
- Improve industry information and COMMUNICATION
- Enhance CAPABILITY of industry leadership, structures and resource use

In early 2007, members supported a new two (2) year operating plan proposed by ACG and based on Citrus 2015. Three key areas were outlined:

- Establish ACG as a world class industry body
- Improve the competitive position of the grower
- Enhance industry information and communication

### **ACG Restructure Task Force**

A Restructure Task Force was appointed by the ACG Board to facilitate the process of establishing ACG as "...a world class industry body". The Taskforce included grower representatives from the three state statutory authorities to assist in the development of a Discussion Paper (Green Paper). ACG also undertook preliminary discussions with its member organisations in August/September 2007 to assist in finalising the document. The Green Paper was publically released in October 2007.

ACG undertook further regional public meetings in: Gayndah, Queensland; Gosford, Leeton and Dareton, NSW; Mildura and Melbourne Victoria; Berri, South Australia and Moora, Western Australia as well as providing an update to members at the General Meeting in November 2007.

Following the release of the Green Paper, about 180 people participated in the public meetings and 39 written submissions were received.

In summary, a common theme throughout both the public meetings and within the written submissions was "...the need for change".

The Industry had a range of views on the need for change such as: the rate of change; the various models for change; the governance framework required to implement and operate within a changed environment; the representation issues inherent within the industry and

the issues to be addressed by the New Peak Body.

The feedback raised many relevant issues for the Implementation Team, and the ACG Board itself, to consider in taking the restructure process forward.

The key issue was the provision of further information to assist growers in the decision making. This required a draft constitution and some cost: benefit information on the various restructure options.

*(Note: A summary report on the issues raised during the "Green Paper" discussion period can be found on ACG's website).*

## **ACG National Citrus Strategy**

### **Leadership Group**

ACG appointed a National Citrus Strategy Leadership Group to help drive the implementation of Citrus 2015. The Group, which consists of key industry leaders along the supply chain, agreed that "...the highest priority for the implementation of

Citrus 2015 is to align all resource use and organisational structures”.

### **ACG Implementation Team**

The Restructure Task Force met in December 2007 to consider the feedback from the Green Paper and public meetings as well as to provide recommendations to the newly appointed Implementation Team.

The Implementation Team, appointed by the ACG Board, is responsible for the initial set-up and operations of CAL.

The Implementation Team includes growers and other industry people with skills in change management, corporate governance, industry communications and human resource management.

The Implementation Team’s first two tasks were:

- To develop a draft constitution for a new peak body
- To commission a business case/cost: benefit analysis of the structural options

#### **4. A NEW PEAK BODY TO REPLACE ACG: 'CITRUS AUSTRALIA LIMITED'**

CAL will be a Company Limited by Guarantee under the *Commonwealth Corporations Law*.

Growers will form its voting membership upon payment of an annual fee.

It is recommended that the membership fee, and subsequent voting rights, be based on a growers' area (hectares) or volume (tonnes) of production and hence their level of investment in the Industry.

Individuals, organisations or firms from the citrus supply chain may form its affiliate non-voting membership upon payment of an annual fee.

##### **The Board**

A seven (7)-person Board of Directors will be elected by the Grower Members and include a minimum of four (4) grower members and a

maximum of three (3) appointed for their commercial skills or supply chain experience.

The role of the Board is to:

- Execute the priorities spelt out in the Industry's Direction Plan Citrus 2015, and national grower objectives
- Consult with levy payers on the appropriateness of the current national statutory research & development (R&D), marketing and biosecurity levy rates and, if required, make representation to Horticulture Australia Ltd (HAL), Plant Health Australia (PHA) and Government on behalf of the Industry
- Nominate members to the HAL Citrus Industry Advisory Committee, whose role is to provide a five year strategic plan and annual operating plan that recommends expenditure of national R&D and Marketing levies
- Assist in the expenditure of National Plant Health and

Biosecurity levies in partnership with PHA.

- Liaise with the Federal Government on matters that affect the future of the Industry
- Ensure effective relationships and coordination with the supply chain
- Represent the public face of the Industry to governments and community

The Board would obtain specialist advice from national committees based on issues or varieties as well as regional input as required.

### **Appointment of Board Directors**

A transparent process for appointing Directors is essential to ensure a high-level of industry ownership and the best possible mix of expertise and experience.

A Director Selection process has been designed to appoint CAL's first Board of Directors, possibly by October 2008. Once CAL is formed, its constitution will establish the future rules for the appointment of the

Directors as positions become vacant.

It is recommended that:

- Directors for the Inaugural Board be selected by an inaugural Director Selection Committee and endorsed at the first AGM by grower members
- Directors of CAL select the Chair from within the group
- Directors of CAL appoint the Chief Executive Officer (CEO)
- The Chair and the Directors be appropriately remunerated, recognising market rates and grower endorsement

### **Objectives of Citrus Australia Limited**

- To be the Peak Industry Body that represents the interests of all citrus growers on regional, national and international issues
- To execute the Industry's strategic direction
- To advocate the Industry's position and make representations to government

- To actively promote the reputation of the Citrus Industry
- To encourage good practice and high standards in citrus production
- To source, collate and distribute statistical data, market intelligence and other industry information to members or other participants in the Citrus Industry
- To develop an effective relationship with the whole of supply chain
- Undertake market development and promotion initiatives that support domestic and export sales of citrus fruits and products
- Coordinate citrus research and development through the effective extension of research information to growers and other industry participants
- Manage commercial activities incidental or ancillary to the above objects
- To oversee other incidental or ancillary activities

## **5. BUSINESS CASE / COST: BENEFIT ANALYSIS**

The Green Paper consultation process confirmed that a systematic approach was important to inform grower consideration of the options for change. This important information included a draft constitution and Cost:Benefit Analysis on the various Structural Options.

In February 2008, after a tender process, ACG appointed an independent advisor Deloitte, to prepare a Business Case including Cost:Benefit Analysis. The Business Case would examine the relative advantages and disadvantages of the proposed Structural Options, and acknowledge the primary objectives required for the Industry as directed in Citrus 2015.

### **Approach to Cost: Benefit analysis**

Three financial models were constructed by Deloitte, based on information and assumptions provided by ACG, regional grower bodies and state statutory authorities,

to facilitate the cost: benefit analysis of the Proposed Structural Options.

Financial models were constructed for the following:

- Current Structure model - examines the financial performance of the structure currently in place (ie. aggregation of the current operations for ACG, the state statutory authorities and the regional grower bodies within the Australian citrus industry)
- Single Structure Option model – prepared from an assumed organisation structure principally based on the structure outlined in the Green Paper and adjusted for additional information provided to Deloitte by various industry bodies. This assumed model provides for a single national peak body structure that retains regional presence
- Multiple Structure – prepared from an assumed organisation structure principally based on the structure outlined in the Green Paper and adjusted for additional information provided to Deloitte

by various industry bodies. This assumed organisational structure is similar to the Current Structure with additional committees to assist in the delivery of industry objectives

It is important to understand the financial models constructed for the Proposed Structural Options were based on assumed organisational structures derived from the models previously described in the Green Paper. Accordingly, the cost benefit analysis for these structural options required a number of assumptions that were agreed with ACG as a part of the process of preparing the Business Case. In addition, the inputs to the model were not audited or verified by Deloitte.

### **Financial Viability & Net Present Value (NVP)**

The conclusions about financial viability of each structural option were assessed with reference to the net present value (NPV) of discounted free cash flows over a

five year period (including the terminal value calculation).

Components of the NPV calculation are as follows:

- determination of annual 'Cash flows from operating activities', (operating revenues less expenses, adjusted for the changes in working capital)
- determination of the projected residual value based on projected cash flows after the five year period ('Terminal value')
- determination, in today's dollars, of the risk adjusted value of the projected cash flows and the terminal value ('Discounted free cash flows plus terminal value'). Projected free cash flows and terminal value have been adjusted for risk by using a discount factor to reflect their value today. A discount rate of 12% has been assumed in these calculations

The sum of each period's discounted free cash flow plus terminal value

provides the NPV of the structure. Deloitte did not provide any assurance on the reliability of any forecasts or projections or the reasonableness of any underlying assumptions. Since forecasts or projections relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the forecasts or projections. Accordingly, actual results are likely to be different from those forecast or projected because events and circumstances frequently do not occur as expected, and those differences may be material.

## **Business Case/ Cost: Benefit Findings**

### ***Current Structure***

The Current Structure is projected to provide ongoing cash flow deficits in the order of \$0.75 million to \$1.0 million per year in years 1 to 5.

The cash flow deficit in Year 5 produces a negative terminal value for the Current Structure.

The aggregation of the discounted cash flow deficits and the discounted terminal value yield a negative NPV of approximately \$9.7 million for the Current Structure.

The major drivers of the cash flow deficits are as follows:

- no annual net membership fee income growth in years 1 to 4
- high costs associated with industry data collection and dissemination
- duplicate administrative expenses.

The negative NPV suggests that the Current Structure is not financially viable without a significant increase in revenues or a substantial reduction in expenses.

### ***Single Structure Option***

The Single Structure is projected to provide cash inflows in years 1 and 5 in the order of \$0.15 million and \$0.03 million. Years 2, 3 and 4 are projected to provide cash flow deficits ranging from \$0.9 million to \$0.6 million per year.

The cash inflow in year 5 produces a positive terminal value for the Single Structure.

The aggregation of the discounted cash flows and the discounted terminal value yield a NPV of \$157,000 for the Single Structure.

The major driver of the fluctuating cash flows over the projection period is the movement in projected net membership fee income.

The positive NPV suggests that the Single Structure proposed is a financially viable structure over the longer term compared to the Current Structure, provided that the projected cash flow deficits in years 2, 3 and 4 can be funded.

### **Multiple Structure Option**

The Multiple Structure is projected to provide ongoing cash flow deficits in the order of \$1.0 million to \$1.3 million per year over the projection period.

The cash flow deficit in year 5 produces a negative terminal value for the Multiple Structure.

The aggregation of the discounted cash flow deficits and the discounted terminal value yield a negative NPV of 12.6 million for the Multiple Structure.

The major drivers of the cash flow deficits are as follows:

- 'flat' annual net membership fee income growth in years 1 to 4
- high costs associated with industry data collection and dissemination
- duplicate administrative expenses

The negative NPV suggests that the Multiple Structure proposed is both not financially viable and inferior to the Current Structure from a financial perspective.

*NOTE: Deloitte was engaged by ACG in accordance with an engagement letter on 4 February 2008. The scope, limitations and terms of Deloitte's appointment were set out in the letter. The analysis provided in this White Paper is a summary of key issues and should be read in conjunction with the full Business Case prepared by Deloitte. A copy of the Business Case is available to growers and members of ACG on request from ACG. Please note that Deloitte does not accept any responsibility (whether for its negligence or otherwise) to any party other than ACG for its work or its report.*

**A general comparison between the  
Deloitte Business Case Assumed  
Single Structure Option and ACG  
recommendations:**

<b>Deloitte Business Case Assumed Single Structure Option</b>	<b>ACG recommendations: Single Structure</b>
National Board of Directors: 2 growers, 5 independent	National Board of Directors: Minimum 4 growers, maximum 3 independent
4 national issues committees: 1 National Director, 5 variety-based grower, 2 independent	National committees (variety or issues based): 1 National Director, representatives to be determined
Membership Fee: \$ per tonne  Voting: Number of bearing hectares	Membership Fee: Minimum fee plus \$ per hectare / tonnes. Voting: Number of hectares / tonnes or dollars contributed (for discussion only)
9 regional advisory committees: 7 growers on each	State/regional branches: number & staffing to be determined by new Board/Members

## 6. THE SINGLE STRUCTURE – Ticking all the Boxes

- ✔ 2005 - ACG Members resolve that ACG undertake a broad review of existing structures to meet the needs of a modern export-orientated industry
- ✔ 2005 - KPMG review identifies three structural options (current, multi-structure and single structure) and strongly recommends the development of a national industry strategic plan prior to any restructure
- ✔ 2006 - Citrus 2015 – the Industry’s new strategic plan for growth is developed as a result of the KPMG report and extensive industry consultation
- ✔ 2006 - Members resolved that ACG move forward with the finalisation and implementation of the draft ACG Operating Plan, particularly in relation to the

process of facilitating the alignment of the Industry organisational structure and strategic plan

- ✔ 2007 - ACG Members resolved that Industry focus on the implementation of strategies rather than the development of more strategies
- ✔ 2007 - ACG appoints a National Citrus Leadership Group to drive Citrus 2015
- ✔ The Group determines as the highest priority; to align all organisational structures and resource use
- ✔ 2007 - ACG appoints a Restructure Task Force (RTF) (includes seven respected growers, and chairs of the state statutory authorities) to assist in development of a Discussion Paper (Green Paper)
- ✔ 2007 - ACG consults with its Member organisations to assist

in developing the Discussion Paper (Green Paper)

Company Limited by Guarantee

- ✔ 2007 - ACG distributes Discussion Paper (Green Paper) to industry in October
- ✔ 2007 - ACG takes the Discussion Paper (Green Paper) on the road for two (2) months
- ✔ 2007 - Members agree to continue the restructure by developing more detailed information that enables growers to make an informed decision
- ✔ 2007 - ACG appoints the Implementation Team to assist in responding to the Green Paper's feedback

**2008 – Based on the Green Paper's feedback:**

- ✔ The ACG Implementation Team drafts outline for 'Citrus Australia Limited', a new peak body, to be set up as a

- ✔ A Business Case / Cost:Benefit Analysis is tendered to examine the Current Structure, Multi and Single Structure Models considered in the Green Paper
- ✔ Deloitte is selected by ACG to conduct an independent Cost:Benefit Analysis
- ✔ May 2008 – Cost: Benefit Analysis outcomes: "the NPV analysis indicated that Current Structure is 'not financially viable', the assumed Single Structure 'is a financially viable structure, compared to the Current Structure, over the longer term providing the projected cash flow deficits in years 2,3 and 4 can be funded' and the assumed Multiple Structure is 'not a financially viable structure and inferior to the Current Structure from a financial perspective."

- ✓ April/May 2008 - ACG consults with its Member organisations to assist in developing the Final Report (White Paper)

## HOW WILL IT WORK?

GROWER VOTING MEMBERS of Citrus Australia Ltd

- Each grower can register as a member, through the payment of a voluntary membership fee, based on a fee per hectare of plantings or tonnes of production
- Votes will be allocated based on planting area (hectares) or production (tonnes) or on the basis of one (1) vote per dollar paid in membership. It is essential that a simple and equitable voting system is adopted

Grower members will use their voting rights:

- At CAL's AGMs or any general meeting/s

- To endorse the Board of Directors
- To confirm strategy and priority actions
- In setting and/or altering national statutory levies

## AFFILIATE NON-VOTING MEMBERS

(With a determined membership fee)

- Will not vote at AGMs, special general meetings or vote on Director elections
- Can provide advice to the Board
- (It is important for CAL to embrace all sectors of the Industry by encouraging individuals, industry organisations or commercial firms to become financial members)

## PARTNERSHIPS

CAL will be recognised by the Federal Government as the eligible peak Industry Body for the Citrus Industry in relation to national statutory levies.

