

member benefits

democratic

community

education

**Co-op Development
and the State**

Part Three

Co-operative Development and
Sector-State Relations in the U.S.A.

BRETT FAIRBAIRN AND LAUREEN GATIN

Part Four

A Study of Co-operative Development
and Government-Sector Relations in Australia

GARY CRONAN AND JAYO WICKREMARACHCHI

March 2000

autonomy

participation



UNIVERSITY OF
SASKATCHEWAN

Centre for the Study
of Co-operatives

Co-operative Development and the State

VOLUME II

PARTS THREE AND FOUR

This book contains parts three and four of a larger study entitled *Co-operative Development and the State: Case Studies and Analysis*, a joint project by the Co-operatives Secretariat, Government of Canada, and the Centre for the Study of Co-operatives at the University of Saskatchewan.

Parts one and two are published together in another volume. Both can be purchased from the Centre for the Study of Co-operatives or the Co-operatives Secretariat at the addresses on the copyright page.

PART ONE

*Summary, Observations, and Conclusions
about Co-operative Development*

Brett Fairbairn
Centre for the Study of Co-operatives
University of Saskatchewan

PART TWO

*Issues in Co-operative Development
and Co-operative–State Relations*

Brett Fairbairn

PART THREE

*Co-operative Development and
Sector–State Relations in the U.S.A.*

Brett Fairbairn and Lauren Gatin

PART FOUR

*A Study of Co-operative Development
and Government–Sector Relations in Australia*

Garry Cronan and Jayo Wickremarachchi
Australian Centre for Co-operative Research and Development

Co-operative Development and the State: Case Studies and Analysis

PART THREE

**Co-operative Development and
Sector–State Relations in the U.S.A.**

BRETT FAIRBAIRN AND LAUREEN GATIN

PART FOUR

**A Study of Co-operative Development
and Government-Sector Relations in Australia**

GARRY CRONAN AND JAYO WICKREMARACHCHI



Co-operatives Secretariat

Canada



Centre for the Study of Co-operatives
University of Saskatchewan



Copyright © 2000 Centre for the Study of Co-operatives
University of Saskatchewan, Saskatoon, SK, Canada

Co-published in co-operation with The Co-operatives Secretariat
930 Carling Avenue Sir John Carling Building Room 467
Ottawa, ON, K1A 0C5 / Phone: (613) 759-7193
Fax: (613) 759-7489 / E-mail: coops@agr.gc.ca
Website: http://www.agr.gc.ca/policy/coop/sitemap_e.phtml

All rights reserved. No part of this publication may be reproduced in any form or by any means without the prior written permission of the publisher. In the case of photocopying or other forms of reprographic reproduction, please consult Access Copyright, The Canadian Copyright Licensing Agency, at 1-800-893-5777 or info@accesscopyright.ca.

Cover design by Byron Henderson
Interior layout and design by Nora Russell

CANADIAN CATALOGUING IN PUBLICATION DATA

Main entry under title:

Co-operative development and the state : case studies and analysis

Co-published by Co-operatives Secretariat, Canada.

Contents: Vol. 1. pt. 1. Summary, observations, and conclusions about co-operative development / Brett Fairbairn -- pt. 2. Issues in co-operative development and co-operative-state relations / Brett Fairbairn -- v. 2. pt. 3. Co-operative development and sector-state relations in the U.S.A. / Brett Fairbairn and Laureen Gatin -- pt. 4. A study of co-operative development and government-sector relations in Australia / Garry Cronan and Jayo Wickremaratchchi.

ISBN 0-88880-405-9 (v.1) ; 0-88880-407-5 (v.2)

1. Cooperative societies--Government policy. 2. Cooperative societies--Government policy--Canada. 3. Cooperative societies--Government policy--United States--Case studies. 4. Cooperative societies--Government policy--Australia--Case studies. I. Fairbairn, Brett, 1959-- II. University of Saskatchewan. Centre for the Study of Co-operatives. III. Canada. Co-operatives Secretariat.

HD2963.C66 2000 334 C00-920056-8

Printed in Canada

05 06 07 / 5 4 3

Centre for the Study of Co-operatives
Room 196 101 Diefenbaker Place
University of Saskatchewan Saskatoon SK Canada S7N 5B8
Phone: (306) 966-8509 / Fax: (306) 966-8517
E-mail: coop.studies@usask.ca / Website: <http://www.usaskstudies.coop>

Contents

PART THREE

Co-operative Development and Sector–State Relations in the U.S.A.

Introduction	1
Co-operatives in the U.S. Economy	2
Overview: The Role of the State in U.S. Co-operative Development	5
Co-operative Development and the Role of the State:	
Case Study Methodology	6
Description of Project	6
Sources and Issues	7
Research Findings	8
Overall Policy Framework	8
Role of the State by Sectors	11
<i>Agriculture</i>	12
<i>Utilities</i>	13
<i>Credit</i>	14
<i>Housing</i>	15
<i>Retailing</i>	16
<i>Worker</i>	17
Role of the State by Levels	17
<i>Federal</i>	17
<i>State</i>	21
<i>Local</i>	23
Role of the State by Type of Intervention	24
<i>Legislation and Regulation</i>	24

• CONTENTS

<i>Programmes</i>	26
<i>Incentives</i>	28
<i>Partnerships</i>	28
<i>Communication Mechanisms</i>	30
Examples of Co-operative Development in Action	31
<i>Rural Utility Co-operatives</i>	33
<i>New Generation Co-operatives</i>	34
Rural Co-operatives and the U.S.D.A.	37
History and Mandate of the U.S.D.A.	37
U.S.D.A. Programme Areas and Budgets	41
Selected Services and Programmes	45
Conclusions	58
Notes	61

PART FOUR

**A Study of Co-operative Development
and Government-Sector Relations in Australia**

1 Preamble	65
2 Dimensions of the Sector	67
2.1 Broader Social Economy	67
2.2 Financial Co-operatives	69
2.3 General Co-operatives	73
3 Co-operative Sector Representative Organizations	78
3.1 The AAC Years: 1986–1992	79
3.2 Co-operative Council of Australia (CCA)	83
3.3 State Federations	85
3.4 Other Co-operative Sector Representative Organisations	86
4 Data and Methodology	90
5 Historial Trends in the Role of the State in Co-operative Development	91
5.1 The 1923 Co-operation Act	93
5.2 The Period 1925–1960	94
5.3 Ministerial Portfolio Established	94

5.4	Decline of Consumer Co-operatives	94
5.5	From the Past to the Present	95
6	Australian Co-operative Public Policy	95
6.1	The Broader Environment: Pervasive Economic and Social Change	95
6.2	Individualism Holding Sway	96
6.3	A Conceptual Framework	97
6.4	Policy and Programs Matrix	98
7	Current Government Structure and Functions	102
7.1	Federal System of Government	102
7.2	States and Territories Governments	105
7.3	Registry of Co-operatives Model	106
7.4	Regulatory Role	107
8	Legislation	108
8.1	Commonwealth Government	109
8.2	State/Territory Governments	116
9	NSW—Two Decades of Co-operative Development Initiatives	118
9.1	Worker Co-operatives Program	119
9.2	Ministerial Council on Future Directions of Co-operatives	122
9.3	Development Focus given to Registry of Co-operatives— Co-operative Development Branch	128
9.4	Co-operatives Now!	142
9.5	The Australian Co-operative Development League (ACDL)	144
9.6	Co-operative Development Trust Fund	145
9.7	Co-operatives 2000	146
9.8	Key Issues Conference Series	149
9.9	ICA Co-operative Trade Initiatives	151
9.10	Co-operative Development Fund	156
9.11	Worker Enterprise Project	158
9.12	“Whole of Government” Co-operative Policy Approach	161
9.13	Move of Registry to Regional NSW	165
9.14	Australian Centre for Co-operative Research and Development (ACCORD)	166

10	Commonwealth and Other States’ Co-operative Development Initiatives	170
10.1	Working Party on Agricultural Co-operatives	170
10.2	Co-operatives and the Dairy Industry	173
10.3	National Co-op Update	176
10.4	Centre for Co-operative Studies in Agriculture Established	177
10.5	The Victorian Government’s Ministerial Advisory Committee on Co-operation	178
10.6	Monash University Programs	181
10.7	Co-operative Federation of Victoria	183
10.8	A Proposal for a New Form of Co-operative Housing in Western Australia	184
11	State–Sector Mechanisms and Relationships	185
11.1	Formal and Legislative Consultative Mechanisms	185
11.2	Informal Consultative Mechanisms	188
11.3	State-Sector Crossover of Personnel	189
11.4	Australian Political Parties, Co-operation and Mutuality	190
11.5	Different NSW Administrations	190
11.6	Government Strong, Sector Weak	191
12	Lessons and Observations	192
12.1	Conferences, Capital, Competitiveness and Control	192
12.2	Legitimacy and Implementation	193
12.3	Co-operative Failures	193
13	Possible Alternative Public Policy Approaches	194
13.1	Beyond Public and Private	194
13.2	Broader Social Economy Perspective	195
13.3	The Importance of Trust in Economic and Social Development	197
13.4	Demutualisation—‘Australia: the World Capital’	198
13.5	“Mutuality—Australia” and the Third Way	200
Appendix I: Time-Line Significant Events for Australian Co operatives Sector— 1984 to 1999—A Time-line		202
Appendix II: Co-operatives 2000—Terms of Reference		208
Notes		210

PART THREE

Co-operative Development and Sector–State Relations in the U.S.A.

Introduction

As a group of U.S. researchers recently observed, “Cooperatives are an integral part of the U.S. economy, in both agricultural and non-agricultural sectors. While the role and importance of agricultural cooperatives are well documented, there is not a definite source to even verify the number of non-agricultural cooperatives that currently exist in the United States, let alone to document their role and importance.”¹ This statement reflects two key insights about co-operative–state relations in the United States: the existence of a gulf between rural co-operatives as a group and all other co-operatives; and, the bewildering diversity of, and shortage of information about, co-operatives, especially those in nonrural sectors.

The challenge of examining the role of the state in cooperative development in the United States is to first sort out the number and type of co-operatives that currently exist. Some are well documented success stories, others are virtually unknown. The National Cooperative Bank states that “the cooperative way of doing business has extended into utilities, banks, credit unions, retail stores, day care, schools, health care, insurance . . . More than 48,000 cooperatives in the United States today generate over

\$120 billion in annual economic activity. It is estimated that one-third of all Americans are directly served by at least one type of co-op endeavor.”²

Co-operatives in the U.S. Economy

The range and diversity of co-operatives in the United States and the services provided are enormous. The following facts compiled by the National Cooperative Bank in 1998 demonstrate the economic power and versatility of cooperative enterprises:

- Some four thousand agricultural co-operatives provide Americans a safe and affordable food supply. They comprise one-third of the agricultural market and contribute billions of dollars to the nation’s economy.
- Eleven thousand credit unions offer accessible, efficient credit and savings services to more than 70 million Americans today.
- Nearly one thousand rural electric co-operatives operate more than half of the electrical lines in America, providing power to more than 25 million people in 46 states.
- More than fifteen thousand independent grocery stores rely on co-operative grocery wholesalers for identity, brand name products and buying power they must have to compete with the big chains and the warehouse discounters.
- Co-operatively owned hardware wholesalers supply inventory and a variety of services to virtually all the independent hardware stores in the United States, giving these retailers the edge they need to compete with larger chain stores.
- Co-operatives and nonprofit health care organizations provide a full range of health care and medical services for millions of Americans each day.
- Co-operatively structured financial institutions help provide billions of dollars in loans to America’s cooperatives.

- Across the country, co-ops sell camping and outdoor gear, carpeting, clothing, handicrafts, furniture and books in retail stores and through mail-order catalogues.
- Co-operatively structured news and media organizations deliver domestic and international news, provide political and informational cable television programming, and supply photographs to national and international publications daily.

In certain respects, the structure of the American co-operative movement resembles that of the Canadian movement. For example, credit unions are the arm of the movement with the largest membership, currently claiming about seventy million Americans as members. On the other hand, it is agricultural co-operatives that are economically strongest within their branch of the economy: the top 49 co-operatives in this sector had a total of US \$64.0 billion of sales in 1997.³

In other respects there are differences from the Canadian pattern. Retail consumer co-operatives are proportionately less numerous and less well-integrated into central wholesaling organizations than in Canada, though wholesale co-operatives of private grocers and hardware stores are strong (the top 21 co-operatives in the grocery sector had US \$29.6 billion in volume, the top 5 hardware co-operatives, US \$10.9 billion, 1997). Unlike Canada, the U.S.A. has numerous (mostly rural) utility co-operatives; the 9 largest of these in 1997 had US \$5.0 billion in revenue and US \$14.5 billion in assets. Some such utility co-operatives play a unique and active role in rural economic development. Also distinctive is the role played in numerous low-income communities by community-development credit unions (special credit unions created to collect community savings, often at low rates of interest, to invest in community businesses and projects). In several cases, distinctive types of American co-operatives can be directly linked to supportive government policies.

The extent of the U.S. co-operative movement is overlooked by many observers and by Americans themselves because some of the most prominent co-operatives are not explicitly identified as such in their names or trademarks. Most Americans likely know Sunkist oranges, Ocean Spray cranberries, Sun-Maid raisins, ACE hardware stores, REI sporting equip-

ment, Associated Press news stories, National Geographic magazine, or CARE overseas relief projects, yet they likely do not know that these products and institutions have co-operative roots and connections. Co-operatives in the U.S. are considered part of the “private” sector of the economy. Many tend to keep a low profile; some play virtually no role within the co-operative movement as such, and some are not incorporated as co-operatives nor do they ever use the word co-operative to describe themselves. This does not change the fact that they are co-operatives, because a co-operative is defined not by name, publicity, or form of incorporation, but rather by the reflexive relationship between users and owners.⁴

It is also true that there is a certain fluidity to the concept of co-operative in the United States, and that it seems to be less rigidly defined in law or principle than in some other countries. Former co-operatives have been transformed by external investment or restructuring, yet are still counted as co-ops in national statistics. Still, while the definition of co-operatives may be loose, the essence is the same as in other countries. The United States Department of Agriculture (U.S.D.A.) has popularized a definition of co-ops as organizations characterized by “user ownership, user control, and user benefit.” While this definition is not precise about democratic ownership or control structures, or what proportion of user control or ownership is required, it concisely expresses the basic idea of a co-operative.

With the collapse of Communism, the end of the Cold War, and the American economic boom of the 1990s, the U.S. economy is now recognized more than ever as a world leader and as an important and distinct economic model. But as Henry Mintzberg observed, these developments should not be seen as a victory of capitalism or of the private sector; instead, the 1990s have seen a renewed victory of diverse, pluralistic, creative, and balanced economies over monolithic and unbalanced ones.⁵ Co-ops in the United States make an important contribution to the diversity and balance of the economy, and offer an important reminder that successful market economies are not based only on private enterprises. It is true, however, that the public’s perception of co-ops in the United States rarely does justice to their actual importance in the economy and society.

Although the perception of co-operatives in America may still be linked to images of grain elevators and agricultural co-operatives in rural

areas, or, on the urban landscape, high-priced housing co-ops in New York, the U.S. co-operative movement claims a growing awareness of the co-operative concept for tackling issues in all areas of society. As citizens and governments tackle economic, environmental and social challenges at local, state and federal level, interest in co-operative enterprise and organization is said to be growing.⁶

*Overview: The Role of the State
in U.S. Co-operative Development*

Just as co-operatives play a larger role in the U.S. economy than many would assume, so, too, the state plays a larger role in promoting co-operatives than many people would think based on the private-enterprise ideology widely associated with American culture. Perhaps the key here is to remember that the “private” economy of the United States significantly includes co-operatives. It appears that governments see no conflict between promoting private enterprise and promoting co-operative enterprise.

Our interviews suggest that the federal commitment to co-op creation is concentrated on specific areas. There are few general programmes or initiatives by government to promote co-operatives generically, but there are a number of specific initiatives within sectors or policy areas. Government supports co-operatives through tax policy and a variety of programmes for credit unions, agricultural cooperatives, and rural utilities. The largest role appears to be played by the United States Department of Agriculture (U.S.D.A.), whose agencies and affiliates broadly support rural co-operatives with research, education, training, information, grants, loans, loan guarantees, and with technical and development assistance.

Where co-operative–development programmes have been undertaken by governments in the U.S.A., this appears to be directly related to the sectoral and political strength of co-operative and related organizations. For example, the maintenance and development of programmes for agricultural and rural co-operatives is based on the persistent policy work, public education, and government relations conducted by the American farm lobby and by rural and co-operative organizations.

Co-operative Development and the Role of the State: Case Study Methodology

Description of Project

This examination of the role of the state in respect to the American co-operative movement is part of a larger study in co-operative–state relations. The goal of the larger project is to examine the modes and extent of state involvement in co-operative development, to analyse such involvement within national contexts, and to facilitate international comparisons. This research has been funded by the Co-operatives Secretariat of the Government of Canada, and carried out by the authors based at the Centre for the Study of Co-operatives, University of Saskatchewan.

The case-study methodology is primarily a qualitative approach that seeks to illuminate roles and relationships with a definite context, where interconnections can be highlighted and relevant political, social, and economic factors can be identified. The methodology relies on judgement, where possible directly based on the perceptions and experiences of people involved.

For the purposes of an initial, large-scale study, the U.S.A. is treated here as a single case to be examined as a whole. This level of analysis reflects the interests of the funding partner and facilitates international comparison, but also raises issues (see below).

Sources and Issues

The information presented in this report is compiled from published sources, web-based information resources, and direct contacts and short surveys conducted largely by telephone, fax, and e-mail with knowledgeable officials from national cooperative associations and coop development centers across the United States between May and July of 1999. In this report, we have not attributed remarks to individuals unless those remarks have already been published elsewhere. The authors are willing upon request to provide further information about sources and contacts.

Perhaps the most important issue related to this research concerns the limitations of treating the United States as a single unit of study. The United States is a country large in population, economic activity, and land area, and is characterized by important regional distinctions in economic structure, social attitudes, and political culture. In many ways, particularly in terms of social movements and co-operative organizations, it is not a coherent whole, but rather a community of regional cultures. It would make a great deal of sense to study co-operative development within the Mid-West, the Dakotas, the Pacific North-West, California, the South, the North-East, and perhaps other regions; such in-depth regional studies would highlight the roles of state governments and of regional organizations. While such aspects are necessarily less emphasized in the present study, a national level of analysis is helpful for analysing the pivotal role played in American co-operative development by the U.S.D.A., whose activities necessarily form a major dimension of this report.

It is also true that a national level of analysis misses some of the flavour and impact of grassroots co-operative activity. In many parts of the United States, co-operatives are connected with grassroots community participation, anti-poverty activism, civil-rights causes, the women's or environmental movements, and neighborhood causes of various kinds. Usually, the co-operatives involved in such milieux are small and are not much reflected in national statistics or organizations. In this report, we will give this aspect attention when we can, but local studies and in-depth interviews with local community leaders would be a more appropriate methodology for this purpose.

The purposes of this study include clarifying the roles of governments in co-operative development by different sectors of co-operatives, by different levels of government, and by different modes of intervention. These three categories involve considerable overlap, since (for example) a federal programme of technical assistance to utility co-operatives will have to be noted in all three sections (as an initiative in the utility sector, by the federal level, and focusing on technical assistance). To reduce the unavoidable overlap, each programme, policy, or initiative will be discussed at length in only one location where it fits best, and will be cross-referenced in the others.

Research Findings

This section begins by describing the overall policy framework within which state-co-operative-sector relations occur in the U.S.A. This is followed by three subsections that categorize state programmes and policies using the three relevant grids of analysis: by sector, by level of government, and by mode of intervention.

Overall Policy Framework

In the United States, co-operatives are usually regarded as part of the private sector of the economy. They are historically connected to American attitudes towards fair competition and anti-monopoly policies. “The belief that the dispersion of economic power among many competing businesses will yield the greatest benefit to society as a whole has been held by many leaders in the United States since the inception of our country.”⁷ In 1890 the Sherman Antitrust Act was passed to formalize this concept in America. This law—declaring monopoly illegal—was further refined along with other laws to prohibit two or more parties from colluding to fix prices, and to control other restrictive marketing practices. In the late nineteenth century and early twentieth century, farmers in the United

States were among those facing inadequate or unfair market practices and situations; they were unable to get necessary farm inputs at reasonable prices or sell their products for a reasonable profit. The farm co-operative movement, in particular, shares its historical roots with the antimonopoly cause.

Co-operatives first developed widely in the United States during the Reconstruction era immediately following the Civil War, the same era in which the West was widely opened for agrarian settlement. One of the first farmers' educational organizations, The Patrons of Industry (better known as the Grange), was founded in 1867 and actively promoted co-operatives of many types in the years that followed. The Farmers' Alliance and Populist movements of the 1880s and 1890s raised the issue of joint farmer action to control prices through collective marketing; this same idea was raised again by the "pooling" movement of commodity-marketing co-operatives in the 1920s. Meanwhile the development of farm organizations such as the more radical Farmers' Union and the more conservative Farm Bureau sorted out different strands of co-operation, with the former strongly supporting the pooling movement and the latter supporting traditional, smaller-scale supply-and-marketing co-operatives. The growing responsibilities of the U.S.D.A. after the 1880s, the rise of federal Agricultural Extension in the 'teens and 'twenties, the Cooperative Marketing Act of 1926, and the New Deal and related initiatives of the 1930s (including the establishment of the Farm Credit System) transformed the agricultural co-operative movement.⁸

Ironically the growth of farmer co-operatives brought them into conflict with antimonopoly laws, and it was this conflict that occasioned the first clear state commitment to supporting the co-operative movement. Prior to passage of the Capper-Volstead Act in 1922 "...farmers had been prosecuted under antitrust laws for collective action, particularly concerning agreements on pricing and terms of trade."⁹ After Capper-Volstead, agricultural marketing co-operatives enjoyed legal protection and legitimacy, and expanded rapidly. While Capper-Volstead helped the marketing pools of the 1920s, there have probably been rather few American co-operatives that enjoyed such market dominance that they would have been prosecuted under antitrust laws. Much more significant in the long

term was the official recognition, through Capper-Volstead, that agricultural co-ops were important and that the state had an interest in them.

State and federal laws in the United States established the institutional framework within which cooperatives could operate. These laws have decreed the manner of organization, rights bestowed upon them, method of taxation, and set certain limits on the conduct of their business. David Barton summarizes the public policy approach to co-operatives in the following manner:

Public policy has generally been favorable toward the creation and operation of cooperatives. State laws generally include special incorporations statutes for cooperatives, both agricultural and non-agricultural. Federal laws include the Capper-Volstead Act, which permits group action to form agricultural marketing cooperatives without being in violation of antitrust laws. Tax codes include provisions, which permit cooperative income, classified as patronage refunds, to be taxed only once, either at the cooperative level or the patron level.¹⁰

Official support for co-ops in agriculture (and more generally in rural areas), where they have been understood as tools to combat monopoly and equalize market power on behalf of farmers, contrasts with the comparative inactivity of government policy in other areas related to co-operatives.

Labour movements spawned a variety of co-operative stores and banks during the nineteenth and early twentieth centuries. However, it was really only in the 1920s that consumer co-operatives, credit unions, and in some places (notably New York City) housing co-operatives began to be systematically organized and united in centrals and federations. In these years the effort of credit unions to obtain legal recognition was bankrolled by Boston merchant Edward Filene, the national campaign run by organizer Roy Bergengren. First at the federal level, then in virtually all states, credit-union legislation was obtained by patient lobbying. Also in the interwar years James P. Warbasse became the spokesperson for consumer co-operatives and for the ambitious Cooperative League of the U.S.A., ancestor of today's National Cooperative Business Association (N.C.B.A.); and co-operatives received a further boost from the Social Gospel movement. What is

notable about all these efforts by philanthropists, activists, idealists, and practical co-operators is that the state took little interest and played virtually no role.

Still today, co-operatives related to anti-poverty activism (rural and urban) are driven, according to our consultees, primarily by nongovernmental citizen action. So, too, is co-op activity among small-business operators, who do not seem to expect state aid. As one official in a national agency commented, “Since co-op creation is mostly driven by the low-income housing community and by small businesses and farmers, government’s role is more passive. While we would like more programmes, the biggest driver right now is small business. Small business does not seem to need a government sponsor to utilize the co-op model to reduce cost.”

Despite such comments, an examination does reveal that there are government programmes to promote co-operative development, including of poverty-fighting co-operatives such as community-development credit unions. While the general impression of state passivity may be correct—and shared with a number of other Western industrialized countries—a closer look reveals a significant, supporting role in co-operative development in chosen sectors, above all in agriculture specifically and rural development more broadly. This can be attributed in part to a kind of symbiotic partnership that has developed over time between co-operative and rural organizations on one hand, and government organizations concerned with agriculture on the other.

The following sections describe the roles of state agencies in co-operative development according to sectors, levels, and modes of intervention. These sections have some necessary overlap and duplication, because they look at the same subject—the state’s involvement in co-operative development—through several different filters.

Role of the State by Sectors

The preceding subsection described the general policy framework for state–co-operative-sector relations in the U.S.A. The present subsection is the first of three that categorize state programmes and policies using dif-

ferent grids of analysis. First, the roles of state agencies in co-operative development are summarized here according to target sectors. In the following subsections, some of the same roles will be analysed according to level of government, and finally according to mode of intervention. This approach necessitates considerable overlap between the subsections, which we have tried to reduce by consolidating information on each programme or function at a single main location in the text where it appears most relevant. We have also added appropriate cross-references where needed.

Consideration of the role of the state by sector seems to reveal a clear pattern: government agencies are by far the most active in promoting rural and agricultural co-operatives, followed distantly by their role in promoting low-income credit unions.

Agriculture and Rural Co-operatives

• According to the officials we consulted, the role of the state in co-operative development is most evident—out of all sectors and levels of intervention—in the U.S.D.A. **Rural Business-Cooperative Services** (R.B.S.). Services provided are primarily educational publications, research, and technical assistance.

- **Publications** include a variety of newsletters and studies, and also the glossy bimonthly Rural Cooperatives magazine. Rural Cooperatives includes analyses of statistics and trends; stories on individual co-operatives and new kinds of co-operatives; articles about new approaches and techniques; and pieces concerning international co-operative development and co-operative history.
- **Research** is conducted on a wide variety of current topics, either by in-house researchers or by faculty in land-grant universities. In 1997 US \$2 million was set aside for research exclusively on co-operatives.
- **Technical assistance** to existing co-operatives, and development assistance for groups wanting to form new co-operatives, is provided through various channels. This includes advice on business plans, assistance toward feasibility studies, and contacts to partners and resources.

For more information on these services and roles, see “Rural Co-operatives and the U.S.D.A.,” below.

- The U.S.D.A. also administers some significant grant, loan, and loan-guarantee funds:
 - The Cooperative Services area of the R.B.S. includes **Grants for Rural Cooperative Development** (US \$1.7 million in 1999), which funds nonprofit organizations that operate centres for co-operative development; these centres in turn deliver technical assistance to new co-operatives. (See “Partnerships,” below.)
 - The U.S.D.A. **Business and Industry Loan Guarantee Program**, which totals about US \$1 billion annually, has set aside US \$200 million for loan guarantees to co-operative borrowers. The earmarked funds give priority to “rural cooperatives that create or preserve good jobs and which engage in the production of value-added products” with a view “to boost the role cooperatives will play in improving the rural economy and preserving family farmers in the 21st century.”¹¹ The programme guarantees up to 60 percent of a loan between US \$10 million to US \$25 million, 70 percent of US \$5 to US \$10 million, or 80 percent of loans under US \$5 million. Borrowers approach local lenders, who then apply for a U.S.D.A. guarantee.

Other government agencies have funding programmes, but the U.S.D.A.’s are apparently the only ones that specifically target co-operatives.

- State agriculture departments and land-grant universities have their own agriculture programmes, though it appears these are usually carried out in a participatory fashion within broader U.S.D.A.-led programmes and networks.

Utilities

- Rural utility co-operatives are tax-exempt under federal law.
- The U.S.D.A. has development funds to support rural utility co-operatives. (See “Rural Co-operatives and the U.S.D.A.,” below.)
- Utility co-operatives appear to be active in undertaking economic-devel-

opment projects (both co-op-specific and other) using U.S.D.A. rural-development funds. (See “Examples of Co-operative Development in Action,” below.)

- In some states there are special programmes to support utility co-operatives.

Credit

(1) Regulatory Agencies

- The **National Credit Union Administration** (N.C.U.A.) is an independent federal regulatory agency, which also plays a significant role in encouraging the development of credit unions, especially community-development credit unions and others serving low-income groups. N.C.U.A. operates regional offices staffed with economic-development specialists, has an Office of Community Development Credit Unions, and administers a revolving-loan fund and technical assistance to low-income credit unions. (For more information, see the section on the “Federal” role, below.)
- The **Farm Credit Administration** was at one time active in promoting co-operative development, but now serves only as an independent regulator of the Farm Credit System (see below).

(2) Financial Networks and Centrals

Key financial agencies of the American co-operative movement were established through federal action and intervention.

- The **Farm Credit System** (F.C.S.) organizes a large amount of federal lending to individual farmers as well as to co-operatives. Essentially the Farm Credit System is a network of federally chartered, borrower-owned co-operatives who jointly guarantee their loans, supported by a set of central banks. The F.C.S. serves every part of the country and provides long- and short-term credit for farmers, farm co-operatives, farm-related businesses, fisheries, rural housing, rural utilities, and agricultural exports. (More details below under “Federal” role.)
- For other co-operatives, the **National Cooperative Bank** was origi-

nally chartered and funded by an Act of Congress in 1978 after years of lobbying by the National Co-operative Business Association (N.C.B.A.). Initially the bank focused primarily on supporting consumer co-operatives (its original name was the National Consumer Cooperative Bank), though this was later broadened.¹² The National Cooperative Bank has been cited by the International Labour Organization as an example of how governments can provide policy support and stimulate investment for the growth and expansion of co-operatives.¹³ However, the bank was privatized under the Reagan administration in 1981. It remains a leading provider of financial services to co-operatively structured, democratically owned and controlled enterprises throughout the United States. Co-operative officials attribute much of the growth of consumer co-operatives in the last two decades to the bank.¹⁴ In 1996 NCB Development Corporation established NCB Development Services to provide technical expertise and development assistance to community-based organizations.

(3) Local Credit Unions

- Credit unions are exempt from federal taxes.
- As indicated above, credit unions (and particularly low-income or community-development credit unions) may receive federal loans, education, and technical assistance.
- Most new credit unions are sponsored by, and receive some initial support from, community groups or churches. Some credit unions are sponsored by companies or labour unions. Credit unions may receive donated office space or other assistance from their sponsoring organizations. Except for some low-income credit unions, this support from nongovernmental agencies is probably much more important than any support from the state.

Housing

According to some of our contacts, there really is no government-sponsored co-operative housing development in the United States today.

Indeed, U.S. government agencies including the U.S.D.A. have participated in a National Housing Initiative which boasts of having raised levels of private home-ownership to 66 percent, the highest recorded level.¹⁵ For low-income groups, the Department of Housing and Urban Development (H.U.D.) issues Section 8 Project Based vouchers which are used by low-income renters, including some housing co-operators, as rent subsidy. Developers receive tax credits for developing low-income rental housing.

It appears that where ownership is stressed it is individual ownership rather than group ownership; where alleviation of poverty is the goal, the priority is on assisting developers to provide rental accommodation. As a result of these concentrations, little assistance is provided to housing co-operatives despite fairly large expenditures on housing.

There is no legislation pending to organize or develop housing co-operatives. Recently there has been talk of possibilities for senior and military co-operative housing, but there does not seem to be anything concrete in this area yet. The National Association of Housing Cooperatives is currently working on trying to remove regulatory burdens to co-operative financing such as allowing reverse mortgages for seniors and Veteran's Affairs mortgages for share loans.

Retailing and Service

Our research did not discover any notable government role in the development of co-operatives in the retailing and wholesaling sectors, beyond the general tax treatment of patronage refunds (see "Incentives," below). Indeed, a recent survey of nonagricultural co-operatives indicated that lack of support from government agencies was a problem for certain kinds of co-operatives and particularly for retail, financial, and wholesale co-operatives. Leaders in these sectors reported they were hampered by the level of support from government agencies—"for instance, budget cuts at both federal and state levels are affecting the ability of government agencies to provide business grants or loans (e.g. Rural Business and Cooperative Development Services of the United States Department of Agriculture ... or the Small Business Administration)."¹⁶ Such problems ranked lower, however, than problems of raising equity, meeting increased competition, and balancing conflicting member interests. Service co-operatives, interest-

ingly—such as co-operatives involved in child care, residential care, or rental services—reported far fewer complaints with government support.

Worker

Employee ownership is effectively supported through the popular institution of Employee Stock-Ownership Plans (E.S.O.P.s), which enjoy income-tax-exempt treatment. However, most E.S.O.P.s are not worker co-operatives, because the workers have only an investment stake in, not effective control of, their company. The E.S.O.P. programme does provide an umbrella under which hundreds of worker co-operatives can find a home; and by boosting the concept of employee ownership perhaps provides an indirect impetus to the worker-co-operative movement.

Statistics for the mid-1980s indicate that at that time there were about 1,500 E.S.O.P.s in which employees owned at least 51 percent of the stock; these worker-controlled enterprises had 1.5 million members.¹⁷

Role of the State by Levels

Having surveyed the state's role in co-operative development by sector, the following considers the same subject according to level of government action.

The overall picture, for the U.S.A., is that it seems to be the federal government that is most active in measures that are intended specifically for co-operative development. State and local governments are involved in numerous ways, but generally playing a more passive role with respect to co-operatives, or by supporting broad community-development initiatives in which co-operatives play a part. Partnership among levels of government exists and is institutionalized in federally-led networks such as the Cooperative Extension Service and in a number of regional shared-cost programmes, notably for co-operative research and development.

Federal Level

- Federal **tax exemptions** benefit credit unions, rural utility co-operatives, and worker-owned enterprises (see “Incentives,” below).

- The federal **legislative** role is significant in the area of agricultural marketing, and is often traced back to the Capper-Volstead act of 1922 and the exemption of farmer marketing organizations from antitrust laws. Federal involvement grew with the expanding scope of the U.S.D.A.'s activities, notably through the Cooperative Marketing Act of 1926, under which the U.S.D.A. began an active role in encouraging agricultural producers to address their problems by forming co-operatives. The New Deal and the 1930s added a different dimension, notably through the creation of comprehensive agricultural programmes and the Farm Credit system.
- The legislative mandate of the federal government includes incorporation of federal credit unions. The 1998 Credit Union Membership Access Act (see "Legislation," below) was a significant development.
- The regulatory mandate of the federal government with respect to federally chartered credit unions is exercised by the **National Credit Union Administration** (N.C.U.A.), which also plays a developmental role. N.C.U.A. is an independent federal agency appointed by the President of the United States and approved by Congress, although it is not government-funded. It is essentially a regulatory agency, although in its early days the examiners in the Bureau of Federal Credit Unions (as the organization was then known) played an active role in encouraging formation of credit unions as well as examining existing credit unions for safety and soundness. In general, the agency has not been active in chartering credit unions since the 1950s or 1960s.

However, the current leadership of N.C.U.A. believes that one of its roles should be to encourage and nurture credit unions, particularly those located or potentially located in low-income areas. Recently, the N.C.U.A. Board approved a Small Credit Union Program, designed to provide assistance to small and struggling credit unions. The N.C.U.A. was also instrumental in obtaining the 1998 Credit Union Membership Access Act (C.U.M.A.A.—see "Legislation," below), a measure to enable federally chartered credit unions to broaden their memberships. N.C.U.A. does not monitor credit union development activities states may be undertaking.

Each Regional Office of N.C.U.A. has one or two staff positions devoted to economic development; these economic development specialists work with groups seeking a federal credit charter to assist them in

meeting chartering requirements. N.C.U.A.'s Office of Community Development Credit Unions (O.C.D.C.U.) also works in this capacity and provides some funding for community-development credit unions. In addition to development of new credit unions, O.C.D.C.U. provides education and technical assistance to existing low-income credit unions. There are no specific research efforts at N.C.U.A.

N.C.U.A.'s revolving loan fund makes low-interest loans to low-income credit unions for a variety of purposes; the interest earned on the revolving loan fund is used for technical assistance grants for low-income credit unions. Most new credit unions are sponsored by, and receive some initial support from, community groups or churches. Some credit unions are sponsored by companies or labour unions. Credit unions may receive donated office space or other assistance from their sponsoring organizations.

- The federal government's role in **research, education, information, and extension** is carried out by the U.S.D.A. and through the Cooperative Extension Service in partnership with land-grant universities and other agencies.
- The federal government plays a significant role in **technical assistance** to businesses, co-operatives, nonprofits, and communities to plan development projects. This technical assistance includes feasibility studies and assistance in formulating marketing plans.

The **Rural Business-Cooperative Services**, a development-oriented agency under the U.S.D.A., is the leading agency for the delivery of such technical services in rural areas.

The U.S.D.A.'s **Cooperative Extension Service** also provides services through a combination of university-based extension staff and county-level extension agents, some of whose research and education bears on co-operative development.

The U.S.D.A. further makes grants toward **co-operative development centres** that provide technical assistance to new co-operatives, through its Grants for Rural Cooperative Development. (Again, for more details see "Rural Cooperatives and the U.S.D.A.," below.)

Other federal agencies provide technical assistance. The Economic Development Administration of the Department of Commerce assists

small- and medium-sized manufacturers (fewer than five hundred employees) with technical and business assistance. The Small Business Administration works through Small Business Development Centers to help small businesses prepare business plans, among other forms of assistance. It does not appear that any of these programmes have significant co-operative elements.

- The U.S.D.A. plays a critical role as a conduit of **federal grants and loans** to rural areas. U.S.D.A. grants amount to a very large proportion of federal grants for agricultural and housing purposes at the county level, and for over half of business grants to rural counties; only in infrastructure grants does the U.S.D.A. not play a dominant role on behalf of the federal government. Among loan programmes, 95 percent of direct loans received by rural borrowers from the federal government came through the U.S.D.A.; though only 15 percent of loan guarantees came from U.S.D.A. programmes.¹⁸

Many U.S.D.A. programmes incorporate or give specific targets for co-operatives. The U.S.D.A. administers the Business and Industry Loan Guarantee Program, US \$1 billion annually, of which US \$200 million is earmarked for co-operative borrowers (See “Rural Cooperatives and the U.S.D.A.,” below.)

- The **Farm Credit System** (F.C.S.) organizes a large amount of federal lending to individual farmers as well as to co-operatives. While originally the Farm Credit Administration participated actively in promoting co-op development, it is basically now a regulator. Co-op development activity is taken by the banks and associations that are members of the F.C.S.

Essentially the Farm Credit System is a network of federally chartered, borrower-owned co-operatives who jointly guarantee their loans.

On 1 July 1999, the Farm Credit System consisted of:

- six Farm Credit Banks making direct, long-term real-estate loans through 32 Federal Land Bank Associations; and also providing loan funds to 63 Production Credit Associations, 48 Agricultural Credit Associations, and 40 Federal Land Credit Associations (the associations differ in the nature and term of the credit they offer); and
- one Agricultural Credit Bank that functions like a Farm Credit

Bank but also “makes loans of all kinds to agricultural, aquatic, and public utility cooperatives and is authorized to finance U.S. agricultural exports and provide international banking services for farmer-owned cooperatives.”¹⁹

In 1995 the F.C.S. loan portfolio was US \$59 billion, about 46 percent of this for real-estate loans, 24 percent for short- and intermediate-term loans, and 17 percent for loans to co-operatives.²⁰ Loans to co-operatives are comparatively new and represent a deliberate broadening of the F.C.S. mandate. In addition, the F.C.S. lends to individual farmers to enable them to invest in co-operatives.

F.C.S. institutions compete directly with commercial banks and other farm lenders. Borrowers must purchase F.C.S. stock in order to obtain F.C.S. loans; the F.C.S. associations in turn purchase stock in the F.C.S. bank with which they are affiliated. The banks provide the connection to money markets. “The securities are also commonly viewed by investors as being implicitly guaranteed by the Federal Government, despite the absence of any explicit guarantee. As a result, the F.C.S. enjoys a ready supply of relatively inexpensive funds, borrowed at rates approaching those paid on U.S. Treasury securities.”²¹ After overextension in the 1970s, the Farm Credit System has become more selective and stable since the 1980s.

- The **National Cooperative Bank** (previously mentioned) was established in 1978 by Act of Congress to serve primarily consumer co-operatives, though this institution was subsequently privatized.

State Level

One of our knowledgeable U.S. interviewees stated that as far as government agencies and co-operative development are concerned, very little state involvement takes place at any level in the United States except through the services and facilitation of U.S.D.A. Rural Business-Cooperative Services. Within each state there are Federal (U.S.D.A.) Rural Development Offices, each with a state director of rural development.

We were told by another contact that where the federal government or national co-operative agencies seek partners, “most programs are through targeted trade associations rather than [through the state] government.

The trade associations are often more effective, user friendly and more creative.”

While these comments point toward a limited role of state governments in specifically co-operative development, there are of course exceptions. Certain states target certain kinds of co-operative development, usually as part of some wider policy thrust.

- The most important role of state governments is likely the passage of **legislation** to facilitate incorporation of co-operatives. We were told that forty-seven states have laws that allow for state-chartered credit unions. “Some states are changing their cooperative incorporation laws to eliminate barriers to cooperative development, especially in the electric cooperative industry.”
- The U.S.D.A. has developed an extensive network of partnerships at the state level for research, extension, and technical development services. Many U.S.D.A. programmes and services in co-operative development are delivered through state-level offices and agencies that work in partnership with other organizations. However, it appears that these partners are usually land-grant universities and state co-operative associations, only more rarely state agriculture departments or other state government agencies.
- Some states have funding for co-operative development in specific fields. One programme we were told about was a California Energy Commission programme for funding energy co-operative development in the state. A great deal more research would be needed to verify how many states have such programmes, and in what areas they might operate.

As noted below (see New Generation Co-operatives under “Examples of Co-operative Development in Action”), state officials can make an important contribution to co-operative development even when their positions and programmes are not explicitly concerned with co-operatives. In the case of New Generation Co-operatives in North Dakota, the state government’s role was in acting as a convenor, facilitator, and provider of support personnel to community planning processes that resulted (among other outcomes) in the incorporation of new co-operatives.

A similar role can be observed in Iowa's *Rural Action!* programme in the mid-1990s. The programme was launched by the state Department of Economic Development in recognition of the failure of traditional programmes of business-chasing and industrial parks, which had not worked in rural areas. The new programme was designed to refocus rural development around agriculture. The department hired Cooperative Development Services of Madison, Wisconsin (a regional co-operative–development centre) to prepare a manual, to facilitate planning sessions, and to assist with feasibility studies for projects. The W.K. Kellogg Foundation also provided some support (and also for similar projects in Minnesota and Wisconsin). In 1994 and 1995, eight Iowa counties were selected in competitions to participate in the programme. Each had a local co-ordinator and a committee of about twenty local citizens. Working from the planning manual, professional facilitators led the committees through a year-long planning process to identify problems and projects, to form project sub-committees, to conduct feasibility studies, and to go on to implementation. The result was a variety of new businesses, co-operatives, services, and local programmes.²²

The role of state governments in co-operative development is a topic that requires considerably more research in order to gain a comprehensive overview. From an initial examination, it appears that most states do not have prominent, specific co-operative–development programmes, and become involved (as our interviewee noted) in conjunction with U.S.D.A. initiatives or as part of wider community-development initiatives into which co-operatives are integrated.

Local Level

National-level research reveals little about the role of municipal governments, urban or rural, in co-operative development. None of our research, none of the materials collected, and none of the people we consulted could shed much light on this issue.

E.G. Nadeau and David J. Thompson note that in some cases groups of towns or municipalities take a leading role in community-based planning and development initiatives that may include the creation of co-operatives. They cite the example of three rural, county-based planning groups

sponsored in 1995 by the Wisconsin Towns Association, whose activities resembled the Iowa state initiative described above.²³ The same authors provide an interesting discussion of the role of local governments in forming co-operatives to supply themselves and their regions with services. Co-operatives of local governments are formed to purchase co-operatively in bulk, or to share services and cut costs. These are a form of co-operative development, but one that is limited and focused around the needs of the local governments themselves.²⁴

Role of the State by Type of Intervention

Having categorized state activities with respect to co-operatives according to sector and level of government, we view the subject in this subsection through a different grid: mode of intervention.

