



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Jobs for the Future in Regional Areas

Submission to the Senate Select Committee

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About the BCCM

Formed in 2013 following the United Nations International Year of Co-operatives, the Business Council of Co-operatives and Mutuals (BCCM) is the peak body for Australian co-operatives, mutuals and member-owned enterprises. The BCCM represents a diverse range of enterprises operating in sectors including agriculture, finance and banking, insurance, mobility services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into Cooperative, mutual and member-owned firms, and implementation of the Hammond Review recommendations to improve access to capital for CMEs. The Hammond Review recommendations were implemented in April 2019, with the passing of the Treasury Laws Amendment (Mutual Reforms) Act 2019.

Executive Summary

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a submission to the inquiry into Jobs for the Future in Regional Areas.

Our submission highlights the role co-operatives have played, and will play, in developing regional industries and employment.

The BCCM is the national peak body for co-operative and mutual enterprises (CMEs) in Australia. It is a member driven and funded organisation representing CMEs operating in all industries and regions of Australia.

Our membership includes:

- major farmer owned co-operatives such as the Northern Co-operative Meat Company, Geraldton Fishermen's Co-operative, Yenda Producers Co-operative and Co-operative Bulk Handling,
- regional retail co-operatives including Barossa Co-op and Emerald & District Co-operative Society, and
- mutual banking, insurance and financial service providers such as RaboBank, Regional Australia Bank and Stock and Station Agents Co-operative.

In considering measures to support the transition to new industries and jobs in regional Australia, a crucial building block is that Government provide an enabling environment for business innovation. The BCCM draws attention to the importance of co-operative businesses for regional Australia.

This submission is in 3 parts:

- Why co-operatives are important to the development of new industries and employment opportunities in regional Australia
- Response to Term of Reference a) new industries and employment opportunities
- Response to Term of Reference e) measures to guide the transition into new industries and employment

The BCCM is able to provide further information on each of the matters raised in its submission should this be required.

Why co-operatives are important to the development of new industries and employment in regional Australia

Co-operatives are corporate entities that are built on principles of self-help, sustainability and democracy. Co-operative enterprises build upon and foster the economic and social capital of regional communities, better enabling them to manage economic transition.

Australia's regional industries and employment have been the result of co-operative enterprise. From the 1880s, Australian farmers have co-operatively developed value-adding, transport and marketing in the grain, dairy, almond and berry production industries, among others, creating sustainable supply chains and local employment.

There are approximately 2000 co-operatives and mutuals in Australia.

a) Co-operatives create decent work

Co-operatives are globally-recognised vehicles for creating decent work. The livelihoods of 279 million people are secured through employment in or within the scope of a co-operative, the majority being self-employed producers in the agricultural sector.

The International Labor Organization (ILO) recognises the contribution of co-operatives to decent work, including through its recommendation on the promotion of co-operatives, its longstanding co-operatives unit and the renewal of its partnership with the International Co-operative Alliance earlier this year.

Co-operatives in the Northern Rivers region of New South Wales have a turnover of \$1.1bn, create more than 2,000 direct jobs, and support sustainability (and indirect employment) in over 1000 primary production businesses. Norco Co-operative, headquartered in Lismore, was one of the first employers in Australia to introduce paid domestic violence leave. An infographic about co-operatives in the Northern Rivers is attached with this submission.

Co-operatives played an important role in protecting jobs and the viability of small and medium manufacturing and engineering businesses during economic restructuring in the Hunter Valley in the 1980s and 1990s. The BCCM outlined how the community took action to achieve these outcomes through the formation of HunterNet Co-operative and Labour Co-operative in a submission to the Productivity Commission in 2017, which is attached with this submission.

b) Co-operatives encourage sustainable production and consumption of goods and services

The co-operative structure encourages sustainable provision of goods and services in regional economies:

- Because they are owned by local people or businesses and exist to provide them a service, co-operatives don't move essential services and employment out of town based on profitability alone.
- Co-operatives have a 'sticky money' effect in local economies – for every \$1 spent at a regional retail co-op, 76c of value is created in the local economy