There will remain four (4) national citrus levies:

1. Research and Development
  2. Marketing
  3. Plant Health
  4. Biosecurity (remains at zero until required)
- The industry-owned Research and Development and Marketing Services Body, Horticulture Australia Limited (HAL), will consult with CAL before it makes a recommendation to the Government concerning statutory levies for the Citrus Industry
  - The Citrus Industry Advisory Committee will provide recommendations to HAL in regard to the allocation and

management of the National Research and Development and Marketing levies

- CAL will nominate the Citrus Industry Advisory Committee which would be a committee of HAL. The role of the Industry Advisory Committee would be to provide a five (5) year strategic and annual operating plan that directs the expenditure of the National Levies
- Expenditure of the National Research and Development levies will be matched dollar for dollar by the Federal Government
- Levy funds also will be provided to the Peak Body under stringent guidelines for consultation with growers (levy payers) and HAL
- The new Peak Body, in partnership with Plant Health Australia (PHA), will assist in the management of the National Plant Health and Biosecurity levies

- The new Peak Body also will work closely with the peak horticultural body, Horticulture Australia Council (HAC), to lobby and liaise with government(s) on key industry issues

### **Funding**

The new Peak Body will need proper resources. This can include:

- Voluntary Membership fees
- Levy funds to be provided under stringent guidelines for consultation with growers (levy payers) and HAL
- Project work
- And other forms of income determined by the Board

### **National Advisory Committees**

The Board also will establish national committees to deal with specific issues (such as export market access, biosecurity, promotion and supply chain) or varieties (such as navels, Valencias, mandarins and others).

It is envisaged that each committee will have one (1) Director representative from the National Board, with the remaining members elected and/or co-opted.

### **Regional Advisory Committees**

The Board of Directors may establish regional and/or state branches where necessary. This may include staffing and other resources and may involve an elected regional advisory committee to bring forward regional issues (relevant to the strategic direction for the industry) to the Board, and to assist in service delivery.

*(Note: Refer to single structure chart on page 13).*

## 7. WHERE TO FROM HERE?

At ACG's AGM on 29 May 2008, a special presentation on the recommendations of this White Paper will be delivered. This will include presentations by legal advisers, Finlaysons, on the legal aspects and the draft constitution of CAL.

Deloitte also will be attending to explain the Business Case study in more detail. The presentations will provide an opportunity for attendees to ask further questions.

The elected grower delegates of ACG will vote at a Special Meeting (to be held on or before the end of October) to form CAL - a new Company Limited by Guarantee - and instigate wind-up procedures for the old Incorporated Association.

Subject to majority approval by delegates, the Implementation Team will proceed with the processes to form CAL and the Director Selection Committee will commence a

transparent process to recruit and recommend the New Company's Board Directors.

The decision to move towards a Single Structure is not one that can be made by ACG (or the new company, CAL). Growers themselves will need to make that decision through:

- Choosing to join CAL as direct voting members
- Advising their regional associations of their support for the Single Structure
- Advising their state statutory authorities and state governments that they want Australia's Citrus Industry to be a Single Structure Model

State and regional associations obviously have been considering their options and it is anticipated that, if growers so wish, the move towards a Single Structure would be a staged procedure, as there are different and independent processes for altering or winding-up regional

associations and state statutory authorities.

Some of the Implementation Steps to be addressed within the next four (4) months:

- Current ACG member associations indicate their response to the recommended Single Structure Option, and the establishment of a new national peak body
- The Implementation Plan for the transition process put in place
- Growers will vote on a resolution to wind-up ACG and to form a new company (CAL), through representation from their national delegates
- 'Prospectus' for the new CAL and the call for membership distributed to all citrus growers, in conjunction with other communication and information processes
- Processes for transfer of business and integration of assets and activities commence. This could include some of the preliminary Human Resource Management issues
- Director Selection Committee commences advertising and other processes for the selection of the seven (7) Directors for the new Board of CAL
- Selected Directors endorsed by grower members at an inaugural AGM of CAL (to be held as soon as possible after the completion of the Director Selection process)
- The new Board of CAL, elects a Board Chair, appoints the CEO and commences the top priority role of resource planning and redistribution required to take the new Company forward. This would be within the framework of the Industry Strategy Citrus 2015, and the Company's objectives
- The new Board to establish the National Varietal / Issues Committees and formalise its preferences for the Regional or State Branch Structures

- CAL actively takes the Citrus Industry forward into the Twenty First Century

**The challenge is now for all citrus growers to take the information and the proposed structure and mould it into a new grower organisation that will carry the industry forward to more effectively meet the new global and domestic challenges and opportunities.**

**Disclaimer:**

*This Paper was prepared by the Board of Australian Citrus Growers Inc. and the Implementation Team for the purpose of consultation with citrus growers and other interested parties. The information and recommendations are put forward for discussion. Citrus growers will set the final policy position on the structure of the industry, initially through delegates to the ACG General meeting.*

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Australian Citrus  
**Growers** Inc.

**Australian Citrus Growers Inc.**

**PO Box 5091**

**MILDURA VIC. 3502**

**PH: 03 5023 6333**

**Fax: 03 5023 3877**

**[www.australiancitrusgrowers.com](http://www.australiancitrusgrowers.com)**

### Appendix D.3.

## Citrus Australia Information Memorandum on the Change Process



# Information Memorandum CITRUS AUSTRALIA LTD

## 1. Introduction

### 1.1 **Purpose of Information Memorandum**

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This information memorandum (the **Memorandum**) is issued by Australian Citrus Growers Inc (**ACG**).

ACG is proposing that the representative structure of the Australian citrus growing industry be changed. The proposal is that the majority of functions of the industry's grower-funded bodies and state statutory bodies be merged, in the medium term, into one peak body, being a newly incorporated company limited by guarantee named "Citrus Australia Limited" (**Citrus Australia**).

The first stage will be for ACG to transfer its undertaking and operations to Citrus Australia (**Stage 1**). That is proposed to be authorised by a special resolution of ACG delegates on 14 October 2008.

The purpose of this Memorandum is to:

- inform ACG delegates and Australian citrus growers (together **Interested Parties**) of relevant information concerning the current proposals for change, including, in particular, Stage 1;
- encourage delegates of ACG to vote in favour of Stage 1 at the general meeting on 14 October 2008 (in line with the ACG board's recommendation); and
- encourage Australian citrus growers to subscribe for membership of Citrus Australia.

## 1.2 Disclaimer

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Although ACG has endeavoured to provide Interested Parties with all material information regarding the decision on how to vote on Stage 1 at the general meeting to be held on 14 October 2008, and on the decision whether or not to subscribe for membership of Citrus Australia, neither ACG, nor any of its directors, officers and advisers, make or give any representation, warranty or guarantee, whether express or implied, that the information contained in this Memorandum, or otherwise supplied to an Interested Party, is complete or accurate. This Memorandum is not necessarily a complete or accurate statement of the information which an Interested Party would require in order to determine how to vote on Stage 1 or whether to subscribe for membership of Citrus Australia. Each Interested Party must make their own assessment of those matters.

In preparing this Memorandum, the individual circumstances or needs of each particular Interested Party have not been taken into account.

In some areas, this Memorandum contains estimates and forecasts. All estimates and forecasts are subject to uncertainty and unexpected events, many of which cannot be anticipated or controlled by ACG or anyone else. Accordingly, actual results and outcomes are likely to differ from the estimates and forecasts contained in this Memorandum and the differences may be material. No representation, warranty or guarantee is made or given by ACG, or any of its directors, officers and advisers, that any estimate or forecast will be achieved.

This Memorandum will not form part of any agreement for subscription for membership of Citrus Australia.

This Memorandum is not a disclosure document for the purposes of the *Corporations Act 2001 (Commonwealth)*.

ACG and its directors, officers and advisers disclaim, to the fullest extent permitted by law, all liability, direct or indirect (and whether or not arising out of the negligence or fault of any of them), for any loss or damage suffered by any Interested Party, or other person, arising out of, or in connection with, any use of or reliance upon any information contained in this Memorandum.

By reading this Memorandum, in whole or in part, each Interested Party agrees that:

- the Interested Party shall not sue or hold liable ACG, or any of its directors, officers and advisers, for any loss or damage suffered by the Interested Party arising out of, or in connection with, any use of or reliance upon the information contained in this Memorandum, and the Interested Party waives any rights it may have to do so; and
- the Interested Party irrevocably releases ACG, and its directors, officers and advisers, from, and indemnifies them against, any claim, action, damage or loss suffered by the Interested Party, arising out of, or in connection with, any use of or reliance upon any information contained in this Memorandum.

The information contained in this Memorandum has not been audited and each Interested Party should rely on their own enquiries regarding its contents.

This Memorandum is dated 15 September 2008. There may have been material changes to the information contained in this Memorandum since that date.

### 1.3 Dictionary

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To assist in the readability and understanding of this Memorandum by Interested Parties, a number of defined terms are used throughout the document. They are as follows:

**ACG** – means Australian Citrus Growers Inc, incorporated under the *Associations Incorporation Act 1985 (SA)*, which is currently the peak body for the Australian citrus growing industry;

**Affiliate** – means an affiliate member of Citrus Australia;

**AGM** – means an annual general meeting of Citrus Australia;

**Associations Act** – means the *Associations Incorporations Act 1985 (SA)*;

**Board** – means the board of Directors of Citrus Australia;

**Citrus Australia** – means Citrus Australia Limited, a company limited by guarantee, proposed to be incorporated under the *Corporations Act 2001 (Commonwealth)* and to become the peak body for the Australian citrus growing industry;

**CEO** – means the chief executive officer of Citrus Australia;

**Chair** – means the chair of Directors of Citrus Australia;

**Constitution** – means the constitution of Citrus Australia;

**Deputy Chair** – means the deputy chair of Directors of Citrus Australia;

**Director** – means a director of Citrus Australia;

**Director Selection Committee** – means the committee appointed by the Board, from time to time, to make recommendations to Grower Members for the appointment of Directors;

**Effective Date** – means the date specified in the s.42 Order for the transfer of the undertaking of ACG to Citrus Australia, currently proposed to be 1 November 2008;

**Farm** – means a single parcel of land, upon which citrus trees are planted in order to harvest the fruit for commercial sale (whether or not they are yet bearing fruit);

**Financial Year** – means a year expiring on 30 June;

**General Meeting** – means a meeting of Members;

**Grower Bodies** means the nine grower organisations which are members of ACG, namely those listed in section 5.2;

**Grower Member** – means a natural person or body corporate that is admitted as a grower member of Citrus Australia, being eligible for admission if they own, lease or both occupy and manage a Farm of at least one hectare in size;

**Interested Party** – means a member of ACG or a grower of citrus fruit in Australia;

**Member** – means a natural person or body corporate, that is registered as a member of Citrus Australia (being a Grower Member or Affiliate);

**Memorandum** means this information memorandum dated 15 September 2008;

**OCBA** – means the Office of Consumer and Business Affairs (which incorporates the Corporate Affairs Commission) in the state of South Australia;

**s.42 Order** means the proposed order of OCBA, pursuant to section 42 of the Associations Act, that the undertaking of ACG be transferred to Citrus Australia;

**Stage 1** – means the transfer of the undertaking and operations of ACG to Citrus Australia; and

**Stage 2** – means the transfer of the undertaking and operations of the Grower Bodies and state statutory bodies to Citrus Australia or the making of other new arrangements with them.

## 2. Letter from the ACG President



Australian Citrus  
**Growers** Inc.

15 September 2008

Dear Grower,

On behalf of the ACG board and during this, our 60th anniversary year, I am pleased to propose the Citrus Australia model to you in this Information Memorandum.

Citrus Australia offers a fresh, more professional and commercial approach in representing our industry and maximising grower investment and returns.

For over three years, ACG and its member organisations have debated, consulted and conducted independent reviews on our structure. This Memorandum is the culmination of this tremendous effort.

Growers are now asked to join Citrus Australia direct and ensure appropriate professional skills are employed to represent them. The ACG board has initiated this process by instructing an inaugural Citrus Australia Director Selection Committee to recruit four grower Directors and three independent Directors, utilising a comprehensive and transparent selection procedure.

I commend to you the inaugural seven Directors of Citrus Australia who have the necessary skills and experience to build the Citrus Australia operations over a challenging transitional one to two year period to better represent the industry and maximise your investment.

Information on these new Directors can be found in section 9.3 and I encourage you to familiarise yourself with the individuals charged with taking our industry into a new era.

I urge you to read the attached Memorandum on our proposed new representative model, Citrus Australia, and take action.

Show your support for Citrus Australia by returning the membership application form attached so that the Australian citrus industry can move forward and deliver a better deal for growers.

Sincerely

**Mark Chown**  
**ACG President**

## 3. Executive Summary of Proposal

### 3.1 *The Case for Restructuring*

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Following three years of consultation with industry, the board of ACG is recommending the establishment of a new organisation 'Citrus Australia Ltd'.

Citrus Australia will present a fresh more commercial and accountable approach to the way the industry is represented as well as how grower returns can be maximised.

The new representative model will, over time, reform the industry structure from multiple industry groups to a single body to represent and further the interests of growers.

This will bring clear benefits including:

- The substantial saving of operating expenses by removing the duplication of functions that exist under the current structure with numerous entities;
- The saving associated with the replacement of an existing complex system of state levies with national levies, due to the passage of the national levies through fewer hands;
- The administrative saving of the replacement of numerous membership fees with one membership fee payable to Citrus Australia;
- The more efficient direction of levies and membership fees to industry programs because they pass through fewer hands on the way;
- The fact that growers have direct membership in the organisation and are therefore able to vote for Directors of the peak body;
- The inclusion of skilled "commercial" Directors on the Board; and
- The benefit in advocacy of having a single body representing the interests of growers on a regional, national and international front.

Citrus Australia will ensure a strong focus on increasing consumer demand, addressing industry competitiveness and improving industry communication and information.

It will take a lead role in facilitating market development and promotional initiatives to support domestic and export sales, assist in the coordination of citrus R&D and address industry issues such as marketing, export, biosecurity, climate change, water and sustainability.

### 3.2 *Transition and Restructuring Process*

---

The ACG board is recommending that delegates vote to establish the new organisation "Citrus Australia Ltd" at a special general meeting being held on 14 October 2008.

Should the vote be successful and the s.42 Order be made, ACG will cease to exist and the new organisation, Citrus Australia Ltd, will begin operating in November 2008.

The transition to a new representative model will take place over two stages.

The first stage is that Citrus Australia will be established as the peak industry body representing citrus growers, which will seek subscriptions for membership.

The second stage will involve the implementation of the broader restructure objectives, including the new arrangements with, or voluntary dissolution of, the current Grower Bodies and the state statutory bodies. If a dissolution process is agreed upon, the intention is that each Grower Body would be wound up voluntarily by the members of that body, with any surplus assets upon winding up being transferred to Citrus Australia.

### **3.3 The New Structure**

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The Citrus Australia Board will be comprised of seven Directors, with a minimum of four Directors being Grower Members or their associates and a maximum of three Directors with commercial and/or supply chain experience.

