

## Chapter 2

### Structure of the Australian citrus industry

2.1 Prominent among the issues raised in evidence to the inquiry were growers' concerns about the current structure of Australia's citrus industry, arrangements for the representation of the industry at the national level and the allocation of levy funds. Many submitters were also critical of the performance of the industry's peak body, Citrus Australia (CAL), particularly its relationship with growers, and the role it plays in the allocation of research and development (R&D) funding.

#### Structure of the industry - background<sup>1</sup>

2.2 Horticulture Australia Limited (HAL) is the body responsible for managing the Government's investment in research and development (R&D) for Australia's horticulture sector. HAL is an industry-owned company, established under the *Corporations Act 2001*. The company is funded by statutory levies, export charges and voluntary contributions and is in receipt of matching Federal Government funding for eligible R&D expenditure.

2.3 In addition to an R&D levy paid on all citrus, a marketing levy is paid on oranges only.<sup>2</sup> HAL administers the funds raised by the citrus levy and the charges paid by citrus growers. In 2011–12, HAL expended \$4.29 million on R&D and \$0.53 million on marketing for the citrus industry.

2.4 The *Corporations Act 2001*, the *Horticultural Marketing and Research and Development Services Act 2000*, and the 2010–14 Statutory Funding Agreement (SFA) signed with the Commonwealth, contain the key accountability framework for HAL. The purpose of the SFA is to allow funds appropriated by Parliament to be provided to HAL and to ensure that the funds are spent for the purposes for which they are appropriated – the delivery of marketing and R&D services.<sup>3</sup>

2.5 The Minister for Agriculture is ultimately responsible for the administration of the primary legislation governing HAL. The Department of Agriculture, Fisheries and Forestry (DAFF)<sup>4</sup> does, however, provide advice on various matters in relation to HAL (including corporate governance).

---

1 This section is based on information provided in Department of Agriculture, Fisheries and Forestry, *Submission 35*.

2 Marketing expenditure does not attract matching Federal Government funding.

3 The Statutory Funding Agreement does not allow these funds to be spent on agri-political activities.

4 In September 2013, the Department of Agriculture, Fisheries and Forestry (DAFF) had its name shortened to the Department of Agriculture. However, for the purposes of this report, the department will be referred to as DAFF.

2.6 DAFF described the principles which govern the department's approach to corporate governance responsibilities and its oversight of rural Research and Development Corporations (RDCs) – including HAL – as follows:

- The individual RDC is primarily responsible for ensuring the quality of its own corporate governance.
- The department's oversight of the RDCs is not to duplicate nor lessen the agencies' governance responsibilities.
- The department does not direct HAL in its operations (that is the role of HAL's Board of Directors).
- The department undertakes a support role to:
  - assist HAL in meeting legislative requirements and in complying with its SFA, including providing guidance to HAL on better practice administration; and
  - assist the Minister to discharge statutory and parliamentary obligations with respect to HAL. This includes providing advice on the operations of HAL and its accountability of funds.<sup>5</sup>

2.7 DAFF's submission indicated that HAL's Company Constitution recognises 'A-Class' members as those prescribed industry bodies (or industry representative bodies for the growers of levied commodities) that contribute levy funds to HAL. It was also noted that, under the Primary Industries (Excise) Levies Regulations 1999, CAL is the prescribed eligible industry body for the citrus industry.<sup>6</sup>

2.8 The committee was also told that under HAL's Company Constitution, the HAL Board (in consultation with 'A-Class' members whose industry sectors contribute levy receipts greater than \$150,000 per annum) are required to establish sectoral industry advisory committees (IACs). The purpose of the citrus industry's IAC is to:

- provide advice to the HAL Board in relation to the industry;
- oversee the development of marketing and R&D programs for the industry; and
- ensure that a strategic investment plan, annual investment plan and annual report are prepared for the citrus industry.<sup>7</sup>

2.9 DAFF also noted that:

- it is not the citrus industry IAC's role to make decisions on the allocation of funds; and

---

5 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 10.

6 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 10.

7 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

- the allocation of funds is the responsibility of the HAL Board, or appropriately delegated HAL officers.<sup>8</sup>

2.10 Further, HAL's Company Constitution notes that when establishing and maintaining IAC's, the HAL Board is required to consider and pay full credit to the recommendations of the relevant industry representative body in respect of:

- the structure of the IAC;
- the industry sector grouping for which the IAC is responsible;
- the development, implementation and delivery of the strategic investment plans; and
- annual investment plans for the industry sector for which the IAC is responsible.<sup>9</sup>

### **Current industry leadership**

2.11 Previously, the Australian citrus industry was represented by the Australian Citrus Growers Federation (ACG). ACG was constituted under a federated model and initially operated out of the Riverland. In 2005, at the request of regional grower representatives, ACG undertook a review of existing industry structures, primarily to 'meet the needs of a modern export oriented industry'<sup>10</sup>.

2.12 KPMG was subsequently commissioned to review structural options for the industry, and provided a report which outlined 'current structure', 'multi-structure' and 'single structure' options. KPMG's report also strongly recommended that the citrus industry develop a strategy prior to undertaking any structural changes.<sup>11</sup>

2.13 In 2006, ACG engaged Concept Consulting Group (CCG) to facilitate the development of a strategic plan for the industry. In developing the strategic plan, CCG undertook a consultation process which involved industry bodies and individual growers. The Citrus Industry Strategic Plan, released in December 2006, identified the following four areas of focus for the industry:

- increase consumer demand for Australian citrus;
- improve industry competitiveness;
- improve industry communication and information systems; and

---

8 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

9 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

10 Citrus Australia Ltd, *Submission 15*, p. 12.

11 Citrus Australia Ltd, *Submission 15*, p. 12.

- enhance the capability of our industry and leadership.<sup>12</sup>

2.14 In 2007, ACG released an initial discussion paper titled *Restructuring the Citrus Industry's grower bodies*. In 2008 – in response to feedback from stakeholders who requested additional information to assist in the decision-making process – a draft constitution and a cost-benefit analysis of various restructure options for the industry were developed by Deloitte. In September 2008, shortly after the release of a final discussion paper,<sup>13</sup> ACG issued an Information Memorandum which proposed that the representative structure of the Australia citrus growing industry be changed. The memorandum proposed that:

... the majority of functions of the industry's grower-funded bodies and the 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".<sup>14</sup>

2.15 At a general meeting in October 2008, in line with the ACG board's recommendation, members voted to support 'Stage 1' of the process – 'for ACG to transfer its undertaking and operations to Citrus Australia'.<sup>15</sup> CAL commenced operations as the peak industry body representing Australian citrus growers on 1 November 2008, with eleven inaugural grower members.<sup>16</sup>

2.16 The second stage of the process – implementation of the broader restructure objectives – involved the dissolution of existing grower bodies and state statutory bodies. The ACG Information Memorandum noted that:

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.<sup>17</sup>

2.17 In 2009–10, Horticulture Australia Limited (HAL) conducted a review of the citrus industry's development needs. The HAL review concluded that industry development needed to be better resourced and more professionally managed at the national level. The review also recommended that the citrus industry adopt a program-based approach to future industry development activity and proposed the following four program areas:

- Market Development;

---

12 Concept Consulting Group Pty Ltd, *Creating our future: A national strategy for the citrus industry, Part A: Industry Strategic Plan – 2006 to 2011*, p. 5, (Appendix 1, Citrus Australia Ltd, *Submission 15*).

