

Approaches to developing a membership database and membership identification process for GRDC levy payers

Final Report to GRDC V2

For Public Use

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Executive Summary

The report '*Approaches to developing a membership database and membership identification process for GRDC levy payers*' presents to GRDC options for achieving a levy payer register, and a membership register should GRDC's structure become industry-owned.

The report has been requested by GRDC at a time when recommendations from Marsden Jacob Associates about optimal long-term legal structures for GRDC are being considered. It also comes at a time when the Senate Rural and Regional Affairs and Transport References Committee (RRAT) is considering industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector.

Several different alternative approaches for establishing, updating and maintaining a grains R&D levy-payers membership database have been researched. Four approaches (models) are reported in detail.

The report begins by setting context for the Research and Development Corporations (RDCs) and for how levy arrangements differ across various industries. Data accessibility and ways existing industry owned corporations (IOCs) link data, levy information and voting rights is presented. The report also discusses what data currently sits where in the grains supply chain.

Agents, who are the purchasers of the grain, collect levies. The grains industry has many agents, however only about 20 unique agents collect the bulk of grains levies. The agents generally have sophisticated business systems and collect all the relevant information that GRDC would require to support a levy payer register, to understand the structure of the levy payer base and to support membership and voting entitlements. Tapping into this data is the aim of proposed legislative change.

Two of the proposed models take advantage of an existing private organisation National Grower Register (NGR). NGR links payee details to grain deliveries via a card system and has a significant coverage of Australian grain grower entities, although coverage in Western Australia is improved greatly if the NGR system is combined with CBH capability. NGR's identification of producers is based on Australian Business Numbers (ABN), which equates to 'payees'.

The first model (**Model A**) described in the report is fully outsourced model, with the Department of Agriculture's Levies Revenue Service (LRS) as the service provider. It requires legislative change. The steps to change levy and/or levy collection legislation are described.

The second model (**Model B**) is fully in-house for GRDC where GRDC manages all aspects of registers and voting. It relies on a legislative change enabling producer level information to be passed on by agents to LRS and in turn for LRS to pass that data on to GRDC.

The third model (**Model C**) is also fully in-house for GRDC where, instead of gathering information from agents, the information is collected directly from grain growers via a harvest declaration form.

The fourth model (**Model D**) described is a hybrid between GRDC in-house activity and GRDC outsourcing some aspects of the work to NGR. This hybrid model relies on gathering producer level information through a harvest declaration form.

The key finding of this work is that reliable access to the amount of GRDC levy paid by a grain grower by financial year will be difficult to achieve in the absence of legislative change.

There is an opportunity for GRDC to work with other interested RDCs on the required legislative changes to achieve data flow from agents to the particular RDC. It is plausible for a case to be made for RDCs to all have a similar opportunity to access producer level data, which is already facilitated through legislation for the dairy and wool industries.

The alternative approach to legislative change is to use production information gathered through harvest declarations as a proxy for levies paid. Harvest declarations would be voluntary and potentially may have a poor return rate. However the harvest declaration approach is a way for GRDC to get started on accumulating information about its levy payers.

GRDC project code ZIA00001

Transition suggestions are made in the absence of legislative power to access levy data, and also in the period where no decision has been made about whether GRDC's current legal structure is to remain as a statutory body or change to an IOC. GRDC may like to consider starting out with the hybrid approach between itself and an external provider such as NGR (Model D) whilst concurrently working collaboratively with other interested RDCs on appropriate legislative change.

1 Introduction

Levy System

Currently there are 15 Rural Research and Development Corporations (RDCs), of which four are Statutory Corporations and 11 are Industry Owned Corporations (IOCs).

RDCs receive income from statutory or voluntary levies on primary producers ⁽¹⁾, and matching funding up to a cap from the Australian Government. The cap is set at 0.5% of the industry's gross value of production. A levy-payer is the entity that bears the costs (and benefits) of the levy.

Statutory RDCs are subject to the Primary Industries Research and Development Act (PIRD Act) and the Public Governance Performance Accountability (PGPA) Act.

The IOCs are each established under industry-specific legislation. These instruments enable levies, other industry contributions and matching government contributions to be received by the IOC. IOCs are subject to the Corporations Act, with most structured as companies limited by guarantee.

IOCs have a Statutory Funding Agreement (SFA) in place with the Australian Government that sets out consultation, planning and reporting requirements. Some IOC arrangements enable the particular industry to vote on the rate of levy set through a process called a Levy Poll.

Other key underpinning legislation for levies is:

- Primary Industries (Excise) Levies Act 1999 (rates are provided in Levies Regulations)
- Primary Industries (Customs) Charges Act 1991 (relates to imported forest products)
- Primary Industries Levies and Charges Collection Act 1999.

There are also regulations guiding levy collection (Primary Industries Levies and Charges Collection Regulations 1991).

The Department of Agriculture (Dept. of Ag.) coordinates industries in establishing levies and collects levies through the Levies Revenue Service (LRS). Dept. of Ag. charges the RDCs a collection fee for this service.

Levy base across industries varies

There are differences in the levy arrangements that provide industry funds to each of the RDCs. These differences often reflect industry history and provide for different bases (for example product value or volume) to which levies are applied.

For horticulture, the levy is payable for horticultural produce where the producer either sells the product or uses it in the production of other goods. Individual horticultural commodities have separate independent levy rates and different collection mechanisms (sometimes the levy is collected on pots). Horticulture Innovation Australia Limited (HIAL) has around 90 different commodities in its gambit.

Dairy, Pork, Wool and Forest Products RDCs pay a single levy that can be used for both RD&E and marketing. However, the levy itself may be more complex. For example dairy levies are paid on butter fat content and protein. Wool levies are paid simply on sale price for shorn greasy wool.

(1) This a generalisation as in some industries (for example dairy) processors also pay levies.

The levy for the grains industry is applied as a farm gate value and includes the levy for the National Residue Survey (NRS) and for Plant Health Australia (PHA). GRDC levies are set at 0.99% of farm gate value for all of its 25 leviable crops other than maize, which has a levy rate of 0.693%. The levy is charged at a rate of 1.02% at the first point of sale as it includes income for PHA and the NRS. LRS collects the levy and GRDC receives its share in quarterly installments aggregated up into wheat, coarse grains, grain legumes and oilseeds.

Given the differing levy structures and supply chain functions surrounding various RDC's, the levy payer register requirements - and thus viable register solutions - are not universal across all RDC's. The implication of the variation of how levies are applied across rural industries means that there are unique aspects to each industry and often to different commodities for the one RDC.

Levy collection points across and within industries varies

Whilst generally the legal obligation to pay levies falls on the producer, in many cases for convenience other parties in the supply chain collect the levy and pay it to LRS on behalf of the primary producer.

Common scenarios for collection of levies in the grains industry are outlined below:

- Grower to agent model. The agent pays the levy to LRS and provides advice back to the grower, for example as a Recipient Created Tax Invoice (RCTI).
- Grower-trader model where the grower also acts as a trader (agent) and sells direct to retail. The grower pays the levy to LRS.

In some cases such as for dairy and wool, there are commodity-specific clauses in the levy collection legislation and supporting regulations. This allows LRS to pass producer level information on to the particular RDC.

A very significant portion of grain growers pay levies indirectly as agents pay levies on their behalf. LRS collect levies from just 831 unique agents even though there are about 21,000 grain producing farms in Australia.

LRS collects wool levies from around 50,000 wool growers through 171 collection points (wool brokers). Dairy levies are collected at the processor level and there are 79 collection points for the dairy industry. Pork industry levies are collected at the abattoir level and there are currently 76 agents collecting levies from approximately 6,800 pork producers.

The number of collection points is a key driver of levy collection cost through LRS. Processes with fewer collection points are more efficient. Other significant drivers of cost are the frequency of returns, complexity of the data provided by agents to LRS and also the proportion of manual returns lodged verses automatic (levies online https://www.leviesonline.daff.gov.au/lrsonline/LRSOL_Start/LRSOL_Home.aspx?ck=805061562500).

Data accessibility to identify individual grower levy payers varies

If asked 'How much GRDC levy do you pay?', many grain growers would need to do further work in order to answer. This is because the levy rate applied contains levies for three organisations (GRDC, PHA and NRS) and the value of grain to which the levy rate is applied is farm gate value. This means that the agent makes an adjustment in the grain value to reflect the farmer's transport costs before applying the levy. As levies are not paid until grain is actually sold, the timing of levies paid on grain put into pools is a further complexity that a farmer has to deal with to keep track of how much GRDC levy has been paid.

Information all grower levy payers would have at hand is the value of the produce they have sold. Growers receiving a Recipient Created Tax Invoice (RCTI) from their agent in most cases (but not always) will see a line item in the receipt saying how much levy the agent paid on the grower's behalf. The levy is GRDC, PHA and NRS obligations combined. The agents transfer the levy to LRS: LRS is responsible for the disbursement of grains levy income between GRDC, PHA and NRS.

The majority of agents in the grains industry in Australia have sophisticated systems in place that enable them to collect information at delivery ticket level. A similar process also occurs in other industries such as wool and dairy. As part of its compliance program for levy collection, LRS has access to view this information held by agents.

Whilst the Wool RDC (Australian Wool Innovation (AWI)) and Dairy RDC (Dairy Australia (DA)) are able to gain access to producer level information through LRS because of their underpinning industry-specific legislation, GRDC has no provision to enable this.

In the grains industry, growers commonly have their payment details linked into a card system for convenience. This card is presented at the grain receival point and immediately notifies personal details of the seller's trading name, ABN and the account to which the proceeds from the grain sale are to be paid into by the agent. The National Grower Register (NGR) is widely used by Australian grain growers. A similar system exists within CBH.

Ways IOC RDCs are generating membership registers

The ability to know who all the levy payers are for any particular RDC is challenging due to the lack of clear producer identification data and the inability in many cases to pass information on to RDCs. There are two types of register discussed in this report:

- Levy payer register, and
- Member or shareholder register.

Being a levy payer is usually a prerequisite for being a member or shareholder in an IOC.

To date the IOCs have been most focused on developing a membership register (or in the case of AWI, a share register), rather than a levy payer register. Some RDCs have other avenues to engage producers, such as through industry representative organisations holding registers.

Becoming a member of an IOC is voluntary for levy payers and the general approach is for levy payers to apply to become a member using an RDC-specific membership form (this process is not required for members stated initially in the RDC's constitution).

Some RDCs use share registry firms to assist in establishing and maintaining their registry. In the case of AWI, producer level information is provided by LRS to a third party (Intense Technologies) who under take significant data cleansing work to remove duplicates/anomalies etc. Data from Intense Technologies and share application forms filled in by wool growers are sent to Link Market Services. Link Market Services manages AWI's share registry and assignment of voting rights.

In the dairy industry, LRS provides DA directly with producer level information collected from agents (processors) under a legislated process. DA does all data cleansing in-house, establishes and maintains a levy payer register and also derives a membership register with voting entitlements. In addition to legislated agent data, DA asks producers to volunteer further information. This enables DA to reconcile a dairy license number (registering a dairy is a State-based requirement for food safety) with levies paid and grower contacts, although providing the dairy license number is one of the voluntary information fields.

It is the exception rather than the rule that LRS is enabled to pass producer level information onto a particular industry's RDC. Meat and Livestock Australia (MLA), Australian Pork Limited (APL), HIAL, GRDC, Cotton RDC and Fish RDC are examples of RDCs that do not have levy-payer information passed onto them.

MLA and APL take a similar approach to establishing a membership register. Essentially they operate an honesty system where levy payers voluntarily apply to become an MLA or APL member, and self declare their identification and how much levy they have paid.

Recognising the gap between an RDC not directly knowing the identity of all their levy payers and the sub-set of levy payers on a membership or share register, the CWLTH through its agreement with the RDC (i.e. the SFA), requires the IOCs to use reasonable endeavours to ensure that levy payers who aren't members are advised of their entitlement to become a member.

Ways IOC RDCs are linking individual levy payers with membership and voting rights

The constitutions of the various IOCs set out membership rights and processes. In general voting entitlement is related to payment of levies for that particular member in a defined period of time – more levies that have been paid in that period corresponds to increased voting rights. Sometimes these are directly proportional whereas in other cases the increases are stepped. In some cases there is a 'top and tail' concept in place to manage a very long tail of small producers and/or to ensure many producers are represented rather than voting being overly dominated by a few very large growers.

A more detailed discussion on how members' levies are converted into voting entitlements is on page 65.

Ways RDCs are running levy polls

AWI and DA are required to periodically run a levy poll, which is a general vote by levy payers on the rate of the levy. Both these organisations are guided by regulation setting out the process.

In accordance with the Wool Services Privatisation Act 2000, AWI must conduct a poll of all eligible levy payers every three years to determine the rate of the levy to apply for the following three year period. AWI must then make a recommendation to the Minister in accordance with the outcome of the poll. The Wool Services Privatisation (Wool Levy Poll) Regulations 2003 govern the conduct of the poll. AWI must propose three to five different rates of wool levy at the poll, including a zero rate. Individual woolgrowers, corporations, partnerships or trustees are eligible to vote in the poll so long as they have paid a wool levy totaling at least \$100 during the three financial years before the poll. An eligible entity is entitled to one additional vote for each whole \$100 of wool levy that has been paid.

AWI is assisted in the wool poll process by a panel that must include representatives of those growers that will be eligible to vote in the poll. AWI must consult with the panel in preparing the information memorandum, voting instructions and design of ballot paper. These are subject to Ministerial approval. AWI uses Link Market Services to do the mail outs to growers and also to count the votes.