State action in a policy area such as co-operatives can take numerous forms, including development and enforcement of legislation and regulations; creation of specific programmes to promote co-operatives; offering of general incentives that favour co-operative forms of ownership; establishment of partnership arrangements for development-related tasks; and cultivation of communication mechanisms with the co-operative sector. This subsection looks at each of these modes of intervention in turn.

Legislation and Regulation

- In general, it is the state governments that are in charge of passing legislation to facilitate and control the incorporation of co-operatives.

The opinions we collected did not indicate major problems associated with this legislation. An inference would be that most American co-operatives find sufficient flexibility within existing co-operative, company, or other legislation, to conduct their affairs, except for certain issues as noted in the following paragraphs.

As part of the research for this project, we were told that some states are changing their cooperative incorporation laws to eliminate barriers to co-operative development, especially in the electric co-operative industry.

Likewise, legal hindrances to New Generation Co-operatives appear to have been eased through the efforts of networks of interested co-operative and government officials.

- One issue is that in recent years all states have enacted legislation for a new form of private company, the limited-liability company or L.L.C. The L.L.C. is a form of multi-owner business whose tax treatment by the Internal Revenue Service is provisionally quite favourable. In future, L.L.C.s may compete with co-operatives as a form of incorporation for people interested in launching group enterprises, or as a form for joint ventures among co-operatives. Compared with the co-operative legal form, L.L.C.s provide for a group venture in which voting need not be equal and surpluses need not be distributed according to patronage.²⁵ As this development is quite new, it remains to be seen whether it will dilute the co-operative idea or become common as a tool used within the broader co-operative sector.
- Credit-union legislation, regulation, and case law remain quite restrictive in some cases regarding the definition of a common membership bond. Amalgamations and credit unions larger than the county level have been successfully challenged. This problem has been alleviated for federal credit unions through the recent Credit Union Membership Access Act (below).
- The federal legislative role is often traced back to the Capper-Volstead act of 1922 and the exemption of farmer co-operatives from antitrust laws; and to the Cooperative Marketing Act of 1926.
- At the federal level, there is legislation for federally chartered credit unions whose activities extend across state boundaries.
- With the enactment of the **Credit Union Membership Access Act** (C.U.M.A.A.) in 1998, it is now permissible for federal credit unions to include additional groups in their field of membership under certain circumstances. C.U.M.A.A. was passed in response to a Supreme Court decision which invalidated N.C.U.A.'s then-policy of permitting multiple-group credit unions. N.C.U.A.'s regulation implementing the field of membership portion of C.U.M.A.A. became effective on January 1, 1999. As of June 25, 1998 federal credit unions have added 8,879 groups with 773,216 potential

new members. While there is debate about whether N.C.U.A.'s regulation will sufficiently encourage the development of new credit unions, the new regulation has enabled many credit unions to increase their fields of membership. This is considered the greatest political success for credit unions in many years.

Special federal legislation to enable particular institutions should also be mentioned. The chartering of Farm Credit System banks, and the original charter of the National Cooperative Bank by Congress in 1978, fall in this category.

- In terms of regulation, The National Credit Union Administration (N.C.U.A., see section above on the "Federal" role) was established to regulate federally chartered credit unions, and has also played a role in encouraging their formation and in designing programmes and policies designed to help, particularly, small credit unions and those for low-income groups.

Programmes

Programmes for co-operatives can be distinguished as those that focus on targeted research, education, and information; those that provide specific services such as technical assistance; and those that involve credit, grants, or investment. These are distinguished here from blanket, largely tax-based "Incentives" policies.

Research, Education, Information

- As described elsewhere in this report, the US \$1.8-billion **Research, Education, and Economics** programmes of the U.S.D.A. contribute to research and publications of many kinds, in some cases concerning rural co-operatives. The R.E.E. funds include US \$900 million annually to federal research and statistics agencies such as the Agricultural Research Service, Economic Research Service, National Agricultural Service; and US \$935 million annually for research and extension under the Hatch Act, the Smith-Lever Act, and discretionary U.S.D.A. programmes.
- Research specifically on co-operatives is encouraged, facilitated, and supported by **Rural Business-Co-operative Services** and by R.B.S.'s

Grants for Rural Cooperative Development (See “Partnerships,” below), which create community- and university-based research-and-development centres focused on co-operatives.

Technical Assistance

- The U.S.D.A., and to a lesser extent the Department of Commerce through its Economic Development Administration and Small Business Administration, provide technical services to new co-operative enterprises, assisting with feasibility studies, business plans, and other challenges. In some cases the N.C.U.A. may provide such services to low-income credit unions. (See the section on the “Federal” role, above.)

State agriculture and economic-development departments are involved in similar activities, the extent of which is difficult to judge. It is likely that state services are less specifically oriented towards co-operatives than are U.S.D.A. services. U.S.D.A. technical services are largely delivered through state-level U.S.D.A. offices.

- The Cooperative Services area of the R.B.S. includes **Grants for Rural Cooperative Development** (US \$1.7 million annually), which funds nonprofit organizations that operate centres for co-operative development; these centres in turn deliver technical assistance to new co-operatives. (See “Partnerships,” below.)

Credit, Guarantees, Grants, Investment

- The **Business and Industry Loan Guarantee Program** of the U.S.D.A., which totals about US \$1 billion annually, has set aside US \$200 million or about one-fifth of the total for loan guarantees to co-operative borrowers. The earmarked funds give priority to “rural co-operatives that create or preserve good jobs and which engage in the production of value-added products” with a view “to boost the role cooperatives will play in improving the rural economy and preserving family farmers in the 21st century.”
- The federal **Farm Credit System** should also be seen as a federal programme that substantially benefits rural co-operatives and their members. As described elsewhere, Farm Credit institutions lend to

individual farmers (including to finance investment in co-operatives) as well as to co-operatives. The implicit guarantee of the federal government allows F.C.S. banks to obtain funds at rates approaching those of the U.S. Treasury.

Incentives

- Subchapter T of the United States Internal Revenue Code allows co-operatives to deduct from their income tax liability patronage refunds distributed to members. This is an incentive to encourage co-operative development.
- Credit unions and rural utility co-operatives are also exempted from federal taxes. Employee Stock-Ownership Plans (E.S.O.P.s) also receive important tax exemptions, but most are not co-ops.

Partnerships

Outside of the agricultural sector, many co-operative leaders seem to prefer and perhaps are proud of avoiding close involvement by government. One interviewee observed that in “partnership between government and the private sector, the role is limited by the interest of the [state] agencies. Often we can do more on our own than seeking government help. We have found that our commitment to develop new low-income cooperatives is more creative than referring people to the government.”

Despite such comments, there are some important examples of partnership approaches.

- The **Farm Credit System** is a partnership of federally chartered F.C.S. co-operative banks with membership-based F.C.S. Associations, for the delivery of agricultural and co-operative credit.
- The **Cooperative Extension Service** is effectively a partnership between the U.S.D.A.’s research and education areas, and land-grant colleges, universities, and other institutions across the United States. The purpose of the partnership is to co-ordinate effective research and extension, some of which concerns co-operatives.

- The network of **Cooperative Development Centers** is perhaps the best example of true government-sector partnerships. The Cooperative Development Centers have their origin in a 1989 National Rural Cooperative Development Task Force established by the N.C.B.A. In 1990 the Food, Agriculture, Conservation, and Trade Act provided the authority to create centres for co-operative development, and the first funding was provided in 1993. The centres are funded by private support supplemented in many cases by funding from the Rural Development Administration of the U.S.D.A. (Rural Cooperative Development Grants) through an agreement with the Cooperative Development Foundation.²⁶ Sponsors of individual development centres include university institutes, community enterprise centres, development foundations, regional/multisectoral federations of co-operatives, an association of rural electric co-operatives, and a Farmers' Union organization.

The Cooperative Development Centers provide research, education, and development technical assistance within a framework that leverages existing experience and expertise where possible; brings together multidisciplinary resources; offers significant regional and local autonomy; and provides for specialization in specific areas and fields.²⁷ The national Network of Centers for Cooperative Development is reported to include the following:

- Northeast Center: Cooperative Development Institute, Greenfield MA
- Upper Midwest: Cooperative Development Services, Madison WI
- The Dakotas: ND Assn. of Rural Electric Cooperatives, Mandan ND
- Western: Center for Cooperatives, University of California, Davis CA
- Mississippi Delta: Winrock Rural Enterprise Center, Morrilton AR
- Mississippi Center, Jackson MS

- Southeast: Rural Training and Research Center, Epes AL
- Rocky Mountain: Rocky Mountain Farmers Union Foundation, Aurora CO

Other reports in 1999 indicate an additional centre exists at Kansas State University, and new centres are being created including the Centre for Sustainable Systems in Kentucky, the Lake Co. Community Development Corporation in Minnesota, and a centre at South Carolina State University. A total of ten of the existing centres received U.S.D.A. grants in 1999.²⁸

In June 1999 representatives from eight centres—those listed in bullet form above—announced the formation of Cooperation Works, an integrated national network of development centres and partners. The network will co-ordinate among the centres, implement national programmes of co-operative development in the form of joint ventures among the centres and partners, form partnerships with the public and private sector to promote the creation of new co-operatives, undertake education and training, arrange professional development and effective communication for co-operative–development practitioners, and undertake public-policy activities. The network will have its own co-ordinator.²⁹

Communication Mechanisms

There seem to be no special mechanisms for communication or consultation between governments and the co-operative sector. Instead, governments are lobbied by and communicate with co-operative federations and associations at the corresponding level. Co-operative apex organizations appear active in government relations, and government agencies—notably U.S.D.A.—have staff and resources dedicated to public information, publications, co-operative education, and relations with the co-operative sector.

At the national level, the National Cooperative Business Association (N.C.B.A.) is the only national cross-industry membership and trade association representing cooperatives. Membership includes banking, housing, health care, consumer goods and services, student, credit union, worker, farm supply, agricultural marketing, rural electric, rural telephone, state as-

sociation, hospital, shared services and other types of coops ranging in size from small buying clubs to businesses included in the Fortune 500 group. Other national apex organizations include Credit Union National Association, the National Rural Electric Cooperative Association, and the National Association of Housing Cooperatives. For farm co-operatives, there are the National Council of Farmer Cooperatives and the Farm Credit Council, which act as trade associations. The American Institute of Cooperation undertakes educational work, while the Cooperative Development Foundation is the development arm of the national movement.

At the state level, there are as well general co-operative councils, federations, or associations. In the 1980s these existed in about 40 states, in some cases serving only agricultural co-operatives and in other cases serving all types. Most state councils are also members of the National Council of Farmer Cooperatives and the American Institute of Cooperation.³⁰ In addition, there are sector-specific federations such as for rural electric co-operatives within a single state. State-level co-operative organizations are frequently partners in state or multistate U.S.D.A. conferences, educational programmes, and research or development projects.

The preceding sections have analysed state action in relation to co-operative development through a variety of frameworks: by sector, by level of intervention, by mode of government action. The following section attempts to show how different pieces work together in practice by looking at a couple of practical examples.

Examples of Co-operative Development in Action

The level and nature of state support for co-operative development in the U.S.A. is not in all cases superior to state support for co-operatives in Canada, but, especially in relation to rural co-operatives, American policies and approaches appear highly effective at supporting new co-operative enterprises. Why is this so?

The answer may in part be due to the *type* of services provided by the

state: in particular, the U.S.D.A. and its agencies are active in research, education, extension, technical services, and development services related to co-operatives. The resources committed in these areas are significant. Financial programmes such as grants, loans, loan guarantees, and tax incentives do exist and are pieces of the whole picture, but it is questionable how effective these would be if not tied to research, education, and technical aid. As one group of researchers have noted, there is the question of the quantity of credit available in rural America—and then there is the more interesting question of the *quality* of credit.³¹ Programmes such as the technical assistance provided by the U.S.D.A. are unique in increasing the quality, effectiveness, and impact of loans, as well as in making credit available to groups who might otherwise be unable to access it. The existence in the U.S. of active research, information, and technical assistance to co-operatives, accompanying credit and guarantee programmes, may be one reason for notable successes among U.S. rural co-operatives.

Besides the exact services provided, there is equally the question of *the way in which the pieces work together*. In rural areas of the U.S.A., the institutional environment is noticeably suffused with programmes and agencies supportive of co-operatives. Technical development assistance from Rural Business-Cooperative Services complements the largely university-based Co-operative Extension Service and the Rural Development Officers in the state offices of the U.S.D.A.; the Farm Credit System is part of the picture; so, too, are regional co-op development centres; all are supported by government-funded research and informational publications. This amounts to a comparatively rich institutional environment for, particularly, rural co-operative development. Behind this supportive environment lies the background presence of the U.S.D.A. Many of the department's services are not Washington-based, and may even be indirect services through the medium of some third party. The critical element may be that the driving force behind this activity lies at the federal level, which helps to ensure that—though services may vary from region to region—there is a similar level of institutional support for co-operatives in different parts of the country.

The way in which this works to the advantage of new co-operatives is evident from examples.

Rural Utility Co-operatives

Rural electric and telephone co-operatives were widely created during the 1930s in connection with New-Deal programmes, much as they were created in many parts of Canada during the drive for rural electrification in the 1930s–40s. The difference between the two countries in this regard is that in the U.S.A. such co-operatives continue to exist, in fact flourish and serve as important agents of rural economic development. As of the mid-1980s, there were 1,084 co-operative rural electric systems in the U.S.A. with over ten million people as members; also 255 co-operative rural telephone systems with over one and one-half million members.³² In fact, the rural electric co-operatives had the third-largest nationwide membership of any form of co-operative, behind only credit unions and insurance co-ops.

A good part of the persistence and success of rural utility co-operatives can be attributed to supportive federal policy. Such co-operatives enjoy exemption from federal taxes. They are supported by assistance provided from the Rural Utilities Service of the U.S.D.A. (see “U.S.D.A. Programme Areas and Budgets,” below). And they are further supported by research, education, training, publications, technical assistance, and general encouragement within the framework of U.S.D.A.’s wide-ranging activities and responsibilities.

In return, rural electric co-operatives have become significant leaders and partners in rural-development projects. The co-operatives themselves argue that this is in their own best interest: as co-operatives serving rural areas, they have an interest in the development of those areas. In a number of cases, therefore, rural electric co-operatives have taken a lead role in projects that do not have directly to do with electrical generation or distribution, and do not necessarily involve co-operatives at all. An example is the North Dakota Association of Rural Electric Cooperatives’ role in hosting the Dakotas region Cooperative Development Center and in appointing a Rural Development Specialist (see “New Generation Co-operatives,” immediately below). But also, rural utility co-operatives have become active partners in and delivery agents for a number of U.S.D.A. and other government programmes.

It is difficult to say how widespread such examples are, but following

are two instances of how funds from various U.S.D.A. business, industrial, and rural-development programmes were used by rural utility co-ops³³:

- The Winnebago Cooperative Telephone Cooperative of Lake Mills, Iowa, received a US \$350,000 loan at zero interest under the Rural Economic Development Loan Program. The telephone co-operative used the loan to assist a local manufacturer of doors, windows, and energy-saving products to expand its plant.
- The Chariton Valley Rural Electric Cooperative based in Albia, Iowa, received a US \$300,000 grant under the Rural Economic Development Loan and Grant Program to establish a revolving-loan fund. The co-operative added US \$60,000 of its own funds, and made loans of US \$360,000 to an industrial development corporation for the expansion of an industrial park. The loans were leveraged with US \$662,000 in private financing. One of the tenants was to be a plastics company.

In both of these cases, rural utility co-operatives undertook economic development that was not specific to their own line of business, and also not specifically co-operative in character. They did so, apparently, out of concern for the welfare of their members, and in fulfilment of a rural-development mission they saw as overlapping U.S.D.A.'s own.

New Generation Co-operatives

There has been much discussion recently of New Generation Co-operatives, a wave of new co-operatives created largely in the last fifteen years in the Dakotas and Minnesota. These co-operatives are distinct not only by the geography and chronology of their creation, but also in purpose and structure. Their purpose is specialized value-added processing of their farmer-members' products. Their structure involves limited membership tied to "delivery-right" shares that require members to deliver, and require the co-operatives to accept, specified annual amounts of the members' product. This wave of innovative co-operatives can be attributed not only to the general farm crisis and the self-mobilization of farmers, but also to the supportive state policies surrounding rural co-operative development.

The network of support for New Generation Co-operatives has been

made apparent by recent research.³⁴ Development of new co-operatives was initially spurred by concern over rural conditions, and by state-sponsored, participatory processes for developing rural development strategies, notably in North Dakota. Once the process got going, rural leaders in the region were supported in important ways by an array of co-operative and state agencies:³⁵

- **Cooperative Development Centers** such as the Dakotas regional centre in Mandan, ND. Such centres bring together different partners such as federations of state utility co-operatives, farm credit services, farmers’ unions, universities, and financial co-operatives to develop facilitate collective action, identify common goals, and link to outside resources. As described above under “Partnerships,” such centres are funded in part by the U.S.D.A.
- **Minnesota Association of Cooperatives.** State co-operative federations provide education, lobbying, public relations, and information to generate enthusiasm for co-operative development.
- **The Cooperative Foundation,** a regional private foundation whose purpose is to encourage development of co-operatives. The foundation supported education, research, extension, development services, and development funds.
- **North Dakota State Agricultural Department.** State agriculture officials were “vocal and enthusiastic” supporters of co-operative development but maintained an “arm’s length” relationship. State officials (in both agriculture and economic development) fostered a positive attitude and encouraged development through programmes that provided matching dollars for legal fees and feasibility studies; organized sharing of information and ideas; financed economic ventures; provided equity investment; and assisted in technology transfer.
- **United States Department of Agriculture.** The U.S.D.A.’s Agricultural Cooperative Service produced publications that helped spread the co-operative idea and provided guidelines for co-op developers, including Bill Patrie’s *Creating “Co-op Fever”: A Rural Developer’s Guide to Forming Cooperatives*.³⁶

- **The Quentin N. Burdick Center for Cooperatives.** The Center is an endowed programme at North Dakota State University that conducts, promotes, and co-ordinates university education and research on co-operatives. It delivers a training programme for directors and managers of new and emerging co-operatives.
- **North Dakota State University Extension Service.** The extension service along with a High Value Irrigated Crops Task Force jointly funded an Area Extension Specialist. This specialist, while providing information on production of irrigated crops, also helped co-ordinate new business projects and to link commodity groups with rural-development agents and with university and government resources.
- **Farm Credit System.** The F.C.S. lends both to individuals, including loans to producers to enable them to invest in co-operatives, as well as directly to co-operative enterprises.
- **The St Paul Bank for Cooperatives.** The St Paul Bank was created to provide financial services to agricultural co-operatives, rural utilities, and other customers in the Minnesota-Wisconsin-North Dakota region. The bank provided not only credit but also business planning advice and training to groups forming new co-operatives. Indeed, the bank has assisted with information and advice even where no debt financing was provided. One bank official noted, “money is secondary; the first concern is to create a viable, successful venture that will improve the situation of members, not contribute to their debt load.” (Note: On 1 July 1999 the St Paul Bank was merged into CoBank.)

Interestingly, in North Dakota it was the Association of Rural Electric Cooperatives, which also houses the regional Cooperative Development Center, that took the lead to establish a Rural Development Specialist position to help co-ordinate the many different agencies. Within the support network, government and quasigovernmental agencies played important supportive, but not driving roles. “The impetus for development came from producer groups and the government played the role of advocate, encouraging a positive attitude and supporting projects by helping to remove

some of the barriers. This environment created conditions that encouraged the growth of many different kinds of industries and enterprises, including New Generation Cooperatives.”³⁷ Interestingly, within the above list of nine agencies, a majority—five—are government-supported or mandated; at least three involve the U.S.D.A. directly or indirectly.

Farmers considering membership in a New Generation Co-operative were supported with encouragement and advice from a variety of credible sources; with programmes to assist them to undertake feasibility studies and to incorporate; with training, research, and information; and with financial assistance to purchase shares. Government agencies played an important, if background and in some cases indirect, role in creating this nurturing environment for new co-operative enterprises.

As in the case of rural electric co-operatives, the example of New Generation Co-operatives shows the systematic involvement of the U.S.D.A. in rural co-operative development projects. The next section of this report looks in more depth at the U.S.D.A. and its programmes.

Rural Co-operatives and the U.S.D.A.

The preceding overviews and analysis have made clear that U.S.D.A. operates by far the largest co-operative–development programmes in the United States. This mandate was not originally central to the department’s purpose; rather—like many other responsibilities—it is one the department acquired over time.

History and Mandate of the U.S.D.A.

Agricultural co-operatives have had a long history of involvement with the state, and the most prominent interaction has been with the United States Department of Agriculture. The U.S.D.A. has worked with

farmer co-operatives since 1926 to help interested groups of agricultural producers form new co-operatives and work with existing co-operatives to improve efficiency and expand the scope of services to members.

The U.S.D.A. was created in the early 1860s in conjunction with the new development strategy of the Lincoln administration and the (eventually victorious) Northern states. The legislation creating the department was signed into force on 15 May 1862, and the Homestead Act opening lands for western settlement a few days later on 20 May 1862. In addition, the Morrill Land-Grant College Act came into force on 2 July of the same year.³⁸ These three measures, together with railroad-building, immigration, and post-Civil War Reconstruction, were part of a programme of national economic development. The U.S.D.A. was initially mandated to support this national programme through agricultural research and education. In the 1880s–90s the department acquired an increased role in regulation and inspection, due to concerns at the time about food and monopolies; and in the early twentieth century it became increasingly involved with co-operatives and with expanded, modern extension services. The Cooperative Marketing Act of 1926 gave the U.S.D.A. an active role in encouraging agricultural producers to address their problems by forming co-operatives; this was the origin of the department's pro-active, development-oriented programmes that became embodied in what is today Rural Business-Cooperative Services. The New Deal initiatives of the 1930s added a different element, involving the U.S.D.A. in large price-support and farm-credit programmes. The New Deal era was also the high point of direct government intervention in co-operative development: hundreds of worker co-operatives (most of which did not last) and electric co-operatives (which in many cases did) were created, and the foundations of the Farm Credit System were laid. The department's mandate continued to expand until the 1980s, taking responsibility for nonagricultural questions such as housing and food relief for poor families.³⁹

The agriculture department was part of a clear strategy of opening and developing an agricultural economy throughout the country based on smallholders. As the connection with the land-grant colleges shows, the department had from its inception a strong emphasis on research, which gradually broadened into modern extension education and technical assis-

tance. This aspect of the department remains important to the present day.

As already mentioned, co-operative extension had its origin in the Morrill Act of 1862, which granted federal land to states to create universities and colleges that would provide public service, particularly to agriculture. The Hatch Act of 1887 authorized additional federal support to states that established agricultural experiment stations in connection to land-grant colleges. While these measures generated new research and technology, programmes of that era were not successful at educating rural people and transferring useful new techniques and approaches. As a result, the Smith-Lever Act of 1914 established the Cooperative Extension Service as a service jointly funded by federal, state, and local governments, and administered by the land-grant universities.⁴⁰

In addition to and distinct from the Cooperative Extension System, the U.S.D.A. received a separate mandate specifically in co-operative education through the Cooperative Marketing Act of 1926, which mandated that the U.S.D.A. “promote the knowledge of cooperative principles and practices and cooperate in promoting such knowledge with educational and marketing agencies, cooperative associations, and others.” To fulfill this mission the U.S.D.A. established a division to promote knowledge of co-operative principles and practices: this was the origin of Farmer (later Agricultural) Cooperative Service, now the Cooperative Services area of the Rural Business-Cooperative Service in U.S.D.A. (see below).

The growth of the U.S.D.A., its accretion of nonagricultural programmes such as Food Stamps, and what was perceived to be a bureaucratic, Washington-based mentality led to growing criticism in the wake of the 1980s farm crisis. Moreover, both U.S.D.A. studies and anecdotes told by farmers bore out the generalization that it was mostly larger farmers who were involved in U.S.D.A. programmes, in extension activities, and in co-operatives closely associated with the U.S.D.A. The apparent closeness between older, more financially stable, more economically successful farmers and the U.S.D.A. did little to help the department’s legitimacy at a time when many small farmers felt themselves to be in desperate circumstances.⁴¹ These various criticisms contributed to a reform, refocusing, and general downsizing of the U.S.D.A. during the 1990s.

Recently, the department appointed a commission on small farms,

which laid out a vision of an agricultural industry substantially based on small farming. As the report observed concerning “The Public Value of Small Farms,”

Small farms contribute more than farm production to our society. Small farms embody a diversity of ownership, cropping systems, landscapes, biological organization, culture, and traditions. Since the majority of farmland is managed by a large number of small farm operators, the responsible management of soil, water, and wildlife encompassed by these farms produces significant environmental benefits. Decentralized land ownership produces more equitable economic opportunity for people in rural communities, and offers self-employment and business management opportunities. Farms, particularly family farms, can be nurturing places for children to grow up and acquire the values of responsibility and hard work.⁴²

This vision can perhaps be seen as a return to the mandate of the 1860s, and certainly is an answer to some of the criticisms of the 1990s. The announced focus on small farms appears to provide a strong rationale for a continued and renewed concentration on supporting co-operatives.

The report recommended that U.S.D.A. policies be tailored to support and preserve viable small farms. Among the recommendations, for example, was one that the federal government “promote, develop, and enforce fair, competitive, and open markets for small farms,” under which the first item was that “USDA’s Rural Business-Cooperative Service should give priority to the development of farmer-owned, value-added cooperatives and farm-based businesses where profits flow to and within the community...”⁴³

In reviewing the U.S.D.A.’s history and role regarding rural co-ops, it is important to stress that the department is a research and service agency—a facilitator—and not a regulator. Its mandate is to support and assist development, and this is divorced from any concern to review co-operative incorporations, to check their by-laws, to enforce requirements or to regulate their internal affairs. In undertaking its service mandate, the U.S.D.A. has taken on a vast array of programmes and responsibilities.

U.S.D.A. Programme Areas and Budgets

The main mission areas of the U.S.D.A., and their 1999 programme-level budgets, are the following:

- **Farm and Foreign Agricultural Services**, US \$28.8 billion (largest items are Commodity Programs under the Farm Service Agency)
- **Rural Development**, US \$10.4 billion (largest items are rural housing and utilities; see below)
- **Food, Nutrition, and Consumer Services**, US \$38.8 billion (mostly for food stamps)
- **Natural Resources and Environment**, US \$4.6 billion (largest item is Forest Service)
- **Research, Education and Economics**, US \$1.8 billion (see below)
- **Marketing and Regulatory Programs**, US \$0.8 billion (primarily for Animal and Plant Health Inspection Service)

In 1999 the total programme level of funding for all areas is US \$86.5 billion.⁴⁴ Of these, the mission areas most closely connected to co-operatives are Rural Development (US \$10.4 billion, or 12.0 percent of the total U.S.D.A. budget) and Research, Education and Economics (US \$1.8 billion or 2.1 percent).

The **Rural Development** mission area “improves the quality of life for rural Americans and helps rural businesses and cooperatives compete in the global marketplace.” The department proposes increasingly “to target assistance to rural Americans and communities most in need, based on income, persistent poverty, and other factors.”

Rural development work is focused through several organizations:

- the Rural Business-Cooperative Service (R.B.S.) includes cooperative development and technical assistance, plus other business development programs, and the Alternative Agricultural Research and Commercialization Center
- the Office of Community Development (O.C.D.) provides support for CD programs of the Rural Development mission area

- the Rural Housing Service (R.H.S.) includes rural housing as well as rural community loan programs
- the Rural Utilities Service (R.U.S.) offers programs for telecommunications, electricity, and water and sewer

The US \$10.4 billion budget for the mission area helps rural enterprises, utilities, and housing developers with direct loans, loan guarantees, grants, and technical assistance. Major provisions of the Rural Development budget include:

- **Housing.** US \$1 billion in direct loans and \$3.1 billion in guaranteed loans (primarily to assist developers of low-income rental housing)
- **Water and Sewage.** US \$500 million in grants and \$839 million in loans for technical assistance and financing for modern services
- **Business Development.** US \$1 billion in guaranteed loans and \$50 million in direct loans to business and industry, for “improving the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives.”

The latter programme group is the one under which most co-operative–development assistance is provided. The U.S.D.A. estimates that the US \$1 billion will produce 38,000 rural jobs; the department also observes that in some prior years, such loans were kept to as little as US \$100 million. Currently US \$200 million of the total is set aside for co-operatives. (For details, see Business and Industry Loan Guarantee Program under “U.S.D.A. Services and Programmes,” below.) In addition to all the above, the department will also commit US \$100 million in grants over five years toward the creation of five new rural Empowerment Zones.⁴⁵

The **Research, Education and Economics** mission area of the U.S.D.A. includes some support for co-operatives as well. According to Senate and House Committee Information – Guidance of the Administration related to the 1995 Farm Bill, the U.S.D.A.’s US \$1.8 billion per year spent on research, education and economics amounts to about 2.5 percent of Federal research and development (R&D) expenditure. About US \$900 million of the U.S.D.A.’s funds go to federal research and statistics agencies (Agricultural Research Service, Economic Research Service, National Agricultural

Service) and about US \$935 million go to co-operative state research, education and extension, usually involving researchers based in land-grant universities.⁴⁶ Of the latter amount, \$440 million are formula funds for research and extension under the Hatch Act of 1887 and the Smith-Lever Act of 1914, while the remaining \$495 million is targeted by the U.S.D.A. or distributed in competitive competitions.

Many of the U.S.D.A.'s research and educational efforts are co-ordinated into the **Cooperative Extension** system through the department's Cooperative State Research, Education, and Extension System (C.S.R.E.E.S.). C.S.R.E.E.S. works with 103 land-grant and Aboriginal universities as well as 3,150 country administrative units to mount Cooperative Extension programmes whose purpose is "to enable people to improve their lives and communities through learning partnerships that put knowledge to work."⁴⁷ The seven main areas of programming are 4H and youth development; agriculture; economic development; family development; leadership and volunteer development; natural resources and environmental management; and nutrition, diet, and health.⁴⁸

It is difficult to say exactly how much of the research and education funded through these mechanisms has specifically concerned co-operatives. Within the overall mandate of the department, research is conducted by U.S.D.A. staff, or more commonly commissioned from land-grant universities, among other purposes "to provide farmers with information on economic, financial, organizational, legal and social aspects of cooperative activity." Recently a federal official announced that "There has been a lapse in supporting research on cooperatives in recent years," and as a result in 1997 US \$2 million was specifically set aside to fund research on co-operatives in state agricultural departments and in state colleges and universities.⁴⁹ Areas targeted for research in 1999 include "the role that co-operatives can fulfill as Federal farm price supports are ratcheted down and perhaps eventually terminated, the emergence of collaboration between farm operators in farm production cooperatives, evaluation of types of strategic alliances developed between cooperatives and with investor owned firms, identification of key successes and problems of 'new generation' cooperatives, and operational adjustments being made by cooperatives to global competitors."⁵⁰

According to one of the people we consulted, “there would be *very* limited research output on cooperatives” from U.S.D.A.-funded research if not for the role of Rural Business-Cooperative Services in promoting such research within the colleges and universities. Another consultant commented: “The land grant schools and extension service are only one-half or less of the level of activity they once were as related to cooperatives.” In other words, the existence of a specific unit focused on co-operative education and technical development assistance has spurred and helped focus the research efforts of the department, and has countered a general trend towards decreasing attention to co-operatives by other agencies of the department.

Research is also integrated into the department’s educational mission as undertaken by R.B.S. For example, in 1999 two U.S.D.A. researchers (a statistician and an agricultural economist) published in *Rural Cooperatives*, the U.S.D.A.’s glossy bimonthly magazine, an analysis of value added by farm co-operatives in 1997. The researchers did not only analyse how much value was added by co-operatives, and how it compared to the industry as a whole, but also raised questions about where co-operatives could improve their performance. By implication, the U.S.D.A. researchers were presenting co-operatives with recommendations about where to focus their economic strategy.⁵¹

There is some evidence that co-ops may be reasonably integrated into various areas of U.S.D.A. research. For example, research under the U.S.D.A.’s Sustainable Agriculture Research and Education (S.A.R.E.) programme included a grant to help the Tallgrass Prairie Producers Co-op, a group of Kansas ranchers, with the marketing of tall-grass beef.⁵² The grant had to do with product research and development, not with research into co-operation as such, but the fact that U.S.D.A. conducts this sort of R&D. in partnership with even quite small co-operatives is significant.

The preceding information provides an overview of some of U.S.D.A.’s chief activities, and particularly those such as rural development and research that concern co-operatives. The following section provides considerably more detail on the missions, objectives, and activities within the Rural Business-Cooperative Service of U.S.D.A.

Selected Services and Programmes

Within the U.S.D.A.'s Rural Development Mission area is the **Rural Business-Cooperative Service (R.B.S.)**. R.B.S. was created in 1994 when U.S.D.A. consolidated rural economic programmes that had previously been scattered among various agencies; its predecessor organizations, however, go back to 1926. R.B.S. encompasses the former Agricultural Cooperative Service and some of the business and economic development programmes of the former Rural Development Administration and Rural Electrification Administration.

The goal of the **Cooperative Services** element of U.S.D.A.'s Rural Business-Cooperative Service is to help rural residents form new co-operative businesses and improve the operations of existing co-ops. While agricultural co-operatives are and have been the primary focus of U.S.D.A.'s co-operative assistance in the past, R.B.S. plans gradually to expand the co-operative programming to include assistance to all types of rural co-ops.

Programmes and Services within Cooperative Services are of four types: Cooperative Development Assistance, Technical Assistance, Research, and Education and Information.⁵³

Cooperative Development Assistance

- Programme provides assistance for people interested in forming new co-operatives. Assistance can range from an initial feasibility study to the creation and implementation of a business plan.
- Staff includes co-operative development specialists, normally based in state offices, who do everything from identifying potential co-operative functions through the development of bylaws and business plans. They also provide training for co-operative directors.

Technical Assistance

- Department provides technical assistance to existing co-operatives facing specific problems or challenges.

- Assistance can range from helping a co-operative develop a strategic marketing plan to cope with new competitive forces, in making a decision whether to merge or form a joint venture with other co-operatives, or in finding a way to turn the raw products of co-operative members into value-added products.
- Help is also available to improve a co-operative's business structure and operating efficiency—this often involves an analysis of operations or assessing the economic feasibility of new facilities or adding new products or services.
- Technical assistance is largely designed to benefit a specific co-operative business or groups. The results, however, often provide business strategy for all co-operatives.

Research

- Research is designed to have direct application to current and emerging requirements of co-operatives.
- Studies include financial, structural, managerial, policy, member governance, legal and social issues, as well as various other economic activities of co-operatives.
- Recent research studies have focused on equity redemption plans used by co-operatives, identification of new niche markets for co-operatives, and opportunities and obstacles co-operatives face when exporting goods overseas.

Education and Information

- U.S.D.A. provides a wide range of co-operative training programmes and educational material to promote the knowledge of co-operative principles and practices and co-operate in promoting such knowledge with educational and marketing agencies, co-operative associations, and others.
- Department maintains a storehouse of information about co-operatives which is made available to the public through more than 150

research reports, educational publications and videos covering all aspects of co-operative operations.

- The bimonthly magazine, *Rural Cooperatives*, reports significant achievement by co-operatives, the most advanced thinking of co-operative leaders, and highlights of agency research, technical assistance, and educational activities.

History and Statistics

- Co-operative statistics are collected to detect growth trends and changes in structure and operations of co-operatives.
- Data help identify and support research and technical assistance activities.
- Information is used by legislative and executive branches of government in formulating agricultural and co-operative–related policy.

Alongside the above functions within R.B.S., Cooperative Services is organized into one staff area (Statistics) and three divisions (Cooperative Marketing, Cooperative Resource Management, and Cooperative Development). Each division has programme areas along commodity or functional lines. The Staff and Divisions perform the following functions:

Statistics Staff

- Staff provide technical support services and is responsible for the collection, entry, verification, and maintenance of cooperative statistical databases and provides data processing support to Cooperative Services researchers.
- Farmer co-operative statistics are collected annually to provide information on the progress and trends in co-operatives' growth and development.
- These statistics are published in annual and various other reports and maintained in electronic format for historical purposes.
- A voluntary mail survey is used to collect statistics from individual farmer and fishery co-operatives

- Maintenance of a listing of organizations identified as farmer and aquacultural co-operatives.
- Information is collected on the number, membership, business volume, net income, full- and part-time employees and other related information of farmer co-operatives
- Co-operatives are classified by principal product marketed and major functional type; fishery co-operatives are included as miscellaneous marketing co-operatives.

Cooperative Marketing Division

The division has four commodity marketing programme areas: Grains and Oilseeds; Dairy, Livestock, and Poultry; Fruits, Vegetables, and Specialty Crops; and International Trade. The division provides both research and technical assistance. Staff often combine efforts with other programme areas and across divisions to form teams to study problems and issues related to co-operative management. The division's research agenda aims to fulfill the following objectives:

- To monitor and report co-operative participation and performance in all aspects of agricultural marketing and to provide a storehouse of knowledge that will serve as a catalyst and resource for research, technical assistance, and related activities.
- To monitor and evaluate the structure, conduct, and performance of marketing systems to assist co-operatives to make adjustments that will improve their performance.
- To identify and evaluate marketing opportunities, operational practices, and strategies.
- To encourage new or expanded roles for co-operatives to improve the economic well-being of members, including those in nontraditional and low-resource areas or those areas with no history or legacy of co-operation.
- To monitor and evaluate government programs and policies and competitive developments as they relate to economic impacts on co-operatives and rural life.

The four programme areas are the following:

- **Dairy, Livestock, and Poultry Program Area.** Overall objective is to identify, assist, advise, and promote co-operatives marketing dairy, livestock, meat, poultry, wool, and other animal products. The objective is met with a combination of research, technical assistance, and educational efforts. Specific objectives of this program area are as follows:
 - Analyze and monitor structure, conduct, and performance of dairy, livestock, and poultry subsectors in order to understand the dynamics of those subsectors. The purpose is to understand the role of co-operatives, with particular emphasis on co-operatives' unique characteristics.
 - Evaluate structural and other changes in the dairy, livestock, and poultry sub-sectors; analyze the effects of these changes on co-operatives; and identify the response of co-operative marketing systems in each sub-sector.
 - Identify and analyze co-operatives' economic purposes and the past, present, and future roles co-operatives may play in their respective markets.
 - Utilize results of research, technical assistance studies, and innovative thinking, along with expertise within the program, to actively develop and disseminate useful information, give guidance, and provide leadership to cooperatives at all levels in each subsector.
 - Provide expert analysis and advice to co-operatives through technical assistance projects and other contacts with cooperative leaders, directors, and management.
 - Develop and maintain working relationships with other professional researchers at educational institutions and in co-operatives to share information, develop or maintain a presence in the research community, and gain access to the latest data and research techniques available.

- **Fruit, Vegetable, and Specialty Crops Program Area.** This programme area helps co-operatives compete in a dynamic marketplace through a comprehensive array of research and technical assistance. Staff address the unique production, harvesting, and marketing aspects found in the wide array of commodities classified as horticultural and specialty crops. Research is designed to identify the structure and dynamics of different commodity subsectors and capture the important distinctions in market structure, conduct, and performance among the diverse commodity areas associated with this program. Specific objectives include:
 - Monitor and evaluate the structure, conduct, and performance of individual fruit, vegetable, and specialty crops subsectors.
 - Evaluate the effectiveness of structural and operational practices unique to co-ops handling fruits, vegetables, and specialty crops.
 - Assess the potential for new or revitalized co-operative roles, with attention to nontraditional or low-resource areas and areas with no history or legacy of co-operation.

- **Grains and Oilseeds Program Area.** The Grains and Oilseeds Programme conducts research and provides technical and educational assistance to grain co-operatives to improve their effectiveness and efficiency. Specific objectives include:
 - Monitor and analyze the grains and oilseeds marketing system including the effectiveness of cooperatives within the system.
 - Evaluate any changes in the structure, operations, and financial position of grain marketing co-operatives and the affect of these changes on co-operative competitiveness in the grain markets.
 - Analyze the impact of government programs and policies that affect grains and oilseed co-operatives.
 - Provide analysis, advise, and a variety of information to grain and oilseed co-operatives based on the results of research and technical assistance studies and on program experience.
 - Create strong working relationships with others in the grains

and oilseeds industry including co-operative directors, managers and members.

- Provide information and technical support to Rural Development field staff who are working with existing grain and oilseed co-operatives or with producer groups interested in forming a new co-operative.
- **International Trade Program Area.** The mission of this program is to provide information and develop decision making tools through research, technical assistance, and other activities to assist co-operatives in maximizing their understanding of, and effectiveness in, the global marketing environment as a means of enhancing the economic well-being of members. The objectives of the program are:
 - To monitor and evaluate developments in the international competitive and policy environment in terms of their economic impacts on co-operatives' domestic and international operations.
 - To monitor co-operative participation and performance in international trade.
 - To examine different types of co-operative–specific and co-operative–inclusive collaborative structures and their effectiveness in enhancing producer competitiveness in world markets.
 - To assist federal, state, and local providers of export counseling in understanding co-operative structures and operating practices within the context of international business activities.

Cooperative Resource Management Division

This division has a more functional orientation with program areas specializing in Finance; Law, Policy and Governance; Strategic Management and Planning; and Farm Supplies and Services. Program staff explore most aspects of the contemporary cooperative enterprise. Although the division specializes in research, it also provides technical assistance. Overall objectives are focused:

- To improve understanding of the unique character of the co-operative form of organization among farmer co-operative patrons and leaders, public policy makers, educators, and the general public.
- To improve understanding of the application of co-operative principles to business problems related to organizational structure, operations, finances, governance, and resource management.
- To improve the performance of farmer co-operative organizations in increasing the economic welfare of the farmer through development, assessment, and application of financial, strategic, and evaluative tools consistent with both organizational objectives and sound business practices.
- To strengthen the role of co-operatives as instruments for economic and social change.

Objectives within each programme area are as follows.

- **Strategic Management and Planning Program.** The programme improves the development, deployment, and use of co-operatives' resources: human, financial, and physical capital. It enhances co-operative managerial performance as well as improving organizational structure and operative efficiencies to better utilize resources for achieving members' economic and other goals. Specific program objectives include:
 - Improving the understanding and performance of co-operatives in the science of managing essential business operations and assets, with emphasis on human and physical assets.
 - Studies improve the design and encourage the adoption of organizational structures that make the most efficient use of resources by participating in broader co-operative systems and partnerships.
 - Encouraging the development and adoption of effective strategic planning practices within co-operatives.
 - Developing and refining more meaningful ways to assess operational and market performance.

- **Farm Supplies and Services Program.** The programme provides research and technical assistance to farmer co-operatives that sell farm supplies and/or provide farm-related services to members. Specific objectives include:
 - Help supply co-operatives improve operating efficiencies by studying and analyzing services to members.
 - Analyze the role, structure, and impact of farm supplies and services co-operatives in rural and agricultural industries.
 - Identify the impact of technological developments and various regulatory, trade, and agricultural policy programs on farm supply co-operative operations.
- **Law, Policy and Governance Program.** The programme performs the following functions:
 - Identifies the impacts of changes in Federal legislation, law, regulations, and public policy on co-operatives and their members and assists members in understanding and functioning in the changing environment.
 - Identifies and analyzes co-operative governance regarding member participation and organization, as affected by socio-economic changes.
 - Research focuses on unique co-operative economic, legal, financial, and organizational characteristics and contributions as they relate to public policy toward co-operatives.
 - Document socio-economic changes that provide opportunities for successful co-operative operations in rural areas.
 - Identify factors that determine member participation patterns and techniques that enhance member involvement in their co-operatives.
 - Conduct research to determine, analyze, and develop co-op governance structures that facilitate member control, sound business operations, and realization of member needs and objectives.

- **Finance Program.** The programme promotes knowledge and understanding of the principles of co-operative finance and encourages improvement in the financial performance of co-operatives. Programme staff perform the following functions:
 - Monitor the financial condition and performance of co-operatives to identify ways they can improve their effectiveness in managing and safeguarding members' investments.
 - Promote sound and equitable financial structures for agricultural and other rural co-operatives, including programs for equity accumulation and redemption.
 - Data are collected, analyzed, and evaluated for financial condition, trends, and practices that provide benchmarks for measuring financial performance.

