

CO-OPERATIVES AMENDMENT BILL 2015

Second Reading

Resumed from 23 March.

The ACTING SPEAKER (Ms J.M. Freeman): I give the call to the member for Maylands!

MS L.L. BAKER (Maylands) [4.30 pm]: Thank you, Madam Acting Speaker. It is almost as though you knew I was going to jump to my feet on this one. You are very, very gifted.

I am the lead speaker for the Co-operatives Amendment Bill 2015. In the time allotted to me, I intend to cover some of the reasons why I love the cooperative movement and why WA Labor welcomes this bill into this house and intends to fully support its passage as soon as we have all had our two bobs' worth in support. I start by talking about the cooperative movement in general, why I like it so much and think it is a fabulous part of our economy, and why we should be doing a whole lot more to facilitate the growth of cooperatives, whether they be worker or any other kind of cooperative. For Western Australia, it is another tool in the toolkit for economic strength and to stabilise our economy in the future. I apologise—I have quite a bit of reference material. I will quote a number of different sources, and I will attempt to ensure that I reference them all for Hansard.

I start by speaking about a discussion paper that was released last year on 4 July by the International Co-operative Alliance. The discussion paper was put out at the end of the International Day of Cooperatives; believe it or not, there is an International Day of Cooperatives. This paper is particularly appealing to me because it mentions one of the reasons that I most like cooperatives. The paper is titled, "Choose cooperative, choose equality". The fundamental point of the paper reads —

Equality is a fundamental value that ensures that all people can reap the benefits of economic and social development. Yet, we live in a world that remains rife with inequalities: according to recent data 0.7% of the world population holds 44% of all the wealth, while 70% only holds 3%. Everywhere there are still people discriminated against based on their gender, age, religion, or socio-economic condition among other factors.

Equality has been, since the beginning, a core value of the co-operative movement. By building co-operatives, people all over the world have chosen a democratic model of business that fosters equality.

Looking at the cooperative movement and the equality it brings to a commercial environment completely suits my values and my ethics. The paper continues —

As early as 1846 Eliza Brierley became the first woman to join, as a member, The Rochdale Equitable Pioneers Society at a time when women did not normally own property. But the Rochdale Pioneers rules of 1844 saw no difference between male and female members, setting a standard that was later adopted by co-operatives across the world.

That was a truly revolutionary thing of its time —

Today, there are more than 2.6 million co-operatives with over 1 billion members—three times more than direct shareholders of investor-owned companies. Furthermore, 250 million people are employed by or organise their livelihood through these co-operatives. The largest 300 co-operatives have combined annual revenues of USD 2.2 trillion—the equivalent of the GDP of the 7th largest economy in the world—and the movement is growing fast, particularly in emerging nations such as Brazil, India and China.

Mr W.J. Johnston: And Indonesia.

Ms L.L. BAKER: And Indonesia, my colleague in front of me tells me.

Australia does not have such a rich history of cooperatives but I will cover that in a minute. The paper continues —

In a co-operative, equality means three things:

- (1) Membership is open and voluntary — without discrimination on any grounds — and each member has one vote, guaranteeing that the structure and control of the co-operative is equal. Unlike investor-owned companies, in a co-operative equality is a benefit of membership and is not linked to the financial capacity of the individual.
- (2) A co-operative works to satisfy the needs and aspirations of its members and for the sustainable development of society at large.

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Therefore, it is not an extractive model of business; it is a generative model of business. I have spoken before in this house about, as far as I can see, the need for the Western Australian government to foster more generative forms of business rather than extractive forms of business. As a state, we have based our livelihoods on the mining industry and on our pastoral and livestock industries. There is no reason for that to change, but we should have a far more diverse economy. By doing that, unless we focus on models that are offered by cooperatives as a generative model of business, we are missing a big opportunity. The paper further reads —

The role of co-operatives in lifting millions of people out of poverty is undeniable—co-operatives distribute the wealth they create in a fairer and more equal way. As just one example, a co-operative project in Senegal has improved food security for 1 million individuals across 60 rural communities, improving household income by 250% and reducing the instances of underweight children by 35%.

The third point of what equality means in a cooperative reads —

- (3) While performing their activities, co-operatives offer all individuals—producers, workers, consumers—the opportunity to: pursue their economic needs and aspirations; become better integrated into society; and have access to goods, services and benefits that they would not otherwise have. This culture of equality also allows co-operatives to reflect the diversity of the people they serve.

Whether by developing gender equality; giving opportunities to young people; integrating minorities in the labour market; helping the transition from informal to formal economies; reducing the wage gap; giving economic power to the poor; allowing equal access to fundamental resources like water, energy, education, financial services, and many others, co-operative enterprises demonstrate on a daily basis that there is a choice that can shift the paradigm and can mainstream equality in economic and social development.

Across all sectors of the economy there are examples of co-operatives that make equality possible: credit unions that share their financial benefits directly with their members through higher returns on savings, lower rates on loans, and fewer, lower fees; health co-operatives that provide affordable and accessible health plans to marginalised populations; electrical co-operatives that serve rural areas, ensuring basic access to energy in places where others would not consider service provision and business development; retail consumer-owned co-operatives providing access to affordable, high-quality, and sustainable food such as organic or Fair Trade products; co-operative and mutual insurers that help disadvantaged populations protect themselves against basic risks thus allowing them to perform their activities in a safer, more confident way.

In a context where global challenges such as climate change and food security will increase inequality because they will disproportionately affect the ones that are already in dire situations, the world needs more equality, not less. By diversifying the global economy through the promotion and development of co-operatives, people, governments and society can help change this.

Those thoughts, derived from the International Co-operative Alliance, summarise very neatly why I am passionate about worker cooperatives as a business model. I would like to look at the development of cooperatives in Australia. It is of particular interest to me because, quite a long time ago now, I was involved in bringing to Australia the United Kingdom's leading advocate on cooperatives, Anna Wyatt, who was running the United Kingdom's local cooperative movement.

The department I was employed by at the time had supported her trip to Western Australia specifically to look at how we could strengthen the work and business model of cooperatives simply to try to make people more familiar with the cooperative model, not just the way that Wesfarmers Ltd delivered a cooperative model of business or Co-operative Bulk Handling Ltd delivers a model for cooperatives, but in a more inclusive fashion that deals with really small, quite intimate, models of business. I was lucky enough to take Anna Wyatt around the state to talk about the role of cooperatives. Her insights into the cooperative movement in Britain and why it became so popular and her views about why Australia was a bit sluggish to pick it up as a popular model were very interesting. But all her views on cooperatives were rooted in the economic changes in the industrialising economy in Britain and the vast and deep history of having a more collective form of business in the United Kingdom than in Australia at that time.

Cooperatives have had a presence in the Australian economic and social landscape since the 1850s. I found an article titled "The History of Co-operatives in Australia" by Nikola Balnaves from Macquarie University and Greg Patmore from the University of Sydney. Their article comments —

As democratically run member-owned organisations, they redistribute all profits back into the co-operative business, its members and/or local communities. Australia historically has had, and still

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has, several different forms of co-operatives including agricultural co-operatives, building societies, credit unions, worker co-operatives and consumer co-operatives. The first registered consumer co-operative in Australia was the Brisbane Co-operative Society in 1859, before the separation of Queensland from NSW.

...

Agricultural co-operatives —

As we know, particularly in our state —

have played a crucial role in rural Australia in assisting primary producers to process and market their commodities.

That process has been the subject of some quite controversial changes of late, with discussions around how, I think it was, the Australian Wheat Board was marketing products some years ago. The article continues —

The earliest of these co-operatives, the South Coast and West Camden Co-operative Company, emerged in the dairy industry on the NSW coast in the 1880s. Its aim was to remove ‘middle men’ and improve returns for farmers. The top two co-operatives in Australia in 2011 —

It is still current for one of them —

in terms of turnover were agricultural co-operatives—Co-operative Bulk Handling Ltd in Western Australia and Murray Goulburn Co-operative Co Limited, Victoria ...

That was in 2011. In the report I will refer to in a minute, CBH is listed as one of the biggest cooperatives in this country. The article continues —

Co-operatives have shown an ability in Australia to change their form to match changes in local conditions. For example, the Macleay Co-operative on the mid-North Coast of NSW, founded in 1905, began as a dairy co-operative with a butter factory, and now focuses on retailing.

The article refers to other good examples such as automotive co-ops that became banking and finance institutions.

Mr W.J. Johnston: The Capricorn Society.

Ms L.L. BAKER: Exactly; the member for Cannington has named one of the biggest co-ops, the Capricorn Society. Thank you, member for Cannington.

Worker co-operatives are businesses that are owned and democratically controlled by the people who work in them. I remember as a young woman working in labour market programs for the first time that Mondragon Corporation in Spain was held out as an example for all of us of how a cooperative could effectively change not just the lives of the workers but those of an entire community. It is an amazing example. The article continues —

Unlike England and Southern Europe, Australia has not embraced worker co-operatives as a route to job security, self-determination and justice. Despite this, Australia has a very rich history of worker co-operative experiments. The period up to the 1915 Conference on Trade Unionism in Australia, saw the union movement experimenting with worker co-operatives as part of the response to the economic turmoil of the time.

I think this issue that economic turmoil can be the driver for some of these alternative business models is a very salutary point to consider right now when the government is bringing in a new bill to try to streamline worker cooperatives in this state. At that time —

They were supported in the Trades and Labour Council in 1893 ... In this period, starting with the building of the Coburg Goal in the 1850s and the setting up of the Age Newspaper —

Believe it or not —

in 1867, there were waves of attempts by workers to form co-operatives in economic downturns and, by the 1890s, Australia had a vibrant ‘co-operative sector’ ...

Again, a product of extreme economic conditions is that people get creative. The article continues —

A number of ‘counter culture’ community style worker co-operatives were formed in the 1970s, the most notable —

And one of the infamous —

being at Maleny in Queensland. In the 1980s, hundreds of businesses in Europe and the United States of America were bought by their workers to save jobs—and many re-formed as co-operatives. This phenomenon emerged also in Australia, with the New South Wales Government’s Worker Co-operative

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Program that facilitated approximately 25 buyouts in a successful pilot program during the 1980s. A similar program existed in Victoria and South Australia, while Western Australia also reported worker buyouts to save jobs.

...

In 2009, the Australian Government provided funding from the 'Jobs Fund' to the Australian Employee Ownership Association to establish the Australian Employee Buyout Centre (AEBC). The role of the AEBC was to implement a time-limited assistance program to businesses, with a view to saving jobs by assisting employees to buy a distressed business or a business from a retiring owner. The vehicle for implementing the employee ownership model in these projects has been the Employee Share Ownership Plan, which can operate in a co-operative like way.

That is some of the history of cooperatives in Australia. I would like now to jump forward to a very, very recent report and the state of affairs and the attention being paid to the development of cooperatives and mutual and member-owned firms in this country. The federal government's Economics Reference Committee recently delivered a report into the role, importance and overall performance of cooperative, mutual and member-owned firms in the Australian economy. The committee started the inquiry in March 2015 when a number of matters were referred to it. The committee was due to report in May 2015. That report has been released. Shortly, I will refer a bit to what that inquiry found. The matters referred to the committee include —

- (a) the role, importance, and overall performance of cooperative, mutual and member-owned firms in the Australian economy;
- (b) the operations of cooperatives and mutuals in the Australian economy, with particular reference to:
 - (i) economic contribution,
 - (ii) current barriers to innovation, growth, and free competition,
 - (iii) the impact of current regulations, and
 - (iv) comparisons between mutual ownership and private sale of publicly held assets and services; and
- (c) any related matters.

The point at (c) is the throwaway line that many committees get. That Senate committee tabled its report in March 2016. The committee received over 60 submissions and held three public hearings over that inquiry, and 17 recommendations were made. It is worth noting a number of the committee's recommendations. The first recommendation of the Senate committee states —

The committee recommends that the Commonwealth Government ensures that a national collection of statistics and data is undertaken to provide an accurate picture of the scale and extent of the co-operative and mutual sector.

That is a direct result of the lack of information currently available on the scope and the business of, the outcomes from and the indicators for the development of cooperatives and mutual membership-owned business in Australia. The report continues —

The committee recommends that co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery ... where community based initiatives are being considered.

Again, members will find many types of non-government organisations that have formed themselves around a mutual benefit model or a cooperative model for service delivery purposes. It is a good model to look at, and a very effective model, if things such as equality, membership services and an experience of generating rather than taking away from our community are desired. The third recommendation states —

The committee recommends the Commonwealth Government work with states and territories to develop a program of supports to encourage the establishment of new co-operatives and mutual enterprises.

That recommendation is vital, because I will also be asking this government where the strategies are in place in either the Small Business Development Corporation or its industry network that specifically target the benefits that cooperatives and mutual membership-based organisations can bring to this economy. The committee also recommended —

... that a mutual enterprise is explicitly defined in the Corporations Act 2001, and its associated regulations.

...

The committee recommends that the role of directors in mutual enterprises is defined ...

Again, I will not go into detail on these recommendations, but just mention them quickly. The sixth recommendations states —

The committee recommends the Commonwealth Government work with states and territories to ensure the continual improvement to advice, guidance and information provided at all stages in the establishment, governance and regulation of co-operatives.

...

... the Commonwealth Government to work with all relevant stakeholders to undertake a program of education and training to inform them about the role of co-operatives and mutuals.

This is all endemic and the way in which the government should be pursuing a genuine commitment to the development of cooperatives. If the government passionately believes in them as a model of business, that is what it should be doing as a government. The eighth recommendation states —

The committee recommends that the Commonwealth Government examine ways in which it can improve the recognition and understanding of the co-operative and mutual sector in the national secondary school curriculum and that tertiary institutions consider the inclusion of co-operative and mutuals in accounting, business, commerce, economics and law degrees.

It is far reaching, because this model applies so extensively to any form of business. The ninth recommendation states —

The committee recommends that professional accreditation bodies, such as the Law Society and Institute of Chartered Accountants, require a demonstrated knowledge of the co-operatives and mutual structure before it will licence its members to practice accounting or law.

Recommendation 10 states —

The committee recommends that the Commonwealth Government amend the Indigenous Advancement Strategy to allow registered co-operatives the same access to allow levels of grant funding as other entities.

That is a very interesting point. It refers to ensuring that the Indigenous advancement strategy allows registered co-ops access to grants and funding in the same way as other entities. That is a very interesting point that I fully support. The next recommendation states —

The committee recommends that the Commonwealth Government review, and where necessary amend the eligibility criteria for grants and funds across all of government grants and program guidelines to ensure that co-operatives and mutual enterprises are not excluded on the basis of their business structure.

This happens often in the way that funding programs are written up, not so much by state governments, but certainly by commonwealth governments. The government needs to ensure that it is inclusive, not exclusive, in defining these things. I skip a few and go to recommendation 15, which states —

The committee recommends that Commonwealth and State Governments support the formalisation of some of innovative market-based approaches to raising capital for small and medium sized co-operative and mutual enterprises, in the form of advice and information, as they become available.

Again, this is a very clear indicator that the state has a role to play in developing this more generative model of business and should be doing more. We simply are not fostering this as a viable way of building a diverse economy and filling some gaps in places where we perhaps have not had that model. We should encourage people who necessarily would not have thought about business as a natural home, either ethically, socially or even talent-wise. However, for people who want to come in with a more equitable and inclusive model, it is a very good model. This government should focus attention on how to do that. The final recommendation states —

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The committee recommends that the Commonwealth Government examine proposals to amend the Corporations Act 2001 to provide co-operative and mutual enterprises with a mechanism to enable them access to a broader range of capital raising and investment opportunities.

This is the report that was released a matter of days ago. I turn to the industry response. The national peak body representing cooperatives and mutual models of enterprise, the Business Council of Co-operatives and Mutuals, has supported the recommendations because, apart from anything else, it is the first time the government has made some steps towards recognising this sector, and that is to be applauded. In a *Canstar* article, the Business Council of Co-operatives and Mutuals, BCCM, stated —

... recommendations will help take the shackles off the sector and allow it to step up and fulfill its potential in both the economy and Australian communities.

