



SouthEast
Housing Co-operative

Housing Co-operatives

**Response to Senate Standing
Committee on Economics inquiry on
role, importance and overall
performance of co-operative, mutual
and member-owned firms in the
Australian economy**

30 June 2015





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The SouthEast Housing Co-operative Ltd endorses the suggestion by the Business Council of Co-operatives and Mutuals (BCCM) that the Senate Standing Committee on Economics examine three significant documents of the BCCM which identify the contribution of co-operatives and mutual to the Australian economy:

1. BCCM's 'Blueprint for an enterprising nation' provides an introduction to the sector, its contributions, and articulates improvements to existing policy frameworks.
2. 2014 National Mutual Economy Report outlines the contribution the sector makes to the Australian economy.
3. BCCM's Public Service Mutuals White Paper outlines the contribution a cooperative/mutual model can make to delivery of Government services, providing an alternative pathway to the current privatisation paradigm.

Co-operatives and Privatisation

SouthEast supports the development of the co-operative model and, indeed, co-operative housing is an alternative model to public sector and welfare sector housing. It is important, however, that the co-operative model is not used and abused to promote privatisation of the public sector – that privatisation is not confused as mutualisation. This has occurred, however, in the United Kingdom.

In Cameron's drive for co-operatives is privatization in disguise (The Guardian 20 January 2012) Randeep Ramesh has concluded that: "In office, however, there has been more talk about co-operatives than action. The Cabinet Office says it wants a million public sector workers owning their own firms by 2015, but so far just 45,000 have achieved this. Meanwhile, the Treasury rejected remutualising Northern Rock in favour of selling the bank [to Virgin Money](#). Last year, Central Surrey Health, the social enterprise feted by ministers, lost a key [£90m NHS contract to a private firm](#), rendering hollow the health secretary Andrew Lansley's claim that his controversial NHS bill would create the "world's largest social market. Circle Healthcare, which in November became the [first private company to run an NHS hospital](#), is classed as a mutual by the government because 51% of the company is owned by investors, with the rest given over to workers."

In When "mutualisation" of public services is actually privatisation (Co-operative News 26 August 2014) Paul Gosling concludes that: "By promoting mutuals where workers have a stake, but not control, and imposing a policy by which these entities have to compete with private firms, Cameron is in fact selling a two-stage policy of privatisation.



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Government statistics claim that the mutuals spun out of the civil service and other public bodies – as of July this year – employ 35,000 people, have generated an additional 3,000 jobs in the past three years and deliver £1.5bn of public services under contract. According to the Cabinet Office, the mutualisation of public services has been a real win-win. They raise productivity, improve staff engagement and cut service costs by winning new contracts, enabling the mutuals to spread overheads across more contracts. Similarly, the public sector ‘mutuals’ are typically not wholly owned by the staff. For example, MyCSP is 40% owned by financial services company Equiniti, with the Government retaining a 35% ownership stake and just 25% of equity owned by the staff. It is, to my mind, no more a mutual than a Thomas Cook run Co-operative Travel store is a co-operative. Peter Hunt, chief executive of the Mutuo think-tank and former general secretary of the Co-operative Party, says: “In my view, no organisation is mutual unless a minimum of 50% + 1 is owned by the customers, employees or a mixture of the two. Consequently, a lot of government-supported ‘mutuals’ are nothing of the sort – for example, Circle Healthcare is not a mutual as it is majority investor-owned, and My Civil Service Pension is a joint venture between government, employees and an investor. “Often the government uses the term as ‘mutual wash’ to cover over an unpalatable privatisation and the Lib Dem enthusiasm for employee ownership has facilitated this sophistry.” Ed Mayo, general secretary of [Co-operatives UK](#) says: “Co-operatives UK has worked with the coalition Government to advise the mutuals programme. There are some excellent examples of high-quality mutual models that have emerged – such as Leading Lives in Suffolk, which is organised as a worker co-operative. We applaud the work that has been done overall. “However, we have had a long-running disagreement with the Cabinet Office over two things. First, we argue that the term ‘mutual’ should include customer-owned and multi-stakeholder models. Second, we reject some of the loose definitions they have used, which risk turning the word ‘mutual’ into a cover for privatisation.