Cooperative Development Division

This division is charged with educational and developmental responsibility providing technical assistance to emerging or developing co-operatives and producer groups desiring to form new co-operatives. The division has two programme areas: Feasibility and Development; and Education and Outreach. The division also supports the work of co-operative development specialists at State Rural Development offices across the country.

- **Cooperative Education and Outreach Program Area.** The mission of this programme area is to “provide cooperative educational information, materials, and research that support, inspire and promote the belief that farmers and other rural residents can address economic problems through the cooperative form of business organization.” Programme area staff fulfill this legislative mandate in the following manner:
 - Identify, develop, and implement methods for promoting understanding of the co-operative form of business.
 - Identify educational needs of the rural co-operative community on a national level.

- Collaborate with other educational institutions, providing business and co-operative education to rural communities.
- Develop and facilitate co-operative education programmes for members, potential members, directors, employees, students, Rural Development employees, the general public and international visitors.
- Encourage and facilitate development of co-operative education programs in rural communities, co-operatives, co-operative support organizations, institutions of high learning, and governmental organizations.
- **Feasibility and Development Program Area.** This programme area specializes in technical assistance to agricultural and rural producer groups interested in organizing and developing co-operatives. Most requests involve small agricultural producers and family farmers. Programme area staff perform the following functions:
 - Provide initial organizational guidance and technical expertise to assist interested groups determine the feasibility of proposed business operations.
 - Provide operational and organizational guidance during the first few crucial years of business operations.
 - Services are carried out through a National Office in Washington, DC, and through Cooperative Development Specialists in the various State Rural Development Offices.

The preceding has outlined some of the important divisional and programme-area subdivisions within Cooperative Services of U.S.D.A. In addition, there are several specific research, grant, and loan-guarantee programmes that we would like to highlight.

Special Programme

A special initiative for 1999 within U.S.D.A. Cooperative Services, **Research on Rural Cooperative Opportunities and Problems via Cooperative**

Agreements, has a primary objective of encouraging research, funded through co-operative agreements, on critical issues vital to the development and sustainability of co-operatives as a means of improving the quality of life in America's rural communities. Research proposals are requested from institutions of higher education or nonprofit organizations interested in applying for competitively awarded co-operative agreements for research related to agricultural and nonagricultural cooperatives serving rural communities. The stated areas of interest for this special initiative are:

- Production co-operatives (including joint management of farm operations) as a tool for small farm operators, as recommended by the National Commission on Small Farms.
- New generation co-operative equity management issues and their impact on the user-owned nature of co-operative business.
- Co-operative structure, conduct and performance in selected industries.
- Can co-operatives compete for value-added markets?
- Governance and control issues in evolving co-operative structures and environments.
- The role of nonagricultural co-operatives in rural development.
- Evaluation of group action strategies, dispute resolution mechanisms, and justifiable terms available to contract growers and co-operatives in an increasingly industrialized agriculture.
- Assessment of farmers' markets organized as co-operatives.

Rural Cooperative Development Grant (RCDG) Program

- Administered by Cooperative Services, Rural Business Cooperative Service and has funding of US \$1.75 million for 1999. Press reports in October 1999 indicate that Congress has approved funding of US \$4 million for 2000.⁵⁴
- Eligible applicants are nonprofit corporations including co-operative federations and institutions of higher education.

- The grants are made for establishing and operating centres for co-operative development for the primary purpose of improving economic condition of rural areas through the development of new cooperatives and improving operations of exiting cooperatives. About US \$140,000 is available to each centre that succeeds in a competitive bidding process.
- The centres deliver technical and development assistance to new co-operatives. (See “Partnerships,” above.)

Business and Industry Loan Guarantee Program

- Provides financing to rural business owners, nonprofit organizations, co-operatives, public bodies, and Indian tribes for business ventures which create quality jobs and stimulate the economy of rural areas.
- Fund totals about US \$1 billion in 1999.
- Creates partnerships with commercial lending institutions, the Farm Credit System and Farmer Mac to provide financing for qualified rural business enterprises, including co-operatives.
- Often takes the form of loan guarantees which bolster existing private credit structures. The programme guarantees up to 60 percent of a loan between US \$10 million to US \$25 million, 70 percent of US \$5 to US \$10 million, or 80 percent of loans under US \$5 million. Borrowers approach local lenders, who then apply for a U.S.D.A. guarantee.
- Available to businesses in areas outside the boundary of urban areas with populations under 50,000.
- \$200 million in loan guarantees has been set aside for co-operative borrowers. The earmarked funds give priority to “rural cooperatives that create or preserve good jobs and which engage in the production of value-added products” with a view “to boost the role cooperatives will play in improving the rural economy and preserving family farmers in the 21st century.”⁵⁵

Rural Enterprise Grant Program

- Provides grants to public bodies and private, nonprofit organizations serving rural areas outside the boundary and adjacent urbanized area of a city with a population of 50,000 or more.
- Priority is given to applications from rural areas and towns with populations of 25,000 or less.
- Grants can finance small and emerging private businesses and co-operatives, or fund a revolving loan program.

Conclusions

Support for co-operative development in the United States is not general or uniform, but, as the preceding pages have made clear, some novel and effective forms of co-operation in the U.S. can be attributed in part to supportive government policies. These include community-development credit unions for low-income groups and communities, rural utility co-operatives as service providers and leaders in rural economic development, and New Generation Co-operatives as value-added processors of farm products. The fact these types of co-operatives have spread in parts of the U.S.A. but to a much lesser extent in Canada can be attributed in part to the less active support of Canadian authorities.

While American state governments, universities, co-operatives, private foundations, and others have played a role, it is above all the activity of the United States Department of Agriculture that is striking in the American case. The U.S.D.A. is effective in its chosen areas of co-operative development not only because it is a large organization, not only because it works through state- and county-level offices, through informal partnerships, and through networks like the Cooperative Extension System and the Farm Credit System—but also because it has created a dedicated agency for co-operative development in the form of the Rural Business-Cooperative Services. The impact of the federal agencies is magnified because they work through regional and local partnerships with state, co-operative, and rural organizations in an extensive and networked model.

Within the broad field of rural and co-operative development, agencies of the U.S.D.A. pursue missions which include provision of technical services for development of co-operatives; research, education, information, and publications; and financial (chiefly, loan-guarantee; but also tax-subsidy and grant) programmes. The effect of these various activities is to contribute to an environment that is more supportive than would otherwise be the case for at least certain kinds of rural co-operative development.

It is interesting to consider Canadian equivalencies of U.S.D.A. operations. In terms of federal resource commitments, items stand out such as US \$10.4 billion for rural development, US \$1 billion for loan guarantees to rural businesses and co-operatives, and US \$1.8 billion for research and education (of which at least US \$2 million is guaranteed to research on co-operatives). Proportionate to the ratio of Canada's population to that of the U.S. (times one-tenth or a little more) and translated into Canadian dollars (times about 1.5), these figures would translate into considerable federal funds for support of rural agricultural and co-operative development.

While state-co-operative relations in the United States are spotty and by no means homogeneous, the impression remains of a closer relationship and a more proactive state, especially in agriculture and rural development, than outsiders might at first assume.

Nevertheless, some of those to whom we spoke in conducting this study were not so impressed by U.S.D.A.'s accomplishments in co-operative development. One point that was made to us was that other and much larger U.S.D.A. programmes work against co-operative development. A critic of U.S. commodity programmes told us that such programmes "have either diminished or neglected incentives for cooperative formation."

U.S. farmers have received enormous economic benefits from commodity programs, and cooperatives, in turn, benefit from the prosperity of their farmer members, but there are alternative ways to effect the same economic benefits by working more directly in building stronger and more extensive cooperatives. Many commodity sectors have a very weak presence by co-operatives. In commodity sectors, such as dairy and cotton, where cooperatives were able to work with, and assume responsibility for, various aspects of

[government] programs, cooperation has prospered. In summary, the role of cooperatives in U.S. agricultural policy has been far less than its potential, and to some extent [commodity programs] may have displaced initiatives for farmers to organize cooperatives.

The relevant point here is that even the U.S.D.A.'s programmes—which seem strikingly proactive in comparison to (for example) Canadian and Australian ones—can be seen as inadequate when measured, not against what exists in such other countries, but instead against the potential of what could be accomplished. The comment that commodity-based programmes impede co-operative development may apply to these other countries also, with the difference that there is no Rural Business-Cooperative Services to act as a counterweight and support some co-operative development. In any case, the evidence of tensions and differing approaches within U.S.D.A. is one of the intriguing findings of this study.

Perhaps the single key issue to arise from this case is the significance of there being a specific unit within government dedicated, at the federal level, to outreach, to services, and to development assistance for rural co-operatives. Within the context of competition between policy areas and within the department, having a unit dedicated to co-operative services and development seems, in the U.S. case, to help ensure that development occurs. It is interesting that this role has emerged without complaints, that we know of, concerning government interference in co-operatives; also, that questions of overlap and duplication (for example between R.B.S. and the Cooperative Extension Service, or between federal and state agencies) have not arisen as significant issues. An inference has to be that the federal agency, R.B.S., has been sufficiently sensitive to co-operative and local autonomy, and has worked effectively enough through network and decentralized models, in order to avoid such conflicts. This relates to an orientation towards service and support, embodied in an agency culture that goes back three-quarters of a century. In the contemporary period, the funding of arm's-length regional co-operative–development centres on a competitive basis is another case in point of federal support that is accepted without significant suspicion.

The role of R.B.S. within U.S.D.A. is an example of a pro-active, sector-specific (in this case, rural) development strategy. The activities of U.S.D.A.

seem to say comparatively little about the role of the state in providing a supportive legislative framework, or about interdepartmental (for that matter, perhaps intradepartmental) policy co-ordination within government. Following Cronan’s model—in which legislative support and co-operative–development support are conceptualized as two main dimensions of government support for co-operatives—the R.B.S. example is one that illustrates a significant degree of state support at the federal level for *development* of rural co-operatives, but less activity in the legislative/regulatory dimension; and less support for other types of co-operatives.⁵⁶ Circumstances in other countries and sectors are different, and may require a different mixture of approaches. The sectors, the tools, and the degree of state support might be chosen differently. What the example of R.B.S. shows, however, is that there can be a niche in a federal system for an active co-operative–development role at the national level; and that having an agency dedicated to this role likely makes a practical difference both to the focusing and delivery of state resources, and to the actual results in the development of co-operatives and communities.

Notes

1. Sanjib Bhuyan, F. Larry Leistritz, and David W. Cobia, “Non-Agricultural Cooperatives in the United States: Roles, Difficulties, and Prospects,” Agricultural Economics Report No. 388, Department of Agricultural Economics, North Dakota State University (April 1998), p. 19.
2. National Cooperative Bank, *A Day in the Life of Cooperative America* (Washington, D.C., 1998), p. 7.
3. National Cooperative Bank, *America’s Top 100 Co-op Companies* (Washington, D.C., 1998), and the same source for the other statistics that follow.
4. See Brett Fairbairn, “Issues in Co-operative Development and Co-operative–State Relations,” Research Report to the Co-operatives Secretariat, Government of Canada, September 1999.
5. Henry Mintzberg, “Managing Government, Governing Management,” *Harvard Business Review* May–June 1996, pp. 75–83.
6. E.G. Nadeau and David J. Thompson, *Cooperation Works! How People Are Using Cooperative Action to Rebuild Communities and Revitalize the Economy* (Rochester, Minn.: Lone Oak Press, 1996).

7. David Barton, "What is a Cooperative?" in *Cooperatives in Agriculture*, ed. David W. Cobia (Englewood Cliffs, N.J.: Prentice Hall, 1989), pp. 1–20; here, p. 17.
8. On the history of the U.S.D.A. and its involvement with co-operatives, see Wayne D. Rasmussen, *Farmers, Cooperatives, and USDA: A History of Agricultural Cooperative Service* (USDA Agricultural Information Bulletin 621, July 1991).
9. Frank W. Groves and Gene Ingalsbe, "Historical Development," in Cobia (ed.), pp. 106–20; here, p. 114.
10. Barton, p. 18.
11. This and the following from "USDA Sets Aside \$200 Million for Cooperatives in Business and Industry Loan Program," *NCBA Cooperative Business Journal* 12, 9 (November 1998), p. 1.
12. The N.C.B. was originally chartered under the name National Consumer Cooperative Bank, a name changed in 1985.
13. "Requisites for Cooperative Success: Government Policy and Cooperatives," ILO Coopnet (<http://sss.coopnetupdate.org/perspectives/persp02.sthtml> as accessed 18 October 1999).
14. "About our members... National Cooperative Bank," *NCBA Cooperative Business Journal* 12, 9 (November, 1998), p. 3.
15. "USDA 1999 Budget Summary," <http://www.usda.gov/agency/obpa/Budget-Summary/1999/text.html> as accessed 19 August 1999.
16. Bhuyan, Leistriz, and Cobia, p. 14.
17. Ann Hoyt, "Cooperatives in Other Industries," in Cobia (ed.), pp. 68–80; here, p. 69.
18. USDA Economic Research Service, *Credit in Rural America* (Agricultural Economic Report Number 749) (Washington, D.C., April 1997), pp. 12–18.
19. "Farm Credit System," <http://www.fca.gov/pubs/FcsA.htm> as accessed 16 November 1999.
20. USDA Economic Research Service, *Credit in Rural America*, p. 11.
21. *Ibid.*
22. Nadeau and Thompson, *Cooperation Works!* pp. 161–63.
23. *Ibid.*, p. 163.
24. *Ibid.*, pp. 167–78.
25. Donald A. Frederick, "The ABCs of LLCs: Limited Liability Companies Offer New Option for Rural Businesses," *Rural Cooperatives* July/August 1997, pp. 36–39; and Donald A. Frederick, "The Impact of LLCs on Cooperatives: Bane, Boon, or Non-Event," *Journal of Cooperatives* 1998, pp. 44–52. The author is identified in the latter piece as program leader for Law, Policy & Governance with the Cooperative Services Group, Rural Business-Cooperative Service, U.S.D.A.
26. Brenda Gail Stefanson, "Adult Educators in Co-operative Development: Agents of Change" (M.A. thesis, Agricultural Extension, University of Saskatchewan, 1999), p. 90.
27. "Economic Development," as accessed 5 May 1999 at www.ncba.org/economic.cfm#cooplevel.

28. "USDA Distributes Rural Co-op Development Grants," *NCBA Cooperative Business Journal* 13, 6 (August 1999).
29. "Cooperation Works Network Becomes a Reality," *NCBA Cooperative Business Journal* 13, 6 (August 1999). Some earlier documents indicated another centre at Puget Sound Cooperative Foundation, Seattle WA, but it is not mentioned in the most recent reports.
30. See Robert Cropp, "Supporting Organizations," in Cobia (ed.), pp. 98–105; here p. 101.
31. USDA Economic Research Service, *Credit in Rural America*, p. 17.
32. Hoyt, p. 69.
33. Both examples are from "Statement of Dayton J. Watkins..."
34. See Stefanson, esp. pp. 65–119 for an application of change-agent theory to the emergence of New Generation Co-operatives.
35. Based on Stefanson, pp. 90–102.
36. Bill Patrie, *Creating "Co-op Fever": A Rural Developer's Guide to Forming Cooperatives* (Washington, D.C.: U.S.D.A., 1998). Patrie was the N.D. Rural Development Specialist referred to above.
37. Stefanson, pp. 87–88.
38. See R. Douglas Hurt, *American Agriculture: A Brief History* (Ames: Iowa State University Press, 1994), pp. 187–93.
39. For an overview, see the relevant chapters in Hurt.
40. See Cropp, "Supporting Organizations," p. 103.
41. On the criticisms of the U.S.D.A., see Hurt, pp. 385ff.
42. U.S.D.A.—National Commission on Small Farms, "A Time to Act: A Report of the USDA National Commission on Small Farms" (January 1998).
43. *Ibid.*
44. "U.S.D.A. 1999 Budget Summary," <http://www.usda.gov/agency/obpa/Budget-Summary/1999/text.html> as accessed 19 August 1999.
45. This is a new stage in a previously established programme. A new round of such Empowerment Zones was authorized in the Taxpayer Relief Act of 1996.
46. Source: "1995 Farm Bill—Guidance of the Administration. Section 6. Research, Education and Economics," as accessed 3 May 1999 at www.reeusda.gov/new.
47. Extension Committee on Organization and Policy, Board on Agriculture, National Association of State Universities and Land-Grant Colleges, "Strategic Directions of the Cooperative Extension System," August 1997, as accessed 23 May 1999 at www.reeusda.gov.
48. "Base Programs," as accessed 23 May 1999 at www.reeusda.gov/1700/programs.
49. Quotation from "Statement of Dayton J. Watkins, Administrator, Rural Business-Cooperative Service before the Senate Subcommittee on Agriculture, Rural Development, and Related Agencies," 3 March 1998, as accessed 11 May 1999 at www.rurdev.usda.gov/rd/cong/99rbs.htm.

• NOTES

50. "Statement of Dayton J. Watkins..."
51. Charles A. Kraenzle and David E. Cummins, "Improving Their Worth," *Rural Cooperatives* (May/June 1999), pp. 4-6.
52. Valerie Berton, "A Fight for Survival," *Rural Cooperatives* (May/June 1999), pp. 22-23.
53. The information presented in this section was gathered from the U.S.D.A. Internet Site www.usda.gov and telephone interviews with department officials.
54. "Funding for Cooperative Development Grants More than Doubled," *NCBA Cooperative Business Journal* 13, 8 (October 1999).
55. This and the following from "USDA Sets Aside \$200 Million for Cooperatives in Business and Industry Loan Program," *NCBA Cooperative Business Journal* 12, 9 (November 1998), p. 1.
56. Garry Cronan, 1995 Key Issues Conference Papers (as cited by Garry Cronan and Jayo Wickremaratchi, "A Study of Co-operative Development and Government-Sector Relations in Australia," *Co-operative Development and the State: Case Studies and Analysis*, Part 4, November 1999, p. 102).

PART FOUR

A Study of Co-operative Development and Government– Sector Relations in Australia

1 Preamble

Australia was one of the first countries in the world to follow the lead set by the Rochdale co-operative pioneers. In 1859, only fifteen years after the birth of the modern co-operative movement and half a world away in Brisbane, a co-operative drawing its inspiration from Rochdale was established.

In 1873, the State, again using an English model, established a Registry of Friendly Societies to supervise mutual and co-operative entities, thus commencing the long association between government and the movement in Australia.

One would expect that with a history of at least 140 years of co-operative activity, and the role played by the State for 125 years, the result may well be a thriving co-operative movement in Australia. This, however, is not the case.

Notwithstanding a number of innovative co-operative policy and programme initiatives over the last twenty years and some growth in co-operative numbers, the sector remains largely on the periphery of government policy and programme delivery. While some legislators occasionally make favourable comments,¹ in general public policy makers appear uncertain

about the future of the sector. The effect has been that while Australian public policy has moved to embrace globalisation, deregulation, privatisation and more liberal market programmes, existing co-operatives have tendered to suffer collateral damage with possible new co-operative opportunities being overlooked as reform agendas are implemented.

This process is made more problematic for co-operatives by the federated nature of government in Australia. While the national government has taken the lead on many of these policy issues, with their implied and sometimes explicit challenge to co-operative values and operation, the task of regulating and possibly promoting general co-operative activity has resided with State and Territory Governments. These governments have tended to view their role principally in corporate regulatory terms with only occasional experiments involving co-operative development policies and programmes.

For its part, the general co-operative movement is now at what may well be its weakest point in a generation. On the defensive against the direction of elite opinion-leaders in government, media and business—searching for a new relevance and models to engage their members and the wider community in an increasingly individualistic and post-modern global society. Many large and long established co-operatives and mutuals are either demutualizing or seeking answers in hybrid equity models in an attempt to guarantee their competitive if not co-operative survival.

General co-operatives face the new millennium with diminished and underdeveloped representative structures, following the failure of their national association in the early 1990s. Their recent conversation with government has been principally confined to enacting new legislation and preserving previous generation's public policy gains. Little capacity exists at present within the movement for widespread promotion and development.

This case study examines the last twenty years of co-operative development and government—sector relations in Australia. While an overall analysis reveals examples of outstanding individual co-operative success, more generally it has been a history of comparative decline, with a loss of confidence and profile for the movement—an experience shared to some extent with the government departments charged with the sector's regulation and development.

Government rather than the sector initiated the majority of programmes examined in this study. These initiatives have, in the main, lacked legitimacy; consequently, many have been short lived. In spite of this recent history, examples of innovative policy, legislative and co-operative development can still be found, and lessons learnt for the future.

2 Dimensions of the Sector

The primary focus of this case study is on organizations classified as general co-operatives; particularly those registered in New South Wales. Included within this group are agricultural marketing and supply co-ops, consumer, service and worker co-operatives as well as community (non-profit) organizations structured along co-operative lines.

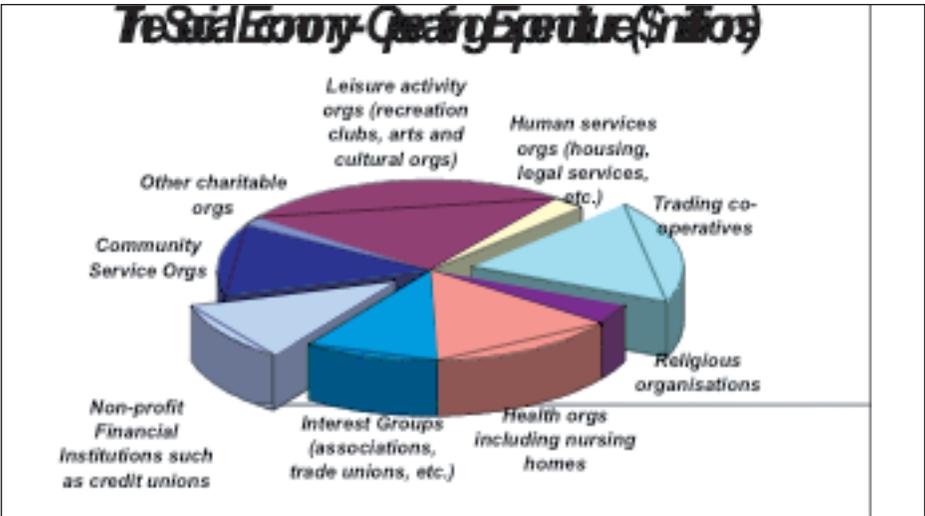
General co-operatives share many features, traditions and historical links with financial co-operatives in Australia. For the greater part of their history they have been regulated by the same State based government agencies. Both types can be viewed as part of a broader group of organizations and community businesses, which are distinguished from the more visible private and public sectors. Aspects that differentiate this group include their broad ownership base, member or community focus and democratic structure. The concept of the ‘social economy’ has been developed to cover this definitional grouping.

The value of this broader approach, explored in greater detail later in the paper, is that it provides context for evaluating the performance of general co-operatives against other social economy organizations and charting possible future directions. A starting point for such an analysis is an appreciation of the comparative size of the Australian social economy and of the general co-operative sector within it.

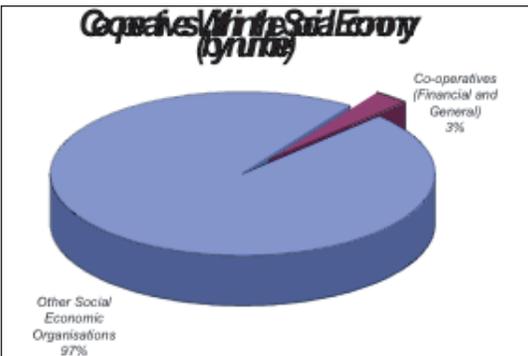
2.1 *Broader Social Economy*

The Social Economy² has been of some significance in Australian economic and social life. A recent survey³ indicates that there are approxi-

mately 115,000 organizations with a contribution of over \$42 billion to the economy within the sector and employing about 571,000 persons.⁴ This contribution of nearly 10 percent of the total economy by the social economy in Australia is not unlike that in Europe and other Organization for Economic Co-operation and Development (OECD) economies.



The range of organizations comprising the co-op family consists of approximately 3 percent of the social economy by number.⁵ Although general co-operatives are the more numerous, financial co-operatives, have both a larger turnover and membership base.



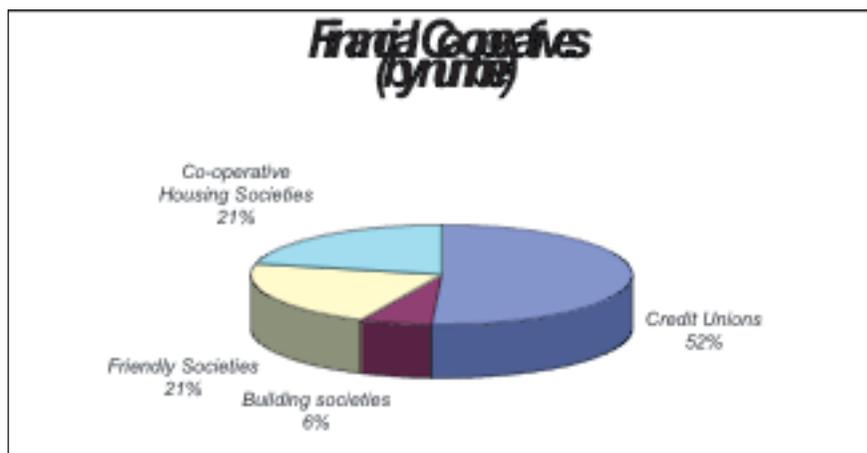
Mutual insurance organizations have traditionally represented an important component, by turnover, of the social economy in Australia. The recent series of demutualizations have, however, largely decimated this sector.⁶

2.2 *Financial Co-operatives*

The financial co-operatives sector includes for the purposes of this paper, Building Societies, Credit Unions, Friendly Societies, and Co-operative Housing Societies.

2.2.1 Credit Unions

The credit union industry plays a very significant role in Australia's financial system—there are 237 credit unions in Australia with more than 3.5 million members and gross operating revenue of \$287.1 million.⁷ Most of the credit unions were formed after the Second World War. Communities, parishes, and places of employment promoted most credit unions.⁸



Due to the existence of support structures such as Credit Union Services Corporation (Australia) Limited (CUSCAL), credit unions have been performing strongly and have developed a favourable image in the community.⁹ CUSCAL provides a range of business services to credit unions which includes liquidity management, retail and corporate banking, insurance, public affairs, treasury, mortgage securitisation, industrial relations, research, training, information technology and financial management and planning.

The Corporation is owned by, and provides services to, 227 member credit unions throughout Australia, which it represents as their movement body and operates in accordance with the mission and vision of the credit union movement.¹⁰ CUSCAL is a significant organization in its own right employing approximately 620 people throughout Australia.¹¹

Although Credit Unions are one of the success stories of co-operation in Australia, the sector has undergone considerable rationalisation over recent years. In 1992, there were 352 credit unions, by June 1998 this had been reduced to 245. Most of this decline has been attributed to mergers between credit unions.¹²

One Queensland Credit Union has demutualized. Some credit union officials have recently expressed the fear, that this process has been made easier, by recent legislative changes—the way to demutualization being opened through takeovers under Corporations Law.

However, competitive forces in financial markets are strong, and the need for credit unions to cut expenses, to rationalize operations and to upgrade technology will only intensify.¹³ The financial services market is also one that is increasingly subject to a convergence of products and organizations along with new regulatory arrangements reflecting these marketplace changes.

CUSCAL has identified the major issues facing the movement in 1999–2000 as:

- making greater use of securitisation
- responding to shrinking margins by looking for opportunities for outsourcing to match global market competition
- reducing overheads through aggregation of some back-office functions and cheaper electronic distribution systems
- responding to the changes in the regulatory regime as a result of the Wallis Inquiry.¹⁴

Basic core values are also playing a part in the Credit Unions response to these challenges. They are currently examining how they might differentiate themselves in the marketplace based on ‘mutuality.’¹⁵ The CEO of CUSCAL recently outlined his view of the future direction for credit unions, restating that unlike banks, credit unions will remain member-

owned financial institutions, determined to preserve their most important distinguishing feature—their mutual status.¹⁶

The review of the movement's performance has been driven by the major structural changes occurring in the Australian financial services market. There have been concerns among the credit unions about the deteriorating performance in the movement's aggregate financial accounts, caused by margin contraction. The traditional intermediation role played by organizations like credit unions—the business of raising deposits, lending them and making a profit on the interest margin—has undergone irreversible change with loan originators sourcing managed funds through loan securitisation. The market change has prompted global mergers and formation of mega-financial institutions, whose aim is to supply the financial needs of all segments at lowest possible cost, using a strategy of maximising economies of scale and economies of scope.¹⁷

There has also been a shift from intermediaries to markets. Australian household financial assets are being invested more in market-linked securities rather than in the form of deposits. Moreover, the intermediary in the transaction between, the borrower and the lender is being replaced by other technologies, which allows direct contact and hence cheaper prices to the consumer. Credit unions, may simply be the first of many types of co-operative or mutual organizations to see technology challenge their traditional role as intermediaries.

2.2.2 Permanent Building Societies

The number of building societies in Australia has fallen from 71 to 29 during the last 15 years. The Australian Association of Permanent Building Societies (AAPBS) attributes the reduction, in part, to deregulation of the banking system, new and rapidly adopted technology, rapid expansion of bank lending, the failure of State Banks and the accumulation of massive bad debts by large banks.¹⁸

The response of some co-operative building societies was to convert into companies and banks. Most of the larger Building Societies demutualized during the 1980s. There is now a range of corporate structures, which reflect a combination of the structural and regulatory changes of the last

ten years, and the grafting of these changes to the traditional and original forms of Australia's building societies. The co-operative structure is prominent in the States of Queensland, New South Wales (NSW) and Tasmania. In addition, institutionally owned and controlled societies, which are part of large financial service conglomerates, are important in major States, and have national coverage.¹⁹

The AAPBS expects significant mergers amongst and between regional and major banks in Australia. In 1995, a major Australian bank absorbed one of the most prominent Australian building societies, which had previously converted to a bank in the 1980s. The same bank bought the formerly largest society in Victoria and the previously two largest societies merged as banks in 1997.

For building societies, the prospects of further bank rationalisation raise opportunities in niche (regional) areas. By being flexible, efficient and responsive to their local customer base and being essentially customer driven institutions, the AAPBS, expects building societies to be able to compete against banks whose head offices are necessarily stationed inter-State and others which have global and national markets to pursue.

The need and opportunities for community based financial institutions was recognized by the Wallis Financial System Inquiry (March 1997). The remaining co-operative building societies are now attempting to present themselves as genuine 'mutuals,' different from banks, with a focus on serving regional communities throughout Australia. This response shares something with the UK building societies' new mutualism.²⁰

On 1 July 1999, Building Societies transferred to national jurisdiction after 140 years of state legislation. From that date, societies were subject to the Banking Act and Corporations Law.

2.2.3 Friendly Societies

The number of Australian Friendly Societies has also been declining. According to the former AFIC,²¹ at the end of May 1999, there were 165 Friendly Societies in Australia, a majority of which were relatively small in terms of asset and business activities.²² The total number in Queensland alone has fallen from 116 at the end of 1993 to 45 by September 1998.²³

There are currently 21 Friendly Societies in NSW, with assets of \$657 million at the end of 1998, this represents approximately 10 percent of the national figure—the bulk of the sector’s assets are presently held in Victoria.²⁴ Friendly Societies managed \$6.9 billion in funds for members during 1997–98.

2.2.4 Co-operative Housing Societies

It is estimated that there are approximately 250 Co-operative Housing Societies (CHSs) in Australia. In NSW, there were 91 registered CHSs managing a loan portfolio of \$682.6m by mid-1998. According to available statistics, in Queensland, the number of CHSs fell from 788 in June 1993 to 120 by June 1998.

The former NSW Financial Institutions Commission (FINCOM)²⁵ reported that in the 1980s the CHS industry became involved in the lending of securitised funds, mainly Home-Fund,²⁶ and experienced rapid growth. With the decline of the Home-Fund products there has been a significant decrease in the size of the loan portfolios managed by CHSs and this has led to a significant rationalisation of the industry.²⁷

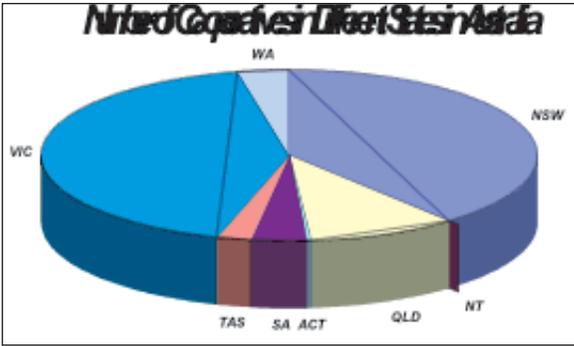
2.3 *General Co-operatives*

General co-operatives in Australia may be registered under either separate state based discrete co-operative legislation or Corporations Law.

2.3.1 General Co-operatives Registered under Co-operative Legislation

Over ninety percent of the approximately 2,400 registered general co-operatives in Australia are in the mainland eastern seaboard states of NSW, Victoria and Queensland.

General co-operatives are engaged in a wide range of activities. The Australian New Zealand Industrial Classification (ANZSIC) system, developed by the Australian Bureau of Statistics, is used to identify the activities of co-operatives in the database maintained by the NSW Registry of Co-operatives.²⁸

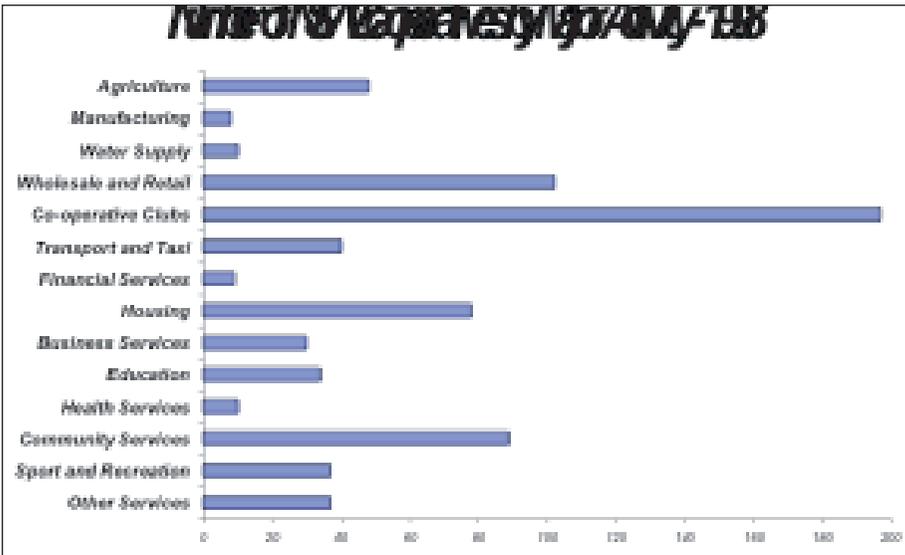


The number of NSW co-operatives in different industries is shown in the chart below. The largest number of co-operatives are in the recreation and gambling clubs industry—bowling clubs, returned servicemen’s league clubs, ski

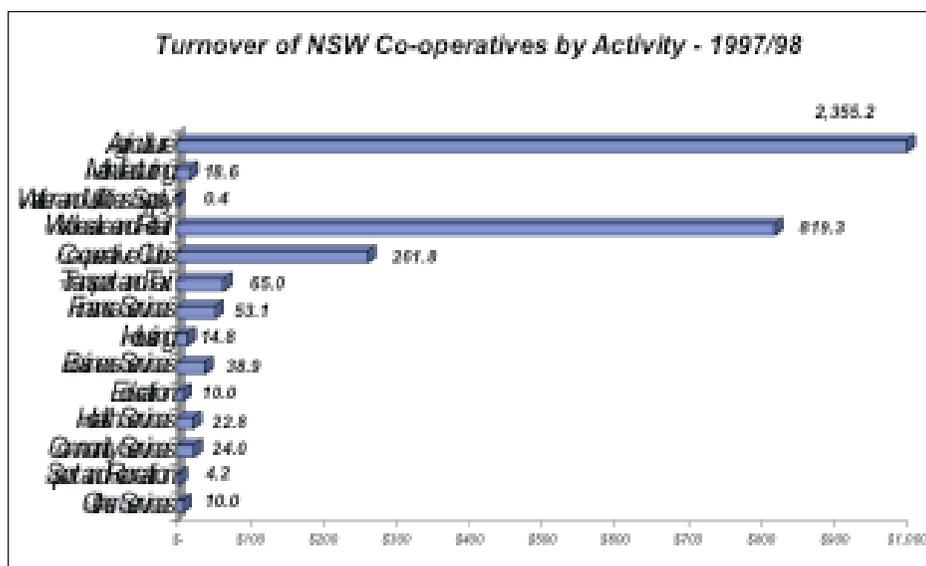
lodges, etc. which are registered under the Co-operatives Act. Although this group of co-operatives is the largest, their participation in co-operative sector activities has been minimal.²⁹

Co-operative membership is approximately 1.1 million in NSW. Co-operatives have significant market shares in dairy products and milk processing, rice marketing and cotton ginning.

The national turnover of co-operatives is estimated at around \$4.5 billion, with NSW co-operatives accounting for approximately 80 percent of this figure.³⁰ Agricultural and trading co-operatives account for over 85 percent of the turnover of co-operatives in NSW.



The 82 agricultural co-operatives in NSW have an asset base of over \$1 billion and generate nearly \$2.6 billion revenue annually.³¹ Raw turnover figures often understate the importance of co-operatives—using an acceptable multiplier for rural industries of between 2.0 and 2.2 these co-operatives contribute at least \$5 billion to the economy of the State.



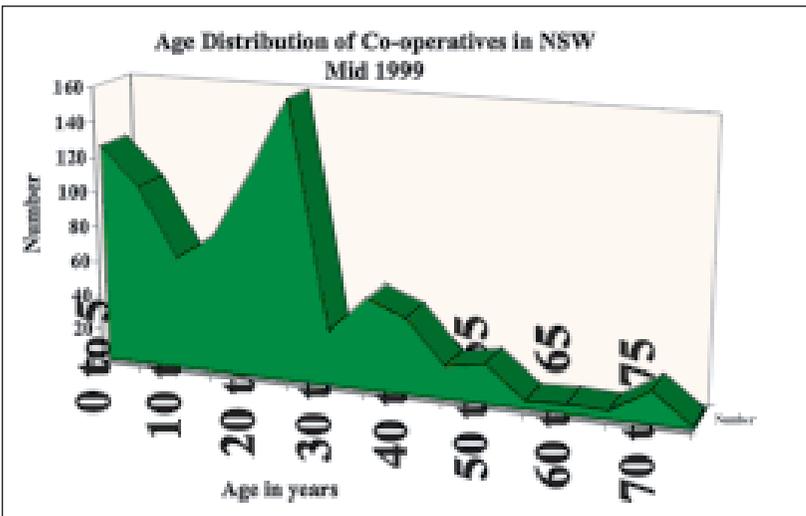
There are 25,000 members of agricultural co-operatives in NSW, which represents at least 50 percent of the individuals directly involved in agricultural and fishing industries in the State.

General co-operatives comprise approximately 20 percent by turnover of the broader social economy in Australia.³² The sector is characterized by a small number of comparatively sizeable, mature co-operatives and a much larger group of smaller more recently established organizations—in NSW, for example, the largest four co-operatives account for over 60 percent of the turnover.

The most significant of these are agricultural marketing, processing and supply co-operatives in the dairy, cotton, rice, sugar and grain handling industries. Most are at least 40 years old and have spent the greater part of their corporate life operating in regulated industries. Many are

either considering converting into investor oriented structures or introducing forms of hybrid equity as they respond to changing market conditions and government deregulatory policies.

The age distribution of co-ops in NSW follows the long-term formation pattern. Although the median age is 22 years, the peaks relate to co-ops in different industries. The older co-ops are agricultural, while the majority of middle-aged co-ops are recreation clubs, ski lodges and bowling clubs.



Although there has been considerable formation activity in recent years, the sector is in relative decline when compared to other organizational alternatives, including companies and associations. Its use has been generally confined to certain industry sectors, it is not well represented in the newer information, community business or networking areas.

Nevertheless, co-operative numbers have still risen in recent years—over 250 new co-operatives have been formed in NSW over the last 8 years. It appears that there has been a strong relationship, in NSW, between the commitment of government resources to development and formation programmes and increased co-operative numbers. These patterns will be examined later in the report.

2.3.2 Corporations Law Co-operatives

Some general co-ops have chosen to incorporate as companies under Corporations Law. A number of large Victorian agricultural organizations are registered as Corporations although they are structured internally, to varying degrees, as co-ops and qualify as such for taxation purposes.³³

The reason is explained, to some extent, by the fact that Victoria, unlike NSW and Queensland did not have separate co-operative legislation until 1953.³⁴ Organizations wishing to form as co-operatives had little choice but to register as companies while trying to include within their structure, co-operative aspects. The two large Victorian dairy ‘co-operatives’, Bonlac Foods and Murray-Goulburn, along with the former Victorian Producers Co-operative, and PIVOT, a fertiliser co-operative plus the former co-operative pharmaceutical and healthcare co-operative Sigma are perhaps the best known.³⁵

Corporations Law allows for such ‘co-operative’ activities but it does not specifically provide a legislative identity to such organizations, leaving that for the individual co-operative to determine. Given this situation the internal governance structure and commitment to operating in a manner consistent with recognized co-operative principles varies somewhat. These organizations are, however, able to be more flexible in organising their capital structure although they lack some of the take-over protection afforded the State/Territory registered co-operatives.³⁶

2.3.3 Co-operatives among the top 1000 Australian Companies

There were 7 co-operatives (registered under discrete co-operative legislation) in the top 1000 Australian companies, classified by the net revenue.³⁷ Another 7 were co-operative companies. All 14 except one were agricultural co-operatives, with most in the dairy industry.

Of the 7 co-operatives, the Dairy Farmers Group are preparing to partially demutualize using models adapted from Irish Dairy Co-operatives while Co-op Bulk Handling has announced that it will demutualize. Namoi Cotton Co-operative has raised external equity through Co-operative Capital Units (CCU). Norco Co-operative has also attempted to raise capital through CCUs.

Co-operatives in the Top 1000 Australian Companies

Rank	Company (Balance Sheet Date)	Net Revenue (\$m)	Profit After Tax (\$m)	Employees (\$m)	Total Assets
Co-operatives under Co-operatives Legislation					
155	Dairy Farmers Group (6/98)	1,122.4	33.9	2,690	587.1
252	Ricegrowers Co-op (4/98)	716.6	30.9	1,213	518
395	Mackay Sugar Co-op (6/98)	446.0	NA	1,165	NA
525	Namoi Cotton Co-op (2/98)	322.1	15	160	176.8
781	Co-op Bulk Handling (10/97)	189.1	44.4	980	462.1
839	Capricorn Society (6/97)	172.2	0.7	62	23.9
851	Norco Co-op (6/98)	170.0	NA	550	NA
TOTAL		2,522.4	60.1	6,820	662.8
Corporations Law Co-operatives					
156	Murray Goulburn Co-op (6/98)	1,116.90	11.7	1,714	769.8
175	Bonlac Foods (6/98)	1,039.20	17.2	1,925	763.3
283	Pivot (9/97)	607.6	24.8	1,100	428.9
377	Vic Producers Co-op (6/97)	469.3	-0.4	250	39.6
783	Tatura Milk (6/98)	187.8	7.5	280	107.9
856	Warrnambool Cheese & Butter (6/98)	170.0	3	110	71.2
863	United Milk Tas (6/98)	166.3	3.7	352	161.2
TOTAL		3,757.1	14.2	5,731	2341.9

Source: Business Review Weekly magazine

In the top 500 Australian private companies listing for 1998, Murray Goulburn Co-op, Dairy Farmers Group and Bonlac Foods were ranked 11, 12 and 15 respectively.

3 Co-operative Sector Representative Organizations

Lewis (1992) has observed that there has never been a co-operative movement in Australia.³⁸ It is not surprising, therefore, that co-operatives, have had some difficulty developing lasting representa-

tive organizations. Structures, which have been created, have not been sustained. The national organizations have not been able to achieved lasting commitment from within the movement or broaden their base, to gain wider community support for their activities.

