

**New Co-operatives:
Motivations and Barriers**

**Jayo Wickremarachchi
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ACCORD Paper No. 10

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Executive Summary

Nearly 300 new co-operatives were registered under the co-operatives legislation, over the 10 years (1990 to 1999) in NSW. Although co-operatives were formed at an average of nearly 35 co-operatives per year in the first half of the 1990s, the number had declined to about 21 co-operatives in 1998 and 1999. Most of the co-operatives formed were engaged in trading in non-agricultural products as well as in traditional agricultural areas and human services co-operatives such as housing, provision of childcare and aged care services.

Motivations

Groups forming new co-operatives selected a co-operative structure as the intended activity matched the values of a co-operative: democracy, open membership, collective decision-making, and concern for the community.

There was also evidence that promotional campaigns led to co-operatives formation. In this context, better dissemination of knowledge and information on co-operatives would contribute to the growth of the sector. Programs such as the Co-operative and Regional Development Strategy (CARDS) being implemented currently by the Registry of Co-operatives & Associations, which focuses on promotion of co-operatives in regional areas, may lay the ground for a wide-ranging promotional program.

The presence of supporting bodies plays a significant role both in the establishment and the proficient operation of co-operatives. Strengthening such organisations and their capacity for promotion of co-operative concepts would contribute significantly to co-operative development. Joint government-sector programs need to be considered in view of the added benefit of sharing of resources and efforts.

Barriers

An increasingly unfavourable broad public policy environment, which indirectly promotes 'for-profit' forms of organisation, may have affected the general thrust of forming co-operatives. To counter such effects, promotional programs that disseminate information on co-operatives would be needed.

One of the major barriers appears to be the documentary requirements in the formation process. It has to be appreciated that these are legal documents and that a certain degree of complexity is inevitable. However, a library of approved clauses within Rules that could be customised to suit a particular co-operative model would make the process much easier and quicker.

Clearly, there are initial problems that new co-operative face: problems related to financing, taxation, management of member relations, and director training. Resolution of such difficulties would require a concerted joint effort by the Government agencies responsible for co-operatives, sector organisations, service providers and researchers on co-operatives.

Government policy to act, or political decisions not to exercise this right, can affect co-operatives and their development. Co-operatives would be more effective if they, as a sector, had an active, structured lobbying program.

Criticisms from co-operatives about government regulation may also indicate a lack of understanding on the part of the new co-operatives on the necessity for such regulation and a lack of knowledge about policy processes and instruments. There is a need to institute a co-operatives policy program that would actively consult with co-operatives on areas of concern and develop policy that would resolve major issues. A review of existing policies should be undertaken to focus on revising and developing new policies, which would be reviewed on a regular basis.

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PURPOSE OF REPORT

Over the past 10 years in NSW nearly 300 new co-operatives have been registered under the co-operatives legislation. They have been formed in many different industries and geographical areas.

This paper attempts to identify general trends in the formation of co-operatives. It will use the information on newly formed co-operatives to describe what motivates people to form co-operatives and identify some of the barriers that prevent people from adopting the co-operative form of organisation. The second part of the study seeks to collect further data from new co-operatives to identify experiences and attitudes within the sector.

The broad trends evident in co-operatives' formations in different industries and locations in NSW were also studied to identify and showcase innovative use of co-operation and mutuality.

Background

Co-operative structures provide a means by which various groups of people or organisations can come together and pool resources for the provision of their own goods and services. The International Co-operative Alliance (ICA)ⁱ defines a co-operative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Co-operative values reflect self-help, self-responsibility, democracy, equality, equity, and solidarity. These values are articulated in the statement of seven co-operative principles under the topics of

- Voluntary and open membership,
- Democratic member control,
- Member economic participation,
- Autonomy and independence,
- Education, training and information,
- Co-operation among co-operatives, and
- Concern for the community.

The seven principles were revised in 1995 and adopted by the ICAⁱⁱ. The co-operative principles appear in legislative form in s6 of the *Co-operatives Act 1992 (NSW)* and are Core Consistent Provisions. They exist in legislation (or proposed legislation) in all other States and Territories of Australia.

Co-operatives are but one form of legal entity in Australia; the legislative authority is State based. The other state-based entities are statutory corporations like irrigation companies, semi-government bodies like State Rail Authority, Treasury Corporation, bodies corporate, incorporated associations and solicitors' associations.

Companies or investor-owned firms are governed by the Corporations Act - legislated and administered by the Commonwealth Government.

The Corporations Act provides for three main types of companies: public, proprietary limited companies and companies limited by guarantee. It is estimated that there are 1.16 million non-agricultural private sector businesses operating in Australia, 103,800 agricultural businessesⁱⁱⁱ, and over 120,000 incorporated associations^{iv}. In comparison, co-operatives number around 2,400 with approximately 850 located and registered under the NSW Co-operatives Act.

At the time of registration, the NSW Registry of Co-operatives & Associations^v requires a new co-operative to submit details of founder members, its governance structure and details of share capital. This information forms part of a disclosure statement required under s17 of the *Co-operatives Act 1992 (NSW)*. In addition, the new organisation has to submit a forecast cash-flow statement and a forecast balance sheet for the first year of its operation.

The information is analysed by the Registry to determine whether the proposed entity has provided sufficient disclosure for prospective members to be adequately informed of the nature and extent of their obligations to the proposed entity. Information from the Registry's database, which identifies total number of new co-operatives formed, geographical area and type according to ANZSIC codes can be analysed to identify trends in new formations by reference to type and geographical area.

The legislative environment also includes industrial relations regulations, property law, trade practices and contract law, which apply to all entities.

Data and Methodology

To conduct this study, the following information was obtained:

- Names and addresses of co-operatives formed since 1990: basic data
- The industries, in which they were formed as reflected by the Australia New Zealand Standard Industry Classification (ANZSIC) codes, allocated by the Registry at the time of formation
- The local government area, in which the co-operatives were formed
- Names and contact details of the Chairperson and the Secretary of the Co-operative: to obtain views on the formation and operation of their co-operative.

Data was sourced from the Registry's public register of co-operatives.

The study was conducted in two parts. The first examined data on new co-operatives formed over a period of ten years. A quantitative analysis of the data was used to determine the trends in co-operative formations in the period 1990 to 1999, and in the geographical areas and the industries, in which co-operative structures were being formed.

The second part of the study examined in detail the co-operatives formed in the period 1997 to 1999 – the last three years of the 10-year period. The list of co-operatives formed in the calendar years 1997 to 1999 is given in Annexure 1.

The analysis was followed in 2001 by telephone interviews, with senior office-bearers of new co-operatives formed during 1997 to 1999, to discuss initial member expectations and why the co-operative form of organisation was chosen for the selected activity.

Information was also sought on the difficulties encountered when forming the co-operatives, the level of assistance received, and organisations from which it was received.

Questionnaire

The questionnaire used for the interviews was designed to gather data on five major aspects:

- Areas of activity, in which new co-operatives were successful
- The factors that led to the selection of a co-operative structure
- The success or failure of the co-operative structure in meeting the initial objectives
- Difficulties in forming and operating as a co-operative
- Current attitude towards the co-operative structure.

The questionnaire is given in Annexure 2.

To satisfy ethical considerations in conducting research, any objections to being identified by name in the final report were sought, and the co-operatives' representatives willingness to participate in further discussions established.

While most questions related to the history of the organisation, some questions asked for an expression of opinion. It is understandable that comments on the success of the co-operative in meeting early hopes of the members would draw different responses from different people involved. While it is not suggested that financial data is a complete measure of success of a co-operative, in the absence of a set of criteria for measuring the success absolutely, operating in a solvent fashion could be considered one measure of success.

There may also be different levels of satisfaction between the co-operative and individual members. Member satisfaction may be determined by different criteria, such as level of communication and transparency, and prompt and adequate return in respect of financial dealings with the co-operative. It was not possible to measure this disparity in the context of this study. The answers would only reflect the management's perceptions of success. It may still be a valid measure of satisfaction, in that, if the co-operative's management believes that the organisation is successful, by being solvent and retaining membership numbers, then this would reflect some degree of member satisfaction.

Telephone interviews were conducted with either the Chairman or the Secretary of the co-operative. Each person interviewed was part of the founding group. It should be noted that the views expressed by these office-bearers might not have been the official view of the co-operative.

Co-operatives Interviewed

The target group for telephone interviews, was all co-operatives formed in the calendar years 1997, 1998 and 1999. Of the 69 co-operatives formed during this period, nine had been deregistered or were in the process of being deregistered. The only exceptions were the responses of former office-bearers of two deregistered co-operatives whose responses were used in the survey.

There were some difficulties in contacting each co-operative, and three co-operatives declined to participate in the survey.

In effect, the number of useable responses from co-operatives amounted to 34, 55% of the reduced target group of 62. This was considered as an acceptable response rate or sample. The number interviewed were as follows:

Year	No of co-ops formed	No of active co-ops	No of co-ops interviewed	Useable responses	%
1997	26	21	13	13	61.90%
1998	20	16	12	10	62.50%
1999	23	23	12	11	47.83%
TOTAL	69	60	37	34	56.67%

Active Co-ops in the above table refers to co-operatives still active and registered at the time of interviews – during June 2001 to March 2002.

A sample size for qualitative inquiry depends on the purpose of the inquiry, the risks, usefulness, credibility and research subject. While every endeavour was made to contact all co-operatives formed during 1997, 1998 and 1999, there were difficulties in reaching some of them. More technical considerations suggest that the required sample size is a function of the precision of the estimates, the variability or variance in the population and the statistical level of confidence. 34 useable responses, however, provide a high level of precision and confidence, in terms of statistical analysis.

