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BCCM Submission to inform the Tasmanian Government Business Growth Strategy

Via email: ask@business.tas.gov.au

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission to inform the Tasmanian Government Business Growth Strategy.

The BCCM is the national peak body for co-operative and mutual enterprises (CMEs) in Australia. It is a member driven and funded organisation representing CMEs operating in all industries including agriculture, manufacturing, energy, insurance, banking, mobility, housing, retail, wholesale, health and community services.

CMEs are key players in the Australian economy, generating high quality employment, maintaining vital supply chains, and securing access to essential services for millions of citizens. As Tasmania's only corporate business structured solely regulated by the State, co-operatives are the original, locally-owned and operated Tasmanian business model.

In line with their values of self-help and concern for the community, Tasmanian CMEs have utilised their community-owned structures and invested from their capital reserves to support their members, comprising local businesses and individual Tasmanians, through the COVID-19 pandemic period. With the right business operating environment, they can do more to create new jobs and economic opportunities for Tasmanians during the economic recovery.

Tasmania has 31 homegrown CMEs. The sector directly employs 1,000 people with a combined turnover of more than \$400 million and serving more than 320,000 members. Tasmanian CMEs operate in retailing, agriculture, arts and culture, housing, recycling, insurance, banking, roadside assistance and health insurance.

A strong co-operative sector promotes a positive business environment

Producer-owned co-operatives are important in enabling small businesses to grow and compete. By pooling resources in a co-operative, small businesses can access markets and achieve efficiencies that they could not achieve alone, therefore increasing the profitability and sustainability of locally-owned businesses. The *Harper Review into Competition Policy Final Report* found that increased awareness and uptake of co-operative models could 'strengthen the bargaining position of small businesses dealing with large businesses.'

Internationally, co-operatives support the livelihoods of 280 million people, with the majority of this total being sole traders and small producers.

What are co-operatives?

Co-operative and mutual enterprises are owned by members rather than shareholders. They exist to meet the social, economic and cultural needs of their members and their communities. As owners, it is the members that democratically govern their enterprise.

Common forms of co-operatives and mutuals include:

- Producer-owned (Yolla Producers Co-op; Tasmanian Independent Retailers Co-op)
- Consumer-owned (Bank of us, St.LukesHealth, RACT)
- Worker-owned (Resource Work Co-operative)
- Community-owned (e.g. a local clean energy generator)

These shared business ventures enable people or businesses to work together for a common purpose. As a collaborative business vehicle, CMEs facilitate the pooling of capital and business expertise so their members (individuals or SMEs) can work together to compete in markets suited to larger entrants. They enable bulk purchasing and group marketing activities, collectively invest in infrastructure and R&D, promote education, training and skills development and bring independent businesses together for business acceleration and scale. Because of their shared local ownership, CMEs are domiciled locally, distribute wages and profit back into their community and are taxed in Australia.

Co-operatives in Australia are registered under Co-operatives National Law (CNL) in their state or territory. They are corporations, but based on internationally agreed principles of co-operation. Section 10 of the CNL enshrines these international co-operative principles, including Democratic Member Control and Concern for Community.

Case study: Tasmanian Independent Retailers Co-operative

Tasmanian Independent Retailers Co-operative (TIR) is a retailer-owned co-op that provides wholesale, distribution, marketing and business development services to more than 180 independent grocery retailers, including many operating under the IGA banner.

The primary supply-chain source is Statewide Independent Wholesalers, owned by TIR in partnership with Woolworths. TIR members provide direct employment for thousands of Tasmanians and benefit from their co-operative through expertise and support in a range of areas including supplier negotiation, marketing, equipment purchasing, shop fit out, centralised pricing and business scaling.

By working together in TIR to invest in supply chain logistics and shared business services, TIR members not only benefit themselves – they also benefit Tasmanian consumers by being a competitive force in the grocery retail market that would otherwise be dominated by large national players. Island Fresh Produce is a trading division of TIR responsible for the distribution of fresh fruit and vegetable products to retailers and other food service customers.

Case study: Yolla Co-operative – Tasmanian farmer-owned

Yolla Co-operative is a Tasmanian regional co-operative in the agriculture sector. Established in 1977 by a few farmers from the North West region, Yolla Co-op has grown quickly to provide farm inputs to 900 member businesses from the North West Coast to the Tasman Peninsula.