The requirement for DA to run a levy poll every five years is set out in its SFA and the poll must be conducted in accordance with the Dairy Product (Dairy Service Poll) Regulations 2006. The plan

for a poll has to be approved by the Minister. Also the results and supporting recommendation must be provided to the Minister at the conclusion of the poll. All producers who have paid levies directly or indirectly through processors or agents in the year of the levy poll are eligible to vote in the poll. There is one vote allocated for each whole dollar of dairy service levy that the entity paid (directly and/or indirectly) to the CWLTH before the cut off day.

Similar to AWI, DA must obtain Ministerial approval for its information brochure, voting instructions and ballot paper and include three to five different levy rates including a zero option. DA appoints an individual with relevant expertise as the returning officer (has to be independent). The result is the first proposed levy rate receiving the majority of votes, however the system becomes preferential if there is no majority on first count.

DA established a Dairy Poll Advisory Committee to assist with running the 2012 dairy poll. Over 50 dairy poll meetings were held around Australia in the month prior and during the voting period. Similarly in 2012 APL members voted to increase the pig slaughtered levy by 90 cents per pig.

Grains industry data accumulation by various industry participants

Within the grains industry data is captured at various points. The information varies according to what each participant in the industry needs to achieve. Information already collected within the grains industry relevant to a levy payer database and potentially a membership register is given in Table 2.

Table 1: The typical software systems used by key grain industry participants

Agents	Details provided to GRDC
NGR	Details provided to GRDC
LRS	Details provided to GRDC
GRDC CRM	Details provided to GRDC
Commercial mail houses	Details provided to GRDC

Table 2: Industry participants thought to hold relevant data on grains levy payers

Data description	Grain grower	Agent	NGR	LRS	GRDC CRM	Commercial mail house companies
ABN	☐	☐	☐	☐	☐	☐
Producer name	☐	☐	☐	☐	☐	☐
Physical address, email and phone contacts	☐	☐	☐	☐	☐	☐
Trading name	☐	☐	☐	☐	☐	☐
NGR payee # (or CBH #)	☐*	☐	☐	☐	☐	☐
Crop type down to the level of 25 leviable crops	☐	☐	☐	☐	☐	☐
Tonnes by crop type	☐	☐	☐	☐***	☐	☐
Levies deducted paid by crop type	☐**	☐	☐	☐***	☐	☐
Total levies deducted	☐? **	☐	☐	☐****	☐	☐
Break down to give total GRDC levy paid	☐	☐	☐	☐****	☐	☐
Payment details	☐	☐	☐	☐	☐	☐

*A grower may have multiple cards and a grower may have multiple ABNs. In general in NGR there is only one payee per ABN. Each payee represents a grain enterprise and has a primary contact person.

**Levies include GRDC, PHA and NRS. Most, but not all, RCTI's include a levy line item.

***Aggregated to four categories for crop type (wheat, course grains, oilseeds and pulses)

**** Received as aggregate, not as identifiable grower level data.

2. GRDC Terms of Reference

The terms of reference for the work GRDC requested are outlined below.

- Identify & describe several alternative approaches (systems and processes) for establishing, updating and maintaining a grains R&D levy-payers membership database. As a minimum the database should record each levy payers' individual and/or business identification details, geographic location and levies paid (by crop, by financial year). The database must comply with all Privacy and other legal requirements.
- Assess the appropriateness of each approach being used for the purpose of determining voting rights in the event of a levy payers' poll.
- Assess the appropriateness of each approach being used for the purpose of determining membership rights in the event of GRDC becoming an Industry Owned Company.
- Estimate the costs associated with establishing, updating and maintaining the database.
- Assess the benefits and risks of each approach.

3. Method

This consultancy was conducted in two phases: information gathering, and then analysis to come up with findings.

Phase 1 involved desk-top research, face to face meetings and telephone conferences. The organisations researched and/or met with are provided in Table 3 below.

Table 3. Organisations interviewed during the research phase

Organisation	Contacts
Australian Tax Office (ATO)	Provided to GRDC
Wool RDC (Australian Wool Innovation (AWI))	Provided to GRDC
Dairy RDC (Dairy Australia (DA))	Provided to GRDC
Dept. of Ag.	Provided to GRDC
End Point Royalty (EPR) Managers	Provided to GRDC
Grain Producers Australia (GPA)	Provided to GRDC
GRDC	Provided to GRDC
Horticulture Innovation Australia (HIAL)	Provided to GRDC
Intense Technologies	Provided to GRDC
Levies Revenue Service (LRS)	Provided to GRDC
Meat & Livestock Australia (MLA)	Provided to GRDC
National Grower Register (NGR)	Provided to GRDC
Oakton Consulting Technology	Provided to GRDC
Pork RDC (APL)	Provided to GRDC

When researching an RDC that was industry-owned, the following information was gathered:

- Corporate structure
- Membership numbers
- Levy payer v. membership database
- Membership eligibility criteria
- Requirement to have a levy poll
- If a levy poll is required, how it is run?
- Whether the organisation knows who has paid levies?
- How voting rights are allocated to members/shareholders
- Strengths and weaknesses in the system
- Costs (limited ability to gain information)
- How levy payers are identified
- What producer data the organisation collects and the source of that data.

At the conclusion of Phase 1, the consultants formed a series of options for GRDC to consider. (See section 4.4). Grain Producers Australia (GPA) was consulted in a subsequent meeting. Four models were identified for detailed analysis, which formed Phase 2. The models investigated for Phase 2 were:

- A. Fully out sourced model with LRS as the service provider (legislated agent data dependent)
- B. Full in-house model where GRDC manages all aspects (legislated agent data)
- C. Full in-house model where GRDC manages all aspects (grower self declaration)
- D. A hybrid model, mainly between GRDC and NGR (grower self declaration).

Legal review was sought on the draft report on 12 January 2015. The purpose of this review was to provide preliminary guidance on privacy requirements, register requirements and legislative change processes.

A draft report was provided to GRDC for comment on 16 January 2015. GRDC feedback was provided on 23 January and where appropriate, incorporated before the report was finalised.

4. Findings

The four models investigated are detailed in this section. The key differences between models are highlighted below.

Table 4: Overview of key differences between four presented models

	Model A: Outsource LRS	Model B: GRDC In-House: Legislative Agent Data	Model C: GRDC In-House: Grower Self Declaration	Model D: Hybrid GRDC + NGR
Data acquisition	Legislated agent data	Legislated agent data OR	Grower self declaration	Grower Self Declaration
Member Register	LRS	GRDC	GRDC	GRDC
Levy Payer Register	Uses levy value Held by LRS	Uses levy value Held by GRDC	Uses tonnage as surrogate Held by GRDC	Uses tonnage as surrogate Held by GRDC
Management of membership Opt-in	LRS	GRDC	GRDC	NGR
Proxy administration	LRS	GRDC	GRDC	NGR
CRM Data	Provided by LRS to GRDC	GRDC	GRDC	Provided by NGR to GRDC
Polls	LRS	GRDC	GRDC	GRDC or NGR

4.1 **Model A:** Outsourcing to the Department of Agriculture's (Dept. of Ag.) Levies Revenue Service (LRS) - legislation dependent

4.1.1 Establishing, updating and maintaining levy payers' membership database

4.1.1.1 Model description

This model is founded on agent information generated at point of grain sale between growers and agents, and this information being made available to LRS via legislation (referred to as Agent Legislated Data). The model suggests LRS adopt a central role as levy-payer information warehouse and provides services to GRDC broader than levy collection. Data from agents is reconciled, cleansed and retained for up to seven years by LRS. LRS develops the systems capability to:

- Conduct mail outs on behalf of GRDC
- Support the running of levy polls
- Analyse, average and filter levies paid across three years financial years if required
- Pass information seamlessly into GRDC's CRM system
- Create, hold, maintain and act on a member's register should GRDC become an industry owned corporation
- Calculate voting entitlements using a scheme provided by GRDC, and
- Administer proxy allocations for voting

4.1.1.2 Assumptions

In putting forward this model, the following assumptions are made:

- i. That agent data provides good coverage of grains levy payers. This is a reasonable assumption given the audit results on levy collection.
- ii. That industry supports amending grains levies collection legislation to facilitate data moving from agents to LRS, and also for data to flow from LRS to GRDC. The likelihood of this being a reasonable assumption depends on the attitude of grain producers, who are the owners of the information, being obligated to have their provide information provided to LRS and GRDC. This is a greater obligation on producers than what exists for any other RDC currently.
- iii. That agents are willing to pass data on to LRS without charge. Agents are likely to view any requirement to pass on information as increased regulatory burden and a cost to business.
- iv. That amendment to grains levies collection (and any consequential changes needed in the PIRD Act if GRDC stays as a Statutory body) are supported by the Minister for Agriculture and houses of Parliament. The likelihood of this assumption being reality depends on the case made in the proposal and the extent of support demonstrated for the change by producers. Current attitudes in government are to reduce regulatory burden.
- v. That GRDC would access LRS services on a fee-for-service / cost recovery basis

- vi. That the accumulation of agent data by LRS would be relatively streamlined and efficient (given the existing characteristics of grains agents)
- vii. That agent data contains sufficient information to identify grains levy payers in a manner fulfilling the membership identification requirements as set out in Corporation's Law.

4.1.1.3 Data flow / sources

Diagram 1 and tables 5 and 6 below indicate the proposed data flow and functions for this particular model.

Grain growers continue their current grain selling practices providing agents with information as per usual business practice. If GRDC becomes an industry-owned corporation (IOC), growers will be invited to become members of the IOC (subject to eligibility criteria). Growers may be issued with a GRDC unique identification number. The membership opt-in facility would be administered by LRS.

Agents collect grower information as per usual business practice, however in contrast to what occurs currently, under this model agents would pass more segmented data (see table 5) on to the Dept. of Ag.'s LRS. Key differences between current agent reporting and the requirements of this model are that data would need to be provided at identifiable grower level not aggregated, and against 25 crop types instead of the four broad categories currently used (wheat, coarse grains, oil seeds & pulses). In addition data currently provided to LRS by the agents does not identify individual producers nor give geographic details. All of the required information is currently available in agent databases and information systems however only highly grouped data is currently passed to LRS.

In this model LRS would receive the segmented data periodically throughout the year from agents. At the end of each financial year, LRS will reconcile the data to unique entities (ABN / Payees) and supply growers with their membership status and voting current rights, assuming GRDC moves to an IOC. LRS would provide information to GRDC as allowable under legislation for CRM purposes, and retains the data for a period determined through the company constitution for applying membership and/or voting entitlement determinations.

LRS will be holding the register of members under this model. For a Company Limited by Guarantee the register must contain the following information about each member:

- The member's name and address, and
- The date on which the entry of the member's name in the registry was made.

For share farming, each payee (individual, organisation etc) bears the cost of the levy against their own proceeds, therefore entities responsible for receiving grain proceeds and hence paying levy are eligible for membership.

Diagram 1: Model A LRS Outsourced Model: Data Flow and Sources

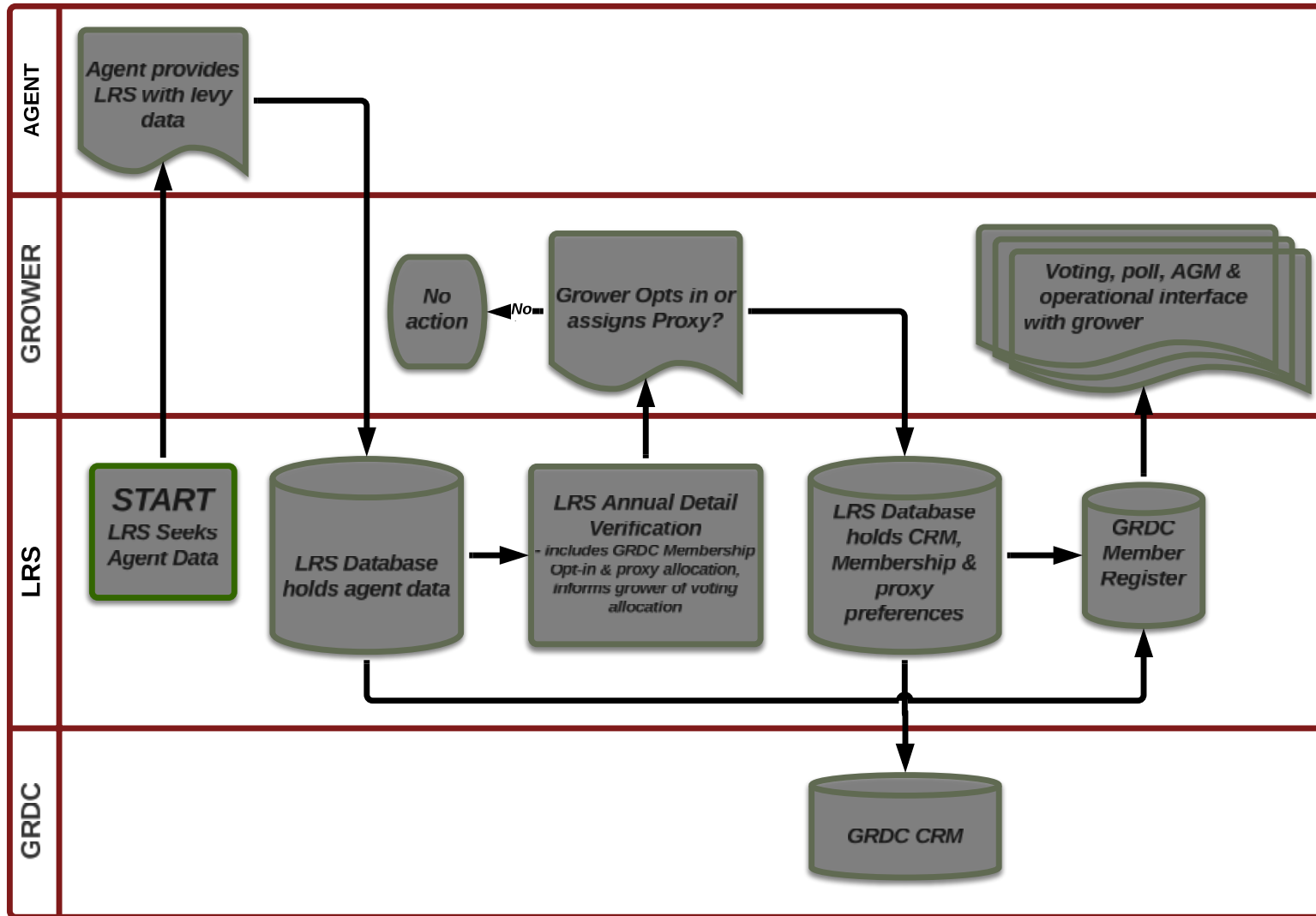


Table 5: Model A. Legislative Agent Data via LRS: Proposed captured data

Field	Source	Values
PERSONAL		
NGR/CBH Payee	Grower > Agent > LRS > GRDC	Numeric 8 digit
Business Name	Grower > Agent > LRS > GRDC	Alpha
ABN	Grower > Agent > LRS > GRDC	Numeric
Contact blocks (optional and subject to privacy/leg. Review – contact name and a phone number is often all that is permitted)	Grower > Agent > LRS > GRDC	Address, contact name, phone email etc
GRDC Unique ID if required	GRDC > grower	TBC
PRODUCTION		
Crop Type	Agent > LRS > GRDC	Predefined list
Tonnes by crop (tabular)	Agent > LRS > GRDC	Numeric
Levy deducted (either total or GRDC break out figure)	Agent > LRS > GRDC	Currency