This situation is in contrast to the credit union movement, which have been able to construct successful second tier representative and service structures.³⁹ Parnell (1994) in a report on a visit to Australia noted the strength of the Credit Union movement model and suggested to general co-operative representatives that there is much to learn from the Credit Unions ability to build upon a series of networks.⁴⁰

The former chair of CUSCAL made a similar point in an address to the 1994 Key Issues Conference, when commenting upon the challenge to credit unions of deregulation of the banking system in the 1980s:

The popular view was that the Credit Union Movement would be a major casualty....The fact that these threats have been overcome is testament to the power of the principles of co-operation; while relatively few of the 3 million Australian members were committed to co-operation, all of the people operating credit unions were, and there was a realisation that if credit unions stood alone they would fail one by one, but, if they practised the principle of co-operatives co-operating with one another, they stood a very good chance of success.

The only way we could approach these needs was through hundreds of small and diverse credit unions pooling their resources and forming support organizations.⁴¹

No national (or state) forums presently exist, which unite representatives of the general and financial co-operative sectors. Australia, unlike other countries, has nothing to compare with the United Kingdom Co-operatives Council or in a broader sense the UK Social Economy Forum.

3.1 The AAC Years: 1986–1992

The Australian Association of Co-operatives (AAC) was formed in 1986 following the virtual collapse of the previous national organization, the Co-operative Federation of Australia (CFA).⁴² The new AAC traced its

origins back to the Co-operative Institute⁴³ and its successor the Co-operative Federation of NSW. AAC's purpose was to unite the numerous co-operatives in Australia, financial as well as general, into one strong association with the view to better represent their interests to:

- Government Ministers, both Federal and State
- Government Departments and agencies
- Other community organizations and groups
- The international co-operative sector

Its primary object was the promotion, protection, unification, representation and development of the Australian co-operative sector for the social and economic benefit of member co-operatives. The membership of AAC was approximately 300 co-operatives drawn mainly from NSW but also including a considerable number from Victoria, Queensland and Western Australia.

3.1.1 Historic Setback—No Real National Focus

The failure of AAC represented a historic setback for general co-operatives—one which the sector has not fully recovered from. AAC was nationally structured and focused. Given the federated character of government in Australia, it is argued that such a perspective is essential to effectively service the strategic interests of co-operatives. Münkner made a similar observation, on the need for national focus to the 1995 Key Issues Conference.

There seems to be a struggle in Australia for a joint co-operative stand on national policy....Who is representing the Australian co-operative movement and what are they saying....Many people talked about an industry and a sector, but no-one mentioned a movement....Without a strong rallying point and a common agenda it would be difficult to influence the government with legislative and representative power."⁴⁴

MacPherson, another speaker at the same conference, made a similar point: "political connections, good communications and a national focus was needed in Australia, particularly to address competition policy issues."⁴⁵

The sector has rebuilt using a State based model, complemented by a smaller national organization.⁴⁶ AAC gave priority to a well-resourced national structure with a smaller number of representatives in the states; the replacement arrangements have virtually reversed this structure. The sector has followed this course believing, out of necessity it is better to focus its minimal resources on delivering practical grassroots service at State level.

It is suggested the lack of sector resources, particularly at the national level has been critical during the last few years, as co-operatives have sought to meet the challenges of an increasingly competitive national (and international) marketplace, as well as respond to major policy changes driven by the national government. A recent draft report into National Competition Policy and its effect on regional and rural Australia, produced by the Productivity Commission⁴⁷ noted that although “agricultural co-operatives are affected by National Competition Policy reforms...the Commission received little input on their activities during this inquiry.”⁴⁸

The absence of a national strategic focus has made the sector largely reactive, chasing issues rather than seeking to influence and construct a more sympathetic public policy environment—the Core Consistent Provisions (CCP) legislation and the retention of some taxation concessions are the exceptions. The concentration of resources and activities at the State level has exacerbated this trend by isolating the leadership of the movement from the main drivers of change. Had AAC survived, the nature of sector-government relations at the national level may well have been significantly different in Australia.

3.1.2 AAC and Co-operative Development

AAC represented the high water mark for sector supported co-operative development. Before its demise, AAC had a turnover of approximately \$3.5 million and employed 30 staff—funded from a variety of sources, including government—to provide a comprehensive range of services to its member organizations.⁴⁹ A separate and dedicated Co-operative Development Unit was established within AAC. Among the services offered were:

- Financial and insurance services, including a centralised banking function, investment facility, and superannuation services for its members
- Management and advisory services, including a full range of legal, accounting and industrial award services
- Educational and training services, including a specialist library facility and a newly developed university based co-operative training course
- Co-operative development services including assistance with forming new co-operatives, business start-ups and business and strategic planning
- The CoopTrade initiative, which was designed to promote, in association with the International Co-operative Alliance (ICA), co-operative to co-operative trade, particularly in the Asia Pacific region
- Co-operative representative services to government on behalf of individuals, sectors or the movement as a whole
- Information about and contact with the international co-operative movement

AAC failed largely because of the collapse of its central banking function. There was a view at the time of the creation its replacement in NSW, the 'new' Co-operative Federation of NSW, that this organization should not repeat the mistakes of AAC which the sector believed included too much concentration on commercial and international activities.⁵⁰

3.1.3 Functions Assumed by Others

Since 1993 a number of AAC's functions and activities have been subsumed within other organizations, including the NSW Registry of Co-operatives, the new Co-operatives Council of Australia, (CCA) the various State Co-operative Federations, Asia Pacific Co-operative Training Centre, (APCTC) and for a period the Australian Co-operative Development League, (ACDL).

One of AAC's functions, which have been largely forfeited by the movement, has been its international affiliation and involvement with the ICA. Although, both ACDL and the NSW Registry assumed, for a period of time, some aspects of these programmes, the Australian co-operative sector is no longer formally affiliated to the ICA.

One of the most visible expressions of AAC's relationship with the ICA was its hosting of the first ICA Asia-Pacific Co-operative Ministers Conference in Sydney in February 1990. This conference attracted ministerial representatives from throughout the region, including a number of Commonwealth Government Ministers. This was the last time senior Australian Ministers have attended a co-op conference in such numbers.⁵¹

3.1.4 NSW Government helps Co-operatives Affected by AAC Collapse

A number of NSW co-operatives had loans from AAC's central bank. Following its collapse, the NSW Government made a decision to assist the affected community co-operatives—its view being that this assistance should be directed primarily towards non-profit rather than for-profit co-operatives. Moreover, the provision of such relief would have prevented a domino effect upon AAC's depositors and borrowers. The assistance took the form of interest-free loans to community co-operatives and interest rate subsidies to trading co-operatives, until proceedings from the liquidation became available. The Registry of Co-operatives administered this scheme. 18 community co-operatives took advantage of the interest-free loans, totalling approximately \$3.2 million.⁵²

Following representations from the new Co-operative Federation and others, the Government in December 1994, made an in-principle decision to convert the loan balances outstanding, subsequent to the liquidator's final payment, to grants to each of the co-operatives concerned. This meant in effect that the failure of AAC ended up costing the NSW taxpayers approximately \$1.44 million, the amount written-off after adjusting for liquidation proceeds in 1996/97.

3.2 *Co-operative Council of Australia (CCA)*

A proposal for a national organization to replace some of the functions of AAC was considered at the National Congress Conference held in Sydney in May 1993.⁵³ Representatives from the existing or proposed state co-operative federations addressed the conference in support of the new national organization. A resolution of those attending, approximately 100

from throughout Australia supported the establishment of a national Co-operative Council, whose invited members would be the State federations or like organizations.⁵⁴ The first meeting of the CCA occurred in August 1993. The objects of the CCA are:

- (a) To provide an Association for State Co-operatives Federations.
- (b) To raise the profile of co-operatives throughout Australia.
- (c) To promote the development of co-operative enterprise in all forms in Australia
- (d) To advance the claims of co-operative enterprise for adequate, and where necessary, protective legislation and to foster among government and commercial administrative authorities an intelligent understanding of co-operative aims and principles.
- (e) To foster unity within the co-operative movement within Australia.
- (f) To compile reliable statistics of co-operative activity in Australia regarding membership, business turnover, resources, co-operative distribution, and any other details indicating the extension of co-operation.
- (g) To maintain liaison with international co-operative organizations and to exchange information of mutual advantage in aiding the extension of co-operation.
- (h) To foster an understanding of the international co-operative movement and for this purpose to represent the Australian co-operative movement in the International Co-operative Alliance and to lend the Council's support to any other international body whose aims are consistent with co-operative philosophy and practice.
- (i) To support efforts made by State Co-operative Federations on behalf of their members to participate in the benefit of any measures adopted by the State and Commonwealth Governments.
- (j) To encourage the formation and foster the development of a State Federation in each State and for the purpose of promoting friendly relations between existing co-operatives, encouraging the formation of new units on sound lines and co-operative principles, giving aid to the co-operative movement with advice and information, and generally to act as a centre of unity to register co-operative strength and progress.⁵⁵

The CCA normally meets two to three times a year. The chair is selected from within the membership of the Council—it is normally rotated every two to three years, currently South Australia chairs it.⁵⁶ The Council has minimal funding for its activities and no full or part time staff.

3.2.1 Policy Focus

Individual Council members from each of the State Federations have been given responsibility for formulating policies and programmes in the following areas:

- Image & Information
- Business & Processing
- Community & Development
- Legislation
- Taxation
- Membership
- Competition policy
- Education & Professional

The CCA has supported consistent legislation throughout Australia to enhance the fundraising and management capabilities of co-operatives across state borders.

The focus of recent CCA activity, apart from consistent co-operative legislation, has been the Review of Business Taxation carried out by the Commonwealth Government; (this issue is separately discussed later in this paper). Taxation was also discussed at the CCA's first National Conference, which was held in Canberra, in April 1999.

3.3 *State Federations*

The effective day to day replacement for AAC is the state based co-op federations. NSW, Victoria, Queensland, South Australia and Western Australia each have a co-op federation. Membership is normally restricted to general co-operatives registered under discrete co-operative legislation, although the Victorian Co-operative Federation has allowed on occasion

‘co-operative corporations’ and credit co-operatives to become members.

Membership varies between 30 percent and 90 percent of co-operatives registered in each of the States. Only one Federation, that in Western Australia, has a full-time employee, each of the others have one part-time employee working on average between one and four days a week.

The services provide by the Federations are necessarily restricted, given the limited resources, but include:

- Advice on legislative reform, particularly the recent CCP initiatives
- Assistance with co-operative formations, this varies between the States with some offering a more complete service than others, Victoria has been running a ‘co-operative opportunities project’ highlighting for example co-operative possibilities in the restructuring of the electricity, farm forestry and other industries. The Co-operative Federation in Western Australia approves the registration of new co-operatives on behalf of the Government.
- Organising seminars and conferences—most State Federations now hold an annual conference
- Producing publications and distributing information on co-operatives, including producing monthly or quarterly Federation newsletters
- Providing a representative to participate in Co-operative Council of Australia activities
- Liaising with relevant State Government departments
- Developing networks for the promotion of co-operatives

3.4 Other Co-operative Sector Representative Organizations

Three other organizations complete the picture of representative sector organizations currently operating in Australia.

3.4.1 Association to Resource Co-operative Housing (ARCH)

ARCH is a second-tier co-operative providing representation, education and resource services for member housing co-operatives in NSW. Through

its publications and training programmes, it has actively sought to demonstrate the relevance of co-operative principles as guidelines for members running their individual housing co-operatives. ARCH has worked closely with the Department of Housing and other relevant government departments in NSW to ensure the promotion of the co-operative model within the context of tenant controlled housing programmes.

ARCH promotes common equity rental co-operative housing, in which the co-operative buys property with loans and each member pays rent to the co-operative to service the loan and maintain the property. The Federal Government under the Community Housing Project funds common equity rental housing co-operatives.

Housing co-operatives comprise the largest group among the 250 co-operatives formed in NSW over the last 8 years. Nearly 15 percent of formations during this period were housing co-operatives.

3.4.2 Co-operative Community Council (CCC)

The CCC is a community development focused co-operative association based in southeast Queensland. Its activities include:

- Education and training initiatives,
- Community development workshops and seminars,
- Co-operative promotional activities, the production of newsletters, publications and videos on co-operative topics,
- Representation to Government on behalf of community co-operatives and other non-profit organizations, and
- Co-operative community networking and communication.

The CCC draws its members from co-operatives based in Maleny, in SouthEast Queensland. The first of the “Maleny” co-ops was the Maple Street Co-operative Society Limited, formed in 1979, to act as a sales outlet for fresh produce grown by the ‘new settlers’ in the area and for the farmers who wished to grow local fruit, vegetables or flowers. In 1984, some of the founders of the Maple Street Co-operative established a community revolving fund in the form of Maleny and District Community Credit Union Ltd. Its purpose was to provide credit for useful purposes for skill-rich but asset-poor newcomers and to present an ethical financial model.

In the following years other co-operatives were formed: a recycling co-operative; a women's co-operative to provide business training and assistance in micro-enterprise set-up and operation to rural women; several Community Settlement Societies, land-share co-operatives, a Club Co-operative; an Arts Co-operative; a Radio Co-operative; and a Community Learning Centre Co-operative.

These community co-operatives initiated the formation of the CCC in 1990. The CCC has organized a series of forums to assist officers from various Government Departments to understand the structure, functions and benefits of co-operatives, and has provided input into various State legislative processes, where it is now recognized as a valuable contributor.⁵⁷

The Co-operative Community Council and the Co-operative Federation of Queensland mirror the former legislative and administrative framework. Before the enactment of CCP legislation, separate Co-operative Acts, and government units existed for both community and agricultural co-operatives. Following the passage of the new legislation, the two administrative units were combined.

3.4.3 Asia Pacific Co-operative Training Centre

The Asia Pacific Co-operative Training Centre (APCTC) was founded in 1990 as an initiative of Australian Credit Unions, the general co-op sector, and the ICA. It was incorporated in Melbourne, but moved to Sydney and registered as a NSW co-operative in July 1995. The APCTC's mission is

- to provide the skills, knowledge and competencies which will enable directors and officers of co-operative and small and medium enterprises (and the financing system that support them) in Australia and the Asia Pacific region, to manage their activities in ways that are commercially successful and empowering to their primary stakeholders;
- to provide appropriate skills and competencies to all those who advise and train such personnel, and to build local capacity for on-going training;
- through training and consultancy services, to assist the creation, development and renewal of people-centred businesses that work to empower their members, beneficiaries, stakeholders and communities; and

- to practice a training philosophy that encourages personal responsibility for learning, combines personal and interpersonal development with career advancement, and reflects to local cultures and aspirations.

With the closure of the AAC in 1993, APCTC took over and developed the programme known as the Australian Certificate in Co-operative Management. It has run this programme a number of times in several Australia States. APCTC believe this certificate course “significantly changed the landscape of co-operative training in Australia by blending an understanding of the co-operative organizational model with the latest skills in corporate management, and this within a University accredited qualification.”⁵⁸

Several weekend courses for co-operative directors have been run in director skills and responsibilities. Other consultancies and training programmes have been provided for individual co-operatives, State Co-operative Federations and credit union bodies.

From 1993 to 1996 the Centre worked with the Co-operative Federation of NSW and the NSW Registry of Co-operatives on a number of projects including a series of seminars for community co-operatives and the annual Co-operative Key Issues Conferences. Since 1995, the Centre has focused on running programmes in several South Pacific countries, Thailand and New Zealand, which have complimented the Centre’s Australian based activities. It has developed the South Pacific Certificate in Enterprise Development delivered through the University of South Pacific Master of Business Administration programme. To enable it to deliver such programmes, currently in conjunction with the University of the South Pacific, it has sought and been granted Commonwealth Government funding from AusAid, Australia’s overseas aid agency.

APCTC has a governing board of directors drawn from the co-operative and credit union movement, and two full time staff.

4 Data and Methodology

For this analysis of the Australian States' role in co-operatives, information on various relevant events was collected from a variety of sources, supplemented by a literature search on co-operatives and the social economy. The methodology adopted consisted of

- Identifying critical features on the range of roles that States can play
- Identifying through time-lines, the impact of different changes on sector size and importance
- The development of a methodology tool of analysis of public policy from a co-operative and mutuals perspective by means of dynamic matrices.

The data and information used in this paper have been collected from various official sources. Moreover, it draws extensively on work done by researchers in related areas, especially as data on Australian co-operatives and the mutuals are not collected and maintained consistently. Often, the State has not seen such information as critical or collection as performance of a useful function. Regular analysis of data was not seen as a vital part of the process of understanding co-operatives. For example, the 1982 report of the Registrar of Co-operative Societies to the New South Wales Parliament states that “the statistical review of the operations of societies...has been discontinued due to the need to re-allocate the duties of reduced departmental staff.”⁵⁹

An examination of previous work also indicated that the impact of public policy on co-operatives was not sufficiently emphasised as one of the most critical factors for development of co-operatives. A view is developed in this paper that special methodologies are necessary for analysis of public policy on co-operatives and the broader social economy.

5 Historical Trends in the Role of the State in Co-operative Development

The State's role in co-operatives in the early years was based on a recognition of a "different type of entity" being used by the populace in Australia.

Government regulation of co-operatives commenced in 1865, when co-operatives were brought under the administration of the Industrial and Provident Societies Act. The Act provided for the establishment of societies where members "exercise in common any labour, trade or handicraft, except the business of banking."⁶⁰ The primary intention for the restriction of banking was to protect the investments of individuals. The application of the co-operative structure to achieve social and economic benefits was recognized with some caution: that higher risks associated with banking activities could not be borne through co-operative structures. Lewis (1992) concluded that this prohibition hampered the development of financial autonomy for co-operatives.⁶¹

During the late nineteenth century and early twentieth century, the State did not adopt a role of development of co-operatives. Rather, activities of co-operatives, especially friendly societies, were strictly regulated. The doctrine of *ultra vires* was rigorously applied to co-operatives, which resulted in restrictions on pursuit of other objects not specified for the particular type of co-operative in the legislation.

Agricultural co-operatives were in evidence, especially within the dairy industry, where more than 75 percent of dairy produce was co-operatively processed and distributed. However, there were conflicts with consumer co-operatives and accusations against agricultural co-operatives, as most of the produce was exported to overseas markets where prices were better,

causing shortages and high prices in domestic markets. Although the Registrar of Co-operatives and a few co-operators argued for a shared market, joining producers and consumers, co-ordinating domestic and foreign markets,⁶² the State opted for a model of market management via Statutory Marketing Authorities (SMA). The Registrar's role of arbitration and conciliation and his recommendations for managing marketing of rural produce through co-operatives failed to modify the image of producer co-operatives as being no better than private companies with a profit motive.

The Productivity Commission (1999) provides a slightly different version on the origins of SMAs. It states that "Statutory marketing arrangements have their genesis in voluntary co-operatives at the turn of the century. Through these co-operatives, groups of producers sought to increase their returns by controlling the processing and marketing of their produce. In the 1920s, faced with the threat of having returns undermined by other producers not party to these arrangements, the co-operatives sought, and gained, statutory backing for 'compulsory co-operatives.'"⁶³

Lewis (1992) describes this period from 1912 to 1925, especially in New South Wales, as one of conflict between various segments of the co-operative movement, when co-operative principles were subjugated to power plays between different sections of the sector—producer and consumer co-operatives. The result was a loss of opportunity for the co-operatives sector to influence outcomes and for entrenchment of co-operatives within the Australian economy and society.

In the early 1920s, the NSW Government initiated an examination of rural conditions and credit facilities available to the regions to undertake primary production. Rural settlement was another related issue and a series of conferences were held to determine possible solutions. One of the solutions selected through this process was to use co-operative structures to deliver various services to rural areas. The State played a clear participatory role in facilitating the flow of credit to primary production and rural settlement schemes through co-operatives and provided a legislative structure for supervision of co-operatives.

5.1 *The 1923 Co-operation Act*

The NSW Co-operation Act 1923 heralded a definite policy shift on co-operatives towards development, still within a regime of strict regulation. However, the creation of a separate registry for co-operatives resulted in a small group of State officials, who were committed to regular facilitation of co-operatives.

Some of the key events in the next 25 years, such as organization of various conferences to unite different traditions of co-operatives (agricultural and consumer); establishment of the Co-operative Institute in 1945 to conduct research and developmental activities on co-operatives; and the formulating of the ‘Stevens Scheme’ for housing co-operation, which led to the foundation of the modern NSW building society industry were all initiatives of the State, as represented by the Registry.

The Registry’s role was very important in the development of building societies in NSW. For example, in 1934, NSW Government legislated to indemnify loans raised by terminating building societies registered under the Co-operation Act 1923. The Registry also played a key role in the development of the Credit union movement helping mergers of weaker credit unions with stronger ones and generally, assisting with strengthening the movement.

While more resources were provided by the State to the co-operatives sector, controlling mechanisms were also used by the State. The Registry had a brief only to allow formation of co-operatives that, in the State officers’ opinion, would be successful, and with success being measured with criteria used to evaluate private organizations. There was also some evidence that the Registry may have refused registration to groups of disadvantaged persons, on the grounds of low probability of success of the co-operative.⁶⁴ Formation was done through adoption of rules approved by the Registrar, which entailed some financial expenditure. It was possible that groups of people, who wished to form small co-operatives for voluntary community activities, were discouraged due to the legalistic requirements and expenses.

5.2 *The Period 1925–1960*

During the period 1925 to 1960, the number of co-operatives grew gradually. A number of rural co-operatives were formed with Government assistance to increase food production with machinery; housing co-operatives being formed under several housing schemes; and fishermen's co-operatives being registered as trading societies.

The growth was mainly originated through unrelated State policies. For example, legislative changes in liquor licensing laws encouraged many licensed clubs to restructure as co-operatives.⁶⁵ Moreover, changing social conditions in the early sixties resulted in community advancement co-operatives being formed. Many community organizations in child-care, community health centres, women's refuges and pre-schools were established with financial support from the Government. Although most were incorporated as Associations, a significant number chose the co-operative structure to demonstrate their values: co-operation, democracy and freedom.

5.3 *Ministerial Portfolio Established*

A separate ministerial portfolio was established in the NSW Government in 1949. This was a consequence of the growth of co-operatives, particularly building societies, and extensive lobbying by proponents of co-operatives. Until its abolition in 1988, the NSW Department of Co-operative Societies, which included the Registry of Co-operatives, would be responsible for the regulation and development of the State's Building Societies, Credit Unions, Friendly Societies, Co-operative Housing Societies and General Co-operatives.

5.4 *Decline of Consumer Co-operatives*

The changes in the Australian society during the 1960s and 1970s, viz. shifting emphasis to marketing oriented production processes; wages adjustments according to rising cost of living by judicial processes; adver-

tising and promotion industry developments; emergence of supermarkets catering to a wide variety of new products; increasing of transport facilities; traditional shopping centres giving way to suburban chains; superior discounting and pricing policies being mounted by conglomerate merchandisers; etc. had implications for consumer co-operatives, which appear to have faltered in adjusting to the new conditions.

Moreover, the consumer co-operation had been limited by the sector itself to a narrow commercial circumference, often abrogating the broader co-operative principles. The result was the decline of the consumer/retail trading co-operatives.

5.5 From the Past to the Present

Governments in Australia, predominantly the NSW Government, have from the middle of the 1800s to the 1970s, played an important role in assisting, regulating and in some cases shaping the development of co-operatives. The changing role and direction of government over the last ten to twenty years, has, however, seen some of the previously widely held assumptions underpinning the relationship between public policy and co-operative operation and development questioned. To better understand this process, one needs to set government policy in the broader context of the social, economic and technological changes that have been occurring.

6 Australian Co-operative Public Policy

6.1 The Broader Environment: Pervasive Economic and Social Change

Australia, like most similar countries, continues to experience pervasive economic and social change. Our cultural and ethnic identity is being reshaped—gender roles and responsibilities are

being redefined. Patterns of work and consumption are being remodelled. Businesses are required to operate in competitive global markets.

The relationship between the public and private sectors is undergoing fundamental realignment—microeconomic and policy reforms are being introduced. Technologies are converging and becoming global in reach. Environmental concerns and sustainable development practices are increasing, as is the ageing of the population. Disparity in levels of incomes⁶⁶ and access to services between different groups and locations is evident.

6.2 *Individualism Holding Sway*

Tanner (1999)⁶⁷ identifies these processes of change as being driven to a considerable extent by the two profound political revolutions of the post World War II period: the 1960s social revolution and the 1980s economic revolution.

The sixties revolution was primarily driven by a desire for individual freedom. The forces of feminism, racial equity, sexual freedom and civil liberties were all, he suggests, founded on concepts of liberation. The undoubted gains of greater freedom for all has been, Tanner suggests, accompanied by greater isolation for many.

Society has gradually reorganized along more individualistic lines with widespread negative social and community consequences. Putnam (1993)⁶⁸ and Lyons (1999)⁶⁹ have argued that the current individualistic generation does not seem, in the USA and Australian cases, to be as involved, as members of community organizations as their parents and grandparents—therefore reducing the amount of social capital created. Fukuyama (1999) believes that while it is not conclusive that “either the number of groups or group memberships in civil society declined over the recent period” as suggested by Putnam, “what is clear is that the radius of trust has declined, and social ties have become less binding and long lasting.”⁷⁰

Tanner (1999)⁷¹ argues there is a need for new pathways to enable communities to connect to each other, new social institutions need to be developed or reinvented⁷²—Latham (1998) following similar themes suggests we need new forms of public mutuality.⁷³

The culture in which individuals and governments operate has a very important influence on the choices they make about how they organize their lives and choice to co-operate with one another. Fukuyama makes the point: “There are serious problems with a culture of unbridled individualism.... The first has to do with the fact that moral values and social rules are not simply arbitrary constraints on individual choice but the precondition for any kind of co-operative enterprise.”⁷⁴

The eighties revolution of tariff reduction, deregulation, privatisation, downsizing, competition policy and workplace enterprise bargaining is identified by Tanner (1999) as the other powerful force for individualism.⁷⁵ These broader social, economic and political forces, common throughout the world, have been reflected in the public policy of Australia Governments particularly during the 1980s and 1990s. Indeed, it has been observed that Australia, more than most other comparable countries, has been under the sway of this 1980s economic revolution. The effect these economic and social forces have on shaping co-operative development policies will be further explored later in this paper.

6.3 *A Conceptual Framework*

The introduction of these national policy agendas, either deliberately or inadvertently, targeted towards industries with a strong co-operative presence has represented an as yet unanswered policy challenge for the movement in Australia. How the co-operatives sector would cope with this challenge and whether the sector and its support structures have sufficient resources to overcome these policy constraints has been questions some researchers and co-operative practitioners are trying to resolve at this stage.

The process has passed the problem definition stage, with the dominance of individualism and the resultant empowerment of the markets: reliance on market powers to solve allocation problems—being seen as the major issue. The widespread unquestioned acceptance of the market philosophy even by the sectors affected and disadvantaged by its mechanisms, and its implementation especially in activity areas where such mechanisms may be inappropriate, would be the taproot of the problem.

The resultant move away from recognising the importance of the

entity in public policy has posed questions about the legitimacy of co-operatives and mutual structures. Only outcomes are seen as important, not the way the outcome is achieved.

The way the society organizes itself to achieve desired results is relying more and more on specific contractual arrangements that bestow time-limited obligations on the parties to the contract. A broad ownership base, democratic structures, member or community focus, service orientation and local or regional operation, all of which are characteristics of mutual type organizations, are not seen as vital, as values to be promoted in the changing public policy environment.

Despite the apparent completion of the problem definition stage, the stages of feasibility and analysis have only partially started. There has not been much literature on these issues in Australia although some of the works done overseas are getting exposure currently. While some groups of individuals recognize the problem and are attempting to design the possible resolutions, their approaches are from different directions: failure of social institutions, role of non-profits, social welfare and social work. The effort of the Australian co-operatives sector to address the problems has been minimal, their work being mainly concentrated on preserving some of the public policy gains from previous generations—negotiating to keep some benefits by trading away other concessions.

The wide variety of approaches needs to be co-ordinated and the disparities minimised, if there is any serious attempt to preserve the values and identity of co-operatives and mutuals. An expanded broader perspective that encompasses similar organizational structures and that would analyse broader issues as well as detailed areas such as applicable legislation, programmes and incentives is seen as necessary. One such approach could be to build on the social economy concept followed in a number of European countries. This concept is explored in Chapter 13.

6.4 Policy and Programmes Matrix

Co-operatives are broadly affected by public policy in three ways: as business entities or organizations; as enterprises operating in a particular trade or industry; and as co-operatives.

What has been observed is the trend to disregard co-operative type structures or treat them as generic organizations when developing policies for business entities and trading or industrial enterprises. There has been less and less distinguishing between different types of organizational structures and the values that they represent. There has also been an apparent reluctance to develop specific policy directed at co-operatives as co-operatives, with a preference to review co-operatives through other policies such as competition policy.

Like other businesses, co-operatives are affected, for example, by changes in interest rates, industrial relations, and the value of the dollar. What may be less obvious is that often, and without intent, co-operatives may be disadvantaged because legislation or fiscal policies fail to take account of their ways of operation and the differences between them and public and private companies.

Secondly, trade, industry or social policies can have a significant effect on existing co-operatives or opportunities for new formations. Recent moves to deregulate, particularly industries that have a strong co-operative or mutual presence may affect their future competitiveness and hence survival prospects. Co-operatives, because of their member base, may be, at least in part, disadvantaged in responding to these changes of policy and yet it may be important from the broader social and economic perspective that this form of democratic enterprise continues within a particular industry or region.

Policies of Australian governments toward co-operatives have been a mixture of different types of policy models in the spectrum described by Hoyt (1989).⁷⁶ While it may not be deliberate, more and more policies adopted appear to be destructive policies toward co-operatives, with latent potential to restrict or suppress co-operatives. At best, the policies adopted could be described as attempting to develop neutral policies that preclude preferential treatment of co-operatives. As existing mutuals and co-operatives previously enjoyed such treatment, removal of the concessions would only catalyse the processes of demutualization.

Supportive policies have been enacted towards co-operatives when some of the governments recognized them as development tools. Various development programmes described in this paper indicate some belief in

organization through values of co-operation as a policy tool and accordingly, provided services and incentives, which make the co-operative a attractive structural form by which to conduct business. The role that co-operatives can play was partially acknowledged and even used to achieve other objectives.

Whether some of the participating policies that led to direct government involvement in organising co-operatives and in supplying them with capital and management benefited the Australian co-operative sector is a question to be yet debated. Often, such policies tried to force a ready-made co-operative model, irrespective of the appropriateness of the structure. The final result had frequently been a discrediting of co-operative-type organizations.

In 1992, the United Kingdom Co-operatives Council (UKCC) identified three principal ways in which government policy bears upon co-operatives as co-operatives.⁷⁷

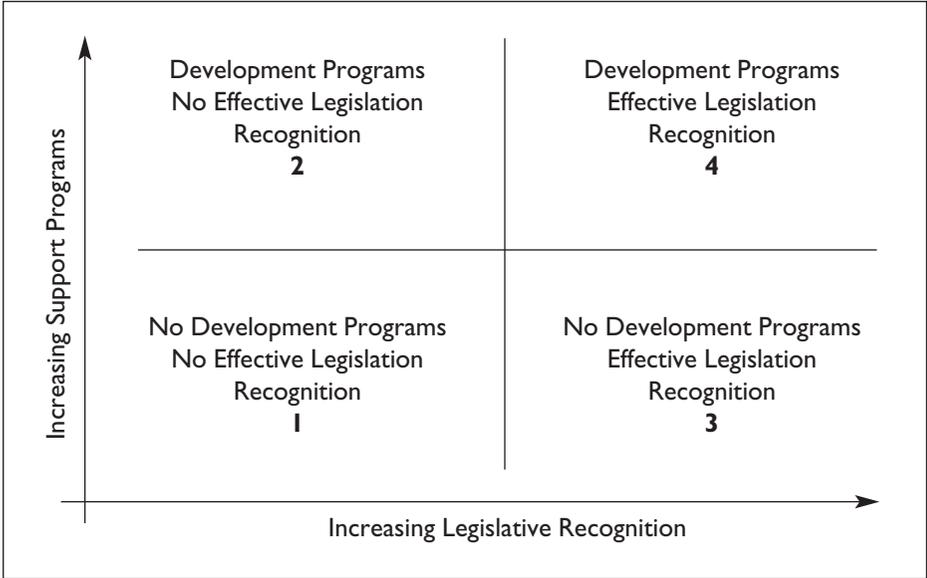
1. the legal framework in which co-operatives operate;
2. the different impact of policies upon co-operatives because of the ways they choose or are required to operate;
3. the attitude towards development of co-operatives in the interests both of their members, potential members and in the public interest.

All governments normally have a range of policy options available to them. Cronan (1995) represented co-operative public policy alternatives by the simple matrix on the facing page.⁷⁸

Cronan (1995) commented that in determining the most appropriate policy mix, a government would need to evaluate the capacity of the co-operative movement to fund its own development programmes, the appropriate degree of industry self regulation, alternative legislative and regulatory schemes and the extent to which co-operatives are part of the broader public policy agenda for economic and social development. The challenge is to develop a unified public policy view across all governments, which addresses the legislative and development issues.

Though the processes have been inconsistent, Australian public policy for general co-operatives has at times displayed aspects of each of these ap-

proaches. The State has used co-operatives, within a discrete legislative framework, as a vehicle for development programmes. However, it is difficult to identify the significant development of a relationship between industries and Governments that is totally based on co-operation.



There has been no recognition and acknowledgment similar to the US Capper-Volstead Act giving some anti-trust protection to mutuals and co-operatives. There have been only a few formal communications processes between Government and the sector aimed at development of a comprehensive policy on co-operatives. While governments have created consultative groups of co-operative representatives, the communication processes have been mostly limited to detailed areas of regulations.

Within such an environment, identifying policy alternatives poses significant difficulties to co-operative researchers and practitioners. Whether mutuality and co-operation as presently practiced could gain public policy prominence in Australia seems uncertain, specially as some of other organizational forms are mimicking the characteristics of member organizations in their marketing campaigns.

It seems necessary for co-operatives and mutual organizations to re-define themselves whilst emphasising the basis of their values. The questions would be, whose initiative is it to modernize and modify the expression of these values through organizational forms in an Australian context: is it the responsibility of the sector or is there a role that the State needs to play by developing and adopting suitable policies. Would governments assume fresh roles when the pattern has been to abandon the promotion of co-operative type organizations in the community?

The importance of values and co-operative methodologies is unquestioned, with much of the principles being restated using different terms, in other areas. What policy alternatives are available will be discussed in a later chapter.

7 Current Government Structure and Functions

7.1 *Federal System of Government*

The Australian Constitution of 1901 established a federal system of government. Under this system, powers are distributed between a federal government (the Commonwealth) and the six States—the two Territories; the Australian Capital Territory, and the Northern Territory have self-government arrangements. The Constitution defines the boundaries of law-making powers between the Commonwealth and the States/Territories. Local or municipal councils are the third-tier of government in Australia.

7.1.1 The Commonwealth Parliament and Government

The Parliament is at the centre of the Commonwealth Government. The Parliament consists of the Queen (represented by the Governor-General) and two houses (the Senate and the House of Representatives). These elements combine to make Australia a constitutional monarchy, a federation and a parliamentary democracy.

The party or parties with a majority in the House of Representatives forms the Government. At present, it is a coalition of the Liberal (LIB) and National Parties, (NP) with the Australian Labor Party (ALP) as the designated opposition. The Government does not enjoy a majority in the Senate.

The responsibilities of the Federal Parliament include defence and foreign affairs, interstate and international trade, commerce, taxation, competition policy, the banking and monetary system, and social security.

7.1.2 The Commonwealth Government— No Specific Co-operative Responsibilities

Unlike Canada and the USA—also examples of federated governmental systems—the Commonwealth Government of Australia has no separate administrative or ministerial responsibility for co-operatives. There are no Commonwealth Government public servants with any full-time responsibility for co-operatives. Nevertheless, some departments—Agriculture, Attorney General's, and the Treasury as well as agencies such as the Productivity Commission, the Australian Securities and Investment Commission (ASIC), the Australian Taxation Commission, (ATO) and the Australian Competition and Consumer Commission, (ACCC) and the new Australian Prudential Regulatory Authority—may on occasion be involved in examining particular co-operative matters.

Co-operative issues are also discussed in the Commonwealth Parliament. Examples, since 1996, include:

- The debate in 1998 in the Senate surrounding the decision to structure the deregulating Australian Wheat Board as a corporation, rather than a co-operative.⁷⁹
- Debate on the socio-economic consequences of National Competition Policy.⁸⁰
- The Government announcement, by the Treasurer, of the proposed repeal of certain taxation concessions for agricultural co-operatives.⁸¹
- The proposals affecting co-operatives in the context of the Ralph Inquiry into Business Taxation.

- Financial Sector Reform, this legislation transfers responsibility for the regulation of Credit Unions, Building and Friendly Societies from the States to the Commonwealth.⁸²

It is argued that the lack of a co-operatives unit or responsibility within the Commonwealth Government administration has meant that there is no co-ordinated and unified view offered on how these changes may affect co-operatives. Given this lack of strategic policy advice it is not unexpected that co-operatives were neither taken account of nor included within broader national economic and social goals.

7.1.3 Agricultural Focus

The Commonwealth Government Department which has had the most direct and long-term relationship with the general co-operative sector has been Primary Industries. This department, now known as Agriculture, Forestry and Fishery Australia (AFFA), has over the last twelve years provided financial support to a number of projects which had a co-operative component, including:

- Funding for the former Centre for Co-operative Studies in Agriculture
- A number of studies on co-operatives in the Australian dairy industry
- Financial assistance to the former AAC, NSW Co-operative Federation, and Monash University, amongst others, for co-operative training and educational programmes
- Funding for the development of feasibility studies and business plans for individual co-operatives under a variety of industry and commodity programmes
- Supply Chain Management Programmes
- The promotion of farm forestry co-operatives

While a number of these programmes have included co-operatives, the focus has not been, necessarily on co-operatives as co-operatives, rather on co-operatives as one of a number of structural options available to agricultural producers, processors and marketers.

A good example of this approach is spelt out in the Government's Chains of Success⁸³ publication. It contains "case studies on international

and Australian food businesses co-operating to compete in the global market.” In the foreword, the two responsible Commonwealth Government Ministers with an interest in the supply chain programme, note their key message is:

That it is smarter to co-operate rather than compete with other supply chain members, with the aim of becoming competitive against other chains. Future competitiveness will increasingly depend on participation in, and improved management of, global supply chains. This can be achieved through ownership, but also through knowledge of the chain’s operation and the development of alliances.

Building long term relationships with customers means sourcing supplies from around Australia and overseas to guarantee year round supplies. Serving the needs of end users for consistency, quality, variety and volume will often require Australian producers and exporters to combine their resources through informal alliances or more structured organizations such as co-operatives and producer controlled companies.⁸⁴

A number of Australian and international co-operative case studies are featured in this publication.

The Commonwealth Government recently increased funding for supply and demand chain management programmes.

7.2 *States and Territories Governments*

Responsibility for the regulation of co-operatives resides with the States and Territories, and all State and Territory Governments have at least one part-time Government officer responsible for co-operatives. The majority of these administrative units are now contained within departments concerned with fair trading, consumer protection and competition issues—for example in NSW, the Registry of Co-operatives is within the Department of Fair Trading, in Queensland the Registry of Co-operatives, is within the Department of Equity and Fair Trading. The approximate staff numbers for each State or Territory are as follows:

NSW	33 (38 if CHSs are included)
Queensland	6
Victoria	10
South Australia	3 (although not all full-time)
West Australia	1 (although not full-time)
Tasmania	1 (although not full-time)
Northern Territory	1 (although not full-time)
ACT	1 (although not full-time)

In total 61 part- or full-time officers are involved in co-operative regulation, (and development)—NSW has 62 percent of these government resources regulating 80 percent of the co-operative sector turnover.⁸⁵

7.3 Registry of Co-operatives Model

The roots of Australia’s parliamentary system lie in Britain, which brought with it a British model for regulation of various activities including Registries of Co-operatives. The English Registry of Co-operatives model that exists in Australia is shared with a number of other Asian and Pacific countries.

The NSW Registry of Co-operatives is the oldest and largest in Australia. It traces its origins to 1873 when the Registry of Friendly Societies was established in Sydney. The Registry’s role was to supervise mutual and co-operative entities—its creation commenced the long relationship between government and the movement in Australia. Current activities of the NSW Registry broadly include:

- Compliance, inspection, monitoring of viability
- Registration of documents and formation of co-operatives
- Development of and advice on legislative policy
- Advisory support services.
- Support for the Co-operatives Council

In NSW currently, the Director-General of the department within which the Registry resides, assumes the role of the Registrar of Co-operatives.

7.4 *Regulatory Role*

The NSW Registry of Co-operatives acts as the regulatory authority on behalf of Registrar in relation to corporate registration and governance matters with respect to co-operatives registered under the NSW Co-operatives Act 1992. The Registry has a range of functions in relation to co-operatives, some of which are concerned with the mutual nature of these organizations, others are similar to those exercised by other corporate regulatory bodies such as the ASIC. The Registrar's functions are found in the Co-operatives Act and Regulations and in Corporations Law: Broadly, the Registrar has a regulatory role under the following headings:

- Formation and registration of co-operatives
- Registration of foreign co-operatives
- Hearing of disputes, in certain cases, between members and co-operatives
- Registration of rules and alteration of rules
- Accounting and audit requirements for co-operatives
- Maintenance of public registers:
 - Co-operatives
 - Rules
 - Annual returns
 - Charges
 - Other documents required to be filed/lodged with the Registrar
 - Various approvals of the Co-operatives Council and the Registrar, as necessary
- Mergers of co-operatives
- Approval of various prospectus type documents under the Act:
 - Compulsory share issues by co-operatives
 - Schemes of arrangement
 - Formation of co-operatives
 - Issue of Co-operative Capital units
 - Any matters requiring a special postal ballot of members
 - Offers by co-operatives to accept deposit from members
- External administration of co-operatives
- Inspections of co-operatives

- Conduct of inquires into the working and financial condition of co-operatives
- Conduct of formal investigations
- Conduct of prosecutions for offences
- Winding up of co-operatives

Inspections

The frequency of inspection has varied over the years; however, on average every NSW co-operative is inspected once every four years. Higher risk or larger co-operatives are inspected more frequently. Regular desk monitoring of all NSW co-operatives is carried out upon the submission of their annual return. This pro-active methodology contrasts somewhat with the more prosecution-based strategy followed by other Australian regulatory agencies.

8 Legislation

It is widely appreciated that legislation is an expression of co-operative public policy. In describing the American situation, Cobia expressed it in the following words: “State and federal legislation establishes the institutional framework in which corporations, including co-operatives operate. These statutes dictate the manner of organization; rights bestowed upon them, method of taxation and set certain limits on the conduct of the business.”⁸⁶

The importance of good public policy and legislation for the development of the co-operative movement was highlighted in the recent report of the United Nations’ Secretary General to the General Assembly—this report will be discussed by the General Assembly in late 1999.⁸⁷ It draws on draft guidelines prepared by the Committee for the Promotion and Advancement of Co-operatives, (COPAC).

The guidelines are aimed at creating a supportive environment for the

development of co-operatives. They emphasize that co-operatives should be recognized as legal entities and assured real equity with other types of associations and enterprises. The COPAC guidelines provide a framework against which the current legislative environment of a particular country can be evaluated.

The Secretary-General's Report⁸⁸ notes that in federal systems of government, the division of legislative powers between the federation and its constituent members is rather difficult. As a rule, co-operative legislation is a state government matter, but there are cases where laws governing co-operatives, particularly those which operate in several states, are regulated at the federal level. This would appear to be, in part, true, for countries such as India, USA (with the Capper-Volstead Act), and now Canada with its new 'national' co-operative legislation.

The Commonwealth Government has no direct responsibility for general co-operative legislation. This contrasts with recent developments affecting financial co-operatives. In this case, they were brought under a common Corporations Law framework along with other financial institutions.

For general co-operatives, however, it is rather that the States and Territories are trying to follow a mutual recognition model, developed for other legislation in Australia. Under this arrangement the States/Territories have agreed to a national scheme which they will administer and control, but for which the Commonwealth has no direct responsibility. The Commonwealth has, nevertheless, a direct involvement in areas of legislation, which affect the operation and development of co-operatives.

8.1 Commonwealth Government

8.1.1 Taxation

Division 9 of the Income Tax Assessment Act (Tax Act), deals with co-operatives. In a few short sections, it defines what it is to be a tax 'co-operative.' This includes provisions that a co-operative, to qualify as a co-operative for tax purposes, must do 90 percent of its business in any one

year with its members, and that its shares must not be traded on a stock exchange. Currently, surpluses retained within such a co-operative are not taxed, but dividends distributed to members are taxed at the member level.

