

We, the undersigned concerned members, support the arguments enunciated in the attached Paper on the 2020 API AGM Motions prepared by Damian Dalton and respectfully request the API Limited Board of Directors withdraw the Motions.

Member Name	Member Category
Rodney Hyman, LFAPI CPV (P&M)	LFAPI
Roy Farthing, LFAPI CPV (P&M)	LFAPI
John Dowling, LFAPI CPV	FAPI
John Harvey FAPI CPV (P&M)	FAPI
Milton Cations, FAPI CPV	FAPI
Richard Blow, AAPI CPV (P&M)	FAPI
Robert van Raay, FAPI CPV (P&M)	FAPI
Ross Henderson, FAPI CPV (P&M)	FAPI
Stephen Andrew, FAPI CPV	FAPI
Damian Dalton AAPI CPV (P&M)	AAPI
Daryl Bird, AAPI CPV & CPV (P&M)	AAPI
James Price, AAPI CPV (P&M)	AAPI
Mark Eddy, AAPI CPV	AAPI
Mark Sanderson, AAPI CPV	AAPI
Rowan Llewellyn, AAPI CPV	AAPI
Richard Fennaghty, AAPI CPV (P&M)	AAPI
Tony Kelly, AAPI CPV	AAPI

Dear fellow API member,

I write to you in regards the Motions to be put forward at the upcoming Annual General Meeting (AGM) of the Australian Property Institute Limited (API).

I strongly recommend that members vote against these Motions as the first Special Resolution is unnecessary and undesirable, and the second is flawed.

In this paper I review the Motions and the purposes, reasons and arguments presented by the API as to why they have been proposed and present my arguments as to why members should vote against these Motions.

Executive Summary

Motion 1 - Special Resolution: Categories of Membership

The first Special Resolution will remove the right of members to have a say in what are the membership categories of the API and all that entails in regards professional standards, etc.

The main argument for this Motion is to afford the API greater flexibility to add categories of membership to suit the changing needs of our members. Currently, the API can amend the membership categories every 12 months by presenting a Special Resolution to the AGM and convincing members to vote in favour of the changes. This Motion is completely unnecessary as the API is already afforded adequate flexibility under the Constitution as it stands.

In regards the “changing needs of our members” the facts show that the membership size and composition of the API has remained remarkably stable over the past 10 years and any perceived problem in this area is not solved by this Motion.

Finally, similar professional membership organisations such as RICS, CPA Australia, and the Law Institutes of NSW and Victoria all stipulate membership categories in the Constitutions (or equivalent documents) and thereby afford their members a say in this important matter.

It is my opinion that this Special Resolution has no merit whatsoever and is unnecessary and undesirable, and members should vote against it. The risk is too high and is completely unnecessary.

Motion 2 - Special Resolution: Nomination after maximum tenure

The second Special Resolution seeks to reduce the hiatus period before a director who has served their maximum tenure can re-nominate for the Board from 6 years to 2 years.

This will allow a director to serve 12 out of 14 years which, in my opinion, is not good governance and not ideal regarding Board renewal. I recommend that members vote against this Special Resolution as it is flawed and may result in an undesirable outcome of stunted Board renewal and entrenched thought and strategy.

Introduction

My name is Damian Dalton. I am 47 years old and the Managing Director of PP&E Valuations Pty Ltd, based in Melbourne. I started my career in the property profession in 1997 valuing both property and plant and equipment assets. I decided to specialise in plant and equipment valuations and have been an Associate member (AAPI) and Certified Practising Valuer (P&M) of the API for over 20 years.

During that time I have been actively involved in the API including as a current elected member of the Victorian State Committee, past chair of the Victorian CPD sub-committee, examiner for CPV (P&M) applicants, and more. I have always wanted and work for the best outcomes for the API and its members.

I take no pleasure in having to take this action of actively campaigning against the proposed Special Resolutions of the API Board but I consider it absolutely necessary.