Data Analysis

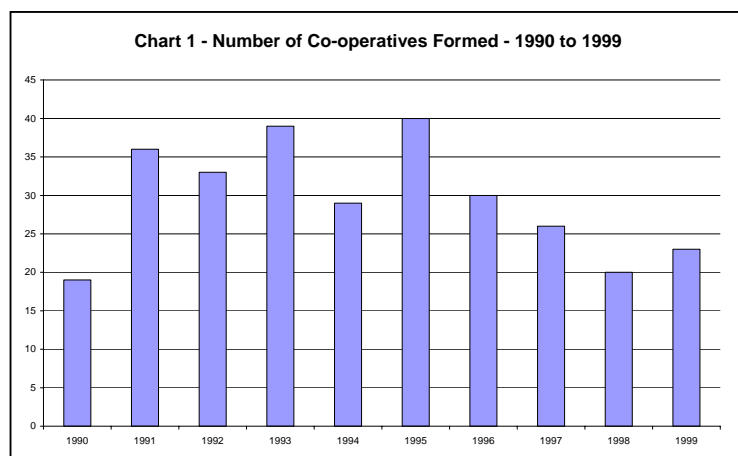
Registration of Co-operatives in NSW – 1990 to 1999

Between 1990 and 1999, 295 new co-operatives were registered in NSW.

Table 1 - Number of co-operatives formed in NSW 1990 – 1999

Year	Number Formed	% Comparison	Trend
1990	20	--	--
1991	36	80.0%	Growth
1992	33	-8.3%	Decline
1993	39	18.2%	Growth
1994	29	-25.6%	Decline
1995	40	37.9%	Growth
1996	30	-25.0%	Decline
1997	26	-13.3%	Decline
1998	20	-23.1%	Decline
1999	22	10.0%	Growth
TOTAL	295		

There is no apparent pattern or trend in the registration of co-operatives. The number grows or declines from year to year. The



declines from year to year. The average number of co-operatives formed annually during this period was 29. The numbers formed in each year is given in Table 1. The fluctuations in the number of formations in each year from 1990 to 1999 are depicted in Chart 1.

The average of over 29 new co-operatives per year increased in the period 1991 to 1996, when the average was

nearly 35. The reasons for the higher registrations need to be researched to identify factors that led to the growth trend.

The Registry of Co-operatives (as it was titled then) allocated additional resources to the formation of new co-operatives during the period 1990 to 1996 through the creation of a Co-operatives Development Branch and the introduction of a formations program. The program assisted groups interested in forming co-operatives and attempted to generate interest in the co-operative idea among people who would benefit by organising themselves co-operatively. This was done through Registry officers addressing groups of people across NSW. In late 1996, the Registry was re-structured with officers from the Development Branch being moved to the Departmental Policy Division. The re-structure changed the previous administrative structure, which consisted of a Legal, Operations and a Development Branch.

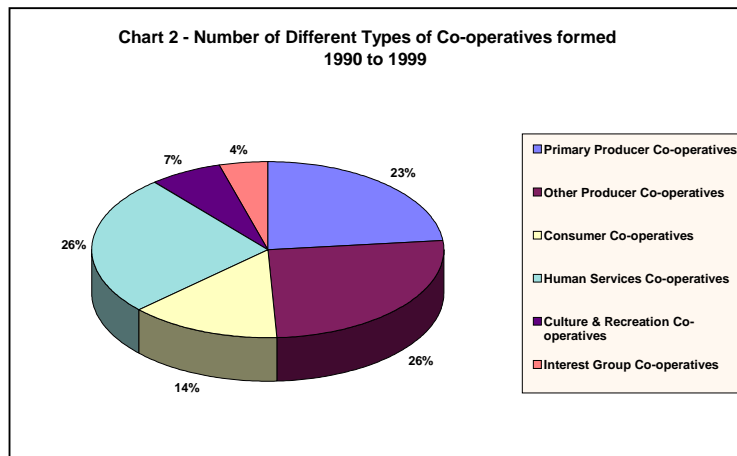
The Development Branch was re-named Advisory Branch, with two officers responsible for new co-operatives. It should be noted that in early 1998, the officers, who had been moved to the Policy Division were re-allocated to the Advisory Branch. The structure of the current Registry resembles the structure that existed before 1996.

Although no cost benefit study of the formations program is available, one possible conclusion is that the program has been a success, if the only measure of success was an increased number of registrations.

It would also be relevant to investigate the declines in 1994 and 1998, and also in 1993 and 1997, when two significant events occurred. The Co-operatives Act 1992 was proclaimed in 1993 and amendments to the Act were adopted in 1997. It is possible that these changes may have affected the approval of registrations, as both the Registry officers, and people involved in the formations needed time to become familiar with the new compliance requirements and any other changes. .

Industries in which New Co-operatives were Formed

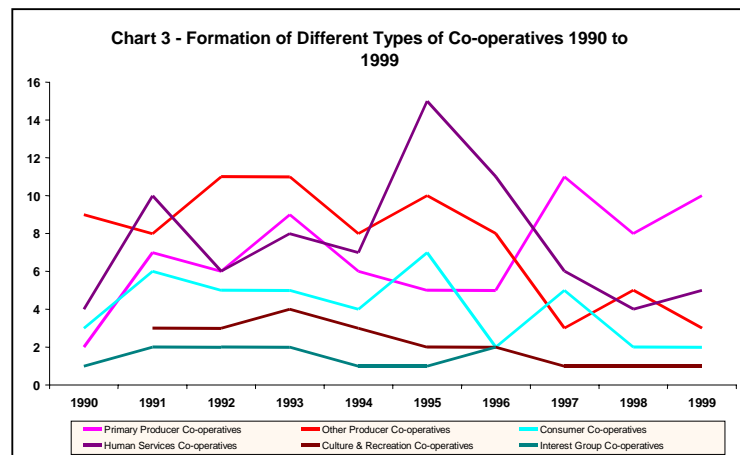
All types of co-operatives^{vi} were formed in the period 1990 to 1999, as depicted in Chart 2. Most of them were in the other producer co-operatives (such as co-operatives engaged in trading in non-agricultural products) and human services co-operatives (such as housing, care provision, etc) categories.



The categories of co-operatives formed have been inconsistent each year. During the first half of the decade, the yearly registrations were relatively consistent. In 1995, a higher proportion were human services co-operatives, and the number of primary producer co-operatives

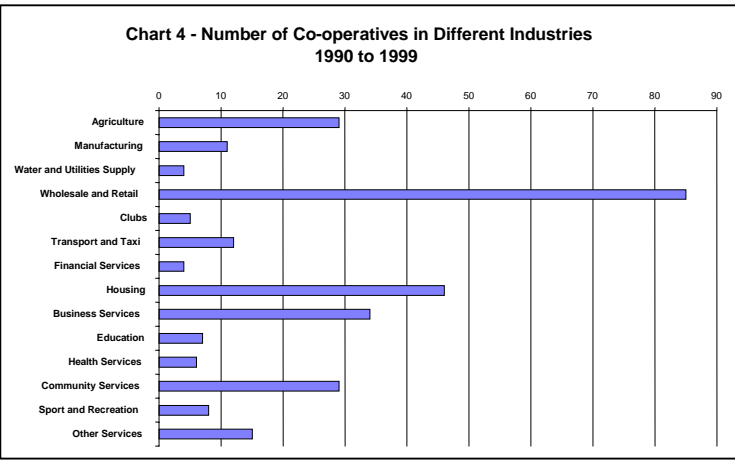
dropped. In 1997, another relative change occurred with most co-operatives registered being primary producer co-operatives.

Over the period 1990 to 1999, the relative number of primary producer co-operatives increased while the number of other producer co-operatives declined. It appears significant that in 1990 most registrations were other producer co-operatives. No co-operatives in the Interest Groups category were formed in 1998 and 1999.



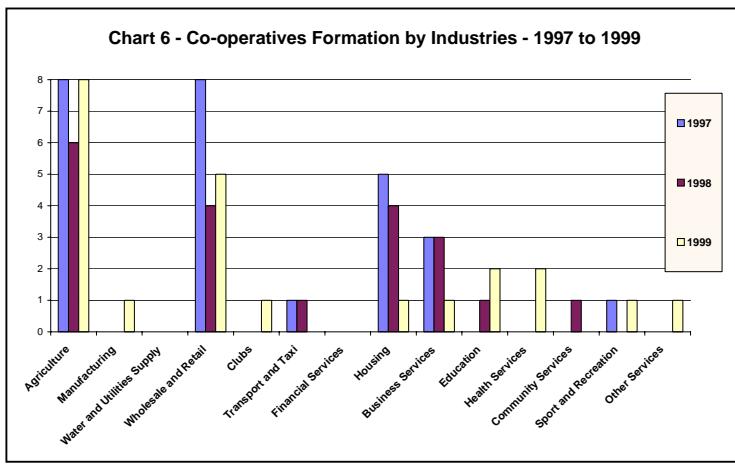
Identification of the reasons for such changes is beyond the scope of this study. Research into these aspects would be of significant interest to co-operative developers and practitioners as well as public policy-makers.

In terms of broad ANZSIC classifications, the highest number of co-operatives formed in the '90s was in wholesale/retail trade. Most were craft co-operatives and food retail co-operatives. There were also nine co-



operatives formed for wholesale trading in rural produce. The other major industry groups were housing co-operatives and business service co-operatives. Business service co-operatives are mainly network type co-operatives: members share knowledge, resources and ideas, and through sharing, gain market advantages. One prominent model was of business firms forming a co-operative^{vii} to jointly purchase or collectively tender for large contracts.