13 Australian Citrus Growers' discussion paper titled, *Restructuring the Citrus Industry's grower bodies, Final Report (White Paper)*, was released in June 2008.

14 *Information Memorandum, Citrus Australia Limited*, September 2008, p. 1.

15 *Information Memorandum, Citrus Australia Limited*, September 2008, p. 1.

16 Citrus Australia Ltd, *Submission 15*, p. 13.

17 *Information Memorandum, Citrus Australia Limited*, September 2008, p. 5.

- Information and Data Management;
- Communications; and
- Leadership and Governance.<sup>18</sup>

2.18 In 2010, CAL reviewed its corporate strategy and amended it to conform more directly to the needs identified by the HAL review. CAL also developed new nationally-focused programs and projects to specifically address the key areas of market development, information management and communication.<sup>19</sup>

### **Criticism of Citrus Australia's operations and performance**

2.19 As noted previously, a large number of the submissions provided to the inquiry were critical of the performance of CAL. Submitters acknowledged that initially there was general support for 'Stage 1' of the structural change, which involved the formation of a national peak body. It was the second phase of the process which became the primary cause of growers' concern. Specifically, submitters were critical of the structure of the industry, the administration and allocation of levy funds, and the representation of the industry at the national level. Many submitters were also critical of what they described as CAL's lack of engagement with growers and the peak body's opposition to grower-funded and state statutory bodies.

2.20 The views expressed by South Australian citrus grower, Ms Betty Lloyd, reflected those expressed by a large number of growers:

I admit that in late 2008, I accepted the outgoing ACG President's statement that; "Citrus Australia offers a fresh, more professional and commercial approach in representing our industry and maximising grower investment and returns."

Sadly, something has gone horribly wrong and I now see a once very strong and prosperous industry in a state of great turmoil and insecurity.

Every citrus growing region in Australia needs a strong regional organisation with the passion and power to control State issues with an overseeing body whose prime purpose must be to diligently use grower levies to promote the world's best quality citrus and ensure that variety and production is marketed in an orderly way.

In recent years even domestic marketing and promotion has been too late in the season, or in some States and for some varieties promotions have been almost non existent.<sup>20</sup>

---

18 Horticulture Australia Limited, *Australian Citrus Industry: Industry Development Needs Assessment and Recommendations*, November 2009, p. 26 (Appendix 6, Citrus Australia Ltd, *Submission 15*).

19 Citrus Australia Ltd, *Submission 15*, p. 14.

20 L D Lloyd and Sons Pty Ltd, *Submission 14*, [p.5].

### ***CAL's ability to represent the industry***

2.21 Another common concern expressed by submitters was that because only 10 to 12 per cent of Australian growers are actually members of the new peak body, CAL is not representative of the industry as a whole.<sup>21</sup> In expressing growers' concerns about CAL's status as the peak industry body Mr Bart Brighenti, a citrus grower from Yenda in NSW, argued that:

The fact CA presents itself as the Peak industry body, but then has membership of its own representing a small portion of the industry, will always lead to conflicts of interest between the interest of their members to that of the majority of Citrus growers in Australia.

In my time and experience in the Australian citrus industry I have never experienced a time of such fragmentation and dysfunctionality, Citrus Australia carries a lot of responsibility for this at a time when farmers needed a strong united industry the most.<sup>22</sup>

2.22 Mr Phillip Blacker, a citrus grower from Leeton noted that in March 2012 (following a vote to wind up Riverina Citrus Growers) CAL made pledges of support to growers in the Riverina. He told the committee that, to date, CAL's support 'has been limited and as yet unmeasurable'.<sup>23</sup> Mr Blacker also submitted that:

Citrus Australia (CA), the federal industry body which was set up to be funded by grower membership has failed to attract growers in the Riverina.

I myself was a member for two years but did not renew this year as I felt I was not getting the support in the Riverina that we should as the largest grower region in Australia.<sup>24</sup>

2.23 CAL's submission asserted that the Australian Government recognises it as the national peak industry body for citrus levy payers. CAL also noted that, as the recognised national peak industry body, it is also a member of HAL and Plant Health Australia Ltd (PHA).<sup>25</sup>

2.24 At a public hearing in Mildura, CAL's Chair and Chief Executive Officer were asked about the membership of the organisation – specifically, the number of growers it currently represents:

**CHAIR:** ... As to who you represent, no-one knows who you represent individually because it is not released. How many growers do you represent?

---

21 See, for example, Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 11 and Mr Ron Gray, *Submission 12*, p. 3.

22 Mr Bart Brighenti, *Submission 30*, p. 4.

23 Mr Phillip Blacker, *Submission 10*, [p. 3].

24 Mr Phillip Blacker, *Submission 10*, [p. 4].

25 Citrus Australia Ltd, *Submission 15*, p. 15.

**Ms Chapman:** Grower numbers?

**CHAIR:** You represent the industry, but who has signed up? That is really what I am asking.

**Ms Chapman:** As to who has signed up, about 50 per cent of production has signed up. As to grower numbers, the actual percentages vary from region to region.

**CHAIR:** But is it 10 or 12 per cent, or whatever we were told, of growers as opposed to production?

**Ms Damiani:** It depends what number you use. I think Senator Ruston picked this one out. Industry uses 1,800 growers. I noticed that the ABS has '1,115 establishments'. So it depends on what number you use. We use 1,800. In terms of the number of those growers, it is close to 200.

**CHAIR:** So what qualifies as a grower? Two trees? 10 trees? 10,000 trees?

**Ms Damiani:** Our constitution says that if you have one hectare of citrus you can join as a member.

**Senator STERLE:** So you have 200 members?

**Ms Damiani:** Grower members, and we have about 80 affiliate members.<sup>26</sup>

2.25 Clarification was also sought from DAFF regarding whether the Department regards CAL as the primary representative body for the Australian citrus industry:

**Senator Xenophon:** ... is it the case that an assumption was made [by DAFF] that Citrus Australia would play the key role that it has in the industry in terms of levies and funding because it was assumed that Citrus Australia was broadly representative of the citrus industry?

