

CO-OPERATIVES BILL 2007

Introduction and First Reading

Bill introduced, on motion by **Ms S.M. McHale (Minister for Consumer Protection)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MS S.M. McHALE (Kenwick - Minister for Consumer Protection) [9.14 am]: I move -

That the bill be now read a second time.

The purpose of the Co-operatives Bill 2007 is to replace the Companies (Co-operative) Act 1943 and the Co-operative and Provident Societies Act 1903 with legislation that reflects the current commercial and social environment of cooperatives in Western Australia. The bill is essentially a response to the cooperative industry's request for more modern legislation that will facilitate interstate trade and the growth of cooperatives. Cooperatives are organisations that are owned and democratically controlled by people who have united to meet their common economic, social and/or cultural needs. There are currently 73 cooperatives in Western Australia. These cooperatives have been established for a variety of reasons, including value-added production, export development, marketing, and promotion of commodities. In Western Australia, cooperatives exist in a wide range of industries, such as retail, agriculture, manufacturing, wool processing, taxi services and arts and crafts. They have been a particularly vital part of regional Western Australia for a long time and contribute significantly to the economy of the state. The current legislation for cooperatives is based on outdated nineteenth century companies law that inadequately regulates cooperatives in the contemporary market. The proposed bill will bring Western Australia into line with legislation in other states and territories. A green bill was released for public consultation in September 2006. The green bill was made available for public comment and it was distributed to all registered cooperatives and various government agencies. That process has enabled this bill to be drafted to address the key issues raised during consultation and to minimise any disruption to business that might result from Western Australian cooperatives having to comply with the new legislation. The bill has also been prepared in ongoing consultation with an industry reference group comprising members and representatives from Co-operatives WA, the industry's peak body. The objective of the industry reference group has been to ensure that issues of particular concern for Western Australian cooperatives are addressed. The bill is strongly supported by Co-operatives WA and the cooperatives industry.

Once implemented, the new act will have a number of specific advantages for cooperatives in Western Australia. In particular, it will replace the two current acts with a single, modern, plain-language statute for regulating cooperatives. The new act will also increase a cooperative's ability to raise capital by allowing it to issue a new type of financial instrument called a cooperative capital unit to both members and non-members. Cooperatives are currently unable to issue securities to non-members, thereby restricting access to investor capital and, in some instances, stifling the growth of the cooperative. The cooperative capital unit provisions offer cooperatives the opportunity to expand their capital base, while safeguarding the rights of members.

The bill will facilitate interstate trade by cooperatives by introducing mutual recognition provisions that will make it easier for Western Australian cooperatives to trade in other states and territories. Members' interests will also be protected with the inclusion of new director duties similar to those in the Corporations Act 2001, which will make directors more accountable to the cooperative and its members, as well as a new requirement for cooperatives to establish a grievance procedure for members.

Many small businesses are cooperatives or are members of cooperatives and use their services to improve their businesses. The cooperative structure can appeal to many small businesses by allowing them to compete more effectively with other business structures. A cooperative can be an important tool for small businesses by increasing their purchasing power and providing access to equipment and other resources. The bill will modernise cooperatives legislation to enable cooperatives to compete more effectively in an increasingly competitive and globalised economy. The bill is consistent with the government's Small Business Way Ahead policy, which aims to provide support for a strong and vital small business sector.

The government is mindful of the need to ensure that the transition to new laws does not cause unnecessary disruption. As a result, the bill will give existing cooperatives a generous two-year period in which to change their rules and come under the operation of the new legislation. Measures have also been taken to ensure that the costs of transitioning to the new legislation are minimised. The bill provides that existing cooperatives that register under the new legislation will not be required to pay a registration fee. In addition, small cooperatives will be exempt from some of the financial reporting requirements, and the regulations of the new act will contain model rules for cooperatives, which should mitigate some of the costs incurred in preparing rules to comply with the new legislation.

Cooperatives in Western Australia are facing increased competition at both the domestic and international levels and from other modes of business. The pressure for legislative change has increased as cooperatives need to quickly respond to changing market conditions. The bill will better equip cooperatives to respond to these market changes and will facilitate the growth of the cooperatives industry. I commend the bill to the house.

Debate adjourned, on motion by **Ms K. Hodson-Thomas**.