

**Wellington Chamber of Commerce Submission
to Ministry of Business, Innovation and Employment
on its Exposure Draft – Incorporated Societies Bill
June 2016**

ABOUT THE CHAMBER

The Wellington Chamber of Commerce (the Chamber) has been the voice of business in the Wellington region for 160 years since 1856 and advocates for policies that reflect the interest of Wellington’s business community, in both the city and region, and the development of the Wellington economy as a whole.

We are ourselves an incorporated society, we have members who themselves are incorporated societies and, from time to time, we support other incorporated societies through our Chamber network on compliance and governance matters.

The Chamber is accredited through the New Zealand Chamber of Commerce network and, as part of our wider organisation, is also one of the four regional organisations of BusinessNZ. Our organisation also delivers ExportNZ to Wellington and the Hawke’s Bay.

INTRODUCTION

The Chamber welcomes the opportunity to submit on the Exposure Draft of the Incorporated Societies Bill (the Bill).

The Chamber notes that the reason for the current consultation is because of concerns that the Incorporated Societies Act 1908 does not address several important matters that affect societies, and would like to address those matters. We welcome the consultation on this exposure draft, before the bill is finalised and introduced to Parliament. This submission provides general comments on the proposed bill. We also write in support the BusinessNZ submission, and where appropriate refer to specific points in the Chamber’s submission.

Generally speaking, we support the public policy objective as stated in the bill’s regulatory impact statement, which is to “have modern intelligible accessible workable enduring legislation that is fully consistent with incorporated society, governance and legislative principles.” In particular we believe the principles are good guidance for making changing to this Act. Principle 2 is of paramount importance, that societies ought to be “free from *inappropriate* government interference” [emphasis added].

The Chamber recognises the positive intentions behind the Bill but is concerned that the bill in its current form may overcomplicate the running of societies and impact the viability of particularly the smaller groups. Furthermore, as societies are accountable to their members in their very nature, they should be largely self-governing, therefore guidance is preferable to legislation for operational

considerations beyond basic reporting requirements. If it is accepted that the responsibility of incorporated societies is to their members, as a principle societies should be entitled to determine operations and matters for themselves.

GENERAL COMMENT

While there is both a place for modernisation of legislation and the need for better, clearer compliance frameworks to support the operation of incorporated societies, we share BusinessNZ's concern that the current draft of the bill goes too far. The Chamber is concerned that compared to the current Act, the Bill may be too prescriptive in the organisation of such a society and impact the viability of running these organisations, and we are not convinced that legislation is the way to achieve the desired outcome – that better, clearer, more effective operations could be supported through direct education and well communicated guidance. If it is accepted that the responsibility of incorporated societies is to their members, then societies should be entitled to determine for themselves as far as possible. The legislation should be enabling as much as possible, rather than it is currently drafted – overly prescriptive in some matters of detail.

The Chamber is concerned that a likely effect of the bill will instead make life significantly harder for smaller societies given some of the new statutory requirements contained in the exposure draft. We would also note that the way in which the Bill is currently drafted would make it very hard for some to understand and would urge that the provisions are made easier to interpret. More practically we are mindful that smaller organisations may be unaware or unable to meet these new requirements, creating a much more complex environment in which to operate an incorporated society, or they may be deterred from becoming an incorporated society in order to avoid the added hassle of new requirements.

For example, what is required of a society's Constitution is rather more detailed than at present and is unhelpfully specific on some points of governance operations, such as amalgamation of societies and officer duties, but not on others. It is this kind of prescriptive detail in this exposure draft that is likely to make operating an incorporated society rather more complex than it is at present. As the BusinessNZ submission points out, the effect of unnecessary prescription might be to discourage incorporation, with common interest groups choosing instead to operate outside the legal rules. The Chamber believes it is better to provide basic requirements and instead provide guidance on matters that a constitution might optionally include.

However, we do acknowledge that there is a real need to encourage and support best practice but believe this could be done through better guidance. We query the 'harm' that the bill attempts to deal with, as we note that the RIS states that there are few reported cases that demonstrate that the current legislation does not adequately support or promote good governance practice which requires greater legislative intervention and punitive deterrence provisions.

We look forward to seeing the next version of the bill with changes that are reflective of these general comments and to address the specific concerns that the Chamber shares as set out in the BusinessNZ submission.