- Co-operatives distribute benefits equitably to members based on level of use of the co-operative's services, not shareholding
- Co-operatives put large proportions of their surplus toward community and charitable activities
- Co-operatives are open membership organisations that give big and small players a fair go
- Co-operatives can enhance the competitiveness of local small businesses, including increasing bargaining power and opening up export markets, as noted in the Harper Review of Competition Policy

In 2018, the theme of International Day of Co-operatives was 'sustainable societies through cooperation', recognising sustainable production and consumption as core to what co-operatives do.

c) Co-operatives can innovate and scale

Worldwide the co-operative sector accounts for a significant share of gross domestic product in many economies. In Europe, agricultural co-operatives have 60% overall market share of processing and marketing of agricultural commodities and about 50% of the supply of inputs whilst in the United States co-operatives have a market share of approximately 28% of processing and marketing and 26% of input supply.

In Australia, the top 100 co-operatives and mutuals had a combined turnover of more than \$30bn in 2017 (National Mutual Economy Report).

There is a new generation of platform co-operatives being established where the platform for the exchange of information or the transactions hub is owned by the people who use it. Just as Uber has transformed the ridesharing and transport industry, co-operatively owned platforms are being developed by those who use or work in the industry and keeping the profits generated through technology with their users.

d) Co-operatives recognise and harness community know-how and capital

Co-operatives are the original crowdfunding mechanism, allowing a group of people or businesses to leverage their capital, knowledge and resources for collective benefit.

The international co-operative principles dictate that these enterprises retain a capital core to ensure longevity and support for generations of members. Co-operative boards are guided by this principle and the principle of open membership that supports their growth. Membership of a co-operative is open to all new entrants that are willing to collaborate within the co-operative model.

Co-operatives are corporations with power to raise capital from their members and from the public. The unique nature of co-operative shares and the co-operative principles, however, ensure that democratic control remains with members who actively use their co-operative's services. Capital rewards as well as access to services remains with members.

As a corporate structure representing the power of many members, co-operatives are well placed to negotiate financial accommodation from commercial banks, particularly mutual financial enterprises that share the same co-operative principles.

e) Co-operatives give transitioning communities agency

As community-owned and controlled enterprises, co-operatives develop a social license for innovation, such as the development of new renewable energy infrastructure by Hepburn Wind or the provision of sharing economy platforms by bHive Co-operative.

New industries and employment opportunities that can be created in the regions

a) New agribusiness

A new generation of co-operatives are allowing small producers to work together to develop niche industries. In recent years, new co-operatives have formed to develop manufacturing and marketing for products including truffles, garlic, hemp and mahogany.

Producers in established primary industries are turning to co-operation to secure the sustainability of local businesses and secure local jobs. Southern rock lobster fishers have formed and invested in the Limestone Coast Fishermen's Co-operative, with plans to begin processing in a local factory and exporting to China in the near future.

Well-established co-operatives are developing new value-adding plant in regional Australia. Norco Co-operative, formed in 1895, recently announced a new ice cream production line that will be developed with Commonwealth Government backing. Almondco Australia opened a new \$25 million processing plant in Griffith in 2017.

b) Renewable energy

Community-owned energy generation can deliver energy security, a social license for action on climate change and new employment opportunities in regions. Community ownership means any profits are recycled in the community.

Hepburn Wind, beginning energy generation in 2011, is the leading example of a co-operatively owned renewable energy generation project. The community invested close to \$10 million towards the installation of two wind turbines outside Daylesford that power 2000 homes. As of 2019 the co-operative declared its first dividends for members, had three direct employees, had contributed a more than \$115,000 to a community fund and has begun planning for a solar farm development.

Other communities are following this lead. Recently Community Energy 4 Goulburn announced it was forming a co-operative for the development of a 1.2 MW solar farm in Goulburn, with John Hewson AM to join the board.

c) Green manufacturing

Australia's first worker-owned factory making renewable energy appliances and components is the Earthworker Energy Manufacturing Cooperative. Based in Morwell, its mission is to create quality, green jobs in regions impacted by structural change.

d) Digital economies

bHive Bendigo is Australia's first platform co-operative, recently receiving a grant to develop a co-operatively owned sharing app for Bendigo that will encourage efficient use of existing resources in the community. It is also in the process of developing a co-operative car sharing system for local businesses that will deliver economic and environmental benefits.

