

**Submission  
No 33**

## **SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES**

**Organisation:** Business Council of Co-Operatives and Mutuals  
**Name:** Ms Melina Morrison  
**Position:** CEO  
**Date Received:** 1 August 2017



## Committee Secretary

Committee on Investment, Industry and Regional Development  
Via: [investmentindustry@parliament.nsw.gov.au](mailto:investmentindustry@parliament.nsw.gov.au)

1 August 2017

Dear Sir/Madam

### Submission to the inquiry into support for start-ups in regional New South Wales

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a submission to the New South Wales Legislative Assembly Standing Committee on Investment, Industry and Regional Development inquiry into support for start-ups in regional New South Wales.

Co-operatives are vital contributors to the economic and social life of New South Wales. For example, Northern Rivers-based co-operatives have a combined turnover of more than \$1.1 billion, membership of nearly 30,000 and provide 2,500 local jobs.<sup>1</sup> Key co-operative employers in the region include Norco, Northern Co-operative Meat Company, NSW Sugar Milling, Hastings Co-operative, OZ Group, Clarence River Fishermen's Co-operative, Ballina Fishermen's Co-operative, Summerland Credit Union, Southern Cross Credit Union and the Macadamia Processing Company.

Co-operatives across regional New South Wales have a track record of strong contributions to local employment and local farming communities. However, co-operatives are also at the forefront of innovation: the co-operative model is increasingly being applied to data, digital platforms and the "gig economy" labour market.

Therefore, the overarching point the BCCM seeks to make in this submission is that if long-term regional economic development and job creation are the policy objectives of start-up programs, **co-operatives and co-operative entrepreneurship should play a prominent part in a diversified regional start-up scene**. With this point in mind, we have responded to the terms of reference a, b and c by considering to what extent New South Wales government policies currently allow start-ups to consider the co-operative model, the broader State-level policy changes that would make starting co-operatives easier, and some examples of policy aimed at encouraging co-operative entrepreneurship from other jurisdictions.

---

<sup>1</sup> Business Council of Co-operatives and Mutuals, *National Mutual Economy Report 2016*. Available at <http://bccm.coop/publications/2016-national-mutual-economy-report/#.WYAWnIT5iUk>

The submission is set out as follows:

1. About the BCCM
2. About co-operatives and mutual enterprises
3. Response to terms of reference
4. Recommendations
5. Appendix A: What is Co-operative Entrepreneurship
6. Appendix B: Senate Economics References Committee recommendations

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

## 1. 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.<sup>2</sup>

## 2. 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.<sup>3</sup> Together with mutual superfunds, it is estimated that the CME sector contributes 7 per cent of GDP. There are 15 million 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)<sup>4</sup> or the Commonwealth Corporations Act. Whether a company under the Corporations Act is a co-operative or mutual will depend on its constitution.

---

<sup>2</sup>[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/Cooperatives/Report](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report)

<sup>3</sup> 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>

<sup>4</sup> CNL, adopted in all States and Territories except Queensland. Western Australia has adopted consistent legislation.

### 3. Response to terms of reference

- a) *The effectiveness of state government policies and programs aimed at supporting start-ups in regional areas; and*

The BCCM has undertaken an evaluation of New South Wales policies and programs aimed directly at supporting start-ups in regional areas from the point of view of their effectiveness in supporting start-ups that want to consider the co-operative model:

<b>NSW Government Program or Policy or Resource</b>	<b>BCCM Comment</b>	<b>Link/Source</b>
Accelerating Growth Loans pilot project	Why is this limited to companies or prospective companies? Is there any reason why distributing co-operatives are not eligible?	<a href="https://www.jobsfornew.com.au/how-we-help/small-to-medium-enterprises/accelerating-growth-loans">https://www.jobsfornew.com.au/how-we-help/small-to-medium-enterprises/accelerating-growth-loans</a>
Gazelle Loan Guarantees		<a href="https://www.jobsfornew.com.au/how-we-help/small-to-medium-enterprises/loan-guarantees">https://www.jobsfornew.com.au/how-we-help/small-to-medium-enterprises/loan-guarantees</a>
Regional Solutions		<a href="https://www.jobsfornew.com.au/how-we-help/support-for-the-regions/regional-solutions">https://www.jobsfornew.com.au/how-we-help/support-for-the-regions/regional-solutions</a>
Building Partnerships		<a href="https://www.jobsfornew.com.au/how-we-help/start-ups/building-partnerships">https://www.jobsfornew.com.au/how-we-help/start-ups/building-partnerships</a>
Accelerators and Incubators		<a href="https://www.jobsfornew.com.au/how-we-help/start-ups/accelerators-and-incubators">https://www.jobsfornew.com.au/how-we-help/start-ups/accelerators-and-incubators</a>
Small Business Grants		<a href="http://www.osr.nsw.gov.au/grants/sbg">http://www.osr.nsw.gov.au/grants/sbg</a>
Sydney School of Entrepreneurship	The BCCM would be interested to find out whether co-operative entrepreneurship is included in any curricula.	<a href="https://www.industry.nsw.gov.au/business-and-industry-in-nsw/innovation-and-research/sydney-school-of-entrepreneurship">https://www.industry.nsw.gov.au/business-and-industry-in-nsw/innovation-and-research/sydney-school-of-entrepreneurship</a>