In the period 1997 to 1999, there were changes in the number of co-operatives formed within industries. The number of housing co-operatives and business services co-operatives formed in 1999 was less compared to 1997 and 1998. Instead, different types of co-operatives were formed: manufacturing, clubs, health services and other services. The significance of this change can not be determined in this study.

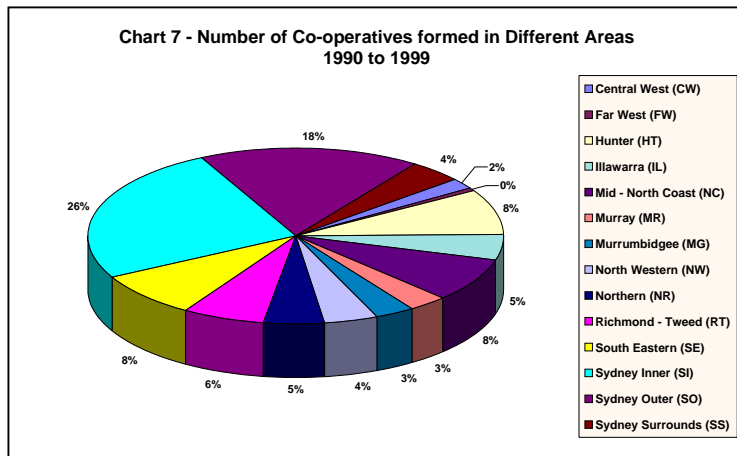


Whether the change is continuing, needs to be examined, by analysing the formation patterns in 2000 and 2001.

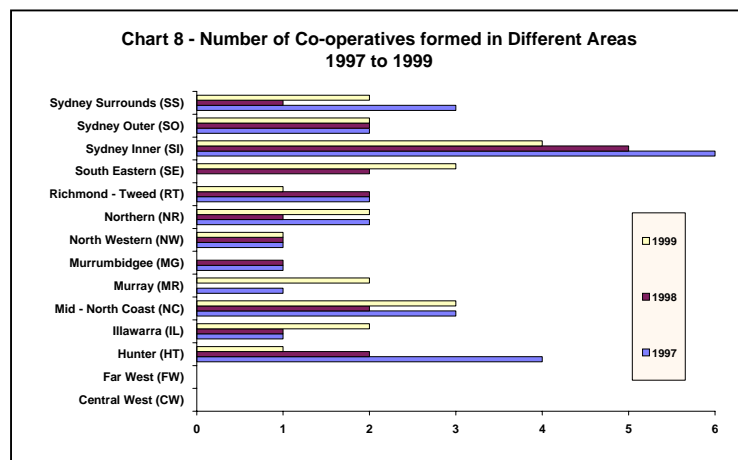
In 2000 the Registry introduced a special project implementing a Co-operative and Regional Development Strategy. The strategy seeks to identify opportunities in regional areas where a co-operative arrangement may enable local communities to achieve economic or social objectives. Such programs may have a positive effect and a research study would be of great use to determine the effectiveness of current policy.

Areas in which Co-operatives were Formed

The Registry of Co-operatives & Associations' database also identifies the Local Government Area (LGA), in which the new co-operative was formed. Using the Geographical Statistical Divisions developed by ABS, the numbers were analysed to identify the areas where co-operatives were formed. The definitions are given in Annexure 3.



The majority of co-operatives were formed in Sydney and its suburbs during 1990 to 1999. About 48% of the new co-operatives had their registered offices in metropolitan areas, the rest in rural areas. One observation is that rural-based co-operatives often provide their metropolitan legal offices as the registered address. This may distort the data by overstating the number of urban co-operatives.



The Hunter region, the Mid North Coast and South Eastern NSW formed more co-operatives during 1990 to 1999 than other rural areas. It has to be noted that traditionally, co-operatives have been a prominent form of organisation in these areas^{viii}. It is unclear whether such traditions were a contributory factor or whether any other aspects influenced the formations more directly.

There is no discernible pattern in the areas in which co-operatives were formed during 1997 to 1999. No new co-operatives were formed in the Central and Far West regions. It may be argued that these areas do not have rich co-operative traditions, except in few isolated areas. It would be a matter of interest for the policymakers to be able to determine whether a promotional program targeted at the area would have made any difference.

While it has been argued by Fairbairn (1999) that there is a strong relationship between increased Government resources for co-operative development and growth of co-operative activity^{ix}, a systematic evaluation of costs and benefits of this program has not been conducted.

It has to be noted that if the formation rate declined while resources were still being allocated to the formation program, then the impetus for forming a co-operative may not come from any formation program. Other forms of legal entity may be seen as more easily formed or as more flexible organisations, such as companies limited by guarantee, and associations.

Responses from Surveyed Co-operatives

This section will briefly outline the co-operatives' responses to the questions.

Question 1 a) - What does your co-operative do? (eg. services it provides)

The co-operatives interviewed were from six different activity groups:

Type/Activity classification	Number	Number formed	%
Consumer Co-operatives	9	9	100%
Culture & Recreation Co-operatives	3	5	60%
Human Services Co-operatives	8	15	53%
Interest Group Co-operatives	2	2	100%
Other Producer Co-operatives	2	10	20%
Primary Producer Co-operatives	10	28	35%
Total	34	69	49%

It is also relevant to look at the classes of co-operative in terms of trading activity^x.

Class/Trading classification	Number	Number formed	%
Trading Co-operatives	17	40	42.5%
Non-trading Co-operative with Shares	12	24	50.0%
Non-trading Co-operatives with No Shares	5	5	100%
Total	34	69	49%

Question 1 b) - What are your objectives in forming the co-operative?

The initial objectives of the 34 co-operatives interviewed were generally different. The answers ranged from lowering costs, increasing profits, to pooling of resources, and promoting various social objectives such as environment protection and waste reduction. Another category of objectives related to obtaining services like affordable housing and equitable financial outcomes.

Question 2 - Where did the idea for doing this and forming a co-operative come from?

In 85% of the surveyed co-operatives, the idea had come from the groups themselves, mainly due to the presence of people within the group, who had some experience in co-operatives.

In three instances or nine percent of the cases, the initial proposal had been made by external organisations. The external bodies that promoted the formation had adopted the co-operative model as a viable organisational structure within the industry. In two cases, the idea originated from a person external to the group.

Question 3 - Were you (a group of people) doing this before you incorporated as a co-operative?

All co-operatives except three, or 91% of the interviewed co-operatives were incorporated to undertake the intended activity, and founder members had not, as a group, engaged previously in the activity. Members of the other co-operatives had:

- a) organised themselves under an informal co-operative arrangement before registering as a co-operative after one year;
- b) incorporated as a non-profit body and
- c) operated for 20 years as a company.

Question 4 a) - How have the last 2/3/4 years been?

79% of the representatives of co-operatives rated the co-operative as having been successful in the past three or four years.

Of the other co-operatives, one spent the last three years in developing and building their factory. Being a primary producer, the co-operative had not yet marketed any of its processed products. Another co-operative had not enough work for its members to financially benefit, while one had difficulties in coming to a consensual decision on their contracts. Another co-operative had a decline in membership resulting from smaller than expected financial returns.

Question 4 b) - Have you met your early hopes?

85% respondents said that their co-operatives had met the early objectives while one had just established the necessary infrastructure.

Respondents from five co-operatives formed in 1998, believed the co-operative had not met the members' hopes, mainly due to lack of business and an inability to agree on contract conditions.

Question 4 c) - Have you changed what you are doing?

91% of the co-operatives had not diversified or deviated from the main activity for which the co-operative was formed. The other three co-operatives had expanded activities, improved work practices and revised their business plans.

Question 4 d) - What are the sources of your revenue? Sales/grants/other

For 44% of the co-operatives the sources of revenue are sales, sales commissions or service fees. For the four housing co-operatives, charges or rent from users (members) provided revenue, while two co-operatives had received a state government grant. 10 co-operatives or 29% depended on membership fees. Three co-operatives had not had any revenue.

Question 5 - Why did you choose to be a co-operative?

All groups had chosen the co-operative structure because of the appeal of co-operative values and its democratic nature. Additional benefit of being able to capture profits from the next level in the supply chain had been a major reason for the formation of one of the agricultural co-operatives. The one member – one vote principle has also been attractive to most groups; as one interviewee said: 'one member can't rule the roost'. In other cases, the major benefit was to reduce costs through consolidation of purchases to get bulk discounts, and sharing of equipment or resources.

Question 6 a) - Did you experience any difficulties in forming the co-operative?

41% of the co-operatives did not report any difficulties.

Of the co-operatives formed in 1997, some respondents indicated that the documentation necessary for setting up a co-operative was complex, while others had external assistance from bodies familiar with the documentation. Despite such complexities, respondents from co-operatives formed in 1997 replied that they did not have much difficulty in forming the co-operative, apart from start-up problems associated with member communications and minor setting up procedures. Some respondents mentioned the availability of support services from various organisations, including the Registry of Co-operatives, which had provided advisory services. However, two co-operatives indicated that communication costs had risen following the Registry's move to Bathurst, even though the Registry has a free-call phone number and an e-mail address.

Most respondents from co-operatives formed in 1998 had difficulties with the registration process. The necessary documentation was seen as complex and requiring legal assistance. In one case, the process had taken three years as the activity was new and the Registry had to be convinced of the viability of the co-operative venture. One respondent considered the process to register a company much easier. He suggested that, if the group had to do it again, they would form a company.

One office-bearer of a co-operative formed in 1998, who refused to participate, briefly commented on the formation process and said "... paper work was a nightmare". This comment seems to summarise the feeling among those surveyed.