It also went on to state —

“In recognising the capital raising limitations suffered by co-operatives and mutual, the report points to an opportunity to achieve parity for the sector with other types of businesses (like listed companies) and potentially unlock billions of dollars of investment.”

That is pretty glowing support from the peak industry body. Another peak body, the Customer Owned Banking Association, COBA, also offers support for the Senate Economics References Committee report. COBA welcomed the report’s recommendations on regulatory capital for customer-owned banking institutions and for the customer-owned model to be explicitly considered in regulatory impact statements of new policies. As reported in the *Canstar* article, it states —

“This report acknowledges that the customer-owned model has not had a fair go in regulatory frameworks that are set up to deal with listed companies,” ...

That sort of bias misses the subtleties and benefits of what mutuals and cooperatives offer. It continues —

“The report recognises that more needs to be done to accommodate the alternative model that we bring to the market—businesses that are owned by their customers, by their employees and by enterprises and community groups.

“The report provides a valuable snapshot of our diverse sector, identifies barriers to growth, innovation and competition, and focuses on the key issue of access to capital.

The Customer Owned Banking Association finishes its comments on the report as follows —

“We want to be able to compete with listed businesses on a level playing field.”

That is a really interesting response and a really interesting contribution by the Senate committee. The relevance of this sector to Australia is also underlined by the international cooperative leaders forum that attracted a number of business leaders to meet in Australia on 27 March this year—just a short time ago. The leaders discussed the vital economic and social role that the cooperative sector plays in communities, towns and cities across the world and in Australia. Melina Morrison, CEO of the Business Council of Co-operatives and Mutuals, has said that, globally, co-operative firms represent a billion members, three million businesses and 250 million jobs, which signifies the power of this sector. Following the financial crisis, diversification of economies is the key to stabilising economies in periods of market volatility.

While it was in Sydney, the president of this alliance met with presidents of the alliance of regional offices in Europe, Africa, Asia-Pacific and the Americas. They signed an internal agreement for a global development program to benefit and advance the cooperative sector worldwide. This program titled “Co-operatives in development—people-centered businesses in action” is co-funded by the European Union as part of its commitment to support civil society organisations active in development. That is set to run from 31 August 2020.

One of the reasons I developed my passion for this, I suspect, was due to my work in Agra where I saw cooperative models on the ground in absolute poverty—for instance, issues around women’s access to banking for micro-enterprise start-ups in developing countries of Asia and the Pacific where I worked. It was extremely important that banks felt there was stability within small groups to make micro-financing available for women to start projects on the right foot and to have adequate cash flow to do the work they needed to pull their families out of absolute poverty. A cooperative is a good model for doing that. There are many examples in developing countries of how the United Nations has applied cooperative models for business development. I was involved at one point in gathering data around Asia and the Pacific as a contribution to the United Nations Fourth World Conference on Women. During that time, I was able to visit most large Asian and Pacific countries and talk to

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them about what kinds of activities they saw would be of direct benefit to women's development in their countries, whether they be political, economic, social, familial or whatever development was required. It was fascinating that the cooperative movement suited their goals, their vision and what they bring to the table. They wanted to work together. The sense of needing to draw together and gain from each other's strengths and push forward with a shared risk was a really valuable way for them to start their journey towards a more sustainable future for their families.

A project in Nepal I established and worked on for the next two and a half years was about micro-enterprise in small villages, particularly on the tourism routes throughout Nepal. We helped women to develop some models in the tiny villages along the trekking routes of Nepal. We know what has happened in Nepal recently, so a lot of those activities have simply vanished due to the dire circumstances that the people of Nepal find themselves in. Nepal is similar to many other countries where the women are often charged with keeping the home fires burning, keeping water coming in, feeding families, growing crops, raising animals, carting products to markets and exchanging goods and services to keep the family fed. They do that with their children's support. They are very much the economic hub of the family unit. Cooperative business is an invaluable model for people who have nothing and who want to share the burden of starting a small enterprise while appreciating the value and the mix of skills that each person might have. They can bring them together and apply them to a small enterprise. One of the issues the women in the small villages on trekking routes faced was insufficient accommodation. They therefore developed a small business model that allowed four or five of them to work together to obtain a micro-credit loan from the Asian Development Bank or a development bank in Nepal to enable them to buy some very basic products such as additional bedding and even to light fires after dark. They found a lot of problems with trekkers coming into desperately poor villages after hours and expecting a fire to be lit so they could cook food and continue their trekking the next day. We need only look at the deforestation in Bangladesh and Nepal, which is directly related to deforestation in the Himalayas. It is driven by events involving tourists going onto trekking routes in forest areas and wanting fires lit after hours—it sounds very simple—so the local village is forced to find wood, so they cut down trees and valuable bushes and shrubs which hold the ground together. It is about trying to find a more sustainable way forward for these tiny micro-enterprises on the trekking routes in Nepal. Worker cooperatives were a good way of establishing a different form of business for those women. That was my experience, anyway.

While I am on the subject of the link between international development and the cooperative model, I want to talk about the United Nations work in conjunction with the International Day of Cooperatives. I think this year it will be held on 2 July. I want to talk about this because the theme this year for the International Day of Cooperatives is "Cooperatives: The power to act for a sustainable future", which fits nicely into the UN's 2030 agenda for sustainable development. In 2015 the heads of states adopted the United Nations agenda for sustainable development, committing to eradicating poverty and advancing sustainable development. Cooperatives can participate in the discussions and have a role to play in progressing the 2030 development goals. I want to talk a little bit about what those goals encapsulate and give an example of how this might happen. As I said, the 2030 agenda of sustainable development goals has 17 development goals. It states that cooperatives have an important part to play in the implementation of those goals. The International Day of Cooperatives for 2016 wants to show how cooperative enterprises can act for the benefit of, and contribute to, themes of sustainable development. I will name a few of the themes: eradicating poverty, ending hunger, securing livelihoods, offering decent work and creating sustainable employment, improving gender equality and empowerment of women and girls, improving food security and building a sustainable food system, fostering the development of rural communities and economic opportunities for small-holder producers, protecting the environment and combating climate change, and engaging as partners with communities, policy-makers and United Nations agencies to achieve sustainable development. They are just a few of the key UN development themes. Individual cooperatives can also get involved in seeking the United Nations sustainable goals through their participation in building a successful economic base of countries and in how they attack those key economic and social indicators.

I will cover the specific issues we were going to address in relation to the Co-operatives Amendment Bill 2015. As members know and as I said at the beginning, the Labor Party fully supports the bill. I want to take this opportunity to get on the public report my personal support for the worker cooperative movement and for cooperatives. The Australian economy clearly needs more diversity and competition to help it grow in uncertain times and this is certainly one way that cooperatives and mutuals can help. From what we have seen in the recently released reports, they can do an even greater job than they are doing at the moment. For the second year in a row Western Australia's grain bulk handling cooperative, Co-operative Bulk Handling Ltd, topped the top 100 list of cooperative and mutual enterprises. As I have mentioned, other well-known CMEs such as Murray Goulburn Co-operative, HCF, HBF and Capricorn Society Ltd make up the top five.

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The “2015 National Mutual Economy Report”, which goes into some detail about the make-up, scope and direction of cooperatives and mutuals, was produced by the Business Council of Co-operatives and Mutuals, which was formed in 2013. It is a powerful voice in the business community, bringing together this sector of businesses owned by members or formed to benefit members with the common objective of increasing awareness of these models of enterprise. The CEO, whom I mentioned earlier, Melina Morrison, states in her foreword to this report of 2015, which was written in partnership with Bank Australia —

Overall we find that Australia’s co-operative and mutual enterprise sector is strong and healthy. While the CME business sector remains poorly understood by the wider community, it is now being given greater recognition by state and federal governments.

That is a very positive way of looking at this. How many cooperative and mutual enterprises are there in Australia? That is a challenge because there are various different definitions. The member for Wanneroo, the parliamentary secretary, is smiling at me because he is well aware of how difficult it is to measure. In 2012, it was estimated that there were around 1 700 registered CMEs in Australia, but that is up for question. Again, there is some debate over the 50 or so in Western Australia.

I thought it was particularly relevant to read to members some of the quotes from this report that I thought fabulously described the value of this sector. The first quote is from *The Wall Street Journal* from late last year and it states —

The Victorians —

It is referring not to the Australian Victorians, but to the Victorians of Queen Victoria and England —

were more imaginative than we are about principles of mutuality—credit unions, building societies, the cooperative movement. Such organizations feel creakier in an age when people want larger sums, faster. But is it really beyond the skill of our great modern business brains to develop these concepts and adapt them to modernity?

I think that is a lovely quote. There are a couple of other quotes from people I am sure all members will know. The first is from Bill Clinton and states —

We know that networks of co-operation work better than geniuses acting alone or groups bent on destroying each other.

Ban Ki-moon states —

This business model, built on inclusion and sustainability, offers a pathway toward economic, social and political justice for all.

The last quote I will read states —

The co-operative creates a new type of economy that allows people to grow in all their potential, socially and professionally, as well as in responsibility, hope and co-operation.

That quote was from Pope Francis. Obviously, there are a number of Australian comments, but the one that I want to mention is from the “Competition Policy Review: Final Report”, or the Harper review. It states —

Raising awareness of co-operatives, will promote their use and potentially strengthen the bargaining position of small businesses dealing with large businesses.

As I said earlier, in 2015 in Australia, there were more than 14.8 million members of CMEs. If non-profits and mutually owned superannuation funds are included, the total number of members of mutuals is a staggering 29 million. Of course, many Australians are members of more than one mutual; that is why the number of members is higher than the number of people. Even so, eight in 10 Australians are members of at least one cooperative or mutually owned enterprise compared with 6.48 million Australians who own investments in the share market. That is very interesting.

On the subject of our local heroes, Australia’s cooperative and mutual businesses help people access affordable, high-quality products and services in nearly every sector of our economy. As I have said, a conservative estimate of the number of Australian CMEs is 1 700. The majority of them are in New South Wales, the second highest number is in Victoria, and the Northern Territory has at least four. Of course, Western Australia has some of the biggest, most lucrative and most effective of them. I have mentioned Co-operative Bulk Handling Ltd, HBF Health Ltd and Capricorn Society Ltd. The highest concentration of CMEs is found in sport and recreation, specifically sporting clubs. In housing, many comprise tenant-managed housing cooperatives, and we are seeing that movement in social housing around the country. The next largest sector after housing in terms of numbers is finance services—that is, customer-owned banks and friendly societies. Community services, aged care,

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disability care and child care comprise the next largest sector. Retail, agriculture, arts and education are important sectors. Many Aboriginal communities organise community services, arts, cultural activities and medical services through their own community cooperatives.

The combined turnover of the top 100 Australian CMEs in 2013–14 was just under \$27.9 billion, with combined assets of around \$111.46 billion. If the top 10 member-owned superannuation funds are included in these figures, the combined annual turnover for the period was around \$107.4 billion, with combined assets for the same period of \$441.9 billion. That is a significant increase over the previous year; the annual turnover of the top CMEs grew by 14 per cent and the total combined assets grew by seven per cent. This growth was particularly strong against cooperatives in the agribusiness and purchasing shared services areas, as well as in health insurance and motoring.

I have mentioned some of the industries involved in this area and I will just zip through a few that I may have missed. They include fishing, health insurance, housing, motoring, purchasing services, retailing, wholesaling, agribusiness, employment services and community services.

The turnover of Co-operative Bulk Handling Ltd, which is a bulk grains handling and storage business and is the largest cooperative enterprise in Australia, increased by more than \$1.1 billion from 2012–13 due to the largest harvest ever experienced in Western Australia. CBH Group has a rail fleet, a shipping company and a 50 per cent stake in Interflour Group, which operates mills in South-East Asia and Turkey. CBH Group is Australia's second largest privately owned firm, according to the 2014 IBISWorld top 500 list. HBF Health Ltd, the WA-based health insurance mutual, had an annual turnover of \$1.356 billion. HBF has been supporting the health of Western Australians for over 70 years, while being one of Australia's top five biggest health funds. The Capricorn Society—that is probably not a name that spins off everybody's lips when they think of cooperatives—which is headquartered in Western Australia, has over 16 000 members and facilitated member transactions of \$1.353 billion in 2013–14. Capricorn was established in 1974 by a small group of Western Australian service station owners to increase their buying power. It now has a network that operates across Australia and New Zealand. The eighth enterprise on that top 10 list is the RAC WA, with turnover of \$656.5 million. I have mentioned that CBH is an industry leader and a major player in this country. Of course, it has a major export role as well. I think people are pretty aware that CBH, which was established in 1993 with 4 200 members, generates 93 per cent of its annual turnover from exports, contributing around \$3.7 billion in export earnings to the national economy. I hope that gives members some concept of the scope of these little critters. Some of them are really big critters; some of them are little tiny ones. They all have a role to play and they all serve to strengthen our economy at one level or another. It has pretty much been a forgotten sector. If this does nothing else other than highlight and give some energy to the sector by having a more streamlined national set of rules and regulations that the sector can work to, that is a good thing.

In turning to the Co-operatives Amendment Bill 2015, the information that I have been provided with shows that this is certainly the right way to go because it follows the national path to allow Western Australian cooperatives to participate in a national regulatory scheme for the registration and regulation of their cooperatives. In 2010 Western Australia replaced its dated Companies (Co-operative) Act 1943 with the current WA Co-operatives Act. As the national law was still under consideration at that time, we went ahead with the WA Co-operatives Act in consultation with the Co-operatives National Law Working Group. Consequently, the act already incorporates a lot of the elements of the national law. For that reason, and to ensure that the powers of future WA Parliaments are not fettered, the WA government decided to meet its commitment under the agreement to achieve substantial consistency with the national law by amending the WA Co-operatives Act. The changes in arrangements applying to WA cooperatives include that a registered cooperative will be permitted to conduct business in any participating jurisdiction subject to complying with the applicable provisions of the legislation in that jurisdiction. The Registrar of Co-operatives in that jurisdiction will retain the right to revoke that entitlement. Duties applying to the directors of cooperatives, and the defences available to an allegation of breach of those duties, will be aligned with those that apply to the directors of proprietary companies. In accordance with changes proposed by the Directors' Liability Reform Bill 2015 with regard to the liability of officers, directors will be liable for offences only when culpability is established on the part of the officer concerned.

There is much more detail in that set of changes that this bill brings with it. I am also advised that as a result of fairly broad consultation there are some differences between the WA Co-operatives Act and the national law, but we want to preserve those differences. We agree with that. That includes the following: the rules of a WA cooperative may allow a member under the age of 18 to vote; a member of a cooperative may also be the representative of a corporate member; a person who is not a member of the cooperative may act as a proxy if the rules of that cooperative permit it; provisions in relation to the valuation of shares of former members will take

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into account falls in the value of assets; and the timing currently prescribed in the WA act for lodgement of annual reports and some applications will be retained.

This bill is a uniform bill in that it gives effect to the Australian Uniform Co-operative Laws Agreement, which is an intergovernmental agreement to which this state is a party. Therefore, this bill was sent to the Standing Committee on Uniform Legislation and Statutes Review, commonly known as “dull leg”, is it not?

Mr W.J. Johnston: That’s delegated legislation.

Ms L.L. BAKER: No, it was sent to the uniform legislation committee, not the Joint Standing Committee on Delegated Legislation.

The committee made three recommendations. Recommendation 1 was that the government prioritise the consideration of the Co-operatives Amendment Bill. I think we ticked that one, parliamentary secretary. Recommendation 2 was that the Minister for Commerce explain to the Legislative Council the reasoning for the Henry VIII clauses in clause 85 of the bill.

That will take a long time and much more than seven minutes to discuss in detail. I note the tricky footwork with which the Attorney General spoke for about half an hour and then said, “We are quite happy to have a Henry VIII clause in this bill; let us move along.” I assume that the government is not entertaining any problems with the Henry VIII clause because we all know that it is not something that the Parliament likes to see because it enables primary legislation to be amended by subsidiary legislation rather than by an act of Parliament. Henry VIII clauses are repugnant because of the shift of power from the legislative to the executive arm of government. They are not well thought of in these parts, in other words. Notwithstanding what we might think, though, the Attorney General seems to have fallen for Henry VIII clauses in a big way and is quite happy to leave that as it stands in the bill. It is not something that I think is particularly productive, but there we have it.