The Tax Act also provides for the availability of deductions for dividends paid by co-operatives and in Section 120(1)(c) enables an agricultural co-operative to claim against income earned deductions for the principal repayments of loan obtained from 'government' subject to certain conditions.

The tax legislation incorporating as it does the 'principle of mutuality'—namely that one can't made a profit from trading with oneself—and a definition of a co-operative, at least for tax purposes, probably represents the longest standing public policy statement on co-operatives by the Commonwealth Government. It has been previously noted that those sections of the Tax Act dealing with co-operatives have remained virtually unchanged while there continues around it perhaps the most expansive series of taxation changes in the history of Australian taxation system.⁸⁹ This, however, is about to change.

The Ralph Inquiry

As has been mentioned elsewhere in this paper, the Australian business taxation system has recently been reviewed and is about to be changed. The Federal Treasurer announced the Review on 14 August 1998, stating that it would make recommendations on the fundamental design of the business income taxation system, the processes of ongoing policy making, drafting of legislation and the administration of business taxation. The recommendations will be consistent with the aims of improving the competitiveness and efficiency of Australian business, providing a secure source of revenue, enhancing the stability of taxation arrangements, improving simplicity and transparency and reducing the costs of compliance.

Main Policy Thrust—Economic Substance over Form

"A Strong Foundation," the Ralph Committee's first discussion paper, suggested that one of the policy design principles of any new tax legislation should be economic substance over form: "Economic transactions should be taxed on the basis of their economic substance—not their legal form. If

there are tax advantages in deriving income through one type of entity rather than the other, that result puts form (the type of entity) before substance (economic income).”⁹⁰

The Secretary of the Review of Business Taxation confirmed the policy direction of the review in a reply to the CCA. The secretary’s comments were quoted in the CCA’s written response to “A Strong Foundation” Discussion Paper. He stated: “A New Tax System, (the preliminary Issues Paper prepared by the Government) indicated that the Government intended to apply the same redesigned company tax arrangements to co-operatives as to other entities offering limited liability to their owners, such as other companies, trusts and limited partnerships. Those redesigned arrangements would supersede unique tax rules for cooperatives.”

In its second discussion paper, “A Platform for Consultation,” the Committee summarised the issues, as they saw them, for co-operatives:

A Case for Reform

Different arrangements currently apply to the taxation of various types of co-operatives. Some are taxed wholly like companies, others (‘tax co-operatives’) are taxed mainly like companies although with some differences. The alternative treatment has contributed complexity to the current system, as well as uncertainty, as co-operatives need to meet sometimes-imprecise criteria to attract the alternative treatment.

A Strategy for Reform

To tax all co-operatives like other companies under the redesigned imputation system, which would remove the problems associated with the current alternative tax rules and improve the consistency, simplicity and clarity of the tax system.

It identified three key policy issues/questions:

Question: How would dividends from tax co-operatives be affected?

Answer: The redesigned imputation system, with refundable imputation credits, would result in the same overall tax payable as now on distributions to taxable members

Question: How would rebates and bonuses provided by tax co-operatives be affected?

Answer: Treatment of the rebates or bonuses received would differ depending upon whether they are linked to commercial operations of each individual member undertaking business with the co-operative or whether provided in their capacity as a shareholder. If received in a shareholder capacity, they would be either treated as a distribution or subject to Fringe Benefit Tax rules. Where received on a commercial basis, the general deductibility provisions would apply.

Question: Should tax co-operatives be treated differently on the basis of the mutuality principle?

Answer: Although co-operatives are established according to broad principles of mutual involvement and participation, this does not mean that the tax principle of mutuality applies to them.

The CCA responded to the second discussion paper. In its submission, it stated that: “The Council has outlined the operations of Co-operatives and the basis under which they are currently taxed and reiterates its previous opinion that the retention of the principles and practices of Division 9 of the current taxation legislation should not only be retained but should be enhanced.”

Apart from the CCA, a number of other ‘co-operative’ submissions were received by the Committee, including one from the Queensland Government in relation to Section 120 loans:

It is the Queensland Government’s view that:

Section 120(1)(c) of the Income Tax Assessment Act 1936 provides a tax deduction to co-operatives for the repayment of loans provided by the Commonwealth or a State. A decision on the retention of this concession should take into account public policy considerations including the likely impact on affected industries.

An assessment of the continuing policy relevance of the concession would be required before a decision could be made on this issue. Any

such assessment should take into account the structure of the concession including the level of assistance provided, the eligibility criteria and the restriction to borrowing from Commonwealth and State authorities.

The Commonwealth Government introduced in November 1999, draft legislation implementing many of the recommendations contained in the final Ralph Committee's report. Section 120(1)(c) loans will remain in the legislation, although subject to later review. It appears that the remainder of Division 9 will be amended, so that a co-operative will be treated in a similar fashion to other corporate entities, particularly in the distribution of surpluses by way of dividend. In effect, the public policy recognition of co-operatives as separate and discrete legal entities, different from other corporate forms, will probably cease.

8.1.2 Competition Policy

In April 1995 Australian Governments—Commonwealth, State and Territory—all signed the Competition Principles Agreement. Under this Agreement, governments are required to review their respective legislation with the view to removing anti-competitive provisions where the costs outweigh the benefits. The Agreement grew out of a review, which became known as the National Competition Policy Report, or Hilmer Report, carried out for the then Labor Party National Government.⁹¹ All governments in Australia, irrespective of political party, gave support at the time to the National Competition Policy, the main elements of which include:

- The reform of public monopolies and separation of regulatory or other activities from commercial activities that can be subject to competition
- Introducing price oversight of Government monopoly businesses
- Reviewing legislation with a competitive impact
- Reviewing local government activities to stimulate more effective provision of services

Legislative Review

Governments are required to identify and then review legislation which may potentially have a competitive impact. In NSW this has included agri-

cultural marketing legislation in the dairy, rice, sugar and grains industries. In a number of these industries, co-operatives are significant market players. In some cases, rice for example, the co-operative because of its close relationship with the Rice Marketing Board has benefited through single desk selling into the international market. Such relationships have been required to be examined by governments.

Apart from specific industry legislation, under which some co-operatives have operated, State Governments have also been obliged to review their co-operative legislation. As noted elsewhere in this paper, the NSW Government decided not to release a 'whole of government' co-operative policy discussion paper until a competition policy review was completed for the Co-operatives Act.⁹²

Australian Competition and Consumer Commission

The chair of the ACCC Allan Fels has noted that:

A co-operative by its very nature represents an agreement between competitors and as such may have anti-competitive consequences, in that the agreement may, for example, lead to a substantial lessening of competition. In such instances, the agreement is illegal unless authorised on public benefit grounds. For example, if all or most of the producers of a particular product in a market formed a co-operative that may be of interest to the ACCC...

In considering the matter, the Commission would look closely at the rules of the co-operative, particularly restrictions on the ability of members to supply customers other than via the co-operative. The market power, which arises from such, a coalescing in a co-operative of the interests of producers may also create the opportunity for the resultant co-operative to engage in anti-competitive conduct. This is particularly likely where the co-operative is a substantial business, as many are, and is able to exercise significant influence on the market in which it participates.⁹³

The focus of the ACCC is on marketplace behaviour. From their perspective it is a competitive marketplace which is of importance in delivering real benefits to consumers, businesses and the economy as a whole—it

is less important to distinguish between different forms of entity operating in the marketplace. Münkner observing the Australian situation, commented that “When dealing with co-operatives under competition law, two different laws come in conflict. The co-operative law being an organizational law but also a law governing the behaviour of people.... Competition law is law on behaviour of undertakings in a market economy.” He suggested that it is necessary to “Define a proper relationship between co-operative organization and competition law to find a compromise and to balance the demands of co-operative law against the demands of competition law.”

In spite of some questioning in recent times, national competition policy has been very dominant in public policy over the last decade in Australia.

Trade Practices Legislation

The Trade Practices Act, (TPA) which is Commonwealth legislation, does not specifically refer to co-operatives, but rather treats them in a similar manner to other forms of business. Public policy does not, therefore, spell out the relationship between co-operatives and competition policy in the legislation. Fels notes that the important issues for co-operatives as co-operatives relate to agreement to form the co-operative, the rules the co-operative impose on its members and mergers between co-operatives. The State co-operative regulators are involved in these matters to the extent that approvals may be required under their Acts to register rules and new co-operatives. In NSW case, at least, one of the requirements is that new co-operatives will operate in accordance with co-operative principles.

The TPA prohibits the practice of exclusive dealing in various ways as described in Section 47 of the Act. However, Section 51 exempts from the operation acts or things which are specifically authorised or approved by State legislation.

8.1.3 Corporations Law

ASIC has responsibility for the day-to-day regulation of Corporations Law in Australia. The Commonwealth Treasury, along with representatives of

State Governments, has a policy responsibility for the development of Corporations Law in Australia. A Ministerial Council for Corporations (MINCO) comprised of Commonwealth and State Government Ministers has overall responsibility for the scheme.

The Corporations Law has both a direct and indirect influence on the interstate operation and fundraising of co-operatives in Australia. Government officials from Treasury have an interest in the regulation of these activities, along with ASIC, as well as involvement in the development of the new CCP arrangements.

8.2 State/Territory Governments

Each of the States and Territories in Australia has enacted general co-operative legislation.

8.2.1 1992 NSW Co-operatives Act—Key Features

The NSW Co-operatives Act 1992 is the result of an extensive review of the Co-operation Act 1923 carried out during 1989/90. Before this review, the legislation had not been significantly amended since its enactment. The legislation was amended again as part of the new national core consistent provisions scheme. The relevant head and subordinate legislation includes:

- Co-operatives Act 1992, as amended
- Co-operatives (General) Regulation 1996
- Co-operation (Accounts and Audit) Regulation 1988
- Corporations Law, with respect to certain provisions applied by the Act or regulations.

Factors underpinning current legislative trends include:

- Provision of a framework giving co-operatives greater commercial freedom to respond to competitive marketplace pressures, (the doctrine of ultra vires no longer applies to co-operatives), while maintaining and reinforcing co-operative identity, including the ICA principles and active member control, this later mechanism involves the forfeiting of shares and membership when a member becomes inactive

- Greater skills, accountability and responsibilities expected of co-operative directors and management. Simply expressed the model is for external or third party dealings Corporations Law or similar provisions apply, for matters of internal governance co-operative practices and values are applied.
- Enhanced disclosure and reporting requirements, particularly for external fund raising, takeovers and conversions, sale of part of the business of winding up of the co-operative. The legislation does not for example prevent the conversion of co-operatives into IOF rather it seeks to ensure that members make this decision after being fully informed.
- Provisions designed to promote capital mobilisation within co-operatives, particularly through a form of external equity/debt instrument known as Co-operative Capital Units, (CCUs). The typical co-operative in Australia tends to be structured around an ordinary share base. The NSW Act allows for a variety of shareholding models built around this structure. The Act has not set out to prescribe a preferred or optimal capital structure for co-operatives. Rather it attempts to provide sufficient flexibility to enable individual co-operatives to use the legislation and tailor a capital structure, which meets their members' needs, satisfies particular industry or commodity requirements and is consistent with co-operative principles.
- The retention of the Co-operatives Council, which provides advice to the Minister on co-operative development and the promotion of the principles and exercises certain discretions under the Act.

In the 1992 Act, the objects of the legislation were explicitly stated. Section 3 of the NSW Act sets out the objects. This statement of legislative intent had not previously appeared in Australian co-operative legislation; it sets the parameters within which the Act is to operate. The objects include:

- (a) to enable the formation, registration and operation of co-operatives;
- (b) to promote co-operative philosophies, principles, practices and objectives;
- (c) to protect the interests of co-operatives, their members and the public;
- (d) to encourage and facilitate self-management and self-regulation by co-operatives at all levels; and

(e) to encourage the development and integration of the co-operative sector.

The 1997 Co-operatives Amendment Act (NSW) modified slightly the existing objects and added a new one, emphasising director accountability to members.

8.2.2 Core Consistent Provisions Legislation— A New National Framework—Key Features

The “Core Consistent Provisions” include the following policy features of the NSW legislation: the International Co-operative Alliance’s statement of co-operative principles, including one member one vote; active membership provisions; the abolition of the ultra vires doctrine; director responsibilities comparable with those applying to company directors; orderly takeover procedures, enhanced enforcement powers, consistent offence and proceedings provisions and enlarged disclosure requirements where appropriate.

- Hybrid equity models
- Interstate trade
- Interstate mergers
- Shared regulatory responsibilities

9 NSW—Two Decades of Co-operative Development Initiatives

Over the last two decades there have been a number of government-sector co-operative development initiatives in NSW. One of the common characteristics of these programmes is their comparatively short life-span. Some achieved a measure of success. Collectively, they demonstrate a variety of approaches and motives: most were government initiated and almost all involved the provision of government resources.

9.1 *Worker Co-operatives Programme*

In November 1978, the NSW Government launched a programme for work co-operatives; designed mainly to counteract unemployment among youth. The principal aim of the programme was “to assist groups of people to establish independent viable businesses in which ownership and control is vested in those who are actually working in the businesses, and is exercised in a democratic manner.”⁹⁴

In late 1981, the financial arm of the programme established the Common Ownership Finance Pty Ltd, as a subsidiary of the former Co-operative Federation of NSW. A Common Ownership Development Agency (CODA) was also formed later in the year to provide technical assistance to co-operatives established under the programme. These agencies had similarities with the Industrial Common Ownership Movement (ICOM) and Industrial Common Ownership Finance Corp (ICOF) in the UK.

The programme established 21 work collectives, nine of which were registered under the Co-operation Act.

Programme Evaluation

Jamrozik and Beck (1981), who evaluated the programme, stated that worker co-operatives could have a place in the small and medium business sector, provided a crucial role in facilitation is played by the State. They concluded that the programme had advantages as a job creation programme as it operated on both sides of the labour market; ie. finding new markets on the demand side while providing training and organizational aspects for participants.⁹⁵

The recommendations made included expansion of the education and promotion programmes so that worker co-operatives could be seen as an alternative form of economic and social organization. The researchers also pointed out the need for a different basis for comparison of financial performance of co-operatives with that of the private sector businesses. However, in 1983, the Registrar of Co-operatives described the programme as a failure,⁹⁶ due to the registered co-operatives originating under the programme making losses or being liquidated.

Greer (1981) observed that “co-operatives of any type are not a solution to ‘short-term youth unemployment,’ a role for which they are so readily but mistakenly cast. Co-operatives create and maintain long-term employment opportunities by operating viable business enterprises.”⁹⁷

Pixley (1992) provides a different interpretation, arguing that worker co-operatives “were promoted expressly in order to restructure power relationships by dispensing with management hierarchies and instituting direct democracy.”⁹⁸

The implication is that the Government promoted worker co-operatives as a cheaper way to defuse criticisms of inactivity to alleviate youth unemployment. Pixley concludes that it was “highly unlikely that agents of the state would have ever extolled the virtues of co-operation without the impetus of the employment crisis and the turn to deregulation and privatisation.”

On the other hand, Wickremarachchi (1997) suggests that Government policy formulation in Australia being often reactive rather than proactive, State promotion of worker co-operation would have needed some strong impetus such as high unemployment. Contrary to Pixley’s arguments, he concludes that State involvement was not the cause of failure of the programme. The more significant factors were the commercial viability of the chosen ventures and the opposition of the unions.⁹⁹

The Trade Union View

The Labor Council of NSW adopted a sympathetic policy towards the programme, stating that it supports the development of a genuine worker co-operative movement in NSW. However, the statement contained protection of unions’ rights, stating that employees of worker co-ops should be guaranteed the union rights, i.e., to join and hold office in a union as well as being represented by a union. This approach indicates that the Council probably saw no difference between companies and worker co-operatives. Jensen (1994) stated “since the 1890s, trade unions have not seen worker co-operatives as a valid strategy except in crisis situations to prevent factory closures.”¹⁰⁰

The unions saw worker co-operatives as only a ‘supply-side’ solution to

unemployment. Organising workers to manage the workplace was seen to be undermining the ‘awards’ as the worker-owners are not expected to receive a fixed wage—a prevalent view that worker co-operatives make capitalists out of workers. Wickremarachchi (1997) was of the view that “the very strength of the unions in Australia, with their ability to negotiate pay awards, and the attitudes of workers who use that strength to bargain strongly, presents a dilemma for promoters of worker co-operatives. This would partly explain the lack of a worker co-operative tradition in Australia. What would compel workers to leave a satisfactory working environment (created by unions) with guaranteed pay, only to assume work with a high-commitment that may not pay well initially?”¹⁰¹ As Pixley states, “promoters of worker co-operatives made an assumption that the need to control one’s whole life—in the broad sense including the workplace—was a popular need... (and that the necessary... high level of commitment cannot be imposed from above.”

As Jensen states, the Australian Council of Trade Unions, (ACTU) with the Accord and initiatives in award restructuring and enterprise bargaining, was, at the time, ideally placed to introduce co-operative enterprises on the national trade union agenda.

Bottom-Up Approach Needed

Wickremarachchi suggests further development of worker co-op should depend primarily on the initiatives of workers themselves. A bottom-up approach to policy development is needed rather than the top-down approach adopted in the early eighties for development of worker co-ops.

Commercial viability of the ventures should be another major factor in the formation of worker co-ops. Skills of workers may not be sufficient to succeed without proper market assessment; commitment of workers may not be adequate to succeed without a business plan; and employee buy-outs may not succeed if the life cycle of the organization is over.

9.1.1 Worker Enterprise Corporation

The worker co-operatives programme culminated in the establishment of the Worker Enterprise Corporation (WEC) in October 1985. WEC offered

assistance to groups of individuals skilled at manufacturing or providing a service to work co-operatively.

WEC assisted employees in businesses faced with closure, merger, re-structure or takeover to buy-out subsidiaries or divisions, as well as groups that had the potential to start a new venture. Advice was provided on ownership options: forming a worker co-operative, organizations with worker shares or other forms of co-operative ownership. Financial assistance was provided in the form of long-term, low-interest loans, overdraft guarantees for short-term needs and small specific purpose grants, usually for establishment. Technical assistance was provided through a team of business advisers that worked closely with the newly formed co-operative over the initial establishment period. WEC ceased operations in 1989, and very few of the co-operatives formed under this programme survive today.

The latest worker co-operative initiative, in NSW, was the Worker Enterprise Taskforce, established in 1994. This is considered separately later in the report.

9.2 Ministerial Council on Future Directions of Co-operatives

In October 1986 the Minister, (Debus), created the Ministerial Council on Future Directions for Co-operatives (Ministerial Council). Chaired by the Minister, it comprised 20 sector representatives and 11 government officials. The sector representatives were drawn from all parts of the state's co-op movement including, AAC, WEC and Credit Union, Building Societies, Co-operative Housing Societies and the Friendly Societies. Representatives of the Advisory Committees, established pursuant to the various NSW co-operatives Acts, both general and financial, and officials from relevant government departments were also included. This was the first time a forum, including such a wide range of co-op sector and government representatives, had been established¹⁰² in NSW.

The task of the Ministerial Council was to examine options for the sector's development. Eight task-oriented working parties were established to consider issues including:

- Legislation
- Research and Statistics
- Education
- Economic Interaction between Co-operatives
- Internal Financing
- Marketing Development

The activities of the working parties were co-ordinated by a small secretariat—the working parties reported regularly to the Ministerial Council, which met on a quarterly basis.

In November 1987 the Minister (Debus) indicated that the Ministerial Council together with the restructured Department of Co-operatives¹⁰³ had already begun producing policies which complemented the Government's objectives of economic development, employment growth and social equity.¹⁰⁴

Policy Statements

The Ministerial Council produced policy statements on:

- Future Directions for Co-operatives
- Economic Interaction within the Co-operative Sector
- Marketing: A Strategy for Survival
- Education and Training for Co-operatives¹⁰⁵

Future Directions

The Future Directions Policy Statement issued in May 1987 recommended that the ICA co-operative principles, which had been recently incorporated in amendments to the NSW Co-operation Act 1923, be included in all relevant Acts of Parliament. Further, that uniform legislation for each of the co-operative sectors be introduced throughout Australia. The statement recognized that a number of matters affecting the co-operative sector were the prerogative of the Federal Government. It recommended that the NSW Government make representations to:

- The Prime Minister to allocate ministerial responsibility for the co-ordination of the national promotion and development of the co-op sector.
- The Minister for Primary Industries to seek his consent to create an

Agricultural Co-operatives Services Bureau with responsibility for research, extension, promotion and publications, co-op development and policy formation and development of co-op education programmes.

These recommendations proposed the establishment of national structures similar to those existing in Canada, the Co-operatives Secretariat; and in the US, the Department of Agriculture's Rural Business—Co-operative Services.

Economic Interaction within the Co-operative Sector

This policy statement notes that: "the co-operative sector represents a very significant market in its own right. The lack of cohesion within the sector is reflected by the lack of advantage taken by the sector of itself as a market."¹⁰⁶

Included within a number of policy recommendations designed to encourage greater co-operative to co-operative trade was the suggestion that an: "opportunity exists to commence nation to nation dialogue between our respective co-operative movements. Only recently a representative from the Italian Co-operative movement visited Australia to explore the potential of inter-co-op trading between Italy and Australia."¹⁰⁷

The possibility of international inter-co-operative trade has been a re-occurring theme in a number of co-operative development programmes of the last ten years. The Ministerial Council sponsored two specific activities designed to encourage greater economic interaction within the co-operative sector:

- A trade directory 'Co-ops in New South Wales: A Guide to Who they are, What they do, Their Products and Services.'
- A Co-operatives Seminar and Trade Fair which was designed not only "to bring to public attention the product and services of hundreds of NSW co-operatives, but also to bring the co-operatives themselves closer together."¹⁰⁸

Marketing: A Strategy for Survival

The main recommendation of this policy statement concerned the establishment of a "Marketing Exchange" comprised of marketing expertise

from within the co-operative sector. Although some marketing related activities were undertaken on behalf of the Ministerial Council this proposal was never fully implemented.

Key Differences from Other Co-operative Sector–Government Strategies

The Ministerial Council, in a similar vein to other development initiatives considered throughout this paper, acknowledged the importance of legislation, education and financing issues, for Australian co-operatives. It added economic interaction within the co-op sector to these priority topics.

At the time of the Ministerial Council’s establishment, all segments of the co-operative movement in NSW—general and financial—were under the administration of one government department. Building on this administrative platform, the Council was able to achieve something the movement had not previously attempted—it created a forum for representatives from all parts of the movement. Whether the broader co-operative sector gained from this government facilitated ‘unity’ is unclear. In any case, the situation changed in the early 1990s with the result that it was harder for later government sponsored co-operative development strategies to administratively facilitate such an inclusive movement wide forum.

Windschuttle Report

In early 1988, the Ministerial Council commissioned Keith Windschuttle to produce a publication which would:

- Demonstrate the size and significance of the co-operative sector
- Study its potential contribution to economic growth and development in NSW
- Recommend policies that will further the growth of both the co-operative sector and the state economy as a whole.

Windschuttle concluded that “the future contribution that co-operatives will make to the state economy depends on how they respond to the emerging environment.” He suggested the framework within which the future will be shaped have five main components.¹⁰⁹

- Producer co-operatives, particularly in rural processing need to modernize to take advantage of the modern marketing environment.

- It is more important than ever, given the deregulating financial services sector, that diversity of lending sources through Building Societies and Credit Unions are maintained particularly for low to middle income earners.
- Worker co-operatives and employee buy-outs have a part to play in the revival of the manufacturing industry.
- Co-operative processing and marketing organizations are recognized as one of the traditional strengths of the rural economy in NSW. Co-operatives have the potential to help the uneven impact of economic restructuring that has characterized the past decade by joining other key players in programmes for local economic research, investment and employment.
- Several areas were identified as containing the potential for future economic interaction within the co-op sector. They included: cross trading between co-operatives; the development of overseas trade through the international co-operative movement; and cross investment from finance co-operative to rural, trading and employee co-operatives.

The recommendations outlined in this report were set within the context of the Government's "Growth Prospects in State Development Strategy." The State Development Strategy identified growth opportunities in the primary, secondary and tertiary sectors of the State's economy. A matrix was developed showing the distribution of co-operatives against the areas of potential growth—the effect was to link co-operatives to broader government strategies of development. This was an attempt to "mainstream" co-operative development within a wider, "whole of government" context. Following the change of government in 1988, new state development strategies were initiated. The result was that the methodology enunciated in Windschuttle's was not further developed.

Feasibility Study into Regional Development Bond Facility

In September 1989, a discussion paper on Regional Development and Decentralisation, released by the Minister (Peacocke), recommended that action to minimize current constraints on enterprise development programmes for non-metropolitan NSW be taken by: "Conducting a feasibility study into the potential for and operation of a directed investment fund to

support business ventures in non-metropolitan NSW with funds generated through local government and/or the co-operative movement.”¹¹⁰

In June 1990, the Ministerial Council established a Steering Committee to oversee the preparation of a feasibility study. The membership of the committee included representatives from the Credit Union, Permanent Building Societies and CHS Associations, AAC, the Local Government and Shires Association and the Registry of Co-operatives. The feasibility study involved assessing both investor and enterprise/project requirements and the development of a preferred model of operation for the scheme. The key recommendations of the report were:

- That local investment funds for local development be supported through the creation of a decentralised support scheme
- That the Local Development Fund Scheme (outlined in the report) be piloted in three rural regions
- That a not-for-profit company or co-operative be formed (Local Development Reserve Fund Ltd) to act as a centralised monitoring and reserve fund for the scheme.
- That the NSW Government facilitates the creation of a Local Investment Reserve Fund by means of a once off grant, equal to 10 percent of funds raised in the first year of full operation.

Although this study demonstrated the feasibility of the proposal, it is a further example of a co-operative initiative that did not proceed to the implementation stage. The opportunity for co-operative or mutual structures to address the financial needs of rural and regional NSW (Australia) is, however, currently receiving considerable government and industry attention. One example is the popular CreditCare programme. Credit Unions in partnership with government have developed the CreditCare programme, which is designed to assist with the re-establishment of financial services in rural, remote and indigenous communities, which have lost access to such services due to the larger banks withdrawing their services. This programme demonstrates that co-operative structures, with government support, can solve some problems of market failure. CreditCare field officers work with local communities to assess their capacity to support a viable financial facility, by organising community meetings, conducting surveys and developing business plans. The Commonwealth Government

has provided around \$4.4 million for the project while the NSW State Government has provided \$550,000.

Ministerial Council Wound-Up

The Ministerial Council continued after the change of Government in March 1988, undergoing a name change to the Ministerial Council for Co-operatives before being finally wound-up in by the Minister (Peacocke) in February 1994.

9.3 Development Focus given to Registry of Co-operatives— Co-operative Development Branch

Change of Focus

In March 1987 the Minister (Debus) wrote to the chair of the NSW Public Service Board¹¹¹ (the Board) seeking assistance in undertaking a review of organizational structure of the Department (and Registry) of Co-operative Societies. The Board agreed and undertook a review. The terms of reference included: “The formulation of the most appropriate organizational structure for the department which fully integrates the expanded range of developmental objectives.”¹¹²

The review recommended the adoption of a new organizational structure. The most important “aspect of the recommended structure was to be the creation of a new branch titled the Development Branch.”¹¹³ The rationale for this recommendation was that the proposed “structure mirrors the changed role of the department from one of regulatory control to one of dynamic and pro-active involvement in the development and control of the co-operative sector in this State.”¹¹⁴

The report commented on the Department’s regulatory function, acknowledging that its “prudential role is an important one as it is charged with administrative responsibility for a number of Acts which control the co-operative sector. Unfortunately, the department has gained the reputation of being a ‘police force’ in undertaking this role and perhaps this is

unfair as the department has participated actively in the development of the Co-operative Housing Societies, Permanents and Credit Unions.”¹¹⁵

The review summarised its position as: “The underlying theme of this review is to seek to put into place a new organization structure which will promulgate the departments change to a pro-active organization capable of expanding and developing the co-operative sector. This will be done within a framework, which ensures effective regulation of the sector.”¹¹⁶

Following the review, the Department (Registry) of Co-operative Societies was restructured and a Development Branch established in late 1987, commencing operations in early 1988. Over the next 8 years the branch carried out a range of co-operative development programmes. The branch was wound-up in 1996¹¹⁷ following a further review of the Registry of Co-operatives conducted by the NSW Premier’s Department.¹¹⁸ At the time of its closure the branch had approximately 10 staff engaged in co-operative development programmes.

9.3.1 Co-operative Development Branch (CDB)

Programmes: 1988–1996

The main activities and programmes of the branch included:

- The development and implementation of strategies for the growth of the co-operative sector, including Co-operatives 2000
- Administering the Co-operative Development Fund, including commissioning research and feasibility studies
- Providing a Co-operative Formation Service
- Developing co-op policy, including both NSW and CCP legislation
- Publications and Information Services, including newsletters, general co-operative publications, library, internet and referral services
- Conducting seminars, training and conferences, including the Key Issues Conference Series
- Supporting the Co-operatives Council and its sub-committees
- Developing co-operative networks, within Australia and internationally

Several of these programmes are separately discussed in other sections of this report. Brief descriptions are provided below for programmes not otherwise mentioned.

Co-operative Formation Service

The Co-operative Development Branch was formed at a time when a number of other organizations were involved in co-operative development. During the period 1988 through to 1992 AAC were actively assisting with co-operative formations. After AAC's collapse, ACDL was engaged in similar activities from its establishment in 1991 until mid 1993. Although the NSW Co-operative Federation has been involved, to some extent, in co-operative formation activity since 1993, it was the Development Branch, which was the main provider of such services in NSW.

Patterns of Co-operative Formation

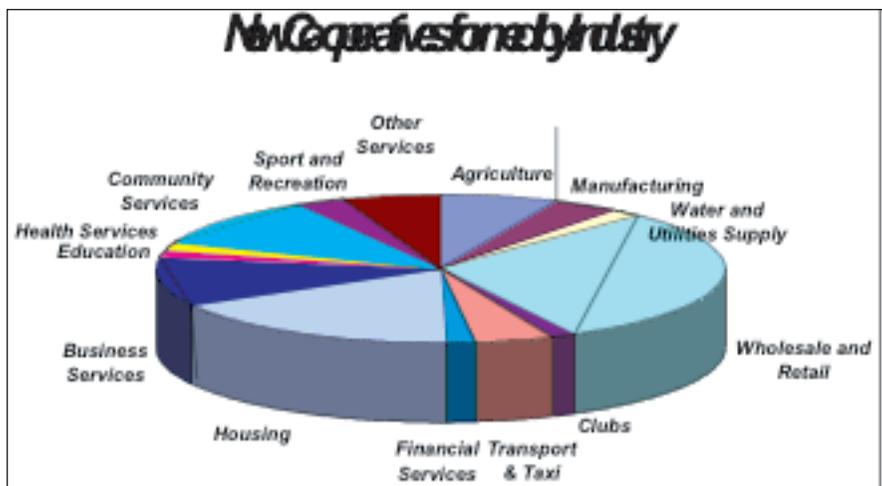
It appears that there has been a strong relationship, in NSW, between the commitment of government resources to development and formation programmes and increased co-operative numbers. Soon after the Co-operative Development Branch commenced operations in 1988 it devoted additional resources to both promoting co-op and assisting groups with the formation process. This increased commitment appears to have reversed the previous ten-year decline in formations. The Branch was closed in 1996—shortly afterwards there seems to be a return to the downward trend.

As already noted, co-operative formations have been concentrated into a comparatively small number of industry segments. As indicated in the chart on the facing page, the major areas of co-operative formation in NSW since 1990 have been:

- Wholesale and retail co-operatives, mainly arts and crafts retail co-ops;
- Housing,
- Community Services, mainly childcare and aged care services; and
- Business Services, under which food network co-operatives are classified.

Effectiveness of Second Tier Service Organizations

The MACC report identified second tier co-operative (service) organizations as an effective development mechanism. The only such specialized organization existing in NSW over the last ten years has been ARCH, its brief being to assist groups to form community housing co-operatives. The most significant area of co-operative formation over the last ten years has been co-operative housing.



One of the formation strategies pursued by the Development Branch was to work closely with organizations such as ARCH to ensure there were multiple points of contact for groups wishing to form co-operatives.

Research and Policy Projects

Development Branch undertook, or commissioned, a number of research and policy projects. The objective of these studies was to build a body of knowledge, which would provide a foundation for a broad range of co-operative development programmes. Six examples of policy and research projects are listed below and some comment provided, where relevant, on subsequent developments:

Background Paper: Opportunities and Options for Friendly Societies to Provide Child-Care Services (1990)

This background paper examined the feasibility of linking Friendly Societies, which have traditionally focused on providing health insurance, investment and aged care products with new market possibilities in the child care sector.

Submission to the Industry Commission Inquiry into Statutory Marketing Arrangements (1990/91)

In June 1990 the Industry Commission produced an Issues Paper on Statutory Marketing Arrangements, which noted that special statutory

marketing arrangements had been a feature of several primary products in Australia since the 1920s. The Issues Paper noted that: “although the justifications for statutory marketing arrangements have varied over time, they generally exist to correct perceived failures in normal market processes and/or to provide government assistance to primary producers.” However, the paper also observed that in recent years, the relevance of these justifications has been increasingly questioned. Within the Australia context a number of the arguments used to question the role and function of SMAs have also been advanced against co-operatives.

In June 1990 the Registry organized a Discussion Forum on the topic of “Opportunities for the Co-operative Sector Arising Out of the Reviews of Statutory Marketing Arrangements.” On the basis of the forum, it was decided that the Registry should prepare a submission for presentation to the Inquiry.¹¹⁹ This submission indicated that: “Based on evidence the Registry is of the belief that co-operatives contribute significantly to the efficient marketing of agricultural products in NSW and throughout Australia. Further, there is a much greater potential for co-operatives to contribute to the agricultural sector in concert with statutory marketing arrangements or as an alternative to them.”¹²⁰

A series of models that represented conditions under which agricultural co-operatives have operated in Australia, were outlined in the Registry submission. These included:

- ‘In Tandem’ model, where a co-operative is closely associated with a statutory marketing authority, for example the rice industry.
- ‘Replacement/transition’ model where a co-operative type structure may replace statutory marketing arrangements and assume certain statutory powers for a three to five year period, the Queensland grain industry was cited.
- ‘Open market’ model under which a co-operative operates effectively without the existence of any statutory market powers, the NSW cotton industry was mentioned.

The Industry Commission’s final report acknowledged these models, and concluded: “A co-operative solution to marketing problems should not be dismissed without proper consideration, especially as it might avoid

the need for statutory intervention. There are no apparent legislative impediments (except those arising under statutory¹²¹ marketing arrangements) to producers forming co-operatives to market their produce.”

The SMA to Co-operative Experience

Historical Perspective—The NSW Fishing Industry

The NSW Government, through the Registry, encouraged formation of fishermen’s co-operatives to provide organized facilities for handling of fish at the point of catch and for marketing of fish. The first fishing co-operative formed in 1945. The Government provided loan guarantees for financing the societies and towards the end of 1949, the Government decided in favour of a completely co-operative mechanism to organize the fishing industry in NSW.¹²²

Recent Experience

A number of SMAs, which have been subsequently deregulated, have adopted co-operative or co-operative like structures. These include the grain-marketing organization in Queensland, and egg co-operatives in a number of states. The Queensland grain ‘co-operative’ has since moved on to adopt a fully corporate structure, while most of the ‘egg co-operatives’ have also converted into investor oriented structures. The largest of the deregulated SMAs, the Australian Wheat Board (AWB), recently adopted a corporate structure but it still remains, at present, a ‘producer’ controlled organization. (The issue of whether the AWB should adopt a co-operative or a company structure was the subject of considerable debate in the Commonwealth Parliament.)

Effect on Existing Co-operatives

The deregulation of statutory marketing arrangements can also affect the operation of existing co-operatives—in both the dairy and fishing industries the dismantling of parts of the regulatory framework has forced responses from co-operatives. In the dairy industry, mergers and acquisitions, have occurred, in the fishing industry, community and industry rivalries have tendered to prevent the necessary restructuring from taking place.

Consultant's Report: The Application of Benefits to Co-operatives in New South Wales under Section 120(1)(c) of the Income Tax Assessment Act (1991)

This report examined the possibility of creating (or re-introducing) a mechanism in NSW to enable that State's agricultural co-operatives to access entitlements available pursuant to the Commonwealth Government's Income Tax legislation. The NSW co-operative sector had been making representations to support the re-introduction of such a mechanism.

In the past, a similar facility was available to NSW co-operatives through agencies such as the state government owned bank, or former SMAs such as the Sydney Fish Marketing Authority. Most governments throughout Australia, sold their banks during the 1980s; either as a result of a policy decision that it was no longer appropriate for governments to own such institutions, or more dramatically, following the series of state government bank failures.

Queensland agricultural co-operatives have been the main recent beneficiaries of Section 120(1)(c) loans. Governments in that state have offered consistent support over recent years for the retention of such a facility.

NSW Re-Introduces Facility

In late 1997 the NSW Premier (Carr) announced that "agricultural co-operatives will soon be able to apply to the NSW Treasury Corporation¹²³ (T Corp) for loans to buy plant, equipment or other assets needed to expand and modernize their business."¹²⁴ The Premier indicated that the re-introduction of the facility was an initiative of the Food Industry Forum¹²⁵ and followed significant input from NSW co-operatives.

The rationale for the re-introduction of the facility was explained in the following terms: "The scheme recognizes the disadvantages co-operatives can face in raising capital. While other businesses can seek funds from independent investors, co-operatives have been dependent on members who can generally provide only limited capital. T Corp Loans allows co-operatives to raise capital without comprising control or structures."¹²⁶

The impetus for the scheme came in 1996, when the NSW Bega Co-operative drew up expansion plans for a new cheese making plant for their co-operative. They indicated that: “Our co-operative is owned by 135 local farmers. We couldn’t fund the new plant ourselves. We didn’t want to change our structure or lose control by bringing in investors in.”¹²⁷

Under Section 120(1)(c) of the Income Tax Assessment Act, borrowers (agricultural co-operatives) are able to claim tax deductions on repayments of both the loan principal and interest—in effect a 200 percent deduction for capital expenditure.

The NSW scheme works in the following matter:

- To be eligible for the loan, at least 90 percent of a co-operative’s paid-up capital must be in the hands of members who supply goods or animals to the co-operative, (Section 117 tax definition of co-operative).
- Agricultural co-operatives approach their own banks with a proposal for expansion
- The co-operative or its bank approaches T Corp for a loan, the application must be supported by a letter of credit from a bank with a credit rating of between A and AAA from the Standard and Poors rating agency.
- The maximum term of the loan can vary from 3 to 15 years.
- Moderate loan establishment fees apply. The borrower will also pay legal costs incurred by the Government and T Corp.
- Interest rates are determined by adding a margin to T Corp’s own borrowing costs.
- The decision to accept the claim rests with the Australian Tax Office.

Since its re-introduction, three NSW co-operatives have obtained Section 120(1)(c) loans from T Corp.

Consultant’s Report: Agricultural Marketing Co-operatives: Opportunities and Dilemmas (1996)¹²⁸

This was a Registry commissioned research project into co-operative competitiveness. The authors of the report outline their objective as: “The aim was to show that trends in the global food industry—the evolution from commodities to differentiated food products—are creating new op-

opportunities for co-operatives. However, capturing these opportunities raises difficult challenges and resolving the dilemmas is a board level responsibility.”

The report observed trends affecting co-operatives:

Current business strategy emphasises that business systems and not just individual firms create customer value. Also, linkages between the firms in a system are an integral part of the competitiveness of the system. But developing closer relationships means the supplier loses some independence or control. Furthermore, the size imbalance between processors and the individual primary producer means that the processor-producer relationship is difficult to manage.

Co-operatives are an appropriate business structure for managing this relationship. New opportunities will arise for co-operatives given the trend to move from commodities to differentiated products in the food industry.

The literature on co-operatives, however, shows that co-operatives traditionally find it difficult to capture these new differentiated product opportunities. Co-operatives are usually found at the commodity end of the chain.

Its conclusion was:

Co-operatives will only ever be as strong as the commitment from its members and should remain a member driven organization. But competing in differentiated product markets tend to ‘distance’ members from the co-operative. One of the key challenges facing co-operatives is to develop a market orientation and still remain a member driven organization.

The key is for the member relationship to evolve as the co-operative develops its marketing orientation, with less emphasis placed on the member-as-supplier relationship and more emphasis on the member-as-investor relationship. This requires an ‘unbundling’ of the price paid for raw material from investment returns which in turn requires the development/implementation of commercial performance measures.

It is the Board's responsibility to establish a governance system, which provides a balance between the various relationships, and oversee the development of appropriate performance measures.¹²⁹

The ideas raised in this study have been examined at recent co-operative seminars, including Monash University's co-operative director courses. These issues and related concerns regarding hybrid equity, still remain one of main points of interest for co-operative directors in Australia.

Survey of Director's Training Needs (1996) Undertaken on Behalf of the Registry by the Australian Institute of Management

The methodology followed in this study involved both qualitative research methods; focus groups/functional analysis and quantitative research, including mail and telephone surveys.

It provided, for the first time, a detailed profile of Australian co-operative director's experience, board service and competencies, educational qualifications, gender and age distribution, remuneration¹³⁰ and training needs. The authors identified director's preferred methods of learning—basically 'in-house'—and made recommendations on adopting a set of benchmark standards against which individual directors and boards could assess their performance and plan their on-going development.

The top four director training needs identified by survey respondents were:

- Management processes 49 percent
- Financial 43 percent
- Legal 42 percent
- Business development 39 percent

Submission: Comments on the "Report—Retail Competition in Electricity Supply" (1996)

This paper was prepared by the Steering Committee for Consumer Electric Co-operatives Options. The Steering Committee, an initiative of Development Branch, drew its membership from; the Public Interest Advocacy Centre; the Local Government and Shires Association; Penrith City Council; the NSW Electricity Reform Taskforce and the Registry.

The NSW Government as part of its implementation of National

Competition Policy had agreed to the reform of the electricity industry. This submission formed part of a broader approach, which advocated co-operatives as a way of addressing consumer issues arising out of electricity reform. The submission drew on an earlier publication, “Background Report—NSW Electricity Reforms and Consumer Electric Co-operatives Option,” prepared by the Registry, which outlined a variety of consumer electric co-operative options.

The Registry has subsequently, funded several projects examining the feasibility of establishing energy co-operatives. These studies have included:

- “Consumer Energy Co-operatives—A Report for the NSW Department of Fair Trading, Registry of Co-operatives” 1996, prepared by Mark Ellis
- “Norco energy Co-operative Feasibility Study” (1997) A Report for The NSW Sustainable Energy Development Authority (SEDA) and the NSW Department of Fair Trading, prepared by Mark Ellis and Geoff Milne

The Registry is funding at least two further co-operative projects. It is now possible that a number of energy co-operatives will be formed in NSW as a result of these studies and the accompanying publicity of the model.

Publications and Information Services

The main activities were: the production of the Registry’s newsletter; the provision of a library service; the commissioning and publication of a range of co-operative titles; the creation and maintenance of the co-operative’s internet site; the development of co-operative databases and information systems and a general referral service for co-operatives. Development Branch also introduced the ANZSIC system; to identify the activities and location of co-operatives, in the database maintained by the Registry of Co-operatives.

Co-operation Newsletter

“Co-operation” was an initiative of the Development Branch of the Registry. It was first published in April 1993 with the “purpose of ensuring co-operatives were keep informed on all relevant matters affecting

the sector.”¹³¹ It was also designed as a vehicle for discussion of key issues relevant to the successful operation of co-operatives. Initially the newsletter was produced in two formats: regular quarterly editions and occasional special editions, examples of the later being “Capital Options available under the New Co-operatives Act,” a “Co-operative Planning Calendar,” and “Directors Responsibilities” editions. To date 16 issues have been produced.

Library Service

The Registry of Co-operatives has what is probably the most extensive collection of “co-operative titles” held in Australia. The collection includes archival co-operative material dating back to the late 19th and early 20th century. The collection was added to through the addition of some library material from AAC and WEC after their closure.