According to respondents from co-operatives formed in 1999, they also had either legal assistance in completing the documentation, or had members who were familiar with the documents. Three respondents said that there was a need for better information on the registration process as well as on co-operative models that are suitable for specific activities.

Most groups had to seek legal advice for completing the formation process. Some respondents had sought advice and assistance from the Registry.

Question 6 b) - Did you obtain any help and support in forming the co-operative?

All respondents indicated that they had obtained some form of assistance (mostly legal), or funds in setting up the co-operative.

Question 7 - Do you experience difficulties in operating as a co-operative?

35% of the co-operatives interviewed did not report any specific difficulties in operating under a co-operative structure. 44% of the co-operatives had difficulties complying with Government regulations for co-operatives, with regulations relating to annual returns a major factor. One respondent mentioned the difficulties associated with preparing GST statements and business activity statements. 15% reported problems associated with the co-operative structure, such as lack of member participation and commitment, arriving at a consensus, and complex group dynamics. Two co-operatives reported operational difficulties, arising from lack of business.

The process of annual reporting to the Registry is seen as costly. Many respondents said, that their co-operative was small scale in terms of revenue and the auditing costs were excessive in comparison to the turnover.

One co-operative is facing difficulties in financing expansion of its activities despite having assets.

Taxation of co-operatives is another area for examination that respondents suggested.

Management of member relations and motivation was another area of perceived difficulty. Low member participation at meetings, especially in the initial phase of the development of a co-operative, provides some evidence for this conclusion. Co-operatives may need to improve member communications to encourage motivation.

Director training is another neglected area mentioned by one co-operative.

Question 8 - Are you still happy to be a co-operative?

All co-operatives, except two, expressed satisfaction with the co-operative structure. One co-operative had not seen any advantage in being a co-operative while the other was examining the structure in regards to non-appreciation of shares.

- Question 9 -**
- a) **How many members do you have?**
 - b) **How many members did you have when you started?**
 - c) **How many members voted to elect the board?**

23 co-operatives or 67% had increased their number of members, while the membership remained the same with seven or 21% of the co-operatives. Four co-operatives had a lower number of members.

The participants in the survey only provided estimates. Voting in Board elections varied with each co-operative, but approximately half of the membership attended the Annual General Meeting, where the Board is elected. The exceptions were the food-retail co-operatives, where only 10% of members attended. At two co-operatives, AGM attendance was 100%.

Question 10 - Willingness to participate further

All contacted representatives were willing to participate in further discussions and had no objection to the mention of their co-operative in the final report, provided that the co-operative is not affected adversely.

ANALYSIS

Why Form Co-operatives?

People are generally motivated to form co-operatives to obtain or provide goods and/or services to themselves or to the general community. In the process of providing such goods and services, the founding members, also own and control the operations and processes in a manner acceptable to the majority of the other members. The vote on any issue affecting the co-operative is based on the 'one member, one vote' principle – a democratic method of collective decision making. This allows members to exercise their rights irrespective of the amount of capital invested by them in the organisation, which contrasts with the voting system in investor-owned firms.

Some of the benefits of co-operatives have been researched and published in various academic journals. For example, DeFourney (1992) argues that co-operatives and other similar organisations have assets and qualities in areas, which cannot be claimed by other types of organisations^{xi}. These include:

- self-initiative,
- sensitivity to local needs,
- reducing the need for public regulation.

In other words, the sense of ownership among members creates a stronger commitment to the organisation while their knowledge of local conditions ensures that local needs are addressed. Since decisions are taken collectively for mutual benefit, and indirectly for local community benefit, the need for regulation of their activities is not as great as it would be, if the activities were undertaken for private profit.

A wide body of literature underlines the benefits of agricultural co-operatives^{xii}. For example, Enjolras (1999) identifies an economic benefit, usually seen in primary produce marketing co-operatives, as providing transaction cost advantages to members through closer co-ordination of input and output^{xiii}. Spear (2000) argues that in economic terms, the co-operative model, when properly implemented, provides many benefits through economies of scale and addressing market failures^{xiv}. Consolidation of demand or supply improves negotiating ability in the market, providing benefits to consumers or producers.

This aspect of co-operatives has implications on the national competition policy. Professor Allan Fels, departing Chairman of the Australian Competition and Consumer Commission (ACCC), has pointed out that co-operatives, by their very nature, are agreements between competitors and as such may be anti-competitive^{xv}. A page available from the ACCC website, which provides guidelines on the Trade Practices Act 1974 (Cth) to rural areas states that "... co-operatives still exist and their nature and operations are such that their conduct may, in some instances, give rise to concerns under the Act"^{xvi}. The guidelines outline a series of conduct that may raise concerns about trade practices and states that "... where a co-operative has significant market power ... then trade practices concerns are likely to be heightened".

Where trade practices issues arise, co-operatives are able to apply for an authorisation from the Commission, which results in immunity from certain parts of the Act.

This requires demonstration of the public benefits of the conduct, or arrangements outweighing the anti-competitive effects. Co-operatives must carefully consider the nature of their activities during the formation process. Where such activities may breach the Trade Practices Act, authorisation should be sought to ensure the activities are either not considered anti-competitive, by virtue of the public benefit test or can be restructured to avoid penalty under the Act^{xvii}.

Co-operative philosophy is in harmony with mainstream social objectives, generating trust-relationships between people within the organisation as well as the communities in which it operates. The co-operative structure provides an opportunity for local communities to take control of their supplies, infrastructure and services. Gertler (2001) examined structural, economic, social, cultural and political factors that affect the ability of co-operatives to implement more advanced forms of environmental management and sustainable development^{xviii}. He suggests several reasons for co-operatives being better vehicles for achieving sustainable development as being "... co-operatives routinely integrate multiple economic, social, and ecological objectives". In this sense, co-operatives help to "... stabilise regional economies and provide a favourable climate for further investment ..." and "... reduce inequality and promote equitable sharing of the costs and benefits of sustainable development."

While these factors generally form the foundation of co-operatives, the reasons for forming a co-operative are in each case different. The objectives in forming a co-operative; the formation process and any difficulties in operating as a co-operative were covered by the questionnaire used in this study.

Selection of the Co-operative Structure for Organisations – an Analysis of Responses

In most cases the co-operative structure was selected because the intended activity matched the values of a co-operative organisation. Four of the groups surveyed had not considered a company structure at all, as the intention was to form non-profit entities.

The decision to form a co-operative was greatly influenced by one or two members of the group who understood the co-operative structure. The majority followed this leadership, and in three instances founding members with previous co-operative know-how were elected as chairpersons. The question arises: whether there had been any external promotion of co-operatives, and if yes, whether had any impact on people's decision to form co-operatives.

There is also the fundamental policy question of whether any promotion should be undertaken at all and if so, whether the State has a role or should it be left to other bodies. Under the current legal and policy framework, the State has a role in promoting co-operative philosophy. The *Co-operatives Act 1992 (NSW)*, outlines the objects of the Act as:

- (a) to enable the formation, registration and operation of co-operatives,
- (b) to promote co-operative philosophy, principles, practices and objectives,
- (c) to protect the interests of co-operatives, their members and the public in the operations and activities of co-operatives,
- (d) to ensure that the directors of co-operatives are accountable for their actions and decisions to the members of co-operatives,
- (e) to encourage and facilitate self-management by co-operatives at all levels, and

- (f) to encourage the development, integration and strengthening of co-operatives at local, regional, national and international levels by supporting and fostering State and National peak organisations and co-operative instrumentalities.

In presenting the Co-operatives Bill, Gerry Peacock, Minister for Co-operatives affirmed that the Government saw co-operatives as significant organisations in the economy and that the Bill was to "... provide a modern legislative framework for the operation, regulation and development of co-operatives"^{xix}. The Bill received bi-partisan support with Shadow Minister, Richard Amery stating that the "...bill will continue to assist in the development of co-operatives as well as provide optimism for the future of co-operatives in this State". In this context, it can be argued that a promotional and developmental role has to be played by the State in respect of co-operatives. The question arises, what policy instruments would be best suited to the stated purpose.

In 1997, two groups promoted the formation of co-operatives: one in the agricultural industry, the other in the housing sector. Both initiatives succeeded.

These examples suggest that promotional campaigns can lead to the formation of co-operatives and that better dissemination of knowledge and information about co-operatives would also contribute to the growth of the sector. In this context, there appears to be a need to examine the current campaigns for promotion of co-operatives. Whether there is sufficient penetration of these campaigns among prospective proponents of co-operative formation and whether there is sufficient depth of information being disseminated are areas that need to be established. It has to be noted that programs such as the Co-operative and Regional Development Strategy (CARDS) program currently implemented by the Registry of Co-operatives & Associations, which has a focus on promotion of co-operatives in regional areas, would lay the ground for a wide-ranging promotional program.

Success or Failure of the Structure in Meeting the Initial Objectives

Most of the co-operatives surveyed had been successful, although hardships in establishment and operation were initially experienced.

It may be necessary to study the contributory factors and the environment that would facilitate and ease the initial start-up difficulties faced by co-operatives.

Difficulties in Forming and Operating as a Co-operative

Clearly, there are difficulties in forming and operating as a co-operative in an environment where the dominant organisational structure is investor-oriented. This structure, based on profit maximisation, is the preferred organisational model for business activities^{xx}. Accordingly, expert knowledge of management and operation of investor-oriented firms is more widespread and accessible. It is possible that the lack of awareness and knowledge of co-operative operations has posed difficulties to those associated with co-operatives.

The situation is exacerbated by the perceived lack of a profitable market in servicing the co-operatives sector. Most co-operatives are small-scale organisations and a majority is engaged in socially beneficial or community oriented pursuits, which are not-for-profit activities. Funds available to these co-operatives are generally limited and their capacity to spend in obtaining services for themselves is modest.