Recommendation 3 was that the bill be amended to provide for a review of the legislation after five years. Well, of course we need a review of the legislation. It should be standard practice that every piece of legislation that this house brings in has a review date attached to it automatically. It is only common sense. We do not want to be sitting here in 15 years when someone suddenly says, “Oh, we did not look at what has happened with cooperatives since we brought that legislation in.” I think a review clause is a good idea.

Having said those things, I am pretty comfortable that I have covered the majority of issues that are of concern to WA Labor in the progress of this bill. With the indulgence of the house, I have been able to indulge myself in a little fantasy about how worker cooperatives and the cooperative movement can contribute to the development of a diverse, sustainable and forward-thinking economy for Australia, specifically Western Australia. I hope this bill goes some way to achieving that. I thank the government very much for the briefings. I was not able to attend them but I understand they were absolutely magnificent. I thank the staff who were involved in providing those details and for the parliamentary secretary for bringing this bill to the house.

MR W.J. JOHNSTON (Cannington) [5.26 pm]: I rise to support the passage of the Co-operatives Amendment Bill 2015. I want to quote, believe it or not, the Treasurer. On 23 February 2016, when we were debating the bill relating to Utah Point, in his second reading reply, when talking about selling the Perth Market Authority, he said —

... that is now in the hands of the users. It is not a cooperative, as the member for Cannington would have liked ...

I make the point that my support for cooperatives appears to have reached the other side of the chamber, which is a good thing. It is not surprising that in her detailed and thorough contribution to the debate, my good friend the member for Maylands quoted Pope Francis because in Europe cooperatives are sometimes called Catholic companies because they are strongly supported by Catholic theology. I will not quote it in its entirety but *Rerum Novarum*, which I quoted in 2009 in the debate on the 2009 legislation, sets out the basis upon which the Catholic Church endorses cooperatives as the basis for economic activity. On 15 May 1891, His Holiness Pope Leo XIII was saying in *Rerum Novarum* that whilst private property was not against the teaching of the church, it should be seen in a broader community context. That is exactly what cooperatives do. I will quote one sentence from *Rerum Novarum* when His Holiness was quoting Sir Thomas Aquinas. It says —

Man should not consider his material possessions as his own, but as common to all, so as to share them without hesitation when others are in need.

If we think about it, that is the fundamental tenet of a cooperative because it is one vote per person rather than one vote based on one’s financial contribution to the business.

I draw members’ attention to the Co-operatives Act 2009. I remind members of the history of that act. That act, which was introduced by the former Labor government, passed our chamber in 2008. When Parliament was

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prorogued for the 2008 election, it was still in the other chamber and had not yet been debated so therefore it lapsed with the Parliament. It was one of those bills that the incoming government was able to pick up because it already had bipartisan support from the then Liberal opposition, the now Liberal government. The 2008 Liberal government was then able to pick up that legislation that it supported and introduce it very easily because all the work had been done. It then passed both chambers with the support of what was by then the Labor opposition.

If one looks at page 8 of the Co-operatives Act 2009, section 6 is headed “Co-operative principles”, and lists in a table on page 9 the principles that cooperatives are judged on. Seven principles are listed that members should look at; they set out the fundamental principles that underlie cooperatives. I will not read them all, but I will read out the headings: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for the community. I will just read out the seventh principle, which states —

Co-operatives, while focusing on member needs, work for the sustainable development of their communities through policies accepted by their members.

We can see that these are for-profit businesses. They are not non-government organisations or charities; they are businesses that operate for profit, but unlike joint stock companies, they are organised for the benefit of the entire community and not just their shareholders. Of course, they act on behalf of their shareholders, but their shareholders might be like the members of the Capricorn Society Ltd. The members of that cooperative are generally small businesses in the automotive sector that transact through the Capricorn Society for supplies. Their benefit and profit share come from the number of times they transact with the Capricorn Society in a particular year, but their rights in the organisation are the same, one to another. Co-operative Bulk Handling Ltd has \$2 billion in assets, and 1 100 permanent and 1 800 seasonal employees. As the member for Maylands pointed out, it is a 50 per cent shareholder in Interflour, which is the largest grain miller in South-East Asia. As a former resident of Indonesia, I can tell members that eating Indomie is a very common pastime in Indonesia; Interflour is stretching that out, and of course it supplies malt to almost all the breweries in South-East Asia. If one is a drinker of San Miguel or Singha, one is benefiting from Australian hops and barley grown in Western Australia but processed up in South-East Asia by Interflour’s jointly owned subsidiary.

Fonterra is the world’s largest dairy company. It has 1 800 employees in Australia but is a New Zealand company. Its interim report of 31 January 2016 shows that it had a \$NZ8.8 billion turnover and total assets of \$NZ19 billion. Again, that is an enormously large organisation and the one that people most often talk about when they talk about cooperatives. The Mondragon Corporation, based in the Basque region of Spain, showed an annual turnover in its last annual report of €1.875 billion, or about \$A18 billion, which I note is down from the 2009 turnover, but given the problems in the Spanish economy, that is not a surprise. Mondragon was formed in 1943 by a Catholic priest and has more than 74 000 employees and 260 business units. Of those business units, 157 are subsidiaries and 103 are related cooperatives, because it is a worker-owned cooperative that has relationships with other worker-owned cooperatives. I will not go through the whole story of Mondragon; I did that in 2009, but if members are particularly interested, they can google the company and have a look at its story, which is told very clearly on its website. Interestingly, it has a subsidiary in Brisbane, Wilmar. As I have observed, that is a joint stock company that Mondragon owns but is not itself a cooperative.

As the member for Maylands pointed out, probably the largest set of cooperatives are in the financial sector, the industry superannuation funds. It is interesting that there is currently a debate about that. Superannuation funds are not regulated through state legislation but through commonwealth legislation. Many people wrongly refer to industry funds as union superannuation funds, but they have never been union superannuation funds; they are, in fact, industry superannuation funds that have boards that are, in the context of a superannuation fund, not referred to as a board of directors but as trustees. The trustees are evenly appointed by participating employers and representatives of the members of the fund. The federal Liberal government is currently running the argument that the industry funds should be required to change their governance structures to replicate the current arrangements in the retail superannuation fund industry. That is a quite extraordinary suggestion because industry funds outperform the retail superannuation industry. That is hardly surprising, because they have as their focus the benefit of their members rather than the shareholders, who are not members of the superannuation fund. Self-interest will tell us that they will have better performance, and that is exactly what happens. We can see that there is a benefit in having a member-owned structure. In the case of superannuation funds, it is a clear example of getting superior performance by removing the conflicts of interest that happen in the commercial retail superannuation funds, where there is a split interest between the performance of the funds on behalf of the members, and the profit motive of the people and the businesses managing the fund. It is hardly a surprise that the industry funds have such a longstanding superior performance compared with the retail funds.

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The real question is why we allow corporate retail funds that have this split interest in their operations, when the managers of the fund have an interest separate to the members of the fund. It is just ridiculous. I am not saying we should, but if we were to have any law reform in that area, clearly we would be getting rid of the retail superannuation funds to clear up the conflicts. I note that there have been no scandals of industry superannuation funds defrauding their customers, as has been the case in the banking industry. No outrageous sums have been paid to people by way of secret commissions, as there have been in the wealth management sector. These are all things that have happened in the commercial sector, not in the industry superannuation funds. One controversy was highlighted by the royal commission into the building industry about individual employees of an industry fund providing names and addresses to a union official, but even in that case, when the issue came to light, action was taken by the fund to ensure discipline of the people involved. There were no excuses made or cover-ups, which is exactly what has happened in a range of the banking scandals. When it has been shown that bank employees have been effectively stealing money, or acting in a way in which they benefited from the losses of their customers, the banks' first inclination is to hide and deny. We can see that a mutual structure can actually produce a better outcome.

If we wanted to have reform in the cooperative sector, we should reform the taxation arrangements for cooperatives. I have said previously that the Labor government of the 1980s made a mistake when it decided, on the basis of competitive neutrality, to change those taxation arrangements. Up until the late 1980s, cooperatives were taxed on a mutual basis. That meant that the distributions from the cooperative to the members of the cooperative were taxed, but the retained earnings of the cooperative were not taxed. That is, of course, different from a joint stock company, because retained earnings are taxed, and when the dividends are paid out, the tax can be recovered by the individual shareholder through divided imputation. However, cooperatives and joint stock companies are not the same. Members of a cooperative cannot trade their holdings. That is because the rules of a cooperative prohibit the members from trading their membership separately from their participation in the cooperative. However, shareholders in a joint stock company can trade their shares. Co-operative Bulk Handling Ltd is a good example. A person has to be a Western Australian grain grower in order to join CBH. The members of CBH cannot sell their holdings in CBH to a separate entity. That means that they cannot get the benefit of any increase in the value of CBH. That is fundamental to the idea of a cooperative.

Therefore, the tax change made by the Labor Party in the 1980s was wrong. That decision should be reversed and cooperatives should go back to being taxed on a mutual basis. That would put cooperatives on the same basis as joint stock companies. That would also overcome the pressure for demutualisation of cooperatives, as happened with National Mutual in the 1980s and AMP Limited. There is currently a bid to take CBH out of cooperative ownership and put it into a joint stock company. People who support the practice of demutualisation look to what happened to the value of Wesfarmers Ltd when it was demutualised and went from being a farmer-owned cooperative to a joint stock company. However, the point they miss is that although the new shareholders have done very well out of that company, the people who sold their shares at that time have not benefitted one cent from the increase in the value of that company.

[Member's time extended.]

Mr W.J. JOHNSTON: The company has also lost its laser-like focus on the interests of the people who were in the cooperative. I would be interested to hear from any farmer who thinks they are getting a better deal for their input out of some commercial organisation compared with what they were getting through the cooperative. We need to remember also that any extra value that was made in the transaction between the old Wesfarmers and its customers, who were also its shareholders, was returned to them by way of a distribution. Another example is Fonterra. If a lower price is paid to farmers for their milk, there is a higher margin for the company when the milk is sold to the end consumer, and the farmers then benefit from the distributions from Fonterra. That opportunity has been lost to the farmers who were previously members of Wesfarmers. Wesfarmers is a very successful business. However, the point is that it is no longer the business that it was. It is now a different business and it faces a different set of issues.

Before I move to another issue, I want to talk about the time when I lived in Indonesia in the 1980s. If members have been to Indonesia, they would know that there are a lot of vans or minibuses that are used to transport people from one place to another. In Jakarta, they are red. In the city I lived in, they were green. On the side of the van would be the letters "ko"—which is short for "koperasi", the Indonesian word for "cooperative"—and it would be ko-something-or-other depending on where the van was and what the cooperative was. The people who drove the vans were able to drive, but they did not have enough money to buy the vehicle. Back in the 1980s, driving was a very skilled occupation. In 1981 when I lived in Indonesia, maybe only 20 million of the 180 million people in Indonesia were able to drive. That can be compared with Australia, where 70 per cent or 75 per cent of people are able to drive. However, Indonesia is a different sort of economy. These people do not have the resources to buy a vehicle, so they join a cooperative, which is usually arranged by the local city government, and the drivers share the vehicles and drive certain routes. Cooperatives are still a very important

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part of the Indonesian economy. In most parts of Indonesia, certainly most of the western part of Indonesia, there are farmer cooperatives that buy fertiliser, there are transport cooperatives, and there are cooperatives that perform a range of activities. It is about ensuring that the community benefits from the economic activity and it is not taken away by outsiders and investors.

A debate is taking place around the world about the future of capitalism. That debate was brought on by the global financial crisis in 2008. We can see even from reading a conservative journal like *The Economist*—I would call it a magazine; they refer to themselves as a newspaper—that that debate is going on.

The ACTING SPEAKER (Mr I.M. Britza): Excuse me, member. Members, the conversations are getting a bit loud, just to let you know.

Mr W.J. JOHNSTON: The global financial crisis was probably the end of unfettered capitalism, because it showed up the excesses of the banks in essentially stealing money from their customers. There is no other way of putting it. In fact, a number of banks admitted guilt and paid billions of dollars in fines for their dishonest conduct in the lead-up to the global financial crisis. The worst examples were banks that sold financial products to customers and benefited if the customer lost money. That was crazy. That is what the movie *The Big Short* was all about.

Ms J.M. Freeman: It still happens. They are still doing that in the market.

Mr W.J. JOHNSTON: Absolutely. In fact, there is currently an investigation by the Australian Securities and Investments Commission into the rigging by Australian banks of interest rate markets—which has an effect on our mortgages. There was also the LIBOR scandal, which is what I was referring to earlier. Nearly all the large banks in the world—a number of which are currently contracted to the state government to provide financial advice—had to pay billions of dollars in fines, because they illegally rigged the London interbank offered rate, which is the major instrument for pricing transactions between banks, at the expense of their own customers. We cannot name a major European or American bank that was not involved up to its neck in these scandals. The result was that most of the large banks in North America and Europe had to be nationalised and taken over by the state.

Ms J.M. Freeman: No; their debt was taken over by the state.

Mr W.J. JOHNSTON: No; even their management. Some of these banks had their shares bought by the government. Yes, bad banks were created that threw taxpayers' money into assets that the private sector did not want to touch. However, many of the bastions of global capitalism became government instruments. It is extraordinary how badly that sort of Lindsey Graham-style capitalism failed.

There are now three streams to the debate about the future of capitalism, and family companies is one stream. Australia is not very strong with family companies; I am talking about large family companies with millions of dollars of assets and turnover. When I was state secretary, I knew some people who had family companies and they were encouraged to list their family companies on the stock exchange by promoters who made money out of the listing process. Once they had listed their companies, the family business owners found that they could not operate the way they had before because they now had shareholders. Seventy per cent of a business's shares might have been owned by family, but—as it should be—the other 30 per cent had rights and needed to be properly looked after. In fact, keeping the family company private would have been a better bet. In Asia, family companies generally play a much larger role in the economy than they do in Australia. We need to think about that. If members read the research, family companies take a much longer horizon for their investments; they are much more patient and, without needing to have quarterly reports, they can have a long-term view. It often amuses me, as a member of Parliament, when businesspeople say to me that the problem with politics is that politicians take too short a time frame and we are only looking at the next election cycle. In the next breath, they ask: "Have you seen our quarterly results?" It amuses me greatly.

The second stream is state-owned enterprises. Of course, China is the foremost proponent of this in the global economy. The problem with state-owned enterprises is that they often make bad decisions because they do not have proper accountability. It is not hard to go around the world—indeed, members would not have to travel very far from Perth—to find decisions made by state-owned enterprises that no private investor would have ever made. I read a book—I do not remember the exact title—that pointed out if we take the subsidies provided to Chinese state-owned enterprises into account—they do not pay for the land that they use—in fact, almost all China's state-owned enterprises have a negative return. That means that if they properly accounted for their operations, they would be taking money out of the Chinese economy. State-owned enterprises there are not putting money into the economy. They are not creating wealth; they are losing or destroying wealth.

The third option being talked about is government-related enterprises. Singapore is the classic example of this. Businesses are listed on the stock exchange but say 30 per cent or 40 per cent of their shares are owned by

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a government instrumentality—whether it is something like the Central Provident Fund in Singapore, a sovereign wealth fund or whatever. The businesses are still held privately, they act in the share market and they have all the market disciplines, but they have a cornerstone investment that means they are protected from takeover. Again, that means the businesses can have a longer term outlook. I encourage another look at cooperatives because I think that they are a fourth alternative to the three alternatives I mentioned to the current Australian obsession with joint-stock companies. As members can see with companies like Fonterra and Mondragon Corporation, businesses done on a mutual basis can be very successful and very large. It is not about putting arms around each other and singing songs; these are tough businesses that are acting in the free market and making money, losing money, and doing all the things that other companies do, but they have a better purpose.