The Board is likely to establish a number of committees. At a minimum there will be

- a Director Selection Committee
- an audit committee; and
- citrus industry issues and/or citrus fruit variety committees

Citrus Australia will maintain a regional presence throughout its transitional phase by 1) utilising existing ACG staff and office space in Mildura and 2) establishing regional advisory committees and accepting reasonable ongoing commitments (including staff and office space) where region/state citrus bodies willingly cease to operate.

Under this scenario, ACG believes that Citrus Australia will be financially viable.

### **3.4 Membership Subscription to Citrus Australia**

---

There will be two classes of membership of Citrus Australia – Grower Members and Affiliates.

Growers can join their new peak national body, Citrus Australia, using the membership application form contained in this Memorandum or by downloading the form from the ACG website – [www.australiancitrusgrowers.com](http://www.australiancitrusgrowers.com)

The initial membership fee for 2008-09 for Grower Members stands at \$20 per hectare, with a minimum fee of \$100, per Financial Year.

A person will be eligible to become an Affiliate if they belong to any of the following categories:

- citrus industry bodies;
- marketers, distributors and retailers of citrus fruits or products of citrus fruit;
- suppliers of goods or services to citrus growers; and
- persons closely associated with the citrus industry.

Affiliates will pay an annual membership fee of \$250 initially.

There will be a number of transitional arrangements in 2008-09 to ensure growers who choose to join Citrus Australia directly are recognised for prior or current payments to ACG or for the benefit of ACG (made through various means including through their Grower Bodies, statutory bodies or packinghouse), relating to the 2008-09 Financial Year, and to ensure growers do not pay more in total than they currently are.

### **3.5 Timeline**

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Growers are encouraged to complete the membership application form for Citrus Australia and lodge the application at the Australian Citrus Industry Conference in Griffith in October or mail it to:

Citrus Australia Ltd  
Subscription Officer  
PO Box 5091  
MILDURA VIC 3502

There is likely to be a one to two year transitional period for the new national industry structure to take shape.

## 4. The Case for Restructuring

### 4.1 **Background and Context**

---

In response to the direction given by ACG members, and three years of exhaustive industry consultation and independent research into the Australian citrus industry's strategic direction and structure, the board of ACG is recommending the establishment of a new organisation to be called 'Citrus Australia Ltd'.

While the current regional, state and national federated structure has served the interests of Australian citrus growers well over the past 60 years, markets and growers themselves have changed, and it is time for a fresh, more commercial approach to the way the industry is represented as well as how grower returns can be maximised.

The industry's strategic plan, Citrus 2015, has also recommended aligning the industry's organisational structure as a critical and positive step for the future of Australia's citrus industry. Citrus 2015 also recommends a focus on increasing consumer demand, addressing the industry's competitiveness and improving industry communication and information.

At ACG's annual general meeting in May this year, delegates directed the ACG board to proceed with the move to Citrus Australia, as well as to undertake further due diligence on the new representative model, on or before 14 October 2008.

This Memorandum summarises the results of that work. It covers:

- Stage 1, including the special resolution to be proposed at the general meeting of ACG delegates on 14 October 2008; and
- the work done on Stage 2 to date, which should now be taken over by Citrus Australia, which should continue to consult with Grower Bodies and Grower Members over the proposed one to two year transitional period.

Importantly, the model will include a new seven person Board of Directors, with a minimum of four Grower Member Directors and a maximum of three Directors with commercial and/or supply chain skills, to take the industry in a new direction of being consumer and commercially focused.

A number of committees will also be put in place to provide advice to the Board.

### 4.2 **Benefits of Restructuring**

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Some of the key benefits of restructuring the current multi-structure to Citrus Australia include:

- The substantial saving of administrative time and expense by removing the duplication of functions that exist under the current structure with numerous entities;
- The saving associated with the replacement of an existing complex system of state levies with increased national levies, due to the passage of the national levies through fewer hands;
- The administrative saving of the replacement of numerous membership fees with one membership fee payable to Citrus Australia;
- The more efficient direction of levies and membership fees to industry programs because they pass through fewer hands on the way;
- The fact that growers have direct membership in the organisation and are therefore able to vote for Directors on the peak body;
- The inclusion of skilled "commercial" Directors on the Board; and
- The benefit in advocacy of having a single body representing the interests of growers on a regional, national and international front.

In particular, Members of Citrus Australia will benefit from the new representative model through the activities it will undertake, including: taking a lead role in facilitating market development and promotional initiatives to support domestic and export sales; assisting in the coordination of citrus R&D to ensure it is targeted, relevant and aims to improve grower returns; addressing industry issues such as marketing, export, biosecurity, climate change, water and sustainability.

Citrus Australia Grower Members will have the opportunity to participate directly through membership/ voting rights, opportunities on committees and regional forums to address key issues as they arise. The new representative model will enable the more effective delivery of the industry plan, Citrus 2015.

For the first time, Australian citrus growers will “own” and direct their peak body.

## 5. What Will Happen

### 5.1 Restructuring Process

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The implementation of the proposed citrus industry restructure is expected to take place in two stages. The first stage will see Citrus Australia established as the peak national citrus industry body. The second stage will involve the implementation of the broader restructure objectives, including the new arrangements with or dissolution of the current Grower Bodies and state statutory bodies and the subsequent adjustment to national levies.

#### **(a) Stage 1: Citrus Australia as the Peak National Body**

A new company limited by guarantee called ‘Citrus Australia Limited’ will be incorporated under the *Corporations Act 2001 (Commonwealth)*. It is proposed that it acquire the undertaking of ACG and conduct operations as the peak body for Australian citrus growers.

The *Associations Incorporation Act 1985 (SA) (Associations Act)* provides the most simple and cost-effective method for the transfer of the property and rights and liabilities of ACG to Citrus Australia. Under section 42 of the Associations Act, if the Office of Consumer & Business Affairs (**OCBA**) is of the opinion that the operations or undertaking of ACG would more appropriately be carried on by another body corporate, it can issue a notice to this effect.

Within three months of the issue of that notice, ACG can formally request that its undertaking be transferred to Citrus Australia. Upon receipt of this request, OCBA may order that the undertaking be transferred accordingly (**the s.42 Order**) on a specified date (**the Effective Date**). Pursuant to the making of such an order, on the Effective Date:

- ACG is dissolved;
- the property of ACG becomes the property of Citrus Australia; and
- the rights and liabilities of ACG become the rights and liabilities of Citrus Australia.

OCBA issued a notice on 12 September 2008 in which it declared that it was of the opinion that the undertaking or operations of ACG would be more appropriately carried on by another entity. ACG delegates will be given the opportunity to carry the following special resolution at the general meeting to be held on 14 October 2008:

*“That the undertaking of Australian Citrus Growers Inc be transferred to Citrus Australia Ltd, pursuant to an order made under s.42 of the Associations Incorporation Act 1985 (SA), at the commencement of 1 November 2008.”*

If the special resolution is passed, a formal request for a s.42 Order will be made to OCBA. If OCBA agrees to grant the s.42 Order, ACG will undertake the necessary administrative processes to enable:

- ACG to be dissolved and its property, rights and liabilities to become those of Citrus Australia on the Effective Date; and
- Citrus Australia to commence operations as the peak national citrus industry body on the first following business day (3 November 2008) or thereabouts.

ACG members will not automatically become Members of Citrus Australia Ltd.

In conjunction with the dissolution of ACG and the transfer of its undertaking to Citrus Australia, Citrus Australia will seek subscriptions for membership. This process is discussed in more detail in sections 6 and 12, below.

**(b) Stage 2: Building the Citrus Australia Model**

Stage 2 of the restructuring process will involve new arrangements with, or the voluntary dissolution of, the current grower funded organisations. If they are dissolved, it is proposed that their undertakings and operations be transferred to Citrus Australia.

## **5.2 New arrangements with or Dissolution of Grower Bodies**

There are nine grower organisations which are members of ACG (**Grower Bodies**). In descending order of level of operations they are:

- Queensland Citrus Growers Inc (**QCG**);
- Citrus Growers of South Australia Inc (**CGSA**);
- Western Australian Fruit Growers' Association Inc (**WAFGA**);
- Sunraysia Citrus Growers Inc (**SCG**);
- Leeton Citrus Growers Inc (**LCG**);
- Griffith & District Citrus Growers Inc (**GDCG**);
- Mid-Murray Citrus Growers Inc (**MMCG**);
- NT Citrus Growers Association Inc (**NTCG**);
- Narromine Citrus Growers Association (**NCG**).

If, after consultation, it is decided that a Grower Body will be dissolved, the dissolution process will be regulated by the state legislation under which it is incorporated and its constitution (with the exception of an unincorporated body, which is not governed by state legislation and will therefore be wound up pursuant to common law principles if that association agrees).

It is proposed that each such Grower Body would be wound up voluntarily by the members of that body, with any surplus assets upon winding up, after satisfaction of all liabilities, being transferred to Citrus Australia. The intention is that, immediately prior to winding up, the Grower Body would enter into a transition contract with Citrus Australia, under which Citrus Australia would, on an 'effective date':

- take a distribution of the Grower Body's assets "in specie";
- assume some or all of the remaining liabilities of the Grower Body;
- assume responsibility for some or all of the contracts to which the Grower Body is party (with the consent of the counter-parties); and
- employ some or all of the Grower Body's employees.

Following the completion of the above steps, various administrative matters would be dealt with in order to complete the restructure.

WAFGA is an association which deals with various fruits in addition to citrus. Therefore, it is likely to remain in existence, but Citrus Australia proposes to discuss with WAFGA arrangements that would be in the best interests of citrus growers in that state.

### **5.3 Change to State Statutory Bodies/Levy Structure**

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In WA there exists a statutory “fee for service” for citrus, pome and stone fruit which is administered by the WAFGA. Due to the multi-commodity nature of this arrangement and organisation, special arrangements are required. Citrus Australia will work with WAFGA to ensure two-way communication with and service delivery to citrus growers in WA.

WA citrus growers will be encouraged to:

- join Citrus Australia direct; and
- consider an immediate equivalent reduction in their state fee for service.

In SA, VIC and NSW there exist statutory levies for citrus growers which are administered by the relevant state statutory bodies in those states. Citrus Australia will work with the South Australian Citrus Industry Development Board, Murray Valley Citrus Board and Riverina Citrus and their state government representatives to ensure continued service delivery through the transition period. This will allow detailed arrangements to be agreed for the integration of priority functions into Citrus Australia.

SA and VIC/NSW (Murray Valley) citrus growers will be encouraged to:

- join Citrus Australia direct; and
- consider reductions or elimination of their state statutory levies as Citrus Australia builds its operations.

NSW (Riverina) citrus growers will be encouraged to:

- join Citrus Australia direct; and
- consider an immediate equivalent reduction in their state statutory levy.

A reduction or elimination of state statutory levies and/or voluntary contributions (i.e. Grower Body membership fees) will require an increase in the national R&D, marketing and plant health levies so that:

- industry services are maintained; and
- industry R&D resources actually increase through the federal government’s ‘matching dollar for dollar’ policy.

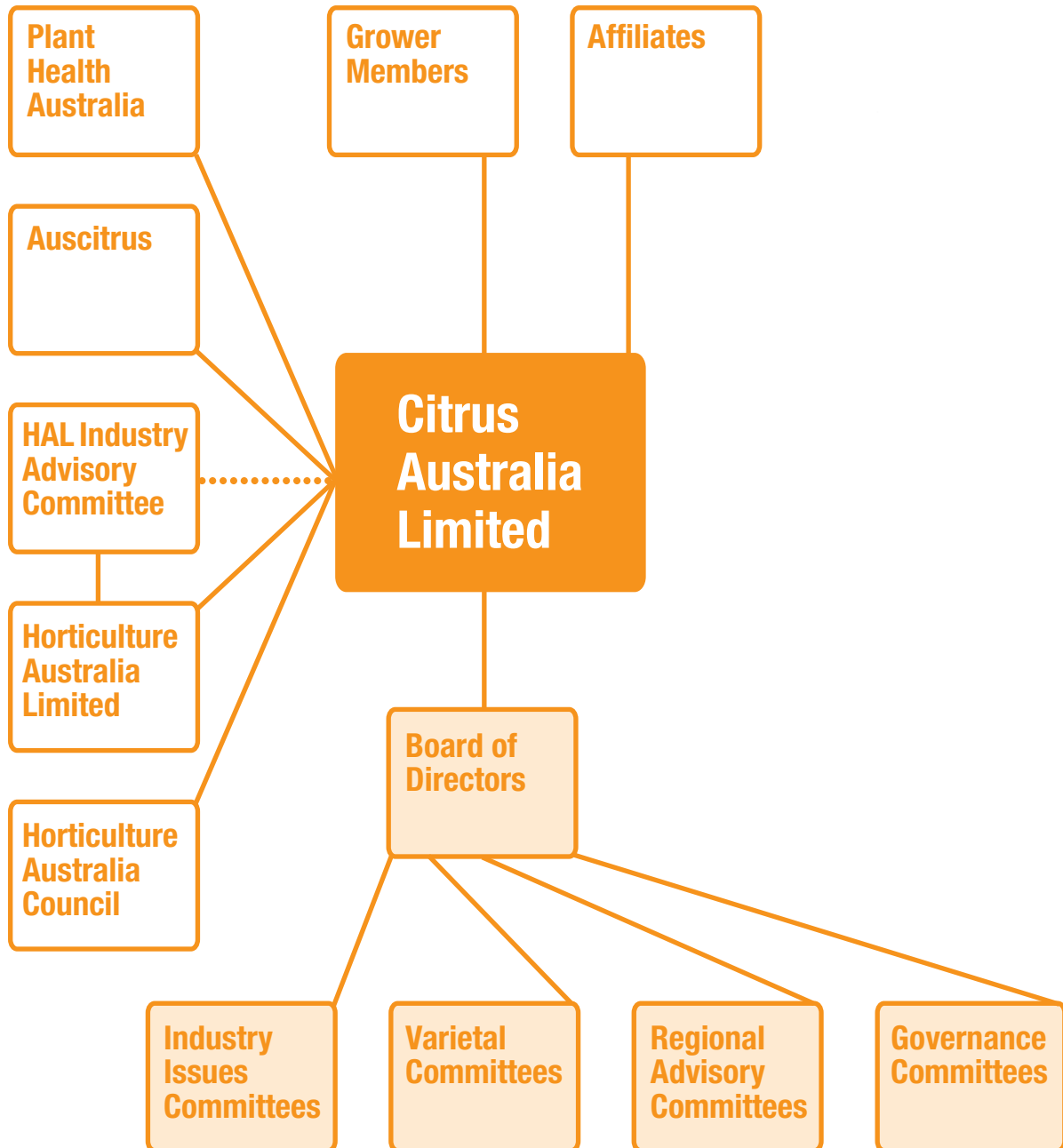
Rationalising the industry levy and fee structure in this way is proposed to ensure that:

- there is a more efficient flow of contributions from growers into programs and actions, rather than funds passing through a number of levels in the existing structure and being eroded at each level; and
- funding is contributed equitably, rather than relying heavily on the voluntary contributions of a few.

Citrus Australia will be required to conduct a separate consultation process with citrus levy payers under federal government guidelines in order to create new or amend existing national levies. This will be conducted as a separate but complementary process during the transitional period.