The Motions

The three Motions proposed to be voted on at the upcoming AGM are described in the API Notice of AGM emailed to members on 5th May 2020 as follows;

Motion 1 (special resolution):

To amend the Australian Property Institute Limited Constitution to remove the membership categories from the Constitution and allow the categories of Membership, rights, entitlements and obligations of each category of Membership (including the voting rights) to be specified in a Membership Policy, rather than the Constitution.

Motion 2 (special resolution):

To amend Australian Property Institute Limited Constitution to vary wait time for a director who has served their maximum term, before they are eligible to re-nominate from 6 years to 2 years.

Motion 3 (ordinary resolution):

That API and its directors do all things necessary to give effect to the special resolutions.

The Case in Favour

The API published the following AGM Update in the members news emailed to members on the 6th May 2020.

All Members would have received their Notice of AGM earlier this week. As we progress towards the AGM, the API team has put together some further information for Members to assist in considering the information provided as part of the AGM Notice.

As Members are aware, there are two Constitutional amendments being proposed to be voted on at the upcoming AGM, these two motions relate to:

- Motion 1: Amending the Constitution remove the categories of membership and allow these to be specified in a Membership Policy, rather than the Constitution.*
- Motion 2: Amending the Constitution to vary the wait time for a director who has served their maximum term from 6 years to 2 years.*

Motion 1: Categories of Membership

API has been working on further developing its categories of membership to reflect the true nature of the organisation as a representative body for all property professionals. This has resulted in API considering new categories of membership and broadening of membership to best suit our members, as they transition across different areas of the property profession, out of and back in to Valuation. API's membership is made up of property professionals including valuers and land economists well as those working across a range of sectors including government, asset management, infrastructure projects, property finance, property development, banking and law. Many of our members have started as valuers and transitioned to new roles in the property space, and API is committed to ensuring their continued engagement with the organisation and recognition of their professional qualifications and ongoing requirements for professional codes of conduct and ethics, along with specialist modules.

API does not propose to remove the rights of any members as a result of this Constitutional change, and instead proposes this change to allow greater flexibility to add categories of membership to suit the changing needs of our members. To allow the API to adapt quickly and introduce new categories of membership outside of general meetings, it is proposed that categories of membership be dealt with in a Policy. The Membership Policy is being developed in conjunction with the Board.

As many would be aware, API started as a representative body for valuers and land economists. Over time, API's membership expanded across various other property professions broadening API's objectives. API's strategic objectives include engaging with as many property professionals as we can.

Motion 2: Nomination after maximum term reached

API has proposed to shorten the wait time for a former director to renominate for the Board, from 6 years to 2 years. Election to the Board remains subject to the votes of Members, and if a nominee does not receive sufficient votes they cannot be elected to the Board.

This proposed change has been put forward following consideration by the Board as what is the most beneficial for the organisation. The Board has resolved that if the Members desire to re-elect a director they be provided with the opportunity to do so. This change provides greater rights to our membership. The proposed amendment would allow those directors that have previously served on the Board to continue to contribute to the organisation and allow Members the right to vote for the candidates they think are best placed to lead the organisation.

API's view is that it is good corporate governance to ensure that there is a gap between a director reaching their maximum term and being eligible for re-nomination. The previous 6 year wait period has been deemed overly onerous and not in the best interest of the organisation, or ultimately Members who have the right to vote in directors they believe would best represent them on the Board.

It is also common for many organisations to require directors who have served their maximum term, to wait the equivalent of a term on the Board before being eligible for re-election. The proposed two year wait period is equivalent to a term on the Board and accordingly will ensure ongoing turnover on the Board.

The Case Against

I will examine each of the two Special Resolution Motions individually.

Motion 1: Categories of Membership

As mentioned above in my recommendation to members to vote against these Motions, this first Special Resolution is both unnecessary and undesirable.

The critical questions to be asked in regards any Motion to change the Constitution, in my opinion, should be;

- Is this necessary? and
- What is the problem that such a change solves?