The financial benefits provided by Yolla Co-op to its members are significant, it buys goods in bulk and passes on savings to members by way of competitive pricing and rebates. This is good for the regional economy, allowing farmers to build sustainable businesses with affordable inputs and generate local work opportunities.

Yolla Co-op is enjoying strong growth and benefits all farmers by providing constant price competition in the farm inputs markets with national and multi-national competitors. It ensures Tasmanian farmers have a strong voice in the supply chain, providing members with access to more 3000 product lines across all aspects of agriculture from animal feed, machinery, tools, clothing and fencing.

1. What are the biggest opportunities for co-operative and mutual enterprises in Tasmania over the next four years?

Through co-operative structures, small businesses, such as family farms, small manufacturers, sole traders and independent retailers can collaborate to reduce costs of business, share and improve industry expertise (including of digital and e-commerce), and increase profitability. They help smaller producers to achieve scale, improve productive efficiencies, and make it easier to access wider markets (including Government). As trusted, local businesses, they also promote and empower regional resilience.

Structuring collaboration through a co-operative delivers the following benefits to small business:

- The corporate structure provides clear governance requirements in relation to collaboration.
- A democratic structure permits for equitable participation of smaller and larger businesses (control is democratic, benefits of economic participation are in proportion to size).
- Local ownership and control reduces the leakage of value from regional economies, stimulating a local multiplier and positive flow on effects.
- An open membership structure directs activity toward long-term industry development rather than short-term profits.
- A clear framework for member (and non-member) investment.

Opportunities for co-operative and mutual enterprise in Tasmania exist in:

- **Agribusiness.** Continuing to expand food manufacturing, particularly fermented foods and better and more efficient connection between Tasmanian food producers and Tasmanian retailers. For example the **Tasmanian Producers Co-operative** formed in 2020 to support marketing by small primary and artisan producers. In recent years, the BCCM has also engaged with Tasmanian meat producers to explore potential local co-operative processing and marketing solutions.

- **Advanced manufacturing.** Co-operative clusters of SME manufacturing and engineering firms can support the preservation and expansion of industrial capacity, as demonstrated by **HunterNet Co-operative**. HunterNet is a self-funded network of 200 engineering, defence and manufacturing firms across the Hunter Valley that delivers group training, joint tendering, business development and networking services. Formed around the time of the closure of BHP in Newcastle, HunterNet has successfully prevented the town becoming a rust belt by allowing smaller firms to diversify and access new contracts that they could not have bid for alone.
- **Energy and transport.** Contributing to the expansion of renewable energy production and electrification of transport. For example, Australia's largest EV fast charging network is **Chargefox**, wholly owned by mutuals including RACT. Examples like **Goulburn Community Energy Co-operative** demonstrate the growing community interest in operating battery systems as part of a community energy project. The co-operative is an initiative of Community Energy 4 Goulburn, has more than 200 members and will operate a 1.8mW solar farm and a 800 kWh battery system. Members will benefit from the integration of the battery system alongside the solar farm as a means of managing when power is released onto the grid. The co-operative exceeded its original capital target, raising over \$2.2 million in shares. Now it is looking to expand the size of the battery by three times and seeking a further \$600,000 of investment from members.
- **Social services.** The growth in social services, particularly related to NDIS implementation and aged service delivery is increasing the need for customer and worker-focused enterprise models and collaboration between providers to have the scale to deliver quality services. An example from NSW is **Supporting Independent Living Co-operative (SILC)**. SILC provides back-office support to its members, which are small family-governed Specialist Disability Accommodation houses incorporated as co-ops (usually involving two or three families). By working together in this way, the NDIS budget of each person goes much further and the administrative burden on each family is reduced. The BCCM has engaged with existing not-for-profit social service providers in Tasmania in the last 12 months who have an interest in applying a similar model to boost their capacity to deliver quality care. The BCCM has received a funding allocation of [\\$6.9m in the last Federal Budget to deliver Care Together](#), a three-year program focused on expanding co-op care delivery models across the nation.
- **Affordable housing.** Growth in delivery of affordable and social housing, aligned to government investment. For example housing co-operatives like **Cohousing Co-operative** in Hobart provide a model for community housing that incentivises self-help and could be expanded with modest support.
- **Creative industries.** Growth in creative industries, especially if Australian content increases by streaming services. An example of artists co-operative is **Smart freelancer's co-operative** started in Belgium and now in seven EU countries.