There is a substantial amount of work involved in Stage 2. There are also a number of operational and political challenges to be overcome. If all relevant parties were galvanised into action, it is estimated that the work could be completed in approximately one to two years. However, there is no certainty that this time-frame can be achieved.

## 5.4 The Citrus Australia model



## 6. Membership Classes

Citrus Australia will have two classes of membership:

- Grower Members
- Affiliates

### 6.1 *Grower Members*

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A key feature of Citrus Australia is that growers will have direct membership of the company, with the objective that there will be 'grower ownership' of the organisation.

A person will be eligible to become a Grower Member if they own, lease or both occupy and manage a Farm of at least one hectare in size. A "Farm" is defined in the Constitution to mean a single parcel of land, upon which citrus trees are planted in order to harvest the fruit for commercial sale (whether or not they are yet bearing fruit).

Only one person may be admitted as a Grower Member in respect of a single Farm.

### 6.2 *Affiliate Members*

---

A person will be eligible to become an Affiliate if they belong to any of the following categories:

- citrus industry bodies;
- marketers, distributors and retailers of citrus fruits or products of citrus fruit;
- suppliers of goods or services to citrus growers; and
- persons closely associated with the citrus industry.

### 6.3 *Board discretion*

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The Board has a discretion as to whether or not to approve an application for membership of Citrus Australia and may reject an application without giving reasons.

### 6.4 *Cessation*

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A Member ceases to be a Member if:

- the Member resigns with three months' written notice to the secretary of Citrus Australia, in which case the Member shall not be entitled to a refund of any portion of their membership fee;
- the Board determines that the Member ceases to satisfy the qualification criteria and gives one month's notice of that fact to the Member;
- the Member becomes insolvent;
- the Member is expelled; or
- the Member dies or is wound up.

The Board may expel a Member, after giving them the opportunity to make submissions to the Board, in circumstances where the Member:

- fails to meet a financial obligation to Citrus Australia for a period of 90 days;
- breaches the Constitution; or
- engages in any conduct which, in the opinion of the Board, is unbecoming of a Member or which is prejudicial or adverse to the interests of Citrus Australia or the Australian citrus industry generally.

## 7. Financial Obligations

### 7.1 Membership Fees

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Grower Members will pay a membership fee each Financial Year, consisting of:

- a minimum fee determined by the Board; or if greater,
- an amount determined by the Board, being either:
  - an amount per hectare of Farm or Farms owned, leased or both occupied and managed by the Grower Member on a date prescribed by the Board in that or the previous Financial Year; or
  - an amount per tonne of citrus fruit harvested from the Farm or Farms, owned, leased or both occupied and managed by the Member, in the year to a date prescribed by the Board in that or the previous Financial Year, which amount per tonne may or may not be different for different varieties of citrus fruit.

The object of this fee structure is to fairly and proportionately allocate membership fees across Grower Members.

Affiliates will pay an annual fee set by the Board from time to time.

The initial annual membership fees of Citrus Australia Ltd are as follows:

<i>Membership Fee</i>	
Grower Members	\$20 per hectare, with a minimum fee of \$100
Affiliates	\$250

### 7.2 2008-09 Transition Period

---

There will be a number of transitional arrangements in 2008-09 to ensure growers who choose to join Citrus Australia are recognised for prior or current payments to ACG or for the benefit of ACG (made through various means including through their Grower Bodies, statutory bodies or packinghouse), relating to the 2008-09 Financial Year, and to ensure growers do not pay more in total than they currently are.

Each membership application will be considered by the Citrus Australia Board, at which time such prior or current payments to ACG or for the benefit of ACG will be recognised.

***In South Australia***, growers who have remitted the \$0.50 (exclusive of GST) per tonne contribution to CGSA for services provided by ACG (collected via packinghouse by PIRSA), for all or part of the 2008-09 Financial Year, will need to demonstrate this amount on the Citrus Australia membership application form (attached to this Memorandum).

This amount will be deducted from the total 2008-09 membership fee due to Citrus Australia. CGSA will be encouraged to join as an Affiliate.

***In the Murray Valley***, growers who have remitted the \$0.50 (exclusive of GST) per tonne contribution to ACG for services provided by ACG (via their packinghouse or Murray Valley Citrus Board), for all or part of the 2008-09 Financial Year, will need to demonstrate this amount on the Citrus Australia membership application form. This amount will then be deducted from the total 2008-09 membership fee due to Citrus Australia. SCG and MMCG will be encouraged to join as Affiliates.

***Queensland***, citrus growers are encouraged to continue QCG membership. Upon the consent of the individual grower, part of their subscription payment to QCG will include membership fees to Citrus Australia. All assets and liabilities of QCG are expected to be transferred to Citrus Australia by July 2009, including staff, at which time a Citrus Australia regional advisory committee (established in consultation with QCG) will ensure the Citrus Australia Board is advised with respect to ongoing projects/obligations, programs and quarantined funds transferred to Citrus Australia by QCG.

***In the Riverina***, growers have benefited by services delivered via a Service Agreement between ACG and Riverina Citrus, funded through their state statutory levy. This is expected to continue, with the Service Agreement being transferred to Citrus Australia until it comes to an end in March 2009. After that point, growers can choose to join Citrus Australia direct. This may be facilitated by an equivalent reduction in the Riverina citrus state statutory levy.

***In WA***, growers have contributed through their state statutory "fee for service" through WAFGA's membership of ACG. This arrangement will cease on 31 October 2008 (though WAFGA will be encouraged to join as an Affiliate of Citrus Australia) and growers will be encouraged to join Citrus Australia direct upon the equivalent reduction in their state statutory fee for service.

### **7.3 Default**

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If a Member is in default in payment of their membership fee, they will be liable to pay to Citrus Australia interest on the outstanding monies and expenses incurred by Citrus Australia due to the default.

If the fee is not paid by the date 150 days after it is due, the Member will cease to be entitled to the rights and privileges of membership of Citrus Australia.

### **7.4 Members' Liability**

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In the event that Citrus Australia is wound up, each Member of the company is required to contribute an amount to the company's debts and liabilities and the costs, charges and expenses of the winding up, to a maximum amount of \$10 per Member.

## 8. Voting Rights

### **8.1 Grower Members**

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The system of allocating voting rights to Grower Members of Citrus Australia is intended to:

- be simple and transparent;
- achieve appropriate Board representation; and
- recognise financial contribution fairly.

Under the Constitution of Citrus Australia, each Grower Member shall have, in a Financial Year, one vote per dollar of membership fee paid or payable by the Member for that Financial Year.

A Grower Member shall not have a vote if they are in default in paying their membership fee to Citrus Australia.

### **8.2 Affiliates**

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Affiliates shall not have a vote at General Meetings of Citrus Australia, but they shall have the following rights:

- to attend General Meetings and speak at them with the consent of the Chair;
- to have matters included on the Board's agenda with the Chair's consent; and
- to refer to themselves as an "Affiliate Member" of Citrus Australia.

### **8.3 Proxy Voting**

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Grower Members can vote at General Meetings in person or by proxy or attorney. A Grower Member with two or more votes may appoint one or two proxies in accordance with the Constitution. A proxy must be a Grower Member.

## 9. The Board and Governance Structure

### 9.1 Governance Structure

---

Grower Members will have the right to elect Directors (see section 9.4). They will also be entitled to vote on certain fundamental matters such as the alteration of the Constitution, winding up of the company and the approval of committee members.

Otherwise, the business of Citrus Australia will be the responsibility of the Board (with the assistance of its various committees). The Board will delegate the day to day operations of the business to the CEO. A fundamental obligation of the Board is to appoint and manage the CEO.

The Board will appoint a Chair and Deputy Chair, from within its number, on an annual basis.

### 9.2 Board size and diversity

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The Board will be comprised of seven Directors, with a minimum of four Directors being Grower Members or nominated by and associated with Grower Members. A person is “associated with” a Grower Member if they are a member, director or employee of, or a partner in, that Grower Member.

Each Director will have an equal vote on all matters requiring a vote of the Board. The Chair will not have a casting vote.

### 9.3 Initial Board

---

The initial Board of Citrus Australia is to be comprised as follows:

*(a) Tania Chapman*

Tania has a citrus and grape growing business in the Sunraysia region. She also has a business that provides specialised bookkeeping services to horticulturalists in the Sunraysia region. In addition she has held the positions of secretary to the Sunraysia Table Grape Growers Association and the Murray Valley Table Grape Growers Council. Tania holds a diploma of accounting.

*(b) Kevin Cock*

Kevin has a citrus growing business in the Sunraysia region and is a current director and vice president of ACG. He has extensive experience in citrus production over the past 40 years and has been an active representative of the industry through a variety of industry committees and boards, media relations and government and trade delegations, and in advancing industry policy issues with government.

*(c) Greg Dbnaram*

Greg will join the Board as an independent Director and brings expertise in retailing and fresh produce. He is an experienced manager with strong communication skills. Greg has 30 years experience in retail through a variety of senior roles with Woolworths Australia. He is presently chief executive officer of Favco Group, a fruit and vegetable marketing company.

*(d) Kelly Jones*

Kelly will join the Board as an independent Director and brings expertise in business management, information technology, project and change management and finance. She has had a long career in senior management or consulting roles with ANZ Bank, MLC, NAB, Westpac, Deutsche Bank and IBM. Kelly was formerly a director of the National Information and Communications Technology Australia (NICTA), holds a bachelor of science degree, an MBA and is a member of the Australian Institute of Company Directors.

*(e) Michael McMabon*

Michael is the managing partner of Abbotsleigh Citrus, a large citrus growing business in Queensland. The business grows, packs, transports and markets its own produce within Australia and overseas. Michael brings a young person's perspective and experience from outside the citrus industry, including time in the family's mixed farm business which includes grain, cotton and cattle production. He holds a bachelor of commerce degree and is a member of the Queensland Citrus Growers Promotions Committee and a director of Gin Gin Fruit and Vegetable Growers.

*(f) Kevin Parr*

Kevin's business is one of the largest citrus growing operations in Australia and the largest in Queensland. He has 30 years of experience in citrus growing, packing, exporting and marketing. Kevin has extensive experience in industry leadership roles, and is a current director of ACG and a board member and treasurer of Queensland Citrus Growers Inc. He is also chairman of Sweetee Citrus and managing director of Central Fruit Packers, a horticultural packing enterprise in the Central Burnett.

*(g) Michele Phillips*

Michele will join the Board as an independent Director and brings strong marketing and board expertise. She has 20 years experience working in Australia and Asia in both strategic and operational marketing roles for major firms including Electrolux Asia Pacific, Nestle Australia/NZ, Kellogg Australia and Kimberly-Clark Asia Pacific. Michele is the president and chair of a company that manufactures and markets a range of branded consumer food products and is executive director of a private equity firm. Her family owns a fruit farm in the Tweed Valley. She holds a bachelor of business degree and an MBA and is a member of the Australian Institute of Company Directors.

Two of these Directors shall retire at Citrus Australia's first AGM (in 2009), by agreement or by lot, and shall be eligible for re-election.

## **9.4 Appointment Process**

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Subsequent Directors will be appointed by Grower Members at AGMs in accordance with the following process:

- the two longest serving Directors will resign at each AGM, but will be eligible for re-appointment;
- a Director Selection Committee, comprising four Grower Members (or persons nominated by or associated with Grower Members) who are not also Directors, and the Chair, will be appointed by the Board from time to time. The initial Director Selection Committee will comprise:
  - Mark Chown;
  - Peter Davidson;
  - Nick Ulcoq;
  - Leonie Burrows; and
  - Brian Ramsay;
- nominations for Directors may be made by any three Grower Members or the Director Selection Committee;
- the Director Selection Committee may make non-binding recommendations to Grower Members in respect of the nominees for the vacant seats;
- each Grower Member may vote for no more than three nominees on a "3, 2, 1" basis; and
- the nominees with the highest number of votes cast in their favour will be declared elected.

## **9.5 Casual Vacancies**

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If the office of a Director becomes vacant between AGMs, the casual vacancy will be filled by the Director Selection Committee and the appointee will hold office until the next AGM, when they will be eligible for re-election.

## **9.6 Remuneration**

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The Directors will be remunerated by Citrus Australia at rates determined by the Board having regard to market rates, but subject to the maximum aggregate remuneration determined by the Grower Members at each AGM. They will also be reimbursed their reasonable expenses.

## **9.7 Board Committees**

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The Board is likely to establish a number of committees to undertake a number of functions, including:

- assisting the Board to comply with its legal and corporate obligations;
- ensuring appropriate representation, by providing Grower Members with an opportunity to raise and progress issues specific to their region or fruit variety;
- developing and recommending policy for approval by the Board;
- identifying, assessing and reporting on the comparative merit of candidates for re-election or election to the office of Director at AGMs;
- making recommendations to the Board on remuneration packages and policies applicable to Directors, officers and employees of Citrus Australia; and
- advising the Board on issues specific to citrus growers in various citrus growing regions of Australia.

At a minimum, there shall be:

- a director selection committee;
- an audit committee; and
- citrus industry issues and/or citrus fruit variety committees.

The Board may delegate any of its powers to a committee provided that it includes at least one Director. The appointment of persons to a committee with power must be confirmed by Grower Members at the next AGM.

At this stage, it is envisaged that the regional advisory committees will be merely advisory in nature.

## **9.8 Indemnity**

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Citrus Australia will indemnify each Director and the secretary of Citrus Australia against any liability incurred by them, arising out of the conduct of the business of Citrus Australia, to the extent permitted by law.

# 10. Constitution

## 10.1 Other Key Features

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- **Company Limited by Guarantee**

Citrus Australia is a company limited by guarantee, incorporated under the *Corporations Act 2001 (Commonwealth)*.

- **Not for Profit**

Citrus Australia is a “not for profit” company, which means that the assets and income of Citrus Australia must be applied solely in furtherance of its objects (which are set out in Annexure A to this document). In effect, Citrus Australia is prohibited from distributing assets or income to its Members, except as bona fide compensation for services rendered or expenses incurred on behalf of Citrus Australia.

If Citrus Australia is wound up in the future, any surplus assets upon winding up must be transferred to another not for profit organisation with similar objects to Citrus Australia.

## 10.2 Consultation

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A draft outline of the Constitution of Citrus Australia was circulated to key industry stakeholders (including ACG members, ACG associate members and ACG delegates) during the period of April–July 2008. The final version of the Constitution takes account of feedback received from the key industry stakeholders pursuant to this consultation process.

## 10.3 Access to Citrus Australia Constitution

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The Citrus Australia Constitution contains much more detailed information concerning the governance of Citrus Australia, including the matters covered in sections 6 to 9 of this Information Memorandum. The Constitution can be accessed via the ACG website: [www.australiancitrusgrowers.com](http://www.australiancitrusgrowers.com). All ACG members and citrus growers are encouraged to read it.

## 11. Financial Viability

The forecast financial viability of Citrus Australia has been considered from financial modelling constructed and populated with the following inputs:

- current industry data;
- intent of Grower Bodies;
- data received from Grower Bodies; and
- the operations of ACG.