The API contends that this Motion is necessary *“to allow greater flexibility to add categories of membership to suit the changing needs of our members. To allow the API to adapt quickly and introduce new categories of membership outside of general meetings, it is proposed that categories of membership be dealt with in a Policy. The Membership Policy is being developed in conjunction with the Board”*.

So, is lack of flexibility a problem under the current arrangements? The simple and clear answer is no.

The API can amend the membership categories every 12 months by presenting a Special Resolution to the AGM and convincing members to vote in favour of the changes. In my opinion, the membership categories of a professional membership organisation such as the API, should not be changed regularly and certainly the ability to change them every year is ample flexibility. To constantly change membership categories would create confusion in the membership and the community and will inevitably erode the reputation and brand of the API, its membership categories and its members.

This Motion is completely unnecessary to allow the API adequate flexibility *“to add categories of membership to suit the changing needs of our members”*. It is already afforded adequate flexibility under the Constitution as it stands.

The other argument alluded to in the API's reasons for the Motion is that the needs of members are changing and that, over time, API's membership has expanded beyond valuations to various other property professions. The API has a stated objective of broadening the membership and engaging with as many property professionals as possible.

Inconveniently for the API, the statistics and facts do not support this argument for change.

A review of the membership composition by membership categories from the API's own data reported in Annual Reports back to 2010 and other sources shows that the size and composition of the membership has remained remarkably stable. See **Appendix A** for the analysis from the Annual Reports.

The total membership has basically been approximately 8,000 members (including student members) for the last 10 years. If we exclude student members so that the analysis is of members who are working in their chosen careers, the analysis shows that approximately 94% are valuers. That is, they are either a Life Fellow, Fellow, Associate or Provisional Member and have obtained one of the following certifications;

- Certified Practising Valuer
- Certified Practising Valuer (Plant & Machinery)
- Certified Practising Valuer (Business)
- Certified Practising Valuer (RPV).

In recent years, the API has often suggested that over 50% of our membership are non-valuers. The above analysis shows that this is simply not factual. However, this incorrect characterisation of our membership has been used to push the need for change.

If we concede, for the benefit of the API argument, that a large number of the members are valuers but are non-practising valuers and are involved in other areas of the property profession, then the above analysis clearly shows that the API is not losing these people as members and there is no problem to solve in regards the retention of those members. Therefore, this Motion is not required.

As an aside, you would have to conclude that the API has totally failed to achieve its stated number one strategic goal since at least 2015 of broadening and growing our membership base.

It may be argued that this failure to broaden and grow the membership base is a problem that still needs to be solved and that this Motion may provide a solution.

Given that I have established that there is not a problem in retaining members who may not be practising valuers, then the problem would have to relate to broadening and growth of membership from elsewhere.

The API's vision is to be "The home for property professionals in Australia". Whilst an ambitious and commendable vision, is it realistic? An obvious question it raises is, who constitute property professionals?

Based upon the various certifications of the API the following are presumably included:

- Certified Practising Valuer
- Certified Practising Valuer (Plant & Machinery)
- Certified Practising Valuer (Business)
- Certified Property Manager
- Certified Facilities Manager
- Certified Property Practitioner
- Certified Funds Manager
- Certified Asset Manager
- Certified Development Practitioner

The first three categories of professional certification are valuers and, at present, there are less than 350 members of the API in the other 5 certification categories listed above. Why so few?

The obvious answer to me is that most of them have an existing professional membership organisation of which they have traditionally been members and from which they obtain their continuing professional development training and general news. For example, the Real Estate Institutes for property managers; the Urban Development Industry Association for developers; the Property Funds Association for funds managers; the Facility Management Association for facility managers; etc.

The API simply does not have a competitive advantage or value proposition that appeals to these property professionals to join the API rather than (or even as well as) their traditional home. If the API is to continue this strategic goal, my view is that they need to articulate to existing members who the property professionals are that are to be targeted, what the expected level of uptake of membership is and, most importantly, how will the professional standing of the API and its members be protected. The API has never done this.