**Mr Koval:** Citrus Australia transformed from Australian Citrus and is the only national peak body for citrus.

**CHAIR:** So, from your point of view, the fact that it represents 10 to 13 per cent of the industry is not an issue for the department and that is an issue for the industry?

**Mr Koval:** Essentially, that is right. Our view is that it is a national body and people choose to become members of bodies and it is up to themselves.<sup>27</sup>

2.26 The committee also received evidence which was supportive of CAL as the national peak body for the citrus industry. In its submission, for example, the Costa Group indicated that it is 'a strong supporter of CAL and the role it performs',<sup>28</sup> and argued that:

---

26 Ms Tania Chapman and Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 65.

27 Mr Matthew Koval, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 4 July 2013, p. 51.

28 Costa Group, *Submission 13*, p. 3.

Citrus Australia is an effective representative of the interests of citrus growers and is the only citrus peak body capable of operating at a national level and dealing directly with the Australian government on behalf of citrus growers.<sup>29</sup>

2.27 The submission provided by horticultural business Seven Fields expressed support for the submission provided by CAL and indicated that, as an organisation, it remains committed to there being one peak body:

... there needs to be one national body representing citrus growers in Australia. This allows the industry's limited resources to be more efficiently used and deployed according to industry requirements.<sup>30</sup>

2.28 In evidence, Mr Greg McMahon, Managing Director of Seven Fields, told the committee that not only did he support the establishment of a national, grower-owned body, but he 'was in 100 per cent agreement with the structure and the way it was going forward':

[CAL] is doing what I thought it would. The only thing is that it does not have enough funding. My opinion is that the national levy needs to be higher.<sup>31</sup>

### ***Identification of levy payers***

2.29 The problems associated with the collection of data were raised a number of times during the inquiry. It was argued that because most statutory boards have been wound up (and none of the main players appear to maintain a comprehensive list) it is impossible to identify those levy players who pay the citrus R&D levy. The committee was told that under the previous structure:

... most of the statutory boards, under their state acts, had the ability to collect that data on production, crop harvesting and obviously who was in the industry. So, for instance, in South Australia we knew that there were 450 growers, we knew what yield, we knew what the planting database was, we had full nine yards in relation to information, and that would have gone into that Deloitte report. Subsequent to the demise of that board, that information is now not – no-one has the ability to collect that information, and they will not get that information under the Privacy Act anyway. Effectively, unless you have some sort of statutory power to do that, you will not get it.<sup>32</sup>

2.30 Mr Con Poulos, Chairman, South Australia Region, Citrus Australia, confirmed the problems that are currently associated with data collection. The committee was told that as Chairman of South Australia's new peak industry body, Mr

---

29 Costa Group, *Submission 13*, p. 3.

30 Seven Fields, *Submission 16*, [p. 1].

31 Mr Greg McMahon, Seven Fields, *Committee Hansard*, 4 July 2013, p. 42.

32 Mr Peter Walker, *Committee Hansard*, 4 July 2013, p. 19.

Poulos is unable to say, with any accuracy, how many growers there are across the state:

Because, as the previous speaker said, a lot of that information is collected under an act. We are not privy to any database they have. And that opens up a point. Who they are, their contact details, their names, their planting data, the number – we do not know who they are. This is one of the biggest issues we have. Part of our mandate is to communicate with contributors into our fund. Yet, at our very first meeting when we met with PIRSA in SA who went through the regulations and all that, one of the first things they told us that day was: 'We don't have access to who the growers are that fund us.'<sup>33</sup>

2.31 The issue of data collection and storage was also raised with DAFF officials. In responding to questions from the committee regarding HAL's governance arrangements, officers indicated that HAL has a statutory funding agreement in place which places certain conditions around the expenditure of funds. It was also noted that, as part of the terms and conditions of the deed of agreement, HAL 'must undergo an independent review of how they are performing, and everyone has an opportunity to have input into that review process'.<sup>34</sup>

2.32 The committee questioned DAFF officials further on this particular issue:

**Senator RUSTON:** Who is everyone?

**Mr Koval:** Levy payers, for example; ourselves as a government department.

**Senator RUSTON:** How do the levy payers have input into the process when we have been advised earlier that no-one has the capacity to know who the levy payers are?

**Mr Koval:** They [sic] levy payers themselves know who they are. We do not go to the consultant hired to undertake the review and say, 'These are all the levy payers who pay levies to Horticulture Australia for every industry, and you must go out and talk to every single one of them.' They do go through a public process where individuals themselves self-select and say, 'I would like to have a say,' or, 'I have a view.'

**Senator RUSTON:** I suppose I am getting to the point of how on earth you can expect HAL or Citrus Australia to be able to communicate their responsibilities in relation to the deed of agreement in communicating the results of R&D funding when we have no capacity to give either body the names of the people who are providing the funding which they are spending. Anyway, I will leave that with you.

...

---

33 Mr Con Poulos, South Australia Region, Citrus Australia, *Committee Hansard*, 4 July 2013, p. 28.

34 Mr Peter Ottesen, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 4 July 2013, p. 48.

**Senator COLBECK:** It is a question that has come through a number of times: how does Citrus Australia know who its members are when it cannot get access to the list of levy payers?

**Mr Koval:** That is a question in relation to how does Citrus Australia know who its members are or how does Citrus Australia know who pays the citrus levy?

**Senator COLBECK:** Both.

**Mr Koval:** One would assume that Citrus Australia knows who its members are. They are an organisation and may have a register of members and things like that. We would assume that. We have no oversight of industry bodies. We would assume an industry body covers itself. Levies are collected at a collection point and that collection point is like pack houses and we do not mandate that. They must go through it and tell us the payments of each individual. If payments are received by levy services, we make sure that levies are collected consistent with the legislation and to the volume.<sup>35</sup>

### *Appointments to CAL and IAC*

2.33 Concerns were raised about the way in which appointments are made to both the CAL and the IAC with a number of submitter suggesting that there was a lack of transparency in appointments, as well as possible conflicts of interest.<sup>36</sup> In evidence, Mr Alan Whyte, a board member of Sunraysia Citrus Growers, told the committee that:

There are, I would suggest, some fairly serious issues about appointment of people to the IAC. It was not a transparent process and no interviews were held.<sup>37</sup>

2.34 Mr Whyte went on to argue that:

... we have a situation here in which Citrus Australia is the principal proponent of projects and the principal recipient of projects. Those projects are its largest source of income, as has been mentioned earlier today. Yet we have Citrus Australia directors, Citrus Australia members and Citrus Australia staff all through the process. If that does not ring alarm bells about conflict of interest I do not know what does.<sup>38</sup>