A key message identified through the PESRAC regional roundtables was the need for co-operative regional leadership and engagement with community to find local solutions to challenges. Building the capacity of business already in the state through linking, scaling, and widening scope was emphasised as a method for boosting investment that delivers long-term.

2. What is in the way of making the most of these opportunities?

Significant potential benefits are available to Tasmanian small business through co-operative structures and there is a rising appetite for co-operative and mutual models throughout the community. However, significant policy and regulatory barriers persist, which inhibit the full utilisation of the model by small businesses throughout the State.

Lack of awareness

Despite eight in 10 adults in Tasmania being members of a co-operative or mutual, only three in 10 are aware of this fact. This lack of knowledge and comprehension throughout the community of co-operative and mutual models is mirrored across Tasmanian Government departments and agencies, which often results in co-operatives being inadvertently excluded from business support measures and policies.

AgriGrowth Loans are an ideal existing programme to support collaboration amongst producers seeking to expand their processing and marketing together. This is particularly the case since certain producer-owned co-operatives can access income tax deductions on repayment of state government loans, at no cost to the state. However, the AgriGrowth guidelines currently do not list co-operatives as eligible entities.

Regulation of co-operatives

Co-operatives are registered under Co-operatives National Law (CNL), harmonised legislation enacted in each state and territory (with NSW being the lead State). Tasmanian co-ops are registered with and regulated by the Department of Justice. Tasmania harmonised legislation in 2015 and national harmonisation was completed in 2020. This was a positive step for co-operative regulation, significantly reducing red tape for Tasmanian co-ops conducting cross border trading and capital raising.

However, significant challenges remain:

- Lack of regulatory policy capacity. Registries are not resourced to respond proactively to changes in the economic, social and policy environment (during COVID, the Tasmanian registry never responded to BCCM's request that it issue a gazettal notice to apply the Federal Government's insolvency relief provisions to locally-registered co-operatives; there has been no attempt to have local co-operatives included in the national Director Identification Number scheme or underlying Modernising Business Registers program)
- Registry processes are still largely paper-based (IT infrastructure for co-op registries is outdated. For example, requesting access to public registers of co-operative documents can be delayed, particularly during COVID, because in some cases only physical files are available in one office).
- Lack of regulatory guidance to co-operatives on matters such as fundraising (unlike ASIC, there is no regulatory guidance for issuing CCUs or debentures in a co-operative).
- Ongoing inconsistency of regulation and administrative approaches between state and territories (for example, states currently differ in approach on online voting in general meetings).

3. What would assist in addressing barriers and making the most of identified opportunities?

- Tasmanian Government should conduct a review of government business programmes, regulations and registry responsiveness to ensure co-operative and mutual businesses have equitable access to all government information and services that support Tasmanian businesses.

4. What would help to handle future challenges or disruptions to co-operative and mutual enterprises?

- Tasmanian Government should partner with the BCCM in an industry-driven program of education and capacity building in relation to co-operatives across the community and within government, with a focus on support for regional, community-led and place-based recovery and economic growth, in particular the opportunities for small businesses and entrepreneurs to scale through co-operation.
- The Tasmanian Government is requested to work with the BCCM, local CMEs and industry to enable and strengthen understanding of the co-operative and mutual enterprise model and its potential application for business growth. This may include:
 - Training to build knowledge of co-operative structures among business development and frontline staff across key Tasmanian Government agencies and departments.
 - Facilitate opportunities to provide training on the CME model to industry and local government representatives supporting PESRAC recovery across agriculture, tourism, creative industries, health and community services and advanced manufacturing areas.
 - Reviewing regulatory guidelines and information for co-operatives
 - Reviewing eligibility guidelines for business grants and loans programs to ensure opportunities for CMEs are included and understood.
 - Leveraging existing Commonwealth tax settings for processing and marketing co-operatives by offering a specific co-operative loan scheme for regional recovery, either as a standalone program or incorporated into an existing business loan program (such as AgriGrowth).

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