Moreover, in terms of numbers, co-operatives consist of less than 0.2% of all corporate bodies. It appears that there is a general reluctance to provide services to co-operatives. The lack of a sizeable market may also contribute to the reluctance of educational institutions to offer education and training courses for co-operative directors, managers and members.

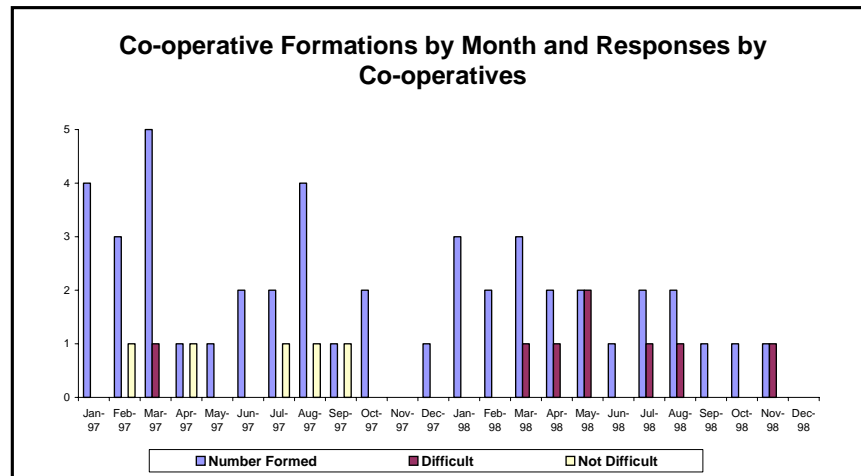
Many co-operatives, face difficulties in capital raising to fund expansion and growth^{xxi}. They have limited avenues for capital raising, their main sources being equity from members, profit retention, and in NSW, Co-operative Capital Units (CCU), introduced in the Co-operatives Act in 1992. In order to expand, many agricultural co-operatives have merged or raised funds internally through hybrid equity structures. There has also been a modest number of CCUs issued by co-operatives in NSW.

Several areas of difficulty in formation and operation can be identified from the responses. These are itemised as follows:

- Inadequate advice on co-operatives' formation and operation,
- High compliance costs in terms of both time and money,
- Financing required for expanding activity,
- Management difficulties, especially in member relations and member motivation,
- Lack of director training.

There was an apparent difference in the responses by the co-operatives formed in 1997 and those formed in 1998. (See chart.) While only two of the six responding co-operatives formed in 1997 indicated complexities in the formation process, all co-operatives formed in 1998 found the formation process complex and difficult. Whether such difficulties arose from the changes made to the Co-operatives Act and the Regulations in December 1997 remains unclear. The documentation required was not changed in the amended regulations although the approval process was modified to reduce the time taken to grant approval.

There are many compliance issues that co-operatives need to be familiar with and strictly adhere to.



Some of the co-operatives were of the view that the Registry was not 'too helpful' in resolving some of the issues, at the time. This perception assumes that the Registry has to play an advisory role – providing guidance and information on

compliance as well as operational aspects. The fact that 'there is not enough professional guidance available' makes it imperative that some organisations (and/or the Registry) provide advisory services, at least in the start-up phase – about two years from formation.

Whether the Government should provide such services is an issue that has to be resolved, as it is unlikely that advice would be commercially available as the market for such services would not be lucrative enough for sustained profit. The small to medium co-operatives would require most of the services and the majority would not be able to afford the services of commercial firms.

Irrespective of who will provide the services, there is an identifiable need for information on the regulatory environment for co-operatives. For example, one co-operative indicated that they were unaware, until the last moment, that a change in rule, relating to a variation of share capital, needed to be approved by the Registrar, before it could take effect. The co-operative had passed the rule at a general meeting and was in the process of implementing the change. While this is only one specific incident, the general view was that there was a lack of material providing information and guidance about compliance aspects. Low-cost on-line options could be a remedy, and some information is already available through the Registry's web-site.

The set of standard rules, available from the Registry during 1997 to 1999, was not seen as sufficient, and the necessity for various sets of rules for different models of co-operatives has emerged. For example, it may be useful to have model rules for housing co-operatives, craft co-operatives, and collective purchasing co-operatives. A library of approved clauses within rules that could be substituted to suit a particular co-operative model could present an alternative.

Two interviewed co-operatives reported the beneficial impact of expertise from two second-tier organisations, that minimised difficulties in complying with regulatory requirements.

The presence of supporting bodies such as the Association to Resource Housing Co-operatives (ARCH) has obviously played a significant role, both in the establishment and the proficient operation of co-operatives. Existing second-tier organisations can perform similar roles for co-operatives in other industries and this may lead to higher growth of the sector. Whether there is capacity for the current sectoral bodies to engage in a promotional role is a question that needs to be explored. Ways of strengthening such organisations and their capacity for promotion of co-operative concepts needs to be developed through provision of sufficient resources and assistance. This would be a role for the State under the current policy and legislative environment, in view of s.3 of the Co-operatives Act.

Another development strategy could be the creation of suitable co-operative models that can be used in various areas. In time, a body of knowledge that other groups can draw upon in their formation of co-operative structures would develop. This requires research and pilot programs that would test the model in suitable areas. It would be necessary to demonstrate the success of such co-operative solutions, if the number of co-operatives formed is supposed to increase.

The cost of compliance appears to be high for the co-operatives, both in terms of money and time. The formal reporting process requires a co-operative to be audited annually, with some concession available to small, non-trading co-operatives. While larger trading co-operatives would meet such costs, it seems to be difficult for small co-operatives or co-operatives that are not financially successful initially, to bear the costs. One co-operative, that had no income still had to pay for the annual reporting process. Such requirements are seen as excessive for small co-operatives. The respondents suggested that the documents could be streamlined and that a review of the documentation should be undertaken.

Apart from the annual reports, some respondents voiced difficulties in meeting statutory obligations, such as regular meetings. It is worth noting, however, that statutory requirements for meetings are the same under the Corporations Act.

These arguments favour a tiered system of annual reporting. From a regulator's point of view, there would be inherent difficulties in such a system, as well as additional costs in monitoring it. In either case, the current documentation requirements need to be reviewed in light of the difficulties faced by co-operatives.

Most small co-operatives reported difficulties motivating members to do voluntary work. Often, the members did not have sufficient time to devote to the co-operative and it had been difficult to obtain members' commitment at times. Decision-making within the membership had been another problem. Such problems are initial complications faced by new organisations. Leadership and information on best practice can resolve these issues in most cases.

However, there seems to be some doubt about the level of knowledge among the office-bearers of co-operatives regarding external aspects of their operations, such as regulations, compliance, financing, taxation and member motivation.

Apart from one instance, where a conference organised by the Co-operative Federation was mentioned, the respondents did not mention their participation in any such event, organised by the Registry, the Federation or any other bodies. Whether the Registry should 'follow-up' on new co-operatives and whether the Federation should develop support services aimed at new co-operatives needs to be examined.

Because of the close communication that is likely to develop between the Formations Officer of the Registry and the founding office-bearers of a new co-operative, the Registry would be in an ideal position to identify co-operatives that need initial advice.

One co-operative lamented about the lack of training programs aimed specifically at co-operatives, while another co-operative commended the training courses run by ARCH for management of housing co-operatives. Especially in the area of director training, workshops have not been regular. Again, the perceived lack of profitability in serving the co-operatives sector alone has hampered the provision of educational services to co-operatives and the government or sector bodies need to explore low-cost options in that field.

Most new co-operatives face difficulties in raising finances. Some of these co-operatives may be asset-rich but usually, there are no sufficient cash flows to service loans. In one case the co-operative approached a bank for finance secured against assets, but was unsuccessful.

Overseas this problem has been met by establishing special co-operative development banks. Such proposals have been made in Sydney during the early 90's, but there has not been any thorough investigation into financing the growth of co-operatives. The result has been a general lack of resources and many co-operatives have been under-funded. It may be appropriate to revive this proposal and examine the possibility of providing development finance for co-operative type ventures through a special scheme^{xxii}.

Other problems raised included, taxation of co-operatives, which indicated a lack of knowledge in this area.

This points to a need of information and support when dealing with legislative and regulatory requirements (other than the Co-operatives Act), that affect co-operatives, at least for the initial two to three years.

Current Attitude towards the Co-operative Structure

Most people see co-operatives as outdated organisational structures of the 19th Century^{xxiii}. The reason may be the limited knowledge on co-operatives and company structures among the general public, policy-makers and professional service providers^{xxiv}. The dominance of the investor-oriented model can be traced back to the Governments' primary focus on corporate legislation and the media's concentration on that reform. The general interest in the fate and management of companies as well as Government regulation of companies has grown, with more people becoming shareholders in companies. In contrast, research, analysis, debate and discussion of the issues that affect co-operatives has diminished, together with the desire to test the applicability of the co-operative model to cater for community needs.

Lyons (2001) identified government action as one of the three diminishing factors that shape the Australian third sector, to which co-operatives belong^{xxv}. Ending of government support is the main way that Government action can contribute to the decline of the third sector. Usually, such action is driven by the ideological stance of the Government. In this sense, the adoption of neo-liberal approaches to public policy appears to have created an unfavourable environment for co-operatives. Lyons, in another paper, goes even further and states that "... policy towards co-operatives has always been ambiguous" and that "...Commonwealth government legislation and policy designed to encourage competition has made co-operatives objects of suspicion to Commonwealth government officials"^{xxvi}. This is seen in the policies adopted by the Commonwealth Government. The relatively small number of co-operatives and the lack of responsibility for co-operatives by any Ministry of the Commonwealth results in policies being framed that do not appear to recognise co-operative type organisations. Policies adopted towards collective bargaining, for example, place the emphasis on transaction rather than the organisational form of the parties to the transaction.

