



Business Council of  
Co-operatives and Mutuals

Submission in response to the Regional Banking Taskforce Issues Paper

23 December 2021



Dear co-Chairs,

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to provide this submission in response to the Regional Banking Taskforce Issues Paper.

The BCCM is the national peak body for co-operatives and mutuals across all industries, a sector with combined memberships of more than 31 million ([National Mutual Economy Report 2021](#)). The co-operative and mutual movement plays an important role in the provision of services and generation of employment in regional Australia, particularly in banking, agriculture and retail. Our membership includes leading mutual banks and credit unions serving regional communities including Heritage Bank (southern Queensland), Queensland Country (northern Queensland) and Bank of us (Tasmania).

The BCCM supports the submission of our member, the Customer Owned Banking Association (COBA).

The purpose of our submission is to provide information about the role co-operatives and mutual enterprises play in community-led sustainable regional development, including in banking. The value and potential role of the mutual banking model can be fully appreciated when considered in the broader context of the role of co-operative enterprises in regional development and the policy settings that can enable this. In taking this approach, we respond primarily to consultation questions 9, 10 and 11.

### **How co-ops and mutuals support regional development**

The history of Australian business shows that co-operatives and mutuals have been the true “challenger” institutions to the largest corporate businesses. By delivering their purpose to provide affordable products and services to consumers in banking, insurance and commodity markets, co-operatives and mutuals provide real price competition.

Co-operatives and mutuals have been utilised by groups of people whether consumers, producers, workers or small businesses for hundreds of years as a self-help vehicle to meet common economic, social and cultural needs. They play an important role in regional areas where markets have come up short and communities have needed to co-operate to secure access to banking and retail services, develop and maintain critical infrastructure, and generate incomes and employment opportunities through processing and marketing enterprises for regional produce.

Evidence of this history of people working together for a common purpose is seen through the broad range of consumer, producer, worker and community co-ops and mutuals operating across regional Australia. Many regional co-ops and mutuals have operated for more than a century, formed in some cases 180 years ago, while others have emerged in recent years in response to new challenges and opportunities for the regions. Examples include:

- Consumer-owned
  - Heritage Bank. Customer-owned bank formed in 1880 and based in Toowoomba.
  - Westfund. Longstanding mutual health insurer since 1881 headquartered in Lithgow.



- The Barossa Co-op. Formed in 1944 and operates a major shopping centre and 9 retail outlets in Nuriootpa, SA.
- Producer-owned
  - Norco Co-op. Formed in 1895, the co-op operates in northern NSW and southern Queensland and is 100% owned by 300 dairy farmers.
  - CBH Group. Formed in 1933, the co-op is owned by nearly 4,000 WA grain growers and is Australia's largest grain exporter.
  - Independent Liquor Group. A co-op of 1,200 independent liquor retailers across the east coast with warehouses in western Sydney and Townsville.
- Employee-owned
  - The Co-operative Life. Worker co-op formed in 2013 providing aged and disability care services and operating in Sydney and New England.
- Community-owned
  - Hepburn Wind. Co-op of 2,000 members that raised \$10 million in 2008 to build a two-turbine wind farm in Daylesford, VIC.

The co-operative and mutual model has been particularly successful in serving the banking needs of regional communities across Australia. More than 4.5 million Australians are members of a mutual bank, credit union or building society and of the 62 mutuals, around half are headquartered outside a major capital city.

Co-ops and mutuals are guided by internationally-agreed principles including Member Democratic Control, Member Economic Participation and Concern for Community. It is these tried and tested principles that keep co-operatives and mutuals focused on delivering value to current and future members and their communities and have led the sector to grow to more than one billion members globally, including 375 million members of credit unions. The co-operative principles have been adapted for financial co-operatives (i.e. mutual banks, credit unions and building societies) by the World Council of Credit Unions (WOCCU).