The opening pro forma balance sheet of Citrus Australia, as at 1 November 2008, is presented below:

<i>1 November 2008</i>	
<b><i>Current assets</i></b>	
Cash at bank	420,000
Debtors	-
<b><i>Total current assets</i></b>	<b><i>420,000</i></b>
<b><i>Non-current assets</i></b>	
Property, plant and equipment	5,527
<b><i>Total non-current assets</i></b>	<b><i>5,527</i></b>
<b><i>Total assets</i></b>	<b><i>425,527</i></b>
<b><i>Current liabilities</i></b>	
Creditors	-
Employee benefits payable	1,170
<b><i>Total current liabilities</i></b>	<b><i>1,170</i></b>
<b><i>Non-current liabilities</i></b>	
Employee benefits payables	3,015
<b><i>Total non-current liabilities</i></b>	<b><i>3,015</i></b>
<b><i>Total liabilities</i></b>	<b><i>4,185</i></b>
<b><i>Net Assets</i></b>	<b><i>421,342</i></b>

The balance sheet comprises:

- Cash at bank
- Debtors (to be settled before incorporation)
- Property, plant and equipment
- Creditors (to be settled before incorporation)
- Provision for short and long term employee benefits payable.

The forecast financial viability of the projected operations for Citrus Australia, in its initial two years of business activity, is illustrated by the income statement presented below.

	<i>Year 1</i>	<i>Year 2</i>
<b>Operating income</b>	92,706	130,200
Membership fee income		130,200
<b>Total operating income</b>	<b>92,706</b>	<b>130,200</b>
<b>Other income</b>		
Horticulture Australia Ltd consultation funding	170,518	189,536
Project and consultancy income	227,633	245,685
Other income	111,888	115,804
<b>Total other income</b>	<b>510,039</b>	<b>551,025</b>
<b>Total income</b>	<b>602,745</b>	<b>681,225</b>
<b>Operating expenses</b>		
Employee benefits expense	305,969	391,986
Citrus Australia Board expenses	166,620	172,452
Citrus Australia committee expenses	29,158	30,178
Regional presence expenses	3,129	15,353
Operating expenses	120,040	112,947
<b>Total operating expenses</b>	<b>624,916</b>	<b>722,915</b>
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>(22,171)</b>	<b>(41,690)</b>
Depreciation	<b>(815)</b>	<b>(3,682)</b>
<b>Earnings before interest and tax</b>	<b>(22,985)</b>	<b>(45,372)</b>
Net interest income	30,884	53,633
<b>Net profit after tax</b>	<b>7,899</b>	<b>8,261</b>

This income statement incorporates the proposed amalgamation of Citrus Australia with Queensland Citrus Growers (QCG) and Citrus Growers South Australia (CGSA) in year two of operations. The proposed amalgamation with these current Grower Bodies is based on the current intent of these respective bodies.

The Citrus Australia income statement provides funding for:

- three citrus industry issues or citrus fruit variety committees;
- regional committees in Queensland and South Australia upon amalgamation with the respective Grower Bodies in these states;
- two additional part time employees and one additional full time employee. These part time employees will commence work upon amalgamation of Citrus Australia with CGSA and QCG to help service the requirements of Queensland and South Australia. The one additional full time employee will commence work in the first year to help service the extra operational requirements for Citrus Australia; and
- three Board sub-committees (audit, remuneration and director selection).

Only the first two years have been considered in depth because they are expected to be the most challenging years for Citrus Australia financially and forecasting further ahead is quite speculative, especially considering the changes the industry is likely to go through during that time-frame.

## 12. Application for Membership

Citrus Australia will be seeking applications for membership, from both potential Grower Members and potential Affiliates, from 14 October 2008 onwards (subject to ACG delegates resolving, at the ACG general meeting on that day, to transfer the undertaking of ACG to Citrus Australia).

A copy of the membership application form is attached as Annexure B to this Information Memorandum. Please complete and lodge it if you wish to join Citrus Australia as a Member.

By completing and lodging the application form, you will agree to pay the membership fees as determined by the Board under the Constitution.

You can lodge your application form:

- at the 2008 Australian Citrus Industry Conference being held in Griffith, NSW on 13-15 October 2008 (application forms being accepted on or after 14 October 2008) by handing it to any ACG director or staff member present; or
- by post, fax or email to the following address:

Citrus Australia Ltd  
Attention: Subscription Officer  
Address: PO Box 5091 MILDURA VIC 3502  
Facsimile: 03 5023 3877  
Email: citrus2015@australiancitrusgrowers.com

## 13. Corporate Information

### **13.2 Name and address and contact details of:**

---

- Australian Citrus Growers Inc

Level 1, 51 Deakin Ave MILDURA VIC 3500  
PO Box 5091 MILDURA VIC 3502  
Tel (03) 5023 6333  
Fax (03) 5023 3877  
Email admin@australiancitrusgrowers.com  
Website www.australiancitrusgrowers.com

and

- Citrus Australia (to be incorporated after the ACG general meeting on 14 October 2008).

Level 1, 51 Deakin Ave MILDURA VIC 3500  
PO Box 5091 MILDURA VIC 3502  
Tel (03) 5023 6333  
Fax (03) 5023 3877  
Email: to be advised  
Website: to be advised.

### **13.2 Existing directors of ACG:**

---

- Mark Chown
- Kevin Cock
- Kent Andrew
- Peter Davidson
- Louis Sartor
- Kevin Parr
- Nick Ulcoq
- Mark Scott

## 14. Call to Action

The ACG board is urging all members of ACG to vote in favour of Stage 1 at the general meeting on 14 October 2008.

Stage 1 involves the establishment of and transition to the new company called Citrus Australia Limited. This new organisation will acquire the undertaking of ACG and conduct operations as the peak body for Australian citrus growers.

As well, the ACG board is urging all growers to subscribe for membership of the new organisation, Citrus Australia.

A copy of the membership application form is attached as Annexure B to this Memorandum.

You can lodge your application form:

- at the 2008 Australian Citrus Industry Conference being held in Griffith, NSW on 13-15 October 2008 (application forms being accepted on or after 14 October 2008) by handing it to any ACG director or staff member present; or
- by post, fax or email to the following address:

Citrus Australia Ltd  
Attention: Subscription Officer  
Address: PO Box 5091 MILDURA VIC 3502  
Facsimile: 03 5023 3877  
Email: citrus2015@australiancitrusgrowers.com

# ANNEXURE A

## ***Objects of Citrus Australia***

---

The Objects of the Company are to:

- be the peak body for the Australian citrus industry, representing and furthering the interests of Australian citrus growers on regional, national and international issues affecting the citrus industry;
- execute the strategic plan, from time to time, of the Australian citrus industry;
- advocate the Australian citrus industry's position and make representations to Government;
- actively promote the good reputation of the Australian citrus industry;
- encourage good practice and high standards in Australian citrus production;
- source, collate and distribute statistical data, market intelligence and other industry or general information to Members or other participants in the Australian citrus industry;
- develop effective relationships with the citrus industry and other relevant rural and commercial organisations;
- develop effective relationships within the Australian citrus industry supply chain;
- plan, fund, facilitate and undertake market development and promotion initiatives to support domestic and export sales of citrus fruits and citrus products from Australia and advise and assist Australian citrus participants in relation to marketing issues;
- plan, fund, facilitate and coordinate citrus research and development, complemented by effective extension of research information to citrus growers and other citrus industry participants in Australia and facilitate the adoption and commercialisation of that research and development;
- advise and assist Australian citrus industry participants in relation to food safety, pests and diseases, biosecurity and other production issues and plan, fund and facilitate the conduct of citrus pest and disease management and control measures;
- undertake commercial activities incidental or ancillary to the above objects; and
- undertake other incidental or ancillary activities.

# ANNEXURE B: Membership Application Form

PIN CHEQUE HERE  
(DO NOT STAPLE)

## 2008-09 APPLICATION FORM Citrus Australia Ltd

Company use only .....
---------------------------

**For Sections A to I, refer to Guide attached.  
Please use BLOCK LETTERS AND A BLACK PEN.**

**A.** The Applicant named below applies for Membership of Citrus Australia Limited (**Citrus Australia**) in the following Membership Class: (*tick applicable box*)

- Grower Member (go to section B)  
 Affiliate (go to section C)

**B.** If the Applicant applies to be a Grower Member, the Applicant declares that:

- (a) they own, lease or both occupy and manage a Farm or Farms comprising \_\_\_\_\_ ha of citrus trees as at 1 July 2008; and  
(b) no other person is a Member of Citrus Australia in respect of that Farm or any of those Farms.

**C.** If the Applicant applies to be an Affiliate, the Applicant declares that they are a: (*tick applicable box*)

- citrus industry body  
 marketer, distributor or retailer of citrus fruits or products of citrus fruits  
 supplier of goods or services to citrus growers  
 person closely associated with the citrus industry

**D.** The Applicant's details are:

NAME OF ENTITY: \_\_\_\_\_  
ABN/ACN: \_\_\_\_\_  
POSTAL ADDRESS: \_\_\_\_\_  
FAX: \_\_\_\_\_ PHONE: \_\_\_\_\_  
EMAIL: \_\_\_\_\_  
CONTACT NAME: \_\_\_\_\_

**E.** The Membership Fee for the period until 30 June 2009 is:

(a) Grower Members:

Either:

(i) \$20 x \_\_\_\_\_ ha (*from B(a)*) = \$ \_\_\_\_\_  
OR

(ii) minimum fee = **\$100.00**  
(whichever is the greater).

(b) Affiliates: **\$250.00**

**F.** The Applicant (Grower Member) has already contributed and/or will be contributing the following amount to ACG or for the benefit of ACG, through various means as outlined in section 7.2 of the Information Memorandum, for all or part of the year to 30 June 2009:

**\$** \_\_\_\_\_

If the Applicant is a member of QCG, it consents to its Citrus Australia Membership Fee being paid by QCG out of its QCG membership fee.

**G.** The amount payable for the period to 30 June 2009 is:

Amount from section E	<b>\$</b> _____
less	
Amount from section F	<b>\$</b> _____
<b><i>Net amount payable</i></b>	<b>\$</b> _____

**H.** Either:

(a) attached is a cheque or bank draft, for the full year amount specified in G, made payable to "Citrus Australia Ltd" and crossed "not negotiable", details of which are as follows:

DRAWER	CHEQUE NO.	BSB NO.	ACCOUNT NO.	AMOUNT
				<b>\$</b> _____

OR

(b) the Applicant requests that Citrus Australia invoice it, for the amount specified in section G:  
*(tick applicable box)*

for the full annual amount now

in 4 quarterly instalments

**I.** By submitting this Application Form, the Applicant declares that:

- (a) they agree to be bound by the Constitution of Citrus Australia (as amended from time to time);
- (b) they agree to pay Membership Fees each Financial Year, in accordance with the Constitution;
- (c) they undertake to contribute to Citrus Australia's property, if the company is wound-up, up to a maximum amount of \$10, pursuant to the Constitution;
- (d) they agree to provide complete and accurate information to Citrus Australia, to enable it to calculate the Membership Fee payable by the Applicant each Financial Year;
- (e) they warrant that all information contained in this Application Form is complete and accurate;
- (f) they acknowledge that the Citrus Australia Board has a discretion whether or not to accept this Application;
- (g) they have read and understood the Information Memorandum dated 15 September 2008 issued by Australian Citrus Growers Inc; and
- (h) they have read and understood the disclaimers in section 1.2 of the Information Memorandum and accept that they apply to the Applicant.

# Your Guide to the Application Form

Please complete all relevant sections of the Application Form using BLOCK LETTERS and a BLACK PEN. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable names to use on the Application Form are contained in the table below.

Terms defined in the Constitution, or proposed Constitution, of Citrus Australia, a copy of which is on ACG's website, have the same meanings in this Application Form.

***If you have any queries concerning the completion of this Application Form, please contact ACG on Tel: 03 5023 6333 or e-mail: <[citrus2015@australiancitrusgrowers.com](mailto:citrus2015@australiancitrusgrowers.com)>.***

**A** Please tick the relevant box to indicate which class of Membership you are applying for. Eligibility criteria for each Membership Class are set out in clause 8.2 of the Constitution of Citrus Australia (and described in section 6 of the Information Memorandum dated 15 September 2008, issued by Australian Citrus Growers Inc).

**B** Please insert the number of hectares of citrus trees planted on your Farm or Farms on 1 July 2008. The statements in paragraphs (a) and (b) must be true for you to be accepted as a Grower Member.

**C** Please tick the relevant box. You need to fall within one of these categories to be eligible to be an Affiliate.

**D** Please enter the details of the proposed Member, including their full name. This must be the entity that owns, leases or both occupies and manages the Farm, in the case of a Grower Member, or the entity which is eligible to be an Affiliate. Please refer to the table below for the correct forms of registrable names.

Please enter your postal address for all correspondence and your contact name and telephone number in case we need to contact you in relation to this Application.

**E** For Grower Members, please insert the number of hectares from section B of the Application Form. Please complete the calculation and/or insert the dollar figure in this section.

Please note that the minimum Membership Fee is \$100. This is **not** payable in addition to the amount in section E(a)(i).

**F** In 2008-09, different transitional arrangements will apply to Members in different regions to reflect their different current financial arrangements with ACG. They are intended to recognise prior and/or continuing payment obligations and maintain contribution by Members at current levels. See section 7.2 of the Information Memorandum for the details of the arrangements.

If you have made or will make such a contribution for 2008-09, please insert the total amount in this section F. Note that you must have clear records to support this claim.

**G** Please complete this section to calculate the net amount payable by you.

**H** If you wish to pay in full now, please make your cheque or bank draft payable to "Citrus Australia Ltd" and cross it "not negotiable". It must be drawn on an Australian bank in Australian currency. Pin (do not staple) your cheque to the Application Form where indicated.

Please complete the cheque details in the spaces provided. The amount of the cheque must agree with the net amount in section G.

Sufficient cleared funds must be held in your account, as cheques returned unpaid may result in your Application being rejected. Receipt of payment will not be forwarded. Please do not provide cash.

Alternatively, if you wish to pay against an annual invoice or quarterly invoices, please tick the relevant box.

**G** Please read these declarations carefully before submitting the Application Form. You do not need to sign the form. By lodging the form with Citrus Australia, you will be making the declarations and agreeing to be bound by them.

### ***Lodgement of Application Form***

Application Forms may be lodged, with cheques or bank drafts attached, at the following address:

Citrus Australia Ltd  
PO Box 5091  
MILDURA VIC 3502  
Tel (03) 5023 6333  
Fax (03) 5023 3877  
Email citrus2015@australiancitrusgrowers.com

### ***Privacy Statement***

Personal information (such as names, addresses and contact details) is collected on this Application Form by Citrus Australia (or by ACG on behalf of Citrus Australia) for the purpose of:

- determining whether you are eligible to be a Member;
- calculating your Membership Fee;
- keeping a register of members under the Constitution and the Act; and
- communicating with Members, which may include direct marketing information in relation to Citrus Australia's services to you or other material (including marketing material) approved by Citrus Australia. You may elect not to receive marketing information by contacting Citrus Australia.

Your personal information may be disclosed to employees or related entities of Citrus Australia or ACG, external service providers, government agencies or as otherwise required or permitted by law.