2.35 In response to a question from the committee regarding CAL's method of selecting (and subsequently electing) board members, the Chair of CAL, Ms Tania Chapman, told the committee that:

---

35 Mr Matthew Koval, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 4 July 2013, pp 48–49.

36 See, for example, Mr Peter Walker, *Committee Hansard*, 4 July 2013, p. 18.

37 Mr Alan Whyte, Sunraysia Citrus Growers, *Committee Hansard*, 4 July 2013, p. 55.

38 Mr Alan Whyte, Sunraysia Citrus Growers, *Committee Hansard*, 4 July 2013, p. 55.

We have a director selection committee that is made up of members from each of the growing regions, and we also have an independent consultant who manages that whole process. As chair, I sit on that director selection committee but I do not have a vote. I am there solely to talk about the skills that our board has and if a director is up for election or not—if they are standing down—what skills gap that would then leave across the board. We then advertise out there for applications, and we talk about the skills we would be looking for. They include growing skills, they may include exporting and they may include marketing. If they are independents, then it would be a whole host of other different skills that might include retailing. That process all goes back to the independent consultant. The whole director selection committee is then involved in working through and grading all of the applications and determining how many people they will interview, and the interview process then goes through. That director selection committee then makes a recommendation back to the board as to who they think should be the new directors.

...

Once the board has taken that on board, the AGM notice then goes out. The members actually get the chance to vote on whether or not those directors will be accepted. Because of our constitution there is another little side part, where a member who did not go via the director selection process, provided they have I think three member signatories, can actually apply to be director outside of the whole process. If that were to happen, obviously we would hold a vote at the AGM, as we have done once before.<sup>39</sup>

### ***Regional representation***

2.36 A number of submitters took the view that the previous representative structure, comprising a national body to deal with national issues and state bodies to deal with local and state issues, was more effective. Mr Frank Battistel was one such submitter, who argued that 'the previous body needed personnel changes rather than structural changes to bring the Citrus Industry leadership up to world standards'.<sup>40</sup>

2.37 In addition to raising concerns about regional representation, a number of submitters also criticised what they saw as CAL's focus on matters which had little relevance to local growers and their concerns.<sup>41</sup>

2.38 It was argued, for example, that while CAL had been preoccupied with the winding up of state-based grower organisations it had been ignoring vital issues

---

39 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 79.

40 Mr Frank Battistel, *Submission 2*, p. 1.

41 See, for example, Mr Frank Battistel, *Submission 2*, p. 1, Mr Phillip Blacker, *Submission 10*, [p. 3] and LD Lloyd and Sons Pty Ltd, *Submission 14*, p. 2.

effecting citrus growers – such as matters concerning truth in labelling, and the promotion of both fresh navels and valencia juice.<sup>42</sup>

2.39 At the committee's hearing in Mildura, Mr Michael Keenan indicated that he had read CAL's submission and was supportive of the need for a corporate structure which would result in the best people sitting on CAL's board. At the same time, however, Mr Keenan expressed concerns about CAL's actions following its establishment as the peak body:

What I have a strong exception to is that they moved toward the decimation of the regional and state organisations to build the empire. I think that has been detrimental. There have been a lot of regional contributions to the development of the industry, its improvement and its help to growers and the wider community. I think that has been to their detriment. In my opinion, they have a failed model and are not making good use of the resources which have been established. With new personnel, leadership is vital. So I am critical of Citrus Australia in their second phase, not their first phase.<sup>43</sup>

2.40 Sunraysia Citrus Growers (SCG) also expressed disappointment in what it described as a 'significant fracturing of organisations within the Southern Australian Citrus Industry'.<sup>44</sup> SCG told the committee that:

In particular we are disappointed at the vendetta against State Based Boards undertaken by Citrus Australia. The State Boards have the ability to collect funds in an equitable manner for industry development. As an example, this has been critical for managing recent QFF outbreaks and gives the industry credence when negotiating with Government on such issues.<sup>45</sup>

2.41 Using the example of water allocation, Mr Phillip Blacker noted that all regions (even within states) can have very different perspectives on the same issue. He told the committee that whilst CAL perform well in relation to national issues, they perform very poorly on state and regional issues, and argued that:

We need a federal body but we also need effective regional representation to deal with local issues. In the Riverina we lost that. We are now faced with full time farmers becoming part time administrators to try and manage local industry issues through multiple grower groups.<sup>46</sup>

---

42 See, for example, Mr Frank Battistel, *Submission 2*, [p. 1] and Mr Bart Brighenti, *Submission 30*, p. 3.

43 Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 13.

44 Sunraysia Citrus Growers, *Submission 20*, p. 1.

45 Sunraysia Citrus Growers, *Submission 20*, p. 1.

46 Mr Phillip Blacker, *Submission 10*, [p. 5]

2.42 Mr Blacker suggested that CAL should have regional field representatives to liaise with growers and act as a point of contact. Mr Blacker also argued that 'to be a peak body for all growers they have to be more accessible'.<sup>47</sup>

2.43 The Chair of CAL's Board, Ms Tania Chapman, disagreed with suggestions that the organisation has a limited understanding of regional issues and that it lacks a connection to grassroots growers:

When you say we have no connection back to the grassroots, with our regional advisory committees, our export committee, our domestic committee and our varieties committee we actually have 79 industry people feeding back through to us. So I think we do have a fairly good grasp of what is happening in each of those regions. As well, there are the number of visits we pay to each and every region each year.<sup>48</sup>

#### *Establishment of Regional Advisory Committees*

2.44 In recent years, CAL has moved to establish Regional Advisory Committees (RACs) to replace existing state bodies. The committee was told that this process was undertaken in stages and that each region's advisory committee had come about a little differently. The first RAC set up by the CAL Board was in Queensland – because it was the first state to wind up its state organisation.<sup>49</sup> Ms Chapman described the formation of the other RACs in the following way:

In South Australia, as you know, the process was quite different, with the minister going through the whole process and then a working group came up with exactly how it would work and who would be on that committee. It was all done through an application process. Those applications were assessed on skill and industry involvement. The South Australian committee was done like that.

Over in Riverina, if we are talking about fragmented structures, the people on Griffith growers would not talk to the people on Leeton growers. So there was no way we could go with either one of those bodies to be our advisory committee. What we had to do was draw a chair from both of those committees together. We had an application process. Those two chairs and I put the call out for nominations, outlining skills and industry involvement. We three came up with who would be on that regional advisory committee.