The logic of this UK experience is threefold. First, there is a need to recognise that privatisation is not co-operatisation. Second, there is a need to clearly define the co-operative and mutual model. Third, the word co-operative and mutual should not be applied to privatisation.



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In its manifesto, the Syriza Greek Government highlighted the importance of reviving the co-op movement as a form of social and economic activity for the future, and suggests drawing up a strategy by looking at the most suitable sectors for co-operative development. The party sees the co-op movement as a distinct economic model that would be part of the broader social and solidarity economy and an alternative to privatisation.

Co-operatives Worldwide

The following facts and figures are provided by the International Co-operative Alliance (ICA). The ICA has 283 member organisations across 94 countries with 1 billion individuals. Two Australian co-operatives from WA are members – Capricorn Society Ltd and Co-operative Bulk Handling Limited (CBH Group)

<http://ica.coop/en/facts-and-figures>

International Co-operative Alliance, with the scientific and technical support of the [European Research Institute on Cooperative and Social Enterprises \(Euricse\)](#) – publishes an annual report on the co-operative economy – The World Co-operative Monitor.

[The third \(2014\) edition of the World Co-operative Monitor](#) reveals that the turnover of the largest 300 co-operatives in the report over the last 3 years has grown by 11.6% to reach 2.2 trillion USD (2205.7 billion USD) in 2012. 165 Billion USD in this figure is generated by the co-operative banking and financial services sector (net banking income) and 1,156.5 billion USD from the insurance and mutual sector (premium income).

[resented at the 2014 International Co-operative Summit, the third edition of the World Co-operative Monitor](#) revealed that the turnover of the largest 300 co-operatives has grown by 11.6% to reach 2.2 trillion USD in 2012, equivalent to the GDP of Brazil. The overall turnover of the near 2,000 co-operatives in the 65 countries surveyed by the Monitor totals 2.6 trillion USD ([Read the press release](#)).



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- In **Denmark**, consumer co-operatives in 2007 held 36.4% of consumer retail market. *Source: Coop Norden AB Annual Report 2007.*
- In **Japan**, the agricultural co-operatives report outputs of USD 90 billion with 91% of all Japanese farmers in membership. In 2007 consumer co-operatives reported a total turnover of USD 34.048 billion with 5.9% of the food market share. *Source: Co-op 2007 Facts & Figures, Japanese Consumers' Co-operative Union.*
- In **Mauritius**, in the agricultural sector, co-operators play an important role in the production of sugar, vegetable, fruit and flower, milk, meat and fish. Nearly 50% of sugar-cane planters are grouped in co-operatives. *Source: [Ministry of Industry, Small & Medium Enterprises, Commerce & Cooperatives](#).*
- In **The Ivory Coast**, co-operatives invested USD 26 million into setting up schools, building rural roads and establishing maternal clinics in 2002. *Source: ICA, Briefing for NGOs on the Work of the Noncommunicable Diseases and Mental Health Cluster, 2004.*
- In **New Zealand**, 3% of the gross domestic product (GDP) is generated by co-operative enterprise. Co-operatives are responsible for 95% of the dairy market and 95% of the export dairy market. *Source: New Zealand Co-operative Association, 2007.*
- In **Uruguay**, co-operatives are responsible for 3% of the GDP. They produce 90% of the total milk production, 340% of honey and 30% of wheat. 60% of co-operative production is exported to over 40 countries around the world. *Source: [ACI Americas. Uruguay: movimiento cooperativo en crecimiento](#).*

Large segments of the population are members of co-operatives

- In **Canada**, four of every ten Canadians are members of at least one co-operative. In Quebec, approximately 70% of the population are co-op members, while in Saskatchewan 56% are members. *Source: Co-operative Secretariat, Government of Canada.*
- In **Malaysia**, 6.78 million people or 27% of the total population are members of co-operatives. *Source: Ministry of Entrepreneur and Co-operative Development, Department of Co-operative Development, Malaysia, Statistics 31 December 2009.*