Co-operative Publications

A number of publications were either initiated, assisted or commissioned by the Development Branch, these included:

- A series of information booklets including: “Simple Steps to Forming a Co-operative,” “A Guide to Co-operatives,” “Background to Co-operatives in New South Wales,” “Thinking Business?—Think Co-operatives,” “The New Co-operatives Act; Questions and Answers.”
- “A Guide to the NSW Co-operatives Law,” by Donald Magarey.¹³² This was Australia’s first professional commentary on co-operatives law. It was published by the commercial law publishers, CCH. The author noted in his preface that the book came into existence because of an initiative of the Registry of Co-operatives.¹³³ Its role was further commented on in a review of the book: “A feature of the book is the close links with the Registry of Co-operatives developed during its writing. While government lawyers are traditionally loath to give advice on interpretation in case they are sued for the end results of that advice, it is healthy to know that this book does represent as close an understanding by the regulators themselves of what the law means.”¹³⁴
- Sets of “Collected Conference Papers” of the Key Issues and A–Z Community Conferences were published and distributed widely.

- The Registry assisted AAC by providing funding to publish Gary Lewis' "A Middle Way—Rochdale Co-operatives in New South Wales 1859–1986," assistance was also given to Lewis for his subsequent book on the history of the rice industry and Ricegrowers Co-operative.
- The Registry funded a video, "The Business of Co-operatives."¹³⁵ The video was part of an educational resource, which was designed to relate to Year 11 topics of the Business Studies Course in NSW secondary schools. Notes on co-operatives and a bibliography were also produced.

Co-operatives Internet Site

The Australian co-operative movement suffers from a "tyranny of distance." Its comparative geographic isolation from other historically similar co-operative traditions has made the task of keeping abreast of the latest international co-operative developments somewhat problematic. With the emergence of the internet there was an appreciation that it may be able to bridge this gap.

The Registry gave encouragement to the ICA's internet activities by contributing funding to assist with the development of its website and the co-operative gopher. The Registry established an "Australian Co-operatives Website" and a newsgroup for Australian co-operatives in 1995. It was the second NSW Government agency to launch an internet site.

Australian co-operatives have been slow to embrace the possibilities of the new information and communication technologies. There has been very little interest shown in the newsgroup on co-operatives. Less than 30 general co-operatives in Australia have websites, a much smaller number are using these sites for e-commerce.

9.3.2 Developing Co-operative Networks within Australia and Internationally

Liasing with all Australian Co-operative Sector Organizations

The Development Branch played a role in facilitating, co-ordinating and encouraging the flow of information, ideas and activities between various co-operative organizations throughout Australia and on occasions internationally. It endeavoured, as far as possible, to be aware of innovative devel-

opments affecting co-operatives throughout Australia, and sought to promote such models where appropriate. Another aspect involved creating networks of individuals or organizations working in related co-operative fields. A computer based information management system was developed to assist these activities.

Overseas Delegations

The Development Branch acted as a contact point in the NSW Government administration for overseas co-operative delegations visiting Australia. Both co-operative government and sector delegations were assisted in their visits.

International Visits

Relevant Australian, Ministers¹³⁶ and departmental officials¹³⁷ have made a number of international co-operative visits. The purpose of these visits included the negotiation of possible trade and joint venture agreements between Australian and international co-operatives; attendance at ICA regional assemblies and international congresses, as well as fact finding visits to co-operatives in Mondragon, Italy, China, Malaysia, India, the UK and America.¹³⁸

9.3.3 Conferences and Seminars

A–Z Community Conferences

A series of community co-operative conferences were developed by the Registry to complement the Key Issues Conference series. The objective of this series was to provide specific education and tailored training, and build supportive networks among the several hundred NSW community co-operatives.¹³⁹

Three A–Z Community Co-operative Seminars were held on the following topics:

- The A–Z of Running Your Community Co-operative
- The A–Z of Change Management in Your Community Co-operative
- The A–Z of Money Matters in Your Community Co-operative

In total over three hundred community co-operative representatives attended these seminars.

Legislative and Other Seminars

Over the last ten years the Registry has either directly conducted or administratively and financially supported many seminars throughout NSW, on topics including:

- Legislation
- Opportunities for Arts and Crafts Co-operatives
- International Co-operative Trade
- Capital and Funding for Co-operatives

Invited Speakers

The Development Branch provided speakers on co-operative topics to a wide range of organizations. This programme was an important promotional activity of the Registry, and many hundreds of such presentations were made.

9.4 Co-operatives Now!

In November 1992 the Minister (Peacocke), released a progress report on co-operative development initiatives. The report, titled “Co-operatives Now!” observed the challenge was to: “build on the success co-operatives had achieved in many fields of commercial endeavour; to create strategic alliances and linkages between co-operatives not only within Australia, but internationally.”¹⁴⁰

The Minister noted:

The co-operative movement with my guidance and that of the Australian Co-operative Development League (ACDL),¹⁴¹ my Department of Local Government and Co-operatives, the involvement of the Australian Association of Co-operatives (AAC), and the assistance of the International Co-operative Alliance (ICA), and with the full support of the New South Wales Government, is giving top priority to:

- Capitalising upon and promoting the strength of co-operatives as a unique form of productive and community enterprise especially through the trialing of co-operative models including the formation of strategic alliances with overseas co-operatives.
- Developing and implementing a broad strategic programme for co-operative development in New South Wales (and as a model for Australia) through to the year 2000—the Co-operatives 2000 Programme.
- Enhancing the regulatory and commercial environment within which the co-operative movement operates.¹⁴²

The report went on to put this support in context:

It should be clearly understood that this paper outlines industry initiatives and while the NSW Government takes a keen interest in the projects outlined it has neither a direct or implied commitment to underwrite or financially support all or any such initiative. The NSW Government strongly supports any viable industry initiatives capable of generating new economic activity and employment provided such initiatives are self-supporting.

What we seek to do is to encourage self-reliance and development, particularly in country areas, through the co-operative mechanism.¹⁴³

Trialing of Co-operative Models

A number of “co-operative models” being developed by either ACDL or AAC were outlined in the report.¹⁴⁴ These included new examples (November 1992) of value adding in the agricultural sector:

- Coonamble Wool Processing Co-operative, (CWPC) a newly formed co-operative, which had recently signed a “heads of agreement” with the All China Federation of Supply and Marketing Co-operatives and the Jiangsu Provincial Union of Supply and Marketing Co-operatives (JIANGSU). The agreement was for CWPC to supply, on a trial basis, 90 bales of scoured, cleaned and topped wool, which was to be supplied to Jiangsu for manufacture into woollen clothing. The finished product was to be marketed in Europe, Israel and Japan through retail co-operative networks—the marketing was to be facilitated by Inter-Co-op.¹⁴⁵ This project was developed and managed by ACDL, although this re-

- sponsibility was passed to the NSW Registry in mid 1993. (The co-operative venture has not met with success, as at one level, there was a mismatch between the respective joint venture partners. The co-op has initiated winding-up proceedings with the Registry of Co-operatives.)
- Beef producers also in the Coonamble region established a Feedlot and Meat Marketing Co-operative in January 1992. The co-operative entered negotiations, in 1992, with the Korean and Japanese co-operatives into the possibility these organizations may invest in local feedlot support facilities and an abattoir. It was envisaged that through Uni-Coop (the buying arm of Zenchu, the Agricultural Co-operative Union of Japan) meat produced and processed by the Coonamble meat co-operative, would be supplied and marketed through Japanese retail co-operatives, while Chinese co-operatives will take hides for further processing. This project, like the other Coonamble co-operative was passed to the Registry in mid 1993. (In November 1998, the Directors of the co-operative have taken a decision to wind-up the co-operative.)
 - Marketing and promotion was identified as an integral element of the strategic alliances being negotiated between Australian rural and international co-operatives. The report noted that ACDL was establishing a “world class International Co-operative Retail and Trade Exhibition Centre” in Sydney to showcase the co-operative movement. It was suggested the centre would be a focal point for the promotion of the best Australian products, services and trade between co-operatives and other groups within the Asia Pacific region and beyond.¹⁴⁶ This project did not ultimately proceed.

“Co-operatives Now” accorded an important developmental role to the recently formed ACDL.

9.5 The Australian Co-operative Development League (ACDL)

ACDL was registered as a co-operative in NSW in July 1991.¹⁴⁷ As outlined above, the Minister (Peacocke) spelt out in “Co-operatives Now” a number of priorities for co-operative development. Central to this vision

was the need for an “industry body” to be the vehicle for these initiatives—ACDL was established in large part to play that role.

The two Coonamble co-operative projects were part of a broader initiative involving the NSW Government, ACDL and the ICA. This project is separately outlined later in this paper.

In May 1993 a ministerial reshuffle occurred in the NSW Government. Garry West replaced Gerry Peacocke as Minister responsible for co-operatives—ministerial staff also changed at this time. The effect of these changes was that ACDL ceased to play as large a “leading” role in co-operative development. Some of its programmes stopped; others were transferred to the Registry of Co-operatives.

9.6 Co-operative Development Trust Fund

The Co-operative Development Trust Fund (CDFT) was established in 1986. The Minister (Debus) appointed WEC manager and trustee of the fund. Its purpose was to “make funds available to WEC for the creation of employment opportunities in NSW through the establishment and continued operation of viable worker owned and controlled business enterprise.”¹⁴⁸

Over the following 8 years, the CDFT was transferred between a number of NSW co-operative development agencies. This ‘journey’ provides an insight into the relative importance of these organizations, and their form of co-operative development, to the Government of the day.

In March 1989, following the change of government in 1988, the Minister (Peacocke) approved a deed which was executed between WEC and AAC, providing for WEC to retire as trustee and for AAC to become manager and trustee of the fund. The trust deed governing the fund was amended to enable it to be used more generally to assist co-operative development.

In August 1991 the Minister (Peacocke) directed AAC to transfer the fund and its management to the newly established ACDL. In December 1994 the Minister (Pickering) issued a direction to ACDL to retire as trustee

and return all books and money to the NSW Government. In February 1995, the fund, now almost exhausted, was finally transferred to the Registry for administration and subsequently wound-up.

9.7 Co-operatives 2000

The NSW Ministerial Council for Co-operatives approved the preparation of a co-operative development strategy in June 1990. The Council's view was that a strategy was necessary for attaining a consensus on key development issues; to assist with achieving a unity of purpose throughout the movement; to provide a macro-plan for the development of co-operatives in NSW and to outline the Government's commitment to the co-operative movement.¹⁴⁹

The Minister, (Peacocke), appointed, in mid 1991, a Steering Committee with specific terms of reference (see Appendix II). The Minister saw the preparation of a broad strategic programme through to the year 2000 as one of a number of co-operative development priorities worth supporting.¹⁵⁰ More realistically, the role of the Ministerial Council in carrying out the previous Government's programme, i.e., Plan 88, and the general direction of the Council's activities had effectively ceased and to fill the vacuum a "new" strategic plan was needed, particularly to help shape the work of the Development Branch.

The Co-operatives 2000 methodology was consultative, involving detailed discussions with all key stakeholder groups with an interest in co-operative development in NSW. It drew on the experience of a number of similar strategy processes in both Australia and overseas, including the Canadian Co-operative Association's "Co-operative Perspectives on the Future."

Co-operatives 2000 Methodology

- Ministerial approval for commencement of the Co-operatives 2000 process
- NSW Ministerial Council for Co-operatives endorses preparation of development strategy

- Appointment of chair¹⁵¹ of Co-operatives 2000 and members of Steering Committee responsible for overseeing its preparation¹⁵²
- Establishment of five Working Parties to examine key areas of co-operative operation and development. The five areas were Funding and Regional Development; Value Adding and Export; Education and Training; Legislation and Micro-Economic Reform; and Social Responsibility. The Steering Committee and Working Parties included fifty senior representatives of co-operatives, the private sector, government departments, professional advisers and academic institutions
- The Steering Committee identified twelve key areas and assigned these to the five working parties for detailed consideration.¹⁵³
- A survey of NSW co-ops was commissioned to confirm the issues identified by the Steering Committee and Working Parties.¹⁵⁴ The three key issues of concern to the majority of the co-op surveyed were in order: ownership and funding; legislation; and education and promotion.
- The Working Parties and the Steering Committees meet several times during the next twelve months. A number of consultative workshops were held to enable additional input from co-op sector representatives.
- Reports were prepared by each of the Working Parties. These were melded together by the Steering Committee into the final report “Co-operatives 2000 Recommendations: Securing the Future.” The Minister launched this report at the Co-operatives 2000 Conference in May 1993.
- Copies of the Co-operatives 2000 Recommendations were sent to all NSW co-operatives.
- Following the launch a Co-operatives 2000 Implementation Committee (replacing the Steering Committee) was created to oversee its implementation.

Co-operatives 2000 Vision, Recommendations and Implementation

The vision of Co-operatives 2000 was:

By the year 2000 co-op will be more actively involved in a wider range of industries, adapting to change, generating employment and adding value by operating in accordance with international best practice.

Co-ops will be satisfying the economic and social needs of their members as well as the community, with a focus on sustainable development.

The sector will be better understood and respected for providing a distinctive model for business and community activities and will be making a significant contribution to the economic and social life of the people.¹⁵⁵

In total, 160 recommendations were made, including 69 categorised as high priority. The process of implementation commenced in mid 1993. During this time the responsibility for the Co-operatives 2000 Implementation Committee passed from the former Ministerial Council for Co-operatives to the new Co-operatives Council established pursuant to the NSW Co-operatives Act 1992.

The Co-operatives 2000 initiatives directly influenced the strategic planning and programme development of the Registry of Co-operatives, particularly the Development Branch. A number of Registry activities related specifically to the implementation of the recommendations.

Although co-operative sector organizations including, AAC, the Co-operative Federation of NSW and Asia Pacific Co-operative Training Centre were extensively involved in the development of the Co-operatives 2000 recommendations, the main administrative burden for their implementation rested on the Registry. Some CDF funding was provided to the Co-operative Federation of NSW and APCTC to assist with the implementation of programmes, including the Key Issues Conferences and the Community Co-operative Seminars.

Bridging Role

The Co-operatives 2000 process played in an important, but perhaps unacknowledged role, in bridging the gap created by the failure of AAC.

AAC was one of the original partners in the Co-operatives 2000 process, its liquidation occurring just prior to the release of the Steering Committee's recommendations. Following AAC failure co-operative sector representatives met to consider forming a replacement organization.¹⁵⁶ The replacement, the Co-operative Federation, drew largely on individuals who were involved in the various committees of Co-operatives 2000.¹⁵⁷ The new federation jointed the Registry as a partner in Co-operatives 2000.

The period of the Co-operatives 2000 process not only coincided with, the fall of AAC and the creation of its replacement, but with the historically significant changes affecting financial co-operatives throughout Australia.¹⁵⁸ When Co-operatives 2000 commenced the Registry of Co-operatives still had administrative responsibility for the regulation of building societies and credit unions—representatives from a number of these organizations were included in the various Co-operative 2000 Working Parties. However, the administrative link, which had existed within government for over 120 years, between general and financial co-operatives, was broken in 1992, with the creation of FINCOM—the strategic regulation and development of these different parts of the co-operative movement in Australia ceased to be directly connected within government.¹⁵⁹

Relationship between Co-operatives 2000 and Government

The objective of the Co-operatives 2000 process was an agreed framework for co-operative public policy, supported by the sector and government; this was, however, only partially achieved.

Although it was originally proposed that the final report of the Co-operatives 2000 Steering Committee would be a Government Green Paper this was not the case. Government did not officially endorse its recommendations or proceed to the White Paper stage. Its importance lay more in its role as an agreed planning and strategic document between the sector and the Registry of Co-operatives. A number of successful co-operative development programmes commenced under the auspices of this strategy.

Co-operatives 2000 formally came to an end in late 1996, when the Co-operatives 2000 Committee of the NSW Co-operatives Council became the Co-operative Development Committee (CDC). The new CDC was given a more general co-operative development brief.

9.8 Key Issues Conference Series

The Key Issues Conference series was one of the major initiatives of the Co-operatives 2000 strategy. The conference series was held annually from 1993 to 1996. The conferences attracted commercial sponsorship and

were organized by the NSW Registry of Co-operatives, assisted by the Co-operative Federation of NSW and APCTC.

The topics and focus for the conferences were drawn from the “key issues” identified in the Co-operatives 2000 strategy. The format evolved over the course of the series—for the last two conferences both plenary and concurrent sessions were offered, along with extensive use of case studies.

The conferences grew in popularity, with attendances rising from 150 in 1993 to over 400 for each of the years 1995 and 1996. Although the audience was primarily drawn from the general co-operative sector throughout Australia and New Zealand, it did grow to include co-operative and government sector representatives from over sixteen countries, mainly from the Asia Pacific region. Participants rated the conferences as highly successful—the 1995 conference, for example, was judged as good or excellent by 98 percent of responding participants. The Survey of Director’s Training Needs confirmed that “the Key Issues Conference Series” appears to be generally well received by people who attended.

One of the most popular features of the conference series was the presence of leading international co-operative speakers.¹⁶⁰ The conference programmes also included a wide range of senior Australian and New Zealand co-operative, government and industry representatives. The conferences acted as a clearinghouse for “international co-operative practice.”¹⁶¹ The broad objectives of the series were:

- Showcase successful co-operatives
- Provide a vehicle for increasing the public profile and understanding of co-operatives
- Promote and introduce leading international co-operative authorities to Australian audiences
- Provide leadership on strategic issues affecting co-operative development and operation
- Educate and train co-operative directors, members and management
- Provide a forum for networking among co-operatives, key industry and service providers and government representatives
- Promote the co-operative option in broader public policy debates and to the general public

- Act as an entry point for individuals interested in co-operative issues
- Develop a constituency for change among co-operatives

The 1996 conference was part of a series of “Co-operative Week” events, which included a Co-op Research Seminar and an Agricultural Co-op Leaders Forum which received funding from a number of commercial sources as well as the Commonwealth Government. The international speakers invited to the Key Issues Conference also presented papers to the more specialized agricultural forum audience—there was a degree of cross-subsidy between these two events, to enable representatives from the non-profit community co-ops to attend the Key Issues Conference.

Following the Premier’s Department review and the split-up of the Registry of Co-operatives, the NSW Co-operative’s Council and DFT decided that the Key Issues Conferences would in future be held on a biennial basis.¹⁶² The next conference, planned for 1998, was not held. Given that the NSW Co-operative Federation has now held, in its own right, two annual conferences, (in 1997 and 1999) since the last “Key Issues,” it is unlikely the government will again commit resources to such a conference programme.

9.9 ICA Co-operative Trade Initiatives

Several of the co-operative development programmes examined in this paper highlighted the potential of international co-operatives to co-operative trade. A number of attempts have been made in recent years to develop linkages between Australian co-operatives and international co-operative trade networks. Three specific sector/government examples will be considered:

- AAC’s Co-op Trade Australia Initiative
- ACDL’s Joint Venture and Trade Activities
- The Registry of Co-operatives/ICA Trade Programme

The AAC’s Overseas Trade Initiatives

AAC’s Co-op Trade initiative commenced, in earnest, in 1990 following the first ICA Asia Pacific Co-operative Ministers Conference in Sydney. As AAC’s newsletter outlined: “The rapid internationalisation of the co-opera-

tive sector and the consequent development of commercial relations with other countries is reflected in the sequence of events which have followed the International Ministerial Conference and Exhibition.”¹⁶³

Following this conference AAC hosted a visit from the Japanese Consumers Co-operative Union (JCCU) who visited Australia to gather information about AAC and Co-opTrade Australia and their combined capacity to perform as agent/trade facilitators in sourcing and supplying those products required by the JCCU.

AAC officials subsequently visit Japan and meet with representatives of the JCCU, Zen-chou, Unicoop Japan, Nadakobe Consumers Co-operative Society and Kanagawa Consumers Co-operative Society. The visits and meetings were to inspect the range of products required by those co-operatives, the packaging requirements and in particular, the quality criteria. Products specifically identified were beef, fresh fruit and vegetables, seafood, horticultural lines, wines as well as certain woollen and cooking items. AAC’s newsletter noted that beginning in August 1990, there is to commence a sequence of visits from buyers from the four major co-operatives in Japan who will be coming to Australia to progress the matters discussed in the above visit.

The AAC delegation also visited China and meet with representatives of the All China Federation of Supply and Marketing Co-operatives and the Foreign Trade Corporation of Zhejiang Co-op. A number of additional trade related activities were also commenced by AAC at this time. Some Commonwealth Government funding was provided for this international activity.

Objectives Broader Than Trade

AAC’s international objectives were broader than trade—they included playing a role in the regional representative co-operative forums. AAC saw these international initiatives in very positive terms: “As a seasoned observer of the changing world scene has recently observed, AAC is taking its role in the international co-operative movement seriously.”¹⁶⁴

An ICA Project Office was also established, with AAC assistance, in Victoria at about the same time as these other trade activities—it closed after two year’s operation.

Although AAC achieved little direct co-operative to co-operative business, one former director believed that had it survived it would have benefited from the extensive networks of contacts and ‘trust’ it had built up throughout the Asia Pacific region.¹⁶⁵

For some Australian co-operatives, however, the failure of AAC also meant the failure of the strategy by the movement to pursue a more internationally focused programme.

Austrade Survey

In 1992 Austrade, (the Australian Government’s international trade promotion and support agency), carried out a survey to test whether regional Japanese agricultural co-operatives would consider investment and/or joint ventures with Australian producer co-operatives in developing products for the Japanese market. The dairy industry was selected as the specific case study.¹⁶⁶

The survey identified that there was some interest in dairy products but more was shown in fruit and vegetables where there would be no direct competition with the local members’ produce or where the opposite seasons would be a marketing advantage. There was also strong interest in arrangements for supplying stockfeed to the regional co-operatives.

Austrade concluded that apart from stockfeed, immediate business was unlikely between Japanese and Australian agricultural co-operatives. All groups, the survey reported, said it would be necessary to develop links between the producer co-operatives before any business joint venture could be contemplated.

This survey did not examine the establishment of linkages between Australian agricultural co-operatives and overseas consumer co-operatives the focus of the next initiative considered.

ACDL’s International Joint Venture and Trade Activities

The background to these activities are outlined in the Minister’s (Peacocke) 1992 statement on co-operative development, *Co-operatives Now*, discussed above. As that statement notes, ACDL was established as an “industry” body to pursue a number of the Minister’s identified trade priorities.

The vision was not only to facilitate international co-operative to co-operative trade, but also to encourage and support the value adding and employment aspects of these projects within Australia. As a consequence the two main projects, the Coonamble co-operatives initiatives, were long term, large scale undertakings promising major rewards for co-op members and the general community—however, they also involved some risk.

To help facilitate these and other joint venture and trading projects the Minister (Peacocke) entered into an arrangement with the ICA to fund, for a period of twelve months, from 1/1/1993 to 31/12/1993, an officer from the ICA ROAP,¹⁶⁷ who would be principally based in Australia. The ICA official was to work closely with the Minister's Office and ACDL to help bring to fruition the two Coonamble projects, among others. To assist this process, CDF funding was provided for feasibility studies of the two Coonamble co-operative initiatives.

Following the change of Ministers (Peacocke to West), in May 1993, a review of the ICA agreement was carried out, at the Minister's request, by the Registry. The new Minister, (following visits to the ICA in both Switzerland and India), agreed to the continuation of the programme for the remainder of 1993 and subsequently for 1994, subject to the Registry assuming responsibility from ACDL.

The Registry of Co-operatives/ICA Trade Programme

The Registry assumed responsibility for the ACDL programme in mid 1993. The 1994 programme built on that existing in 1993, although, an attempt was made to broaden its basis to include short-term as well longer duration projects. Similarly the objectives of the programme were given sharper focus and criteria developed to measure its success.

A Co-operatives Trade and Export Opportunities Seminar was organized in May 1994, by the Registry, to coincide with a visit to Sydney of the Regional Director of the ICA ROAP. The objectives of the seminar were to inform the co-operative sector, mainly agricultural co-operatives, about the ICA/Registry programme, to present case studies about projects and to seek expressions of interest from agricultural co-operatives wishing to joint the programme. A separate series of seminars, involving the ICA director was also organized for regional NSW.

A delegation from China, including representatives from the Ministry for Internal Trade; the International Department of the All China Federation of Supply and Marketing Co-operatives, (ACFSMC), visited NSW in late 1994. The visit, which was hosted by the Registry, enabled the delegation to familiarize themselves with progress on the Coonamble wool project and to explore further opportunities for new trade and co-operative initiatives. Meetings with senior officers of a number of Commonwealth Government Departments in Canberra were also arranged.

Although a number of new co-operatives joined the programme during 1994, overall progress on the programme was measured. An internal Registry review of the programme recommended a number of specific improvements to its structure and suggested that it be positioned within a wider sector supported series of international initiatives.

The programme continued during 1995. The Registry conducted a survey of NSW co-operatives to determine the degree of support for the programme. Although a number of medium sized co-operatives expressed support for its continuation, the sector organization was not strongly supportive, reflecting their move away from an international focus for the local movement.

In 1996 the ICA decided, the best way of advancing and commercialising the programme, would be for the establishment of a co-operative trading network based in Sydney, with joint participation of the ICA, the NSW Government and Australian co-operatives. The Registry commissioned external consultants to independently review this proposal. Their report indicated that the proposal, if refined, was feasible. However, the subsequent, second stage, DFT commissioned consultant's report, which was designed to develop the framework for the proposal trading network, questioned the viability of the project. The department subsequently decided, in 1998, not to proceed. In early 1999, the Singaporean Government accepted the ICA's invitation to host such a trading network, with a new office being established in that country.

Evaluation

Although the ICA/Registry programme did not achieve significant trading outcomes, it did provide a platform for the continuation of a

linkage, albeit a government one, between Australia and the international co-operative movement. At present no such association exists. Australia's international connections are now, mainly limited, to trading relationships between Australian (general) co-operatives and overseas companies, supplemented by research, training and policy connections between APCTC and now ACCORD.

Australia's recent experience of international co-operative activity contrasts with that of the US and Canada, where substantial long-term support exists for such programmes from both the sector and government.

9.10 Co-operative Development Fund

The Co-operative Development Fund (CDF) was established in 1990. This fund, not to be confused with the other Government initiated and supported fund, the Co-operative Development Trust Fund (CDTF), was established to assist co-operative development in NSW. The Registry administers the CDF.

An amount of \$1.9 million has been disbursed as grants since 1991 from the Fund. Currently, the NSW Government provides an annual budget of \$350,000 for the fund, which represents a major on-going government commitment to co-operative development. NSW is the only Australian State to offer such assistance.

Grants amounting to nearly \$550,000 were provided from the fund for feasibility studies to form co-operatives as well as for developing business plans for existing co-operatives. In addition, funding was provided for projects that were considered of strategic importance including:

- Co-operatives 2000, for the preparation of a blue-print for development of co-operatives
- The ICA/ACDL/Registry Trade Projects to promote co-operative joint ventures with overseas co-operatives
- Establishment and publication of a co-operative newsletter—National Co-op Update
- Formation and support of the Australian Centre for Co-operative Research and Development

- Feasibility of Energy Co-operatives (following the phasing in of retail competition in gas and electricity markets)
- Studies into needs and strategic development of co-operatives in the areas such as value adding activities in agriculture, networking/collaborative arrangements among organizations and enhancement of director skills.

In addition, CDF grants were made to organize conferences such as the Key Issues series, A–Z Community co-operatives seminar series and Co-operative Federation of NSW Annual conferences. Funds amounting to \$400,000 were made available to sector organizations from the CDF, especially to assist the various projects undertaken by the ACDL, APCTC and the Co-operative Federation of NSW.

Co-operative Development Programme Guidelines

The stated objectives of the CDF programme are linked in the guidelines to the objects of the Co-operatives Act.¹⁶⁸ Grants are generally available for two programmes:

- Co-operative Formations Programme
- Co-operatives Education and Research Programme

Grants under the formation component of CDF are available to potential and newly formed co-operatives, up to two years old, to assist in assessing feasibility and enhancing viability. Assistance is by way of subsidy of up to 50 percent of project costs—grants may be up to \$50,000, although the Director-General or Minister can approve higher amounts—the range is usually between \$10,000 to \$20,000. The types of projects that will be considered for funding include:

- Strategic/business planning
- Building/expanding membership
- Financial planning
- Feasibility studies
- Market research

Projects funded under the co-operatives education and research component of CDF are generally government priority projects, normally initiated by or for the Minister and the Department. Projects under this

programme would “aim to develop the government’s co-operative policy objectives in the NSW economy and promote their formation by highlighting how these organizations can provide alternative means of economic development, social empowerment, equity and social justice in a competitive environment.”¹⁶⁹ While applicants under the first component of the CDF programme generally need to be existing or proposed co-operatives under the Co-operatives Act, the second research component of CDF includes a much broader range of possible applicants. For example, universities, other government departments, trade unions, incorporated associations, corporations or experienced individuals.¹⁷⁰

9.11 Worker Enterprise Project

In 1994 a Co-operative (Worker) Enterprise Task Force was established, because, in the words of its convenor:¹⁷¹

- Very little was being done in this field¹⁷²
- What was being done concerned us because it would keep co-operatives marginalised
- We believe that co-operatives have an important role to play in our society

The Taskforce met in August 1994 and brought together “a group of people, some with a lot of experience in the co-operative movement and others with a fresh mind to the subject.” The Taskforce saw three pathways to co-operative formation.¹⁷³

- One was to offer the co-operative model, with advice and experience that would help unemployed people create their own business
- Secondly, to position a new co-operative model in the mainstream economy alongside other business structures for enterprise formation
- Thirdly, ownership transfer and employee buy-out in the secession planning process for businesses was seen as an important area for co-operatives.

The main outcomes of the Taskforce’s activities, which ran from mid-1994 to early 1997, were three publications.

Publications

- Employee Buy-outs booklet¹⁷⁴
The Minister (Lo Po) launched this publication in July 1996. The Minister indicated that the publication was designed to highlight the merits of employee buy-outs, when they are appropriate and the different types and how to form one.¹⁷⁵ The publication provides two case studies of worker co-operatives registered under NSW co-operative legislation. The two cited examples were the only two in NSW at the time, since its publication one has gone into liquidation.
- Two manuals:¹⁷⁶
 - Creating Jobs through Employee Owned Cooperative Enterprises
 - Guide for Business and Advisers and Jobseekers

The manuals were designed to spell out in simple steps how jobseekers might use the co-operative option to help create their own employment, and secondly, to make the co-operative option part of the business adviser's thinking when they advise clients.

The activities of the Co-operative Enterprise Project enjoyed the support of the Minister (Lo Po) and in particular her ministerial adviser on co-operatives—worker co-operatives were one of identified priorities in the Minister's only policy statement on co-operatives. The initiative waned after the change of Minister and ministerial advisers in late 1996. The Registry subsequently funded a video based on some extent of the ideas and case studies contained in these publications.

Rationale and Cultural Context

Although this project did not proceed to the implementation stage, it nevertheless sought to provide an economic and social context for new forms of co-operative activity. The Task Force drew on the work of Thomas Clark,¹⁷⁷ who stated at a workshop in Sydney in April 1995: "I think we should look again at co-operatives and that we shouldn't regard them as something tangential and isolated, because many of the things that used to isolate co-operatives from the mainstream economy are actively becoming fundamental parts of contemporary industrial practice,"¹⁷⁸ and argued that the contextual fit of co-operatives and society is now right.

A number of these practices were outlined, including:

- Small enterprise development is now seem as critical: this is the sector which is re-inventing itself and within which co-operatives have a role to play
- Movement from command and control paradigm to total quality management and empowerment of the workforce
- The 'learning organization' idea encourages worker influence and contribution from all employees
- Worker ownership or a more distributed economic ownership is becoming accepted worldwide
- Co-operatives have traditionally survived by networks, which is now how we perceive all industry excelling
- Closeness to the community or the idea of the enterprise that is situated within a community which it respects and responds to.

A Development Model Was Offered

Jensen, the convenor, noted that co-operative formation is unlikely to occur rapidly unless we understand a development model and support it with good public policy and resources. The work of Patrick Develtere was offered as a model on how co-operatives might emerge as a social movement. This model highlights "a three-point process which is grounded in action, integrated with supporting rationality and sustained by its own organizational structure."

Develtere's argument is that a co-operative social movement emerges when a group uses a form of economic organization (co-operative) to defend interests that are endangered if the members do not act co-operatively (ideology). The involvement of the group is paramount (praxis). Develtere notes two extremes:

- Central co-operative movements are those where the co-operative process has been the focal point around which collective action is centred; examples could include Mondragon in the Basque region of Spain or Maleny in Queensland
- Peripheral movements are created by other social movements to achieve their goals and function alongside the central movement, for example trade unions and the Histadruit in Israel

Jensen positions several Australian examples within the model developed by Develtere. The work of the Worker Enterprise Taskforce was outlined at the 1995 Key Issues Conference.

A number of the individuals involved in the Taskforce have since formed the Co-operative Enterprise Development Centre, which seeks to further advance aspects of this work.

9.12 “*Whole of Government*” *Co-operative Policy Approach*

9.12.1 Minister’s Policy Statement

In May 1996, the Minister (Lo Po) prepared a statement of intent covering several action phases. It reiterated that the basic aims are to develop co-operatively owned organizations throughout the State and to raise the profile of co-operatives. The phases envisaged restructuring of policy implementation involving a restructure of the Registry, creation of advisory groups; establishment of a programme for development strategies for co-operative development.

A mission statement and a development strategy for co-operative development, which entails consultation and liaison with community and business representative bodies, were also considered. The need for better promotion has also been recognized with specific research projects being targeted to answer questions posed by a development perspective. A co-operative education programme aimed at educating businesses and the community about the economic and social advantages of co-operative structures was planned, with a media campaign to focus public attention on the potential of co-operatives.

Strategies for the development of co-operatives included

- a) Development of community based utility consumer co-operatives, to purchase in bulk utility produced commodities such as electricity, water, gas, telecommunications products, etc. to take advantage of economies of scale;
- b) An embryo industries programme to access the structural and

economic advantages of worker owned co-operatives to develop new small to medium sized enterprises;

- c) Establishment of Credit Unions and Building Societies as a main-stream source of finance for co-operatives;
- d) Co-operative option for employee buyouts to act as an alternative to the protection given to employees under the current Employment Protection Act, by employees the opportunity to secure their livelihoods through ownership;
- e) Employee Share Ownership Schemes; and
- f) Development of strategic producer co-operative export networks for flexible production and manufacturing alliances for developing dedicated export industries.

Although the Government did not formally release this document of intent, it is still the latest policy statement issued by a NSW Minister (Lo Po), (1995–1997) responsible for co-operatives. Since this time there have been a further three Ministers Langton, (1997–1998); Shaw, (1998–1999); Watkins, (1999–).

9.12.2 Review of the Registry of Co-operative

In April 1996 the Director General of DFT asked the Premier's Department to undertake a review of the Registry of Co-operatives. The aim of the review was to identify ways in which DFT could improve its management infrastructure for co-operatives. The review found there was a need for:

- A review of the co-operatives legislation so that two tier legislation can be developed to address the development and regulatory needs of different types of co-operatives
- Legislative review which evaluates the role co-operatives play in supporting the economic and social objectives of the Government
- More focused and integrated policy advice to the Minister so that Commonwealth/State and NSW Government issues can be more appropriately considered; and
- Improved performance of co-operative functions in terms of the development and regulation of the sector and individual co-operatives

The review considered three options for improved management infrastructure:

- Disperse co-operative functions across the Department of Fair Trading
- Integrate co-operative policy functions into the Policy Division with DFT
- Do nothing

The review team preferred the first option, the dispersion of co-operative functions throughout DFT, because it provided the “greatest opportunity to raise the profile of the co-operative sector, improve customer service, increase efficiency and reduce costs.”¹⁷⁹

Registry and Sector Response

The review report was circulated to Registry staff, the Co-operatives Council and other relevant government and industry organizations for comment. The preferred option of breaking-up the Registry and dispersing these co-operative functions throughout the broader department, was opposed, by both the sector organizations and the staff of the Registry. Qualified support was given to transferring most of development branch staff to a new Co-operative Policy Branch, outside the Registry, but within DFT’s Policy Division. In the event this is what happened—Development Branch was wound-up and a new Co-operative Policy Branch created. The main task of the new Co-operatives Policy Branch was to develop a “whole of government” co-operative policy paper. It was hoped that such a policy approach would deliver the legitimacy needed to ensure widespread and long-term government commitment to co-operative development programmes.

9.12.3 Co-operatives “Whole of Government” Policy Paper

In early 1997, an Inter-Departmental Committee on Co-operatives Policy (the Committee) was established to oversee the development of a “Green Paper” on Co-operative Policy and Development. The Committee included representatives of a number of departments, together with central agencies of government with an interest in co-operative policy.¹⁸⁰ A representative of DFT chaired the Committee.

Broader Policy Context

Like a number of other State Government Departments, the National Competition Policy Review, also known as the Hilmer Report after its author, set the direction for many policy issues with DFT.

The co-operatives policy paper was being prepared in the context of a number of NSW Government reviews, which were having an impact upon co-operatives. At the time of its preparation in 1997, the outcome of several current and proposed competition and regulatory policy reviews, particularly of agricultural marketing structures and their effect on future Government policy on co-operatives was not known. It was also noted that the new national legislative CCP scheme might define many aspects of the public policy framework affecting future co-operative operation and development in Australia.

Draft Green Paper Prepared

As reported in *Co-operation*,¹⁸¹ a draft paper titled “The Role of Co-operatives in Economic Development and Consumer Protection in NSW” was to be prepared by the Committee. The purpose of the paper was to study the role of co-operatives in economic development, social cohesion and consumer protection. What, if any, part the Government could play in promoting and encouraging co-operative development was to be examined.

The draft paper considered the lessons, opportunities and strategies for co-operative development. The format of the paper included listing over 100 issues for public comment and discussion.

A final draft of the policy paper was completed in late 1997—the next step being Government approval to release the “Green Paper” for circulation and comment. In early 1998, the Government decided not to publicly release the paper. A National Competition Policy Review (NCP) of the NSW Co-operatives Act was due to commence in June 1998 and it was felt that the release of the co-operative’s policy paper, covering many of the same issues as the proposed competition policy review, may cause confusion. The NCP review was also expected to reflect the Government’s core role as being the regulation of co-operatives, promoting the use of the co-

operatives, being perhaps more questionable. (The NCP Review of the Co-operatives Act has subsequently been deferred pending the resolution of the CCP scheme.)

Staff Re-Integrated into Registry

Following the decision not to approve the release of the Co-operatives Policy Paper, most of the staff of the Co-operatives Policy Branch was transferred back to the Registry. The staff was re-integrated into the Registry, although neither a Co-operative Policy or Development Branch was re-created.

Following the re-integration, the remaining staff of the Co-operative's Policy Branch was given the brief to develop a proposal for the establishment of a co-operative research and development centre.

One view could be that the government has decided not to be directly engaged in co-operative policy and development functions, but wished to “outsource” the functions to an external organization, perhaps the new co-operative research centre. This would have resolved the dilemma for government of promoting policy based on co-operation, which was seen, by some in government, as being in possible conflict with the competition policy agendas the State Government needed to implement to satisfy the Council of Australian Government's requirements or be financially penalised.

9.13 Move of Registry to Regional NSW

In February 1999 the Minister (Shaw) announced that as part of the Government's commitment to rural NSW,¹⁸² the Department of Fair Trading's Registry of Co-operatives would be transferred to Bathurst. The announcement of the Registry's move was part of a broader initiative including the co-locating of ACCORD in the same regional NSW centre. The Minister explained the move would mean “that 40 positions will be re-located from Sydney to Bathurst in this initiative, bringing job opportunities and economic benefits to the region.”¹⁸³ This would be the first time in Australia that the government agency responsible for co-operatives has not

been located in a State capital.¹⁸⁴ The move may have implications for serving co-operatives.

The Co-operative Federation of NSW opposed the move, believing that it “will be disastrous for NSW co-operatives. It is concerned that the move will result in a loss of expertise from the registry staff not relocating to Bathurst and will make it harder for co-operative advisers to meet the Registry staff. With only 8 percent of the 838 NSW co-operatives located in Bathurst and adjacent central western regions, the federation believes client service will suffer if the move goes ahead.”¹⁸⁵

It is expected that the move will be completed by January 2000.

9.14 Australian Centre for Co-operative Research and Development (ACCORD)

Need for Co-operative Research Identified

There is widespread agreement among all interest groups on the need for research on co-operatives. The demand for good research was confirmed at the Researchers’ Forums, held as part of the annual co-operative conferences in October 1995 and in October 1996, where co-operative representatives voiced their concerns over the lack of adequate research on co-operatives.

To prepare a research and development agenda for the co-operatives sector, the Research and Innovation Committee of the Co-operatives Council conducted a survey among co-operatives in New South Wales to identify their research needs. It was established that nearly half of responding co-operatives had required, in the recent past, research information on co-operatives for their daily operations. The usage across industries in which co-operatives operate indicated a mixture of activities, both social and economic activities.

The major areas for research identified by the responding co-operatives were:

- Legislative policy and compliance with statutory requirements
- Success and failure factors of co-operatives

- Co-operatives values and principles
- Co-operative image and culture
- Corporate governance issues:
- Finance/capital raising
- Member—co-operative communications and member participation
- Successful boards of directors of co-operatives and the impact of external directors on such boards

Training and education, especially training needed for achieving a high degree of compliance by new co-operatives, was also identified as high priority areas.

Only half of the responding co-operatives agreed on the necessity to establish a research centre to conduct research on co-operatives and related concepts.¹⁸⁶ A preference for a centre that would also research and study other areas was expressed while, as could be expected, a majority wished the centre to be located within a university. The credibility and independence that an academic environment would bring to the applied research that would be conducted by such a centre appears to have been valued by co-operative.

NSW Government Commits Resources to Establish Research Centre

In September 1998 the Minister (Shaw) gave in-principle approval for NSW Government support, of up to \$300,000 per year for three years, to assist with the establishment of a co-operative research and development centre. In November invitations to host the centre were sent to NSW universities—information copies were also sent to all other Australian universities.

The Government's commitment was to take the form of a three-year secondment for two senior and experienced DFT (Registry) co-operative officers. In addition the balance of the annual \$300K grant, from the CDF, was to be provided in cash to the centre.

Focus of Centre

The expression of interest invitation spelled out the focus of the proposed centre:

The Government is aware of the significant contribution co-operatives make to the economic and social well being of the State. This is particularly evident in rural and regional areas where they have a long history of service to their members and the wider community...

Co-operatives are only one form of organization with in a broader classification sometimes called the third system/sector or social economy...

This segment of the economy, the focus of the proposed co-operative research centre, comprises both for-profit and non-profit organizations. These organizations are frequently characterized, by amongst other features, trading for an economic and social purpose, a broad ownership base, democratic structures, member or community focus, service orientation and local or regional operation.¹⁸⁷

The Government's funding was to be conditional on the centre being able to demonstrate a capacity for self-funding after three years.

The key objective of the centre was "the further development and promotion of co-operatives and similar member based or mutual organizations. The Government believes this aim could be assisted by the establishment of what will be Australia's only dedicated co-operative research centre." The centre's core activities were to be:

- Research
- Education and training
- Development and consultancy

Successful Consortium Announced

The Minister (Shaw) announced, in February 1999, that the successful application was a joint proposal submitted by the University of Technology Sydney, (UTS) and Charles Sturt University, Bathurst, (CSU). The new centre was to be known as ACCORD, the Australian Centre for Co-operative Research and Development, it would have two locations, one rural/regional in Bathurst, at CSU and one metropolitan, at UTS in Sydney. ACCORD formally commenced in July 1999 at the time of the signing of the funding agreement between the Government and the joint venture partners.

ACCORD Objectives

The objectives of the new centre are:

- Advance the theory and practice of co-operatives and mutual organizations
- Improve governance and management within the co-operative sector
- Disseminate information on Australian and international developments in co-operation, social economy and related areas
- Promote and develop collaborative and community-centred strategies for sustainable economic empowerment and social gain
- Help rebuild declining economic and social capital through the application of co-operative approaches

ACCORD will be promoting itself as “Australia’s only Research and Development Centre serving Co-operatives, Mutuals and the Social Economy.”

Target Market

The following markets have been identified for ACCORD’s services:

- Co-operatives, mutuals and organizations within the social economy and professional agencies serving the sector
- Social entrepreneurs, businesses and other organizations wishing to engage in ethical investments and activities
- Government—Local, State and Commonwealth
- Community and regional Development Organizations
- Trade Unions, Employment Creation and Training Agencies
- Financial Institutions serving urban and regional communities interested in strategies for financial inclusion
- Academics and students interested in the social economy, social inclusion, sustainability and people-centred regeneration.