Then it came to the Murray Valley. As you say, there already was Sunraysia Citrus Growers. But what we then got from our members was, 'Every other region has a say in the priorities of Citrus Australia. As your members, we want a regional advisory committee here in the Murray Valley as well because Sunraysia Citrus Growers is a voluntary organisation and there is a large number of disgruntled people who do not

---

47 Mr Phillip Blacker, *Submission 10*, [p. 6]

48 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

49 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, pp 74–75.

wish to pay a levy to the Murray Valley Citrus Board but it is a state statutory levy and so they have to pay it.' We were told that given they were already paying us a membership fee they felt they should have the right to have their say in how the priorities were dealt with within Citrus Australia.<sup>50</sup>

2.45 A number of submitters argued that the formation of RACs has been an unnecessary replication of existing bodies. For example, the Murray Valley Citrus Board (MVCB) indicated that:

Our Board has always been keen to work with the national peak body Citrus Australia Ltd (CAL) and it's fair to say that we have been very disappointed with some of the decisions they have made. For example we question the need for the formation of [a] Regional Advisory Committee in our region. This committee has been established to advise CAL on regionally specific R&D issues. We believe that this capability already exists with our regionally based groups namely the MVCB and Sunraysia Citrus Growers (SCG) and is duplicating the capability already present. We also question why membership of CAL is a requirement to be considered for a place on these committees in the NSW Riverina and the Murray Valley regions, whilst in South Australia all growers may nominate for a position on the committee.<sup>51</sup>

2.46 Ms Chapman, responded to growers' criticism regarding regional representation, and the peak body's role in the removal of state bodies in the following way:

I know that over the past two days you have heard a lot of negatives and a lot of issues not just about our industry but also about Citrus Australia. Some disgruntled industry members cannot move past that old state federated structure, maybe because they were a part of those organisations, maybe they even helped form them. But to lay the blame for their demise at the fee of Citrus Australia is simply incorrect. Citrus Australia did not and still does not have to power to wind up those state-based bodies. That lies within the grower base of those regions, as was the case in Riverina, where more growers than had ever turned up to any previous meeting for anything to do with the industry turned up and voted them out.<sup>52</sup>

### ***Affiliate membership***

2.47 The issue of 'affiliate membership' of CAL was also raised by a number of submitters. Evidence provided to the committee indicated that there is considerable confusion about the rules governing affiliate membership of the peak body – particularly in relation to eligibility criteria.

---

50 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

51 Murray Valley Citrus Board, Submission 9, pp. 1–2.

52 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 64.

2.48 The committee was told that in voting for the introduction of CAL, growers were under the impression that state-based boards and grower groups would continue to be involved in the industry as affiliate members of the new peak body. In his submission, Mr Bart Brighenti argued that:

I currently feel I have no true national body representing citrus growers. Citrus Australia (CA) claims to be the current national peak body representing citrus growers following a meeting of the former peak body Australian Citrus Growers Assoc. of which I was a voting delegate. Delegates understood that in voting for Citrus Australia, one of the most important aspects in the formation of CA would be the inclusion of the State Boards and Grower groups as affiliate members to ensure all growers have adequate representation.

Once formed, CA Directors have deliberately followed an agenda to remove the state boards and dismiss the grower groups by rejecting their attempts to be affiliate members and have actively been involved in removing the State boards.<sup>53</sup>

2.49 Citrus grower Louis Sartor also argued that there had been an expectation that, following the transition from ACG to CAL, the existing state-based bodies and grower groups would continue to exist. Mr Sartor told the committee that it was his understanding that:

It worked in two ways. It enabled the peak body, Citrus Australia, to have these smaller, regional groups to disseminate information, so it was going to be a flow from the peak body down to the region and its growers; and in terms of information and other mechanisms like information transfer and direction. So it was important that, under the constitution, it enabled that affiliation and membership to happen. But when I was with the Griffith citrus growers we submitted our application to Citrus Australia and it was rejected – not because of any constitutional reason but because it appeared the board had said that, at that stage, they were not going to take our membership. They were quite happy to take membership from Costa and every other organisation that paid big dollars, but they did not take membership from the growing sector. That was a real slap in the face, given that Citrus Australia is meant to be there for the growing sector.<sup>54</sup>

2.50 During the committee's public hearing in Mildura, representatives of CAL were given an opportunity to answer criticism regarding the regional representation issue. Specifically, the committee asked whether, when the original model was put up, there was an 'affiliate membership' category available to state-based boards and grower groups.

**Senator Ruston:** ... Yesterday we heard from one of the organisations from Griffith – I think that it was Riverina Citrus, but it might have been the Griffith Citrus Growers – said that when they applied to become

---

53 Mr Bart Brighenti, *Submission 30*, p. 2.

54 Mr Louis Sartor, *Committee Hansard*, 3 July 2013, p. 18.

members of Citrus Australia their money was sent back and they were told that they were not allowed to be members.

**Ms Chapman:** I was not a part of the consultation process that the Australian Citrus Growers went through. But, as I stated earlier, when we as a board look at each and every membership application we determine whether that membership would be for the good of the company. The other thing that we discuss – and we lost several board meetings on this – is that growers are paying membership to local organisations such as the Sunraysia Citrus Growers. They have a statutory levy collected through the Murray Valley Board. They have a national levy paid to Horticulture Australia. If they are then a member of Citrus Australia they pay membership. They have that direct link back to Citrus Australia if they are a member.

We did not think it was a good use of further grower funds for that local organisation to be a member of ours, and they are going to get the same information. Our whole thing is that every decision we make has to have a benefit back to the grower. We have a saying that the tree pays for everything, and the tree is really starting to sag. We think those funds that they would have been paying to us are of much better value in doing something else that will give the grower a better return. We can already relate to and work directly with the grower; we do not need the organisation to do that as well.

...

**Senator Madigan:** But you just said that you made a decision as to who can and cannot belong to a representative body that they may choose to belong to. It does not make sense to me.

**Ms Damiani:** As any not-for-profit member-based organisation knows, you have to provide benefits to your members. At that time, in the early days, we had to show that we wanted to encourage growers to be direct members of Citrus Australia – individual and accountable, and not through the state or their local organisation. That is why the board made the decision at that time; we had to foster individual grower memberships, not a \$275 annual fee that encompassed 180 growers. We could not function if every 180 growers were grouped under a \$285 membership fee. We had to encourage individual membership based on \$20 a hectare.<sup>55</sup>

2.51 On the issue of affiliate membership, representatives of the Griffith and District Citrus Growers Association (GDCG) were asked whether their organisation was a member of CAL. Mr Vito Mancini responded by saying:

... In previous sessions of the Griffith and District Citrus Growers Association we have applied to become members. I think we have applied at least two times, and, as I understand it, at those times we were knocked back because they were not looking at grower groups as being the types to be defined as affiliate members. They were looking at affiliate members as

---

55 Ms Judith Damiani and Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 74.

being businesses that operate within the citrus industry, such as a retail chain, grower support services and things like that. They did not see grower groups such as the Griffith and District Growers Association as being part of that.<sup>56</sup>

### ***Relationship between Citrus Australia and the Citrus Industry Advisory Committee***

2.52 As outlined earlier in this chapter, the citrus industry has in place an Industry Advisory Committee (IAC) which was established early in the inception of Horticulture Australia Ltd (HAL). The committee received evidence from numerous submitters who raised concerns about CAL's domination of the membership of the Citrus IAC. Submitters also raised concerns about funding decisions and the allocation of levy funds not being appropriately transparent.<sup>57</sup>

2.53 The views expressed by Sunraysia Citrus Growers (SCG) in its submission are typical of those expressed by a number of individual growers and grower organisations. SCG told the committee:

We have significant concerns relating to decision making around the allocation of the National R&D Levy. SCG believes that high standards of governance are mandatory particularly as half of the funds come from general taxpayers.