It is not just an argument about the shareholders. In the media, there is a constant debate about the question of the responsibility of a listed company to its shareholders compared with its stakeholders. I am sure that every single member in this chamber is contacted by some company—BHP Billiton, Chevron Australia, Woodside Energy or any of these other large companies—that wants to talk to us because they want us to think of them as good people. These companies are concerned about stakeholders and not just shareholders, and rightly so. It is the so-called community licence to operate. The websites of these companies show detailed analyses of their environmental impacts or their social and community impacts. If members look at Shell's website, there is a really interesting report that includes what security arrangements it has in every country—where it has to have an army to provide security and where it has civilian contractors to provide security. It is really interesting to read some of these reports. But why are they doing that? The companies understand that they have to satisfy more than just their shareholders. The point with cooperatives is that the stakeholders are at the heart of the business rather than just the shareholders. Yes, they are tough-nosed; yes, they are financially driven; yes, it is about capitalism; and yes, it is about private ownership, but there is a broader guiding principle that is set out in the total of cooperative principles in the act. I am a member of a credit union and I support the operations of that area because I think it provides something more than the Mossack Fonseca-style of business that we are seeing at the moment. Trillions of dollars are being sent to shady places to avoid taxation, of all things, whereas if the dollars were included in everybody's market and in the transactions of the states of each nation, it would be better.

MR C.J. TALLENTIRE (Gosnells) [5.56 pm]: I am very pleased to rise to speak to the Co-operatives Amendment Bill 2015. Let me begin by saying that how we look at various forms of enterprise ownership is a fascinating subject. It is especially relevant when there is a tendency in the community to want to diminish the standing of the parliamentary institution while at the same time seeing a tendency towards an enhancement of the role of corporations in the eyes of many. As my good friends the member for Maylands and the member for Cannington have said, that poses many problems and we have seen those through the global financial crisis; we saw the problems of a world that is so dominated by corporations. In Australia, corporations operate under the Corporations Act. They have a sole responsibility of making profit for their shareholders. If we, as a community, vest too much standing in organisations that are solely driven by making profit for their shareholders, we will have problems. That is why I come to this discussion about cooperatives with a great deal of interest and enthusiasm for an alternative form of ownership.

I am sure that I am not alone in this place in thinking that my first and perhaps main encounter with a cooperative was with Co-operative Bulk Handling. Thinking about that company as a grain grower-owned cooperative and the benefits that it has achieved because of that ownership by those who wanted a grain handling and storage service provided to them—I think about 4 200 farmers are members of that cooperative—shows that they had a need for this service. First and foremost, they had a need; they had to move grain from their farms to an export market. Bearing in mind that about 90 per cent of our grain is exported through the CBH network, it is playing a major role. It has an enormous amount of infrastructure to do that but, most importantly, it provides a service to people who are the owners of an organisation and they are also the people who best understand how the organisation can function. That is very important. If we want an organisation to function well, it is best if all stakeholders—to use that very, very generic term—or all people who are the beneficiaries of this grain storage and grain handling service fully understand how the organisation works and its priorities. They can then suggest how improvements can be made.

Sitting suspended from 6.00 to 7.00 pm

Mr C.J. TALLENTIRE: I rise to continue my remarks on the Co-operatives Amendment Bill 2015. Before the dinner adjournment I was reflecting on how one of our best-known Australian cooperatives, Co-operative Bulk Handling Ltd, is energised by the fact that it is the grain growers, those people who are seeking grain storage and grain handling services, who are the owners of the company and who guide so much of the development, expansion and the nature of the services of that company. I was saying that that provided a very good foundation

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for the company. We see so many positives with CBH, and I will come to some of those, but I wanted to think of one of the more worrying sides of the CBH operation, one of its disappointments, and that relates to the marketing aspect. One would think that because those 4 200 grain growers are seeking to have not only a storage and handling service, but also a marketing service that would enable them to be closely in tune with what their markets are after. On the whole, I think that has been the case. I know that in the early 2000s there was a merger between CBH and the Grain Pool of WA. The Grain Pool was a dedicated marketing body. It was also, I believe, a cooperative structure. We had a situation, as well, where CBH effectively had a monopoly on all bulk handling through legislation; if someone wanted to sell a product through bulk channels, they had to go through CBH. I believe that has been deregulated to some extent, but I am pretty sure that the vast majority of people still use the grain handling services of CBH.

Coming to my concern about the marketing capacity of a cooperative organisation that was fundamentally about the storage and handling of grain, I had the experience in 2007 of seeing an interaction between Japanese grain buyers and CBH. The Japanese grain buyers were specifically here to put in orders for canola. They wanted to present their case to the CBH marketing people that for them it was very important that Western Australia remain a GM-free state. Of course, we had the then ban on the growing of commercial GM canola crops. For those Japanese buyers, that was a very important thing. They came here to communicate that. They did all the right things. They wanted to build up a rapport with grain producers, and they did that. They spoke to many grain growers and they also spoke to people within the marketing division of CBH. Unfortunately, they were not able to win the argument. For some reason the people involved in marketing CBH remained somewhat neutral to that. They were not at all dismissive of the idea that there was a premium to be paid for those who produce GM-free canola—the marketing people were certainly accepting of that. I am relating events from 2007. They understood the argument, but they were also, I think, struggling with the fact that, fundamentally, the organisation was one that was formed around storage and handling and was not as adept at dealing with the marketing issue, which meant that they were not as capable of hearing what their consumers really wanted. After all, the company was set up to provide a service for grain growers. That is the danger; sometimes a cooperative can lose receptiveness to what its consumers want. Really, businesses must always listen to what the consumer end user wants and must not be seduced by what is seemingly practical or seemingly advantageous for those who are the producers of the product. In this case, the grain growers were able to say to those Japanese buyers that there would be a very high standard of grain segregation and there would not be any cross-contamination from the GM canola pool over to the GM-free grain silos. Unfortunately, that was not enough of an assurance for many of those Japanese buyers. Instead, they said that they would go elsewhere—to a state or a nation that was dedicated to producing GM-free canola. That was an interesting insight into how there can be slight difficulties. Overall, I am absolutely supportive of the use of cooperatives, but there are times when that cooperative structure can lead to a focus on one aspect of the whole marketing cycle and not be receptive to things such as the feedback loop from the end user—the consumer. That was an interesting example of how we could look to perhaps improve things. Perhaps it is a pitfall that cooperatives need to be aware of.

There are many examples of how cooperatives have served us and the members of the cooperative well. To use the CBH example again, the state-of-the-art rail fleet that CBH has is just outstanding. I am very aware of this because, for a long time, they have been going past the bottom of my garden. There are no other houses between my back fence and the rail line that goes from Forrestfield right through to Kwinana, so I hear the trains going along—I am very aware of them. When CBH upgraded its locomotives and rolling stock, it made a huge difference. I am barely aware now when a CBH train goes through. There is some vibration, but that has been greatly reduced because of the quality of this rolling stock. The locomotives are also superior to whatever CBH had before. I have to say, they are infinitely superior to the rolling stock operated by Mineral Resources Ltd, a company that is exporting iron ore and which uses the same track. I have spoken to Mineral Resources and they claim that their locomotives are modern, but the impression I get is that they are real old clunkers. They seem to struggle with the loads that they have and the vibration that comes from their rolling stock is really significant as well. In comparison, CBH has done the right thing. It gets back to the issue of the licence to operate. CBH has thought about the implications for the broader community. Although I am not up to speed with the latest details of it, I am disappointed that, because of some crazy privatisation work during the time of the Court government—I think it was former transport minister Eric Charlton who was particularly responsible—we made some serious mistakes in allowing Brookfield Rail to take over the operation of the grain freight rail network. As a result, I think there has been some friction between the operations of CBH and Brookfield Rail. I want to emphasise, however, that from a community perspective and from the perspective of someone who lives adjacent to that rail line—in fact, only a matter of a couple of hundred metres from that rail line—it is really commendable what CBH has done in providing good quality rolling stock.

I turn to other aspects of the whole network. I understand that Co-operative Bulk Handling Ltd has, I think, around 200 grain receival points that are almost like cathedrals on our wheatbelt landscape. These grain storage

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structures involve enormous feats of engineering. I worked on quite a few of them many years ago, back in the early 1980s. I can remember being on some very isolated wheat bins, such as at Kuringup, Holland Rocks and Shackleton. I was lucky at Shackleton: that one was not so isolated and we could go and have a beer at the local club in the evenings. But the other bins were very isolated. We were about 30 kilometres by dirt road from Lake Grace, and on very corrugated roads with student-type vehicles. It was difficult to contemplate driving the journey to Lake Grace more than once a week. We were very isolated, but it was a great experience and a great opportunity to gather some money and see firsthand how a cooperative structure works. I got a sense of how those grain growers felt about their company and their understanding of the grain handling that they had an ownership stake in. It was very impressive. I have heard that thought is being given to reducing the 197 receival points to about 100. I am not sure of the process CBH will have in place, but I am concerned that that will inevitably mean people will be carting grain longer distances on unmade gravel roads. I hope we do the right thing by investing in the tier 3 grain rail network and other rail networks to make sure we do not have, as a result of that reduction in the number of receival points, an increase in the amount of grain trucking. I think that would have implications for road safety, cost and efficiency. We must bear that in mind. It is always about making sure we have the most efficient grain handling system in the world—that is part of our competitive advantage; broadacre agriculture can provide the world with grain at a low price—but it is all about efficiency from the farm and right through the whole handling system, through to the ports. CBH owns or operates four ports, including Esperance port. My friend the member for Albany tells me it operates Albany port, and there is also Geraldton port and Kwinana port. CBH has some major operations in those ports.

The concept of a cooperative is well entrenched and established, and it is a proven form of ownership that delivers good results; we see that internationally. The biggest cooperative in the world is a financial institution that has its roots firmly in the agricultural sector—namely, *Crédit Agricole* in France. It has international connections as well, but the cooperative structure used by *Crédit Agricole* enables it to have annual revenues of \$US103 billion a year. It is an enormous company.

[Member's time extended.]

Mr C.J. TALLENTIRE: Some major financial institutions use the cooperative structure. Rabobank is another banking institution with an agricultural focus. It is based in the Netherlands, but has international connections and is quite well established in Australia, I believe. Another that has annual revenues of about \$US50 billion a year is *Caisse d'Épargne*. Interestingly, the three internationally recognised cooperatives that I have mentioned have been very big in the world of international cycling and used to have international cycling teams. Of course, I am passionate about cycling and I enjoy watching the elite professional riders, but I acknowledge the drug-tainted era. I think it says something that those cooperative bodies have backed away from having too big a stake in international cycling, probably because they were nervous about reputational risk. I think that is one reason for those companies backing away. Now, though, I think international cycling has been sufficiently cleaned up and we will see a resurgence and return of those cooperative companies back to the sport because it is an amazing marketing device. It is very widely viewed on television across the world and has a great reach; it is exactly the sort of thing a major entity—a cooperative—would like to have. The connections between cycling and cooperatives are very strong. Other members have talked about one of the biggest cooperatives—the Spanish cooperative that owns Orbea, a manufacturer of bicycles. In fact, that company is now part of the Mondragon cooperative. Orbea, interestingly, started in the 1840s as a manufacturer of rifles and guns. The Smith and Wesson of its time evolved into a bike manufacturing company. It is very successful. It began manufacturing bikes in the 1930s, and in more recent times it became a part of the Mondragon collective of cooperatives. Interestingly, Mondragon records that it employs around 74 000 people in 257 companies. A range of diverse activities are covered by various cooperatives.

It is interesting to see—the member for Maylands touched on this in her excellent speech—how the United Nations sees opportunities for developing countries to use this cooperative structure to enable people to produce crops to get the inputs necessary for the various forms of agricultural application, and also for various manufacturing opportunities. The UN talks about the best way to organise and get people involved. It talks about the sense of cooperatives and equity, and cooperatives being founded on a sense of equality. The principles the UN's Division for Social Policy and Development Cooperatives talks about are very interesting. The idea of one member with one vote—one vote, one value—is entrenched in the establishment of those cooperatives. The UN talks about cooperatives and poverty reduction, and social progress for their members and employees. It is often about embracing those people who are there for whatever skills they can bring to the organisation. It is about inclusion. It is about providing people with something they can do that becomes a stimulus to economic activity. The UN talks about employment generation, but how it is also about embracing people and pooling initiatives. It is about profit sharing, cost saving and risk taking. There is no doubt about it: great entrepreneurial spirit is often trialled in cooperatives, and perhaps the cost of failure—the risk—can be mitigated somewhat if shared.

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Cooperative and social integration are all very much a part of this drive by the UN Division for Social Policy and Development Cooperatives.

There is also a role for cooperatives in globalisation. We hear so much about how globalisation is alienating people and making them feel they have no sense of control over their own destiny; that they are locked into price-taker situations and are beholden to global market prices for their produce. I do not think being in a cooperative gets a person away from that if their produce is a commodity that has to be sold on the global market, but it does mean they are in a situation to work with others. They will not be isolated and just left to their own devices. Another aspect is cooperatives as a tool for post-crisis conflict reconstruction and reintegration in disaster areas. There is a flexibility about cooperatives that means that they can be very quickly established, even in a nation that is perhaps only just coming out of a phase of civil war, or has just experienced some sort of natural crisis. Things can get going quickly again through this cooperative structure.

I am very pleased to see that the Co-operatives Amendment Bill 2015 retains some of the features of Western Australian legislation unique to Western Australia. So often it is pushed upon us to go for some uniformity right across the nation so that all states have exactly the same legislation, but it is good to see that in this instance our WA Co-operatives Amendment Act will preserve some uniquely Western Australian features, one of those being that the rules of a WA cooperative may allow a member under the age of 18 to vote. It does not sound like a major thing, but I think that is a feature unique to Western Australia. There is also flexibility around the timing of the lodgement of annual reports and that is an important thing, bearing in mind the often agricultural nature of the production. It might be for other reasons, but it is giving people that flexibility to have some alternative to the standard corporate reporting season and that they can actually do their reporting in a way that fits in with whatever it is that is the nature of their business corporate activity.

I am very supportive of this legislation; I am very supportive of the concept of cooperatives. They are something Australia should be embracing much, much more. They are an alternative to the standard structure of corporate entity that is directed just by the Corporations Act, where the only responsibility on the company is to respect the general rules and make a profit for shareholders. That is a very narrow framework for an organisation to operate under and with the cooperative structure it has the possibility to be far wider in its influence. Beyond whatever it is producing, it can influence the wellbeing and lives of the people who are members of the cooperative. They are the workers perhaps, depending on the structure of the cooperative. There is the opportunity to ensure that people are motivated in a way that perhaps the standard corporate structure just does not allow. It is a great opportunity for people to bring forward their expertise in a way that is often lost when they are in a very hierarchical structure that does not allow for people to put forward ideas that might make for greater efficiencies. People are actually motivated; they feel like they are a part of the ownership structure and they are motivated to put forward their ideas. It is very interesting to see how in Australia we have some successful examples, but it is concerning that we do not have a greater pick-up of the number of cooperatives. I would like to see that in the future. We have various forms of ownership and, indeed, I think some would say that HBF is a form of cooperative structure as a major supplier of private health services. It is a very well run company. It enables people to have private health cover at a cost, but it is not a cost that has that mark-up of a profit that then is returned to shareholders. It is interesting to compare prices with a health fund that has to provide an annual profit to shareholders and the price that HBF is able to provide its members with. It is interesting to make those comparisons. I commend the legislation to the house.

MS J.M. FREEMAN (Mirrabooka) [7.24 pm]: I was trying to check, and I will take an interjection by the parliamentary secretary: is HBF a cooperative or is it a mutual? Did we come into this house a couple of years ago to change some legislation so that HBF would comply with some of the financial services laws? The parliamentary secretary is not sure of that. It interests me. My understanding of the difference between a cooperative and a mutual is that a cooperative will come under the Co-operatives Amendment Bill 2015 and a mutual comes under the Corporations Act. The Corporations Act applies to cooperatives, but their structures are fundamentally the same—that is, that they benefit their members. It is interesting that we are looking at the Corporations Act and bringing in a national law, when there is indeed a mechanism to have similar structures under the Corporations Act, and much of this national law brings in some of the Corporations Act provisions. The bill we are talking about tonight amends the Co-operatives Act 2009 to ensure its consistency with the Co-operatives National Law and to enable WA cooperatives to operate across the borders without having to become an organisation, such as a mutual under the Corporations Act.