In this context, it is questionable whether the lack of interest shown towards the co-operative forms of organisation is justified. The case may be that the current trends in adopting policies based on public choice theory, managerialism and neo-liberal ideology has obscured the value of co-operatives or more broadly, the organisational forms based on mutuality. The contention here is that the disparaging view of co-operatives appears to be based on an ideological stance rather than on a scientific evaluation of the structure and the co-operative values it embodies.

A recent survey^{xxvii} among co-operative leaders, especially those that regularly communicate with their members, found that the attitude towards the co-operative structure is positive. Most people surveyed appreciate the underlying set of values of co-operatives and generally believe that co-operatives offer an alternative and a beneficial method of organisation. All co-operatives surveyed in this study expressed satisfaction with the co-operative structure. However, one co-operative, which had not been successful, suggested that they have not seen any advantage in being a co-operative as yet, which was not a reflection on the co-operative structure, but more of the start-up problems that they faced.

Clearly, there is a need for an in-depth examination and comparison of various organisational forms and their effectiveness in achieving economic or social objectives.

There is a perception among policy makers and the general public that investor-owned firms are better at achieving economic objectives. It is argued that the single economic goal of profit maximisation provides the drive to achieve the objectives that in turn, would benefit the whole society through better utilisation of scarce resources.

However, the evaluation of such profit-driven organisations is conducted in monetary terms, with social costs often not calculated or even mentioned. It is necessary to examine whether co-operatives achieve their economic goals more effectively, when such social costs are taken into account.

Overseas research points to factors other than primary motive that are more significant and imperative for successful organisations. Isles (1998) concludes that there is evidence from academic analysis that co-operative structures are not inferior to investor owned firms^{xxviii}. He identified skills of directors and managers in organisations as the deciding factor in their success. Isles emphasises that any criticism, which alleges that there are inherent defects in the co-operative structure is wrong, and that empirical evidence points to a capacity to innovate within co-operatives. Lerman and Parliament (1990) analysed the comparative financial performance of co-operatives and investor-owned firms in agriculture, for the period 1976-1987 and found that co-operatives performed as well as or better than the comparable organisations in terms of profitability, leverage, and interest coverage measures^{xxix}. Katz (1997) suggests that the factors affecting firm productivity for agribusiness co-operatives and investor-owned firms differ^{xxx}. He shows that co-operatives tend to maintain a focused strategy to ensure that the co-operative serves the market needs of its members-patrons, while for-profit bodies are risk averse and financially conservative.

Fulton (1995) looked at the issue of co-operative growth from both an empirical and a theoretical perspective, using time-series data of agricultural co-operatives in Canada and the US^{xxxi}. His empirical analysis identified some of the problems affecting the performance of co-operatives as equity redemption in co-operatives, rate of taxation, rate of return on capital, and the rate of earnings retentions. While the two latter problems are choice variables for the co-operative, some changes in public policy in the areas of co-operative policy and taxation can promote development of co-operatives.

CONCLUSIONS

Although co-operatives were formed at an average of nearly 35 co-operatives per year in the first half of the 1990s, the number declined to about 21 co-operatives in 1998 and 1999. Specific reasons for the decline is unclear but an increasingly unfavourable broad public policy environment, which indirectly promotes 'for-profit' forms of organisation, may have affected the motivation of interested groups to form co-operatives. If the NSW Government's intention is to foster co-operative development, strong promotional programs are needed.

Given that Government programs can have positive results on co-operative development^{xxxii}, a program to assist formation of co-operatives and to resolve initial difficulties faced by new co-operatives appears to be a necessity. This would require an increase in resources for the current formations program of the Registry, and a program aimed at providing advisory services to new co-operatives, at least for the initial three years.

Recommendation 1

Information dissemination campaigns for co-operatives, aimed at improving the profile and development of co-operatives, and ensure that such campaigns are adequately resourced. In addition, institute a knowledge management program within Government that would effectively communicate and raise the level of knowledge about co-operatives in the community.

Supporting bodies play a significant role in the establishment and proficient operation of co-operatives. Their capacity for promotion of co-operative concepts need strengthening.

Recommendation 2

Examine the capability of second-tier co-operative organisations undertaking co-operative development campaigns and how to improve their capacity to assume such activities tasks.

There was evidence that successful models can be replicated and would greatly assist in dissemination of knowledge and information. Developing a body of knowledge that can inform interested groups about co-operative formation should be necessary and should be seen as a key subject of co-operative researchers.

There appears to be a need for information on appropriate work practices within co-operatives. The few government publications available tend to concentrate only on compliance aspects: lodgement of documents at specified times and maintaining share registers. Such information is critical, but new co-operatives particularly require advice on better business practices. While the Registry or other representative bodies are prohibited from providing binding legal or business advice, publication of how-to manuals and guides to better business practice could address those requirements.

Recommendation 3

Detailed information on successful co-operative models should be published. The development of guides on better business practices, supplemented by information on legislative requirements should be prepared to be sent to new co-operatives.

Registration requirements in the formation process need to be reviewed, to make the documentation less cumbersome and time consuming, although legal documents are often complex. A framework of approved Clauses within Rules, that could be customised to suit a particular co-operative model, would make the process much easier and quicker.

Recommendation 4

The registration process for new co-operatives be reviewed with a view to simplifying the requirements and providing assistance in completing the necessary documentation.

Consideration be given to developing a comprehensive set of rules precedents.

There are initial problems that members, the board and management of any new co-operative face. Apart from statutory requirements, which are costly for most small co-operatives, other problems related to financing, taxation, management of member relations and director training, impact on co-operatives. Resolution of such difficulties is a necessity and this would require a concerted joint effort by the Government agencies responsible for co-operatives, sector organisations, service providers and researchers on co-operatives.

Recommendation 5

The annual reporting requirements imposed by the co-operative financial regulations be examined with a view to developing a tiered system of reporting based on the size of the co-operative. A strategy for providing advisory services be developed to educate new co-operatives about the regulatory framework, financing operations, taxation and management, to be implemented by a suitable authority.

Operational issues for new co-operatives, such as financing, taxation, member relations and director training be examined to devise ways of assisting newly formed co-operatives.

Government policy to act, or political decisions not to exercise this right, can affect co-operatives and their development. Co-operatives would be more effective as a sector, if they had an active, structured lobbying program. Co-operatives should develop long-term public policy programs to complement their business plans, and not wait for some adverse proposal or decision to become active.

There are some areas of concern for new co-operatives such as taxation, trade practices, education and finance, which a better policy program could solve. Policymakers should seek and solicit co-operatives' views. Likewise, co-operatives must move from the current passive role to an active role by increasing their understanding, of how Government works, and by adopting a more powerful advocacy role.

Criticism from co-operatives about government regulation also indicates a lack of understanding for the necessity for such regulation, and a lack of knowledge about policy processes and instruments. Regulation of co-operatives emerged from the necessity to protect the investing public, especially where funds were deposited. The current compliance regime is still rooted within this policy position. Any impetus for change should have been initiated by the co-operatives sector following the separation of the regulation of financial co-operatives and general-purpose co-operatives.

Either from lack of knowledge of policy processes or the lack of influence within government, co-operative bodies did not tender any policy resolutions for change. If the government wishes to continue promoting co-operative philosophy, principles, practices and objectives, and encourage the development and strengthening of co-operatives, as stated in the Co-operatives Act, it would be necessary to implement a policy program that protects the interests of co-operatives, their members and the public.

Recommendation 6

Institute a co-operatives policy program that actively consults with co-operatives on areas of concern and develop policy aimed at resolving major issues. A review of existing policies that focuses on revising and developing new policies should be undertaken.