Launch Pad	Alternatives to venture capital should be considered, such as community shares. Such “sympathetic” forms of start-up capital are more likely to keep wealth in the community over the long term.	<a href="https://www.westernsydney.edu.au/launch-pad/launch_pad/about_launch_pad">https://www.westernsydney.edu.au/launch-pad/launch_pad/about_launch_pad</a>
Minimum Viable Product Grants		<a href="https://www.jobsfornewsw.com.au/how-we-help/start-ups/minimum-viable-product">https://www.jobsfornewsw.com.au/how-we-help/start-ups/minimum-viable-product</a>
Business Connect Advisors	The BCCM would like further information on the number of business advisors who can advise on co-operatives. The BCCM has made preliminary inquiries, and can report that at least some – but, importantly – not all of the centres have basic familiarity with co-operatives.	<a href="https://www.industry.nsw.gov.au/business-and-industry-in-nsw/businessconnect/find-an-advisor">https://www.industry.nsw.gov.au/business-and-industry-in-nsw/businessconnect/find-an-advisor</a>
Jobs Action Plan		<a href="http://www.osr.nsw.gov.au/taxes/payroll/jap">http://www.osr.nsw.gov.au/taxes/payroll/jap</a>
“Start or grow a business in NSW” website	The website includes co-operatives and provides clear instructions on steps for registration of a co-operative.	<a href="https://www.service.nsw.gov.au/transaction/start-or-grow-business-nsw">https://www.service.nsw.gov.au/transaction/start-or-grow-business-nsw</a>

### *Existing New South Wales co-operative development policies*

Alongside the start-up initiatives that are the focus of this inquiry, the BCCM commends New South Wales for supporting co-operative development through its co-operative loan facility, administered by T-corp. This facility, which was introduced in the late 1990s, is recognition of the important job creation role co-operatives play in regional New South Wales.

These loans have helped many regionally-based co-operatives expand their operations. The most recent example is Almondco, which has just opened a new processing plant in Griffith with the assistance of a \$24 million loan.<sup>5</sup> It has been estimated that this loan has stimulated three times as much on-farm private investment, as well as creating new jobs in the Riverina.

#### *b) Possible new initiatives and reforms to reduce barriers and capitalise on the advantages associated with regional start-ups*

The BCCM believes that with minimal effort the current set of start-up programs and policies can more effectively facilitate regional start-ups that want to consider the co-operative model. We discuss what steps we believe are needed under two sub-headings.

#### *Refinements to the current set of start-up policies and programs to better support start-ups that want to consider the co-operative model*

The BCCM is pleased that co-operatives are included on the “Start or grow a business in NSW” website. The BCCM is also pleased that, based on the evaluation

<sup>5</sup> See <http://www.therural.com.au/story/4761046/griffith-almond-plant-opens-photos-video/>

provided above, there is only one start-up grant program where co-operatives are not eligible simply because of their legal structure.

However, the BCCM is concerned that there is inadequate information and advice available on co-operatives through Business Connect Advisors or through the Sydney School of Entrepreneurship. The BCCM notes that it made some inquiries to Business Connect Advisors and found some basic familiarity with co-operatives, but a deeper investigation is needed to determine the capacity of advisors. Improved access to advice, training and information relating to co-operatives could be achieved by ensuring current advisors and educators have a minimum understanding of co-operatives. The BCCM is willing to work with government and these programs by providing access to established co-operative advisors, co-operative educators, co-operative entrepreneurs and information on co-operatives.

*Creation of a conducive environment for starting a co-operative in New South Wales by implementing reforms in line with the recommendations of the Senate Economics References Committee inquiry into cooperative, mutual and member-owned firms insofar as they relate to State/Territory regulation of co-operatives*

In March 2016, the Federal Senate Economics References Committee (SERC) published its report on cooperative, mutual and member-owned firms.<sup>6</sup> The report made recommendations that go to the heart of the underlying barriers that make starting a co-operative difficult, including some of the points raised above. The recommendations are about recognition, improved regulation and improved education and information in relation to co-operatives and mutuals.