Current practises on the IAC do not meet this expectation.

Members of Citrus Australia dominate the recommendation process. Citrus Australia is the principal recipient of the R&D funding and the approved projects are the principal source of income for Citrus Australia. This is a blatant conflict of interest.

SCG believes the IAC must be able to function with anyone perceived as being associated with Citrus Australia 'out of the room' with a declared Conflict of Interest whenever an application from Citrus Australia is being considered. The current membership of the IAC does not allow this. This also raises issues as to the selection process for the current IAC members.

A consequence of current funds principally going to Citrus Australia is that applications from other entities can be sidelined by the dominant CAL membership of the IAC with the consequence that the only available funds then go to CAL applications.<sup>58</sup>

2.54 Mr Michael Keenan, a former member of the Horticultural Research Development Corporation (HRDC) suggested that the allocation of limited R&D

---

56 Mr Vito Mancini, Griffith and District Growers Association, *Committee Hansard*, 3 July 2013, p. 2.

57 See, for example, Mr Frank Battistel, *Submission 2*, p. 2, Mrs Patricia Barkley, *Submission 4*, p. 7, Mr Phillip Blacker, *Submission 10*, [p. 5] and Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 12.

58 Sunraysia Citrus Growers, *Submission 20*, p. 7.

funds by the CAL-dominated Citrus IAC and HAL has been very much distorted.<sup>59</sup> Mr Keenan was also critical of what he described as CAL being both 'player and umpire' and argued that:

Sadly, they have taken the advantage, and some of these allocations of funds to Citrus Australia have not come through on proper submissions, which we are all familiar with. There is a proper submission format to follow for any external funding, government grant or industry funding. That has not always been the case in the allocation of funds, and it has been to the benefit of Citrus Australia. I stand [to be] corrected: on not one occasion has an application from Citrus Australia for funding been rejected, whereas the submissions from the department of primary industries, researchers and so on, which go before a review panel, applying for the limited funds which are in R&D have a very high failure rate.<sup>60</sup>

2.55 Mr Alan Whyte, a SCG Board Member expressed a similar view when he argued that, as the situation currently stands, CAL is both the principal proponent, and the principal recipient of projects – projects which are its largest source of income. Mr Whyte also told the committee that:

... we have Citrus Australia directors, Citrus Australia members and Citrus Australia staff all through the process. If that does not ring alarm bells about conflict of interest I do not know what does. You literally can have a situation where an application is compiled in the Citrus Australia office by staff, most of whom are on R&D funded projects, and the assessment process includes those people involved, and their members are on the IAC. If that does not ring alarm bells in a governance sense I do not know what would. It raises a very serious issue as to why the board of Horticulture Australia tolerates that, because if you look at the chain of responsibility it is the directors of the board of Horticulture Australia who are directly responsible for that.<sup>61</sup>

2.56 In his submission, Mr Bart Brighenti also raised questions about the transparency of the Citrus IAC's decision-making process, particularly given that the Citrus IAC has been 'made up of a majority of CAL directors and members even though 87% of growers are not members of CA'<sup>62</sup>. Mr Brighenti told the committee:

I want my levies used for the best interests of my industry and I want the people administering it to make impartial decisions and the process they follow enforce good governance principles.

Citrus Australia has been the greatest recipient of project money from the national levy, I can only be left feeling that they have been passing their own projects through, what in my view is, a biased IAC. [T]his is

---

59 Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 11.

60 Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 16.

61 Mr Alan Whyte, Sunraysia Citrus Growers, *Committee Hansard*, 4 July 2013, p. 55.

62 Mr Bart Brighenti, *Submission 30*, p. 3.

heightened by the fact the vast majority of CA income comes from levies rather than membership.

I can have no faith in such a system especially when there is supposed to be an independent chair of the IAC, but this is clearly not in place, as the current chair is a founding member of CA.<sup>63</sup>

2.57 CAL's Chair, Tania Chapman, responded to concerns about the Citrus IAC's decision making process – particularly in relation to its transparency. Ms Chapman told the committee that HAL is required to hold a meeting of levy payers annually and argued that, by definition, it is a meeting that all levy payers are entitled to attend:

They [levy payers] are able to question the projects, how the money was spent and absolutely everything about it. I think last year there were about 10 to 15 people who turned up in the Riverina. So, as I said before, you can give them all the information in the world but you cannot make them come along until they want to beat the drum about something. That mechanism is there each and every year. I am not sure how we jump across that big divide and get them to come to the appropriate forums to voice their questions.<sup>64</sup>

2.58 CAL's Chief Executive Officer, Ms Judith Damiani asked that it be 'put on the record that levy payers do have a mechanism to have a say on how their levy is spent'<sup>65</sup>. At the same time, however, Ms Damiani acknowledged that there is considerable confusion about the national horticulture levy system:

What I have heard spoken about over this day and yesterday is that there is a lot of confusion about the national horticulture levy system and what happens with the peak industry bodies and their membership and what happens at a state level with state levies. It is a very confusing and complex set-up. We are trying to simplify it. We have to work together in simplifying the system. It is very complex.<sup>66</sup>

2.59 Ms Damiani asked to correct the record regarding CAL's investment plan for citrus R&D levies, and told the committee:

I also heard it said that there is no R&D plan. That is totally incorrect. There is a five-year strategic investment plan for national citrus R&D levies. There was one before and there is one now that was put in place last year for the next five years. It took us 18 months with an independent facilitator working around the regions with regional workshops, individual consultations and submissions to put that in place. That is how they have a say on how their levy is spent over the five years. It is quite detailed and it goes through by priority and areas of expenditure.<sup>67</sup>

---

63 Mr Bart Brighenti, *Submission 30*, p. 3.

64 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

65 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

66 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

67 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 77.

2.60 As outlined previously in this chapter, a number of submitters raised the question of the Citrus IAC being dominated by CAL board members.<sup>68</sup> This was also one of the issues dealt with in DAFF's investigation of HAL's Citrus IAC, and which is outlined in the following section.

