



Submission on the Incorporated Societies Bill
- Exposure Draft

New Zealand Forest Owners Association Inc

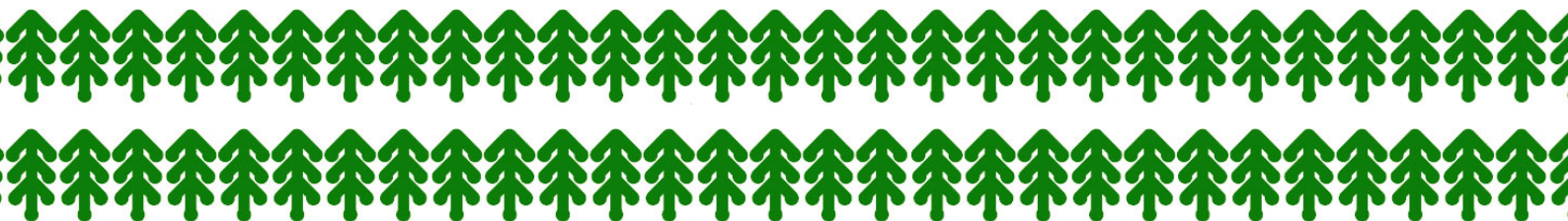
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1. Introduction

- 1.1 This submission has been prepared by the NZ Forest Owners Association (FOA) on behalf of our members.
- 1.2 The FOA is a voluntary organisation representing the interests of commercial forest growers, facilitating co-operation and co-ordination within the forest industry. FOA member companies collectively manage around 1.2 million ha of rural land, 80% of which is in plantation trees. The total New Zealand plantation forest area is 1.7 million hectares.

2. Summary

- 2.1 FOA welcomes the measures to modernise and simplify the incorporated societies regime. We support the objectives of the Bill in clarifying, without materially changing, the nature of the incorporated society structure.
- 2.2 In particular, FOA supports the way the Bill details the structure and powers of the incorporated society as an entity, in a manner that is more accessible and comprehensible to the general public than the Incorporated Societies Act 1908 ('**1908 Act**'). The use of the Companies Act 1993 framework means that the new procedures for incorporated societies come from already-familiar company law. This, we consider, will help incorporated societies to comply with the changes under the Bill without needing to incur undue costs in navigating novel and unfamiliar legislation. The new power to seamlessly amalgamate societies in a similar fashion to company amalgamations is particularly welcomed.
- 2.3 However, we wish to highlight one proposed change which we consider warrants further discussion.

3. Officers' duties

- 3.1 The introduction of officers' duties that parallel directors' duties under the Companies Act 1993 is likely to be confronting for a number of society officers – particularly volunteers.
- 3.2 We recognise that officers do owe duties to societies at common law, and it is useful for such duties to be explicitly stated so that officers know exactly what is expected of them. However, there is a question as to whether the high standard expected of directors of commercial enterprises should apply to unpaid volunteers on a parallel basis.
- 3.3 Not-for-profit societies have a different role in the community than for-profit companies. There is an argument that the 'risk' for society officers should reflect the 'reward' i.e. a paid officer should take on greater risk in terms of potential liability if officers' duties are breached than the paid officer's unpaid volunteer counterpart.

- 3.4 Our society officers are all volunteers. Unduly onerous officer duties could deter society members from participating as officers.
- 3.5 Further, officers' duties may prompt officers to demand that societies provide indemnity insurance, which adds another cost for societies.

4. Conclusion

- 4.1 Subject to the above, FOA supports the progression of the Bill as drafted. It will provide much needed clarity and modernisation in the incorporated societies area.
- 4.2 Thank you for considering our submission. Should you have any questions in respect of our submission, please feel free to contact us. We look forward to continuing to participate in this important piece of law reform.

Yours faithfully
Withheld

David Rhodes
Chief Executive