Annexure 1 - Co-operatives Formed in 1997 - 1999

No	Name	Regd. Date
1	Co-operative of United Newsagents of Australia Ltd	22/01/97
2	Tooraweenah Prime Lamb Marketing Co-operative Ltd	26/03/97
3	Southern Tableland Beef Co-operative Limited	6/01/99
4	Neutral Bay Mainstreet Co-operative Limited	4/05/99
5	Herbs and Spices Australia Co-operative Ltd	6/06/99
6	The Blue Mountains Food Co-operative Limited	20/01/97
7	Manly Food Co-operative Ltd	4/02/97
8	Working Nation Co-operative Ltd	5/02/97
9	Codrington Harvesting Co-operative Ltd	20/03/97
10	Gloucester Gourmet Foods Co-operative Limited	10/04/97
11	Garanga Housing Co-operative Ltd	23/06/97
12	Australian Sub-Tropical Coffee Growers' Co-operative Ltd	25/07/97
13	Bellinger River and Neighbourhood Housing Co-operative Ltd	5/08/97
14	Nelson Bay Housing Co-operative Ltd	27/08/97
15	The Nook Craft Co-operative Limited	9/09/97
16	North Coast Native Foods Co-op Ltd	16/02/98
17	Sydney Students' Food Co-operative Limited	31/03/98
18	Bega Valley Winemakers Co-operative Limited	8/04/98
19	The Bower Re-Use and Repair Centre Co-operative Limited	4/05/98
20	Islamic Co-operative Finance Australia Limited	13/05/98
21	Hunter Olive Co-operative Ltd	30/07/98
22	Rivmilk Co-operative limited	6/08/98
23	Many Hands Productions Co-op Limited	19/11/98
24	ACUMA Buying Co-operative Limited	17/05/99
25	Orana Choice Group Co-operative Ltd	6/06/99
26	Active Learning & Communication Co-operative Ltd	16/06/99
27	The Brook Fine Arts & Crafts Co-operative Ltd	22/06/99
28	Green Tucker Store Co-operative Ltd	3/08/99
29	Beranghi Co-operative Ltd	18/08/99
30	Motel Marketing Service Co-operative Ltd	29/10/99
31	Australian Medical Services Co-operative Ltd	4/11/99
32	GDIAA Co-operative Ltd	1/12/99
33	Hawkesbury Woodcraft Co-operative Ltd	21/12/99
34	Lac Viet Housing Co-operative Limited	16/10/98
35	Macquarie Industry Network (MiNET) Co-operative Ltd	16/02/98
36	Newcastle Markets Co-operative Limited	26/06/98
37	Womens World Web Co-operative Ltd	9/07/99
38	Gagen Cruising Club Co-operative Limited	23/01/97
39	Bellingen Country Craft Co-operative Ltd	7/02/97
40	Greater Gloucester Rabbit Co-operative Limited	25/06/97
41	Co-operative Enterprise Development Centre Ltd	23/07/97
42	Northern Rivers Rabbit Co-operative Ltd	6/01/98
43	Boab Information Resources Co-operative Ltd	19/01/98
44	Terara Aboriginal Organic Farming Co-operative Ltd	1/04/98
45	Nambucca Valley Tea Tree Growers Co-operative Limited	18/09/98
46	Armidale Education Network Co-operative Ltd	7/04/98
47	Netco Grain Co-operative Ltd	17/03/97
48	North Coast Women's Housing Co-operative Ltd	6/01/98
49	Vermi Co-operative Limited	31/03/98
50	Hawkesbury Valley Tourism Co-operative Limited	15/07/98

No	Name	Regd. Date
51	Co-operative Housing Options in Sydney's Eastern Suburbs Young Women's Co-op Ltd	24/08/98
52	Mingaletta Development Co-operative Ltd	29/03/99
53	Oxley Olive Co-operative Ltd	21/12/99
54	Riverlands Sunnyside Co-operative Ltd	21/12/99
55	Southern Highlands Horticultural Co-operative Ltd	4/06/99
56	The Longyard Golf Course Co-operative Ltd	20/01/97
57	The Good Christian Housing Co-operative Ltd	11/03/97
58	Australian Metals Co-operative Ltd	11/03/97
59	Dawnbreaker Housing Co-operative Ltd	29/05/97
60	New England Gourmet Rabbit Co-operative Ltd	14/08/97
61	Vina Asian Food Co-operative (Vinafoco) Limited	20/08/97
62	Holiday Coast Farmers Co-operative Ltd	2/10/97
63	Co-operative Endeavour Ltd	14/10/97
64	Australian Beef Producers Co-operative Ltd	18/12/97
65	Goolawahi Aboriginal Medical Co-operative Ltd	23/02/99
66	Australian Durum Producers Co-operative Ltd	28/07/99
67	South Table Goatmeat Producers' Co-operative Ltd	4/08/99
68	Australian Olive Producers Co-operative Ltd	14/09/99
69	Weedallion Grain Growers Co-operative Ltd	21/12/99

Annexure 2 - Questionnaire

The questions asked were as follows:

- Q 1** a) What does your co-operative do? (ie services it provides etc)
b) What are the objectives for forming the co-operative?
- Q 2** Where did the idea for doing this and forming a co-operative come from?
- Q 3** Were you (a group of people) doing this before you incorporated as a co-operative?
- Q 4** a) How has the last X years been?
b) Have you met your early hopes?
c) Have you changed what you are doing?
d) What are the sources of your revenue? Sales/grants/other
- Q 5** Why did you choose to be a co-operative?
- Q 6** a) Did you experience any difficulties in forming the co-operative?
b) Did you obtain any help and support in forming the co-operative?
- Q 7** Do you experience difficulties in operating as a co-operative?
- Q 8** Are you still happy to be a co-operative?
- Q 9** a) How many members do you have?
b) How many members did you have when you started?
c) How many members voted to elect the board?

The willingness of the representatives of the co-operatives to participate in further discussions was also gauged and objections to the co-operative contacted being identified by name in the final report was also sought through the following questions:

- Would you mind if we mentioned your coop by name when we write up this study. (It doesn't matter if that is a problem).
- Would you mind if we got back to you to find out more about your experience?

Annexure 3 – Statistical Divisions and Local Government Areas

Regional Name	Description	Councils
Central West (CW)	In the centre of the region is the Bathurst-Orange area and to the east the Blue Mountains. The western area extends to the Lachlan river and the town of Condobolin. The region also contains the urban areas of Parkes, Forbes and Cowra.	<ul style="list-style-type: none"> • Bathurst City Council • Bland Shire Council • Blayney Shire Council • Cabonne Council • Cowra Shire Council • Evans Shire Council • Forbes Shire Council • Lithgow City Council • Lachlan Shire Council • Oberon Council • Orange City Council • Parkes Shire Council • Rylstone Shire Council • Weddin Shire Council
Far West (FW)	This vast region containing the unincorporated area of NSW is bounded by the Queensland and South Australian borders. Included is the City of Broken Hill and the Darling River passes through the region from the north-east to the south.	<ul style="list-style-type: none"> • Broken Hill City Council • Central Darling Shire Council • Unincorporated Far West
Hunter (HT)	The Hunter Region contains the Hunter River and its tributaries with highland areas to the north and south. The Hunter Valley is one of the largest river valleys on the NSW coast.	<ul style="list-style-type: none"> • Cessnock City Council • Dungog Shire Council • Gloucester Shire Council • Great Lakes Council • Lake Macquarie City Council • Maitland City Council • Merriwa Shire Council • Murrurundi Shire Council • Muswellbrook Shire Council • Newcastle City Council • Port Stephens Council • Scone Shire Council • Singleton Shire Council
Illawarra (IL)	The Illawarra Region contains the urban areas of Wollongong and Nowra, and the Minnamurra and Shoalhaven river valleys. To the west of the coastal plain is a long escarpment that leads to very rugged terrain in the Shoalhaven area.	<ul style="list-style-type: none"> • The Council of the Municipality of Kiama • Shellharbour City Council • Shoalhaven City Council • Wingecarribee Shire Council • Wollongong City Council
Murrumbidgee (MG)	The region is traversed by the Murrumbidgee River and contains the Murrumbidgee and other irrigation areas. Wagga Wagga is the major urban centre in the region.	<ul style="list-style-type: none"> • Carrathool Shire Council • Coolamon Shire Council • Cootamundra Shire Council • Griffith City Council • Gundagai Shire Council • Hay Shire Council • Junee Shire Council • Leeton Shire Council • Lockhart Shire Council • Murrumbidgee Shire Council • Narrandera Shire Council • Temora Shire Council • Tumut Shire Council • Wagga Wagga City Council

Regional Name	Description	Councils
Murray (MR)	The Murray River on the NSW border forms the southern boundary of the region. The terrain varies from flat in the western and central areas to very rugged on the eastern border. The main urban centre in the region is Albury.	<ul style="list-style-type: none"> • Albury City Council • Balranald Shire Council • Berrigan Shire Council • Conargo Shire Council • Corowa Shire Council • Culcairn Shire Council
Murray (MR) continued		<ul style="list-style-type: none"> • Deniliquin Council • Holbrook Shire Council • Hume Shire Council • Jerilderie Shire Council • Murray Shire Council • Tumbarumba Shire Council • Urana Shire Council • The Council of the Shire of Wakool • Wentworth Shire Council
Mid – North Coast (NC)	The Mid-North Coast Region covers a coastal strip of NSW and includes the Manning, Hastings, Clarence and Macleay river valleys.	<ul style="list-style-type: none"> • Bellingen Shire Council • Coffs Harbour City Council • Copmanhurst Shire Council • Grafton City Council • Greater Taree City Council • Hastings Council • Kempsey Shire Council • Maclean Shire Council • Nambucca Shire Council • Pristine Waters Council
Northern (NR)	The region contains the Northern Tablelands, the northern slopes to the west of the tablelands, and the north central plains.	<ul style="list-style-type: none"> • Armidale Dumaresq Council • Barraba Shire Council • Bingara Shire Council • Glen Innes Municipal Council • Gunnedah Shire Council • Guyra Shire Council • Inverell Shire Council • Manilla Shire Council • Moree Plains Shire Council • Narrabri Shire Council • Nundle Shire Council • Parry Shire Council • Quirindi Shire Council • Severn Shire Council • Tamworth City Council • Tenterfield Shire Council • Uralla Shire Council • Walcha Council • Yallaroi Shire Council

Regional Name	Description	Councils
North Western (NW)	This large region contains diverse topography, with flat plains to the west, undulating slopes in the centre and elevated areas extending from the Central Tablelands in the east. The region includes the Bogan, Macquarie and Castlereagh river basins.	<ul style="list-style-type: none"> • Bogan Shire Council • Bourke Shire Council • Brewarrina Shire Council • Cobar Shire Council • Coolah Shire Council • Coonabarabran Shire Council • Coonamble Shire Council • Dubbo City Council • Gilgandra Shire Council • Mudgee Shire Council • Narromine Shire Council • Walgett Shire Council • Warren Shire Council • Wellington Council
Richmond – Tweed (RT)	The Richmond and Tweed coastal river basins and the Upper Clarence River valley dominate this region. To the west is the New England Plateau and to the north the McPherson Range.	<ul style="list-style-type: none"> • Ballina Shire Council • Byron Shire Council • Kyogle Council • Lismore City Council • Richmond Valley Council • Tweed Shire Council
South Eastern (SE)	Comprises the far south coast of NSW, the southern tablelands and the Snowy Mountains. The region contains the Clyde, Moruya, Tuross and Bega river valleys.	<ul style="list-style-type: none"> • Bega Valley Shire Council • Bombala Council • Boorowa Council • Cooma-Monaro Shire Council • Crookwell Shire Council • Eurobodalla Shire Council • Goulburn City Council • Gunning Shire Council • Harden Shire Council • Mulwaree Shire Council • Queanbeyan City Council • Snowy River Shire Council • Tallaganda Shire Council • Yarrowlumla Shire Council • Yass Shire Council • Young Shire Council