The vast majority of co-operatives operating in New South Wales are registered at the State-level under the CNL. Therefore, New South Wales can act to remove or reduce a number of underlying regulatory barriers for start-up co-operatives:

- Introduce “reg-tech” into the co-operative registry to speed up the registration process and streamline compliance processes, noting that the Federal Government has allocated funds in the 2017-18 budget for red tape reduction for small business at the State level.
- Continuous improvement of information and interactive tools for start-up co-operatives made available by the Registry.

Implementing these reforms will increase the effectiveness of existing start-up programs by giving regional entrepreneurs and communities increased access to a diversity of legal forms and business models for their start-ups.

*c) Policies and programs in other jurisdictions*

*Commonwealth Farming Together program*

The Commonwealth Farming Together pilot program has been allocated \$13.8 million over two years to support co-operation and collaboration in agriculture. The program gives farmer groups access to a broad range of consultants with expertise in co-operative and collaborative legal structures, tax and accounting, business planning, supply chains, marketing and group facilitation. The program has already seen the formation of a number of new co-operatives, such as ORICoop<sup>7</sup>, which will

---

<sup>6</sup> See [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/Cooperatives](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives)

<sup>7</sup> <http://www.organicinvestmentcooperative.com.au/>

facilitate investment in organic farms in line with co-operative principles. Other innovative regional co-operative start-ups that have been assisted by Farming Together include a farm data co-operative and a truffle growers' co-operative.

The program has also led to the development of important tools that reduce the time and cost (of legal or other professional advice) involved in forming a co-operative. The freely available Co-op Builder tool guides prospective co-operatives through the rules and disclosure statement that are needed for registration.<sup>8</sup> The BCCM is of the view that the continuous development of free tools such as the Co-op Builder for forming and operating co-operatives is the most effective means of increasing the use of co-operatives by participants in regional start-up programs.

Alongside the successes of the program, the BCCM notes that it has exposed the fact that there is still much room for improvement in the range of information and advice available to prospective co-operatives.

New South Wales has an opportunity to leverage off of the steps taken in the Farming Together program in refining its own regional start-up policies and programs.

#### *d) Any related matters*

It is worth noting some cutting-edge sectors where co-operative start-ups are emerging in Australia and internationally.

Platform co-operatives are co-operative owned and democratically-governed businesses that use a protocol, website or mobile app to facilitate the sale of goods and services. Often they operate in sectors with high levels of casualisation and freelancing. Australia's first platform co-operative is bHive Bendigo, which aims to developing a community owned sharing economy app for the Bendigo region.<sup>9</sup> International examples include Stocksy, an artist-owned stock image platform, Green Taxi Co-op, a driver-owned ride-hailing mobile app and Midata, a health data co-operative where members decide who has access and who purchases their health data.<sup>10</sup>

Other sectors with great potential for start-up co-operatives include care services, disability services and community energy or infrastructure.<sup>11</sup>

## **4. Recommendations**

4.1 The BCCM recommends that the current set of start-up policies and programs are audited and refined to ensure the co-operative model is a genuine option for start-ups using these programs.

4.2 The BCCM recommends that the New South Wales government address the underlying State-level barriers for starting a co-operative in line with the recommendation of the Senate Economics References Committee inquiry into cooperative, mutual and member-owned firms, particularly by:

---

<sup>8</sup> <http://co-opbuilder.agworks.com.au/>

<sup>9</sup> <http://www.bhive.coop/>

<sup>10</sup> See <https://platform.coop/about>

<sup>11</sup> For example <http://silc.coop/>, <http://www.lifecoop.com.au/> and <http://pingala.org.au/>



- 4.2.1 Ensuring the co-operative registry provides top quality advice and information on co-operatives and works to continually streamline registration and regulatory processes.
- 4.2.2 Ensuring government business program advisors understand the co-operative legal structure and that co-operatives are not excluded from any programs, grants or tenders on the basis of legal structure alone.
- 4.2.3 Working with other jurisdictions to ensure there is nationally consistent information about co-operatives.
- 4.2.4 Ensuring the co-operative registry collects adequate data on co-operatives.

## Appendix A: What is Co-operative Entrepreneurship

Extract from *Co-operative Entrepreneurship: Co-operative for Growth*<sup>12</sup>:

### Co-operative entrepreneurship

Co-operative entrepreneurship is a form of joint entrepreneurship. Broadly speaking this means that there is more than one entrepreneur involved in the creation of a new venture. A more accurate definition of co-operative entrepreneurship is the establishment of a co-operative enterprise. That is what this text is all about.

Co-operative entrepreneurship has a number of advantages which will be explained in the following pages. Perhaps the greatest advantage is the ability of the participating entrepreneurs to combine different skills and competencies. Central to the success of co-operative entrepreneurship is the relationship between the entrepreneurs.