Table 6: Model A. Legislative Agent Data via LRS: Primary Responsibilities of each party

Australian Grain Grower	<p>Stakeholder of GRDC</p> <p>Engages as a member of GRDC via LRS</p> <p>Passes personal details to agents at POS</p>
Agent	<p>Point of sale for grain growers</p> <p>On behalf of growers deduct levies and pay these to LRS</p> <p>Pay growers</p> <p>Compile data and pass onto LRS</p>
Dept. of Ag LRS	<p>Collect levies & allocate between GRDC, PHA & NRS</p> <p>Run compliance and audit for levy collection</p> <p>Pay GRDC the R&D levies (& CWLTH contributions)</p> <p>Receive data from agents (remove agent ID)</p> <p>Cleanse / reconcile data</p> <p>Finalise each FY's data so that it is known who from what geographic location paid what levies on what crop type and how many tonnes of that crop type were harvested by that person/entity</p> <p>Provide this data to GRDC for GRDC CRM purposes</p> <p>Retain data for the 7 most recent consecutive FYs</p> <p>Establish & maintain grower membership status (membership forms/member portal)</p> <p>Apply voting eligibility criteria to GRDC members</p> <p>Be a mail house for GRDC</p> <p>Facilitate any levy poll (independent committee selected by industry to provide oversight)</p> <p>Advise GRDC members of their current voting rights</p> <p>Charge GRDC fee for service on a cost recovery basis</p>
GRDC	<p>Invests in RD&E for grain grower benefit</p> <p>Receives data from LRS and integrates this into GRDC's CRM</p> <p>Targets communication and extension using the greater depth of information in the CRM</p> <p>Provides enhanced reporting on levies by crop type by geographic region (e.g. stakeholder report, annual report, grower report)</p> <p>Empowers LRS to act as an agent for GRDC membership purposes (i.e. enables LRS to send out and receive membership forms and notices to growers advising them of their voting entitlements)</p>

4.1.1.4 Applications

The outcome that GRDC desires from applying this model is to know who the grains levy payers are, how much levy is being paid by crop type and geographic location; if GRDC becomes industry-owned, who is eligible to be a member of GRDC, grower membership status and current voting entitlements.

LRS has a central role in this model as the external provider of services for GRDC. LRS is chosen as the provider in the model as they are already responsible for levy collection, have relationships with agents, understand what information agents typically have in their systems and work on a cost recovery basis. LRS also has a significant role in legislation, regulation and policy making around levies.

The model if implemented would be able to achieve:

- A grains levy payer register (establishment and maintenance)
- Logistics of running a levy poll
- Data for levies paid by crop type by geographic location by financial year
- Production data (tonnage) by crop type by geographic location by financial year (excludes adjustment for pools)
- Pathway to enhance the level of grower information held in GRDC's CRM system
- Company membership register
- Member voting entitlement

4.1.2 Identification capacity: levy payer details, geographic location, levies by crop

In this model, the identification level is the payee entered into the agents' database. NGR connects payment details with the payees with a single ABN per payee (in most cases). CBH will allow more than one Delivery ID to share an ABN. In situations where this occurs the "grower" can be reconciled back to a business entity through the ABN as a unique identifier.

The same payee is likely to appear with multiple transaction records across various agents' databases. The payee would have a transaction record for each different crop type sold to an agent, and growers typically choose to sell to multiple agents. However the unique Payee / ABN combination makes it simple to group up the records within LRS to determine the total levy paid by a unique farming entity and hence allocate membership and voting rights.

Each Payee represents a farming enterprise (business, partnership, trust or individual) and is identified consistently throughout industry with a unique 8-digit Payee ID number. As agent data uses this number to apply grain sale proceeds and deductions, it is appropriate

for LRS to use this ABN / Payee combination to define a levy payer and therefore a 'member'.

Geographical location would be given through postcode on the primary contact on the payee details. In some instances this may not directly correlate to the actual production location.

4.1.3 Set up and maintenance

4.1.3.1 Pathways

The pathway to establish this model requires legislative change to enable agent data to move to LRS, and for LRS to be able to feed information to GRDC. The data and information flow required is illustrated in 4.1.1.3.

The key steps to amend the grains R&D levy legislation to enable data from agents to move onto LRS and onto GRDC are described below.

Step 1. GPA liaises with the Grains Policy team in the Dept. of Ag. including LRS in the conversation and then prepares the proposal for the amendment. The objective of the change is to enable data being passed from agents to LRS and from LRS to GRDC.

Step 2. GPA as the industry representative body submits a proposal to amend levy legislation to GRDC.

Step 3. GRDC forwards the proposal to the Minister or to the Parliamentary Secretary. The Dept. of Ag. assesses the proposal against the 12 Levy Principles and Guidelines (<http://www.agriculture.gov.au/SiteCollectionDocuments/ag-food/levies/documentsandreports/levy-principles-guidelines.pdf>). (See below for explanation of actions needed to address these principles.) Having assessed the proposal, the Dept. of Ag. advises the Minister or Parliamentary Secretary on whether the proposed change is consistent with the principles.

Step 4. If supported by the Minister, an internal governmental approval process occurs. This includes the Dept. of Finance (all amendments have to be approved by them), Treasury (just a formality if no change to financial arrangements), and Attorney General's Department. The process requires the Dept. of Ag. to prepare a Regulation Impact Statement, which is a key consideration for the Attorney General. This Regulation Impact Statement is only done by the Dept. of Ag. subsequently to the Minister indicating support for the proposal submitted by GPA.

Step 5. If approved through the Commonwealth Government's internal process, then the Government drafts legislation to implement the change.

Expansion on Step 1 – Preparing the proposal to address the Levy Principles and Guidelines.

Whilst the Levy Principles and Guidelines are written contemplating the introduction of a new levy or change to an existing levy rate, they are to be addressed in the context of the change sought i.e. a change in obligations on producers to supply information to LRS and GRDC. Essentially GPA's proposal must address all aspects that the Minister will be interested in. The Levy Principles and Guidelines are an appropriate prompt to ensure pertinent issues associated with the change are addressed.

Table 7: Model A. Actions to satisfy levy principles (also applies to Model B)

Principle	Adaption to address the particular change proposed	Action
1. The proposed levy must relate to a function for which there is a market failure	Does market failure exist in providing producer level information to LRS and to GRDC?	GPA
<p>2. A request for a levy must be supported by industry bodies representing, wherever possible, all existing and/or potential levy payers, the relevant levy beneficiaries and other interested parties.</p> <p>The initiator shall demonstrate that all reasonable attempts have been made to inform all relevant parties of the proposal and that they have had the opportunity to comment on the proposed levy.</p> <p>A levy may be initiated by the Government, in the public interest, in consultation with the industries involved.</p>	<p>What process has been used to engage grains levy payers (a process to satisfy 'all reasonable attempts' needs to occur)?</p> <p>How much coverage do industry organisations provide for all grains levy payers?</p> <p>How have the agents been engaged?</p>	GPA
3. The initiator of a levy proposal shall provide an assessment of the extent, the nature and source of any opposition to the levy, and shall provide an analysis of the opposing argument and reasons why the levy should be imposed despite the argument raised against the levy.	<p>The change is about increasing obligations on growers to provide further information to GRDC via LRS and to enable GRDC too use this information for broader purposes.</p> <p>Report on the nature of and extent of opposition to the proposed change. Do grains industry representative groups support the proposed change? To what extent do they believe there will be benefits returned to them for this?</p> <p>What do agents think about the proposed change?</p> <p>Report on how these concerns have been acknowledged.</p>	GPA
<p>4. The initiator is responsible to provide, as follows:</p> <ul style="list-style-type: none"> – an estimate of the amount of levy to be raised to fulfill its proposed function – a clear plan of how the levy will be utilised, including an assessment of how the plan will benefit the levy payers in an equitable manner – demonstrated acceptance of the plan by levy payers in a manner consistent with Levy Principle 2. 	<p>Develop plan for how the access to additional information will be used to deliver greater benefit to levy payers. Will it be equitable?</p>	GPA & GRDC

<p>5. The initiator must be able to demonstrate that there is agreement by a majority on the levy imposition/collection mechanism or that, despite objections, the proposed mechanism is equitable under the circumstances.</p>	<p>There will need to be a ballot of grains levy payers. The ballot may be run by an arm's length organisation such as the Australian Electoral Commission (AEC).</p>	<p>GPA to find provider to run ballot. Oversight by appropriately skilled industry committee.</p>
<p>6. The levy imposition must be equitable between levy payers.</p>	<p>The change would apply to all grain levy payers. It aims for all levy payers to have greater influence with GRDC.</p>	<p>GPA</p>
<p>7. The imposition of the levy must be related to the inputs, outputs or units of value of production of the industry or some other equitable arrangements linked to the function causing the market failure.</p>	<p>The change in data provision will need to be assessed in terms of costs and benefits and why a legislative change is required rather than a commercial provider filling this space.</p>	<p>GPA</p>
<p>8. The levy collection system must be efficient and practical. It must impose the lowest possible 'red tape' impact on business and must satisfy transparency and accountability requirements.</p>	<p>What is the regulatory burden created by this change? Estimate administrative cost and resources needed by agents to implement this change. Why is this justified?</p>	<p>GPA</p>
<p>9. Unless new structures are proposed, the organisation/s that will manage expenditure of levy monies must be consulted prior to introduction of the levy.</p>	<p>Document meetings between GRDC and GPA that discuss the proposed change to levy data arrangements.</p>	<p>GPA & GRDC</p>
<p>10. The body managing expenditure of levy monies must be accountable to levy payers and to the Commonwealth.</p>	<p>Describe how GRDC will be accountable for managing safe keeping of the data & for ensuring it's use only for the purposes specified.</p>	<p>GPA</p>
<p>11. After a specified time period, levies must be reviewed against these Principles in the manner determined by the Government & the industry when the levy was first imposed.</p>	<p>Acknowledge this requirement. Having a levy payer register enables more levy payer input into a review.</p>	<p>GPA</p>

12. The proposed change must be supported by industry bodies or by levy payers or by the Government in the public interest. The initiator of the change must establish the case for change and where an increase is involved, must estimate the additional amount which would be raised. The initiator must indicate how the increase would be spent and must demonstrate the benefit of this expenditure for levy players.

Conduct a ballot of grains levy payers (Refer to Step 5 above).

GPA

Assuming that the change in legislation is supported by both houses of Parliament, and as part of the change agents are required to pass producer data through to LRS, then the way in which the data is provided would need to be agreed with each agent. There may be variations in the form of delivery based on the particular business system being used by a particular agent.

LRS would need to establish a database (or a subsidiary database of what they have currently) to hold grains producer level data.

GRDC and LRS would have to liaise to work out how to integrate appropriate information into GRDC's CRM system.

Should GRDC become an IOC, then LRS would need to develop capability to issue membership forms (or share application forms) and record membership status, applying eligibility requirements contained in the IOC constitution. In addition, LRS would need to develop ability to apply any voting entitlement criteria, inform GRDC of voting entitlements of its members and act as or employ a mail house facility.

4.1.3.2 Legal considerations

The information required from producers about levy payment and for membership purposes is personal information. GRDC and its agents are permitted to collect and use 'personal information' for activities reasonably connected to their activities.

The agents, LRS and GRDC all have legal obligations under the Privacy Act to be managed in order to implement this model. LRS and GRDC will need to clearly communicate to growers why they seek access to this information and what it will be used for. It would be desirable for GRDC to have producers fill in a Privacy Act consent form. GRDC's Privacy Policy would need to be reviewed and updated. GRDC would need to ensure that LRS, as the service provider, was complying with Privacy Act obligations.

The change to enable data to be passed from agents to LRS and onto GRDC could be made in Section 27 of the Primary Industries Levies and Collections Act 1991.