I differ from the member for Gosnells; I do not think we should have a separate law for the national Corporations Act. In fact, I do think we should have a separate law, but we should have that for small organisations. I just want to outline why I think this is really important. With large organisations, such as Co-operative Bulk Handling Ltd and other big organisations, whether HBF is a cooperative or a mutual—the parliamentary secretary has just got a note from his advisers so he can now tell me that HBF is —

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Mr P.T. Miles: HBF is a mutual and it is incorporated under the incorporations act. It was incorporated prior to 2010.

Ms J.M. FREEMAN: So it was incorporated under the Associations Incorporation Act, as I understand, and it is a mutual, but now it is under the federal Corporations Act. I just want to clarify that when we all stand here and say that HBF is a great organisation, which of course it is, it is sitting under federal laws, so the organisations we talk about when we talk about the Co-operatives Act are predominantly agricultural, some insurance organisations, some housing organisations—a few nationally, but not so much in Western Australia. I will go to that in any event.

My issue is that we argue we have to maintain our sovereignty, so we are going to adopt this massively big act that brings in a whole bunch of burden and red tape. If members read the ninety-sixth report of the Standing Committee on Uniform Legislation and Statutes Review, “Co-operatives Amendment Bill 2015” from the other place, it also had situations in which it had to put regulations into the act to allow for changes to the primary legislation so that it can keep concurrent with the national laws, because if we do not keep concurrent with the national laws there is a cost effect to those cooperatives. There is no doubt that the operations of large organisations, such as Co-operative Bulk Handling Ltd, will have to take into account federal laws. That is like saying that the Government Employees Superannuation Board does not operate within federal laws. GESB does not have to operate under federal laws because it is covered by state laws; but it does, because if it did not, it would not have best practice. If it did not have best practice, it would put itself at risk in common law. Here we are in this Parliament with this big bill, saying that we want sovereignty because we want flexibility around, say, giving 18-year-olds the vote or around someone wanting to put in their financial accounts. That will not change. They will still have to put in their financial accounts at the same time as they have to under this bill. That will not change; it is just that they will not have to put them in at the same time as they would have to under the national law. They are the two major changes and they are mentioned somewhere in the report.

We have not asked how we can effectively use a really good structure of cooperatives to assist in employment, with raising business and being able to get economic growth in our communities. That could be done with, say, a company that is so big that it comes within the Corporations Act. The Associations Incorporation Act 2014 did that. It included a differential between small and large companies and provided that if a company was a certain size, it would be covered by the national law, and Western Australia would keep its sovereignty by making sure there is no red tape for small companies and making sure that in establishing a company, the rules and constitution would not be too complex; there would be a capacity to encourage that small company to operate and things would not be too complex. That advantages Western Australians. It is a really positive reason for why we would want something different. But we just want something different because we are different. We do not do anything differently with it. In fact, what we do is take away our powers, because we are putting in a Henry VIII clause and regulations that just go around Western Australia’s sovereignty such that the report says, “Oh yes, it does undermine our sovereignty, but not sufficiently for us to worry about it, so we will just let it go.” We have this mirror legislation for no other purpose than it makes us feel good, and it does not deliver anything to the people who we would actually like to serve in our communities.

We are here adopting mirror legislation and we are going to go through and check it all off, but it does not matter because when the national laws change by regulation, that will just be ticked off. It will come into the house and if we wanted, we could choose to reject it, but the cost to large organisations would be prohibitive. In fact, the Senate Economics References Committee report commented as such.

Clause 62 will insert proposed new section 207A, which states —

The secretary of a co-operative must take all reasonable steps to ensure that the co-operative does not contravene a provision of this Act that is prescribed by the regulations for the purposes of this section.

We are not telling them what to do like we did in the Associations Incorporations Act; we outlined—prescribed—their duties. We are saying that we are going to set it up by regulation. Imagine a small cooperative that is trying to set itself up so that it can operate to share and benefit from being a cooperative, needing to find the regulations. We could have done something that said, “We are going to keep that for this sector of the cooperative industries where we can do some benefit. We understand that if you are a really large cooperative that has to comply with incorporation laws, that’s national.” If it wants the right to operate across the borders of any one state, then it will have to comply with national standards, and through that we undermine our sovereignty. When the department was asked why that has happened, the Standing Committee on Uniform Legislation and Statutes Review stated in its ninety-sixth report —

Whilst the Department is of the view that including these provisions in the Act rather than in regulation ‘would not make the legislation inconsistent for the purposes of the AUCLA —

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I cannot recall at this stage what that stands for —

in the short term, it has expressed concern that Western Australia's involvement in the national law requires consistency in relation to identified key areas, including corporate governance rules. If the provisions in question were included in the Act, *'co-operatives would incur additional compliance costs ... while WA undertook the process of amending its principal Act.'*

All that does is add a bureaucracy where it is not needed and does not benefit growing a sector that, as we have heard from the members for Maylands, Cannington and Gosnells, provides the economy a different market-based system to deliver services into the community to benefit its members. We have done nothing at all. We have just done something that is high and mighty. Congratulations, Western Australian Parliament. It must make us feel good!

Cooperatives are very equitable and CBH is a really good example of that. I recently went on a tour with CBH. I also note a recent article in *The Conversation* by a leading academic at the University of Western Australia, Tim Mazzarol. He talks about the many debates and discussions around cooperatives, including those at a recent international conference. I draw on his article to show why it is so important that CBH, that large agricultural organisation, and its members consider carefully any decision to no longer be a cooperative. In his article entitled **"Australia's co-operative and mutual enterprises deserve greater recognition"**, dated 17 November 2014, he states that the 2014 G20 leaders' summit communique included —

... calls for the strengthening of global food security and the raising of productivity to expand food supply while increasing farm incomes and employment. An important mechanism that can assist in the achievement of these goals is the co-operative and mutual enterprise ...

His article goes on to talk about the role of agricultural cooperatives. It states —

The role of agricultural co-operatives as a mechanism for enhancing the farm sector has also been acknowledged in the recently released Agricultural Competitiveness Green Paper.

His article quotes that green paper. It states —

"Improved coordination between farm businesses through the establishment of cooperatives were identified by some stakeholders as a good way for farm businesses to achieve greater economies of scale and improved profitability without losing individual control of their operations. State and Territory governments, which regulate cooperatives, have agreed to implement the Co-operatives National Law (CNL), —

That is being mirrored in this legislation —

which replaces an ageing and fragmented legislative system."

He goes through and refers to the benefits of cooperatives and that we in this place need to note how important they are in the delivery of services in our community.

His article also includes a pie chart, which is also included in the most recent Senate report on cooperatives, released last month, and which very thoroughly looked at the benefits of cooperatives in our community. The member for Maylands went through that extraordinarily well. In fact, she stole all my material, so I will have to keep going with what I have here. I note that of the top 100 cooperatives and mutual enterprise industries, agricultural producers make up 28.6 per cent; banking and finance, 22.1 per cent; and, insurance, 80.3 per cent. Interestingly, housing is only 0.2 per cent.

Let us get back to my issue. We have mirrored this law. Would it not have been better to spend time adopting the national law, because that is really what we have just done? We could have spent some time in this Parliament putting together legislation that would have encouraged and increased housing cooperatives. I am referring to small housing cooperatives that could address some of the housing affordability and housing supply issues in our community. It is 0.2 per cent of the top 100 Australian cooperatives. But we feel better!

I digress to this report, which refers to the Henry VIII clause. The parliamentary secretary and I have a great history with Henry VIII clauses, having both served on the Joint Standing Committee on Delegated Legislation. A Henry VIII clause provides the capacity for the act to basically be changed by a standard; not even a regulation in this case—a standard. Gosh, get me going on standards! When Standards Australia was originally set up, it was a not-for-profit organisation. It was a government organisation but it sat to the side. It was a quasi-non-government organisation. The government sold off Australian/New Zealand Standards and it became a profit-based organisation. It was deeply entrenched in how we looked at plumbing standards and building standards. All our legislation started referring to these standards, but they were not free. Legislation is

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free; there is equitable capacity. No-one can be asked to comply with legislation unless it is freely accessible. Regulations are free—they can be obtained so that people know about them. A standard issue has to be complied with but people cannot get hold of it. We are adopting a piece of legislation that will allow standards around accounting and auditing to be modified. Sorry, it is by regulation, but the regulation will be on that standard.

[Member's time extended.]

Ms J.M. FREEMAN: Those standards will change. I want to make two points. I have already asked the parliamentary secretary these questions: by virtue of this being put into the act, will accounting standards be free to organisations that are required to comply with them? The bill requires organisations to comply with those standards. The second point is we are up against this thing; that is, those standards are for big organisations. It is the same as the Associations Incorporation Act; we should have split the Associations Incorporation Act and had it for RAC and HBF sitting up there, which is the big one, and a small Associations Incorporation Act for parents and citizens associations and footy clubs. It is the same here; we should be saying, “Yes, you have to comply with those really stringent standards over here but these are the accounting standards we require from you if we are going to have these start-up organisations.” I find it slightly bizarre because that concept of small and large cooperatives is clearly out there. A new definition of “small co-operative” is in the bill. It states —

small co-operative means a co-operative of a class or description prescribed by the regulations;

I have harped on about that a bit, but I wanted to make that point.

The Senate report was welcomed by the industry, as the member for Maylands rightly pointed out. A media release from the Business Council of Co-operatives and Mutuals pointed out that it was a good mechanism to get a good understanding of cooperatives. The BCCM stated, in part —

A greater understanding of their purpose and their governance model will provide a basis for the development of policies that enable Australia to obtain the best value from this business model.

I really liked the quote in the Senate report that “All cooperatives are mutuals, but not all mutuals are cooperatives.” The committee said that it would add “but both are member-owned firms.” It went on to provide a distinction between investor-owned firms and cooperatives. It said that the investor-owned firm is established to maximise profits and returns to investors; the co-op is created to maximise benefits to members.

Of course we know about the Rochdale Society of Equitable Pioneers. Impoverished weavers in Britain set up a cooperative to gain some self-determination over the benefits of their labour. Through that, they established the guiding principles. The seven guiding principles of cooperative enterprise are in division 3, section 6, of the current Co-operatives Act. We are not increasing the principles; we have always had them. They were brought into the act in 2009. A criticism of the Co-operatives National Law is that it does not represent an equivalent to the Corporations Act in that it will not have a federal focus. The minister does not have a focus on this federal law because it is made from the seven states recognising it. It went through the New South Wales Parliament in 2012 and it commenced operation in March 2014. Other states commenced operation by the end of 2015. Western Australia basically signed up to say it would get it through by 18 May this year. I do not know what the penalty is, but I am sure it is a good thrashing!

New Zealand has a federal form of it but also allows hybrid forms of half company–half cooperative. New Zealand's Fonterra is a really good example. It is responsible for 30 per cent of the world's dairy exports. It is partially listed on the New Zealand stock exchange. The member for Cannington gave a really good summary of Fonterra. I want to put on record this quote from an article in *The Conversation*. It states —

It is clear that farmers have an incentive to support the cooperative model when it provides them with benefits that they would not obtain by acting independently. In a cooperative arrangement, they are in a position to counter powerful market players and minimise market risks.

And these arrangements generally translate into higher incomes, greater support and better representation for farmers. A brief comparison between the Australian and New Zealand dairy industries shows that a New Zealand dairy farmer (in a cooperative structure) receives 50% more per litre of milk than their Australian counterpart.

I also note the contribution by the member for Cannington on cooperatives and social enterprise. An article, again written by Tim Mazzarol, asks whether cooperatives are a replacement for mainstream capitalism. I was hoping to stand straight after the member for Cannington because I would have come in at the end to say, “Here is a perfect segue to that question.” We currently look at offshore investments of a whole bunch of profit-based companies that for some reason—whether it is the law firm that has been on ABC television; I am waiting for someone to interject and remind me of the name of the law firm.

Mr W.J. Johnston: Mossack Fonseca.

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Ms J.M. FREEMAN: Mossack Fonseca tells us it has done everything within the law—let me put that on the record. If it has done everything within the law, the law is an ass. That is part of the problem. It is not enough to tell people in the community that it is legal if the law is not fair, and it is not fair to hide money in tax havens. We all know that the community sees that as the greatest unfairness. They are happy to participate in a market system as long as they think it is fair. If the market system is not fair, it cannot survive, because people will question it. Tim Mazzarol concludes that he does not think that cooperatives can overturn capitalism, but that cooperatives operate alongside capitalism.

Mr W.J. Johnston: I did not develop this in my contribution, but I had written it down to do so. Donald Trump and Bernie Sanders are both part of the reaction to the failure of unrestrained capitalism to deliver for working people. They are obviously at opposite extremes, but you can see that the cooperative movement is a better response to those failures.

Ms J.M. FREEMAN: Yes. The concerns in the community that are leading people to listen to extreme political commentary about how issues in the community can be solved, as the member for Cannington has said, are a response to the unfettered control that capital has had, and its lack of responsiveness to the community. Examples can be cited where capitalism has responded to the community, but the reality is that when the ABC is showing exposés of the tax evasion industry, and we see the Senate inquiry into tax avoidance, people will look for solutions so that they do not feel, frankly, ripped off. Cooperatives are a good way of ensuring that the community as a whole benefits.

I want to talk about benefits to the community as a whole, because I want to talk about cooperatives and crowdfunding. I will finish my contribution by talking about crowdfunding. We all know about crowdsourcing and crowdfunding. It is a way to provide start-ups for private companies. A bill has passed through the lower house of the federal Parliament, setting a legal framework for crowd sourced funding. It recently passed through the House of Representatives, making Australia the latest country to officially endorse the crowdsourcing concept. Kelly O'Dwyer, the federal Assistant Treasurer, said that the legislation was intended to assist start-ups and other small businesses that may have difficulty accessing equity funding due to the costs of disclosure and other requirements, while protecting mum-and-dad investors. As usual, I have spoken too long about other things, but there was a Senate inquiry on the crowdsourcing legislation, which also generated a minority report stating that the legislation would disadvantage some start-ups and affect the injection of capital into companies. There is dissent about that legislation.

I raise this issue because I want the parliamentary secretary to say how this bill, which is intended to amend the Co-operatives Act, will have an impact on crowdfunding and cooperatives. I suggest that a cooperative—let us say it is a housing co-op for elderly people, each of whom has six or seven children—may be in a situation to crowdsource a housing cooperative to provide housing and care. That money does not then go into a publicly listed company; it goes into a cooperative organisation to benefit its members. This will provide an injection of start-up funds, which is the hardest thing to get something off the ground. A taxi app for the payment of taxi accounts in Queensland got \$2.4 million in a crowdsourcing campaign. My question to the parliamentary secretary is: given that a very newly minted piece of legislation is before the federal Parliament—it has gone through the House of Representatives, and been passed to the Senate, which has held an inquiry—how do we ensure that, even though this bill before the house does not ensure that we can benefit any of the small cooperatives on the ground, cooperatives will not be disadvantaged and that they will have access to crowd sourced funding for start-up cooperatives? That is a way that we can inject some really good resources into the community, and create employment. There is large unemployment in the area I am looking at, and we could do that.

MR I.C. BLAYNEY (Geraldton) [7.55 pm]: I was just reflecting, as I was listening to other speakers on the Co-operatives Amendment Bill 2015, that the past few years are the first years of my life in which cooperatives have not played a part, which is probably a bit unusual. Understanding my background will probably help members understand why I am a supporter of cooperatives. I was brought up in a rural area in a not particularly well-off family. We did all our trading at the Wesfarmers cooperative, as it was then. We took the trading bonus we received, depending on the amount of business we did with the cooperative, as a dividend of shares, so we built up a reasonable holding in the company over time. We could never understand why other farmers did not do their business with Wesfarmers. Farmers could do business basically with either Wesfarmers or Elders. If they did business with Wesfarmers, they got a trading bonus and a dividend, which built up quite a nice little nest egg. If they did their business with Elders, someone else got the profits. We could never understand that. My father used to receive the annual report every year and leave it lying around the house, and as a kid I used to sit down and try to read it. I mostly looked at the pictures; I never really understood all the figures at the back end, and I still do not. Wesfarmers was successfully made into a corporation and has been incredibly successful, but sadly its rural division was eventually sold off to a Canadian company.

