



**Hastings Co-operative Limited
submission to the Hammond Review**

REFORMS FOR CO-OPERATIVES, MUTUALS AND
MEMBER OWNED FIRMS

2nd May 2017

Background

Hastings Co-operative Limited commenced operations in 1916 as a butter factory and has served the local Hastings Valley District, including the townships of Wauchope and Port Macquarie, for the last 100 years.

With over 5,100 active Shareholder Members and over 2,000 loyalty program members, Hastings Co-op is one of the largest retail co-operatives in Australia.

Over the years, the Co-op has purchased or established several businesses to complement the needs of our members, and today we are a multi-faceted retailer operating supermarkets, packaged liquor, retail and bulk fuel, hardware and rural supplies, a department store and we have recently opened our first café and commenced the manufacture of our own range of condiments.

The Co-op now comprises 15 different businesses, however, sadly after the deregulation of the dairy industry, the dairy and cheese factory became unviable and was sold in 2011.

The Co-op has an annual turnover of \$75M and employs more than 270 local people throughout the community. We are one of the largest employers in the township of Wauchope.

Purpose of our submission

The Hastings Co-operative seeks **State Regulated** Co-operatives to be included as part of the reforms being considered by this enquiry.

Submission

The Hastings Co-operative is a State Regulated Co-operative covered under the NSW *Co-operatives (Adoption of National Law) Act 2012*. Our Co-operative Number is 00022.

Operating in the very competitive retail environment, the Co-op is under considerable pressure to remain relevant and competitive against the major national and multi-national retailer organisations that operate in our area. The renewal of infrastructure and the expansion of our footprint into other geographical locations takes considerable amounts of capital - capital that we currently do not have access to.

The treatment of members' shares as liabilities in our balance sheet makes it difficult to raise significant additional funding through this mechanism. Lenders are reluctant to provide additional borrowings if balance sheet ratios and lending covenants are not within acceptable guidelines due to the accounting treatment of our capital.

Over the next 10 years the Co-op has a number of projects that it would like to undertake which will ensure that we have economies of scale, de-risk our balance sheet and provide employment opportunities for many hundreds of regionally-based people. These projects will be delayed or not commenced, due to our inability to raise sufficient capital.

The reforms proposed by the Minister, only include federally regulated Co-operatives and Mutuals. If the whole purpose of the reforms is providing a level playing field for member based organisations in the wider market place why has the government decided to exclude state regulated member owned organisations from these reforms?

The Hastings Co-operative wishes to be covered by the proposed reforms and is very interested in contributing to the design and implementation of a capital instrument that will serve member-based organisations well into the future.

Conclusion

In the modern business environment, where the incorporated business model has been the desired vehicle, it is difficult for Co-operatives to successfully compete without changing their business model and losing their Co-operative status.

We believe that the benefits to the community through maintaining and growing a business such as ours, where over 5,000 people have an active involvement in making sure the Co-op remains successful, and where our ethos is to give back to the community should be recognised.

To exclude State Regulated Co-operatives from these reforms only places our business at a distinct disadvantage to our major competitors.

I am sure that it was not the desire, nor is it in the spirit of these reforms, that a Co-operative, which has served the community for more than 100 years, should be placed in such a position.

Accordingly, I ask that you consider the inclusion of State Regulated Co-operatives when drafting the final legislation for these reforms to be implemented.



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