

Second Reading

The Hon. MATTHEW MASON-COX (Parliamentary Secretary) [12.20 p.m.], on behalf of the Hon. Greg Pearce: I move:

That this bill be now read a second time.

The Co-operatives National Law is the proposed new national uniform template legislation for the regulation of cooperatives in all States and Territories, as provided for in the Australian Uniform Co-operatives Law Agreement. The main purpose of the Co-operatives (Adoption of National Law) Bill 2012 is to enable the uniform Co-operatives National Law and the National Regulations to be applied in New South Wales from the date of commencement of the Act.

I seek leave to incorporate the balance of my second reading speech into *Hansard*.

Leave granted.

The law is set out in schedule 1 to the bill.

The law will apply to the "non-banking co-operatives" also known as "general co-operatives", The "banking co-operatives", sometimes called "financial co-operatives", such as credit unions, building societies and 1 friendly societies are regulated under separate legislation administered by the Australian Prudential Regulation Authority. Co-operative housing societies will also continue to be dealt with under their separate laws as well.

Co-operatives are people-centred businesses and organisations. Co-operatives continue to be a significant part of the New South Wales, Australian and world economies.

Australia-wide there are about 1,700 registered co-operatives.

Co-operatives Australia maintains a list of Australia's top 100 co-operatives and other mutual organisations on its website. New South Wales has several co-operatives on this list, which make a significant contribution to the State's economy.

About three-quarters of co-operatives are established as not-for-profit, in that they have rules which prevent them from distributing any surplus to their members. Yet these co-operatives may provide crucial services to their members, such as health and medical care, job searching, training, housing or childcare.

According to the New South Wales Registry of Co-operatives and Associations, for the financial year ending in 2010, there were about 680 co-operatives registered in New South Wales.

They operate in a diverse range of industries such as book sales, clubs, dairy produce, fishing and fruit marketing, rural grocery and petrol supplies, grain handling, cotton growing, labour hire, plumbing supplies, property sales, recycling, sugar milling, tourism and wine sales.

These co-operatives had total turnover of about \$2.9 billion, total assets of around \$2 billion,

employ approximately 10,000 people and had a membership of about 1.8 million people.

Co-operatives provide an organisational structure for individuals and small businesses to acquire goods and services in economies increasingly dominated by large corporate organisations.

Co-operatives are also important to rural communities. Co-operatives, enable those communities to retain and develop services that have been eroded by the withdrawal of other corporate businesses, which seek to maximise profits for investors and so relocate elsewhere for bigger profits.

Investor-oriented firms, member-oriented co-operatives and other types of organisations have a role to play in providing services in a modern balanced economy.

Governments continue to have a role in providing a legislative framework to assist with the operation of co-operatives and other forms of organisation.

The International Co-operative Alliance, the world-wide representative body for co-operatives, developed seven Co-operative Principles to guide the operation of co-operatives, which gives them their distinctive member-owned, member-controlled and member-used focus.

Current States and Territories co-operatives legislation provides for those laws to be interpreted in a way that would promote the Co-operative Principles. The Co-operatives National Law will continue that approach.

The objects of the Co-operatives National Law are the same as those in the current co-operatives legislation of New South Wales and include:

- enabling of the formation, registration and operation of co-operatives;
- promotion of Co-operative principles; and
- protection of the interests of co-operatives, their members and the public in the operations and activities of co-operatives.

I would now like to outline the major reforms in the Co-operatives National Law for members of the House.

(1) Consistency of laws

Firstly, the reforms will ensure consistency of content and administration of laws across all States and Territories. This will be achieved by jurisdictions either directly applying the uniform template Co-operatives National Law or making their own legislation consistent with the Law.

All jurisdictions will use their best endeavours to uniformly administer the Co-operatives National Law in line with the Agreement.

This improvement in the consistency and administration of the co-operatives laws will provide greater certainty to all parties with rights, duties and powers in relation to co-operatives and assist in lowering costs and red tape with cross border operations.

(2) Cross Border Operations

Automatic mutual recognition of co-operatives by other jurisdictions, once they are registered in one jurisdiction, will facilitate co-operatives conducting operations across State and Territory borders.

Currently, a co-operative needs to apply separately to each jurisdiction in which it wishes to operate.

If a trading co-operative wishes to operate in all states and territories, it would pay an average of about \$1700 in registration and compliance fees to do so, as well as lodging reports annually to those jurisdictions.

By comparison, the corresponding fee for a company registered under the Corporation Act is about \$450.

Under the Co-operatives National Law, it is proposed to lower costs and simplify paperwork for co-operatives, so it is similar to company requirements in this context.

(3) Financial Requirements for Small Co-operatives

Simplification of the financial reporting and auditing requirements for small co-operatives, by using a risk assessment based system, will reduce costs and red tape for these co-operatives.

(4) Director Responsibilities

Responsibilities and duties for directors and officers of a co-operative have been updated and made consistent with those requirements applying to directors and officers under the Corporations Act.

This will mean directors and officers in similar circumstances in a co-operative will be treated similarly with those in a company.

(5) COAG Director Liability Reform

Director liability for corporate fault under the Co-operatives National Law has been revised according to the COAG director liability reform.

As a result, blanket liability provisions have been removed and directors face liability where there is a clear link between the director's responsibility and action or inaction and the contravention of the law.

(6) Co-operative Capital Units

More flexibility for a co-operative to raise funds from both members and the public has been created by the introduction of the option to use Co-operative Capital Units by co-operatives in all jurisdictions.

A more restricted use of these units has been available under the New South Wales Co-operatives Act, as a result of New South Wales legislative reform in the 1990s.

(7) Referencing Corporations Act Provisions

To save on "reinventing the wheel" co-operatives laws have for some time referenced Corporations Act laws where appropriate.

For example, in dealing with disclosure of information for fund raising from the public, insolvency, liquidation and winding up situations.

The referencing of the companies law has been updated and made consistent across jurisdictions.

(8) Enforceable Undertakings

Introduction of enforceable undertakings is a cost effective method of facilitating compliance with the law.

For example, the registrar may accept a written undertaking from a co-operative to take action to prevent contravention of the law. This can be reinforced with a court order, applied for by the Registrar, provided there is agreement from the co-operative.

The Adoption Bill and the Law have been approved by all States and Territories via the COAG Consumer Affairs Forum out-of-session process.

With these milestones having been met, it is now timely for the bill and Law to be considered by this House in keeping with the terms of the agreement.

The Australian Uniform Co-operative Laws Agreement requires States and Territories, to secure the passing and proclamation of their laws within a set time 12 months from the assent of the New South Wales Co-operatives (Adoption of National Laws) Act, or such further time as may be unanimously approved by the COAG Consumer Affairs Forum.

However, as the United Nations has declared 2012 as the International Year of Co-operatives, the States and Territories including New South Wales, are working towards the commencement of the Co-operatives National Law during 2012, to coincide with this International Year.

One of the three goals set by the United Nations for this International Year is "to encourage Governments to establish policies, laws and regulations conducive to the formation, growth and stability of co-operatives".

Commencement of the Co-operatives National Law in 2012 would meet that goal and is therefore a fitting tribute to the celebration of the International Year of Co-operatives in New South Wales and the other States and Territories.

In concluding, I urge all State and Territory governments and sector participants to remain committed to the implementation and ongoing uniform administration of this national template co-operatives legislation, for the benefit of all in the co-operatives sector and the economy.

The making of these laws will assist all co-operatives in New South Wales and in all the other States and Territories.

I commend the bill to the House.