To demonstrate the undesirable nature of this Special Resolution and in particular granting sole power to the API executive and Board to determine Membership Policy, you may be very interested to learn that the API has already announced a new membership category. The membership category is currently known as MAPI and is described on the new API website as;

Our newly introduced MAPI membership offers a broad range of property professionals entry into the API. Suited to property professionals working in a range of sectors including government, asset management, infrastructure projects, property finance, property development, banking and law who are looking to further develop their careers.

MAPI Membership offers both Academic and non Academic entry pathways by either completing a degree, or by completing 3 years of relevant professional experience.

Furthermore, the API published on its new website a new API Membership and Certification Pathways (copy attached as **Appendix B**).

It clearly shows that the API plans to lower the educational standards for all future members, especially Plant and Machinery (P&M) and Government valuers, with only Residential Practising Valuers (RPV) and Certified Practising Valuers (CPV) enjoying a “Full Certification Pathway” that requires an API accredited degree.

I also note that the interview (viva voce) has been removed from the process to gain certification as a Government or Plant and Machinery valuer and the professional experience requirement under the “Full Certification Pathways” has been significantly reduced prior to the interview process and attaining Certification. Under the proposed API Full Certification Pathways it would be possible to enter the interview process to attain your CPV certification with as little as 8 month’s working experience!

After receiving some strong feedback from senior and respected members, who became aware of these proposed changes, that they were unacceptable, the API quickly removed the details from the website and suggested it was a working document. However, in my opinion, actions speak louder than words, and this is a clear indication of what we can expect if this Special Resolution is passed and we “allow the categories of Membership, rights, entitlements and obligations of each category of Membership (including the voting rights) to be specified in a Membership Policy, rather than the Constitution”.

The fact that the API has gone ahead and published these new membership and certification pathways prior to the members voting on the Special Resolution is astounding and presumptuous in the extreme. Not to mention that it seems to be in clear contravention of the current Constitution.

The negative effect of these changes will be profound on the professional reputation and brand of the API and us, its members.

Lastly, I considered what is normal practice for similar organisations in regards stipulating member categories in their Constitutions (or equivalent documents). A quick check of the Constitutions of the following similar professional membership organisations revealed that they all stipulate membership categories and afford their members voting rights on this important matter;

- Royal Institute of Chartered Surveyors;
- CPA Australia
- Law Institute of Victoria
- Law Institute of NSW

Whilst the API stated in their AGM Update that the *“API does not propose to remove the rights of any members as a result of this Constitutional change”*, this Special Resolution would indeed remove a right of the members. It would unnecessarily remove the right of members to vote on the very important matter of membership categories and all that entails in regards maintaining the professional standards and standing of the API and its members.

If the API believes that the membership categories require amendment then they should have consulted with the members, articulate a properly formulated argument, and presented it to the AGM as a Special Resolution for the members to vote on and pass. They do not need to remove the right of members to vote on such an important issue. This resolution seems to be designed predominantly so that the API can avoid having to consult the members, articulate a proper argument and get the members to agree and vote for it.

In conclusion, it is my opinion that this Special Resolution is unnecessary and undesirable, and members should vote against it. The risk is too high and is completely unnecessary.

It is my opinion that this Motion has no merit whatsoever.

Motion 2: Nomination after maximum term reached

This Motion seeks to shorten the period a director who has served their maximum tenure must wait before they are eligible to re-nominate from 6 years to 2 years.

Currently the API Constitution stipulates that a term is 2 years and a director can serve a maximum of three terms, so a maximum tenure of 6 years in total. Once a director has reached their maximum tenure, they cannot re-nominate for another 6 years.

The effect of passing this Special Resolution will be that a director may serve on the API Board for 12 years out of 14 years. In my opinion, this is not good governance and not ideal in regards to Board renewal.

Whilst I acknowledge that the hiatus of 6 years can be argued as being too long, in my opinion the proposed amendment does not create a good outcome. This Special Resolution is flawed.

The API argues that common practice is for the hiatus period to be equal to one term however, it is also common practice for terms to be at least 3 years rather than 2 years.