If you would like details of your personal information kept by Citrus Australia or you would like to correct such information that is out of date or otherwise incorrect, please contact Citrus Australia, using the contact details set out above.

It is anticipated that Citrus Australia will have a Privacy Policy. Please contact Citrus Australia to obtain a copy of it after the company has been incorporated and the policy adopted.

### ***Correct Forms of Registrable Names***

Only natural persons or other legal entities are entitled to be Members of Citrus Australia. Applications must be made in the name(s) of natural persons, companies or other legal entities. At least one full given name and the surname are required for each natural person.

The name of the beneficial owner or any other non-registrable name may be included by way of an account designation, if completed exactly as described in the examples of correct forms of registrable name shown below.

<b><i>Type of Member</i></b>	<b><i>Correct Form of Registrable Name</i></b>	<b><i>Incorrect Form of Registrable Name</i></b>
<b><i>Individual</i></b> Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
<b><i>Company</i></b> Use company title, not abbreviation	ABC Pty Ltd ABN/ACN [ ]	ABC P/L ABC Co
<b><i>Trusts</i></b> Use trustee(s) personal name(s), do not use the name of the trust.	Ms Janet Smith <Janet Smith Family A/C>	Janet Smith Family Trust
<b><i>Deceased Estates</i></b> Use executor(s) personal name(s), do not use the name of the deceased.	Mr Michael Smith <Estate of John Smith A/C>	Estate of Late John Smith
<b><i>Partnerships</i></b> Use partners' personal name(s), do not use the name of the partnership.	Mr John Smith and Mrs Janet Smith <John Smith & Son A/C>	John Smith & Son
<b><i>Unincorporated Bodies/ Business Names</i></b> Use office bearer(s) or proprietor(s) personal name(s), do not only use the name of the association or business	Mrs Janet Smith <ABC Citrus A/C>	ABC Citrus
<b><i>Superannuation Funds</i></b> Use name of trustee of fund, do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Appendix D.4.  
Citrus Australia Constitution

# FINLAYSONS

## Constitution

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81 Flinders Street, Adelaide  
South Australia 5000

Telephone +61 8 8235 7400  
Facsimile +61 8 8232 2944

info@finlaysons.com.au  
finlaysons.com.au

GPO Box 1244, Adelaide  
South Australia 5001

DX152 Adelaide

*of Citrus Australia Limited (a company limited by  
guarantee)*

Our Ref WTCT:420548/1: JLN

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**28. Seal**

**24**

## 1. Preliminary

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### 1.1 Definitions

In this Constitution:

**Act** means the *Corporations Act 2001 (Cth)*.

**Affiliate** means a Member referred to in clause 8.1(b) and 8.2(c).

**AGM** means an 'AGM' as defined in the Act.

**Board** means the board comprised of the *Directors*.

**CEO** means the person appointed as chief executive officer under clause 22.2.

**Chair** means the person appointed as chair pursuant to clause 22.1(a).

**Company** means Citrus Australia Limited, which is governed by this Constitution.

**Deputy Chair** means the person appointed as deputy chair pursuant to clause 22.1.

**Director** means a person appointed as a director under clause 17.2 or 17.5.

**Director Selection Committee** means the committee appointed under clause 17.2 (c).

**Farm** means a single parcel of land, upon which citrus trees are planted in order to harvest the fruit for commercial sale (whether or not they are yet bearing fruit);

**Financial Year** means a year expiring on 30 June.

**General Meeting** means a meeting of *Members*.

**Grower Member** means a *Member* referred to in clause 8.1(a) and 8.2(a).

**Member** means any person who is, for the time being, registered as a member of the *Company*, pursuant to clauses 8 and 9.

**Membership Class** means a class of *Membership* set out in clause 8.1.

**Membership Fee** means the fee required to be paid by *Members* pursuant to clause 11.1.

**Objects** means the objects of the *Company* specified in clause 3.

**Register** means the register of *Members* required to be kept by the *Secretary* under clause 9.

**Secretary** means the person appointed as secretary pursuant to clause 22.3.

**Voting Member** means, in relation to a resolution at a *General Meeting*, a Member with a right to vote on that resolution.

## 1.2 Interpretation

In this Constitution, unless it is stated to the contrary:

- (a) the singular includes the plural and conversely;
- (b) references to any gender include the other genders;
- (c) where a word or phrase is given a defined meaning in, or for the purposes of, the Act, the word or phrase shall have the same meaning in this Constitution;
- (d) where a word or phrase is given a defined meaning in this Constitution, in or for the purposes of the Act, any other part of speech or other grammatical form of that word or phrase has a corresponding meaning;
- (e) a reference to a **person** includes a body politic or corporation;
- (f) words following the word *include* are not limited by anything preceding that word;
- (g) a reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them;
- (h) a reference to this **Constitution** means this Constitution as amended or regulated from time to time;
- (i) a reference to any legislation means that legislation as amended or replaced from time to time and includes subordinate legislation made under it; and
- (j) references to clauses are references to clauses in this constitution;

## 1.3 Headings and Table of Contents

The table of contents and headings in this Constitution do not affect its interpretation.

## 1.4 Replaceable Rules

No “replaceable rules”, within the meaning of Part 2B.4 of the Act, are applicable to the Company.

## 2. Name

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The name of the Company governed by this Constitution is “Citrus Australia Limited”.

## 3. Objects

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The objects of the Company are to:

- (a) be the peak body for the Australian citrus industry, representing and furthering the interests of Australian citrus growers on

- regional, national and international issues affecting the citrus industry;
- (b) execute the strategic plan, from time to time, of the Australian citrus industry;
  - (c) advocate the Australian citrus industry's position and make representations to Government;
  - (d) actively promote the good reputation of the Australian citrus industry;
  - (e) encourage good practice and high standards in Australian citrus production;
  - (f) source, collate and distribute statistical data, market intelligence and other industry or general information to *Members* or other participants in the Australian citrus industry;
  - (g) develop effective relationships with citrus industry and other relevant rural and commercial organisations;
  - (h) develop effective relationships within the Australian citrus industry supply chain;
  - (i) plan, fund, facilitate and undertake market development and promotion initiatives to support domestic and export sales of citrus fruits and citrus products from Australia and advise and assist Australian citrus participants in relation to marketing issues;
  - (j) plan, fund, facilitate and coordinate citrus research and development, complemented by effective extension of research information to citrus growers and other citrus industry participants in Australia and facilitate the adoption and commercialisation of that research and development;
  - (k) advise and assist Australian citrus industry participants in relation to food safety, pests and diseases, biosecurity and other production issues and plan, fund and facilitate the conduct of citrus pest and disease management and control measures;
  - (l) undertake commercial activities incidental or ancillary to the above objects; and
  - (m) undertake other incidental or ancillary activities.

#### **4. Powers**

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- (a) Subject to this Constitution, the *Company* has the rights, powers and privileges of a natural person.
- (b) Subject to this Constitution, the *Company* also has the powers of a body corporate including the power to:
  - (i) raise fees, levies and other charges from *Members*;
  - (ii) borrow money;

- (iii) issue debentures;
- (iv) grant a floating charge on its property;
- (v) charge fees for its services; and
- (vi) do anything which it can do under the *Act* or by law.

## **5. Liability and Guarantee**

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- (a) The *Company* is a company limited by guarantee.
- (b) Each *Member* undertakes to contribute to the *Company's* property, if the *Company* is wound up, to an amount sufficient:
  - (i) to pay the *Company's* debts and liabilities and the costs, charges and expenses of the winding up; and
  - (ii) to adjust the rights of the contributories amongst shareholders,but up to a maximum amount of \$10.00 per *Member* and subject to clause 5(c).
- (c) A past *Member* need not contribute:
  - (i) in respect of a debt or liability of the *Company* contracted after the *Member* ceased to be a *Member*; or
  - (ii) if they were a *Member* at no time during the year ending on the day of the commencement of the winding up of the *Company*.

## **6. No Profits for Members**

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The assets and income of the *Company* shall be applied solely in furtherance of the *Objects* and no portion shall be distributed, directly or indirectly to *Members*, except as bona fide compensation for services rendered or expenses incurred on behalf of the *Company*.

## **7. Winding Up or Dissolution**

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In the event of the *Company* being wound up or dissolved, any surplus assets shall be transferred to another organisation with similar objects, which is not carried on for the profit or gain of its individual members, selected by the *Board* or otherwise by the Supreme Court of South Australia.

## **8. Membership**

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### **8.1 Classes of Membership**

The *Company* consists of the following classes of *Members*:

- (a) *Grower Members*;
- (b) *Affiliates*; and
- (c) such other classes of *Membership* as the *Grower Members* may create, from time to time, by special resolution.

## 8.2 Qualification criteria for Membership Classes

- (a) A person is eligible to become a *Grower Member*, if they own, lease or both occupy and manage a *Farm* of at least 1 hectare in size.
- (b) Notwithstanding clause 8.2(a), only 1 person can be admitted as a *Grower Member* in respect of a single *Farm*. In the event that *Grower Membership* applications are received by 2 or more applicants in respect of the same *Farm*, the *Board* has a discretion as to which *Membership* application to approve (if any).
- (c) A person is eligible to become an *Affiliate*, if they belong to any of the following categories:
  - (i) citrus industry bodies;
  - (ii) marketers, distributors or retailers of citrus fruits or products of citrus fruits;
  - (iii) suppliers of goods or services to citrus growers; and
  - (iv) persons closely associated with the citrus industry.

## 8.3 Initial Membership

The initial members of the *Company* are:

- (a) Willowood Nominees Pty Ltd as trustee for NJ & JL Eagle Family Trust;
- (b) N&D Ulcoq Pty Ltd;
- (c) PM & JL Davidson;
- (d) Fellsdale Pty Ltd;
- (e) KVC Pty Ltd as trustee for Cock Family Trust
- (f) Warringa Investments Pty Ltd as trustee for Warringa Family Trust;
- (g) CA & CC Scott;
- (h) Glen Grove Orchard Pty Ltd;
- (i) Sartor Management Pty Ltd as trustee for L Sartor Family Trust;
- (j) Nelson Enterprises Pty Ltd as trustee for The Michael McMahon Family Trust and The Cavan Street Trust and Campbell Citrus Consulting Pty Ltd as trustee for RG & PM Campbell Family Trust and John Bernard Stephens and Sally Anne Stephens as trustees for The J & S Stephens Family Trust; and
- (k) Colignan Producers Company (VIC) Pty Ltd.

#### **8.4 Application for Membership**

- (a) No person shall be admitted as a member of the *Company* unless that person is approved by the *Board* in its discretion.
- (b) A person who wishes to become a *Member* shall deliver to the *Company* an application for *Membership* in such form as the *Board* requires.
- (c) If required by the *Board*, an application for *Membership* must be accompanied by the *Membership Fee*, set for the particular *Membership Class*, for the remainder of the then current *Financial Year* and, if the *Board* also requires, for the following *Financial Year*.

#### **8.5 Determination of Application by the Board**

- (a) The *Board* must determine whether or not to approve an application for *Membership*, as soon as practicable after receipt of the application.
- (b) The *Board* may require an applicant to provide it with such further information as it desires before approving or rejecting an application for *Membership*.
- (c) An applicant for *Membership* is taken to be admitted as a *Member* upon the *Board* approving the application and the applicant being entered in the *Register*.
- (d) If a *Membership* application is rejected by the *Board*, the *Board* is not required to provide reasons for the rejection.

### **9. Register of Members**

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- (a) The *Secretary* shall keep a register of *Members* in accordance with the *Act* and shall enter in it:
  - (i) the full name and address of each *Member*;
  - (ii) the date upon which each *Member* became a *Member*;
  - (iii) the *Membership Class* applicable to each *Member*;
  - (iv) the date upon which each former *Member* ceased to be a *Member*; and
  - (v) such other information required by the *Act*.
- (b) Any *Member* may inspect the *Register* in accordance with the *Act*.

### **10. Rights of Members**

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#### **10.1 Transferability**

The rights, powers and privileges of a *Member* cannot be transferred to any person.

## 10.2 Benefits

*Members* shall be entitled to receive all benefits of *Membership* relevant to their *Membership Class*, as provided in this Constitution and as otherwise determined by the *Board* from time to time.

## 10.3 Class Rights

- (a) *Affiliates* may:
- (i) attend *General Meetings*;
  - (ii) speak at *General Meetings*, if the *Chair* consents;
  - (iii) not vote at *General Meetings*;
  - (iv) have matters included on the *Board's* agenda, if the *Chair* consents;
  - (v) refer to themselves as an "Affiliate Member" of the *Company*; and
  - (vi) have no other *Membership* rights, powers or privileges under this Constitution.
- (b) Other *Members*, including *Grower Members*, shall have all of the rights, powers and privileges of a member of the *Company* at law, including all of the other rights, powers and privileges of a *Member* provided for in this Constitution.

## 10.4 Variation of class rights

The rights attaching to a *Membership Class* can only be varied by special resolution of *Grower Members*.

## 10.5 Consultation with the Company

At least once in each *Financial Year*, the *Company* shall convene a consultation forum with the *Members* in each major citrus growing region of Australia (including at least one forum in each State), at which forum the *Members* shall have the opportunity to raise with the *Company* issues of concern to them.

# 11. Membership Fees

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## 11.1 Annual Membership Fees

- (a) Unless exempted by the *Board*, each *Member* is obliged to pay such annual membership fee as determined by the *Board* for their *Membership Class*.
- (b) Annual *Membership Fees*, for a *Financial Year*, shall be paid in full no later than a date prescribed by the *Board* or, in the absence of such prescription, 1 July at the commencement of that *Financial Year*.

- (c) The annual *Membership Fee* for a *Financial Year* for a *Grower Member* shall be:
- (i) a minimum fee determined by the *Board* from time to time; or, if greater
  - (ii) an amount determined by the *Board* being either:
    - (A) an amount per hectare of *Farm* or *Farms* (rounded up to the nearest hectare), owned, leased or both occupied and managed by the *Member*, on a date prescribed by the *Board* in that or the previous *Financial Year*; or
    - (B) an amount per tonne of citrus fruit (rounded up to the nearest tonne) harvested from the *Farm* or *Farms*, owned, leased or both occupied and managed by the *Member*, in the year to a date prescribed by the *Board* in that or the previous *Financial Year*, which amount per tonne may or may not be different for different varieties of citrus fruit.
- (d) The annual *Membership Fee* for a *Financial Year* for an *Affiliate* or other *Member* shall be an amount determined by the *Board* from time to time.
- (e) The mode of payment of *Membership Fees*, for each *Membership Class*, shall be determined by the *Board* from time to time.
- (f) The *Board* may, at its discretion, revoke, postpone, extend or vary the *Membership Fees* of any *Member*, and/or the payment arrangements for a *Membership Fee*, from time to time.

### **11.2 Unpaid Membership Fees**

- (a) If a *Membership Fee* for a *Financial Year* is not paid by the date 150 days after it is due (or such later date prescribed by the *Board*), the relevant *Member* shall cease to be entitled to any rights and privileges of *Membership*.
- (b) The *Board* may, at its discretion, reinstate all rights and privileges of a *Member's Membership*, upon payment of all arrears (including interest and collection expenses) of *Membership Fees* by the *Member*.