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I will move on to Co-operative Bulk Handling Ltd, which grew out of Wesfarmers. Every farmer holds a single \$2 share in CBH, and after a farmer ceases delivering grain to the cooperative, three years later, they receive a cheque for \$2, which I still have somewhere; I refuse to take it to the bank and cash it in. I know I will not get any share of the CBH restructure, if it ever happens. The restructuring proposal is out there at the moment, and there has been a lot of discussion in the farming community about it. An active farmer who took the money now would get a large sum of money, probably \$500 000 or \$600 000, plus shares for a moderate-sized farm in the area that I come from. A larger farm would be getting in the millions of dollars. The suggestion is that they take the money and invest it, and use it to pay the increased handling charges that will come along as sure as night follows day. The new farmers, who come into the industry in five or 10 years' time, who do not have that sum of money sitting there providing a dividend to pay the handling charges, will be paying roughly twice the handling charges. It is expected to go from about \$22 a tonne up to about \$40 a tonne. I would like to give credit to CBH. It has been a very visionary company. It has investments, as someone else mentioned, in processing in Asia. It recently bought an oat processing company in Victoria, so it is very much looking at reaching down into the industry and adding value. It has been very successful.

Some other cooperatives with which I have been involved have not been so successful. We set up a small cooperative to import fertiliser, and it worked very well for a few years. Interestingly, it got in a corporate expert to have a look at structure, and he recommended that the cooperative diversify and get into the value chain and other products. Within about 18 months it was out of business. We must be very realistic, look hard at the figures, whether corporate or cooperative, and manage the figures very carefully. Cooperatives can go broke just as quickly as corporates. I suppose the irony is that Co-operative Bulk Handling Ltd has just starting importing fertiliser and is using the shed that United Farmers Co-operative built just out of Geraldton to handle its product. I often wonder whether the Australian Wheat Board would still be around if a decision had been made to turn it into a cooperative, which is what some farmers wanted, but the then federal agriculture minister, John Anderson, was hell-bent on turning it into this thing called a dual-class company in which farmers owned a single A-class share, which they controlled, and investors owned B-class shares that were traded on the stock market. Of course, that did not work, mainly because it was giving kickbacks to sell wheat to Iraq under Saddam Hussein. Of course, farmers were annoyed about that for years afterwards because for years we were lied to. We were told that the Iraqis were buying our wheat because it was the best wheat in the world when in actual fact the only reason they were buying it was that we had come to a nice little financial arrangement.

The last cooperative I was involved with was a small farmers' buying group in Geraldton, which has about 600 members. It works successfully and does not have great corporate ambitions. It negotiates deals with a heap of companies and gives out little cardboard credit cards. In all its years of existence, which, I think is 40 years now, it has had two bad debts, which is quite amazing. Its turnover is about \$5 million a year.

Of course, coming from Geraldton, I have to mention the Geraldton Fishermen's Co-operative, which is 65 years old this year and is the largest processor of rock lobsters in the world. Its catch is bigger than the combined catch of South Australia, Tasmania and New Zealand and its turnover this year is in excess of \$400 million. Anybody who says that cooperative structures belong in the horse-and-buggy age can tell that to the fishermen who belong to the Geraldton Fishermen's Co-operative, because it is an incredibly successful company that enjoys strong support from its fishermen. It does research and recently it opened a \$20 million facility at Perth Airport that holds 80 tonnes of live lobsters. Tell me, member for Maylands, do you object to exporting live lobsters?

Ms L.L. Baker: I don't know how they do it.

Mr I.C. BLAYNEY: They pack them in ice and sawdust and put them on Cathay Pacific. I would have thought it was a pretty cool way to go.

Ms J.M. Freeman: Business class or economy?

Mr I.C. BLAYNEY: No, they go underneath.

The Geraldton Fishermen's Co-operative has built its own facility in Guangzhou, China. It will become the first Australian fisheries company, perhaps the first world fisheries company, to control its own stock in China. That is quite an amazing breakthrough for a little cooperative that started in Geraldton 65 years ago because a few fishermen reckoned they were being done over on what they were getting paid for their crays so they took over the value chain and did it themselves.

Like the member for Mirrabooka, I am a member of HBF and I appreciate the way it works, although I cannot see the cooperative values in what I am paying for my premium. I have just encouraged my twins to become members of the RAC, because it is not motivated by profit and it is something they might belong to for the rest of their lives. They could put something into it and get a lot out of it. I see shades of cooperative values in community housing, which, member for Mirrabooka, I was going to mention, and in my community Bendigo Bank. I know that there are Bendigo Bank branches here, there and everywhere. Bendigo Bank is not

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a cooperative; it is corporate—it is a publicly listed company—but the community banks are set up by Bendigo Bank and it shares the profits with whatever community it is working in. That is a model that seems to be working really well.

In reflecting on cooperatives, I thought of the irony that they probably work best with conservative right-wing types like me and the people who can be found in agriculture, rather than the misty-eyed people of the left who probably believe in their principles more than we do, but we make them work.

MR P.T. MILES (Wanneroo — Parliamentary Secretary) [8.04 pm] — in reply: This has been a very enlightening discussion on cooperatives. I thank all those who have participated. When I first saw the Co-operatives Amendment Bill 2015 on the notice paper at the ministry office, I wondered why we would still have co-ops. I do not have a lot to do with them myself, apart from what I hear about Co-operative Bulk Handling Ltd and some of the larger ones. I discovered that there are 52 cooperatives registered in the state, so it is still quite a viable method for some people to go about doing their business. The member for Geraldton just articulated that with examples of the small farmers and the cray fishermen in Geraldton.

Co-operatives WA sent the Minister for Commerce a letter. I will table that letter because we said that we would. I will read into *Hansard* the last paragraph, because it is important. It goes through the report that was done in the other house and the three recommendations in that report. The final paragraph reads —

As such you have our support if you were to speak against Recommendation 3, which we see as counterproductive to the aim of providing the sector with the same comparable long-term legislative stability that exists under the CNL and the Corporations Act.

Co-operatives WA is referring to the five-year rule. There was debate about putting in a fixed provision that the legislation has to be reviewed every five years. It does not see the need for that and thinks that cooperatives function quite well. I will table that letter so that it is available.

[See paper 4056.]

Mr P.T. MILES: I turn to some of the questions asked by members throughout the evening. Given the earlier interjection, I reiterate that HBF is a mutual and is not a co-op. It was incorporated under the Corporations Act, but it was an incorporated association prior to 2010.

There was a question about whether small and large cooperatives would be treated the same. They will not be treated the same; indeed, accounting and reporting standards will apply only to large cooperatives and that will be dealt with by regulation. The accounting and auditing standards are available free of charge from the statutory boards that produce them. They are available if somebody is doing their own accounts and needs to keep up to pace, although most organisations, even small clubs, still attach themselves to an accountant so I think they get good advice along the way.

The issue of crowdfunding is interesting. The national working group is looking at the commonwealth crowdfunding source from equity funding legislation —

The ACTING SPEAKER (Mr N.W. Morton): Members! There are a lot of conversations happening, which is distracting. If you want a discussion, do it elsewhere.

Mr P.T. MILES: Amendments may need to be made to the Co-operatives National Law. The Department of Commerce is liaising with the national working group to work through that and that will obviously reflect on our legislation and will require amendments in the houses.

I share the member for Mirrabooka's concerns. We discussed this in relation to other amendments that I have been progressing through this house. Because of the mirror legislation process that the members of the Legislative Council like us to do, we in this state are always somewhat behind because we do not refer lower level legislation to other legislation on the national curriculum. I think we need to take that really seriously. I do believe that we should maybe start saying that this is just the minute stuff and it will not change the world. We are talking about just over 50 organisations, so maybe we could refer to the New South Wales act. At the end of the day when there is a regulation change, it can still be stopped because it has to go through the Joint Standing Committee on Delegated Legislation and it obviously can be stopped in the other house, if not this house. I have sympathy for that issue. One of the issues with that is that the minister I represent is an upper house member, so it may not happen while he is the Minister for Commerce. I am sure we will have a discussion about it next time I am there on Monday. I understand that some members want to ask questions, so I would now like to put the second reading.

Question put and passed.

Bill read a second time.

Leave denied to proceed forthwith to third reading.

Consideration in Detail

Clause 1: Short title —

Ms L.L. BAKER: I suppose I see a bit of contextual information. A lot of the debate tonight has interplayed the terminology, with words like “cooperative”, “mutual” and “member organisations”. I note with interest that many of us have commented about the confusion around the terms. I wonder, as this bill is called the Co-operatives Amendment Bill 2015, whether the parliamentary secretary might at this point clarify the definition of “cooperative” being used in this bill, specifically in relation to the issue of the potential confusion between “mutuals”, “cooperatives” and the more generic terms of “member organisation” or “employee-run organisation”.

Mr P.T. MILES: The bill creates the entities as a cooperative. I am advised that they are a form of mutual, but when they are the registered under this legislation, they are a cooperative only and therefore they abide by everything under this act.

Ms L.L. BAKER: I get that bit. What I am wondering is whether there is a specific definition within this bill that describes the answer that the parliamentary secretary has just given so that everyone knows right from page 1 that that is what we mean when we talk about cooperatives.

Mr P.T. MILES: On page 4 of the bill it states that a cooperative is a body registered under this legislation. As I was saying, I do not know what further I can give.

Ms L.L. BAKER: I guess I was hoping for some more exact terminology just so that we understand what a cooperative is—that it is a membership-based organisation, that employees own the organisation, how the profits are dealt with—all the classic things we associate with cooperatives and which are also sometimes attributed to mutuals. Is there something that really defines what we are talking about? I hope that is clear. In other words, why can a proprietary limited company not be registered as a cooperative?

Mr P.T. MILES: I understand that there are seven principles that need to be complied with. They are listed in the legislation and we are just looking for them so I can read them out. Those are the seven principles that need to be abided by before a body can become a cooperative. The seven principles are voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and a concern for the community. Those are some fairly broad statements. A body then has to create its rules to fit those categories and register under that part of the legislation.

Ms L.L. BAKER: Just completing my question, that means that anybody seeking to register a cooperative would understand exactly why they are registering as a cooperative and not as a proprietary limited company?

Mr P.T. MILES: Yes, that is right.

Clause put and passed.

Clause 2: Commencement —

Mr W.J. JOHNSTON: This is the commencement clause and I understand that this bill has to become law by 18 May 2016. I understand that arises out of the intergovernmental agreement. Can I have that confirmed?

Mr P.T. MILES: Because of the time it has taken us to progress this, and although I think both houses have progressed it quite speedily with the cooperation of the opposition, an extension has been granted to WA until next year, so we still have 12 months to pass this bill through Parliament, get the regulations in place and educate the cooperatives out there about the new processes. We have a 12-month extension.

Mr W.J. JOHNSTON: That is through to the intergovernmental agreement?

Mr P.T. Miles: Correct, yes.

Mr W.J. JOHNSTON: I will just clarify that the Liberal Party is not concerned about the loss of sovereignty on this issue. I know that the Liberal Party often talks about the importance of keeping Western Australia in control of its own destiny, but on this occasion the Liberal Party’s view is that it is okay to give up our rights and that this Council of Australian Governments process is acceptable despite the fact that in 2012 the Premier discussed the possibility of Western Australia seceding from the Federation. The former Leader of the Liberal Party in the Legislative Council, Hon Norman Moore, discussed using the Chinese People’s Liberation Army soldiers to secure Western Australia.

Mr I.C. Blayney interjected.

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Mr W.J. JOHNSTON: He did. That is what he said. Hon Norman Moore, who at the time was the Leader of the Liberal Party in the Legislative Council, proposed that Western Australia use the People's Liberation Army of China as our defence force because we would be leaving the Australia, New Zealand and United States of America alliance if we were to secede. Indeed, two years ago the Premier talked about ending cooperation with the commonwealth if we did not get a larger share of GST revenue. I am just clarifying whether all those things are now in the past and that the Liberal Party of Australia—Western Australia division—is no longer concerned about those issues and we are all happy to follow along with the dictate of these eastern states-led decision-making processes.

Mr P.T. MILES: I understand what the member is saying, but with this legislation, we have the capacity to withdraw from the agreement at any time. Queensland has withdrawn. Although it is working in some form at the side, it has decided to withdraw. I am sure that in the fullness of time it will fall over. Any future government, Liberal or Labor or Greens or National, could pull out of the agreement if it wanted to. I am advised that this is not a commonwealth government initiative. This has been agreed to by the states.

Ms J.M. FREEMAN: I am very interested in the operation of the legislation. In particular, could the parliamentary secretary enlighten us further about his answer concerning Queensland withdrawing from the Australian Uniform Cooperative Laws Agreement and the ramifications for Queensland? Our legislation has to be in place by 18 May to comply with the national law. I do not know what the penalties are if we do not. The national agreement will come into operation on 18 May. What is the impact of Queensland withdrawing from the national laws agreement? Just tell us why.

Mr P.T. MILES: Queensland has had to withdraw from the process because it is obviously a little further behind than we were. It could not meet the time lines of this year or next year, so it has withdrawn. It is still going ahead with it. Queensland has made every indication that it will still join the agreement; it is just a matter of at what point it can catch up and do that.

The other part of that question concerned the ramifications of Queensland withdrawing. There will not be any. If a Western Australian co-op wanted to go into Queensland, it could, but it would have to abide by Queensland's co-op legislation.

Clause put and passed.

Clause 3 put and passed.

Clause 4: Section 4 amended —

Ms L.L. BAKER: My question is about the legalese and terminology used in the report. I noticed during the discussion that many of us referred to large cooperatives versus small cooperatives and I was wondering about the definition and how we tell them apart. I looked with interest at the definition in clause 4, which provides —

large co-operative means a co-operative that is not a small co-operative;

It is as clear as mud. I then looked for the definition of “small cooperative”, and it provides —

small co-operative means a co-operative of a class or description prescribed by the regulations;

I want a bit of a hint about what the parliamentary secretary is expecting the regulations might prescribe as a small cooperative, apart from the fairly postmodernist interpretation that a small cooperative is not a large one.

Several members interjected.

Ms L.L. BAKER: Now you are just being silly.

Mr P.T. MILES: To be classified a small cooperative—it is scribble, but I will attempt to read it—it has to satisfy two of the three following criteria: have no more than \$4 million in assets, no more than \$8 million in revenue, and no more than 30 employees.

Ms L.L. BAKER: That is really helpful. Thank you. That is in the regulations, is it?

Mr P.T. Miles: It will be, yes.

Ms L.L. BAKER: Are there any draft regulations that we can read yet?

Mr P.T. MILES: I understand that we have kept the same rules for co-ops, except that a cooperative has to meet only two of the three criteria instead of three of the three to be a small cooperative.

Ms J.M. FREEMAN: I apologise to the parliamentary secretary, but I still do not understand the distinction in the regulations between a large and a small co-op. Can the parliamentary secretary just put on the record again, for my purposes, what in the regulations defines a small co-op? I know that a large co-op is not a small one, so

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we need to know the definition of a small co-op. When a cooperative is not small, it is large. I gather that is how it works.

Mr P.T. MILES: To be classified as a small co-op, a cooperative has to satisfy at least two of the following criteria: have less than \$8 million in consolidated gross revenue, less than \$4 million of consolidated gross assets, and fewer than 30 employees.

Ms J.M. FREEMAN: I refer to the definition of “large cooperative”, which is what the member for Maylands asked for. Where in the legislation does that apply again? What provisions of the legislation impact upon large cooperatives? Is it only in the regulations? Is it particular to the accounting standards or do other provisions apply to large cooperatives differently from how they apply to small cooperatives? When we come to the definition of “small cooperative”, we might look at that too.