My research as to what is considered best practice in regards director terms, maximum tenures and period before becoming eligible to re-nominate revealed that 3 year terms are the norm and a maximum tenure equal to 3 or 4 terms (ie 9 to 12 years) is considered best practice. Often there is no option to re-nominate once a director has reached their maximum tenure.

In exceptional circumstances the Board may seek the extension of a director's maximum tenure by an additional term by Special Resolution to the AGM. This may be due to an ongoing project for which a director has special carriage of or knowledge about and the Board and members may consider it prudent to extend the maximum tenure of that director.¹

In my opinion, the maximum tenure of the API of three, 2-year terms (6 years) is too short and the API should have put forward a Special Resolution to either extend each term from 2 years to 3 years resulting in an extension of the maximum tenure from 6 years to 9 years or alternatively, changed the maximum number of terms allowed to be served from three to four resulting in the maximum tenure extending from 6 years to 8 years. Further extension of one additional term could be sought by Special Resolution and, if an option of re-nomination were allowed for it be 3 years regardless of term duration.

Given the issues highlighted in my review of Motion 1 above and the fact that we have eleven nominees for four Board positions at this AGM, I don't think we should be seeking to reduce the opportunities for Board renewal.

In conclusion, I recommend that members vote against this Special Resolution as it is flawed and may result in an undesirable outcome of stunted Board renewal and entrenched thought and strategy.

¹ My research included reference to the following, amongst other sources:

James Beck and Jennifer Tunny, July 2014. *Effective Governance - Director Tenure*. Available

<http://www.effectivegovernance.com.au/wp-content/uploads/2014/07/Director-Tenure-Paper.pdf>;

AICD 2019. Principle 3: Board composition AICD <https://aicd.companydirectors.com.au/resources/not-for-profit-resources/not-for-profit-governance-principles/principle-3-board-composition>

APPENDIX A

Analysis of the API Membership

2017

Member Categories	Class	%	8027
Life Fellows	Valuer	0.6%	48
Fellows	Valuer	9.2%	738
Associates	Valuer	60.8%	4,880
Provisional members	Valuer	4.6%	369
Non-practising	Non-valuer	2.9%	233
Retired	Non-valuer	1.7%	136
Students	Non-valuer	14.4%	1,156
Honorary	Non-valuer	0.1%	8
Academic	Non-valuer	0.5%	40
TOTALS		94.8%	7,610

Missing members by percentages 417

Valuer	6,036	79.3%
Non-valuer	1,573	20.7%
TOTALS	7,610	100.0%

Valuer	6,036	93.5%
Non-valuer	417	6.5%
TOTALS	6,454	100.0%

Note: The reported total number of members was 8,027 however, the reported percentages by category only added up to 94.8%. I have assumed the percentages are an accurate reflection of the proportion of membership by category.

2014

Member Categories	Class	ACT	QLD	VIC	NSW	SA	WA	TAS	TOTALS	%
Life Fellows	Valuer	3	7	8	15	6	6	4	49	0.6%
Fellows	Valuer	26	109	195	420	59	58	13	880	11.0%
Associates	Valuer	102	1,101	1,110	1,713	284	540	79	4,929	61.9%
Provisional members	Valuer	12	98	185	258	119	84	11	767	9.6%
Non-practising	Non-valuer	7	58	42	38	32	15	3	195	2.4%
Retired	Non-valuer	-	25	54	52	21	15	5	172	2.2%
Students	Non-valuer	18	131	250	473	47	31	11	961	12.1%
Honorary	Non-valuer	-	3	4	3	2	-	-	12	0.2%
TOTALS		168	1,532	1,848	2,972	570	749	126	7,965	100.0%