4.1.3.3 Estimated costs – establishing, updating and maintaining

Table 8: Cost Indications Model A (Legislated Agent Data, outsourced to LRS) – Provided to GRDC

Notes to estimates: Provided to GRDC

4.1.4 Benefits and risks

Table 9: Model A. SWOT

	Helpful	Harmful
	Strengths	Weaknesses
	<p>Efficient way to have significant data on production and actual levies paid by geographical distribution</p> <p>Growers are required to do minimal work in order to provide information as it comes from the agents</p> <p>Enables levy payers greater influence over GRDC (particularly if GRDC becomes industry-owned)</p> <p>Having the functions outsourced does not distract GRDC from its core function</p> <p>Enables GRDC to target extension messages better</p> <p>LRS have expertise in levies policy and have strong relationships with agents</p>	<p>Relies on legislative change</p> <p>On-going reliance on a government department for services (GRDC effectiveness tied to third party LRS performance)</p> <p>Slow to accomplish</p> <p>Agents may be resentful</p> <p>LRS does not have register management experience</p> <p>Core business for LRS will remain levy collection – managing registers as a service for GRDC will be secondary</p> <p>Inability to go to market as a tender – may not achieve optimal efficiency with LRS undertaking the broad service provider role</p>
	Opportunities	Threats
	<p>Better direct relationship with levy payers (improved responsiveness; potential to improve rate of adoption)</p> <p>Better information for informing policy development</p> <p>To work with other RDCs to form a broad acre levy payer register</p>	<p>Opening up potential to amend levy legislation may destabilise the partnership between CWLTH government and producers because of pressure on the RDC model</p> <p>Pressure on government contribution to the RDC model</p> <p>Pressure on levies being compulsory</p> <p>Inability to have the proposed change in legislation supported:</p> <ul style="list-style-type: none"> • Increased red tape burden • Growers nervous about use of their information • Government may have the view ‘Why all of this for just the grains industry?’ i.e. scope of change too narrow <p>Large step up in capability for LRS is required – challenging change program</p>

4.2 **Model B:** GRDC in-house model: Legislated Agent Data

4.2.1 Establishing, updating and maintaining levy payers' membership database

4.2.1.1 Model description

This model proposes that GRDC hold and populate an internal a) levy payers register b) membership register as defined in the Corporations Act 2001 (the Act). GRDC would be the responsible entity for the allocation of votes, running of polls, administration of proxy rights and other responsibilities as specified in the Act or as operationally required. It does not preclude GRDC using suppliers for some services (e.g. mail outs or updating the membership).

The key features would be;

- Holding a highly governed subsidiary database to serve as “members register”
- Acquiring data from agents to inform GRDC of levy payments on a grower level
- Modifying GRDC’s CRM and processes to handle, use and store acquired data for operational purposes.

Outsourcing

This in-house model allows for GRDC to either ramp up internal capabilities and increase internal grower interface or to minimise operational disruption and utilise known suppliers such as Making Data Easy (MDE) for the additional requirements. MDE has indicated the ability to upscale and meet the requirements. Conversely, GRDC has under utilised resources and capability in-house. Other operational objectives may inform this decision.

4.2.1.2 Assumptions

In putting forward this model, the following assumptions are made:

- i. That agent data provides good coverage of grains levy payers. This is a reasonable assumption given the audit results on levy collection.
- ii. That industry supports amending grains levies collection legislation to facilitate data moving from agents to GRDC with a LRS as an intermediary only.
- iii. That agents are willing to pass data on to GRDC without charge. Agents are likely to view any requirement to pass on information as increased regulatory burden and a cost to business.
- iv. That amendment to grains levies collection (and any consequential changes needed in the PIRD Act, if GRDC stays as a Statutory body) are supported by the Minister for Agriculture and houses of Parliament. The likelihood of this assumption being reality depends on the case made in the proposal and the extent of support demonstrated for the change by producers. Current attitudes in government are to reduce regulatory burden.
- v. That agent data contains sufficient information to identify grains levy payers in a manner fulfilling the membership identification requirements as set out in Corporation’s Law.

4.2.1.3 Data flow / sources

This model assumes legislated agent data is required from the buyers/agents to reconcile the levies received with grower entities (Payee / ABN). As the very vast majority of agents utilise NGR payees to identify the financial/business entity from whom levies are deducted this system relies on the adoption of the NGR Payee as a primary identifier. Where NGR is not present, CBH number may be used instead.

Ideally data will be received once a year from agents between July-August. This would give an opportunity for;

- Adequate reminder time for non-compliant agents
- Adequate follow-up with agents for missing data, anomalies, exceptions
- Growers to self-declare in the event of agent non-compliance
- Data cleanse, import, reviews
- Meeting and voting allocation notification within required notice periods
- All of the above to be completed in adequate time to run AGM in mandated time frames.

LRS have advised that whilst there are 630 unique levy accumulating agents for wheat, just 18 agents (3%) account for 80% of wheat levy collection. For illustrative purposes, from this GRDC can gauge the importance and benefits of gaining compliance from the top ~100 agents, as it relates to representation of crop, membership and voting rights. This is a very efficient path to gaining visibility over maximum eligible members and obtaining accurate levy data.

Diagram 2: Model B Legislative Agent Data: Data flow and sources

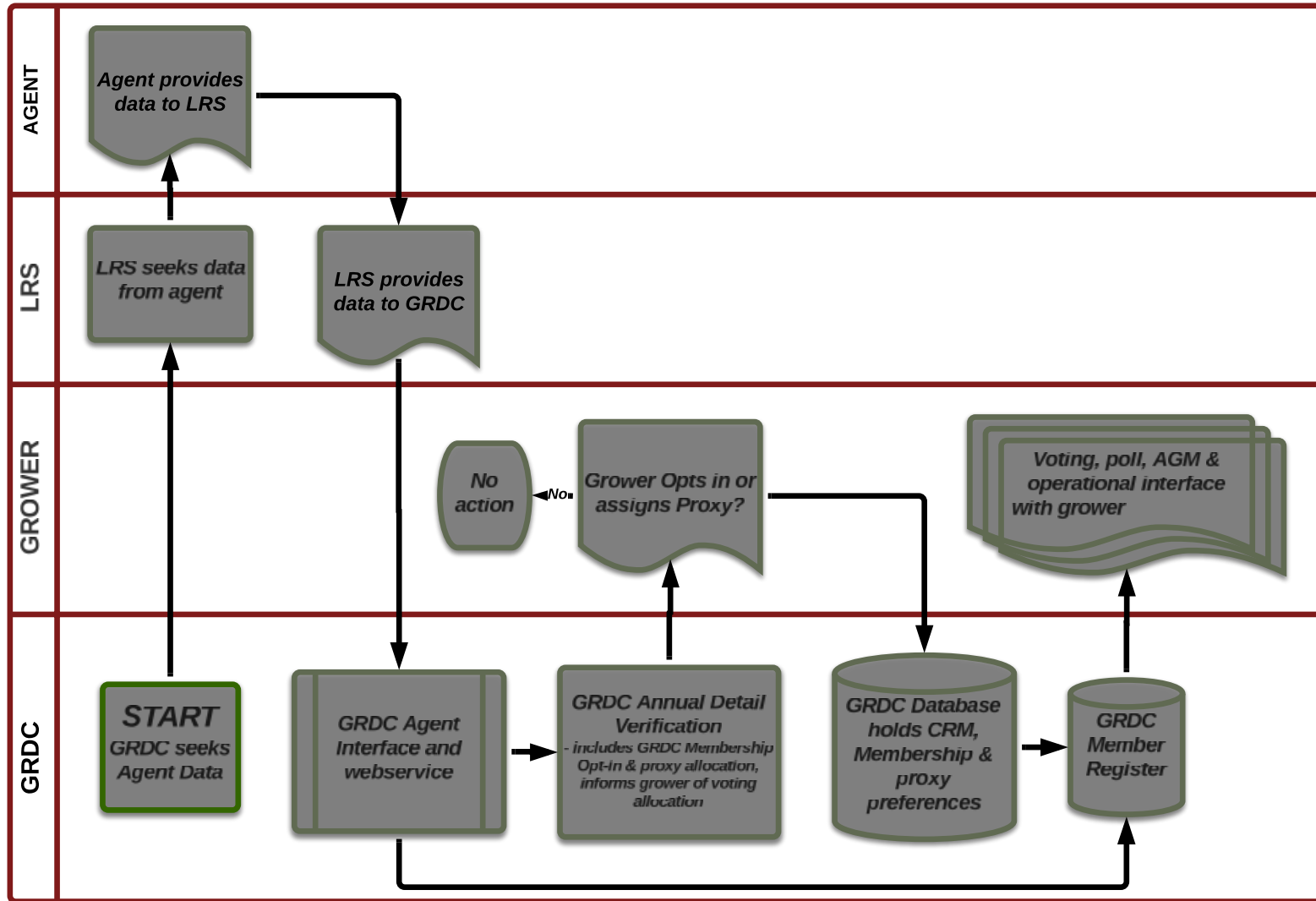


Table 10: Model B. Legislative Agent Data: Proposed captured data

NB: Data is 1 July-30 June in immediate year passed

Field	Source	Values
PERSONAL		
NGR/CBH Payee	Agent payment software	Numeric 8 digit
Business Name	Agent payment software	Alpha
ABN	Agent payment software	Numeric
Contact blocks (optional and subject to privacy/leg. Review – contact name and a phone number is often all that is permitted)	Agent payment software	Address, contact name, phone email etc
PRODUCTION		
Crop Type	Agent payment software	Predefined list
Tonnes	Per crop type (tabular)	Numeric
Levy deducted (either total or GRDC break out figure)	Per crop type (tabular)	Currency

4.2.1.4 Applications

The desired outcome for GRDC from this model, is an internally controlled solution to gaining visibility over levy payers by levy value paid, crop type and location. This model supports combines the strength and accuracy of legislated data with a CRM, information and engagement-rich culture.

GRDC would have to be mindful of any restraints placed on data use, obtained via this legislative mechanism.

The model if implemented would be able to achieve:

- A grains levy payer register (establishment and maintenance)
- Logistics of running a levy poll
- Data for levies paid by crop type by geographic location by financial year (legislated agent data model)
- Possible production data dependent on agent data parcel
- Pathway to enhance the level of grower information held in GRDC's CRM system
- Company membership register
- Member voting entitlement and proxy facilities
- Stronger CRM (dependent on T&C's and/or legislation)

4.2.2 Identification capacity: levy payer details, geographic location, levies by crop

Growers (financial levy payers) will be identified using the NGR payee number or CBH equivalent. This fits with corporate law requirements for membership. GRDC's current rationale of identifying growers as the primary production business rather than as individuals, and is also congruent with agents' levy deduction practices and grower entity identification.

In the case of levy polls, voting entitlements and notices the Payee will be the member, and the primary administrative contact (as nominated to either NGR or GRDC) will receive correspondence, notices and instructions on executing rights.

Geographical location would be given through postcode on the primary contact on the payee details. In some instances this may not directly correlate to the actual production location.

Levies by crop is obtained directly from the agent (agent legislative data).

4.2.3 Set up and maintenance

4.2.3.1 Pathways

This model requires both the legislative changes as mentioned above in model A and significant internal work by GRDC. Some key action items / considerations and indicative timeframes from the decision point are listed below. Please note these are not solid time estimates and are provided for decision making purposes not operational purpose. – executing this model would require a detailed scope and internal planning process. These estimates are for guidance only.

Items pivotal to the success of this model are:

- Pathway and success of steps outlines for legislative change in Model A
- Solid liaison with agents and making the process as simple as possible
- Committing to up-scaling internal grower interface capacity or committing to 100% outsourcing grower contact – the current hybrid model is unlikely to withstand scale.
- Automated import tools and exceptions reporting – manual data manipulation should be minimised (due to risk and efficiency).

Table 11: Model B. Indicative actions items and time frames – in house Legislated Agent Data

Date	Legislative Agent Data
0	IOC change approved and plan committed
0-3 months	System review and project plan
3 months	Bridging solution implemented if needed (See Section 6)
0-24 months	Legislative change steps 1-5 as specified above in Model A (LRS Model)
6 Months	Support systems reviewed and changes implemented (telephone, staff training, 1300 numbers, redundant db)
6-9 months	Dedicated Register established in conjunction with CRM changes
6-9 months	Establish a agent data upload facility with dynamic interaction to both CRM (if permitted) and Member register
6-12 months	Agent / Grower communications strategy devised
6-12 months	Team training and resources prepared - depending on MDE / Internal Resourcing
6-12 months	Agent liaison
When needed	New agreement with Making Data Easy - additional data cleanse and matching
When needed	Internal Information governance and agent liaison staff appointed
By first Self-declaration	External Auditor in place
August post legislative change	First inputs to register and subsequent use
September, 12 months post IOC commencement	Agent Data Closes, reconciled
October, 12 months post IOC commencement	Growers notified of voting entitlement and able to self-declare in the case of agent non-compliance.
November, 12 months post IOC commencement	AGM, possibly on interim arrangements

4.2.3.2 Legal considerations

Privacy concerns around data sharing will be dealt with under legislative amendments and GRDC's Terms and Conditions, and Privacy statements to growers should reflect the use and governance of this agent data.

Agents will have to have confidence that commercial information is protected and not used for any other purpose. Agent identifier should not be accessible to the general viewing public (back end, data import visibility only). Agents may also have to consent to the data being released back to the grower should queries arise - if this can not be dealt with in amendments, GRDC internal processes will have to address this concern.

Processes such as phone and email disclosure will have to be revisited as in releasing information back to a grower (e.g. a phone call to check entitlement or query agent data), the grower identity will have to be confirmed.

