

BCCM submission Outcomes under National Disability Strategy 2010-2020 April 2017.



**Submission of the Business Council of Co-operatives
and Mutuels to the Senate Community Affairs
References Committee**

Inquiry into delivery of outcomes under the National
Disability Strategy 2010-2020 to build inclusive and
accessible communities.

May 2017

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1. Introduction

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to provide a submission to the Senate Community Affairs References Committee inquiry into delivery of outcomes under the National Disability Strategy 2010-2020.

This submission addresses one of the terms of reference for this inquiry: *“potential barriers to progress or innovation and how these might be addressed.”*¹

The BCCM considers that the delivery of intended outcomes under the National Disability Strategy is potentially hindered as a result of barriers that currently make it more difficult for co-operatives and mutuals to operate on a level playing field with other organisation forms. These barriers concern recognition, regulation and education. If these barriers are not removed, there will be less diversity and choice in the market for services, which adversely affects the ability of people, organisations and governments to innovate, change and adapt.

In March 2016, the Senate Economic References Committee conducted a far reaching inquiry into co-operative and mutual enterprises (CMEs) where these barriers were explored in detail. Importantly, bipartisan support for the Committee’s 17 recommendations was achieved. While some progress has been made, more needs to be done and in a timely way.

In a CME, members are democratically and economically engaged in the enterprise. CME members can be consumers, workers, producers or enterprises. Co-operatives and mutuals provide a legal and organisational governance structure in which members come together around the shared economic, social and personal needs and aspirations of their members.

In a consumer directed policy and funding environment such as the National Disability Insurance Scheme (NDIS), it is vital for people with disability, their families and carers to be empowered and central to the design and operation of the services that support and enable them to live as full citizens in the community.

In this submission, the key messages the BCCM wants to communicate are:

1. The importance of having a diversity of organisation forms and business models in a world of increased user choice, contestability and choice in public service delivery, particularly in human services;²

¹ Parliament of Australia Senate Community Affairs References Committee: Inquiry into the delivery of outcomes under the national Disability Strategy 2010 – 2020 to build inclusive and accessible communities – Term of reference b.

² A Productivity Commission Inquiry into increased competition, contestability and user choice in human services is currently underway and has highlighted opportunities for reform in six priority areas that include social housing, hospitals, palliative care, dental services, government funded community services and Aboriginal and Torres Strait Islander service delivery.

BCCM submission Outcomes under National Disability Strategy 2010-2020 April 2017.

2. The importance of people with disability having economic participation and meaningful work if they are to be socially included, rather than being marginalised as passive recipients of services and income support;³ and
3. Priority needs to be given to systemically addressing and removing the barriers already identified by the Senate Economic References Committee that currently place restrictions on the formation and operation of CMEs.

2. The importance of economic and democratic participation for people with disability

Australians with disability have significantly worse life outcomes compared to others or to people with disability in similar countries.⁴ People with disability are more likely to experience:

- Relatively poor health
- Lower levels of participation in education, training and employment
- Social exclusion
- Lack of access to goods, services and facilities and
- Ongoing discrimination⁵

These poor outcomes provide the impetus for a significant increase in effort from all governments, the community and business. Equal participation by people with disability in Australian life will enrich life for all Australians and is fundamental to the achievement of the six outcome areas in the National Disability Strategy 2010-2020, which are:

1. Inclusive and accessible communities
2. Rights protection, justice and legislation
3. Economic security
4. Personal and community support
5. Learning and skills and
6. Health and wellbeing.⁶

CMEs are designed around the seven International Co-operative Principles, which are:

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

³ Stevie Ackerman, Eliza Bennett, Sophie Collins, Jayde Gudmundsson and Isabelle Oude-Egberink "The Lived experiences of Nundah Community Enterprises Cooperative Members" in a case study report presented to the Nundah Community Enterprise Cooperative conducted by the University of Queensland (2016)

⁴ National People with Disabilities and Carer Council (2009) Shut Out: The experience of people with disabilities and their families in Australia – the National Disability Strategy Consultation Report Commonwealth of Australia p 7

⁵ National People with Disabilities and Carer Council ibid p 7

⁶ National Disability Strategy: Second Implementation Plan. Driving Action 2015-2018.

BCCM submission Outcomes under National Disability Strategy 2010-2020 April 2017.

The application of these principles to the legal form and governance of co-operatives and mutuals differentiates them from other organisation forms and through this, adds diversity and choice in the market for services.