Mr P.T. MILES: It is a bit of both, member. With reference to what we were just talking about, whether a cooperative is large or small is prescribed in the regulations and it is also part of the bill, obviously, because we are putting this in the bill as well. We have to cover off on both. It is different only for the financial reporting.

Ms J.M. FREEMAN: Which particular section regarding financial reporting applies to a large cooperative differently from how it would apply to a small cooperative?

Mr P.T. MILES: Clause 85 of the bill will insert all of the financial stuff.

Ms J.M. FREEMAN: I am going to change track. Was that within clause 85, which states, in part —
accounting standard has the meaning given in section 244ZZB;

Mr P.T. Miles: Yes.

Ms J.M. FREEMAN: So it is clause 85?

Mr P.T. Miles: Yes.

Ms J.M. FREEMAN: Thank you very much. It is clause 85, and that is the Henry VIII clause. Is that right? It starts at page 67?

Mr P.T. Miles: Yes.

Ms J.M. FREEMAN: And finishes at page 124?

Mr P.T. MILES: That is correct. It starts at page 67 and finishes at page 124.

Ms J.M. Freeman: While you are on your feet: is that the Henry VIII clause?

Mr P.T. MILES: Henry is there somewhere!

Ms J.M. Freeman: Henry is there somewhere!

Mr P.T. MILES: The committee was concerned because, obviously, some of the regulations will need to amend some parts of those accounting practices sometime in the future.

Ms J.M. FREEMAN: Clause 4 deletes the definition of “co-operative capital unit”, and then puts it back in as “CCU”, but does not put “foreign cooperative” back in. It deletes “officer”, but then puts it back in, and deletes “records”. Will “records” be replaced by “books”?

Mr P.T. MILES: Yes; the advice is that all the language definition changes, member, are about trying to create a national synergy—a national language across all states. That is what it is for. We are just aligning with what has been agreed at the national level.

Clause put and passed.

Clause 5: Sections 5A and 5B inserted —

Ms L.L. BAKER: Could the parliamentary secretary please give me an example of a contravention? Can the advisers give me an example so that I understand? Proposed new section 5B reads —

Involvement in contraventions

For the purposes of this Act, a person is involved in a contravention if, and only if, the person —

- (a) has aided, abetted, counselled or procured the contravention; or
- (b) has induced, whether by threats or promises or otherwise, the contravention; or
- (c) has been in any way, by act or omission, directly or indirectly, knowingly concerned in, or party to, the contravention; or

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(d) has conspired with others to effect the contravention.

Can the parliamentary secretary give me an example of a contravention?

Mr P.T. MILES: I have been told that it is just a contravention of the act. If someone is operating a cooperative and they have not adhered to the act or wandered away from the act, they would be in contravention of the act, and therefore a fine or a prosecution could take place.

Ms L.L. BAKER: Might an example be if I had not made the correct financial disclosures that the regulations and act require? Would that be a contravention? Would it be that I did not have enough members to be a large corporation? Would it be that the financial distributions were not being made in accordance with the act? I just want an example.

Mr P.T. MILES: Again, it would be up to the registrar to decide what that contravention is. I do not think an insufficient amount of members or employees or stuff like that would be a contravention. I do not think that would be clamped down on. It would have to be something really serious, I think, to be a contravention. I have asked my advisers, and there have never been any issues with any of the 50-odd cooperatives in this state. They are very good and are operating very well. I guess we have to put some sort of process in there, so that if one contravenes the act, we can follow through on it.

Ms J.M. FREEMAN: I want to ask about proposed new section 5A, “Corresponding co-operatives laws”, which reads —

The regulations may declare a law of another jurisdiction that substantially corresponds to this Act to be a corresponding co-operatives law for the purposes of this Act.

During my second reading contribution I was talking about crowdfunding and the related recent changes to the Corporations Act. During the parliamentary secretary’s second reading response he said it is currently being looked at and there may be changes. Does that mean that if another jurisdiction changes its legislation around crowdfunding in a way that relates to this legislation, we will not need to need to amend this legislation? Does that not undermine the whole purpose of having mirror legislation rather than adopting legislation?

Mr P.T. MILES: The advice is that proposed new section 5A is specific. It will enable us to take on amendments to regulations in other states. This proposed new section gives the registrar a way to make those changes.

Ms J.M. FREEMAN: I sort of understand that. I get what they are basically saying —

Mr P.T. Miles: I am glad.

Ms J.M. FREEMAN: There will be five pieces of legislation: New South Wales, South Australia, Victoria, Tasmania and now us.

Mr P.T. Miles: Yes.

Ms J.M. FREEMAN: We have this legislation, but Victoria, South Australia and Tasmania have adopted the New South Wales legislation. They have just have corresponding legislation that says they are just like New South Wales, thank you very much—not that they would ever say that, but the parliamentary secretary knows what I mean.

Mr P.T. Miles: Correct.

Ms J.M. FREEMAN: If New South Wales changes its bit of legislation, it just changes automatically, because New South Wales changes it. There is an agreement by all the state ministers and they go into New South Wales Parliament and change the legislation for crowdfunding, using an example that makes some sense. Crowdfunding capital raised can go into the organisation under the provisions that are all around, one would assume, financial reports, audits or some other area. That would just happen; this is not something that I could imagine is in any other legislation. I cannot imagine that this is in the New South Wales legislation, because that it is the legislation that changes. If New South Wales changes its legislation, we do not have to bring it back into this place and change it; we just have to change it by regulation because the Co-operatives Amendment Bill 2015 allows us to change it by regulation. Otherwise, what is the purpose of this? Proposed section 5A states very clearly —

The regulations may declare a law of another jurisdiction —

That is, New South Wales —

that substantially corresponds to this Act —

Which is the New South Wales Co-operatives National Law —

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to be a corresponding co-operatives law for the purposes of this Act.

Is that what it means? The Australian Capital Territory is thinking about having a separate piece of legislation like us to mirror, so does it mean that it is about recognising the ACT having a similar piece of legislation as we have here?

Mr P.T. MILES: Proposed section 5A enables us to be part of the national scheme. Obviously, if we need to amend regulations for accounting practices, we will. But if one of those other states changes its act, and as you said —

Ms J.M. Freeman: There is only one state that has to change it.

Mr P.T. MILES: Yes, that is correct. However, New South Wales is not going to change its legislation unless all the states agree anyway.

Ms J.M. Freeman: The majority of states?

Mr P.T. MILES: That is right. But if New South Wales makes a change, we would have to bring that change back to these houses here and make those amendments. Any major changes that are not to do mainly with accounting practices would have to come back through both houses of the Western Australian Parliament.

Clause put and passed.

Clauses 6 to 61 put and passed.

Clause 62: Section 207A inserted —

Mr W.J. JOHNSTON: I am just flicking over the page in my notes to get to the relevant paragraph in the outstanding report by the Standing Committee on Uniform Legislation and Statutes Review of the Legislative Council. I draw the parliamentary secretary's attention to paragraph 4.10 on page 10 of the committee report. The clause states that section 207A is inserted at the end of part 9 division 2. The proposed section reads —

207A. Responsibility of secretary

The secretary of a co-operative must take all reasonable steps to ensure that the co-operative does not contravene a provision of this Act that is prescribed by the regulations for the purposes of this section.

It then provides a penalty. If the parliamentary secretary starts at paragraph 4.10 on page 10 of the committee report and reads down to the finding, he will see that what is happening here, as I understand, is that there will be a separate offence created through regulations for a failure to comply with the act. That seems a bit strange. I wonder why it has been created in that way. Let us make it clear: we are creating a right for the government to prescribe a regulation that sets out which sections of the act would lead to a contravention and a penalty. It does seem an unusual provision. At paragraph 4.12, the committee report quotes the department from, I assume, its submission. It reads —

the inclusion of these provisions in the regulations allows additional flexibility for jurisdictions to amend the provisions to meet any change in circumstances.

Given that the government is prescribing a penalty for the breach of the act, that does not seem to make sense, because it is not the regulations that will lead to the penalty but the breach of the act. Why would the government have a penalty for breaching some sections of the act and not other sections of the act? That is what is proposed here. If the parliamentary secretary says that it is not all the sections of the act that we want to enforce through such a penalty provision, I can understand that, but why would the parliamentary secretary not tell us in advance those provisions that the government would want a penalty for. If the parliamentary secretary is in a position to tell us what is in the drafting instructions, that might be helpful because then at least we will know what we are agreeing to before we agree to it.

Mr P.T. MILES: Proposed section 207A, "Responsibility of secretary", is as it was agreed on a national level; therefore, we are obviously complying with that. It is like a company secretary; it is a very senior role within the company and there are certain things that must be done and must be abided by. This provides that the secretary is responsible, through regulation, of certain items that must be done, and if they are not done, a penalty of up to \$500 can be applied for not putting in any of the particular processes or applications or filing documents. To follow on from that, the regulations that we will have will be consistent with the national act and also the Corporations Act, so we are just trying to align everything so people know that most of these sorts of positions are pretty much the same all the way down the line.

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Mr W.J. JOHNSTON: I do not want to take up a particular amount of time on this, and it has been canvassed in the report, which is why I specifically drew attention to it, but with respect, the parliamentary secretary said “certain provisions”. That is the point I am making: which certain provisions? The parliamentary secretary is right: the company secretary is a very senior role in any business. As a former general secretary of a registered political party, I can tell the parliamentary secretary that the position of secretary is very important. The point I am making is that if the parliamentary secretary says he is trying to align the penalties and the requirements with those in a corporation, what alignment is there? What are the provisions? When the parliamentary secretary was talking to the members for Maylands and Mirrabooka on other provisions, he helped us identify what provisions might be coming up in other regulations. Could the parliamentary secretary give us a list of the sections of the act that will be included in the regulations as being those that the secretary’s failure to comply with will lead to a possible fine?

Mr P.T. MILES: I understand the member’s concern. There are a number of regulations. I do not have them here with me, but I am happy to provide those after we have moved through. As always, they will be to try to align the cooperatives secretary section under the responsibility of the secretary with that of the Corporations Act. That is the intent. It was obviously identified at a national level for that reason to streamline it. I am aware that because there are not too many co-ops some secretaries might be on other boards and it sometimes can get a bit confusing. One reason is to try to streamline some of the roles so that people know exactly one job from another. I can provide those at a later time if the member wants them.

Mr W.J. JOHNSTON: I would be pleased to have the regulations. I understand that the parliamentary secretary is saying that we will not have them before we pass the bill tonight, but I would hope that we get to see them before they come back in the form of a gazetted regulation for us to then consider through the other processes of Parliament. The parliamentary secretary is doing the opposite of what he is saying he is trying to do. He is saying that he is trying to align and clarify et cetera, but we do not know what it is. It might be helpful for the parliamentary secretary to clarify whether this is a criminal penalty because a criminal act is being created in an act of Parliament but the act does not explain what it is that a person cannot do. The bill is stating that there is going to be a criminal penalty, a \$500 fine—which in Western Australia may lead to a jail term if it is not paid—for an offence that is not known and people will not know what the offence is until the regulations are promulgated. If we do not know what the regulation states, how can a person amend their behaviour now, and they cannot get themselves lined up? The parliamentary secretary explained that it is trying to create a clearer arrangement for secretaries, but that is not happening. I think this is important, particularly given that the specific findings of the Standing Committee on Uniform Legislation and Statutes Review draw attention to it. I would have thought that we would have had more information before we voted on it.

Mr P.T. MILES: I understand where the member is coming from, but the regulations are available on the New South Wales website. We will be taking those regulations and pretty much adopting them into our system once the legislation passes. They are publicly available now. We will be adopting those regulations and in due course all the people responsible will receive education to make sure that they are fully aware of their responsibilities under the act.

Dr A.D. BUTI: Regulations can of course be changed at any time and do not receive the same publicity as an act of Parliament. The parliamentary secretary would know the standard principle of law that a mistake as to the law is vis-a-vis a mistake to fact. That means that because it is a regulation, people may not know. It would be like an athlete checking every day whether a new drug has been put on the prohibited list so that they are not committing a doping offence. Leaving it to the regulations to determine what behaviour will amount to an offence is dangerous and it really should be enshrined in statute. The Criminal Code tells us what a criminal offence is. The standard is that ignorance of the law is no excuse. The problem is that things are being made difficult. There is a possibility that today the regulation might say A and tomorrow the regulation might say B, because regulations can be changed much easier than statutes.

Mr P.T. MILES: I take on board the member’s concern. I agree. I have been on enough committees to understand what the member is talking about. However, in this case we are talking about a small number of organisations—52. Co-operatives WA liaises effectively with our agency and its members. Although I agree that it would not necessarily be wildly advertised on major news boards, it would be publicly listed on our website. I am sure that just like when changes are made to the Retirement Villages Act or the Caravan Parks and Camping Grounds Act, all associated organisations will be well and truly consulted before the minister signs off on any regulations.

Clause put and passed.

Clause 63: Sections 207 to 212 replaced —

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Ms J.M. FREEMAN: This clause inserts new sections 207, 208, 209, 210, 211 and 212. I did not check, but I want to know whether those clauses codify, under the Associations Incorporation Act, the responsibilities of board members. I think the same codification was included in the Associations Incorporation Act, but at this time of night my memory does not serve me as well as it should. Are all the obligations as outlined in the business judgement of the cooperative—the director or other officers of the cooperative—included in the codification of the corporations' common law duties, and have they been codified in the Associations Incorporation Act?

Mr P.T. MILES: Yes; the member is correct. These new sections will align under the Corporations Act. Several years ago, the member for Southern River attempted to get some of these provisions included in other legislation, so he should be pleased to see that they are starting to appear now. Yes, it is due to what started federally and it is now starting to come through at a national level through regulations and bills.

Clause put and passed.

Clauses 64 to 84 put and passed.

Clause 85: Part 10A inserted —

Point of Order

Mr W.J. JOHNSTON: I draw to your attention that this is a 58-page clause. I want to seek your confirmation, Mr Acting Speaker, that we are able to range freely over this clause backwards and forwards and that we do not have to go about it in a particular way?

The ACTING SPEAKER (Mr N.W. Morton): We are discussing clause 85, so anything contained in clause 85 is fair game.

Mr W.J. JOHNSTON: Excellent, because I did not want to have any discussion about the impact of what we were doing.

The ACTING SPEAKER: It may be beneficial to reference the page number however.

Debate Resumed

Mr W.J. JOHNSTON: The Standing Committee on Uniform Legislation and Statutes Review report notes that the explanatory memorandum did not draw attention to the fact that clause 85 inserts a Henry VIII clause. I wonder whether the government gave any consideration to amending the explanatory memorandum in light of the upper house committee report that drew attention to the Henry VIII clause. I understand that the Minister for Commerce made a statement on this matter in accordance with the recommendations of the committee. Is the parliamentary secretary going to make a similar statement?

Mr P.T. MILES: I can. I acknowledge that the minister in the other house made a statement. The wording is that new section 244ZZB(2) will provide that accounting and auditing standards applicable to corporations will also apply to large cooperatives in their preparation of accounts and financial reports. Proposed section 244ZZB(1)(a) and (c) permits modification or substitution of the accounting standards applicable to cooperatives by regulation. Accounting and auditing standards produced by the Australian Accounting Standards Board and the Australian Auditing and Assurance Standards Board are designed primarily to meet the requirements of entities incorporated under the commonwealth Corporations Act 2001. When used by other entities, they may not operate in the way intended and exemptions or modifications may be required. The comprehensive nature of the standards and the regularity with which they are reviewed and amended means that it is not possible for this to be done effectively in the act itself.

Several submissions to the Senate's Economics Reference Committee—which tabled its report on 17 March 2016—addressed problems with the application of the standards to cooperatives. As an example, application of standard AASB 132 to cooperatives results in share capital being treated as equity on the balance sheet of a corporation but as debt on the balance sheet of a cooperative and effectively increases the costs associated with borrowing for a cooperative. The Senate committee recommended that the issue be addressed and may result in the modification of the standards by the national regulations.