Management Structure

A Board of Management has been formed with Ian Langdon as chair. The centre has two part-time co-directors, Mark Lyons from UTS and Terry Bishop from CSU. An advisory board of senior stakeholders from the

Australian co-operative sector, the wider social economy, government and other researchers is being formed to assist the Board. An international advisory board of leading researchers in co-operatives and the social economy is also being established.

It is expected that, when operational later in 1999, the centre will have six to eight full-time staff and draw on a wide range of 'associates' and other academic staff.

10 Commonwealth and Other States' Co-operative Development Initiatives

The examples outlined below are not an exhaustive list—rather they are illustrative of some of the different approaches and ideas, which have been followed in different Australian States, by both Governments and the sector.

10.1 Working Party on Agricultural Co-operatives

In early 1985 the Standing Committee on Agriculture (SCA) agreed that a study of agricultural co-operatives be undertaken. The SCA was comprised, at the time, of the Ministers of Agriculture from each of the State, Territory and Commonwealth Governments throughout Australia. A Working Party¹⁸⁸ was formed with the following terms of reference:

- To identify the size and significance of the agricultural co-operative sector in Australia.
- To review the legislative, financial, and management structure of co-operatives.
- To identify impediments to the successful operation of co-operatives, and to make recommendations on the appropriate changes needed

The Working Party presented a report to the SCA in July 1986—it was subsequently published as “Agricultural Co-operatives in Australia” in 1988.¹⁸⁹ Although this study is now over thirteen years old its recommendations have a familiar ring. It is understood to be the last time Commonwealth and State/Territory Ministers (with national co-operative sector support and participation) jointly commissioned a co-operative development study.

Summary

The Working Party concluded that:

Co-operatives and the concept of co-operation offer a realistic and valuable answer to many of Australia’s agricultural problems.

Currently there are over 400 agricultural co-operatives¹⁹⁰ in Australia with a membership approaching 350,000 and an asset base in the order of \$2200M. These co-operatives engage in a wide range of production, input-supply and marketing activities, contribute to improved producer marketing performance, and provide a facility for achieving economics of scale in purchasing, production and selling activities.

While existing agricultural co-operatives provide economic and social advantages to farmers and their communities, there is evidence that the agricultural sector has not kept pace with the demands imposed by modern management, financial and marketing methods.

If the agricultural co-operative sector is to achieve its real potential, and is to be encouraged to grow, governments can assist by providing appropriate support services, relevant legislation, and taxation provisions that do not disadvantage co-operatives.¹⁹¹

The major recommendations of the Working Party were:

1. That an agricultural co-operative service be formed. The responsibilities of this service should include:
 - Research
 - Extension (to include collation and distribution of statistics)
 - Promotion and publications

• CO-OPERATIVE DEVELOPMENT AND THE STATE

- Co-operative development
 - Policy formation
 - Development of co-operative educational programmes
2. That consideration be given to establishing uniform co-operative legislation throughout Australia. This recommendation should be referred to the Standing Committee of Attorneys-General or an appropriate body for consideration.
 3. That urgent attention be given to research of innovative internal finance options that reflect the need for equitable growth.
 4. That, if direct financial assistance is considered appropriate, it be provided in the form of grants or loans to new co-operatives.
 5. That money allocated by a co-operative to a reserve fund for the express purpose of the development of the co-operative be an allowable taxation deduction.
 6. That the development of co-operative curriculum material for tertiary and secondary agricultural education programmes be acknowledged as an urgent need and given priority by any agricultural co-operative service.
 7. That the Australian Bureau of Statistics collect uniform co-operative statistics.
 8. That, with the de-regulation of the banking industry in Australia, consideration be given to the establishment of a co-operative banking system along the lines of those in existence overseas
 9. That specific research issues be undertaken including:
 - Options for financing co-operatives
 - Mechanisms for share capital redemption
 - Performance of co-operatives
 - Role of marketing orders in facilitating the effectiveness of co-operatives
 - Member support
 - Relationship between co-operatives and statutory marketing authorities
 10. That the agricultural co-operative profile be lifted through a series of seminars, workshops and conferences in each State.

Outcome of SCA Report

The agricultural co-operative service was never formed. However, the issue of uniform co-operative legislation between the States was referred to the SCA for consideration.

The above recommendations read like a summary list for all the co-op development strategies that were to follow over the next ten years. The focus on legislation, financing and educational issues is repeated again and again in each of the respective state and sector initiated strategies.

10.2 Co-operatives and the Dairy Industry

It is acknowledged that co-operatives have a special place in the Australian dairy industry, having played a major role in its development and success for more than 100 years.¹⁹² Whether registered as State based co-operatives or as “co-operative corporations” they have been at the leading edge of innovation; particularly in the areas which have been of most interest to co-operatives over the last ten to fifteen years, namely: control; capital and competitiveness.

The dairy co-operatives saw the need for interstate legislation and a wide debate on capital structures as critical to their long-term competitive survival—they adopted a leading role in seeking a resolution of these matters. The issues subsequently came to dominate the general co-operative agenda.

The Commonwealth Government has provided funding for a number of studies and activities related to co-operatives and the dairy industry.¹⁹³ This support is an example of indirect government funding for co-operative research in Australia.

Issues addressed by dairy co-operatives have included:

- benchmarking competitive performance both, within Australia and internationally,
- competition policy concerns, including the co-operative’s contractual relationship with its supplier members and the more general issue of market dominance;

- acquisitions and mergers strategies, including taxation and valuation issues, as well as member and director representation in the newly created merged co-operatives;
- capital issues, in particular encouraging member contributions and exploring hybrid equity alternatives; and
- appropriate corporate governance models.

Co-operative Dairy Industry Activities Have Included:

Co-operatives in the Dairy Industry: A Background Paper

- A review was commissioned in 1994 by the Dairy Research and Development Corporation, (DRDC) of “Co-operatives in the Australian Dairy Industry.”¹⁹⁴ This background paper canvasses issues related to co-operative governance that tend to limit investment in the industry. The report acknowledges that while some potential solutions to the problem are described, particularly as they relate to overseas experience,¹⁹⁵ the intention of the paper was to stimulate debate and discussion on the issues rather than outline a definitive avenue of action. A number of co-operative case studies were examined in this review, out of which the authors identify the following themes:
 - The co-operatives selected for study are generally successful, growing and profitable. In each case, the changes made to the capital structure and/or governance of the co-operatives was a key factor in allowing them to obtain this success.
 - There is no definitive ‘correct’ model for the governance or capital structure of a co-operative. They outline (what was at the time 1994) a number of approaches selected by a range of Australian or overseas co-operatives:
 - Listing on the stock exchange, either directly like Golden Vale or through a separate legal entity, Westfarmers, SPC
 - Obtaining additional capital through higher profit retentions, New Zealand Dairy Group
 - Introducing outside (non-farmer) capital into the co-operative through the use of quasi-equity instruments, Bonlac, United Milk Tasmania

- Structuring the co-operative's constituent documents in such a way that farmers are encouraged to provide sufficient capital to the co-operative in the long term, Dairy Farmers, Egg Industry Co-operative
- Obtaining additional capital and outside expertise by entering into joint ventures, United Milk Tasmania
- Introducing outside directors to ensure commercially realistic decision making, SPC, United Milk Tasmania, Egg Industry Co-operative.¹⁹⁶

International Co-operatives Seminar

- A “Co-operatives: A Competitive Force in the Food Business Seminar” held as part of the 24th International Dairy Congress, in 1994, in Melbourne. The seminar included speakers from dairy co-operatives in Australia, the Netherlands, Denmark, Ireland and New Zealand. The seminar addressed “the two most critical issues facing Australian co-operatives: lack of capital and corporate governance.”¹⁹⁷ Participants at the seminar were provided with a copy of the Background prepared by the Boston Consulting Group.

Additional Dairy Industry Co-operative Studies

- The publication in 1996 of “Australian Dairy Co-operatives: Planning for the Future” by the DRDC. This work was commissioned because “dairy co-operatives were being challenged by the need to fund capital investment to expand processing capacity and to develop new markets and brands.”¹⁹⁸
- ARIRDC commissioned a study undertaken by Chris Greenwood in 1999 on “Capital-Raising Issues and Options for Australian Dairy Co-operatives.”¹⁹⁹ This paper is the most recent review of co-operative capital raising options in Australia—it includes detailed case studies on the following co-operatives:
 - South Australia's Dairy Vale Group
 - The proposed partial demutualization model of the Dairy Farmers Group
 - Bonlac Foods Ltd

- CO-OPERATIVE DEVELOPMENT AND THE STATE
 - Namoi Cotton Co-operative's Co-operative Capital Unit (CCU) listing
 - The Irish Dairy Co-operative Model
 - The North American New Generation Co-operatives
- The United Dairyfarmers of Victoria, (UDV) has undertaken a number of co-operative related activities, including:
 - Producing a UDV Policy Paper on aspects relating to the operation of dairy co-operatives.²⁰⁰
 - A tour of North American dairy co-operatives by the UDV Administrative Director.²⁰¹
 - The development by the UDV of a co-operative director training programme.
- Seminar on Co-operative Issues and Trends
 - In 1998 (and 1999) the DRDC sponsored a visit by Michael Cook from the University of Missouri–Columbia to present at a two day Dairy Co-operatives Leaders Forum in Victoria.
 - Apart from the Forum a special industry seminar was conducted for the directors of dairy co-operatives. The seminar topics were: emerging issues and trends facing co-operatives, including raising capital to finance expansion; corporate governance and the shape of co-operatives in the future.

10.3 National Co-op Update

National Co-op Update (NCU) was launched in December 1995. As noted in the first edition it is “the only national publication devoted to the co-operative movement in Australia.”²⁰² The impetus for the creation of NCU came from Chris Greenwood, a journalist with considerable experience with both the dairy industry and agricultural co-operatives.²⁰³ The NSW Registry provided some initial funding to assist with the setting up of the newsletter. NCU has quickly established itself as the journal of record for the general Australian co-operative sector.

Greenwood believes that:

Timely and accurate information is the lifeblood of all successful busi-

nesses, and co-operatives are no exception. Now, more than ever, co-operatives are under pressure to perform. Their members are facing an increasingly complex business world, with issues such as capital availability and corporate governance demanding specialist knowledge and interpretation. Because co-operatives in Australia have been state-based, information sources have also tended to be state-based. As well, co-operatives in different industries have lacked avenues to exchange information and ideas. With the increasing focus on national markets and issues, the co-operative movement benefits from a newsletter dedicated to its interests.

Twenty-one editions of the bi-monthly newsletter have been produced to date, covering a wide variety of Australian and international co-operative issues. Its objectives include:

- Providing a forum for the exchange of views by those within the co-operative sector
- Supporting the development and evolution of co-operatives in Australia, in line with the principles of co-operation
- Disseminating information to and about the co-operative movement—across industries and internationally
- Raising the profile of the co-operative movement.

To celebrate the centenary of Federation in Australia (2001) NCU has commissioned co-operative historian Gary Lewis to prepare a series of articles highlighting landmarks in the development of the Australian co-operative movement in the 20th century.²⁰⁴

10.4 Centre for Co-operative Studies in Agriculture Established

The Centre for Co-operative Studies in Agriculture (CSAGU) was established, at the Gold Coast campus of Griffith University in April 1989. The Director was Associate Prof Ian Langdon. The Federal Government provided funding to the value of \$1M (Aus) for CSAGU from the Primary Industries Marketing Skills Programme, administered by the Department

of Primary Industries and Energy. The dairy industry was the major target of the programme. The main activities of the centre included:

- The publication of a series of booklets on the following topics:
 - Taxation of Australian Agricultural Co-operatives (1989)
 - Directors Responsibility in Australian Co-operatives
 - International Contracting, Exporting and Joint Ventures—
A Legal Perspective
 - Conflict Management
 - A Manual of Incentives and Assistance for export and Research & Development: Dairy Co-operatives
- An Agricultural Co-operative Update Conference in 1992, in conjunction with AAC. This conference was attended by 62 people and included a speaker from the United States Department of Agriculture, Co-operative Services Division.
- A publication on the “Role of Co-operatives in promoting Agricultural Production: An Australian Perspective,” 1992.
- The provision of specialist agricultural co-operative consulting services.

The centre closed in 1993 following Ian Langdon’s appointment as the independent chair of the Dairy Farmers Co-operative in NSW.

10.5 The Victorian Government’s Ministerial Advisory Committee on Co-operation

The Ministerial Advisory Committee on Co-operation (MACC) was established in February 1984 to advise the Victorian Labor Government on appropriate policies and legislation for the Victorian co-operative movement. Although this process occurred more than fifteen years ago it is still the most recently commissioned review into the operation and development of co-operatives in that State. The issues identified are similar to those contained in later NSW co-operative development strategies.

The MACC process, was a government-supported programme, which sought to involve all parts of the co-operative movement, within Victoria. It did not, however, co-ordinate these initiatives with the national co-operative sector organization or other State or Commonwealth Governments.

Government Objectives

The Government noted the co-operative philosophy as stated by the ICA was similar to that behind the Government's social justice strategy and its economic development policy: the vision of a society that is both prosperous and fair.²⁰⁵ The objective of the report was to stimulate informed public debate, leading to a more broadly based and strengthened co-operative movement, enlightened government policies, and appropriate legislation.

Composition of MACC

The MACC Committee had the involvement of four Victorian Government Ministers, including the Minister for Housing who was the Minister responsible for administering the then Co-operation Act. Apart from the Government Ministers the committee included the Registrar of Co-operatives, the Director of the Department for Housing, the General Manager of the Victorian Credit Co-operative Association,²⁰⁶ the Executive Officer of the Victorian Co-operative Federation²⁰⁷ and other Government departmental and co-operative representatives.

Consultative Process

The methodology followed by the MACC Committee included:

- The publication and distribution (June 1984) of an Information Paper, "The Development of the Co-operative Movement in Victoria"
- The convening of a seminar addressing the theme of the above publication. Over 500 people attended this meeting.
- Members of the MACC Committee and officers of the Victorian Registry studied the co-operative movement in several overseas countries, and other Australian States.
- The commissioning of a specific research project on "Democracy through Education."
- The establishment of a number of consultative Working Parties. The Working Parties each prepared a series of Working Papers on aspects of Co-operative Development in Victoria.²⁰⁸ These papers were used in the preparation of the MACC Committee's final report.

The Committee's consultation with the co-operative movement highlighted a number of problem areas:

- Legislation which failed to protect the distinctive identity of co-operatives
- The underdeveloped state of co-operative education and training
- Difficulties for co-operatives in obtaining finance
- Uneven levels of development between co-operative sectors
- The fragmented nature of Victoria's co-operative movement

Recommendations

The MACC Committee made a total of 63 recommendations for the development of co-operatives in Victoria. The more important of these dealt with the role of Government, the organization of mechanisms to encourage the development of the movement and the need to create a forum for Government-Sector relations in Victoria.

The Role of Government

It was noted that Government had an important role to play in encouraging co-operative development. The relationship between the Government and the co-operative movement needed to be based on a clear statement of government support for the sector and recognition that it is clearly distinguishable from both the private and public sectors.

Co-operative Development Mechanisms

The establishment of sector associations was identified as the best model to suit the diverse needs of the Victorian co-operative movement. It was recommended that they should become the chief means of developing services and of representing and promoting their sectors' needs.²⁰⁹ The MACC Committee's report went on to state that countries in which co-operatives are the strongest have well-developed co-operative support agencies—once again the institutional weakest of the Australian co-operative sector was identified and contrasted with successful overseas "co-operative" countries.

Government-Movement Forum

A need for a more comprehensive consultative mechanism to facilitate the relationship between the co-operative movement and the Government was suggested. It was proposed, but never act upon, that a broadly representa-

tive Victorian Co-operatives Council be established to advise the Government on the promotion and co-ordination of co-operative development in Victoria.

Outcome of the MACC Process

The two principal outcomes of the MACC process were:

- The drafting of new general co-operative legislation; in spite of three attempts at drafting and introducing a new Co-operatives Act during the period 1989–1993, Victoria had to wait until 1996 and the new CCP Co-operative legislation before it finally achieved a new Co-operatives Act.
- The consolidation into one administrative unit of the co-operative development resources previously located in the Department of Housing and the Registry of Co-operatives. The result was a new Co-operative Development Unit, within the Victorian Registry of Co-operatives. The unit had six staff and a co-operative development brief very similar to that of the NSW Co-operative Development Branch—there was a degree of informal co-ordination between the two development units, particularly during the years, 1990–1994. The Victorian Co-operative Development Unit was abolished in 1994 and the development functions absorbed by other parts of the Registry. Since that date resources have been further reduced within the Victorian Registry of Co-operatives. It is no longer playing a significant co-op development role apart from offering some assistance with co-operative formation procedures.

10.6 Monash University Programmes

Agribusiness Research Unit

An Australian Agribusiness Research Unit (AARU) was established in 1992 within the David Syme School of Marketing at Monash University, in Victoria. AARU objectives included developing strong and close links with the agribusiness industry in Australia. Its activities included:

- Executive development programmes

- Research and consulting into agribusiness linkages, particularly supply-chain management
- The organization of an annual international co-operative tour

Michael O’Keeffe was the executive director of the centre.²¹⁰

International Co-operative Tours

The international agribusiness co-operative tours, organized by AARU and then Rabo Bank, have played an important part in exposing leaders²¹¹ of major Australian agribusiness co-operatives to the latest developments occurring in similar organizations in North America, Europe and Asia. They have complemented the Key Issues and other Co-operative Conferences held in Australia on similar themes. The tours, which have been run, every year between 1993 and 1998 have focused principally on:

- Co-operative capital raising issues, including examining in detail those Irish dairy co-operatives which have converted into investor oriented structures
- Supply chain management and marketing strategies
- Developments in the retail and food industries, especially in Europe
- Member and board governance and competitiveness issues in successful co-operatives
- Globalisation and changes occurring to international food markets
- Managing member relationships and communication issues

Agribusiness Co-operative Directors Seminars

Monash University’s Department of Marketing has in association with the Co-operative Federation of Victoria conducted a series of Co-operative Director Seminars. The seminars held first in 1998 and again in 1999 have also featured the awarding of the Sir John Monash Gold Medal Award for Agribusiness Co-operative Directors.

Topics discussed at the seminars are similar to those at the 1996 Agricultural Co-operatives Leaders’ Forum organized by the NSW Registry of Co-operatives, The Co-operative Federation of NSW and the then Commonwealth Department of Primary Industry and Energy. The Commonwealth Government through RIRDC has also provided funding for the

Monash seminars. Issues discussed have included: governance structures, legal responsibilities of directors, managing growth and innovation, supply and demand chain management, capital raising and co-operative restructuring and mergers.

The audience, of approximately 50 to 60 per seminar, is also similar to that attracted to the 1996 forum, being mainly drawn from the ranks of the senior management or directors of large agricultural co-operatives throughout Australia and New Zealand.

The format of the seminars has been: to have presentations from a range of co-operative experts followed by a detailed examination of a “real life” Australian co-operative case study which highlights the issues raised earlier—certificates are awarded to participants.

Monash University also provides a number of agribusiness scholarships for use in their graduate programmes. Monash offers a variety of graduate degrees and certificate in agribusiness. These courses, while not directly on co-operatives nevertheless, provide an opportunity for co-operatives topics to be studied.

The School of Government and Public Policy

Monash University School of Government and Public Policy also has for a number of years offered graduate students the opportunity of studying a co-operative topic as part of their degree.

10.7 Co-operative Federation of Victoria

The Victorian Federation has recently been involved in a number of co-operative development activities. These have included:

- The publication of six booklets on the following topics:
 - Co-operatives and Public Policy
 - Privatisation of Co-operatives
 - School Co-operatives
 - Shared Services Co-operatives for Community Agencies
 - Social Care Co-operatives
 - The Co-operative Model

- Discussion Papers on Opportunities for Co-operatives in:
 - Local Government Restructuring
 - Electricity Industry Restructuring
 - Health Care
 - Farm Forestry

The Federation has followed up these initiatives with support for groups wishing to form co-operatives in these areas.

- Established the Co-operation Awards²¹²

The awards are co-operative and co-operator of the year, plus awards for distinguish service by a co-operative and co-operator.

Western Australia

10.8 A Proposal for a New Form of Co-operative Housing in Western Australia

The Western Australian Labor Government commissioned, in late 1991, a study to address the need for urban consolidation and the development of mechanisms for the building of better communities. The resulting report proposed a new option for residential home-unit buyers in Western Australia.²¹³ What was suggested was a facility to provide demand driven medium-density opportunities for local initiation, using a non-profit buyer-grouping mechanism. The proposition was based upon the observation that medium-density-housing delivery was the province of the housing development industry, which has resulted in this sector being supply driven. The core component of the idea proposed was to use a modified version of the North American co-operative movement's group servicing techniques, in conjunction with local legislative, financing and industry practices.

The authors of the report noted that they did not set out to provide an exhaustive assessment of the co-operative movement. Their aim was to select components that were capable of being combined into the creation of an innovative 'hybrid' variety of housing co-operative for maximum

local acceptance. The report noted that in broad terms the co-operative forms from which the elements are drawn are of two distinct types. The limited use format is the one recommended for the initial ‘packing’ of the social, financial, legal and design factors into a new ‘fast-track’ system.

What in effect is being proposed is the use of the co-operative form of organization to bring together into one organization “developers” who may be neighbours or other community people. These co-operators will then go ahead and develop medium density housing properties—in their own areas—in a sensitive and sustainable manner, the resultant property will then be sold, hence the limited use of the co-operative form. This idea contrasts with that promoted by ARCH which is focused on providing tenant controlled, co-operatively owned houses for mainly low-income individuals or families.

11 State-Sector Mechanisms and Relationships

Issues concerning the nature of the relationship between the State and sector are discussed in the following paragraphs.

11.1 *Formal and Legislative Consultative Mechanisms*

With the exception of NSW there are no formal government-sector consultative mechanisms existing in other States or at the national level. This may change if the Queensland Government, which is currently considering establishing a formal government/sector liaison committee, decides to proceed with such an initiative.

NSW Co-operatives Council

For over seventy years, NSW has had a formal “co-operative” consultative mechanism established pursuant to its legislation. Under the Co-operation Act 1923, it was the Co-operative Advisory Council. The present legislation provides for a Co-operatives Council.

Functions of the Council

The functions of the Co-operatives Council are spelt out in the Co-operatives Act 1992. They include:

- To encourage the development and integration of the co-operative sector
- To advise and make recommendations to the Minister on the following matters:
 - Any action to be taken for promoting co-operative principles and for encouraging and assisting in the formation of co-operatives
 - Policies for the administration this Act and regulations
 - The regulations to be made under this Act
 - Such other matters as may be referred to the Council by the Minister or as may be prescribed,
- Such other functions as may be conferred or imposed on the Council by or under this Act.

The functions of Council also need to be read in the context of the objects of the Co-operatives Act, discussed earlier in this paper.

Composition of Council

The Council consists of (up to) nine members appointed by the Minister. Of the nine, at least, four are to be persons chosen by the Minister from among those nominated by co-operatives. In making appointments to the Council, the Minister is to have regard to the desirability of achieving in the composition of the Council an appropriate diversity of backgrounds, qualifications, experience and interests in the co-operative sector and an appropriate diversity of representation of various types and sizes of co-operatives. Council members are normally appointed for terms of two to three years.

Before each Council is appointed the Minister writes to all NSW co-operative inviting nominations. Every co-operative is entitled to nominate up to three persons, who need not be restricted to their co-operative membership. The Registrar of Co-operatives or his/her delegate chairs the Council—the Registrar does not have a deliberative vote, although in the event of an equality of votes has a casting vote.

The composition of the current Council is as follows:

Stewart Clegg	Professor of Management, University of Technology Sydney
Colin Francis	CEO, Yeoval Community Hospital Co-operative
Susanne Haydon	Director, Co-operative Enterprise Development Centre, former member of Co-operative Enterprise Taskforce
Narelle Kennedy	CEO, Australian Business Research Foundation
Leavina Reid	Senior Executive Officer, Durruya –Bowraville District Aboriginal Corporation
Naomi Steer	Public and Community Affairs Officer, NSW Labour Council
Uri Windt	Secretary, Sydney Labour Co-op, Former NSW Deputy Registrar of Co-operatives, former CEO of WEC
Marie Winter	Secretary, Hasting River Co-operative, also Co-operative Federation of NSW director

Although the sector organization is not automatically represented on the Council, it has been the custom, that the Co-operative Federation of NSW and before it, AAC, had at least one board member or employee on Council or the former Co-operative Advisory Council. Other co-operative development organizations, including ARCH, have also had previous representation.

During 1999, the Council is expected to meet three to four times. The Registry of Co-operatives provides the administrative support for the Council.

Sub-Committees

Council has two sub-committees to assist it in carrying out its functions:

- Legislative Review Sub-Committee
- Co-operative Development, Research and Innovation Sub-Committee

During 1996–98 the second of these sub-committees was split into two,

one focusing on development the other on research and innovation, this decision was foreshadowed in the 1996 Minister's (Lo Po) Policy Statement discussed in paragraph 9.11.1 above. In early 1999, the two committees were combined into one.

The sub-committees, first established in 1993, after the commencement of the Co-operatives Act 1992, provide a forum for detailed consideration of issues not always possible at Council meetings. On occasions, the sub-committees have drawn on experienced co-operative representatives from outside the Council membership. This was the case when the Co-operatives 2000 Implementation Committee functioned as the development committee of Council.

11.2 Informal Consultative Mechanisms

State Level

Most State Federations have established informal relations, involving regular meetings, with their respective 'Co-operative' Ministers and government departments responsible for co-operative matters.

The development of the CCP legislation has provided an opportunity for Federation representatives to forge personal links with Registry and other departmental officers. In Queensland, Western Australia and Victoria co-operative sector representatives also have contact with other relevant government officials, particularly in the areas of agriculture, housing and community development.

Likewise, individual co-operative representatives, in all States and at a national level, maintain personal and departmental links to officials relevant to their respective industries, ie the dairy industry, fishing, educational, registered clubs etc.

National Level

The Commonwealth Government's Inquiry into Business Taxation and the proposed CCP scheme have provided an opportunity for the CCA to increase its profile with federal politicians and senior public servants, particularly Treasury and Australian Taxation Office officials.

CCA's recent national public policy conference established links with representatives from all the major political parties in the federal parliament.

CCP Officers' Group and the CCA

State Government officials meeting as the CCP Officers Group have, on a number of occasions over the last three to four years, meet with representatives of the CCA and other State Co-operative Federations. Although, these meetings have tended to be on an irregular as need basis, they nevertheless, provide a channel of communication and understanding for the respective government and sector views on co-operative matters.

11.3 State-Sector Crossover of Personnel

The pool of experienced co-operative individuals in Australia, in government and the sector, is comparatively small. Over the last ten to twenty years, some individuals have switched between working for the sector and working within government to promote the sector. Examples include:

- Joseph Grossman, a Canadian who worked for the Co-operative Federation of NSW in the mid 1980s before working for the Minister for Co-operatives (Debus) as a co-operatives' policy adviser. Grossman played a key role in developing the 'active membership' provisions of the then Co-operation Act and in overseeing the development of the Ministerial Council on Future Directions for Co-operatives.
- Jim McCall, worked for the Australian Association of Co-operatives, before becoming the co-operative policy adviser to the Minister (Peacocke), he concurrently established the Australian Co-operative Development League to assist in advancing Ministerial policy initiatives. He is currently a consultant to the Credit Union movement.
- Jim Howard, the former chair of the Co-operatives Council of Australia, and consultant to the Co-operative Federation of Queensland. Howard is a former Registrar of Agricultural Co-operatives in Queensland.

- Uri Windt, currently a NSW Co-operatives Council member, and involved with labour and employment co-operatives, is a former Deputy Registrar of Co-operatives in NSW, CEO of WEC and an adviser to Government Ministers.
- Race Mathews, former Victorian Government Minister involved in the MACC development process, is presently a co-operative and Credit Union researcher and academic at Monash University. Mathews has been involved in APCTC, and other co-operative sector and credit union development initiatives including ACCORD.

Although no formal secondment process exists between the co-operative sector and government in Australia, the reality is that an informal pathway exists for experienced persons. The views of these individuals can have an important bearing on shaping the relationship between the sector and government at any particular time.

11.4 Australian Political Parties, Co-operation and Mutuality

It is rare for co-operation or mutuality to be mentioned in the policy platforms and documents of the major political parties in Australia. Although Australia has drawn on much of the UK co-operative experience, it has not followed its lead in creating a Co-operative Party. Australian co-operatives have no formal political affiliation, being basically non-political in their dealings with Governments and opposition parties.

11.5 Different NSW Administrations

This paper has focused on the last twenty years of co-operative-sector relations in Australia. It has given special attention to NSW, particularly for the period from mid 1980s through to 1999. During this time, there have been three different NSW administrations.

- 1978–1988 Labor Party Administration

- 1988–1995 Liberal/National Party Administration
- 1995–1999 Labor Party Administration

The Liberal/National Party coalition, particularly the National Party, have tended to support the agricultural co-operative agenda while the Labor Party has given support to worker co-operative, employment and social justice aspects of co-operative development. Both major political groupings have on occasions supported co-operatives as vehicles for regional and enterprise development and international trade initiatives.

The Liberal/National Party and the Labor Party have, while in Government, dismantled regulatory regimes, which have sometimes supported co-operative activity. Both Labor and the Liberal/National coalition have generally been in support of competition policy initiatives, which have had an effect on co-operative operation. Both sides of politics in NSW have made attempts to develop, “whole of government” co-operative development policies with mixed success. Support for co-operative development in Government, where it has existed, has not so much been reflected in the mainstream policies and programmes of the political parties as the interest and support of an individual Minister. This consequential lack of legitimacy has resulted in co-operatives being invisible, having no real presence in the political programmes parties put before the electorate for endorsement.

For their part, co-operatives have not developed, or attempted to create within either of the major political groupings a “co-operative constituency” sufficient to overcome some of the policy and programme impediments spelt out in this paper.

11.6 Government Strong, Sector Weak

One of the themes running through this paper has been that over the last ten to twenty years in Australia, the general co-operative sector has been in effective decline. In the relationship between the State and the sector it has been, on balance, the Government rather than the sector that has been the initiator and driver of development. This has especially been the case, in NSW, after the demise of AAC. The experience of the State in assisting with the establishment of the Co-operative Federation of NSW in

1993 is illustrative of aspects of government/sector relations in NSW.

The State has, until recent times, encouraged the development of a strong sector and representational bodies. Such an organization becomes an effective conduit for co-operatives to express their views to government and for government to deal with the sector. One could view such a relationship as symbiotic—in a period of “smaller government,” co-operative departments, need a strong partner to continue ‘their’ development programmes. The sector can gain if its message is heard in the wider forums of government policy making.

The problem is the comparative strength of this relationship. While the sector “cut its cloth” to reflect its diminished resources, following AAC demise, the government proceeded to broaden its role in the mid 1990s. When subsequently, the government reduced a number of these programmes the sector was unable, or unwilling, to fill the vacuum.

Good and Bad

Even though the State has been acting in support of co-operative development, through committed individuals and the Registry, the idea of “co-operation” has lacked the broader legitimacy necessary in Government to create a long-term and supportive public policy environment. One view of such good intentions may be that in the end, this support has been counterproductive limiting the capacity building necessary to create a sustainable autonomous general co-operative sector. Given the weakness of the sector, in its “relationship” with Government, it has then not been able to resist the “negative” forces of public policy.

12 Lessons and Observations

12.1 *Conferences, Capital, Competitiveness and Control*

One of the unifying themes of general co-operative experience over the last decade has been the quest for competitiveness. This journey has been most evident in the exploration of various forms of

hybrid equity. As industries have become more competitive, co-operatives have sought to compete by, among other responses, seeking opportunities further down the value chain. This has meant additional capital, sometimes from outside the membership base, is required. The one common response of co-operative members to capital models put before them has been “will members retain control?” It is this co-operative principle which most appeals to the pragmatic Australian co-operative member.

Almost all the co-operative conferences and seminars held over the last decade have included a segment on co-operative capital in their programmes. It is possible, for example, to trace the development of the Dairy Farmers capital restructure through presentations, by its chair, to various co-operative conferences during the 1990s. It is a moot point whether the innovation shown by Australian co-operatives in developing various forms of hybrid equity has served to strengthen the movement, or given the current public policy framework, simply shown a way to leave it.

12.2 Legitimacy and Implementation

Over the last decade, co-operative public policy has lost much of its former legitimacy. On the margins of most public policy debates on economic and social matters, it has lacked a contemporary conceptual policy framework and resources. This lack of legitimacy has been reflected in the wider community, with a loss of profile and confidence for this form of organizational structure. A series of well-reported commercial failures and demutualizations has helped reinforce this perception.

While the sector and some government agencies have shown a capacity to initiate co-operative development programmes, most have been comparatively short lived, relying upon the support of individuals rather than a strong institutional base for their long term survival.

12.3 Co-operative Failures

A number of significant co-operative failures have occurred during the last decade. These events have help shape public opinion and media re-

porting of co-operative activity. There has been a resultant slow loss of confidence in the co-operative model.

The collapse of the AAC occurred at about the same time as the problems associated with CHSs and FANMAC in NSW. Both instances cost NSW taxpayers money.

Letona, a large and long established regional agricultural co-operative went into liquidation after a long and protracted struggle by its members, employees and the local community to develop a rescue plan to save it. Many hundreds of jobs were lost. The NSW government was involved in trying to find a way of ensuring the survival of this important export business.

A large Victorian Building Society failed, which contributed to the unfavourable perception of co-operatives among the government bureaucrats as well as the general community. The failure of these building societies did, however, lead to the establishment of the first national state-based financial co-operative scheme, which helped restore confidence in this form of financial institution.

13 Possible Alternative Public Policy Approaches

This paper has highlighted the limited success of most co-operative development strategies pursued over the last twenty years. It is argued that a different conceptual basis may be needed. One alternative approach, which builds on lessons learned during the course of this study, is explored in this chapter.

13.1 *Beyond Public and Private*

The debate over the allocation of resources is often characterized in terms of the private versus the public sectors, or the free market opposed to the controls of government. We can gain important insights into alternative public policy options by looking beyond this dichotomy.

There is a tendency to lay out these forms of organization in a straight line with state ownership at one end and the private sector at the other—co-operative type organizations are placed somewhere in-between. It is argued, however, that it is better to view these different organizational types as a horseshoe. Public and private sector organizations are at each end of the horseshoe.²¹⁴ This model highlights that most public policy debate has been focussing on the ends of the horseshoe rather than considering the range of organizational types, the social economy, around the curve.

Sustainable, competitive economies of the future will need a balance of public political power, private economic power and the power of social and community associations: the formal and informal networks that bring people together to make decisions for themselves and the common good.

For example, in the NSW context, the Premier (Carr) has expressed the view that: “while the government has a leading role in promoting social justice, it is also an issue for the community as a whole. Links between the Government and community organizations are vital in building prosperous communities.”²¹⁵

A Government Minister has expressed similar ideas in the United Kingdom: “What we need is a new partnership: Government, business, and the not-for-profit, voluntary, or third sector. In addition, we need partnerships designed to build social capital, and create sustainable local economies and communities, particularly in the most disadvantaged parts of this country.”²¹⁶

13.2 Broader Social Economy Perspective

It is only in recent times, within the English speaking world, that the term social economy has come into greater usage. It includes the following organizations, within the definition:

- Co-operatives
- Mutuels
- Associations
- Foundations and Charities

The concept of the ‘social economy’ has been developed to cover this broader definitional grouping. This idea is well established in several coun-

tries in Europe with governments specifically developing policies, programmes and legislation for this distinct part, or third sector, of the economy.²¹⁷

What is it that unites these organizational types, other than the fact that they are not public or private sector organizations? Among other features, they are characterized by trading for an economic and social purpose, a broad ownership base, generally democratic structures, member or community focus, service orientation and local or regional operation.

The idea of the social economy should not be seen as static. The principles on which social economy organizations operate could themselves be promoted as a positive way forward. For new business and as, part of a blueprint for local economic development. For rebuilding social capital and broader societal visions and action plans to address social exclusion and other disadvantages arising out of globalisation.

Co-operatives, mutual societies, associations and foundations are often deeply rooted in localities. They can be engines of participation as well as efficient at delivery, and are possible vehicles for public-private partnerships as well as secondary-level inter-firm collaboration.²¹⁸

Mixed Reviews

In spite of a number of shared features among social economy organizations, several co-operative commentators are sceptical about this broader approach to co-operative development, fearing co-operatives may lose identity and focus by being grouped with other organizations.

Some co-operatives are aligning themselves with the concept 'social economy.' Although there can be advantages in creating such alliances to balance the power of big business, the classification of co-operatives alongside charities and bodies that are dependent for their existence upon government sponsorship can be potentially damaging to co-operatives. Co-operatives need to be clearly distinguishable as organizations that have complete autonomy and are self-help enterprises.²¹⁹

Outcomes Focus

It has been noted that Australian (co-operative and mutual public policy) is moving away from an emphasis on the structure of the organization to a

concentration on market outcomes. This approach shares a focus on outcomes with the social economy motivation.

Future development programmes need to do more than just legislatively acknowledge the distinctive organizational structure of co-operatives. They should also focus on outcomes as a way of gaining public policy legitimacy. A social economy perspective may allow for such a focus as well as positioning co-operatives within the broader social capital and civil society arguments currently beginning to be promoted in public policy debates.

This approach borrows from the experience of community co-operatives, and social enterprises in Europe. Cattell (1996) suggests that in dealing with issues of co-operative identity and the social economy, a key division arises between those who analyse in terms of the structure and those who analyse in terms of activities and results.²²⁰ He suggests that in mainland Europe, social co-operatives have been defined by their outputs, which must be connected with the social well being of individuals in need. Whether they are controlled by their employees, or service users, or the community is generally not considered “much of an issue,” provided the “thing” is broadly recognized as a co-operative. He makes the point that in the UK, more attention has been applied to structure and adherence to co-operative principles.²²¹

Australia has mirrored certain aspects of the UK experience. By concentrating on structural and definitional matters associated with co-operative legislation, the sector has found itself, isolated from one of the main currents of public policy. Perhaps the case for co-operatives would resonate more soundly with public policy officials if it were framed to take account of outcomes—less concerned with inputs, or the different characteristics of entity and structure.

13.3 The Importance of Trust in Economic and Social Development

As one of the largest and most important groups within the social economy, co-operatives can assist in the building of social capital, which is essential for a better-balanced society.

Civil society has been described as having a diverse mix of local organizations, philanthropies, volunteer associations, neighbourhood groups and co-operatives. All of these collectively foster high levels of “trust” in society and produce an environment more conducive to economic activity.

Markets and communities are both examples of informal institutions, which rely on co-operation without the benefit of third party enforcement by some higher authority. Features that characterize both successful communities and business networks include:

- Non-hierarchical structures, and
- Ongoing relationships (between individuals and firms).

Evidence suggests these alliances succeed because of high levels of trust. This has led to trust between economic agents being increasingly accepted as an important determinant of business productivity. Trust between members is intrinsic to the operation and success of co-operatives—part of the value system embedded in the co-operative structure. Hence, co-operatives that operate according to co-operative best practice are well positioned to offer an effective model of doing business, which involves co-operation between the participants.

13.4 *Demutualization— “Australia: The World Capital”*²²²

There is further important aspect connecting trust, co-operatives, and mutuals in Australia.

Matthews has described demutualization as an abuse of trust.²²³ Over the last decade, Australia has experienced an unprecedented wave of demutualization. Over \$25 billion dollars of mutual and co-operative assets have been lost from the sector to corporate for-profit structures—the process is continuing with another large mutual insurer shortly to vote for the second time on a demutualization proposal.

A large part of mutual insurance and building society sectors have already demutualized. Several high profile conversions or partial demutualizations of large agricultural and trading co-operatives have also occurred.

The first demutualization of a credit union has taken place. Indeed, it is the credit union sector and registered clubs, which remain as the main surviving mutual outposts in Australia.

In every case, where members have been asked to vote on demutualizing their organization or converting the co-operative into an investor owned business, a majority has supported the proposition. In most, if not all, demutualizations, current members have benefited at the expense of past and future generations.

While co-operatives and mutuals are, in-principle vehicles for the development of trust—members and management have, in practice, been the agents for its destruction.

Public Policy and Demutualization

Governments in Australia have tended to view the demutualization trend as both inevitable and largely positive. While not necessarily encouraging, the process governments have not attempted, through public policy, to stop it though one can view the privatization policy of the government as tacit approval for the demutualization or marketization of collectively owned organizations.

Demutualization has not occurred in isolation from broader economic, social and technological changes. Parallels could be drawn between some of the arguments, which have been used in support of privatization of government services and for the demutualization of mutual and co-operative structures. In these cases underlying ownership, whether public or co-operative, is often seen as less important or relevant than efficiency and competition in the marketplace.

A partial explanation for the success of the demutualization trend in Australia may lie in the widespread acceptance over the last decade of the deregulatory and privatization programmes. Media reporting of demutualizations, highlight that the weight of public and elite opinion has tended to view these events, as basically necessary, and part of the broader market liberalization process. Hence, a largely sympathetic commercial, intellectual and public policy environment has been created which has been able to sustain, at least in part, the momentum of the demutualization processes.

It could be argued that recent co-operative (and mutual) public policy has largely failed, partly due to all policy development being dominated by a stated need for efficiency to be achieved through competition. It has not been able to respond to new and developing opportunities or changes of emphasis in policy direction. Importantly, however, it has also been ineffective in preventing an unprecedented exit of significant organizations from the sector.

Alternative public policy prescriptions are clearly needed.

New Mutualism Responses

If trends in the wider economic and political environment have assisted the process of demutualization, then the re-evaluation currently under-way in many countries, of the appropriate balance between macro-economic and social policies may provide an opportunity for the mutual and co-operative sectors to re-enter the debate.

There are tentative signs that this is beginning to happen in some areas. The recent “New Mutualism” initiatives of various organizations within the UK demonstrate that responses to demutualization need not only be couched in defensive terms but can include wider claims for this form of organization, often within the context of broader social economy agendas.

There are some indications that this approach is gaining supporters in Australia.

13.5 “Mutuality—Australia” and the Third Way

“Mutuality Australia” was formed in March 1999 by a Melbourne-based group of co-operative and community activists. The new group’s motto is “building community, co-operation and civil society.” The rationale for its formation was explained in its introductory pamphlet: “We can develop alternatives to big government, economic rationalism, down sizing, powerless, privatization, social fragmentation, managerialism, unemployment, loneliness, and the loss of a sense of community!”²²⁴

Mutuality Australia aims to:

- foster initiatives that build community and social trust
- assist in the development of community enterprises, including consumer and worker co-operatives, social and ethical investment mechanisms and mutual financial institutions
- facilitate new forms of economic partnership, local exchange systems and mutual markets, and new models in health, housing, education, crime prevention and life-cycle support
- encourage dialogue about the shape of our economy, our political system and our society, in order to encourage structures and processes in public and private institutions that promote mutuality
- move beyond the old solutions advanced by left and right in order to tap the creativity, the energy and the commitment that dialogue and new forms of action can bring to the fore.

This group is also starting to bring people together in such a way that it may well provide a rallying point in Australia against demutualization. The support they are receiving is largely from outside the formal co-operative and mutual sector—principally from community and political activists looking for new solutions. Its methodology shares something with organizations such as Social Enterprises London.²²⁵

Mutuality Australia is also possibly the only co-operative or mutual organization involved in the “third way” debates in Australia. The principal inspiration for their coupling of mutual and co-operative solutions to third way policy directions has come from the United Kingdom.

A recent conference on “The Third Way” organized by Mutuality Australia, included presentations from speakers involved in similar developments in the UK.