3. The BCCM, its role and the contribution of co-operatives and mutuals in the Australian economy

The BCCM is the peak body for Australian co-operatives, mutuals and member-owned businesses. The BCCM represents a diverse range of businesses operating in sectors including agriculture, finance and banking, insurance, motoring 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.⁷

Co-operative and mutual enterprises are a significant contributor to the Australian economy: 8 in 10 Australians are a member of at least one CME and annual turnover of the top 100 CMEs (excluding member-owned superannuation funds) reached \$30.5 billion in FY2014/2015.⁸

4. Types of co-operatives and mutuals

Co-operatives must subscribe to the seven co-operative principles as set out by the International Co-operative Alliance, including open and voluntary membership and democratic control.⁹ In Australia, CMEs may operate under a state/territory based co-operative law (the Co-operatives National Law, except in Queensland) or under the Commonwealth Corporations Act. When operating under the Corporations Act, whether or not a CME is a co-operative will depend on whether its constitution includes the co-operative principles.

The distinguishing feature of all CMEs, compared with other corporate entities, is that they are owned by their members and operate for member benefit. Member benefit can mean a wider range of social or non-financial benefits compared with the financial returns enjoyed by a shareholder. Membership is tied to contributing to or making use of the CME; this ensures the CME is made up of people who share its common purpose. CMEs do not provide services to make money, rather they exist and make money to provide services to members and no other stakeholder.

One way of understanding the range of co-operatives is by member type¹⁰:

- Consumer co-operatives, such as a medical centre owned by patients (National Health Co-operative)
- Producer co-operatives, such as a social enterprise café owned by its employees (Nundah Community Enterprises Co-operative)
- Enterprise co-operatives, for example, a co-operative providing support and services to disability housing provider members (Supporting Independent Living Co-operative)

⁷http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report

⁸ Business Council of Co-operatives and Mutuals, National Mutual Economy Report 2016, 17.

<http://bccm.coop/wp/wp-content/uploads/2016/11/BCCM-NME-Report-2016.pdf>

⁹ <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

¹⁰ For further explanation see http://www.pc.gov.au/_data/assets/pdf_file/0008/204938/sub216-human-services-identifying-reform.pdf, 27-28.

BCCM submission Outcomes under National Disability Strategy 2010-2020 April 2017.

- Multi-stakeholder co-operatives, for example, a community-based education provider with employees, students and community supporters as members (Tranby Aboriginal College)

5. The barriers that limit the participation of CMEs

In March 2016, the Senate Economic References Committee handed down its findings following an inquiry into co-operative and member-owned firms. The 17 recommendations received bi-partisan support. Taken together, these recommendations address the most important areas of reform for enabling CMEs to compete on the same basis as other organisation forms and company structures.

The 17 recommendations covered potential for reform in three areas: recognition; regulation and education. The 17 recommendations are attached at [BCCM Get Mutual Senate Recommendations](#) and contain practical examples of the barriers faced by CMEs compared to other organisation forms.

Because of the difficulties associated with forming and operating CMEs in Australia, the preferred form tends to be incorporation under the Corporations Act. Additionally, the regulation of co-operatives through State and Territory Governments is a further impediment to the formation and operation of co-operatives. The BCCM has argued in its submission that there needs to be a single national regulation for CMEs, to accommodate distributing and non-distributing forms (See recommendation 10.3) rather than reliance on consistent nationally-aligned State-based regulation.

6. Case Studies show how co-operative and mutual business models have potential to achieve meaningful economic and democratic participation in service delivery, particularly in human services.

The BCCM has prepared case study summaries of co-operatives and mutuals that operate in Australia and overseas in its submission to the Productivity Commission Inquiry into Human Services¹¹. These case studies demonstrate the diversity of CMEs in all parts of the economy. The BCCM welcomes the opportunity to address the Senate Community Affairs References Committee about these case studies. However, of specific interest to this inquiry are Australian case studies that include:

- National Health Co-operative is a consumer co-operative operating 9 primary health care clinics in the ACT and expanding into rural NSW.¹²
- Nundah Community Enterprise Cooperative (NCEC)¹³ is a worker co-operative based in Brisbane providing long term sustainable employment to people with an intellectual disability, learning difficulty or mental illness. This co-operative employs people at their Espresso Train Café in Nundah, and also in a parks and maintenance team that have mowing and garden maintenance contracts with Brisbane City Council. There is scope for models like Nundah to be replicated and to scale through the formation of enterprise co-operatives.
- There is potential for mutuals already involved in health and human services in Australia to diversify and scale to provide a wider range of integrated health and social care services. For example, the acquisition of the Home Care Service of NSW by Australian Unity¹⁴ means this large established mutual now operates in health and wellbeing, aged care, retirement living, health insurance and financial advice.

¹¹ http://www.pc.gov.au/__data/assets/pdf_file/0008/204938/sub216-human-services-identifying-reform.pdf

¹² <https://nhc.coop>

¹³ www.ncec.com.au

¹⁴ www.australianunity.com.au

BCCM submission Outcomes under National Disability Strategy 2010-2020 April 2017.