4.2.3.3 Estimated costs – establishing, updating and maintaining

Table 12: Cost Indications Model B (In-House, Legislated Agent Data) – Provided to GRDC

4.2.4 Benefits and risks

Table 13: Model B. SWOT

	Helpful	Harmful
Internal	<p>Strengths</p> <p>Low additional work load for GRDC Low margin for error / GRDC accountability Strong internal technical capability Under utilised system capabilities (CRM integration, telephony, servers, 1300 number) Aids strategic objectives of stronger segmenting and more CRM driven culture. Coincides with current reviews - systems, processes.</p>	<p>Weaknesses</p> <p>Poor consistency in admin and telephone support Non-centralised data management current Perception of holding register in-house Current CRM can't support the register Lack of internal HR to staff the solution Difficulty in segmenting CRM from Register to satisfaction of Corps Law (can be solved with systems though).</p>
External	<p>Opportunities</p> <p>Stronger relationships with buyers/agents Satisfies Ministerial concerns about inability over actual levy paying activity. Agility and control within GRDC to take related opportunities. Easier (than LRS or Hybrid models) to conduct external reviews and governance checks (EG GPA or external audit)</p>	<p>Threats</p> <p>Negative engagement with agents Perceived or real data governance of agent data. Dependent on legislative success. Lack of agent compliance High level of responsibility on GRDC for data integrity, systems.</p>

4.3 **Model C:** GRDC in-house model: Grower Self Declaration

4.3.1 Establishing, updating and maintaining levy payers' membership database

4.3.1.1 Model description

This model proposes that GRDC hold and populate an internal a) levy payers register b) membership register as defined in the Corporations Act 2001 (the Act). GRDC would be the responsible entity for the allocation of votes, running of polls, administration of proxy rights and other responsibilities as specified in the Act or as operationally required. It does not preclude GRDC using suppliers for some services (e.g. mail outs or updating the membership).

The key features would be;

- Holding a highly governed subsidiary database to serve as “members register”
- Acquiring data from growers voluntarily to inform GRDC of tonnage grown as a surrogate value.
- Modifying GRDC’s CRM and processes to handle, use and store acquired data for operational purposes.

Outsourcing

This in-house model allows for GRDC to either ramp up internal capabilities and increase internal grower interface or to minimize operational disruption and utilise known suppliers such as Making Data Easy (MDE) for the additional requirements. MDE has indicated the ability to upscale and meet the requirements. Conversely, GRDC has under utilised resources and capability in-house. Other operational objectives may inform this decision.

4.3.1.2 Assumptions

In putting forward this model, the following assumptions are made:

- i. That GRDC commits to the necessary CRM and system changes to enable this model including an online grower interface
- ii. That GRDC or GRDC’s suppliers have the capacity and desire to increase grower interface and engagement
- iii. That growers will respond to the GRDC Self Declaration request in a similar capacity to EPR self declaration
- iv. That industry and Government will deem a self declared surrogate value of tonnage as an acceptable measure on which to base voting rights. If legislative pathways are unavailable this assumption should be reasonable, however then process may still prove unpopular.

4.3.1.3 Data flow / sources

Under this model, the source of data will be directly from growers who declare tonnage produced under each crop type. Tonnage is thought to be a superior measure if a self declaration must be used, simply as growers can access this information and GRDC can then apply a fair estimate of levy paid by crop type. In this scenario GRDC has the flexibility to either a) continue using MDE service and increase the workload (approx. 3x) or b) build in-house capability and reduce external reliance. In either case, a web portal/automated services is strongly recommended if a self-declaration model becomes necessary.

The grower self-declaration model required GRDC (or GRDC's supplier) to contact each grain grower directly with a request for a voluntary harvest declaration each year. The request and subsequent return would be issued via email, fax and mail and provision for an online portal for direct declaration entry is strongly recommended. The grower self declaration would be issued in July/August each year and finalised in October. This will allow for;

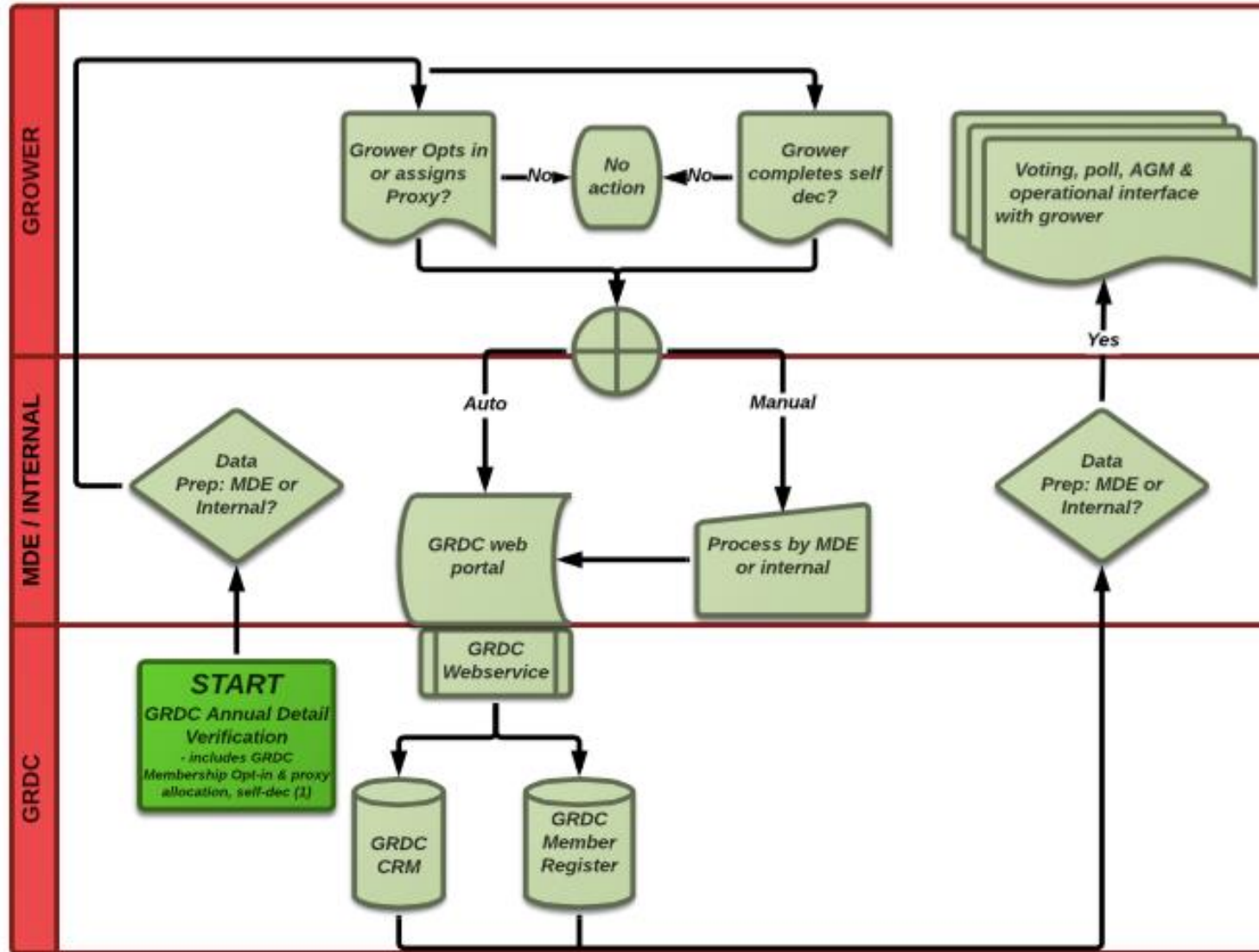
- Multiple reminders and communication with growers
- Adequate follow-up with growers for missing data, anomalies, exceptions
- Data cleanse, import, reviews, external auditing
- Meeting and voting allocation notification within required notice periods
- All of the above to be completed in adequate time to run AGM in mandated time frames.

Table 14: Model C. In-House Grower Self Declaration: Proposed captured data

Field	Source	Values
PERSONAL		
NGR/CBH Payee	Grower – blank	Numeric 8 digit
Business Name	Pre-Populate from CRM	Alpha
ABN	As above or ABR lookup	Numeric
Contact blocks	Pre-populated from CRM	Address, contact name, phone email etc
MEMBERSHIP		
Membership opt-in	Blank – grower	Y/N
Membership date range	Internal audit trail (processed dates)	Date range. Stat date mandatory if membership is Y. End date optional
PROXY		
Proxy 1 Nomination	Blank – Grower	8 digit numeric*
Proxy 1 Allocation	Blank Grower	Numeric (can not exceed votes held)
Proxy 1 Expiry Date	Blank – grower	Date
Proxy 2 Nomination	Blank – Grower	8 digit numeric*
Proxy 2 Allocation	Blank Grower	Numeric (can not exceed votes held – votes allocated in proxy 1)
Proxy 2 Expiry Date	Blank – grower	Date
PRODUCTION		
Crop Type	Prepopulated by GRDC with all major crop types plus “other”	Predefined list
Tonnes	Per crop type (tabular)	Numeric
Declaration	Blank – grower	Sign/Date

* If proxy is not a member or NGR/CBH known entity, a manual nomination form needs to be obtainable from GRDC or GRDC’s nominated representative.

Diagram 3: Model C: Data flow GRDC In-House using Grower Self Declaration (internal or MDE handling options)



4.3.1.4 Applications

The desired outcome for GRDC from this model, is an internally controlled solution to gaining visibility over levy payers by crop type and location. This model supports a CRM, information and engagement-rich culture.

The model if implemented would be able to achieve:

- A grains levy payer register (establishment and maintenance)
- Logistics of running a levy poll
- Possible production data (tonnage) by crop type by geographic location by financial year
- Pathway to enhance the level of grower information held in GRDC's CRM system
- Company membership register
- Member voting entitlement and proxy facilities
- Stronger CRM (dependent on T&C's and/or legislation)

4.3.2 Identification capacity: levy payer details, geographic location, levies by crop

Growers (financial levy payers) will be identified using the NGR payee number or CBH equivalent. This fits with corporate law requirements for membership. GRDC's current rationale of identifying growers as the primary production business rather than as individuals, and is also congruent with agents' levy deduction practices and grower entity identification.

In the case of levy polls, voting entitlements and notices, the Payee will be the member, and the primary administrative contact (as nominated to either NGR or GRDC) will receive correspondence, notices and instructions on executing rights.

Geographical location would be given through postcode on the primary contact on the payee details. In some instances this may not directly correlate to the actual production location.

Crop information is obtained directly via the grower and GRDC will then apportion an estimated levy value as an interim step before assigning voting rights.

4.3.3 Set up and maintenance

4.3.3.1 Pathways

This model requires significant internal technical, system, process and HR work by GRDC. Some key action items / considerations and indicative timeframes from the decision point are listed below. Please note these are not solid time estimates and are provided for decision making purposes not operational purposes – executing this model would require a detailed scope and internal planning process. These estimates are for guidance only.

This model requires GRDC to seek and collate individual returns from growers and process then prior to allocating voting rights. The data will be collected at a farming business level (NGR Payee of CBH payee) but is less dependent on these identifiers than the above option.

Items pivotal to the success of this option include:

- Committing to up-scaling internal grower interface capacity or committing to 100% outsourcing grower contact – the current hybrid model is unlikely to withstand scale.
- An online option for growers to make a declaration directly onto the database (highly desirable)
- Simple reporting for growers to increase chance of success (e.g. reporting on tonnes, not levies dollars)
- Automated import tools and exceptions reporting – manual data manipulation should be minimised (due to risk and efficiency).

Table 15: Model C. In-House legislated agent data - Indicative actions items and time frames

Grower Self Declaration	
0	IOC change approved and plan committed (if necessary)
0-3 months	System review and project plan
3 months	Bridging solution implemented if needed (See section 6)
6 Months	Support systems reviewed and changes implemented (telephone, staff training, 1300 numbers, redundant db)
6-9 months	Dedicated Registry established in conjunction with CRM changes
6-9 months	Establish an online grower portal tools and other automation tools with dynamic interaction to both CRM and Member register
6-12 months	Grower communications strategy devised
6-12 months	Team training and resources prepared - depending on MDE / Internal Resourcing
When needed	Build internal capacity, information governance and agent liaison staff appointed
When needed	New agreement with Making Data Easy - either scale down and build internal capacity or ramp up to handle all grower interface
By first Self-declaration	External Auditor in place
August, 12 months post IOC commencement	First Grower Self declaration takes place
October, 12 months post IOC commencement	Self Declaration closes
November, 12 months post IOC commencement	Verification and reconciliation of grower returns
November, 12 months post IOC commencement	AGM, possibly on interim arrangements

4.3.3.2 Legal considerations

Data - upon entry by the grower, GRDC or GRDC's nominated responsible entity - will be sent dynamically to both the levy payers register/CRM and the membership register to comply with usage conditions in the Act.

GRDC has the opportunity to gain consent for data collection and data use from growers at the opt-in point of voluntary membership. In term and conditions and privacy statements GRDC needs to express use, storage and governance conditions of collected data.

Processes such as phone and email disclosure will have to be revisited as in releasing information back to a grower (e.g. a phone call to check entitlement or query declaration) a grower identity will have to be confirmed.

Systems and processes all have to be designed in such a way to deal smoothly and reliably with anomalies allowed in the corporations act such as proxy being given to a non-member - these situations must be catered for without disrupting GRDC business processes.