Valuer	6,625	83.2%
Non-valuer	1,340	16.8%
TOTALS	7,965	100.0%

Valuer	6,625	94.6%
Non-valuer	379	5.4%
TOTALS	7,004	100.0%

2013

Member Categories	Class	ACT	QLD	VIC	NSW	SA	WA	TAS	TOTALS	%
Life Fellows	Valuer	2	7	8	15	6	6	4	48	0.6%
Fellows	Valuer	25	118	197	429	61	60	14	904	11.5%
Associates	Valuer	107	1,096	1,095	1,731	301	536	80	4,946	62.8%
Provisional members	Valuer	15	95	173	254	114	71	8	730	9.3%
Non-practising	Non-valuer	7	59	55	50	29	20	2	222	2.8%
Retired	Non-valuer		26	53	50	22	15	5	171	2.2%
Students	Non-valuer	17	140	272	343	48	14	12	846	10.7%
Honorary	Non-valuer		3	4	3	2			12	0.2%
TOTALS		173	1,544	1,857	2,875	583	722	125	7,879	100.0%

Valuer	6,628	84.1%
Non-valuer	1,251	15.9%
TOTALS	7,879	100.0%

Valuer	6,628	94.2%
Non-valuer	405	5.8%
TOTALS	7,033	100.0%

Member Categories	Class	ACT	QLD	VIC	NSW	SA	WA	TAS	TOTALS	%
Life Fellows	Valuer	2	6	8	15	5	6	4	46	0.6%
Fellows	Valuer	27	125	190	449	53	69	20	933	11.3%
Associates	Valuer	100	1,138	1,086	1,764	307	588	70	5,053	61.3%
Provisional members	Valuer	10	31	102	38	54	7	6	248	3.0%
Graduates	Valuer	3	20	28	153	103	53	6	366	4.4%
Provisional Associates	Valuer	-	2	4	90	1	2	-	99	1.2%
Retired	Non-valuer	1	24	51	52	19	10	3	160	1.9%
Non-practising	Non-valuer	5	44	44	64	17	21	5	200	2.4%
Students	Non-valuer	13	283	265	462	57	36	11	1,127	13.7%
Honorary	Non-valuer	-	5	4	4	1	-	-	14	0.2%
TOTALS		161	1,678	1,782	3,091	617	792	125	8,246	100.0%

Total Membership

Valuer	6,745	81.8%
Non-valuer	1,501	18.2%
TOTALS	8,246	100.0%

Total Membership (excluding Student members)