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- In **Norway** out of a population of 4.8 million people, 2 million are members of co-operatives. *Source: The Co-operative Centre of Norway.*
- In **Paraguay**, 783,000 people or 18% of the population are members of 1,047 co-operatives. These have a direct impact on the livelihoods of over 6 million people. *Source: Instituto Nacional de Cooperativismo, INCOOP.*
- In **Spain**, in 2008 15% of the population or 6.7 million people are members of a co-operative. *Source: CIRIEC, Las grandes cifras de la economía social.*
- The country with the largest number of individual members indirectly represented by the Alliance is the United States with 256 million members. There are nearly 30,000 co-operatives in the US.
- The next countries are in Asia, with India following next behind the US with 93.7 million individual members. And then Japan with 77 million individual members.
- The fourth largest number of members is in Iran with 36.9 million individual members.
- All in all, five of the top ten countries, by membership, that the Alliance represents - are in Asia.
- Italy is the Alliance's first European country with 22.5 million individual co-operative members, represented by the Alliance and through their organisations.

Future Social Housing

Social housing includes public housing, housing co-operatives, housing associations and other community service organisations.

The future of social housing should be guided by four basic principles:

Affordable and secure housing as a right.

Affordable and secure housing should be universally available.

Social housing should provide a diversity of housing models.



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We need a 2015 equivalent of the vision expressed by F. Oswald Barnett and W.O. Burt in **Housing the Australian Nation**, Research Group of the Left Book Club, May 1943, when they argued for better homes for better citizens and suggested that everyone subscribes to these sentiments “but are we prepared to pay in treasure our proportion of the cost. It will mean that such of us as are able will have to contribute much in taxation to establish even the beginnings of the new utopia.”(p 5)

Further, in **We must go on – A Study of Planned Reconstruction and Housing**, The Book Depot, 1944, F.O. Barnett, W.O. Burt and F. Heath argued the need to go beyond pious hopes and aspirations about ending poverty and unemployment and the absence of any working means of achieving these hopes. (p 7)

The **right to housing** is recognised in the Universal Declaration of Human Rights and article 11 (1) of the International Covenant on Economic, Social and Cultural Rights as part of the right to an adequate standard of living. Article 25 of the Universal Declaration of Human Rights recognises the right to housing as part of the right to an adequate standard of living⁴

The right to housing should also be a right to appropriate housing. Housing policies do not sufficiently recognise the relevance of the quality of housing. New Zealand, for instance, has developed Warrant of Fitness Healthy Housing Index.

Affordable Housing

Recent debate about affordable home ownership has tended to ignore the affordability of rental housing and it is disturbing that both the National Commission of Audit and the McClure Review have proposed market rents instead of income rents and, therefore, undermining rental affordability. The Senate Committee on Affordable Housing did recognise in 13:93 Low-income renters not only struggle to pay high rents and associated housing costs but are also subject to involuntary moves. The rental market in Australia is structured around short-term tenancies and it is the lower income tenants who experience these disruptions most keenly, particularly vulnerable groups such as disability tenants, families with children and Indigenous households



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- According to Homelessness Australia on the 13 July 2014 there were 105,237 people in Australia who were homeless on Census Night 2011 – 22,789 in Victoria. (SOURCE: <http://www.homelessnessaustralia.org.au> Accessed 13 July 2014)
- According to a news release of 4 December 2012 by the Council to Homeless Persons, homelessness in Greater Dandenong was the highest number in Victoria with 1534 homeless, housing stress was also the highest with 21% of households paying more than a third of income on rent or mortgage payments. (SOURCE: Council to Homeless Persons Homelessness in Greater Dandenong highest in state, 4 December 2012).
- In May of this year the Council was reporting that in Greater Dandenong only about 3% of one bedroom rentals available in September 2013 would be affordable to single persons on the dole and that 10 years previously it was 25%. (SOURCE: Perkins, Miki Soaring rents make “cheap” Melbourne suburbs inaccessible The Age, 29 May 2014).