### **DAFF's investigation of HAL's Citrus IAC**

2.61 In early 2012, a number of the abovementioned issues were raised with the former Minister for Agriculture, Fisheries and Forestry, Senator the Hon. Joe Ludwig. On 4 January 2012, Minister Ludwig received a representation from within the citrus industry claiming that poor governance was affecting the operation of HAL's Citrus IAC. The claims made by the industry were outlined as follows:

- CAL had increasingly become a provider of development and extension services to the citrus industry, funded with industry levies and matching government funds through HAL, excluding other potential service providers;
- at the time the Citrus IAC advised HAL to allocate project funding to CAL, the Citrus IAC was largely composed of the Board members of CAL, as permitted by HAL's Constitution, thus creating a potential conflict-of-interest in the advice offered to HAL (on the allocation of citrus industry research and development funds);
- the advice offered by the Citrus IAC to HAL was influenced by industry agri-politics;
- the Citrus IAC lacked members with adequate scientific or board directorship skills, and
- as a result, the Citrus IAC was poorly positioned to advise HAL on the allocation of funding.<sup>69</sup>

2.62 Minister Ludwig directed the industry's claims to DAFF for investigation. The Department then contacted the citrus industry complainants to better understand the claims made in their representations. DAFF also agreed on an approach to the investigation with both the HAL Board and senior management.<sup>70</sup>

2.63 HAL investigated the claims about the operation of the Citrus IAC and reported its findings to DAFF on 5 April 2012. HAL's report confirmed that:

- of the Citrus IAC's nine members, seven were board members of CAL while two were independent members;

---

68 See, for example, Mr Frank Battistel, *Submission 2*, p. 2, Mrs Patricia Barkley, *Submission 4*, p. 7, Mr Phillip Blacker, *Submission 10*, [p. 5] and Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 12.

69 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

70 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

- on the advice of the Citrus IAC, HAL awarded CAL \$1.371 million of \$1.657 million of available levy funds (83 per cent) in 2010-11 and \$272,000 of \$602,000 (45 per cent) in 2011-12; and
- a non-contestable process was used to allocate project funding to CAL.<sup>71</sup>

2.64 On 11 February 2013, HAL provided DAFF with the final 2011–12 citrus program expenditure figures. The data showed that in 2011–12, CAL received \$1.475 million of HAL's \$2.921 million Citrus Levy Investment Program (50.5 per cent). In addition, HAL reported poor record-keeping practices by the Citrus IAC secretariat, which had impeded HAL's analysis of the IAC's actions and decisions.<sup>72</sup>

2.65 In May 2012, HAL advised DAFF of a number of preliminary actions it would take to address the findings of the investigation. These actions included:

- reconstituting the citrus IACs to comprise a majority of members that are not directors, executive officers or employees of CAL;
- facilitating a meeting of key citrus industry stakeholders to discuss the IAC's operations;
- an increased level of reporting to levy payers at the next annual citrus industry levy payers meeting; and
- Ms Pat Barkley<sup>73</sup> would remain on the IAC as the technical advisor on the R&D program.<sup>74</sup>

2.66 On 2 July 2012, Minister Ludwig wrote to the citrus industry complainants, summarising the findings of the investigation and advising that HAL would be the agency responsible for implementing the agreed actions (to improve the governance of the Citrus IAC).<sup>75</sup>

2.67 The new membership of the Citrus IAC was announced in August 2012. The IAC is now made up of nine members – six of whom are not directors, executive officers or employees of CAL. DAFF was advised by HAL that the new Citrus IAC 'was selected following a thorough and open selection process'<sup>76</sup> which involved advertising for expressions of interest in the press in major citrus growing regions. All applications were then provided to an independent recruitment agency for review

---

71 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

72 Department of Agriculture, Fisheries and Forestry, *Submission 35*, pp. 11–12.

73 DAFF's submission notes that Ms Barkley resigned from CAL on 11 September 2012 and therefore, from that date, she also ceased her role as an ex-officio technical adviser to the Citrus IAC.

74 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

75 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

76 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

before being considered by a three person selection panel which included representatives from the HAL Board, HAL management and CAL.<sup>77</sup>

2.68 On 28 November 2012, HAL gave DAFF notice that it was proposing to appoint independent governance advisers to its IACs. The role of these advisers would be to assist with governance, manage the implementation of procurement guidelines and improve risk management. On 6 February 2013, HAL confirmed that an independent governance adviser had been appointed to five IACs – including the Citrus IAC.

2.69 On 16 February 2013, HAL advised DAFF that it had recommended the introduction of procurement guidelines to its members. DAFF was also advised that implementation guides for HAL's procurement guidelines would be finalised by HAL during 2013, taking into account feedback from the independent governance advisors and other stakeholders. Any additional improvements to HAL's governance arrangements that are agreed between the government and HAL will also apply to the Citrus IAC.

2.70 DAFF also indicated that 'discussions are continuing between the department and HAL on improved governance arrangements for all of HAL's IACs, to avoid possible or perceived conflicts of interest'.<sup>78</sup> DAFF also advised that:

There are a range of initiatives being discussed which aim to ensure greater contestability in the allocation of funding and improved arrangements for the composition and function of IACs. HAL is engaging with its members to resolve the complaints and strengthen IAC governance arrangements.<sup>79</sup>

## **HAL – review of structure and performance**

2.71 On 25 July 2013, HAL announced its intention to commission a review of the model under which it currently works, 'in order to maximise the return from Australian horticulture's investment in marketing and research and development'.<sup>80</sup>

2.72 HAL indicated that the review will be conducted by an independent organisation and assisted by a steering committee. The proposed membership of the committee – which will be appointed by HAL and chaired by an independent person – includes:

- HAL members;
- levy payers;

---

77 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

78 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

79 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

80 Horticulture Australia Limited, Media Release, *HAL to review structure in bid for stronger sector*, 25 July 2013.

- DAFF; and
- experts from both HAL and the Rural Research and Development Corporation.

2.73 In announcing the review, HAL noted that during the past 12 years, the value of the horticulture industry has tripled – to approximately \$9 billion. HAL also acknowledged that HAL's membership has doubled and that this growth has led to a structure it described as 'complex'.

2.74 HAL indicated that its Statutory Funding Agreement with the Commonwealth requires that a review of the organisation's performance be completed six months prior to its expiry, by May 2014.

2.75 It is proposed that the terms of reference for the review will be broad, however the performance review will include an examination of:

- the HAL service delivery model (against the benchmark of good governance practice);
- HAL's membership structure;
- the nature and transparency of funding arrangements;
- HAL's ability to deliver services;
- HAL's ability to meet the future demands of the horticulture industry;
- the efficiency of the existing levy structures; and
- the process by which levies are conceived, implemented, collected and expensed.<sup>81</sup>

## **Committee view**

2.76 The committee notes that industry stakeholders (including individual growers) are generally supportive of the idea of a national peak body for citrus. The committee also notes that a large section of the industry was initially supportive of CAL, and voted in favour of the new organisation replacing ACG as the industry's peak body.