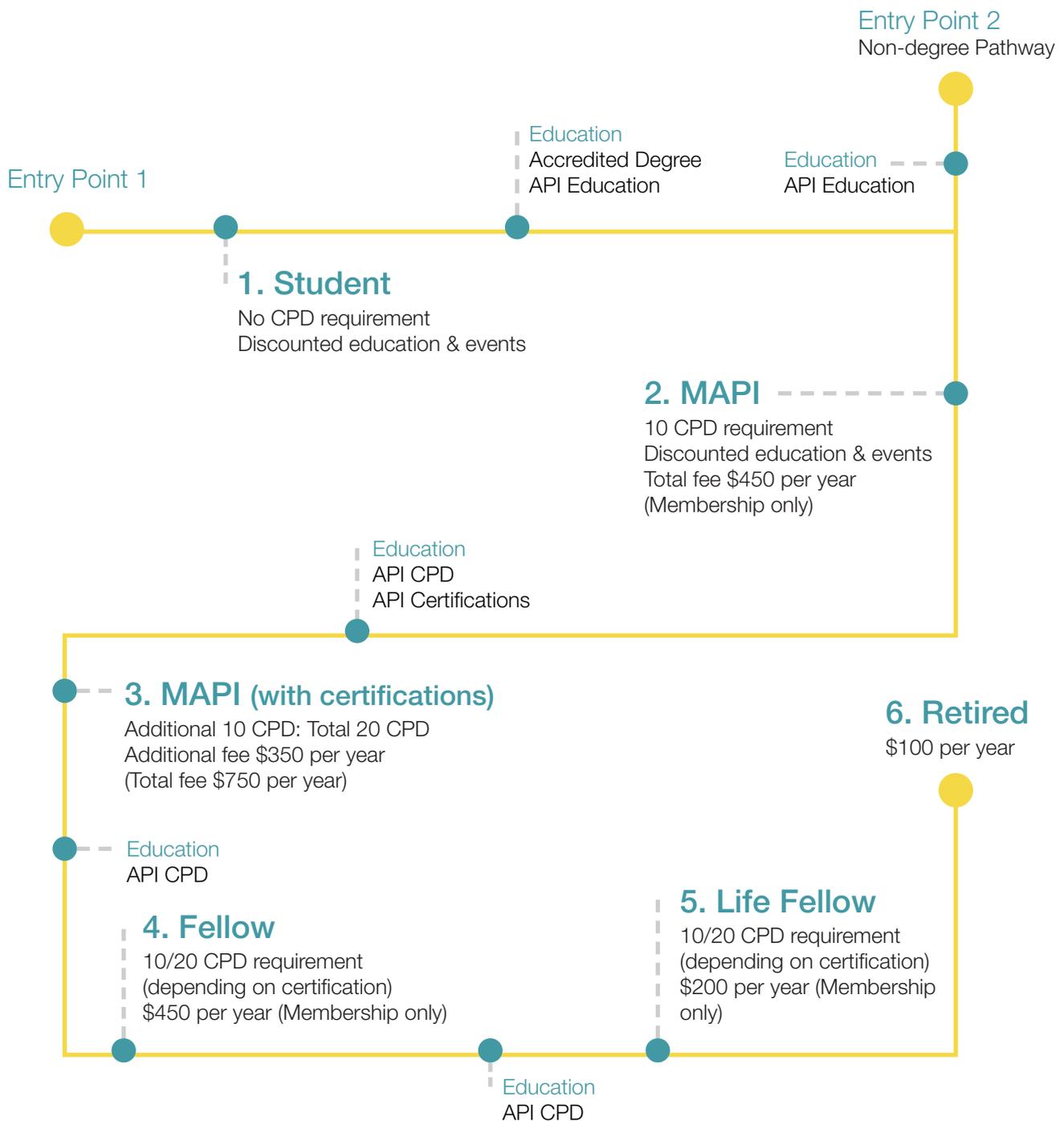
Valuer	6,745	94.7%
Non-valuer	374	5.3%
TOTALS	7,119	100.0%