### What do you need to be a co-op entrepreneur?

Co-operative entrepreneurs set up businesses. To do this they require many of the same characteristics which other non co-op entrepreneurs tend to possess naturally or to develop by engaging in business activity. For example, most entrepreneurs display determination, a capacity to innovate and 'think outside the box', a willingness to take risks, and good communication skills to promote their ideas to others. Owing to the unique characteristics of co-operative enterprises, co-op entrepreneurs also need to possess a few specific traits and attributes to be able to establish these types of businesses:

- A commitment to working democratically and for the good of the collective, rather than purely for personal gain;
- A willingness to share risks and rewards with other members;
- An understanding of and commitment to the co-operative values and principles;
- An understanding of how co-operation adds value to the business.

Co-operative entrepreneurship becomes possible when there is a group of like-minded individuals who have a need that is not being met by other companies. Co-operative entrepreneurs work together, not in isolation.

---

<sup>12</sup> Full publication available at <http://community-wealth.org/content/co-operative-entrepreneurship-co-operate-growth>

## Appendix B: Senate Economics References Committee recommendations

### Recommendation 1

2.32 The committee recommends that the Commonwealth Government ensures that a national collection of statistics and data is undertaken to provide an accurate picture of the scale and extent of the co-operative and mutual sector.

### Recommendation 2

3.28 The committee recommends that co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community based initiatives are being considered.

### Recommendation 3

3.29 The committee recommends the Commonwealth Government work with states and territories to develop a program of supports to encourage the establishment of new co-operatives and mutual enterprises.

### Recommendation 4

3.49 The committee recommends that a mutual enterprise is explicitly defined in the Corporations Act 2001, and its associated regulations.

### Recommendation 5

3.51 The committee recommends that the role of directors in mutual enterprises is defined in the Corporations Regulations to align with the proposed definition of a mutual enterprise in the Corporations Act.

### Recommendation 6

3.75 The committee recommends the Commonwealth Government work with states and territories to ensure the continual improvement to advice, guidance and information provided at all stages in the establishment, governance and regulation of co-operatives.

### Recommendation 7

3.80 The committee recommends that the Commonwealth Government to work with all relevant stakeholders to undertake a program of education and training to inform them about the role of co-operatives and mutuals.

### Recommendation 8

3.81 The committee recommends that the Commonwealth Government examine ways in which it can improve the recognition and understanding of the co-operative and mutual sector in the national secondary school curriculum and that tertiary institutions consider the inclusion of co-operative and mutuals in accounting, business, commerce, economics and law degrees.

### Recommendation 9

3.82 The Committee recommends that professional accreditation bodies, such as the Law Society and Institute of Chartered Accountants, require a demonstrated knowledge of the co-operatives and mutual structure before it will licence its members to practice accounting or law.

#### Recommendation 10

3.92 The committee recommends that the Commonwealth Government amend the Indigenous Advancement Strategy to allow registered co-operatives the same access to allow levels of grant funding as other entities.

#### Recommendation 11

3.93 The committee recommends that the Commonwealth Government review, and where necessary amend the eligibility criteria for grants and funds across all of government grants and program guidelines to ensure that co-operatives and mutual enterprises are not excluded on the basis of their business structure.

#### Recommendation 12

4.17 The committee recommends that the co-operative and mutual sector be considered when the government is preparing a Regulatory Impact Statement that accompanies new regulatory policies.

#### Recommendation 13

4.18 The committee recommends that the Commonwealth Government liaise with its state and territory counterparts to ensure that the regulatory burden for small and medium sized co-operative and mutual enterprise aligns with the needs of these organisations and ensures they are not disadvantaged relative to companies of a similar size.

#### Recommendation 14

4.26 The committee recommends that the Commonwealth Government closely monitor the progress of the International Accounting Standards Board in developing solutions to bring co-operative shares under the definition of capital under AASB 132, and, where possible, facilitate equivalent amendments as expeditiously as possible.

#### Recommendation 15

4.42 The committee recommends that Commonwealth and State Governments support the formalisation of some of innovative market-based approaches to raising capital for small and medium sized co-operative and mutual enterprises, in the form of advice and information, as they become available.

#### Recommendation 16

4.45 The committee recommends that APRA set a target date for the outcome of discussions with the co-operative and mutuals sector on issues of capital raising and bring those discussions to a timely conclusion.

#### Recommendation 17

4.49 The committee recommends that the Commonwealth Government examine proposals to amend the Corporations Act 2001 to provide co-operative and mutual enterprises with a mechanism to enable them access to a broader range of capital raising and investment opportunities.