As bHive is a locally-owned co-operative, the benefits of any platforms and services it develops will stay with local user-members and the community. bHive aspires to support the formation of similar co-operatively owned sharing economy infrastructure throughout regional Australia.

e) Strengthening regional provision of goods and services

Co-operatives help to ensure goods, services and amenities are provided in regional Australia. This can help retain and attract workers to regions for new economic opportunities. Community ownership ensures that local retail, health, or social infrastructure continues to be provided.

Sea Lake and District Co-operative was formed by community members to re-open the local hardware store. The co-operative has secured local services, created local retail jobs and, being member-owned, any dividends are recirculated in the local economy.

The success of the community buyout has inspired similar buyouts of local pubs in Sea Lake and neighbouring Nandaly.

The Community Co-operative Store in Nuriootpa, known locally as The Co-op, began as a community buyout in the 1940s. It now has nearly 20,000 members, a turnover of \$60 million and employs 350 people. A 2014 EY study showed that for every dollar spent in The Co-op's Foodland supermarket, an additional 76c of total value is created in the local economy.

The Co-operative Life, a worker-owned co-operative formed in Sydney, took over the business of a New England care services provider in 2018. This not only saved 26 jobs but provided these workers with the chance to become part-owners in the business they work for.

Measures to guide the transition into new industries and employment

The transition into new industries and employment in regional Australia will be underpinned by an enabling environment for business innovation, including through co-operative enterprise.

The McClure Review into Welfare Reform (page 175) noted that:

Businesses play a leading role in providing employment, economic growth and government revenues. Businesses also increasingly support better social outcomes for the communities in which they operate. Micro businesses, small to medium enterprises (SMEs), large businesses as well as mutuals and co-operatives and social businesses, all play a role in building the capacity of communities to improve employment and social outcomes.

We take this opportunity to comment briefly on two of the proposed areas for Government policy measures raised in the Terms of Reference:

“community infrastructure to attract investment and job creation”

The BCCM agrees that community infrastructure is important for attracting investment and creating employment. The co-operative structure is an ideal form for investment and management of community infrastructure and social capital.

“meaningful community consultation to guide the transition”

Co-operatives embed ongoing community consultation through democratic ownership and control. They develop a long-term social license for transition to new industries.

The report of the Senate Economics References Committee inquiry into cooperatives, mutuals and member-owned firms outlined the barriers to the formation and growth of co-operatives in Australia. At a high level, the issues the report noted were:

- Lack of recognition of the co-operative sector and model in policymaking
- Lack of knowledge among business advisors, and absence from business education (e.g. for lawyers, accountants)
- The legislative and regulatory environment for co-operatives is not competitively neutral with other business structures

The attached note on Regulatory and Administrative Problems for the Co-operative Sector outlines the most pressing problems impacting the operating environment for co-operatives.

Based on ILO Recommendation 193 the following sets out principles for how Government should work with the co-operative sector to provide an enabling operating environment:

- Co-operatives, mutuals and member-owned businesses should be able to compete freely and on fair terms with all types of business.
- Government should champion these business forms on an equal basis alongside other types of corporate ownership.

- Government policy should recognise the value of these businesses and provide appropriate incentives for their creation and development.
- Legislation and regulation for these firms should match the best standards for any business.
- It should be as cost effective and straight forward to set up and run a co-operative, mutual or member-based businesses as any other type of business.

The BCCM recommends:

1. **That the above principles based on ILO Recommendation 193 inform the design of any regional jobs and transition policies.** The attached note on regulatory and administrative problems for the co-operative sector outlines the most important practical actions that can be taken in Australia in line with ILO Recommendation 193.

Attachments

Northern Rivers Cooperatives Alliance infographic

BCCM Submission to the Productivity Commission inquiry into Transitioning Regional Communities

Note on Regulatory and Administrative Problems for the Co-operative Sector