APPENDIX B

Proposed API Membership and Certification Pathways

API Membership Pathways

Your Membership and Education on a page

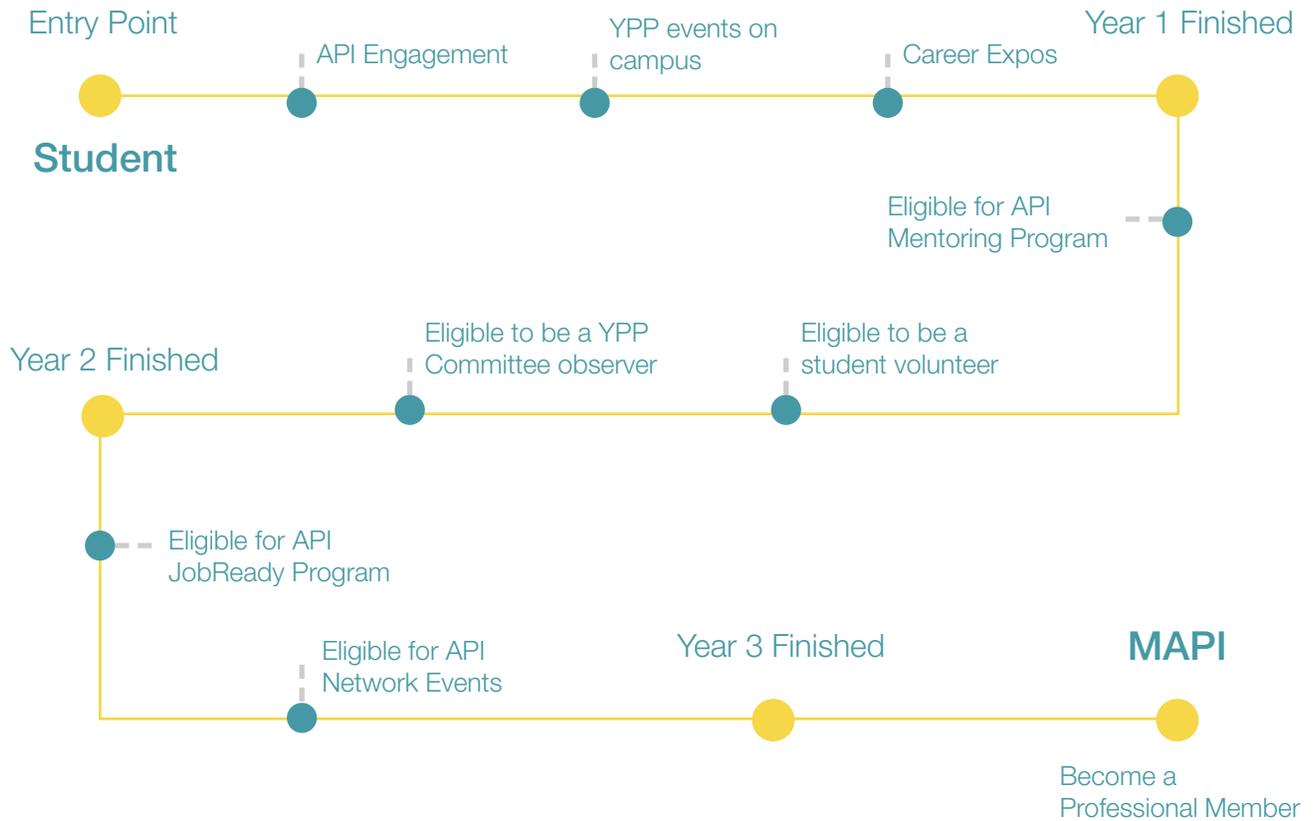


API Member Support over your Property Career and Life

- Personalised / tailored Education and Membership Pathways
- CPD Exemption Provisions for career breaks
- Targeted Networking Events to help you do business
- Discounted and member complimentary CPD
- Recognition of long serving members
- Access to member only resources

API Student Journey

Follow this journey map to unlock the benefits of Student Membership and start your career as a Property Professional on the right path.



API - Your Property Career Partner

API Certification Pathways



→ Full Certification Titles

RPV Residential Practicing Valuer
P&M Plant and Machinery
CPP Certified Property Professional
CIP Certified Infrastructure Practitioner

CPV Certified Practicing Valuer
CFM Certified Funds Manager
CPA Certified Property Analyst

GOV Government Valuer
CAM Certified Asset Manager
CPD Certified Property Developer

API Full Certification Pathways

RPV Residential Practicing Valuer

1. Graduate from an API Accredited Degree
2. Enrol and commence Pt.1 Practical Valuation Training (online and face-to-face)
3. Complete and pass modules over 8 to 12 month period whilst working
4. Enter Interview process
5. Award of RPV Certification

CPV Certified Practicing Valuer

1. Graduate from an API Accredited Degree
2. Enrol and commence Pt.2* Practical Valuation Training (online and face-to-face)
3. Complete and pass modules over 8 to 12 month period whilst working
4. Enter Interview process
5. Award of CPV Certification

**Pt. 1 must be completed before Pt.2 can be commenced.*

— The pathway below is relevant to the following Certifications:

GOV Government Valuer

P&M Plant and Machinery

CFM Certified Funds Manager

CAM Certified Asset Manager

CPP Certified Property Professional

CPA Certified Property Analyst

CPD Certified Property Developer

CIP Certified Infrastructure Practitioner

1. Join API and become a MAPI
2. Enrol in the online certification course and undertake modules in order
3. Complete and pass assessment modules
4. Award of CAM Certification

RPV & CPV Specialisations



Specialisations available in:

- Water Valuation
- Rural Valuation
- Retail Valuation