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Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

The National Roads and Motorists' Association (NRMA) submission to the Senate Standing Committee on Economics – Inquiry into cooperative, mutual and member-owned firms

NRMA welcomes the opportunity to contribute to the Senate Standing Committee on Economics inquiry into cooperative, mutual and member owned-firms. NRMA believes that mutual and cooperative organisations have an important role to play in the Australian economy.

NRMA is Australia's largest mutual organisation, and is comprised of 2.4 million Members in New South Wales and the Australian Capital Territory. NRMA is one of Australia's most trusted brands, with a strong track record of delivering results for our Members. For more than 90 years, NRMA has responded to the needs of our Members, providing legendary roadside assistance and advocating for better and safer roads, public transport priorities and other related public policy issues.

As a mutual organisation, NRMA is owned by our Members. This differentiates NRMA from other similar sized organisations across Australia, as NRMA is not controlled by investors, governments or charities. Rather than seeking to create share value for shareholders, the NRMA aims to deliver shared value for members and the community. This means that the profits made by NRMA are reinvested back into the community and back into services that provide a tangible benefit to our Members.

Mutual organisations like NRMA are often overlooked, but they play a significant role in the national economy. Mutual and cooperative organisations across Australia, including the NRMA, can help to revitalise the economy by redefining how public services are delivered into the future.

A. The role, importance and overall performance of cooperative, mutual and member-owned firms in the Australian economy.

The importance of mutual and cooperative organisations within Australia cannot be understated. More than 13.5 million people are members of 1,700 cooperative, mutual or member owned businesses across Australia. This equates to almost 8 in every 10 Australians. These figures suggest that Australians are more likely to be members of mutual or cooperative organisations than they are to hold shares in a company.

The Business Council of Cooperatives and Mutuals (of which NRMA is a member) estimates that mutual and cooperative organisations generate turnover of over \$25 billion each year, making a substantial contribution to the well-being of the Australian economy. Additionally, cooperative and mutuals, including member-owned super funds contribute to around 7 per cent of Australia's earnings.

It is noted that the Australian Government also recognises the importance of the mutual and cooperative sectors in the Australian economy. The former Minister for Social Services, the Hon Kevin Andrews MP has stated that, "mutuals and cooperatives have demonstrated that they are good for markets and for competition. Their different ownership structure allows them to focus on their customers rather than on short term shareholder returns. This enables them to pursue longer-term and sustainability-oriented-growth strategies".¹

Mutual and cooperative organisations have great potential to expand and to continue to play an important role in the Australian economy into the future. These organisations have unlimited potential to create diversity in business, provide competition and choice for consumers in a range of markets, provide new employment opportunities across Australia, and help to grow the Australian economy.

B. The operations of cooperatives and mutuals in the Australian Economy

Cooperative and mutual organisations are unique within the Australian economy as they are owned by their customers and members. Cooperative and mutual organisations operate at the grassroots level, directly interacting with their members and contributing to and improving the local communities that they operate in.

The approach of the cooperative and mutual sector is to practice a prudent and common sense approach to business, focusing on long term and sustainable shared value rather than short term profits and growth. In contrast, many other private sector organisations focus on maximising financial metrics such as profitability and shareholder value to generate dividends and capital growth return to shareholders.

The business models of mutual organisations focus on returning the value generated through members back into the community through enhanced or new services. Member owned organisations like the NRMA make profit with a purpose and return shared value to its customers and members. As a consequence, member owned organisations are able to provide an increased focus on customer service and customer value.

¹ Business Council of Co-Operatives and Mutuals 2014, *Public Sector Mutuals: A third way for delivering public services in Australia*, p. 3, Sydney, NSW.

In addition to business as usual activities, mutual and cooperative organisations may also be a position to play a major role in delivering public services into the future. By combining the discipline of business with a commitment to public service that is accountable to taxpayers, cooperatives and mutuals can offer a new way of serving the public interest, particularly in relation to the delivery of human services.

Indeed this proposition is supported by the Australian Government's *Competition Policy Review*. The final report of the *Competition Policy Review* notes that "as user needs and preferences continue to evolve, public sector mutuals could play a greater role in meeting individual and community needs, possibly in conjunction with other significant government initiatives".²

In other jurisdictions including the USA, Spain and the United Kingdom, public sector mutuals are working closely with government to deliver services that have traditional been in the domain of government departments and agencies. The *Competition Policy Review* notes that the United Kingdom in particular has made a "concerted effort through public policy levers and capacity-building activities to establish and expand public sector mutuals".³

The Business Council of Co-operatives and Mutuals has noted that the United Kingdom Government has supported the development of around 100 public sector mutuals since 2009. These mutual organisations now employ 35,000 people and deliver over \$1.5 billion of public services.⁴ The recent mobilisation of public sector mutuals in the United Kingdom has led to lower production costs and higher productivity and have demonstrated that they are innovative, profitable and more resilient to changes in the economic environment.⁵

NRMA strongly supports the notion that mutual and cooperative organisations can play a significant role in delivering and supporting human and social services, such as housing and job seeking. NRMA believes that governments at both the state and federal level should harness the unique capabilities and experiences of mutual and cooperative organisations into the future to help deliver government services.

C. Other issues

NRMA notes the submission made to this inquiry by the Business Council of Co-operatives and Mutuals. NRMA endorses the issues raised within the Business Council's *Public Service Mutuals White Paper* and agrees that cooperative and mutual organisations can provide an alternative pathway of providing and delivering government services.

² Commonwealth of Australia 2015, *Competition Policy Review: Final Report*, p. 248, Canberra, ACT.

³ Commonwealth of Australia 2015, *Competition Policy Review: Final Report*, p. 248, Canberra, ACT.

⁴ Business Council of Co-Operatives and Mutuals 2014, *Public Sector Mutuals: A third way for delivering public services in Australia*, p. 7, Sydney, NSW.

⁵ Business Council of Co-Operatives and Mutuals 2014, *Public Sector Mutuals: A third way for delivering public services in Australia*, p. 7, Sydney, NSW.

NRMA thanks the Committee for the opportunity to provide a submission to this inquiry. NRMA supports the intent of the inquiry and strongly believes that mutual and cooperative organisations will play an important role in the Australian economy now and into the future.

For further information about the contents of this submission, please contact Mr Ben Gommers - Government Relations & Policy Adviser on _____ or _____

Yours sincerely

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Group CEO