4.3.3.3 Estimated costs – establishing, updating and maintaining

Table 16: Model C. Cost Indications (In-House, Grower Self Declaration) – Provided to GRDC

4.3.4 Benefits and risks

Table 17: Model C. SWOT

		Helpful	Harmful
		Strengths	Weaknesses
Internal		<p>Existing campaign services that can serve two purposes</p> <p>Strong internal technical capability</p> <p>Under utilised system capabilities (CRM integration, telephony, servers, 1300 number)</p> <p>Aids strategic objectives of stronger segmenting and more CRM driven culture.</p> <p>Coincides with current reviews - systems, processes.</p>	<p>Additional and erratic workload (1.5-3 EFT in peak)</p> <p>Grower disputes / exceptions workload</p> <p>Honesty system, dubious accuracy</p> <p>Poor consistency in admin and telephone support</p> <p>Non-centralised data management current</p> <p>Perception of holding register in-house</p> <p>Current CRM can't support the register</p> <p>Lack of internal HR to staff the solution</p> <p>Difficulty in segmenting CRM from Register to satisfaction of Corps Law (can be solved with systems though).</p>
		Opportunities	Threats
External		<p>Growers incentivised to share info with GRDC</p> <p>Agility and control within GRDC to take related opportunities.</p> <p>Easier (than LRS or Hybrid models) to conduct external reviews and governance checks (EG GPA or external audit)</p>	<p>Lack of accuracy in grower self declarations - can GRDC be publicly accountable for decisions made with this possible margin of error?</p> <p>Does not address Ministerial concerns about visibility over actual levy paying activity.</p> <p>Lack of grower compliance</p> <p>High level of responsibility on GRDC for data integrity, systems.</p>

Table 18: Model C (and D) Comparison of NGR Data v. GRDC Data – Provided to GRDC

4.4 **Model D:** Hybrid model involving National Grower Register (NGR)

Rationale:

Australia's major plant breeding and seed commercialisation that rely on end point royalty revenues (EPR Managers) distribute collaboratively a consolidated annual grower harvest production declaration. The consultants in this project considered partnering with EPR Managers to distribute a GRDC levy members harvest declaration form. This potential arrangement was dismissed due to the following reasons.

- The current EPR Managers combined declaration is only sent to growers that are on the participating EPR Managers databases (i.e. not all growers receive a harvest declaration). Under the hybrid model the GRDC will need the harvest declaration to be sent to as many growers of the GRDC leviable crops as possible.
- The current EPR Managers' combined declaration predominately relates to the following commodities wheat, barley, other cereals and winter pulses.
- The current EPR Managers harvest declaration is made up of a letter explaining the harvest declaration form, the harvest declaration form and page of frequently asked questions. The consultants believe return compliance of the GRDC levy members harvest declaration form may be impacted by a combined approach.
- The EPR Managers distribute their harvest declaration in February and seek returns by the end of June. The preferred timing for the GRDC to distribute its harvest declaration is in July and August once both the winter and summer crops from the previous harvest have been completed.

4.4.1 Establishing, updating and maintaining levy payers' membership database

4.4.1.1 Model description

This model is based on the fact that a large percentage of grain sold in Australia is transacted via a NGR card. The NGR card identifies the businesses trading grain (the Payee/s), banking details and disbursement instructions are held at NGR Payee level. Grain buyers use the grower information provided by NGR to remit growers payment to payees for grain they have purchased.

It is envisaged under this model that NGR would be engaged by GRDC to distribute and collate the returns of the GRDC grower self-declaration (containing harvest declaration and membership options). This GRDC grower self-declaration form will be sent to all registered business entities (NGR Payees) on NGR's database. NGR estimate that in excess of 85-90% of grain sold in Australia is sold by the business entities that have a registered NGR Payee number.

Growers, identified by their NGR Payee number will be asked to declare the total production (tonnes) of grain they produced of any of the GRDC leviable crops in the preceding harvest. The grower self-declaration does not need to be a statutory declaration and to insist upon this extra regulation may diminish returns, without extra benefit. At the end of the defined return period NGR will collate all the returned grower self-declaration forms and pass the information to GRDC in a format acceptable to GRDC's CRM and membership register.

The return of the GRDC grower self-declaration form is voluntary. Growers that return a completed grower self-declaration form will be eligible to become a GRDC levy member.

Individual growers with multiple business entities (Payees) will be required to complete a grower self-declaration for each business entity.

4.4.1.2 Assumptions

In putting forward this model, the following assumptions are made:

- i. That GRDC becomes a data client of NGR
- ii. That GRDC commits to the necessary CRM and system changes to enable this model.
- iii. That GRDC or GRDC's suppliers have the capacity and desire to increase grower interface and engagement
- iv. That growers will respond to the GRDC Self Declaration request in a similar capacity to EPR self declaration
- v. That industry and Government will deem a self declared surrogate value of tonnage as an acceptable measure on which to base voting rights. If legislative pathways are unavailable this assumption should be reasonable, however then process may still prove unpopular.

4.4.1.3 Data flow / sources

The source of data in this model will be directly from growers who declare tonnage produced under each crop type. Tonnage is thought to be a superior measure if a self declaration must be used, simply as growers can access this information and GRDC can then apply a fair estimate of levy paid by crop type.

Under this grower self-declaration model NGR will contact each grain grower, identified by NGR Payee number, directly with a request for a voluntary harvest declaration each year. The grower self declaration would be issued in July/August and finalized for submission to GRDC by the end of September each year.

Diagram 4: Proposed data flow for Hybrid Model: Grower self declaration method

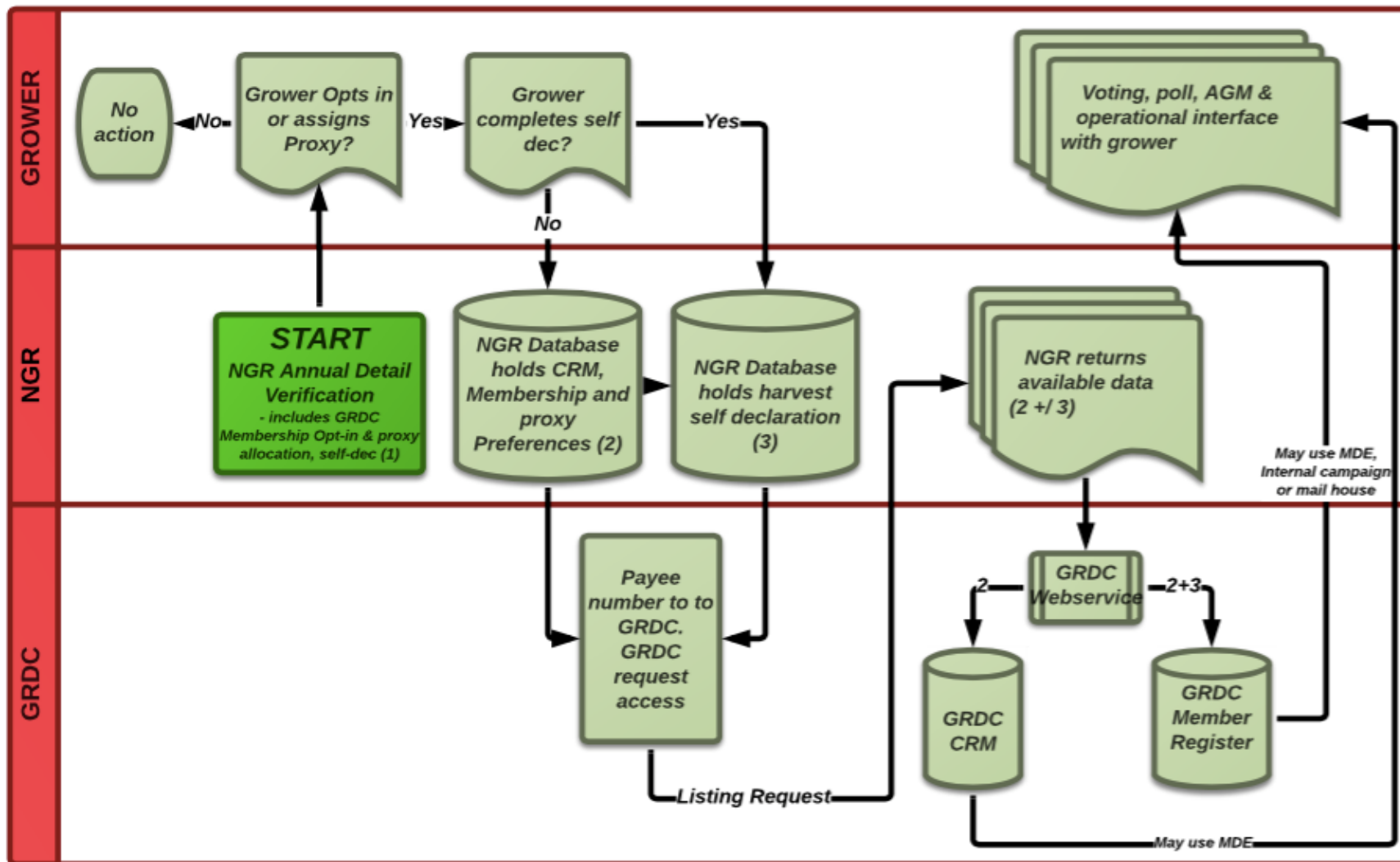


Table 19: Model D. Hybrid Grower Self Declaration: Proposed captured data

Field	Source	Values
PERSONAL		
NGR/CBH Payee	NGR	Numeric 8 digit
Business Name	NGR	Alpha
ABN	NGR	Numeric
Contact blocks	NGR	Address, contact name, phone email etc
MEMBERSHIP		
Membership opt-in	Blank – grower	Y/N
Membership date range	NGR internal audit trail (processed dates)	Date range. Stat date mandatory if membership is Y. End date optional
PROXY		
Proxy 1 Nomination	Blank – Grower	8 digit numeric*
Proxy 1 Allocation	Blank Grower	Numeric (can not exceed votes held)
Proxy 1 Expiry Date	Blank – grower	Date
Proxy 2 Nomination	Blank – Grower	8 digit numeric*
Proxy 2 Allocation	Blank Grower	Numeric (can not exceed votes held – votes allocated in proxy 1)
Proxy 2 Expiry Date	Blank – grower	Date
PRODUCTION		
Crop Type	Prepopulated by GRDC with all major crop types plus “other”	Predefined list
Tonnes	Per crop type (tabular)	Numeric
Declaration	Blank – grower	Sign/Date

4.4.1.4 Applications

GRDC will be able to use the information provided in the voluntary grower self declarations to establish the grower and /or business entity as a GRDC levy payer and offer member status to the grower entities.

GRDC will have the potential, using the declared tonnes of grain produced, to issue the GRDC levy member quantifiable levy voting rights.

- A grains levy payer register (establishment and maintenance)
- Logistics of running a levy poll
- Pathway to enhance the level of grower information held in GRDC's CRM system
- Production data (tonnage) by crop type by geographic location by financial year
- Company membership register
- Member voting entitlement and proxy facilities
- Stronger CRM (dependent on Terms & Conditions around use of data)

4.4.2 Identification capacity: levy payer details, geographic location, levies by crop

The NGR Payee grower identification system will provide GRDC an excellent system to capture the details of the levy payer. Although not reliant on the NGR identification system, the use of this identifier will provide GRDC with a solid foundation for describing unique levy paying entities and leveraging other models / data services in the future.

The proposed unit being captured under this hybrid model is the total tonnes of grain produced by a GRDC leviable crop. To maximise the return rate of grower (levy paying business entities) self declarations it is important to ensure the information being requested is able to be easily supplied. While not directly correlated to the actual dollar levies paid by growers, the project consultants believe that GRDC will be able to use the declared total tonnes of grain produced by a GRDC leviable crop - as a surrogate value for levy value paid - to deliver an equitable levy membership model.

Geographical location would be given through postcode on the primary contact on the payee details. In some instances this may not directly correlate to the actual production location.

4.4.3 Set up and maintenance

4.4.3.1 Pathways

This model requires GRDC to seek and collate individual grower self declaration returns from growers and process them prior to allocating voting rights. The data will be collected and collated at a farming business level (NGR Payee) by NGR.

Items pivotal to the success of this option include:

- Simple communication to growers of the purpose of the levy members harvest declaration and the information being requested (tonnes grown)
- The capability of NGR to complete the required tasks to distribute, collate and supply GRDC the levy membership harvest declaration (NGR Service Agreement)
- GRDC Internal or outsourced capability to interface with growers
- GRDC Internal or outsourced capability to ramp up data cleansing and import facilities, exception handling

4.4.3.2 Legal considerations

The legal considerations detailed above in Model C apply. Additionally;

- NGR will act as agent to collect membership permissions or opt in, but the member register responsibilities will remain with GRDC.
- Privacy considerations between NGR and GRDC need to be addressed via NGR's Terms & Conditions and GRDC membership mechanism (e.g. that growers consent to NGR performing the service and passing data back to GRDC). NGR has successfully implemented similar solutions with EPR managers so a similar system of privacy and information governance will be applied.