### **11.3 Interest**

- (a) Subject to clause 11.3(b), a *Member* shall pay to the *Company*:
- (i) interest at a rate reasonably determined by the *Board*, on any *Membership Fees* which are not paid on or before the time appointed for payment, from the time appointed for payment to the time of the actual payment; and
  - (ii) expenses incurred by the *Company* because of the failure to pay, or late payment of, that amount.

- (b) The *Board* may, at its discretion, waive payment of all or any part of an amount payable under clause 11.3(a).

## **12. Cessation of Membership and Expulsion of Members**

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### **12.1 Cessation**

- (a) A *Member* ceases to be a *Member*, if:
- (i) the *Member* resigns as a *Member*, by giving a minimum of 3 months notice in writing to the *Secretary*, in which case the *Member* shall not be entitled to a refund of any *Membership Fees* (whether pro-rata or otherwise) paid in connection with their *Membership*;
  - (ii) the *Member* is expelled as a *Member* pursuant to clause 12.2;
  - (iii) the *Board* determines that the *Member* ceases to satisfy the relevant qualification criteria specified for the *Membership Class* of that *Member* and gives the *Member* a minimum of 1 month's notice of that fact;
  - (iv) in the case of a natural person, the *Member* dies;
  - (v) in the case of a body corporate, an order is made or a resolution is passed for the winding up or dissolution of the *Member*; or
  - (vi) the *Member* is unable to pay their debts as and when they are due and payable.
- (b) Upon a *Member* ceasing to be a *Member*, the *Member's* rights and privileges shall cease.
- (c) Nothing in this clause shall prejudice or affect a *Member's* obligation to:
- (i) pay any amount due and payable to the *Company*; or
  - (ii) contribute to the *Company's* property as provided for in clause 5.

### **12.2 Expulsion**

- (a) Subject to clause 12.2(b), the *Board* may expel a *Member*, if the *Member*:
- (i) fails to pay any money payable under this Constitution and that amount remains unpaid for more than 90 days;
  - (ii) otherwise breaches any provision of the Constitution binding on the *Member*; or
  - (iii) engages in any conduct which, in the reasonable opinion of the *Board*, is unbecoming of a *Member* or which is

prejudicial or adverse to the interests of the *Company* or the Australian citrus industry generally.

- (b) The *Board* cannot expel a *Member* unless it:
- (i) gives the *Member* not less than 30 days' written notice of its intention to consider an expulsion resolution; and
  - (ii) allows the *Member* to present reasons why the *Member* should not be expelled, by making written or oral submissions (at the *Member's* election) to the *Board*, before the expulsion resolution is put to the vote.

### **12.3 Removal from the Register**

Upon cessation or termination of *Membership of a Member*, the *Secretary* shall remove the name of the *Member* from the *Register*.

## **13. Meetings of Members**

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### **13.1 Annual General Meeting**

- (a) An *AGM* of the *Company* must be held in accordance with the *Act*.
- (b) The business at the *AGM* must include:
- (i) consideration of the annual financial report, directors' report and auditor's report;
  - (ii) election of *Directors*;
  - (iii) appointment of the auditor;
  - (iv) fixing of the auditor's remuneration; and
  - (v) fixing of the *Directors'* remuneration.

### **13.2 Holding of General Meetings**

The *Board*:

- (a) may convene a *General Meeting* at any time; and
- (b) must convene a *General Meeting* upon a requisition made in accordance with section 249D of the *Act*.

### **13.3 Notice**

- (a) At least 21 clear days' notice of a *General Meeting* must be given to all *Members*, unless the *Act* allows otherwise.
- (b) Notice of a *General Meeting* must:
- (i) specify the place, date and time of meeting;
  - (ii) state the general nature of the business to be transacted at the meeting;
  - (iii) if a special resolution is to be proposed at the meeting:

- (A) set out an intention to propose the resolution as a special resolution; and
  - (B) state the resolution;
- (iv) in the case of an election of *Directors*, state the names of the candidates for election; and
- (v) contain a statement stating:
  - (A) that the *Member* has the right to appoint a proxy;
  - (B) that the proxy needs to be a *Grower Member*; and
  - (C) that a *Member*, who is entitled to cast 2 or more votes, may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) The accidental omission to give notice of a *General Meeting* to, or the non-receipt of notice of a *General Meeting* by, any person entitled to receive notice does not invalidate the proceedings at the meeting.

#### **13.4 Cancellation or Postponement**

- (a) Except in the case of a *General Meeting* convened on the requisition of *Members*, the *Board* may at any time cancel, postpone or change the venue of a *General Meeting* before the time for holding the meeting.
- (b) The *Board* shall endeavour to notify each *Member*, orally or otherwise, of the change, but failure to notify a *Member* will not affect the validity of the change or of the meeting.

### **14. Procedure at General Meetings**

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#### **14.1 Quorum**

- (a) No business will be transacted at any *General Meeting*, unless a quorum of *Members* is present at the time the meeting proceeds to business and throughout the meeting.
- (b) The quorum for a *General Meeting* is 20 *Voting Members*.
- (c) For the purpose of determining whether a quorum is present, a person attending as a proxy or as an attorney for a *Voting Member* will be deemed to be present as that *Member*.
- (d) If a quorum is not present within 30 minutes from the time appointed for the meeting:
  - (i) where the meeting was convened on the requisition of *Members*, the meeting will be dissolved; or
  - (ii) in any other case:

- (A) the meeting shall stand adjourned to a day, time and place as the *Board* determines or, if no determination is made by the *Board*, to the same day in the next week at the same time and place; and
- (B) if, at the adjourned meeting, a quorum is not present within 30 minutes from the time appointed for the meeting, the meeting will be dissolved.

#### 14.2 Chair

- (a) The *Chair*, or in their absence the *Deputy Chair*, shall preside as chair at every *General Meeting* during that person's term of office.
- (b) Where a *General Meeting* is held and:
  - (i) the *Chair* or *Deputy Chair* has not been elected; or
  - (ii) the *Chair* or *Deputy Chair* is not present within 15 minutes after the time appointed for the holding of the meeting or is unwilling to act,the *Voting Members* present in person or by proxy or attorney will elect another *Director*, or if there is none present willing to act, one of their number, to chair the meeting.

#### 14.3 Conduct of Meetings

- (a) The *Chair* has a general discretion to conduct a *General Meeting* and to determine the meeting procedures as they see fit (subject to clauses 14.3(b) and 14.3(e)).
- (b) The *Chair* must allow *Members* a reasonable opportunity to ask questions.
- (c) The *Chair* may disallow debate on business not within the notice of meeting or required by the *Act*.
- (d) The *Chair's* decision on conduct of and procedures at a *General Meeting* is final.
- (e) The *Board* may make by-laws governing *General Meeting* procedure, including in relation to election of *Directors*.

#### 14.4 Adjournment

- (a) The *Chair* may, and will if directed by the meeting, adjourn a *General Meeting* from time to time and from place to place.
- (b) No business shall be transacted at any adjourned *General Meeting*, other than the business left unfinished at the meeting from which the adjournment took place.
- (c) When a *General Meeting* is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of the original meeting.

- (d) Except as provided by clause 14.4(c), it is unnecessary to give any notice of an adjournment or of the business to be transacted at an adjourned *General Meeting*.

#### **14.5 Resolutions**

At a *General Meeting*, a resolution put to the vote of the meeting is to be decided on a show of hands or by poll, as the *Chair* of the meeting directs.

#### **14.6 Polls**

- (a) Before or immediately after the declaration of the result of a vote on a show of hands, the *Chair*, or not less than 5 *Voting Members*, may demand a poll.
- (b) If a poll is duly demanded, it will be taken in the manner and at the time and place as the *Chair* directs, subject to clause 14.6(d).
- (c) A demand for, or the taking of, a poll will not prevent the meeting dealing with other business in the meantime.
- (d) A poll demanded on the election of the *Chair*, or on a motion to adjourn the *General Meeting*, will be taken immediately.
- (e) The result of the poll will be a resolution of the meeting at which the poll was demanded.

#### **14.7 Minutes as Evidence of Result**

Unless a poll is duly demanded, a declaration by the *Chair* of the result of a vote and an entry to that effect in the book containing minutes of the proceedings of the *Company*, signed by the *Chair*, shall be conclusive evidence of the fact, without proof of the number or proportion of votes recorded in favour of or against the resolution.

### **15. Voting rights**

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#### **15.1 Number of Votes**

- (a) Each *Grower Member* present, in person or by proxy or attorney, shall have 1 vote per dollar of *Membership Fee* paid or payable by the *Member* for the *Financial Year* in which the relevant *General Meeting* is to take place.
- (b) *Affiliates* are not eligible to vote.

#### **15.2 Unpaid amounts**

- (a) A *Member* is not entitled to vote at a *General Meeting*, if:
  - (i) all amounts presently payable to the *Company* by that *Member* have not been paid; or
  - (ii) they are prohibited from voting by the *Act* or court order.

- (b) Such votes will be disregarded.

### 15.3 Equality of votes

In the case of an equality of votes, whether on a show of hands or on a poll, the *Chair* of the relevant *General Meeting* shall not have a casting vote and the resolution shall not be carried.

### 15.4 Resolutions

A resolution will be taken to be carried at a *General Meeting* if the requisite majority comprises the following:

- (a) in the case of an ordinary resolution of *Members*, there is an affirmative vote of more than 50% of the votes of *Voting Members*; and
- (b) in the case of a special resolution of *Members*, there is an affirmative vote of at least 75% of the votes of *Voting Members*.

### 15.5 Objections

- (a) An objection may be raised to the qualification of a voter only at the *General Meeting* or adjourned *General Meeting* at which the vote objected to is given or tendered.
- (b) Any such objection will be referred to the *Chair*, whose decision shall be final.
- (c) A vote not disallowed, pursuant to such an objection, shall be valid for all purposes.

## 16. Proxies

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- (a) A *Member* may appoint a proxy, or 2 proxies if they are entitled to 2 or more votes, in accordance with the *Act*.
- (b) The appointment can be for all *General Meetings* or for specified *General Meetings*.
- (c) A proxy must be a *Grower Member*.
- (d) An appointment of a proxy must be in writing and signed by the appointor or by that appointor's properly appointed attorney, or otherwise authenticated in a manner permitted by the *Corporations Regulations 2001 (Cth)*, and contain the following information:
  - (i) the *Member's* name and address;
  - (ii) the *Company's* name;
  - (iii) the proxy's name or the name of the office held by the proxy; and
  - (iv) the *General Meetings* at which the proxy may act.
- (e) The *Chair* may determine that an appointment is valid even if it contains only some of the information prescribed by clause 16(d).

- (f) The *Chair's* decision will be final on the validity of a proxy appointment, subject to the *Act*.
- (g) An appointment of a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution.
- (h) A proxy will have the same rights as their appointor, including the right to speak at the meeting, vote (to the extent allowed by the appointment) and join in demanding a poll.
- (i) An appointment of a proxy will not be effective unless the appointment, and any power of attorney under which it was signed or authenticated, have been received by the *Company*, in accordance with the *Act*, not less than 48 hours before the time for holding the meeting or resuming the adjourned meeting.

## 17. Directors

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### 17.1 Constitution of the Board

- (a) The *Board* shall comprise 7 *Directors*, with a minimum of 4 *Directors* who are *Grower Members* or nominated by and associated with *Grower Members*.
- (b) For the purposes of clause 17.1(a) and 17.2(c) a person is “associated with” a *Grower Member* if they are:
  - (i) a member, director or employee of; or
  - (ii) a partner in,that *Grower Member*.
- (c) Subject to clause 17.1(a), a *Director* need not be a *Member* or have any affiliation with a *Member*.

### 17.2 Appointment

- (a) Notwithstanding clause 17.1, the initial directors of the *Company* will be:
  - (i) Tania Maree Chapman;
  - (ii) Kevin Desmond Cock;
  - (iii) Gregory John Dhnaram;
  - (iv) Kelly Lynn Jones;
  - (v) Michael Francis McMahon;
  - (vi) Kevin John Parr; and
  - (vii) Tsalta Michele Phillips.
- (b) All subsequent directors shall be appointed by *Voting Members* at an *AGM* of the *Company*, with the benefit of, but without being bound by, a recommendation of the *Director Selection Committee*.

- (c) The *Director Selection Committee* will be appointed by the *Board* from time to time and shall be comprised of:
- (i) 4 *Grower Members* or persons nominated by and associated with *Grower Members*, who are not also *Directors*; and
  - (ii) the *Chair*,
- except that the initial *Director Selection Committee* shall be comprised of the following persons:
- (iii) Mark Chown;
  - (iv) Peter Davidson;
  - (v) Nick Ulcoq;
  - (vi) Leonie Burrows; and
  - (vii) Brian Ramsay.

### 17.3 Term

- (a) At the conclusion of each *AGM* (including the first *AGM*) of the *Company*, 2 *Directors* shall retire from office. The 2 *Directors* to retire shall be those who have been longest in office. As between 2 or more, who have been in office an equal length of time, the *Directors* to retire shall, in default of agreement between them, be determined by lot. The length of time a *Director* has been in office shall be calculated from their last election.
- (b) A *Director*, who retires under clause 17.3(a), shall be eligible for re-appointment.
- (c) The new appointees will take office at the conclusion of the *AGM*.

### 17.4 Election Process

- (a) Nominations for *Directors* may be made by the *Director Selection Committee* or by any 3 *Voting Members*, to the *Secretary*, at least 6 weeks before the relevant *AGM*.
- (b) If the number of nominations does not exceed the number of vacancies, there will be no ballot.
- (c) Voting shall be conducted on a “first past the post” system.
- (d) In voting for any election of *Directors* at an *AGM* of the *Company*, each *Voting Member* shall vote for no more than 3 nominees (each a **Choice**), and each *Voting Member* may choose less than 3 nominees, on a “3,2,1”, “2,1” or “1” basis (as the case may be).
- (e) Each *Choice* shall be ascribed 3, 2, or 1 points for each vote the *Voting Member* has under clause 15.1.
- (f) Subject to the requirements of clause 17.1, the nominees with the most points shall be declared elected.

- (g) The *Chair* shall announce the results of the election at the *AGM* or by notice to the *Members* as soon as practicable thereafter.

### 17.5 Vacancy

- (a) In addition to the circumstances in which the office of a *Director* becomes vacant by virtue of the *Act*, the office of a *Director* shall become vacant if the *Director*:
- (i) dies or is permanently incapacitated;
  - (ii) becomes of unsound mind or a person whose person or estate is liable to be dealt with under the law relating to mental health;
  - (iii) resigns that office by written notice to the *Company*;
  - (iv) is removed by the *Members* under the *Act*;
  - (v) otherwise becomes prohibited from being a *Director* pursuant to the *Act* or any law;
  - (vi) ceases to be qualified to be a *Director* under this Constitution; or
  - (vii) has missed 4 *Board* meetings in a 12 month period, or 3 consecutive *Board* meetings, without being granted leave of absence, unless the *Board* has resolved that the *Director* should not leave office.
- (b) Any casual vacancy shall be filled by the *Director Selection Committee* and any *Director* appointed to fill such a vacancy shall hold office until the conclusion of the next *AGM* of the *Company* following their appointment, when they will be eligible for re-election.