The co-operative and mutual ownership structure, based in these principles, delivers the following benefits for regional communities:

- 1. Member ownership means co-ops and mutuals are committed to the regions where they have members.**
  - *Bank Australia has a no-offshoring policy, with nearly half of its staff employed in regional Victoria, where it has a strong membership base.*
- 2. Member ownership keeps more wealth circulating locally.**
  - *A 2014 EY study found that for every dollar spent at The Barossa Co-op's supermarket, an additional 74c of value was circulated in the local economy.*
- 3. Member ownership means co-ops and mutuals can balance the need for financial surpluses with other social and economic goals that are important to members such as retention of services.**
  - *The Co-operative Life successfully bought out a failing care services business in New England, saving 26 jobs.*
- 4. Member ownership empowers local communities and builds a spirit of resilience.**
  - *Residents of Sea Lake saved their hardware store by forming a co-op in 2015. The co-op generated \$200,000 in investment from the community and has built entrepreneurial capacity among members. The co-op was so successful that*



*residents formed a second co-op in 2017 to purchase the last pub in town.*

## **An international case study: the role of co-ops and mutuals in U.S. regional development**

Co-ops and mutuals are embedded in the U.S. regional economy, securing local services and generating economic opportunities in a range of sectors including agriculture, utilities, independent retailing and banking:

- The largest agricultural co-op is CHS Inc. with a turnover of US\$28.4bn
- 42% of the U.S. landmass is serviced by electricity co-ops
- 126 million people are members of a credit union

Government policy encourages this self-help co-operative activity across a range of sectors in the regional economy through:

- Recognition of the beneficial role of agricultural co-operatives in competition policy
- Appropriate taxation and prudential regulation of credit unions, based in recognition of their different ownership structure, purpose, culture and corporate behaviour compared to for-profit banks
- Ongoing government investment in data collection, research, policy development and industry-led co-operative development initiatives to support the formation and growth of regional co-ops across a range of industries

Indeed, co-operatives are understood by the U.S. Government as a ‘world-class business development tool for creating robust, sustainable communities’. The Federal Department of Agriculture is responsible for research, information and statistics on co-operative and additionally provides grants towards the formation and operation of local co-operative development centers, which focus on providing technical assistance and education to co-ops in a range of sectors to form and grow. Co-ops are eligible for government grant programs focused on industry development and value-adding. See: [Cooperative Services | Rural Development \(usda.gov\)](https://www.usda.gov/industry-development)

## **Recommendations: helping self-help in regional communities**

The policy, legislative, regulatory and business services environment all play an important role in deciding the success or otherwise of businesses. If we look around the world, it is these factors that have the biggest influence on the size and scope of the co-operative and mutual sectors in each country.

With an enabling environment for co-operative and mutual enterprise, the mutual banking model will be able to reach its full potential in banking regional Australians.

There are already examples of innovative mutual models that could be expanded by connecting the experience and expertise of the established mutual banking sector with more communities that want to secure an appropriate level of banking services through their own efforts. [Heritage Bank’s partnership with community branches](#) is one example.

To enable the formation and growth of mutual and community-owned banking solutions in regional Australia, the BCCM recommends the Taskforce support the following measures:



- 1. Appointment of a Federal Minister for co-operatives and mutuals.** *The appointment of a Minister for Co-operative and Mutual Enterprises would provide an important point of cross-cutting responsibility and signal the significance that the Commonwealth places on the contribution of the sector and the fair treatment of collaborative enterprise.*
- 2. Establishment an Australian Centre for Co-operative Business Growth.** *A national centre for co-operative business growth would deliver consistent, world leading business services to support co-operative and mutual education and business development nationwide through a partnership with industry. The BCCM's forthcoming Pre-Budget submission puts forward a proposal to implement this recommendation starting in regional Australia through a Thriving Regions Program. This regional, industry-led co-operative and mutual development program draws on BCCM's experience delivering the Co-operative Farming program, which saw the Australian Government's invest in co-operative and mutual education and information for primary producers, leading to new jobs and new capital investment in locally-owned collaborative businesses across regional Australia. Mutual and community-based financial services enterprises would be eligible for support through the Thriving Regions Program generally or through a focused Banking Stream within the program.*
- 3. Legislation to maintain legacy assets in mutuals for the purpose they were intended.** *Voluntary legislation can ensure that legacy assets built over generations of mutual members are preserved for the purpose they were intended and not be subject of asset raids. This will provide the sector with confidence to invest in growth.*
- 4. Introduction of a corporate diversity mandate for ASIC and APRA.** *Regulators should be responsible for ensuring that a wide range of corporate providers are available to consumers, including in financial services.*

We have attached our Policy Blueprint, which provides further explanation of these recommendations.

We would be pleased to provide further information to the Taskforce on the matters raised in this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Melina Morrison'.

Melina Morrison  
Chief Executive Officer

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