4.4.3.3 Estimated costs – establishing, updating and maintaining

Table 20: Cost Indications Model D (Hybrid: grower self declaration via NGR) – Provided to GRDC

4.4.4 Benefits and risks

Table 21: Model D. SWOT

Helpful	Harmful
Strengths	Weaknesses
<p>The significant industry use of NGR business systems.</p> <p>NGR’s established business capabilities.</p> <p>An independent GRDC levy payer production declaration distributed by NGR will enable GRDC to:</p> <ul style="list-style-type: none"> • target large majority of growers growing a GRDC leviable crop (both summer and winter) by sending NGR registered payees a harvest declaration. • produce and distribute a specific GRDC branded grower self declaration • distribute grower self declaration when levy paying growers have the greatest available time and opportunity to identify and declare the tonnes produced of winter and summer leviable crops • build an internal data base that accurately describes the levy payers and the amount of levies paid by these entities • identify an individual person that is the principal manager of the production of grain grown on behalf of multiple individual or business entities • potentially allow levy paying entities to appoint the principal manager of the production of grain on behalf of multiple individual or business entity as their proxy for all matters relating to the GRDC. 	<p>Reliant on growers to correctly self declare their grain produced in a given harvest period.</p> <p>Using the total grain produced as the declared unit does not directly relate to the levy paid due to the variability of farm gate price paid to levy payers for different commodities and different locations</p> <p>Growers are being asked to complete more bookwork adding to their already administrative requirements.</p> <p>Requires internal capacity building</p>
Opportunities	Threats

Helpful	Harmful
<p>More growers aware of and able to join membership.</p>	<p>NGR does not allow GRDC direct access to the contact and business details of levy paying grower, without fee for service NGR cost of completing the GRDC levy payer mail out is high An insignificant number of harvest declaration forms are returned by levy paying growers. Expensive Low rate of grower self declarations returns / compliance</p>

4.5 Other approaches researched

Other approaches researched were presented to GRDC on the 12th December 2014, and to GPA on the 19th December 2014. Options proposed to potentially meet GRDC's needs were as follows;

GRDC have identified a need for three capabilities:

- A membership database (and associated CRM functions) to collect members and offer a proactive opt-in opt-out facility.
- A levy payer register identifying growers and the amount of levy paid. This will enable votes to be allocated on the basis of levy paid or a surrogate value (E.g. tonnes cropped, production area).
- The ability to conduct periodic levy polling for growers who meet multiple criteria (nominally are members and have paid levy in last 1-2 FY)

In reviewing the solutions below it is important to note that growers do not know the levy value paid, and obtaining data from the agents is considered the gold standard in knowing "who pays what levies". Some considerations on the source of levy information;

- **Grower Self Declaration** – where the grower is surveyed directly for either levy value or a surrogate value such as tonnage. Pro's: the grower is responsible for the data and therefore their own voting rights. Cons: Growers typically do not know the levy value, and success rates in similar projects sit around 60-70%. It is honesty system: no practical way to audit the grower self declaration. It is burdensome and contentious to collect.
- **Agent Data (Legislative)** – The actual transactional value of levies, obtained through a legislative requirement placed upon agents. Pro's: Accurate and easy (relative) to obtain, less collection points. Cons: undue burden on agents without compensation. May not pass an impact study for passing legislation. Puts responsibility for the growers votes on a third party. What recourse does the grower have if the agent refuses to comply?
- **Agent Data (Commercial)** - The actual transaction value of levies, obtained through a commercial arrangement. Pro's: doesn't require government blessing. More appealing and fair for agents' participation. Cons: Huge privacy issues to be crossed with hundreds of agents, not all will participate and getting participation will be a massive undertaking. No guarantee of data supply.
- **ATO Data** - as above for *Agent Data (Legislative)* with the added red tape of the ATO as an intermediary.

Table 22: Possible solutions presented to GRDC / GPA for consideration

Solution	Capability 1 – Memberships	Capability 2 – Levy payer register	Capability 3 – Levy Polling	Strengths	Weaknesses	Cautions / likelihood of success
<p>1. Full Outsourcing A) Market link/ computershare Data via Self Declaration</p>	<p>Held by Market Link-Computershare, feeds GRDC internal CRM</p>	<p>Held by Market Link/Computershare Data obtained via direct survey to growers (self declaration)</p>	<p>Market Link / Computershare conduct poll, tender results only</p>	<p>Easy to achieve without impact on GRDC operations</p>	<p>Expensive Unresponsive No knowledge of industry issues Not an efficient solution for end users Six figure solution</p>	<p>Highly likely achievable, but the most constrictive of all models. May not offer any additional benefit to in house models accept GRDC pays rather than accommodates the work. Still will require facilitation and administration from GRDC (high level).</p>

<p>2. Full Outsourcing B) NGR Data via self Declaration or Legislative</p>	<p>NGR acts as agent for GRDC memberships and voting proxy. Add a tick box for GRDC membership, and a field for proxy allocation. This is updated annually at least.</p>	<p>NGR build transactional database capability and manages this for GRDC. Data on levies is obtained through either;</p> <ul style="list-style-type: none"> • Self declaration independent • Self Declaration in conjunction with EPR managers • Legislative to obtain from a 	<p>NGR conducts levy poll on behalf of GRDC</p>	<p>Already working with agents and growers. Strong knowledge. Gold standing in data collection and management Grower trust</p>	<p>Expensive Dependent on third party May be a lead time of 12-18 months on some items Will require strategic nod approval from NGR shareholders</p>	<p>NGR are willing to consider acting as agent for GRDC but would need strategic decision-making. High chance of success Still will require facilitation and administration from GRDC (moderate level)</p>
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<p>3. Full Outsourcing C) Dept Ag/LRS</p> <ul style="list-style-type: none"> • Legislated data acquisition from agents • Cost recovery business model • Legislated data from agents to LRS 	<p>Dept Ag LRS register feeds GRDC internal CRM</p>	<p>Dept of Ag / LRS</p>	<p>Dept Ag LRS conduct and manage on behalf of GRDC</p>	<p>Presents a whole of industry solution (good for end user) Appropriate entity to be asking for and managing the data (trust) Likely cheaper than NGR of Computershare Separation of levy poll from the recipient organisation. Ministerial pressure support for joint solution</p>	<p>Out of GRDC control Slow May not occur. Some loss of flexibility.</p>	<p>Dependent on impact studies and Dept Ag control Moderate chance of success</p>
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<p>4. Base level vote canvassing Two options: a. Pass out voting forms (one grower one vote) with NGRs annual verification form. b. Allow growers to nominate for a voluntary self declaration via NGR annual verification form, then conduct a self-declaration (in-house, see option 5) for growers who have opted in.</p>	<p>Private entity (breeder, trader, bulk handlers, agent)</p>	<p>Private entity (breeder, trader, bulk handlers)</p>	<p>Private entity (breeder, trader, bulk handlers)</p>	<p>Would meet “best efforts of informing growers of voting opportunity” requirements. Cheap and fast.</p>	<p>Option 1: Doesn't address the key Senate Inquiries into identifying who pays levies NGR would have to be convinced to this: marketing material is not longer included in verification Unlikely to gain industry support Some supporting marketing in WA to fill gaps in NGR Option 2: Very low expected uptake.</p>	<p>This option is quick and easy to implement however will have no levy register or address the question of who is paying levies, thus is not likely to meet industry approval or Ministerial requirements</p>
<p>5. GRDC In-house (Self declaration, or data from agents via commercial/legislative arrangement) Start from scratch model</p>	<p>GRDC extends CRM and membership drive</p>	<p>GRDC builds transactional database to hold levy information obtained</p>	<p>GRDC</p>	<p>In GRDC control Options for legislative or commercial solutions Possibly a 'quick fix'</p>	<p>Will require possible bespoke software not in GRDC current plan Limited opportunity to work with other GRDC (less favourable result for end user) Self-declaration</p>	<p>High-level change of success, but large GRDC HR investment. Grower response rate uncertain. Maybe 50% initially.</p>

<p>6. Partnership with EPR managers</p>	<p>GRDC as per option 5</p>	<p>GRDC participates with EPR managers in a joint harvest declaration</p>	<p>GRDC per option 5</p>	<p>Joint initiative could improve compliance for both GRDC and EPR managers. E.g. GRDC brings a carrot (voting to the table, thus incentive for EPR managers to participate)</p>	<p>EPR managers may not be interested Possible grower confusion Privacy issues to be addressed.</p>	<p>Moderate level chance of success. Slightly better than GRDC doing the declaration independently.</p>
<p>7. ATO NOT VIABLE – ATO have referred the issue back to Dept. Ag.</p>	<p>GRDC as per option 5</p>	<p>Levy is a cost of doing business and therefore may be captured through collection and collation of tax returns – scenario explored was the possibility of ATO collecting levy data and then releases ABN-based data to GRDC</p>	<p>GRDC per option 5</p>	<p>Leaning on legislative clout of ATO and their auditing ability</p>		<p>Very low likelihood of success – significant legislative changes and burden for minor gains. Unlikely to be considered the most efficient</p>

<p>8. Hybrid GRDC/NGR/EPR</p>	<p>Memberships and proxy vote allocation via NGR. NGR data feeds GRDC CRM</p>	<p>Joint Harvest Declaration with EPR managers</p>	<p>GRDC per option 5</p>	<p>Utilises existing systems. Efficient and somewhat economical 12 months lead time Good coverage to growers</p>	<p>Lots of moving parts to coordinate Ongoing cost higher than in-house. Third party control Need agreement from all three parties</p>	<p>Moderate chance of success. Would have to be weighted carefully against option 2 and 5</p>
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Additionally if GRDC need a short term solution to reach all Australian growers (in case of AGM/elections) NGR offer a mail out service to existing clients.

5 Approaches to membership eligibility in an industry owned corporation

Membership models of other RDC's

Membership of IOCs that are companies limited by guarantee is voluntary. Becoming a shareholder of AWI Limited is also voluntary for wool levy payers. Eligibility criteria for membership of the various IOC RDCs is set out in Table 21 below.

Becoming a member of an IOC may provide voting rights for any decisions reserved for members. Eligibility criteria may be applied at the step of becoming a member (e.g APL, AWI, DA), or once a member, in the allocating voting rights (e.g. HIAL, MLA). The allocation of voting rights is discussed on pages 8-9 of this report.

Table 23: Eligibility criteria for membership (or becoming a shareholder) for various IOC RDCs.

Membership requirements	APL	AWI	DA	HIAL	MLA
Open to producer levy payers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Open to other membership e.g. industry bodies or processors?	<input type="checkbox"/> Operates delegate system	<input type="checkbox"/> Must be a producer	<input type="checkbox"/> Industry rep. bodies	<input type="checkbox"/> Not to rep. org.s or suppliers	<input type="checkbox"/> Lot feeders, traders, peak councils
Required to fill in form	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requires IOC's Board approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can a levy payer become a member at any time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Obligated to fill in a statutory declaration for membership	<input type="checkbox"/>	<input type="checkbox"/> Fill in an annual 'return'	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Must meet eligibility criteria over and above just being a levy payer & filling in a statutory declaration/return form	<input type="checkbox"/> Must have paid at least \$1 in pork levies in previous 1 FY	<input type="checkbox"/> Must have paid \$100 in levies in previous 3 FYs	<input type="checkbox"/> Must have paid levies in the current and/or previous FY	<input type="checkbox"/>	<input type="checkbox"/>
For IOCs with no eligibility criteria over & above simply being a levy payer, membership cessation process	Audit finding; at anytime though written notice; insolvency; death	The Board can, after investigating, transfer the share/s back to the Company.	Any time through written notice; Group A no levy payments; Group B lack of qualification; Board can expel due to lack of compliance	Any time through written notice	Any time through written notice; lack of providing information; insolvency; death

Key considerations for GRDC

To achieve fair and useful representation of the grower population GRDC should be mindful of:

- Undue and unreasonable political influence could be received from larger producers and corporate farming. A cap on votes (top) or sliding scale could mitigate this risk.
- High proportion of votes to non-operational grain proceed recipients (e.g. churches, relatives, stock feeders with minimal surplus) is also undesirable as active grain growers are the target market for GRDC voting rights / membership. Therefore a 'tail' should be considered requiring members to reach a minimal levy threshold before rights are assigned.

DA has two classes of members. Group A members are levy payers as defined in this document and have paid levy in either the financial year concerned or the previous financial year. Group A members are the only class of members able to vote. The DA board allocates votes to Group A members at the rate of one vote for each dollar paid as levy in respect of the member in the financial year immediately before the financial year in which the determination is made. The process is supported by information flow from processors (agents) through LRS.

For AWI, each shareholder is entitled to one vote for every \$100 of wool levy paid in the three financial years before any vote. No shareholder other than the company itself can hold more than one share. A share is not tradable and has no value.

APL members are entitled to one vote for every \$1.00 pig slaughtered levy recorded on the member register at the time of the vote. APL also allows members to appoint a delegate to represent them at Annual Meetings on all matters excluding those where an individual member must vote. A delegate is appointed once the aggregated levy amount of supportive members is equal to or exceeds the delegate levy amount.

For the new horticultural RDC HIAL, which moves its RDC-ownership from peak industry bodies to levy payers directly, membership is open to all industry participants, excluding industry representative bodies and suppliers. Levy payers and producer contributors who pay in line with their participation agreement are able to vote. Voting rights are to be allocated to each as follows:

- (i) if they have Annual Receipts under \$200 – no votes; and
- (ii) if they have Annual Receipts of \$200 or more:
 - (A) one vote; plus
 - (B) one additional vote for every \$10,000 in Average Receipts, subject to the following limits:
 - in respect of Levies – 100 votes (based on \$1,000,000 or more in Average Receipts in respect of Levies);
 - in respect of Producer Contributions – 75 votes (based on \$750,000 or more in Average Receipts in respect of Producer Contributions); and
 - in respect of Levies and Producer Contributions – 100 votes (based on \$1,000,000 or more in Average Receipts in total, provided that a maximum of \$750,000 may be taken into account in respect of Producer Contributions).

This system is effectively putting in place minimum and maximum voting thresholds to give broad representation of producers when voting.

Should GPA and other grain grower representative organisations put to industry that GRDC should become an IOC, and that the recommended corporate structure is a company limited by guarantee, then the way that 'levies paid' converts to 'voting rights' will be a critical issue for many growers when deciding whether to support the proposed change or not. Given the radically

different production levels by growers, the idea of each and every grower having one vote is unlikely to be accepted as being fair for levy payers. Also, seasonal volatility in production (which to a large extent flows into the value of levies paid) means that basing voting rights on a single year of production may not be in the best interests of GRDC stakeholders and GRDC itself either. A rolling average across years, such as the rolling average system used by CWLTH government for calculating the CWLTH co-contribution to GRDC, would be a less tumultuous approach.