Regional Name	Description	Councils
Sydney Inner (SI)	Inner Suburbs of Sydney	<ul style="list-style-type: none"> • The Council of the Municipality of Ashfield • The Council of the City of Botany Bay • Burwood Council • City of Canada Bay Council • Canterbury City Council • The Council of the Municipality of Hunters Hill • Hurstville City Council • Kogarah Municipal Council • Lane Cove Council • Leichhardt Municipal Council • Manly Council • Marrickville Council • Mosman Municipal Council • North Sydney Council • Randwick City Council • Rockdale City Council • South Sydney City Council • Strathfield Municipal Council • The City of Sydney • Waverley Council • Willoughby City Council • Woollahra Municipal Council
Sydney Outer (SO)	Outer Suburbs of Sydney	<ul style="list-style-type: none"> • Auburn Council • Bankstown City Council • The Council of the Shire of Baulkham Hills • Blacktown City Council • Camden Council • Campbelltown City Council • Fairfield City Council • Holroyd City Council • The Council of the Shire of Hornsby • Ku-ring-gai Council • Liverpool City Council • Parramatta City Council • Penrith City Council • Pittwater Council • Ryde City Council • Sutherland Shire Council • Warringah Council
Sydney Surrounds (SS)	Areas around Sydney Metropolitan	<ul style="list-style-type: none"> • Blue Mountains City Council • Gosford City Council • Hawkesbury City Council • Wollondilly Shire Council • Wyong Shire Council

NOTES

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- i The International Co-operative Alliance is the international organisation, which represents co-operatives around the world. Its member organisations, from some seventy countries, have more than 750,000,000 individual members at the local level.
- ii The ICA recently redefined the co-operative principles for only the third time since its inception in 1895. The principles have their origins in the first recognised co-operative formed in 1844, when a group of weavers formed a co-operative with 10 principles. The ICA listed 6 principles in the second revision in 1966. The last revision in 1995 added another principle – concern for the community and reworded the principles after a lengthy worldwide consultation. For details, visit ICA website at www.coop.org.
- iii Extracted from Year Book Australia 2002, published by the Australian Bureau of Statistics, Canberra.
- iv Estimates from the Registry of Co-operatives & Associations
- v The NSW Registry of Co-operatives & Associations is an agency within the Office of Fair Trading of the NSW Government. An office of Registrar is created by the Co-operatives Act 1992 and the Registrar is charged with the administration of this Act. The Registry is the administrative agency created to assist the Registrar. Since 2002, the Registry has also been charged with the administration of incorporated associations.
- vi To simplify the categorisation of co-operatives, ACCORD identified 6 different types of co-operatives, dependent on their primary activity. The categories, which are mostly self-explanatory, are listed below:
- Primary Producer Co-operatives
 - Other Producer Co-operatives
 - Consumer Co-operatives
 - Human Services Co-operatives
 - Culture & Recreation Co-operatives
 - Interest Group Co-operatives
- vii For example, members of the Hunternet Co-operative are engineering firms that formed the co-operative to pool their resources to bid for large contracts that they would not have been able to tender for individually.
- viii Lyons, Mark and McQueen, Meryl (2001). *The Missing Link: Mutual Forms of Organisation, Social Capital and Community Regeneration in Regional Australia*. Sydney: Australian Centre for Co-operative Development & Research.
- ix Fairbairn, Brett (Ed.). *Co-operative Development and the State: Case Studies and Analysis*. Research report to the Co-operatives Secretariat, Government of Canada, October, 1999.
- x Under section 14 of the NSW Co-operatives Act, a co-operative may be either a trading co-operative, or a non-trading co-operative. A trading co-operative has a share capital and gives returns or distributions on surplus or share capital. A non-trading co-operative does not give returns or distributions on surplus or share capital to members other than the nominal value of shares (if any) at winding up. Moreover, a non-trading co-operative may or may not have a share capital. Accordingly, there are 3 basic classes of co-operatives, viz, Trading co-operatives, Non trading co-operatives with shares, and Non trading co-operatives with no shares.
- xi DeFourney, Jacques (1992). "The Origins, Forms and Roles of a Third Major Sector" in DeFourney, Jacques and Monzon Campos, Jose (eds). *The Third Sector*. Bruxelles: De Boeck-Wesmael, s.a. Pg. 45 - 46.
- xii Krivokapic-Skoko, Branka (2002). *Agricultural Co-operatives: An Annotated Bibliography*. Sydney: Australian Centre for Co-operative Development & Research.
- xiii Enjolras, B (1999). "Coordination Failure, Property Rights and non-profit Organisations" in *Annals of Public and Cooperative Economics*, Vol 71 No 3 September 2000. London, UK: CIRIEC, Blackwell Publishers.

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- xiv Spear, Roger (2000). "The Co-operative Advantage" in *Annals of Public and Cooperative Economics*, Vol 71 No 4 December 2000. London, UK: CIRIEC, Blackwell Publishers.
- xv Fels, Allan (1995). "Competition Policy: What Does it Mean for Co-operatives" in *Co-operatives Managing Change into the 21st Century*, collected papers from 1995 Co-operatives Key Issues Conference. Sydney: NSW Registry of Co-operatives.
- xvi <http://www.accc.gov.au/contact/rural/rural020.htm>
- xvii The Dawson Inquiry concluded in April 2003 and Commonwealth Government's acceptance of its recommendation that a notification process be introduced for collective bargaining by small businesses, including co-operatives that meet the definition of small business, may simplify and make it easier for smaller co-operatives to avoid penalties under the Trade Practices Act.
- xviii Gertler, M. (2001). *Rural Co-operatives and Sustainable Development*. Saskatchewan, Canada: Centre for the Study of Co-operatives, University of Saskatchewan.
- xix Hansard report on the debate of the Co-operatives Bill on 9/4/92.
- xx In neo-liberal theory, for-profit firms are seen as the most economically efficient form of organisation. It has been documented that more prominence is being given to public choice theory, managerialisms and that neo-liberal approaches to public policy are being used currently This can be seen in terms of conversions or 'demutualisation' of co-operative-type or mutual-type organisations. There are a variety of reasons for such demutualisation, mainly the difficulties in raising capital as well as releasing the value of shares.
- xxi Several papers on this theme have been presented at the Co-operatives Key Issues Conferences held in 1993, 1994, 1995 and 1996. The collected papers presented at these conferences have been published and the references are as follows:
- *NSW Co-operatives Capital/Fund Raising* 1993 Conference papers. Sydney: NSW Registry of Co-operatives.
 - *Co-operatives Meeting the Challenge of Competition* - 1994 Key Issues Conference Papers. Sydney: NSW Registry of Co-operatives
 - *Co-operatives Managing Change into the 21st Century*, collected papers from 1995 Key Issues Conference. Sydney: NSW Registry of Co-operatives.
- xxii The need for finance to fund community benefit ventures has been recognised for some time. Some research being done by the UK New Economic Foundation outlines various community finance initiatives and non-conventional ways of delivering financial services. Details are available from their web-site: <http://www.neweconomics.org>. Applicability of such research in Australia has to be examined if current access to finance by community groups is to be improved.
- xxiii Lyons, Mark (2001). *Co-operatives In Australia - - A Background Paper*. ACCORD paper no. 1. Sydney: ACCORD.
- xxiv The decline in the co-operatives sector, and more generally, third sector organisations, is seen more as government action, competition from non-profits and changes in popular taste that reduce the appeal of certain non-profits. See Ch. 15 – Third sector growth and decline in Lyons, Mark (2001) *Third Sector*. Sydney: Allen & Unwin.
- xxv *ibid*. Pp 115 – 118.
- xxvi Lyons, Mark (2001). *Co-operatives In Australia - - A Background Paper*. ACCORD paper no. 1. Sydney: ACCORD.
- xxvii ACCORD conducted a survey of attitudes towards the co-operative structure among co-operative leaders in November 1999. Preliminary findings were briefly reported in the *National Co-op Update* – Mar-Apr 2000, published by Substitution Pty Ltd., Melbourne. A paper on the findings is expected to be published in June 2003.
- xxviii Isles, J (1998). Co-operative Performance: Theory and Practice in *The World of Co-operative Enterprise 1998*. Oxford, U K: Plunkett Foundation.
- xxix Lerman, Z., Parliament, C. (1990) Comparative Performance of Cooperatives and Investor-Owned Firms in US Food Industries. *Agribusiness*, 6 (6) 527-540. Athens, USA: University of Georgia.
- xxx Katz, J. P. (1997) Managerial Behaviour and Strategy Choices in Agribusiness Cooperatives. *Agribusiness*, 13 (5), 483-495. Athens, USA: University of Georgia.

^{xxxi} Fulton, M. et al. (1995) Cooperative Growth: Is it Constrained? *Agribusiness*, 11 (3), 245-362.
Athens, USA: University of Georgia.

^{xxxii} Fairbairn, Brett (Ed.). *Co-operative Development and the State: Case Studies and Analysis*.
Research report to the Co-operatives Secretariat, Government of Canada, October, 1999.