



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2000
Via: economics.sen@aph.gov.au

9 August 2017

Dear Sir/Madam

Submission to the Senate Economics References Committee inquiry into the Northern Australia Infrastructure Facility

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a brief submission to the Senate Economics References Committee inquiry into the Northern Australia Infrastructure Facility (NAIF).

The BCCM makes this submission on behalf of some of Australia's largest privately-held businesses: the top 100 co-operatives and mutuals had a combined turnover of \$30.5 billion in the 2015/2016 financial year.¹

The BCCM responds to this term of reference:

- b. the adequacy of the NAIF's Investment Mandate, risk appetite statement and public interest test in guiding decisions of the NAIF Board;*

The BCCM is of the view that **the NAIF's Investment Mandate should be adjusted to better include agricultural projects and energy projects that are likely to be undertaken by medium-size enterprises such as co-operatives of local small enterprises or individuals.**

We take this opportunity to provide a case study of a government-supported co-operative infrastructure program that has had a long-term public benefit of the sort the NAIF aspires to.

Electricity Co-operatives in the United States

Before the development of electricity co-operatives, 90% of households in rural United States were without power. As a result, farms were inefficient (and required backbreaking labour), agricultural processing and marketing enterprises tended to be located in large cities (reducing the value-added benefit of agriculture to local communities) and other manufacturing industries were not viable.

¹ 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>

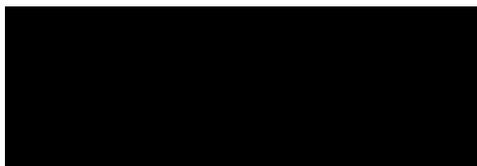
As part of the New Deal, government loans were offered to established investor-owned utility companies to electrify rural areas. However, there was little interest from these companies; the bulk of applications came from farmer co-operatives. Subsequently the government adjusted policy to support the development of electricity co-operatives.²

Electricity co-operatives played a significant role in the modernisation of rural United States, contributing significantly to the productivity gains and economic development that underpins strong, independent rural communities. Co-operatives currently own and maintain 42 per cent, or almost 4.2 million kilometres, of electricity distribution lines in the United States.³ They own poles and wires across 75 per cent of the United States. Many electricity co-operatives are now rolling out broadband for their members.⁴

We have included information about the BCCM and about co-operatives and mutuals as appendices.

The BCCM welcomes the opportunity to provide further information or comment on any aspect of this submission at any hearings the Committee may hold.

Yours faithfully



Melina Morrison
CEO
Business Council of Co-operatives and Mutuals

² See <https://www.electric.coop/our-organization/history/> or for further detail: Tucket et al, *Affordable Electricity and Economic Development: The Role of Electric Cooperatives in the 21st Century*, https://www.sommetinter.coop/fr/cdn/farfuture/8YF8VvTbd5sS54NIESJM0n-S9-OxqHGAh8FZMsmw-WI/mtime%3A1435677684/sites/default/files/etude/files/report_nreca.pdf, 4-5.

³ NRECA, *America's Electric Cooperatives: 2017 Fact Sheet*, <https://www.electric.coop/electric-cooperative-fact-sheet/>

⁴ For example see <http://www.newstribune.com/news/local/story/2017/aug/06/some-rural-co-ops-investing-to-bring-broadband-to-rural-areas-just-as-they-did-electricity/685280/>

Appendix A: About the BCCM

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.⁵

Appendix B: About Co-operatives and Mutual Enterprises

Co-operative and mutual enterprises (CMEs) are a significant contributor to the Australian economy: 8 in 10 Australians are members of at least one CME and annual turnover of the top 100 CMEs (excluding member-owned superannuation funds) reached \$30.5 billion in FY2014/2015.⁶ Together with mutual superfunds, it is estimated that the CME sector contributes 7 per cent of Australia's GDP. There are 15 million individual members of CMEs in Australia.

The distinguishing feature of all CMEs, regardless of what legal form they use, 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.

The vast majority of CMEs are incorporated and regulated under one of two legislative regimes: the State/Territory-based Co-operatives National Law (the CNL)⁷ or the Commonwealth Corporations Act. Whether a company under the Corporations Act is a co-operative or mutual will depend on its constitution.

⁵http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report

⁶ 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>

⁷ The CNL has been adopted in all States and Territories except Queensland. Western Australia has adopted consistent legislation.