Appendix I: Time-Line

Significant Events for Australian Co-operatives Sector 1984 to 1999—A Time-line

Government Initiatives	Year	Sector Initiatives
<ul style="list-style-type: none"> • In Victoria, a Ministerial Advisory Committee on Co-operation (MACC) was established 	1984	
<ul style="list-style-type: none"> • Worker Enterprise Corporation (WEC) established in NSW • A Co-operatives Development Trust Fund is established within WEC • Agricultural Ministers sponsored a process, establishing a Working Party on co-operatives, under the Australian Agricultural Council 	1985	
<ul style="list-style-type: none"> • Formation of NSW Ministerial Council on Future Directions for Co-operation by the NSW Minister for Co-operative Societies on 17 October 1986 • Co-operatives Division of the Victorian Attorney Generals Department, which was responsible for the governance of co-operatives, conducted a review of the Victorian Act 	1986	<ul style="list-style-type: none"> • Formation of Australian Association of Co-operatives (AAC) through Co-operative Federation of NSW & Co-operative Federation of VIC
<ul style="list-style-type: none"> • Co-operative sector Training Needs Consultation Project (in conjunction with Technical and Further Education Institutes) undertaken and completed • Establishment of a Co-operatives Development Branch within the NSW Registry of Co-operatives 	1987	

<ul style="list-style-type: none"> • Co-operatives Development Fund established within the NSW Registry committing \$350,000 annually to co-operative development • NSW Registry and AAC organise a “Co-operatives Week” • Co-op Show in August 1987 	1987 (cont.)	
<ul style="list-style-type: none"> • Dept. of Co-op Societies merged into Business and Consumer Affairs Dept. following change of Govt. • A strategy—Plan 88 was developed by the Ministerial Council, to develop and promote co-operatives 	1988	<ul style="list-style-type: none"> • Co-operatives Development Trust Fund transferred from WEC to AAC • AAC created a Development Unit within its structure
<ul style="list-style-type: none"> • A review of NSW co-operative legislation was undertaken • A Co-operative Development Unit was established within the Victorian Registry of Co-ops 	1989	<ul style="list-style-type: none"> • Formation of COOPTRADE Australia Pty. Ltd. by the AAC to conduct commercial export and import trade for Australian co-operative products • Centre for Co-operative Studies in Agriculture (CSAGU) established at Gold Coast College of Griffith University
<ul style="list-style-type: none"> • Co-operatives 2000 project—aimed at preparing a strategy for co-operative development was initiated 	1990	<ul style="list-style-type: none"> • ICA conference hosted by AAC, was convened in two streams; an Australian National Conference of Co-operative Ministers and an International Conference of Co-operative Ministers from the Asia Pacific region in February
<ul style="list-style-type: none"> • Administration of Co-operation Act allocated to Department of Local Government and Co-operatives 	1991	<ul style="list-style-type: none"> • The Australian Co-operative Development League Ltd. (ACDL) was formed on 30 July 1991 • Establishment of the Asia Pacific Centre for Co-operative Research, Training and Development (APCTC) based in Victoria • Co-ops Development Trust Fund transferred from AAC to ACDL

<ul style="list-style-type: none"> • Co-operatives Act passed by NSW Parliament in June 1992 • New regulatory process established for financial co-operatives under the Australian Financial Institution Commission • NSW FINCOM established with 40% of Registry staff 	1992	<ul style="list-style-type: none"> • AAC launched the Australian Co-operative Management Certificate course, in association with the University of Western Sydney in February 1992 • Agricultural Co-operatives Finances Seminar organised by the CSAGU
<ul style="list-style-type: none"> • Co-operatives Act 1992 proclaimed in May 1993 • Ministerial Council on Co-ops wound up • A Co-operatives Council established under the NSW Act to advise Government on matters relating to co-operatives • Co-operatives Key Issues Conference series commenced in NSW as a joint project between the NSW Registry, Co-op Federation of NSW and APCTC • Publication of first “Co-operation” newsletter by NSW Registry • Co-ops 2000 recommendations published by the NSW Registry • ICA/Registry Co-operative Trade project initiated 	1993	<ul style="list-style-type: none"> • Liquidation of AAC • APCTC assumed responsibility for Australian Co-op Management Certificate course • Formation of Co-op Federation of NSW (COFEDNSW) • Formation of Co-ops Council of Australia (CCA)—third-tier national organisation with all co-ops federations as members • ACDL launched “Argyle Project”—a supermarket for co-operatives • ACDL initiated Co-op Bank study • ACDL initiated several international co-op trade projects with ICA and other sponsors • Agribusiness Unit (ABU) at Monash University organises the first overseas co-ops study tour to US
<ul style="list-style-type: none"> • Victorian Co-operative Development Unit was closed down • A-Z Community Co-ops seminar series commences in NSW, organised jointly by NSW Registry and COFEDNSW • International Co-op Trade Seminar organised by NSW Registry • CCH Guide to the NSW Co-operatives Law published • Co-operatives Key Issues Conference 1994 held 	1994	<ul style="list-style-type: none"> • ACDL abandons Argyle project

<ul style="list-style-type: none"> • Administration of NSW Co-operatives Act allocated to Department of Fair Trading (DFT) following change of NSW Govt. • NSW Co-operatives (Amendments) Bill 1995 passed • NSW Co-operatives Key Issues Conference 1995 held with several overseas speakers and participants • Inaugural Co-operatives' Researchers Forum held • NSW Co-operatives Internet website established 	1995	<ul style="list-style-type: none"> • APCTC moved to Sydney • Publication of <i>National Co-op Update</i> commenced • Second overseas study tour to UK, Ireland and Netherlands organised by ABU
<ul style="list-style-type: none"> • Premier's Dept. review of the NSW Registry of Co-operatives undertaken and completed • A Co-operatives Policy Branch formed within the DFT and Co-ops Development Branch within the Registry closed down • Administrative and legislative responsibilities for community and agricultural co-ops united in Queensland • Passage of the Victorian Co-ops Bill 1996 • Northern Territory Co-ops Bill 1996 introduced to the Parliament • Co-operatives Key Issues Conference 1996 held with over 400 participants from Australia and overseas • Inaugural Agricultural Co-operatives' Leaders Forum held in Sydney organised by NSW Registry and COFEDNSW 	1996	<ul style="list-style-type: none"> • Co-ops Development Trust Fund terminated • APCTC increasingly focused on provision of co-op education in the Pacific region, rather than Australia • Third overseas study tour to UK, Ireland and Netherlands organised by ABU
<ul style="list-style-type: none"> • An NSW Inter-Departmental Committee on Co-operative Policy formed to develop a "whole of government" approach to co-operatives 	1997	<ul style="list-style-type: none"> • Pilot projects to assess new co-operative models commence in NSW: <ul style="list-style-type: none"> - Outworkers in garment industry - Energy supply by existing co-ops

<ul style="list-style-type: none"> • NSW Co-operatives Amendment Act 1997 passed • Launch of promotional brochure “Thinking Business, Think Co-operatives” by NSW DFT • NSW DFT decides to terminate Key Issues Conference series 	<p>1997 (cont.)</p>	<ul style="list-style-type: none"> • COFEDNSW holds its first conference for co-operatives • Namoi Cotton Co-operative, NSW’s 3rd largest co-operative issues Co-operative Capital Units • COFEDVIC issues options papers on opportunities for co-operatives in farm forestry, electricity, Health Care and in Local Government Restructuring
<ul style="list-style-type: none"> • Staff of the Co-operatives Policy Branch in NSW DFT reduced to one with other staff moved back to the NSW Registry • NSW Government rejects a proposal from ICA Regional Office for the Asia and the Pacific to establish an International Co-operative Trade Network in Sydney • NSW Government decides to support a Centre for co-operative research and development and calls for expressions of interest from universities in NSW • NSW Ministerial responsibility for co-operatives given to Jeff Shaw, Attorney General following resignation of Brian Langton • QLD chair of Interstate Co-operative Officers Group circulates CCP fundraising options paper • NSW Registry of Co-operatives holds a seminar on capital and fund raising to seek responses to the CCP scheme and hybrid equity models • SA becomes the first state to acknowledge NSW, VIC, QLD and NT as having reciprocal Co-operative Acts as part of the CCP scheme • NSW Government abandons development of a whole of government approach to co-operatives 	<p>1998</p>	<ul style="list-style-type: none"> • Monash University, in association with Co-operative Federation of Victoria (COFEDVIC), holds the first seminar for Agribusiness Co-operative Directors • Sir John Monash Gold Medal award for Agribusiness Co-operative Directors inaugurated • Co-operatives Federation of Western Australia (COFEDWA) involved in developing co-operative alternative for privatising the Australian Wheat Board (Ultimately, the Federal Government and the wheat industry chose producer-controlled corporate structure) • COFEDVIC presented inaugural Co-operation Awards to the Co-operative of the Year, Co-operative Distinguished Service, Co-operator of the Year, Co-operator Distinguished Service

<ul style="list-style-type: none"> • Federal Government establishes Ralph Inquiry into Business Taxation, which will consider possible removal of taxation benefits and separate tax treatment of co-operatives • South Australia passed their CCP legislation 	1998 (cont.)	
<ul style="list-style-type: none"> • Pre-election Ministerial announcement that the NSW Registry is being moved to Bathurst in January 2000 • NSW Government announces that University of Technology, Sydney, and Charles Sturt University, Bathurst, will host the Australian Centre for Co-operative Research and Development (ACCORD) • NSW Government commits \$900,000 over 3 years to ACCORD, which includes providing staff on loan to the Centre • A new Minister for Fair Trading is named following State elections in NSW • Deputy Prime Minister of Australia states support for co-operatives in the context of Business Taxation Inquiry • QLD Department of Equity and Fair Trading investigates the possibility of initiating co-operative development programs • QLD Government introduces the latest series of amendments to CCP legislation 	1999	<ul style="list-style-type: none"> • CCA organised Public Policy conference in Canberra to lobby to retain the taxation regime for co-ops • CCA meets Interstate Co-operative Officers Group to discuss CCP scheme and hybrid equity structures • Monash University in association with COFEDVIC holds second seminar for Agribusiness Co-op directors • QLD, NSW and WA separately hold their conferences • Bulk Handling Co-operative, WA's largest co-operative announces plans to demutualise • Dairy Farmers, NSW's largest co-operative seeks member approval for partial demutualisation with hybrid equity structure, similar to the Irish Dairy Co-operative model • Formation of Mutuality—an organisation to assist in the development of community enterprises, consumer and worker co-operatives

Appendix II: Co-operatives 2000— Terms of Reference

Co-operative Development

The following are the Terms of Reference provided to the Co-operative Development Strategy Steering Committee (the Committee), by the Minister for Local Government and Minister for Co-operatives:

The Committee is to investigate and report on the following matters:

- To examine the past history of co-operative development in New South Wales, other Australian States, and any appropriate overseas experience and highlight any significant trends and lessons in the evolutionary process of co-operative development relevant for a strategy in New South Wales;
- To establish a series of Working Parties to examine in detail and make recommendations on specific areas regarded as relevant to co-operative development. These Working Parties under the control of the Steering Committee will be required to consult widely to ensure that the resulting recommendations enjoy the general support of the co-operative sector throughout New South Wales and recognize any opportunities that may exist for co-operative development and growth;
- In particular consideration should be given to the following areas:
 - Economic, social, environmental, demographic and other issues and trends likely to affect the future development of co-operatives;
 - Valued Added Processing/Manufacturing;
 - International Trade;
 - Joint venture opportunities for co-operatives both domestically and internationally;
 - Regional development, including funding mechanisms and the role co-operatives can play;
 - The relationship of the Co-operative Development Strategy to other

Government Development Strategies;

- The appropriate legislative framework for co-operative development, including whether there should be specific legislation directed at co-operative development at the State or Federal level;
- Education;
- The increase of public awareness and promotion of co-operatives;
- Training for co-operatives members, directors and the professions, which advise co-operatives;
- Strategies for the integration of the various co-operative segments in New South Wales;
- Identification of successful co-operative models;
- Opportunities for co-operative development as a result of micro-economic reform, and other Government policies, for example the review of Statutory Marketing Arrangements for agricultural products;
- A National Co-operative Database;

Other areas identified by the Committee.

- The type of development infrastructure needed in New South Wales to bring about sustained development. Should this be part of a Government Department, a separate Statutory Authority, a Foundation, an industry based association or some other possibly? What are the appropriate funding mechanisms for future co-operative development?
- The Committee will be required to provide for in their recommendations a realistic timetable for the implementation of the programmes it may recommend and to provide for specific responsibility and accountabilities.
- The Committee is to provide an interim report to the Minister within six months of commencing activities based on its work and that of the Working Parties. This report The Green Paper will be distributed widely to interested parties for further comment. Finally the Steering Committee will be responsible for providing to the Minister a final report within 12 months of commencing the project.

Notes

1. Tim Fischer, Australia's former Deputy Prime Minister and National Party Leader, said "Some say they (co-operatives) are old fashioned. They are not. They have an absolute role to play. They can be a very good vehicle for export ..." at a TV interview on Australian Broadcasting Corporation's current affairs programme "The 7:30 Report" on 15 March 1999. Kennan, Victoria's Attorney-General introducing the Co-operatives Bill in the Victorian Parliament in 1996 said that "... (Co-operatives) bill in its present form is suitable for the administration of contemporary co-operatives, will promote the co-operative philosophy, protect co-operatives' interests and facilitate their further growth," clearly indicating the intent of the legislation as one of promotion. During the Debate on the Bill, bi-partisan support was given with the opposition commenting that "... in reality co-operation is at the heart of our society." Hansard 3 December 1996, p. 936. The NSW Minister (Shaw) commented at the launch of his government's co-operative research and development initiative ACCCORD "The co-operative movement—and it is associated bodies—have been an enduring feature of the Australian economic and social landscape," Bathurst, February 1999.
2. The European Commission's definition of social economy has been used in this paper—it includes mutuals, co-operatives, foundations, charities and associations. This definition will be used throughout the paper, unless otherwise specified.
3. Lyons, Mark (1999). "The nonprofit sector," Special Article in *Australia—A Statistical Profile* published by the Australian Bureau Statistics. Sydney. The article is based on statistics collected through the Australian non-profit data project of the University of Technology, Sydney.
4. *Ibid.*
5. Statistics available from the Australian non-profit data project of the University of Technology, Sydney uses a different classification. Financial data are classified according to the activity rather than the structure of the organization. Co-operative structures are used in leisure, human services, health, interest groups and other areas of activity. *Ibid.*
6. Cronan, Garry (1999). "'Something for Nothing—It's Fabulous': An Australian Perspective of Demutualization," *The World of Co-operative Enterprise 1999*, Plunkett Foundation, UK. And Reserve Bank of Australia (1999). "Demutualization in Australia" in *Reserve Bank of Australia Bulletin January 1999*. Canberra, Australia.
7. From <http://www.cu.net.au>—the website of the Credit Union Services Corporation (CUSCAL)—14 May 1999.
8. Credit Union Services Corporation (Australia) Limited (CUSCAL) (1996). *Credit Unions—the inside story*. CUSCAL, Sydney.
9. CUSCAL has conducted private research which has found that over the past three years there is an increasing gap between the quality of service offered by credit unions and the service provided by banks in general, "Last year, 72 percent of credit union members rated their credit union as "excellent" or "very good" in terms of the overall ser-

- vice they provide, which compares with just 36 percent for big banks”, see CUSCAL’s Internet home page <http://www.cu.net.au>.
10. Extracted from CUSCAL’s Internet home page <http://www.cu.net.au>
 11. CUSCAL is the largest of the two national credit union support organizations, the other is the National Credit Union Association (NCUA), see <http://www.creditlink.com.au>
 12. Centre for Australian Financial Institutions *Newsletter*, vol. 3 issue 1. Article titled “Credit Union Mergers: Efficiency Gains?”
 13. Speech made by Graeme Thompson, Chief Executive Officer, Australian Prudential Regulation Authority on “APRA and the new era for Credit Unions”—to Annual Creditlink Conference, Melbourne, 20 November 1998, as reported in APRA website—<http://www.apra.gov.au>
 14. The Financial Systems Inquiry (known as the Wallis inquiry after its Chairman, Mr Stan Wallis), established to report on the effects of deregulation of the financial system in the early 1980s, and to recommend improvements for the regulatory arrangement affecting the financial system, was delivered in April 1997.
 15. CUSCAL (1998). *Review of Movement Performance and Future Structure—Interim Report September 1998*. CUSCAL, Sydney.
 16. Dr Vern Harvey, chief executive of Credit Union Services Corporation (Australia) Limited, from <http://www.cu.net.au>
 17. CUSCAL (1998). *Review of Movement Performance and Future Structure—Issues Paper May 1998*. CUSCAL, Sydney.
 18. From <http://www.aapbs.com.au/about.htm>—the website of the Australian Association of Permanent Building Societies, (AAPBS), 14 May 1999.
 19. AAPBS, op. cit.
 20. From being almost indistinguishable from banks, UK building societies rediscovered mutuality. The Building Societies Association of UK had been referring to this new definition of building societies as “new mutualism.” New mutualism will be examined later in the paper.
 21. On 1 July 1999, APRA became responsible for the prudential regulation of benefit fund friendly societies. These institutions were previously regulated under a uniform scheme of regulation implemented by each State and Territory government and coordinated by the Australian Financial Institutions Commissions (AFIC), in NSW for example it was FINCON. Benefit fund friendly societies are regulated under the Life Insurance Act 1995. Note that APRA does not regulate the health benefit funds of friendly societies; these are regulated under the National Health Act 1959.
 22. From <http://www.afic.com.au>—on June 8, 1999.
 23. From <http://www.ozemail.com.au/~qofs/fsoc.htm#anchor166210>—Queensland Office Of Financial Supervision.
 24. From <http://www.fincom.com.au>—NSW Financial Institutions Commission site—June 8, 1999.
 25. In July 1999 responsible for the regulation of NSW CHSs was returned from the former FINCOM to the NSW Registry of Co-operatives.

26. HomeFund was a scheme aimed at providing housing loans to low-income earners. The securitisation arrangements for this scheme failed and the State Government, which had partly under-written the scheme, had to “bail out” the CHSs—discrediting them as funding organizations.
27. From <http://www.fincom.com.au>—NSW Financial Institutions Commission site—June 8, 1999.
28. NSW is the only state to maintain a detailed computerised database of co-operative performance, cross-referenced against industry and location. In 1994, there was a proposal to extend the database to cover national boundaries and initial data on co-operatives were collected. However, the “national database” is not maintained due to problems of data collection—there is no compulsion for interstate co-operatives to provide data to the NSW Registry. The result is the unavailability of consistent national data on co-operatives.
29. Licensed clubs have their own sector Association—Registered Clubs Association. It appears that club co-operatives have chosen to be identified with the industry association rather than the co-operatives sector.
30. This figure does not include the turnover of co-operative companies registered in Victoria.
31. The last review of agricultural co-operatives in Australia was carried out by the Co-operatives Study Centre at Gold Coast University College of Griffith University in 1992. Information quoted here is a collation of data from NSW database and other published data on agricultural co-operatives.
32. Again, financial statistics of co-op companies registered in Victoria are not included.
33. It is also worth noting the worker co-operative programme run in NSW in the late 1970s and early 1980s sometimes encouraged these ‘co-operatives’ to registered under the then Companies Act as companies limited by guarantee, rather than under the Co-operatives Acts.
34. This highlights the important normative role that legislation (and public policy) has in determining the internal structure of co-operatives.
35. At the time of the Victorian MACC Committee’s Final Report in 1986 it was estimated that general co-operatives, apart from Co-operative Housing Societies, registered under the then Co-operation Act had assets of approximately \$63M (Aus) compared with Victorian registered Co-operative Companies which had assets of \$720M (Aus).
36. Cronan, Garry (1995). *Australian Co-operative Public Policy: Directions and Issues*, 1995 in collected papers from 1995 Key Issues Conference—*Co-operatives Managing Change into the 21st Century*. Registry of Co-operatives, Sydney, Australia.
37. *Business Review Weekly* magazine publishes annually a listing of top 1000 companies in Australia.
38. Lewis, Gary John (1992). *A Middle Way—Rochdale co-operatives in New South Wales 1859–1986*. Canberra: Brolga Press.
39. See material on CUSCAL under 2.2.1 of this paper.
40. Parnell, Edgar (1994). *Summary Report on the Visit of Edgar Parnell, Director of the*

Plunkett Foundation, to New South Wales and Victoria, Australia, Plunkett Foundation, Oxford, UK.

41. Crosbie, Richard (1994). "The Australian Credit Union Movement," presentation to the 1994 Key Issues Conference, excerpt from *Co-operation*, December 1994.
42. The CFA was formed in late 1943, early 1944.
43. The Co-operative Institute, an initiative of the then Registrar of Co-operatives in NSW Alf Sheldon, was established in 1945. This example again demonstrates the strong relationship, which has existed on occasions between the co-operative movement, and the government officials charged with its regulation and development.
44. From article "National focus needed for co-operative movement" in *National Co-op Update*, published by Substitution Pty Ltd.—December 1995.
45. Op. cit., p. 77.
46. The new structure was built upon some of the remaining State Co-operative Federations, which had not become part of AAC, and newly formed State organizations. This organization known as the Co-operatives Council of Australia, (CCA) has as its only members five State Co-operative Federations. Primary co-operatives cannot belong to the CCA, rather they join their respective State Co-operative Federations.
47. The Productivity Commission is an agency of the Commonwealth Government. It replaced the former Industry Commission.
48. Productivity Commission (1999). *Impact of Competition Policy*. From <http://www.pc.gov.au>
49. The current state based co-operative federations have only the equivalent of 3 to 4 full-time staff spread throughout Australia and a combined turnover of approximately 15 percent of AACs.
50. These views are based on comments made to the authors by sector representatives at the time of the new Federations formation.
51. This conference attracted over 350 delegates from 26 countries with 17 Ministers attending as well as a number of Deputy Ministers and Senior Government representatives and Departmental personnel, as reported in the *The Co-operative Courier*, June/July 1990, Australian Association of Co-operatives.
52. Department of Local Government and Co-operatives, *Annual Report 1992/93*, p. 31.
53. This was the same two day conference, which also considered a replacement organization for AAC at the NSW level, and on the second day, May 6 officially launched the Co-operatives 2000 recommendations. The conference was organized by Development Branch of the Registry.
54. *Co-operation*, issue 3 August 1993
55. Co-operatives Council of Australia—Rules.
56. President of the Federation of Co-operatives of SA is the Chair but the Queensland Federation President will retain the Chair of the Council until the negotiations over the business taxation are concluded.
57. Jordan, Jill (1996). "Co-operatives Serving the Maleny Community—Queensland." Paper presented at the 1996 Key Issues Conference, Sydney.

58. Asia Pacific Co-operative Training Centre—Business Plan for Australian Programmes—February 1999.
59. Parliament of New South Wales (1983). *Report of the Registrar of Co-operative Societies for the year ended 30 June 1982*.
60. Lewis, 1992. Op. cit., p. 11.
61. *Ibid.*, pp. 11 & 12.
62. *Ibid.*, pp. 117–20.
63. Op. cit., p. 173.
64. Reiner, Andrew (1986). *Kempsey: A Study of Conflict*. Canberra: Department of Aboriginal Affairs.
65. Subsequently, the NSW Government made a decision that registered clubs could no longer be incorporated as co-operatives and thence had to be registered as companies.
66. Anne Manne, a social commentator, in a recent article “Gulf widens as winners take it all” in the national daily *The Australian* (5 June 99) drew on the imaginary of George Orwell’s *The Road to Wigan Pier* to give something of the despair and loss of hope affecting people in the regions of Australia which are losing out in changes occurring as a result of globalisation and increased competition.
67. Tanner, Lindsay (1999). *Open Australia*. Pluto Press, Annandale, NSW, Australia.
68. Putnam, Robert (1993).
69. Lyons, Mark (1999) states that “...there are now signs that the number of non-profit associations and people’s involvement in them might be shrinking ...” Op. cit.
70. Extracts from Francis Fukuyama in an article “The Great Disruption” which appeared on 1 of the Review issued with *Australian Financial Review*—4 June 1999
71. Op. cit.
72. Contact authors for source.
73. Latham, Mark (1998). *Civilising Global Capital*. Allen & Unwin, St Leonards, NSW Australia.
74. Op. cit.
75. Op. cit.
76. Hoyt, Ann (1989). “Cooperatives in Other Countries,” in David W. Cobia, ed., (1989). *Co-operatives in Agriculture* (Englewood Cliffs, N.J.: Prentice Hall), pp. 81–97.
77. *Ibid.*, p. 12.
78. 1995 Key Issues Conference Papers.
79. Rural and Regional Affairs and Transport Legislation Committee: Wheat Marketing Legislation Amendment Bill, 1998: Discussion, 29 June 1998. From <http://www.parliament.gov.au>
80. Select Committee on Socio-Economic Consequences of the National Competition Policy: Socio-economic Discussion Date: 7 April 1999. From <http://www.parliament.gov.au>

81. Media Release from Treasurer, 20 August 1996. This proposal was defeated in the Senate, although it has again been raised in the context Ralph Inquiry in Business Taxation.
82. Financial Sector Reform (Amendments and Transitional Provisions) Bill (No.1) 1999. From <http://www.parliament.gov.au>
83. Agribusiness and Community Branch, Department of Primary Industries and Energy, (1998). *Chains of Success*, AGPS, Canberra.
84. *Ibid.*, p. 3.
85. This turnover figure does not include ‘co-operative companies’ or Co-operative Housing Societies.
86. Cobia, David (1989). *Co-operatives in Agriculture*.
87. 77th International Co-operative Day, Message from the International Co-operative Alliance, Public Policy and Co-operative Legislation.
88. Report of the Secretary General of the United Nations, *Status and role of cooperatives in the light of new economic and social trends*, 1998.
89. Robb, John (1993). “Tax Implications of Capital/Fund Raising Options,” 1993 Key Issues Conference, Sydney.
90. *Business Taxation Review* (1998). Discussion Paper, “A Strong Foundation,” Canberra.
91. Report by the Independent Committee of Inquiry (1993). *National Competition Policy*, Canberra, Australian Government Publishing Service.
92. Likewise, DFT decided not to participate in CCP legislative initiatives for a period of twelve months, during 1995/6, because at that stage a competition policy review of the co-operative legislation had not been started.
93. Fels, Allan (1995). “Competition Policy—What Does it Mean for Co-operatives,” in *Co-operatives Managing Change into the 21st Century*, collected papers of the 1995 Key Issues Conference, Sydney.
94. Greer, Brian (1984). *A review of worker co-operative development agencies in Australia*. Australian Government Publishing Service, Canberra.
95. Jamrozik, Adam, and Beck, Robin (1981). *Worker Co-operatives—An evaluative study of the New South Wales Worker Co-operative Programme*. Sydney: Social Welfare Research Centre of the University of NSW.
96. Parliament of New South Wales (1983). *Report of the Registrar of Co-operative Societies for the year ended 30 June 1984*.
97. Op. cit., p. 18.
98. Pixley, Jocelyn (1992). *Citizenship and Employment*. Sydney: Cambridge University Press, p. 166.
99. Wickremarachchi, Jayo (1997). “Government Policy on Co-operatives and Implications for Growth.” Unpublished postgraduate course paper.
100. Jensen, Anthony (1994). Paper on “Repositioning Worker Co-operatives in the 21st Century” in *Co-operatives Managing Change into the 21st Century*—collected papers from the 1995 Key Issues Conference. Registry of Co-operatives, Sydney.
101. Op. cit., p. 80.

102. Ministerial Council on Future Directions for Co-operatives. (1988). *Co-ops in New South Wales: A Guide to Who they are, What they do, Their Products and Services*. Dept. of Co-operative Societies, Sydney. p. 5.
103. Activities of the Development Branch are discussed later in 9.3.1.
104. Minister for Co-operative Societies statement on “Co-operatives Policy Initiatives” 5/11/87.
105. This policy paper was produced after the change of government.
106. Ministerial Council on Future Directions for Co-operatives (1988). *Co-ops in New South Wales*, p. 77.
107. *Ibid.*
108. *Ibid.*, p. 2.
109. Windschuttle, Keith (1988). *The Co-operative sector in the New South Wales economy*. Parramatta: New South Wales Ministerial Council on Future Directions for Co-operatives, Sydney. p. viii.
110. Fitzgerald, Paul (1991). *Feasibility Study into a Regional Development Bond facility for Rural New South Wales*, A Report to the Ministerial Council on the Future Directions for Co-operatives.
111. Public Service Board was one of the main ‘central agencies’ of the NSW Government.
112. Public Service Board (1987). *Review of the Organization Structure of the Department of Co-operative Societies*. NSW Government, Sydney.
113. *Ibid.*, p. 15.
114. *Ibid.*, p. 12.
115. *Ibid.*, p. 3.
116. *Ibid.*
117. Like the 1987 review that created the branch, the 1996 review, which recommended its winding-up, was conducted by a central agency of the NSW Government.
118. The purpose of this later review was “to examine ways of improving the overall effectiveness of the Department of Fair Trading management infrastructure for co-operatives functions in NSW.”
119. The Development Branch’s interest in this area follows an earlier submission, prepared in 1990 as a background paper to the Review of NSW Coarse Grain Marketing Boards: *Producer Choice in Coarse Grain Marketing: The Case for a Grower-Owned Alternative*, Registry of Co-operatives, Sydney.
120. Registry of Co-operatives (1990). *Co-operatives, Statutory Marketing Arrangements and Agricultural Marketing*, Submission to the Industry Commission Inquiry into Statutory Marketing Arrangements 1990–91, Registry of Co-operatives, Sydney.
121. Industry Commission (1991). *Statutory Marketing Arrangements for primary Products*, AGPS Canberra.
122. Parliament of New South Wales (1983). *Report of the Registrar of Co-operative Societies* for the year ended 30 June 1953.

123. T Corp manages all NSW State Government funding.
124. From article, "Premier Announces Tax Break for Rural Co-ops," in *Co-operation*, issue 13, 1997.
125. From article, "Tax Deductible Loans for NSW Agricultural Co-ops," in *Co-operation*, issue 14, 1998.
126. *Ibid.*, p. 6.
127. From article, "Loan Lets Bega Cheese Stay Local," in *Co-operation*, issue 14, 1998.
128. O'Keeffe, Michael et al (1996). *Agricultural Marketing Co-operatives: Opportunities and Dilemmas*, Agribusiness Research Unit, Monash University, Melbourne.
129. *Ibid.*, p. 1.
130. The only related survey sighted was a Co-operative Managers' Remuneration Report carried out in 1984 by the Co-operative Federation of NSW Ltd.
131. Registry of Co-operatives (1993). *Co-operation Newsletter*, issue 1. Department of Local Government & Co-operatives, Sydney. p. 2.
132. Magarey was principal in the law firm, Blake Dawson and Waldon who did review of the NSW Co-operation Act 1923.
133. Magarey, Donald (1994). *Guide to the NSW Co-operative Law*, CCH.
134. Dyce, Tim (1994). "Co-operative Law Review," *Co-operation Newsletter*, issue 7, September 1994, Registry of Co-operatives, Sydney.
135. Australian Visual Systems (1991). *The Business of Co-operatives*, Sydney.
136. Ministers' Debus, Peacocke and West made at least one overseas co-operative related visit.
137. Departmental and ministerial officials, Payne, McCall, and Cronan have each attended a number of international co-operative conferences.
138. See following reports: Cronan, Garry (1995). "Report on Visit to ICA Centenary Congress and UK Co-operatives"; Cronan, Garry (1994). "Report of the ICA Asia-Pacific Consultation on Co-operative-Government Collaboration"; Cronan, Garry (1993). "The USA Experience: A Report on American Co-operatives and Lessons for Australia."
139. Co-operatives 2000: 1996 Programme Update, Registry of Co-operatives, Sydney.
140. Ministry of Local Government and Co-operatives (1992). *Co-operatives Now!* Department of Local Government and Co-operatives, Sydney.
141. The relationship between ACDL and the Government is separately discussed in 9.5.
142. Foreword by the Minister for Local Government and Co-operatives in *Co-operatives Now!* Op. cit.
143. Ministry of Local Government and Co-operatives (1992). *Co-operatives Now!* Department of Local Government and Co-operatives, Sydney.
144. *Ibid.*, p. 4.
145. Inter-Coop is an association of consumer co-operatives in Europe, formed in 1971, with the objective of promoting economic collaboration among member organizations to increase their competitive power. Via retail societies, the members of Inter-

- Coop operate 116,000 stores with sales of US\$85.9 billion representing 41 million members. *Ibid.*, p. 6.
146. *Ibid.*, p. 7.
147. The principal executive officer of ACDL was also the ministerial adviser on co-operatives to the NSW Minister for Co-operatives.
148. Deed of Appointment signed by the Minister (Debus) appointing WEC as Trustee of CDTF.
149. *Co-ops 2000 Newsletter*, no. 1, 1992, issued by the Registry of Co-operatives.
150. Foreword of *Co-operatives Now! Ibid.*
151. Don Kinnersley, former Managing Director of Dairy Farmers, then called Australian Co-operative Foods was appointed by the Minister to chair the Steering Committee.
152. Apart from Don Kinnersley, members of the Steering Committee included: Geoff Ayers, General Manager, AAC, Geoff Baker, from the NSW Farmers Federation, Duncan Campbell, a director from Nambucca River Co-operative Society, a rural retail co-operative, Ian Davidge, chair of Ricegrowers' Co-operative, Stuart Gillies, General Manager, Association of Credit Unions, Jim McCall, Senior Policy Adviser to the Minister, Prof Roger Packham, University of Western Sydney, Jennifer Mattila, a partner with a large legal firm and Garry Cronan who acted as executive officer to the Steering Committee.
153. The 12 key strategic areas were: ownership and funding; best practices strategies; director skills; value adding; export enhancement strategies; education and co-operative principles; professional support; appropriate legislation; government facilitation; co-operation among co-operatives and strategic development.
154. Meyers Strategy Group Pty Ltd, *Research Findings Co-operatives 2000 Survey* Prepared for the Co-operatives 2000 Steering Committee, July, 1992, Sydney, Australia.
155. Co-operatives 2000 (1993). *Co-operatives 2000—Recommendations*. Registry of Co-operatives, Sydney.
156. As outlined in 3.1.
157. Of the nine member Taskforce set up by NSW general co-operatives, to establish a replacement organization, six were actively involved in the Working Party's of Co-operatives 2000. The chair of the Taskforce and subsequent consultant to the Federation was chair of the Co-operatives 2000 Steering Committee, and was from the dairy industry.
158. This was the last opportunity for government sponsored cross-sector, i.e., general and financial co-operatives.
159. The financial co-operatives will be regulated at a Commonwealth Government level from 1999, with the acceptance of the recommendations from the Wallis Inquiry. It is to be noted that from 1992, regulation of financial co-operatives was undertaken through a state based national scheme while general co-operatives are still separately regulated at State level.
160. Over the course of the series, speakers included: Edgar Parnell, Charlie Cattell and Johnston Birchall from the UK; John Tyrell from Ireland; Ian MacPherson, Murray

- Fulton, and Lou Hammond Ketilson from Canada; Gert van Dijk from the Netherlands; Isoa Takamura from Japan; Rasmus Rasmussen from Denmark; Glen Webb, and Randy Torgerson from the United States and Hans Münkner from Germany.
161. Co-ops 2000 1996 Programme booklet.
 162. Registry of Co-operatives (1997). *Co-operation Newsletter*, issue 13. Department of Fair Trading, Sydney.
 163. *The Co-operative Courier*, issue June/July 1990, "AAC's Overseas Trade Initiatives," AAC, Sydney.
 164. *Ibid.*, p. 2.
 165. Conversation between the authors and Ray Everingham former AAC's director.
 166. Austrade, "Investment Survey of Japanese Agricultural Co-operatives (Nokyo)," April 1992, Canberra.
 167. The selected ICA official was Guo Yang Kang, now Deputy Regional Director, ICA ROAP.
 168. Discussed in detail in Chapter 8.
 169. Department of Fair Trading, "Co-operative Development Fund Guidelines" (1997).
 170. The Australian Centre for Co-operative Research and Development (ACCORD) is currently funded under this part of the CDF programme.
 171. Jensen, Anthony et al, "Repositioning Worker Co-operatives for the 21st Century," 1995 Key Issues Conference, Sydney
 172. After WEC was wound-up, AAC did through the CDFT engage in some worker co-operative development activities, however, there had been no serious sector efforts in this area for three to four years prior to the renewed interest shown by members of the Worker Enterprise Project.
 173. 1996 Co-operation Calendar of Events, p. 9, Registry of Co-operatives, Sydney.
 174. This publication was jointly sponsored and funded by The Registry of Co-operatives; Price Waterhouse; the Australian Employee Ownership Association, (AEOA) and the Co-operatives Enterprise Project. AEOA is a federation of employee owned businesses, which promotes the benefits of and encourages the development of employee ownership. The Association assists members, reviews international trends and provides submissions to government.
 175. Minister's Media Release, 1 July 1996.
 176. These manuals were jointly funded by the Registry of Co-operatives and the Commonwealth Government Department of Employment, Education, Training and Youth Affairs, (DEETYA).
 177. Thomas Clark was at the time DBM Professor of Corporate Governance at Leeds Business School, he has since joined the staff of the University of Technology Sydney.
 178. As quoted in Jensen (1995), op. cit.
 179. Premier's Department Review of the Registry of Co-operatives, June 1996.
 180. The Committee included: Ray Anson, NSW Treasury; Carolyn Burlew, Vince

Paparo, Wayne Green and Ado Zanella from the Premier's Department; Zoe De Saram, NSW Agriculture and Office of Rural Communities; Leigh Haines, State and Regional Development; Shane Holt and Helen Carpenter, NSW Fisheries; Dominic Wong and Caroline James, the Cabinet Office; John Schmidt, chair, DFT; Garry Cronan, and Graham Monday from Co-operatives Policy Branch, DFT.

181. *Co-operation*, issue 13, 1997, Registry of Co-operatives, Sydney.
182. The Registry of Co-operatives is not the only small government department or agency to be moved to regional NSW, the Department of Local Government and WorkCover, are among a number to be relocated.
183. Minister's media release, Launch of Centre for Co-operative Research and Development, Charles Sturt University, Bathurst, February, 1999.
184. It is expected that approximately 15 percent of current Registry staff will move to Bathurst—new staff will be trained to replace the former staff.
185. May/June issue of *National Co-op Update*, p. 2, "Registry move to Bathurst."
186. Co-operatives in some specific industries did not see any benefit in a research centre and these co-operatives had not used any research findings in the recent past.
187. Call for Expressions of Interest in establishing a Centre for Co-operative Research and Development (1998). Department of Fair Trading, Sydney.
188. The Working Party comprised: Deane Crabb, convenor, Department of Agriculture, Adelaide; Jim Marwaring, Department of Agriculture, Sydney; Tony Connor, Department of Primary Industries, Brisbane; Joseph Grossman, Co-operative Federation of Australia, Sydney;. The following people assisted the working party; Bruce Freeman, Co-operative Federation of Australia, Sydney; Ian Langdon, Darling Downs Institute of Advanced Education, Toowoomba; Geoff Cox, Department of Industry, Technology and Resources, Melbourne.
189. Working Party for the Standing Committee on Agriculture (1988). *Agricultural Co-operatives in Australia*, SCA, Canberra.
190. This figure includes co-operative corporations as well as co-operatives registered under State based co-operative legislation.
191. *Ibid.*, p. 1.
192. Greenwood, Chris, ed. (1996). *Australian Dairy Co-operatives: Planning for the Future*, Dairy Research and Development Corporation, Melbourne, Australia.
193. The main sources of funding for these projects included DRDC, the Rural Industries Research and Development Corporation, (RIRDC) and the former Department of Primary Industry and Energy, (DPIE).
194. The Boston Consulting Group (1994). "Co-operatives in the Australian Dairy Industry: A Background Paper," prepared for DRDC, Melbourne, Australia.
195. The example, which has been the most influential in Australia, has been the experience of the Irish Dairy Co-operatives, most particularly the Kerry Group.
196. Many of the co-operatives mentioned in this case study have gone on to further refine their capital, governance and corporate structures.
197. Quote from the Conference programme for the seminar. The NSW Registry of Co-

- operatives later published the seminar proceedings for circulation to interested co-operatives throughout Australia.
198. Greenwood, op. cit.
 199. Greenwood, Chris (1999). "Capital-Raising Issues and Options for Australian Dairy Co-operatives," an unpublished thesis submitted as part of a Masters of Business (Agribusiness), Monash University, Victoria, Australia.
 200. United Dairyfarmers of Victoria (1988). *UDV Policy Paper on Dairy Co-operatives*, Melbourne, Australia.
 201. O'Callaghan, Terry (1993). *UDV Administrative Director's USA Visit Report*, UDV, Melbourne, Australia.
 202. Substitution Pty Ltd. *National Co-op Update*, vol. 1 December 1995, Substitution Pty Ltd, Malvern, Victoria.
 203. Greenwood assisted by fellow Substitution Pty Ltd. journalist Anne Burgi have considerable expertise in publishing specialist trade magazines, particularly in agricultural industries where co-operatives dominate the market. They have been heavily involved in the post-farm gate dairy industry, through the Dairy Industry Association of Australia's bi-monthly journal Australian Dairy Foods.
 204. *National Co-op Update*, vol. 21 May/June 1999, Substitution Pty Ltd, Malvern, Victoria.
 205. Ministerial Advisory Committee on Co-operation (1986). *The Co-operative Way: Victoria's Third Sector*, Ministerial Advisory Committee on Co-operation, Melbourne.
 206. Credit co-operatives, or credit unions, were at this stage incorporated under the Victorian Co-operation Act.
 207. The MACC process commenced prior to the formation of AAC, its predecessor in Victoria was included on the committee.
 208. For a worker co-op perspective see Carlo Carli (1985). *Organization of the Co-operative Movement in Italy*, Published by the Victorian Department of Employment and Industrial Affairs for the Worker Co-operative Working Party of the Ministerial Advisory Committee on Co-operation, in its Co-operative Monograph Series.
 209. ARCH the NSW Co-operative housing resource organization is an examples of the type of sector organization being recommended for Victoria.
 210. Michael O'Keefe was also a part-time coordinator of the Rural Industries Research and Development Corporations (RIRDC) Agribusiness Programme in the early 1990s. O'Keefe subsequently moved from AARU to take up a position within Australia, with the Dutch agricultural co-operative bank, Rabo Australia, taking the responsibility for organising the overseas co-operative tours, from AARU, with him to Rabo Australia.
 211. Approximately 70 senior agribusiness co-operative leaders have participate in the tours, including a number of directors of Dairy Farmers Co-operative which has gone onto introduce a capital structure based to some extent on the Irish dairy model.
 212. These awards are in addition to those recently established by Monash University.
 213. The Rowland Company (1992). *Sector 4 Housing: A Concept to Address the Need for*

- Urban Consolidation and Better Communities*, The Office of the Family, Government of Western Australia, Perth, Australia.
214. Mintzberg, Henry (1996). "Managing Government—Governing Management," in *Harvard Business Review* May/June 1996 pp. 75–83.
215. Bullen, P., and Lawrence, S. (1997). *Non-profit in Business*. Work Ventures 1997.
216. Patricia Hewitt, MP, Economic Secretary to the Treasury, "New Approaches to Social Inclusion," paper presented at Social Enterprises London Conference on Social Enterprise and Social Inclusion, London January 1999.
217. a) Industrial Common Ownership Movement (ICOM) (1996). "Creating a Social Economy—Why a Labour Government should support the development of co-operative enterprises," a Briefing Paper. London: ICOM.
- b) Rock, Charles P., and Klinedinst, Mark (1994). "In search of the 'Social Economy' in the United States: a Proposal" in Defourney, Jacques, and Monzon Campos, Jose L., eds. (1994). *The Third Sector*. Belgium: CIRIEC, De Boeck University.
- c) Browne, Paul Leduc (1997). "The two faces of the Social Economy." Paper presented at the Eighth Conference on Canadian Social Welfare Policy, University of Regina, Saskatchewan, Canada.
- d) Defourney and Campos, *The Third Sector*.
- e) "Co-operative, Mutual and Non-profit Organizations" in *Panorama of EC Industry* (1991–1992).
- f) Wuelker, Hans-Detlef (1995). "The Social Economy and Co-ops: A German Perspective," a paper presented at a Conference between International Raiffeisen Union and ICA.
218. The Co-operative Party (1995). *The Co-operative Agenda for Labour*. London: Co-operative Union on behalf of the Co-operative Party of UK.
219. Parnell, Edgar (1999). "Global Co-operation in a New Century—a Situation Report," *Review of International Co-operation*, vol. 92 no. 2 (1999), ICA, Geneva, Switzerland.
220. Cattell, Charlie, "Europe Community Co-operatives—Lessons and Directions," paper presented at the 1996 Key Issues Conference, see collected conference papers.
221. *Ibid.*, p. 10.
222. This section of the paper is drawn from the article, Garry Cronan (1999). "Something for Nothing—It's Fabulous': An Australian Perspective of Demutualization," in *The World of Co-operative Enterprise 1999*, Plunkett Foundation, Oxford, England.
223. From discussions between the authors and Race Mathews.
224. *Mutuality Australia* (1999), introductory pamphlet, Melbourne, Australia.
225. Social Enterprises London (SEL), which commenced operations in early 1999, is focused on social enterprises and social inclusion outcomes.