- In social housing, Australian examples include Common Equity NSW¹⁵ and Common Equity Housing Ltd in Victoria¹⁶. These are examples of enterprise co-operatives that own and manage social and affordable housing and are registered nationally as community housing providers. Tenant management and shared equity models are embedded in co-operative community housing through the application of the international co-operative principles. These Australian case studies in social housing are similar to the UK example, Rochdale Boroughwide Housing (RBH), which was formed when Local Government divested social housing stock to community providers similar to what is happening now in social housing in NSW.
- In disability services, the BCCM has supported the formation of an innovative family governance co-operative that operates in the NDIS in providing disability supported accommodation known as SILC – Supported Independent Living Cooperative.¹⁷ The members of SILC are other family governed co-operatives and SILC makes it possible for them to form, operate and scale by providing information services, a hub for networking and parents’ forums, guidance in the formation of housing co-operatives, recruitment and employment of support workers on behalf of the member housing cooperatives, payroll, rostering and support with NDIS plans, cleaning, legal and other fee-based services, and advocacy to government on the NDIS, taxation, housing policy and other matters relevant to members.
- In 2015, the BCCM worked with three community transport providers to guide them in the formation of an enterprise co-operative to enable them to develop a new business model with wider revenue streams in response to reforms in aged care and the NDIS. Whilst there have been cultural challenges with this initiative, the BCCM believes there is further potential to form enterprise co-operatives as an alternative to mergers and acquisitions especially in rural and regional areas. There are overseas examples in the UK, such as the HCT¹⁸ Group and Modo¹⁹ in Canada. They both demonstrate the potential of CMEs to fill a gap in the provision of social or assisted transport, which is fundamental for the efficient and effective delivery of health services.
- Another Australian example, in home care, The Co-operative Life²⁰ (formerly trading as Co-operative Home Care) is a worker co-operative operating in Sydney. This co-operative is small and community-based but growing steadily. It formed because its members all had poor experiences working with other providers and believed they could improve quality and outcomes for consumers without compromising efficiency if they owned the business. Co-operative Home Care has recently re-structured as a distributing cooperative that facilitates its ability to operate as worker co-operative and to raise share capital from its members. The co-operative currently has 35 employees delivering community aged care and NDIS support services.
- The co-operative business model is also well-suited to indigenous communities, especially where service delivery needs to be integrated in rural and remote areas. However, due to Indigenous Advancement Strategy grant funding requirements, many new enterprises register as Indigenous Corporations or as a company, rather than as a co-operative. Australian examples of CME business models in indigenous service delivery included in the BCCM submission include ALPA Ltd – The Arnhem Land Progress Aboriginal Corporation²¹ which operates a range of community and employment services in 25 remote locations

¹⁵ www.commonequity.com.au

¹⁶ www.cehl.com.au

¹⁷ <http://silc.coop/>

¹⁸ www.hctgroup.org

¹⁹ www.modocoop.com

²⁰ <http://www.lifecoop.com.au>

²¹ www.alpa.asn.au

BCCM submission Outcomes under National Disability Strategy 2010-2020 April 2017.

across the Northern Territory and Queensland; Tranby²² which provides services in education, business support, advocacy, leadership and land management; and Rumbalara Aboriginal Co-operative Ltd²³ providing health services to communities in and around Shepparton in Victoria.

7. What changes the BCCM wants to see included in the Inquiry to increase recognition and adoption of CMEs in the Australian economy

1. Immediate and full implementation of the 17 recommendations from the Senate Inquiry on co-operative and member-owned firms to address the barriers that exist between CMEs and other organisational forms.
2. The top priorities in these Senate recommendations that will contribute to an equal operating environment for CMEs in human services delivery are: Recommendation 2 (CMEs must be represented in government policy discussions and actively promoted as a possible option for service delivery where community based initiatives are being considered); Recommendations 3 and 6 (CMEs must have access to the same quality and variety of start-up and business formation advice as all forms of business); Recommendations 10 and 11 (CMEs must be able to compete for all grants and programs as all forms of business); and Recommendation 17 (CMEs must have access to the full range of capital raising options as all other forms of business in order to not be disadvantaged in raising working capital to compete).
3. Recognition of the benefits of co-operatives and mutuals as a middle way in delivering human services and as a way to add diversity in the market for human services.
4. Specific consideration of the range of co-operative models available to deliver services (particularly by membership and sector, as demonstrated in Appendix A).
5. Acknowledgement of the benefits of having Government policy on the role and contribution of mutuals in the reform agenda by funding a CME innovation development initiative as has occurred in the agricultural sector (www.farmingtogether.com.au).

The BCCM can provide further information or comment on any aspect of this submission.

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²² www.tranby.edu.au

²³ <https://www.rumbalara.org.au>