A requirement of amendments to the act in WA to deal with the adverse effects of identified inadequacies of or changes to the accounting standards on cooperatives could result in cooperatives in Western Australia being significantly disadvantaged in comparison with their interstate counterparts while awaiting amendments. This has the potential to be an ongoing problem. Prior to consideration in detail, we discussed whether we can keep pace if we need to make those amendments. That is why we need those changes to be done by regulation, which trips us into a bit of a Henry VIII clause.

Mr W.J. JOHNSTON: Thank you very much. I draw the parliamentary secretary's attention to paragraph 4.18 on page 13 of the upper house committee report, which states —

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The Committee is concerned that the Explanatory Memorandum for the Bill did not identify any clauses in the Bill as Henry VIII clauses, which reveals a lack of appreciation of their impact upon the sovereignty of the Parliament.

I note that although the Standing Committee on Uniform Legislation and Statutes Review did not recommend that the explanatory memorandum be amended, I am surprised that it was not amended given that the committee drew Parliament's attention to that matter.

I draw attention to page 33 of the explanatory memorandum. At the bottom, it deals with proposed section 244ZZD, which is on page 94 of the bill. The EM explains —

... that the Registrar may by order published in the *Gazette* exempt the directors, the co-operative, or the auditor of a specific co-operative from the requirements of Divisions 2 to 12 of this Part ...

As I understand this, it is not even an action of a regulation but, rather, the registrar can publish an order. That would seem to be beyond even the Parliament's review. If that is correct, it would be good to know why that is the case.

I heard the parliamentary secretary's comments—I understand that—but I also draw his attention to proposed section 244ZE, at the top of page 95 of the bill. It is described in the explanatory memorandum at the top of page 35. The registrar will be given the power to give a cooperative a direction. Failure to comply with a direction leads to a penalty of a fine of \$1 000. It seems a little strange. Of course we want cooperatives to comply with the reporting framework. I am not an expert on these matters, and I would be happy for others to correct me, but a \$1 000 fine seems to be a criminal penalty or at least a criminal-like penalty. It is not because someone failed to comply with the act, but because they have failed to comply with the direction of a public servant. That is actually quite extraordinary when one thinks about it because a person could end up in jail for failing to comply with the instructions of a public servant. They could be jailed for failing to pay the fine under the fines enforcement regime, as I understand it, in Western Australia. If I am wrong, please correct me, because that would please me. It seems a little strange that a failure to comply with the direction of a public servant would lead to a person receiving a penalty, rather than the failure to properly administer the organisation in accordance with the act or within the organisation's own rules. I am not convinced that that is the best procedure. If the parliamentary secretary says that is what was agreed to in the intergovernmental agreement, the fact that the intergovernmental agreement is an ass—if I can use that bold term—does not mean the law should be one.

Mr P.T. MILES: I thought the member was still going! This proposed section is only to do with exempting the directors from the requirements of the accounting part of the act. They might not be able to find, say, an auditor in a certain time so they obviously will go to the registrar and ask for an exemption until they can find an auditor. They may need to delay for a period while they find someone to do what they need to do. They will obviously work with the registrar to make that possible. That is what I believe that part of the act is specifically getting to.

Mr W.J. Johnston: Which bit—244ZZD?

Mr P.T. MILES: Yes, 244ZZD, where the member highlighted on page 33 of the EM. That is what that section is for. The main reason is to help the co-ops. If they are struggling to get auditors or some other method, the registrar will cooperate and help them through that time and exempt the actual directors from being prosecuted in any way.

Mr W.J. JOHNSTON: I think that is probably half an explanation for proposed section 244ZZD. I will not pursue that, but I will pursue proposed section 244ZE because the parliamentary secretary did not even comment on its provisions, which is the power to penalise someone by fining them \$1 000 if they have failed to comply with the direction of a public servant.

Mr P.T. MILES: Can I ask the member to clarify the proposed section he is looking at? I am still reading that the registrar may exempt the directors.

Mr W.J. Johnston: It is at the top of page 95—proposed section 244ZE(1).

Mr P.T. MILES: It reads —

The Registrar may give a co-operative a direction to lodge with the Registrar a copy of reports prepared or obtained by it under Divisions 3 to 6, and the co-operative must comply with the direction.

Mr W.J. Johnston: Why is there a penalty for failing to comply with an order of a public servant?

Mr P.T. MILES: It is like anything. Failure to comply with a direction, in this case from the registrar to produce a copy of a report prepared or obtained under certain sections of the act, will result in a penalty for failure to comply with that part of the act—that is, proposed section 244ZE.

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Mr W.J. JOHNSTON: This is my problem. If this section stated that if a director, or whatever, of a cooperative fails to comply with the requirements of divisions 3 to 6, then there is a penalty, I would say that that was okay. That is fair enough and it is understandable, but that is not what the penalty is for. The penalty is for the failure to comply with a direction, and who is the direction from? It is from the registrar, and who is the registrar? The registrar is a public servant. It is not the failure to comply with the act that leads to the penalty, it is the failure to comply with a direction of the registrar. Of course, the registrar can only issue a direction related to the provisions of divisions 3 to 6, and I understand that. Nonetheless, it is not the failure to comply with those divisions of the act that leads to the penalty; it is the failure to comply with the direction. That is what I am raising.

Mr P.T. MILES: I have been advised that it is one of the tools that the registrar can use on an organisation that may be a bit errant. The registrar can point out that he can impose a penalty if the cooperative directors do not comply with the provisions of proposed section 244ZE. That is what my understanding is, from the advisers.

Mr W.J. JOHNSTON: Indeed, I agree with the parliamentary secretary; that is exactly what the proposed section states, but I am asking a different question. I am not asking what it states, because I think we now agree that that is what it states. I am asking why it states that. Why does the penalty apply to the failure to follow the direction, rather than the failure to comply with the act?

Mr P.T. MILES: To some extent, I guess I am still trying to understand why the member does not understand this provision. If someone is compelled to act in a certain way, and the registrar feels that that person is not acting in that way, he can obviously launch a prosecution. This was discussed at the national level, when this bill was being put together. All the states agreed that this provision was necessary to make sure that the registrar could have some teeth behind his request for information and lodgement of the appropriate paperwork. The member normally verbalises things very well, but on this occasion I do not understand where he is coming from.

Mr W.J. JOHNSTON: Let us put it around this way. Why does the bill not simply state that a failure to provide the information required by divisions 3 to 6 is subject to a penalty of \$1 000? Why is the intermediate step required of having a direction from the registrar? That is what I am getting at. Why is it not just the failure to comply that leads to the penalty? The failure to comply does not matter, but then a direction is given, and then a penalty is imposed. It seems to actually be a lower standard than the one that I am recommending.

Mr P.T. MILES: I am quite happy with it. Obviously, that is the way it was drafted by parliamentary counsel, and it is obviously the way that has been agreed to at the national level. The registrar needs to have that tool in his basket to be able to do what he needs to do. I am not furthering this at all. I understand what the member is trying to say, but it is not my piece of work.

Ms J.M. FREEMAN: I refer to proposed section 244I, “Small co-operative: direction by members”. I note that proposed section 244H(2) states —

A small co-operative must prepare a financial report and a directors’ report if and as directed under section 244I or 244J.

Proposed section 244I(5) reads —

The direction may specify all or any of the following —

- (a) that the financial report does not have to comply with some or all of the accounting standards;
- (b) that a directors’ report or a part of that report need not be prepared in accordance with this Part;
- (c) that the financial report is to be audited or reviewed.

The member for Kwinana asked me what this bill was like, and I said it was technically almost completely impossible to understand. A different section of the bill states —

The ACTING SPEAKER (Mr P. Abetz): Can you give a page number to make it easier to follow?

Ms J.M. FREEMAN: I am trying to get around what is required of a small cooperative. A large cooperative would have resources to be able to get through this very complex piece of legislation. On the basis of what is stated at proposed section 244H(2), proposed section 244I(5) means that a small cooperative need not comply with any or all of the accounting standards, and can be given a direction to that effect. However, proposed section 244L(2) states —

However, a small co-operative’s financial report does not have to comply with particular accounting standards if —

- (a) the report is prepared in response to a direction under section 244I or 244J; and
- (b) the direction specifies that the report does not have to comply with those accounting standards.

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All I want to know, I just want it to be clearly put —

Mr P.T. Miles: I just want to know what you are asking about.

Ms J.M. FREEMAN: That is exactly right. I want clearly placed on record what small cooperatives have to do in their accounting practices. Under the Associations Incorporation Act, there are three tiers of reporting, and they were quite clear. In the first tier, an association could just get someone to come in and check the books to make sure it was operating and tick them off, and that complied. Under the second tier, the association had to get a bookkeeper and someone to clearly sign off. The third tier required an auditor. The provisions for what a small cooperative is required to do are so convoluted. Members can direct the organisation to do something that is provided for somewhere else, but it also may be done another way. It is without any clear direction, and I want on record what is required for small cooperatives to meet their obligations under this legislation to ensure that they do their fiduciary duty as cooperatives serving their members.

Mr P.T. MILES: I am glad the member for Mirrabooka got there. I refer the member to proposed section 244C, which relates to the obligation to keep financial records. A small co-op will not need to do auditing in the same way that associations do not need to do it, unless their members want it to happen. As a standard, they will not have to. They will have to do simple accounting records in and out and that is about it. We have tried to keep that part of it as simple as we possibly can. That is on the record.

Ms J.M. FREEMAN: It is not on the record in the legislation. There is nothing about that in the legislation. Will the parliamentary secretary confirm that a small cooperative with at least five per cent of the votes can give a directive signed by all members, which is how it reads in the bill, that they can just have —

Mr P.T. Miles: Only if the members want that to happen. What we are putting in here are minimum standards.

Ms J.M. FREEMAN: Yes, but I want to put it on the record that a small co-op can have a bookkeeper do its books and that the membership committee—the executive and secretary—can sign off on that as being a true and accurate record of how the operation has gone without a full audit. It would just need to be voted in for it to meet the financial requirements of this legislation.

Mr P.T. MILES: Yes. However, there is one caveat to that. The registrar could ask it to do something different or the members themselves may request something other than what is there, but the standard or the minimum standard is just as the member described.

Mrs G.J. GODFREY: I know my asking a question is quite unusual, but I did get guidance on this. I have a query. There is no comma after the figure “2” in references to “\$2 500” as they appear in the explanatory memorandum. That is fine, but on page 18 there is reference to “\$24 0000”. I want to clarify whether it is a \$24 000 or \$240 000 fine as stipulated within the legislation. There is no comma in the number.

Mr P.T. MILES: I am advised that it is a typographical error. It is supposed to be \$24 000, which is what the member thought in the first place.

Clause put and passed.

Clauses 86 to 88 put and passed.

Clause 89: Sections 253A and 253B inserted —

Ms J.M. FREEMAN: I refer to proposed section 253B, which refers to applications to be held on trust. All application money received from people applying for debentures under the disclosure statement will be held on trust. What will happen to the interest? It states that if the application money needs to be returned to an applicant, the person must return the money as soon as practical, but it does not say what will happen to the interest.

Mr P.T. MILES: Like many other trusts, there is not too much interest these days. I mean, we are lucky to get one per cent.

Ms J.M. Freeman interjected.

Mr P.T. MILES: A person would receive their money back if there is any interest. The money will not be in there that long to gain interest anyway. It will be in and out in a short period. I am advised that there will be no interest.

Ms J.M. FREEMAN: If there is interest, can the parliamentary secretary put on record that the interest will go back to the person who paid the application moneys, or will the co-op get the interest? I refer members to acts that involve trusts. The Public Purposes Trust is a perfect example. Every time a person sees a lawyer, money is put into a trust fund for part of the costs and that forms the Public Purposes Trust. The Law Society administers the Public Purposes Trust to pay for many of the things in our community—not that many, but a few—that the Law Society thinks are worthwhile projects. I am not suggesting that the interest will be as much as that, but either the interest goes back to the person or it goes to the benefit of the members of the cooperative, but that is

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just not clear. The parliamentary secretary cannot say that there will be no interest. There may not be any interest in 2016 with interest rates being low. Certainly, in Japan where interest rates are negative, people would get less money after putting in their application dollars. This act could be current for a period of time. If we went back to the times when home interest rates were huge, around 16 per cent, there would be a reasonable amount of interest. The issue is what interest will be paid if the application money is returned. Will they get the interest back?

Mr P.T. MILES: No.

Clause put and passed.

Clauses 90 to 200 put and passed.

Title put and passed.

Leave granted to proceed forthwith to third reading.

Third Reading

MR P.T. MILES (Wanneroo — Parliamentary Secretary) [9.30 pm]: I move —

That the bill be now read a third time.

MS L.L. BAKER (Maylands) [9.32 pm]: I think I have gone into quite a bit of detail about the contents of the Co-operatives Amendment Bill 2015. As members know, Labor is supporting its passage so, rather than delay, I would like to see us move this forward. I think that the consideration in detail stage was particularly relevant to clarifying a number of issues around how this legislation will operate. I found very useful the particular emphasis on the difference between small and large cooperatives. The changes in this are really about streamlining legislation and making it easier for cooperatives to be established and perhaps more resilient in the long term in how they operate in the Western Australian economy. From the discussions around the Henry VIII clause in this bill, we understand that they are about having some flexibility and nimbleness around altering sections of this legislation as the national agenda perhaps becomes more mature. Although I understand that, I am sure that it is better to try to avoid these kinds of clauses as much as possible in legislation. When I, for one, and probably my colleagues on both sides of the house, see Henry VIII clauses, we will pick out the problems in them and mention them and try to get to the bottom of whether we should let that pass or whether we can change it to make it more about how the executive functions, rather than bureaucracy.

The accounting processes are tighter and, hopefully, simpler for small cooperatives. Allowing cooperatives to operate across the borders of our big country will be of huge benefit. Many of them already have quite complex arrangements that let them operate not only around our own borders but also internationally. We have also talked extensively about the wide range of cooperatives in Australia and what they have brought to our country and what we hope to see developed in a more perhaps diverse spectrum, at all sizes—not only the big cooperatives, but the little ones as well. The most important thing that I can do at this stage of the game is sit down and let this debate conclude and I will certainly do that. I thank the parliamentary secretary for bringing the bill to the house.

MS J.M. FREEMAN (Mirrabooka) [9.35 pm]: I want to make this really brief. I think that last question that I had for the parliamentary secretary on clause 85 of the Co-operatives Amendment Bill 2015, which went to the issues of financial reporting, was an absolute example of why in the future we need to talk to the other states about splitting the legislation in two. We need one bill for those large cooperative organisations and one for the small cooperatives, or to at least have it distinct in the act, because it is very difficult to read what the parliamentary secretary puts on record. I again put on record that a small cooperative can operate its financial accounting and financial records in a manner that is commensurate with the size of the organisation. Reporting is commensurate with the size of an organisation.

For someone who wants to start up a cooperative, the bill seems very complex. We need something from the department to assist small organisations and let them know that when setting up a cooperative they can get a period of grace from the registrar so that they do not have to comply with all these provisions and they can get going in that start-up period. Subsequent to that start-up period, when a cooperative is operating, it will not have to comply with onerous financial records and reporting conditions. This bill does not reflect that. If anything, it would frighten most people away from a really effective means of delivering services to our community that benefits members. I think putting that on record is really worthwhile. I thank the parliamentary secretary for clearly putting on record that all cooperatives have to do is basic bookkeeping unless they are directed otherwise by the registrar and unless they require something more from the committee. But I just want to put on the record again that people with the opportunity to start cooperatives should not be fearful of a large and menacing set of provisions in legislation.

Question put and passed.

Extract from *Hansard*

[ASSEMBLY — Tuesday, 5 April 2016]

p2086b-2119a

Ms Lisa Baker; Mr Bill Johnston; Mr Chris Tallentire; Ms Janine Freeman; Mr Ian Blayney; Mr Paul Miles; P.T. Miles; Dr Tony Buti; Acting Speaker; Mrs Glenys Godfrey

Bill read a third time and passed.