On the 1 May 2014 **Towards Responsible Government The Report of the National Commission of Audit** was released by the Australian Government. The Commission made 86 recommendations This included the following comments about income-based and market-based rents: “The Henry Tax Review outlined the case for extending Rent Assistance to public housing tenants, with these tenants facing the market rent of the dwelling (Australian Government, 2010). Under such an arrangement, the Commonwealth would need to increase aggregate Rent Assistance funding. However, this additional funding could be sourced from a redirection of funding currently contributed to the National Affordable Housing Agreement and the National Rental Affordability Scheme. As noted above annual funding for these two programmes is currently around \$1.5 billion per year (Australian Government, 2010). The Commission considers that there is merit in considering this option further. Two benefits would arise from this approach. First, the market would determine rents for public and private housing. Second, abolishing housing agreements with the States would remove duplication of effort, improve accountability and alleviate the reporting burden for State governments. Commonwealth funding currently directed to the housing agreements should be redirected to fund the extension of rent assistance to public housing tenants.”



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In contrast, in 13.97 the Senate Committee on Affordable Housing concluded that the Australian Government should recognise affordable renting as a mainstream form of tenure in Australia and place it prominently on the national policy agenda and in 13.98 argued there was a need to change the traditional view of renting as short-term transitional housing.

Co-operative Housing

Co-operative housing is a key model that can either be a pathway or destination for tenants.

There are three critical factors for the integrity of housing co-operatives:

Autonomy and independence from unreasonable legislation and regulation.

Voluntary membership – tenants become members because they want to be co-operators and, therefore, any public housing transfers should be voluntary.

Security of tenure – tenant members must be able to choose when they leave co-operative housing.

The Senate Committee on Affordable Housing provided a cluster of recommendations on security of tenure, stability and fairness of rent, comfort and safety standards evictions and dispute resolution mechanisms. These are matters in which housing co-operatives are providing leadership.

The specific benefits of co-operative housing compared with public and other forms of social housing are:

Ownership Benefit

The psychological (and social) benefits of the sense of ownership are interconnected with actual ownership and relate strongly to the cultural and social power of the idea of home-ownership as embodied by the 'Australian Dream'.



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Diversity Benefit

There is a need to increase the *diversity of housing*. Cooperative Housing offers models of housing tenure which responds to other life aspirations (social, personal and ecological) and the changing (inter-)generational dynamics of the globalising and re-localising world; based on member tenant ownership and/or control.

Security Benefit

The tenants of a co-operative are also the member owners. In co-operative housing this creates a unique sense of security.

Control Benefit

Cooperative control is embedded in the purpose, philosophy and structure of housing co-operatives. Co-operatives ownership, therefore, strengthens a sense of place because the tenants are member-owners.

Community Benefit

Community development is unique to co-operatives that involve the essential basis for member control - education and training of members, democratic functioning, effective meetings and good communications. Community development in a co-operative aims to empower the members of a co-operative to influence the goals and decisions of the co-operative.

Housing cooperatives are part of a worldwide cooperative movement with the Victorian Common Equity Housing Limited (CEHL) is a housing co-operative that is listed at Number 74 in the Top 100 CME by Annual Turnover for FY2012-13. (Source: Australia's Leading Co-operative and Mutual Enterprises in 2014, CEMI Discussion Paper 1403, Co-operative Enterprise Research Unit, 2014)

There are 120 co-operatives providing housing for 6000 people, including 2240 children, in 2500 properties throughout Victoria.



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Housing Co-operatives Worldwide

Number: **210,000**

Properties: **18 million**

Members: **27 million**

Today, cooperative housing accounts for between 10 and 15% of housing in Sweden, Norway and Germany, and it is a growing housing sector in Canada, the USA and United Kingdom. **Profile of a Movement: Cooperative Housing Around the World** (by CECODHAS Housing Europe and ICA Housing, 2012)