2.77 It is clear, however, that following the establishment of CAL, growers began to express serious concerns about its performance as the industry's peak body. Growers raised concerns about the structure of the industry, the industry's leadership and the lack of regional representation at the national level. Growers also expressed concerns about the way in which the new organisation has failed to engage with growers, the role it plays in the allocation of research and development (R&D) funding, and the lack of transparency in the funding process itself.

---

81 Horticulture Australia Limited, Media Release, *HAL to review structure in bid for stronger sector*, 25 July 2013.

2.78 The committee acknowledges the strongly held views of those industry bodies and individual growers who argued that CAL is not representing their interests effectively. The committee also acknowledges the argument presented by a number of industry stakeholders; that there is a lack of transparency in relation to the allocation of R&D funding and in relation to the membership of both the IAC and CAL. The committee notes the frustration expressed by stakeholders who told the committee that the concerns they have raised have not been heard or responded to. As a result, relations between growers and their peak industry body have, over recent years, deteriorated to a point where there is now a distinct lack of trust between CAL and those it was appointed to represent.

2.79 However, the committee also notes that CAL does have support from several parts of the citrus industry. This clearly demonstrates the degree to which the citrus industry is splintered and the fact that the various sectors are finding it difficult to work cooperatively. The committee notes that it has become difficult for an observer to identify facts from fiction, and it is starting to become a matter of 'he said' and 'she said', which is neither helpful, nor conducive to building working relationships.

2.80 The committee is aware of the difficulties that CAL has faced in taking over from ACG and attempting to provide leadership to an industry sector that has become fragmented and is frequently in conflict. Nonetheless, the committee is of the view that as the national representative body for the entire citrus industry, it is incumbent on CAL to listen to growers' concerns (regardless of whether they are members), give due consideration to the issues raised, and work with growers to find pathways forward. The committee is also of the view that it is CAL's responsibility to forge formal and constructive relationships with, and between, individual growers (again, regardless of whether they are members), state and regional bodies and government agencies.

2.81 The committee acknowledges the background and the complexity of the issues surrounding the establishment of RACs. The committee is of the view, however, that appointment to, and membership of, these advisory committees should be consistent across all states. The committee is also of the view that CAL should adopt a more democratic selection process to appoint representatives from the regions, and allow these representatives to inform policy development from a regional perspective.

2.82 It is obvious that the current structure, particularly in relation to regional representation, is not delivering on the needs of the industry. The committee notes, for example, that stakeholder groups – particularly regional organisations – are having problems accessing up-to-date, accurate information about the growers they represent, a situation which is both unhelpful and unjustifiable.

2.83 It is the committee's view that the industry needs to develop a central database which provides a register of growers and contains sufficient data to extract specific details such the location of citrus growers, the varieties of citrus being grown and the amount of citrus being grown. The committee believes that the maintenance of this

type of basic data would be to the industry's advantage in terms of policy development and planning. The committee further considers that such a database be in the custody of a body independent from the current representative bodies (such as DAFF) until such time as issues of equitable national and regional representation are resolved. In conjunction with DAFF and the Levies Revenue Service (LRS), the industry should consider working towards a compulsory registration system for all commercial citrus producers in order to facilitate this process, particularly with regard to facilitating communication with growers in biosecurity emergencies.

2.84 The committee believes that DAFF, as the legislated levy collector should furnish HAL with a comprehensive list identifying levy payers in order to enable effective communication with them. This list/database would also establish the means by which HAL could receive feedback from levy payers regarding the administration of levies, as well as allowing levy payers an opportunity to provide feedback on issues such as industry representation, changes to the levy amount and changes to the way levies are collected and distributed.

2.85 The committee is also very concerned however that, given the current lack of up-to-date information, contacting individual growers in the event of a biosecurity emergency would be complicated, slow and very likely not to be comprehensive in scope.

2.86 The committee notes that in the 12 months since DAFF's investigation of HAL's Citrus IAC, efforts are being made by stakeholders to improve governance arrangements for all IACs and to avoid possible or perceived conflicts of interest. It is important that these efforts continue. Many of the findings of the investigation go to the heart of the committee's concerns, and it encourages the swift implementation – and monitoring – of the reforms outlined in the final sections of this chapter. In the context of CAL being the principle recipient of HAL funding for citrus projects, the committee notes the continued presence of CAL directors and/or employees on the Citrus IAC and the IAC's Technical Reference Committee, and the inclusion of a CAL representative on the selection panel for the current IAC.

2.87 The committee believes the current review of HAL's performance is timely. It also welcomes the broad terms of reference that have been put forward – particularly in relation to membership structure, the nature and transparency of funding arrangements, the efficiency of the existing levy structures and the process by which levies are conceived, implemented, collected and expensed. While the committee looks forward to the results of the review, it considers the review could also usefully address:

- HAL's capacity to effectively and efficiently direct industry and government funds to critical national, whole-of-industry issues;
- appropriate mechanisms for greater and more transparent stakeholder and levy payer participation in the strategic direction of research and development and marketing funded through levy payers;

- the possibility of rationalising the membership structure to improve efficiency and better address critical national, whole-of-industry issues; and
- the possibility of a membership structure which removes potential conflicts of interest in the allocation of funds to research projects.

### **Recommendation 1**

**2.88** The committee recommends that the industry review its structure and introduce changes that provide all growers and other stakeholders with a more democratic and regionally representative peak industry body, finding an equitable balance between the need for industry 'presence' in terms of production volumes, and allowing small participants a meaningful say in the direction of their industry, and to provide for consistency in the selection of regional advisory bodies.

### **Recommendation 2**

**2.89** The committee recommends that the industry work with DAFF and the LRS towards a compulsory registration system for growers to develop a central database of growers – with data including their location, contact details, area under citrus cultivation, and varieties and volumes of citrus grown – to facilitate:

- industry planning
- industry policy development
- communication of research outcomes funded by levy payers; and
- communication with growers in biosecurity emergencies

and that this database be in the custody of a body independent from the current representative bodies (such as DAFF) until such time as issues of equitable national and regional representation are resolved.

### **Recommendation 3**

**2.90** The committee recommends that the industry works with HAL to address apparent conflicts of interest created by having directors and/or employees of CAL on the Citrus IAC and IAC Technical Reference Committee.

### **Recommendation 4**

**2.91** The committee recommends that, as part of its review, HAL considers a membership structure which removes potential conflicts of interest in the allocation of funds to research projects.