Therefore, should GRDC be moving towards being a company limited by guarantee, then GRDC may like to propose to representative organisations and levy payers that a linear sliding scale with a 'top and tail' thresholds and a rolling average for three to five years might be the most viable approach to GRDC membership to translate into voting rights.

An example: [provided to GRDC](#)

Data modeling

[Option for data modeling provided to GRDC](#)

6 Bridging solutions

Rationale

As establishment of an IOC structure and related legislative / operational changes will likely take 18 months + to implement, GRDC may need interim bridging solutions to;

- Manage levy register, membership accumulation
- Stockpile data required for the long-term solution
- Manage logistics of AGM's, conducting votes and poll.

The nature of a bridging solution to achieve a levy payer register including geographic location, and levies paid as well as production by crop type by financial year will be determined by GRDC's main aim of the activity.

If the aim is to generate a levy payer register regardless of any change to GRDC's legal structure, then the fastest pathway to do so is through Model D; the hybrid model between NGR and GRDC, or variants of this model. This would achieve for GRDC:

- Voluntary opting-in of grain levy payers to the database
- Contact details of payees (through NGR)
- Geographic distribution of levy payers based on payee postcode.

Models C and D would facilitate more direct communications with levy payers. However, these approaches would not allow GRDC to accurately understand the structure of its levy payer base or value of levies paid.

If GRDC determines that it will change legal structure to an IOC, then presumably the aim changes to provide a holding system of information that, once the IOC comes into effect, is drawn upon to convert into member voting rights. The transition could replicate what the new horticultural RDC has done in establishing HIAL. This means that the New Company (i.e. New GRDC) is legally established with one member only. In the meantime, information about grains levy payers would be accumulated. On a prescribed transition date, the levy payers whose information has been gathered and that meet any membership eligibility criteria set out in the New GRDC constitution would become members. On that same date the original single member of New GRDC would cease to be a member.

Assuming that New GRDC wishes to have members' votes in some way proportional to levies paid, then additional information is needed – payee contact details are insufficient. GRDC could start collecting this information by asking grains levy payers to self identify, register in GRDC's levy payer database and declare their levies by crop type by financial year in which they were paid. The idea of asking for 3 years of data from growers in the first instance to enable averaging was considered, however this may be cumbersome for growers to achieve.

Table 24: Bridging options at a glance

	Description	Pro's	Cons
HIAL style transition approach	<p>Placing membership responsibilities in trust until IOC established and support systems in place.</p> <p>Single member appointed and applications taken for new members. Original member to opt-out once transition to new structure is in place.</p> <p>Works better with long term LRS solution</p> <p>Approx cost – Provided to GRDC</p>	<p>Simple administration</p> <p>Quick to establish?</p> <p>Allow systems to accumulate transaction data before use</p>	<p>Key decisions lie with trustee only – possibly one member.</p> <p>May be viewed poorly by industry/growers</p> <p>Not desirable to sustain beyond 2 years.</p>
One grower - One vote	<p>Using a combination of NGR and internal communication campaigns and interim business can be resolved on a 1 grower (as known to NGR or GRDC).</p> <p>Works better with long term GRDC In-house or self dec models</p> <p>Approx cost – Provided to GRDC</p>	<p>Could be maintained for 2-3 years if necessary.</p> <p>Easy to migrate to long-term model.</p>	<p>Unlikely to be supported by grain growers</p> <p>Small leakage in WA (~1500 growers) - supplementary comms campaign needed.</p> <p>Inequitable, poor representative model.</p> <p>Expensive and possibly ineffective.</p>

7 Conclusions and critical decision points

Several different alternative approaches for establishing, updating and maintaining a grains R&D levy-payers membership database have been researched, with four approaches (models) reported in detail.

The agents generally have sophisticated business systems and collect all the relevant information that GRDC would require to support a levy payer register, to understand the structure of the levy payer base and to support membership and voting entitlements. Tapping into this data is the aim of proposed legislative change.

Two of the proposed models take advantage of an existing private organisation National Grower Register (NGR). NGR links payee details to grain deliveries via a card system and has a significant coverage of Australian grain grower entities, although coverage in Western Australia is improved greatly if the NGR system is combined with CBH capability. NGR's identification of producers is based on Australian Business Numbers (ABN), which equates to 'payees'.

The first model described in the report is fully outsourced model, with the Dept. of Ag.'s LRS as the service provider. It requires legislative change. The steps to change levy and/or levy collection legislation are described.

The second and third models are fully in-house for GRDC where GRDC manages all aspects of registers and voting. Model B requires legislative change enabling producer level information to be passed on by agents to LRS and in turn for LRS to pass that data on to GRDC. Model C relies on use of a grower self-declaration of production to collect information directly from growers in the case that legislative change is not viable or pursued.

The fourth model described is a hybrid between GRDC in-house activity and GRDC outsourcing some aspects of the work to NGR. As with Model C of the full in-house model, this hybrid model relies on gathering producer level information through a grower self-declaration form.

Model B, (In-house, legislated agent data) is the most economical when set-up and ongoing costs are considered and also offers GRDC an excellent source of levy payer data. While Model A (outsource to LRS, legislated agent data) is expensive to set-up and has reasonable ongoing costs, the administrative burden is placed on LRS and minimal interruption to GRDC would be envisaged. Both of these models are preferable if the goal is to obtain visibility over actual levies paid.

Model C (in-house grower self declaration) and Model D (hybrid grower self declaration) come at a higher cost, significantly less accuracy and much more administrative / compliance burden for GRDC. The trade off is that these self-declaration basis models/options are not dependent on successful legislative amendments. Additionally GRDC may be able to leverage other benefits from the grower-facing, information rich approaches. The key risk from these self-declaration approaches is low rate of return for high cost and thus ineffective representation.

The key finding of this work is that reliable access to the amount of GRDC levy paid by a grain grower by financial year will be difficult to achieve in the absence of legislative change. This is due to a combination of factors including the grains levy being three levies, the levy being applied to the farm gate value of grain (which is different to the price the grower receives from the agent), and also because pools add further complexity as levies are paid across time as the pool is sold down.

Legislative change may be possible, particularly if the change is comparable to existing legislation in place for the dairy and wool RDCs. The process required is lengthy and the proposal for change is likely to be received more favourably if the change is broader than just for grains. There is an opportunity for GRDC to work with other interested RDCs on the required legislative changes to achieve data flow from agents to the particular RDC. It is plausible for a case to be made for RDCs to all have a similar opportunity to access producer level data, which is already facilitated through legislation for the dairy and wool industries.

Should GRDC change structure to become a company limited by guarantee, then growers may not accept that the grower self-declaration provide sufficient accuracy in allocation of voting entitlements. Actual levies paid is value-based rather than production-based. If this is grain growers' attitude, it will help to support the legislative change proposal that GPA as GRDC's representative organisation would need to prepare.

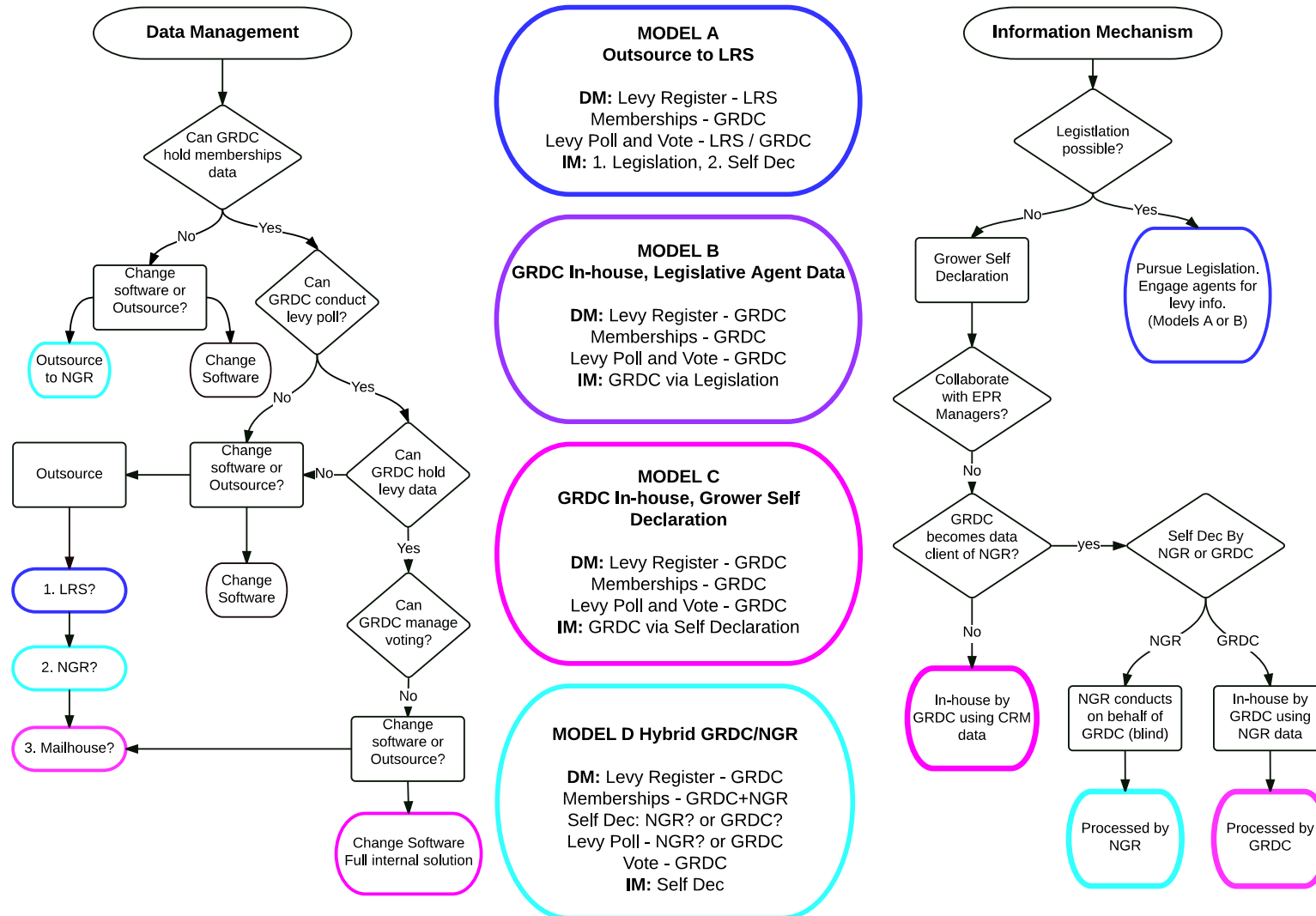
Whilst GRDC has no legislative basis to access levy data, and also in the period where no decision has been made about whether GRDC's current legal structure is to remain as a statutory body or change to an IOC, GRDC may like to consider starting out with the hybrid approach between itself and an external provider such as NGR (Model D) whilst concurrently working collaboratively with other interested RDCs on appropriate legislative change.

Key findings

The key findings of the report are:

- Reliable access to the amount of GRDC levy paid by a grain grower by financial year can only be achieved via access to agent data. This access would only be viable through legislative change. Therefore there may be benefit in working with other interested RDCs towards legislative change.
- Regardless of any change to GRDC's legal corporate structure, GRDC may decide to establish a levy payer register and improve stakeholder data.
- Both Legislative Agent Data and Grower Self Declaration will require information capture, storage and use changes within GRDC. Therefore GRDC can confidently undertake preparatory work and bridging solutions without waiting on the result of legislative change.
- The levy-to-votes conversion scale will be critical in determining the effectiveness of the representation, thus it will be a key industry discussion piece.
- Decisions around outsourcing or allocating internal resources will be dependent on GRDC's broader strategy and direction: both in-house and outsourced options are viable.
- Under a Grower Self Declaration process careful consideration must be given to auditing for accuracy and potential loopholes (e.g. growers omitting bad year results to keep the average higher). These loopholes will need to be managed through rules.
- Under a Legislative Agent Data model, the grower must not be penalised due to agent non-compliance, therefore an objections process and self declaration back-up process will need to be made available.
- An interim solution may be required while legislative pathways are pursued. In this case GRDC can consider:
 - engaging with NGR to start a grower declaration process and improve grower CRM data
 - testing (through regional panels) whether growers would be willing to provide more than 1 year's production information (unlikely)
 - communicating with growers the purpose of having a levy payer register and the process to achieve it
 - design a specific grower communication plan for WA to encourage growers to link their CBH number with an NGR number
 - work out return rate of declaration forms – assuming less than 75-80% return rate, use this information to support the case for legislative change
 - use levy payer information to run levy payer ballot asking whether the levy payers support changes to legislation
 - investigate distribution of levies paid by growers and models to convert levies paid by payee to voting entitlements.

Diagram 5: GRDC Levy Register Decision Path



MODEL A
Outsource to LRS
 DM: Levy Register - LRS
 Memberships - GRDC
 Levy Poll and Vote - LRS / GRDC
 IM: 1. Legislation, 2. Self Dec

MODEL B
GRDC In-house, Legislative Agent Data
 DM: Levy Register - GRDC
 Memberships - GRDC
 Levy Poll and Vote - GRDC
 IM: GRDC via Legislation

MODEL C
GRDC In-house, Grower Self Declaration
 DM: Levy Register - GRDC
 Memberships - GRDC
 Levy Poll and Vote - GRDC
 IM: GRDC via Self Declaration

MODEL D Hybrid GRDC/NGR
 DM: Levy Register - GRDC
 Memberships - GRDC+NGR
 Self Dec: NGR? or GRDC?
 Levy Poll - NGR? or GRDC
 Vote - GRDC
 IM: Self Dec