### 17.6 Remuneration

- (a) Subject to clause 17.6(b) and the *Act*, the *Directors* shall be remunerated by the *Company* at rates determined by the *Board*, having regard to market rates.
- (b) The maximum aggregate *Directors'* remuneration shall be determined by the *Voting Members* at the *AGM* each Financial Year.
- (c) The *Directors* shall be paid or reimbursed their reasonable travelling and other expenses incurred by them in performing their duties as *Directors* including in attending *Board* or committee meetings.

## 18. Powers of Directors

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- (a) Subject to the *Act* and to this Constitution, the business of the *Company* shall be managed by the *Directors*, who may exercise all powers of the *Company* which are not, by the *Act* or this Constitution, required to be exercised by the *Members*.

- (b) Without limiting clause 18(a), the *Directors* may exercise all the powers of the *Company* to borrow money, to mortgage or charge any property or business of the *Company* and to issue debentures or give any other security, whether to secure a debt, liability or obligation of the *Company* or of any other person.
- (c) The *Directors* may appoint such officers, employees or contractors as are required to carry out the *Objects*, and may delegate any of their powers to such officers, employees and contractors.
- (d) The *Directors* may, by power of attorney, appoint any person to be the attorney of the *Company* for any purpose, with any powers, authorities and discretions of the *Directors*, for any period and subject to such conditions as the *Directors* think fit.
- (e) All cheques, promissory notes, banker's drafts, bills of exchange, electronic funds transfers and other negotiable instruments (whether in written or electronic form), and all receipts for money paid to the *Company*, must be signed, drawn, accepted, endorsed, transmitted or otherwise executed by such persons and in such manner as the *Directors* determine.

## 19. Proceedings of Directors

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### 19.1 Proceedings Generally

- (a) The *Directors* may meet together, either in person or by telephone or any other form of instantaneous communication, for the dispatch of business.
- (b) The *Board* may also adjourn and otherwise regulate meetings and proceedings of the *Board*, as they think fit, in accordance with the *Act*.
- (c) A *Director* may at any time, and the *Chair* must on the requisition of a *Director*, convene a meeting of the *Board*, by instruction to the *Secretary* or otherwise.

### 19.2 Notice

- (a) Notice of a *Board* meeting must be given to each *Director*:
  - (i) at least 7 days before the meeting, except in emergency (as determined by the *Chair*) when only 1 day's notice need be given;
  - (ii) in person or by post, fax, electronic mail, telephone or any other form of instantaneous communication;
  - (iii) specifying the time, date and place (or places) of the meeting and the technology to be used (if the meeting will be held in 2 or more places); and
  - (iv) stating the general nature of the business.
- (b) A *Director* can waive the notice requirements.

- (c) Failure to comply with the notice requirements set out in this clause 19.2 will not invalidate the business, if it was accidental.

### 19.3 Quorum

- (a) At a meeting of the *Board*, the number of *Directors* whose presence is necessary to constitute a quorum is 4 and a quorum must be present throughout the meeting.
- (b) If there is a vacancy or vacancies in the office of a *Director*, the remaining *Directors* may act, subject to clause 19.3(c).
- (c) If the number of remaining *Directors* is not sufficient to constitute a quorum for a meeting of the *Board*, they may act only for the purpose of increasing the number of *Directors* to constitute a quorum or for convening a *General Meeting*.

### 19.4 Decisions of Directors

- (a) Issues arising at a meeting of the *Board* will be decided by a majority of votes of *Directors* present and voting and any such decision will, for all purposes, be deemed a decision of the *Board*.
- (b) The *Chair* does not have a casting vote at a *Board Meeting*.
- (c) The *Directors* may pass a resolution without a *Board Meeting* being held, if all the *Directors* entitled to vote on the resolution sign a document (which may be in identical counterparts) containing a statement that they are in favour of the resolution set out in the document. The resolution will be passed when the document is last signed by a *Director*.

### 19.5 Chair

- (a) The *Chair* will chair meetings of the *Board*.
- (b) Where a meeting of the *Board* is held and:
  - (i) the *Chair* has not been elected; or
  - (ii) the *Chair* is not present, within 15 minutes after the time appointed for the holding of the meeting, or is unwilling to act,the *Deputy Chair* will chair the meeting.
- (c) Where such a meeting of the *Board* is held and:
  - (i) the *Deputy Chair* has not been elected; or
  - (ii) the *Deputy Chair* is not present, within 15 minutes after the time appointed for the holding of the meeting, or is unwilling to act;the *Directors* present will elect one of their number to chair the meeting.

## 20. Conflicts of Interest

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### 20.1 Disclosure

- (a) Subject to the *Act*, no *Director* shall be disqualified, by the holding of that office, from:
- (i) accepting or holding any office or place of profit, except that of auditor, in the *Company* or any company in which the *Company* is a shareholder or otherwise interested or which is interested in the *Company*; or
  - (ii) contracting with the *Company* as either vendor, purchaser or otherwise in any manner,
- nor will:
- (iii) any such contract or any contract or arrangement entered into by or for the *Company*, in which any *Director* is in any way interested, be avoided; or
  - (iv) any *Director* be liable to account to the *Company* for any profit arising from any such office or place of profit, or realised by any such contract or arrangement, because of that *Director* holding that office or because of the fiduciary relationship established because of that office,
- but the *Director* must disclose that interest (***interest***) at the meeting of the *Board* at which the contract or arrangement is first considered, if the *interest* then exists, or, in any other case, at the first meeting of the *Board* after the acquisition of the *interest*.
- (b) Subject to the *Act*, if a *Director* becomes *interested* in a contract or arrangement after it has been made or entered into, the disclosure of that *interest* must be made at the first meeting of the *Board* held after that *Director* becomes *interested*.
- (c) A general notice, that a *Director* should be regarded as *interested* in all transactions with a particular entity or person, may be given.

### 20.2 Material personal interest

- (a) Subject to what is permitted or disallowed by the *Act*, a *Director* who has a material personal interest in any matter that is being considered at a meeting of the *Board*:
- (i) must not vote on the matter; and
  - (ii) must not be present while the matter (or proposed resolution of that kind) is being considered at the meeting.
- (b) Clause 20.2(a) does not apply if the *Board* has passed a resolution that:
- (i) specifies the *Director*, the interest and its relation to the affairs of the *Company*; and

- (ii) states that the *Directors* voting for the resolution are satisfied that the interest should not disqualify the *Director* from being present or voting on the matter.

## 21. Committees

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- (a) The *Board* may appoint committees, to advise it concerning various matters, comprising any *Directors*, officers, employees or *Members* of the *Company*, employees or officers of *Members* or other persons it thinks fit.
- (b) The *Board* may delegate any of its powers to a committee if the committee includes
  - at least 1 *Director*.
- (c) As a minimum, there shall be a Director Selection Committee, an Audit Committee and citrus industry issues and/or citrus fruit variety committees, which may have power or be advisory only, as determined by the Board.
- (d) A committee with power must exercise its power at the *Board's* direction.
- (e) Clauses 19.1, 19.2 and 19.4 shall apply to committee meetings (with any necessary alterations or alterations made by the *Board*).
- (f) The appointment of persons to any committee with power must be confirmed by an ordinary resolution of *Voting Members* at the next *AGM*, without prejudice to the validity of any resolution, proceeding or act of the committee prior to that confirmation.

## 22. Officers

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### 22.1 Chair and Deputy Chair

- (a) At the first meeting of the *Initial Board* and at the first meeting of the *Board* after each *AGM*, the *Board* must elect, from among its number, *Directors* to act in each of the following positions:
  - (i) chair; and
  - (ii) deputy chair.
- (b) The *Directors* elected to positions pursuant to clause 22.1 will hold those positions until the end of the *AGM* following their appointment, subject to clause 22.1(c).
- (c) The office of *Chair* or *Deputy Chair* becomes vacant if they:
  - (i) resign;
  - (ii) cease to be a *Director*; or
  - (iii) are removed by the *Board*.

- (d) If the office of *Chair* or *Deputy Chair* become vacant, the *Board* shall elect, from its number, a *Director* to act in the position until the next *AGM*.

### **22.2 Chief Executive Officer**

- (a) The *Board* may appoint a chief executive officer for any period and at any time.
- (b) The *Board* can delegate any powers to the *CEO* or revoke those powers.
- (c) The *CEO* must exercise those powers in accordance with the *Board's* direction.

### **22.3 Secretary**

The *Board* may appoint a secretary for any period and at any time.

## **23. Financial Reporting and Audit**

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- (a) The *Board* must cause proper financial records to be kept in accordance with the *Act*.
- (b) The *Board* must cause the financial records of the *Company* to be audited in accordance with the *Act*.
- (c) The *Board* must cause the *Company* to report to *Members* in accordance with the *Act*.

## **24. Indemnity**

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- (a) To the extent permitted by law, the *Company* shall indemnify each *Director* and *Secretary* against any liability incurred by them in or arising out of the conduct of the business of the *Company* or in or arising out of the discharge of their duties.
- (b) In any case where the *Board* considers it appropriate to do so, the *Company* may execute a documentary indemnity in any form in favour of any *Director* or *Secretary*.
- (c) Where the *Board* considers it appropriate to do so, the *Company* may, to the extent permitted by law, pay amounts by way of premium for any contract effecting insurance of a *Director* or *Secretary* against liability incurred by those persons in or arising out of the conduct of the business of the *Company* or in or arising out of the discharge of their duties.
- (d) In this clause 24:
  - (i) *Director* includes a former *Director*;
  - (ii) *Secretary* includes a former *Secretary*;
  - (iii) duties of a *Director* or *Secretary* include, in any particular case where the *Board* considers it

appropriate, duties arising by reason of the appointment, nomination or secondment in any capacity of a *Director* or *Secretary* by the *Company*; and

- (iv) *liabilities* include all costs, charges, losses, damages, expenses, penalties and liabilities of any kind, including, in particular, legal costs incurred in defending any proceedings (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, government authority or other body.

## 25. Notices

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- (a) A notice may be given by the *Company* to any *Member* by:
  - (i) personal service; or
  - (ii) sending it by post to the address shown in the Register or to the address supplied by that *Member* to the *Company* for delivery of notices.
- (b) Where a notice is sent by post, service of the notice will be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and to have been effected:
  - (i) in the case of a notice of meeting, on the day after the date of its posting; and
  - (ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

## 26. Minutes

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- (a) Proper minutes of all meetings and resolutions of the *Company*, the *Board* and committees shall be entered, within one month after the relevant meeting, in minute books kept for the purpose.
- (b) The minutes of meetings kept pursuant to this clause shall be signed by the chairperson of the meeting at which the proceedings took place or by the chairperson of the next succeeding meeting.
- (c) Where minutes are entered and signed, they shall, until the contrary is proved, be evidence that:
  - (i) the meeting was convened and duly held;
  - (ii) all proceedings conducted at the meeting were duly conducted;
  - (iii) all appointments made are valid; and
  - (iv) all other resolutions passed are valid.

## **27. By-Laws**

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The *Board* may make by-laws, relating to any matter within its authority, provided that they are not inconsistent with this Constitution.

## **28. Seal**

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- (a) The *Company* shall have a common seal, with its name and Australian Company Number or Australian Business Number inscribed on it in legible writing.
- (b) The *Secretary* shall keep the seal in safe custody.
- (c) The seal shall only be used with express authorisation of the *Board*, which shall be noted in the *Board* minutes.
- (d) The affixing of the seal shall be witnessed by any 2 *Directors* or any 1 *Director* and the *Secretary*, who shall sign the relevant document next to the impression of the seal.
- (e) The *Company* may make contracts and execute documents, without using the seal, in accordance with the *Act*.

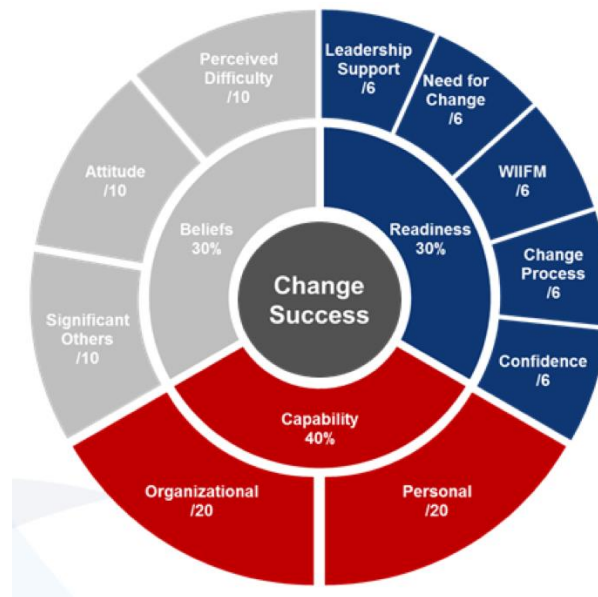
Appendix E  
Change Success Model

## Change Success Model

In 2014, Chris Mason, as part of his PhD thesis completed a detailed study of the elements required for Change Success in organisations. His research was peer reviewed and he was awarded his Doctorate for the research.

### New Change Success Model

His research highlights the 10 factors that are significant in driving successful change. They are explored in more detail below.



- Mao's research highlighted 100's of factors that impact on change success but he was able to identify which ones have the MOST impact.
- Great Businesses achieved 16% higher in change success compared to Good Businesses.
- All factors are related/connected. Change success is about many adjustments in many areas.

## CHANGE SUCCESS MODEL DESCRIPTIONS

### READINESS

1. **Leadership support** – to what degree does the leader of the change initiative visibly (and emotionally) support the change initiative?
2. **Need for change** – to what degree do the change participants believe that there is a quantifiable need for improvement between the Now and the Where with regard to the change initiative?
3. **WIIFM** – to what degree do the change participants see the benefit for themselves in participating in the change initiative?
4. **Change Process** – to what degree do the change participants believe that the change process being used is the most appropriate for the change initiative?

5. **Confidence** – to what degree do the change participants have the self-confidence and confidence in the organization to achieve what is needed in the change initiative (past experience has a bearing on this perception)?

#### **CAPABILITY**

1. **Personal Capability** – to what degree do the change participants believe that they have the capacity to perform in a reliable and satisfactory way in their relevant task required by the change initiative? Keep in mind that there are two dimensions to capability, operational (capabilities that are required to earn a living) and dynamic (capabilities that enable you to improve how you earn a living).
2. **Organizational Capability** – to what degree do the change participants believe that the organization has the capacity to perform in a reliable and satisfactory way in the relevant tasks required by the change initiative? Keep in mind that there are two dimensions to capability, operational (capabilities that are required for the organization to operate successfully) and dynamic (capabilities that enable the organization to improve the success of the organization).

#### **BELIEFS**

1. **Significant others** – to what degree do the change participants believe that the people significant to them think their participation in the change initiative is important?
2. **Attitude** – how strong is the change participants' attitude to the change initiative?
3. **Perceived difficulty** – to what degree do the change participants feel that they have everything they need to be able to achieve the required task(s)?

Reference: Mason, C. (2014). A mixed methods study on how change intentions and change readiness predict organizational change success

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