



Pre-Budget Submission

January 2023

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Summary – Co-operatives and mutuals create growth and fairness

The economic and social challenges facing Australia are linked:

- We need to generate wealth that is spread fairly among all our people.
- We must build more medium sized, Australian owned businesses to produce the things we need.
- We need business that is hard-wired to deliver this in an equitable way, so that workers, customers and business partners all have the chance of a fair go.

Co-operative and mutual enterprises (CMEs) help to build an economy that is as strong, resilient and inclusive as the people of Australia. They do this by mobilising the sense of collaboration and common purpose that exists between business and communities across the country.

Co-operatives and mutuals strengthen competitiveness and diversity in markets and improve social and economic well-being by generating decent employment and contributing to sustainable development.

They spread wealth by focusing on delivering value to customers and staff rather than capital accumulation. They are always domestically owned, employ local people in high quality jobs and pay Australian taxes.

This submission describes the already powerful contribution that co-ops and mutuals make towards Australia's prosperity and happiness. With a supportive business environment, CMEs can deliver even more to economic growth and high-quality employment, by boosting advanced manufacturing, food processing, agriculture and fishing and continuing to play a key role in supporting the growing care economy, as well as through its strong performance across a range of well-established industry sectors including financial services, Insurance, mobility and housing.

The Business Council of Co-operatives and Mutuals (BCCM) would like to engage directly with the Federal government to explore how co-ops and mutuals can help to deliver progress in priority policy areas, particularly focusing on improving productivity and quality work.

Building on the best global evidence, our proposals will enable existing and new co-operatives and mutuals to grow by establishing enterprise clusters that will deliver on the Government's objectives of increasing domestic capacity to create long term quality employment and prosperity across all regions of Australia.

Building on Labor's election commitment to be inclusive of co-ops and mutuals, the sector can bring real value to this national effort. Our submission is presented in the following sections to show the level of ambition for our sector:

- **What co-operatives and mutuals already deliver for Australia** – Co-ops and mutuals are active in many industries that impact the lives for ordinary Australians. They strengthen

competitiveness in markets and improve social and economic wellbeing by generating decent employment and contributing to sustainable development.

- **A National Centre for Co-operative Business Growth** – We need more and larger CMEs. By establishing a national centre for co-operative business growth, we can expand proven collaborative partnerships and place-based approaches that will help to fill in Australia’s ‘missing middle’ of domestically owned medium sized firms. It will:
 - Build regional clusters for economic development around groups of strong co-ops and mutuals
 - Grow medium and larger-sized firms, particularly in manufacturing and finance
 - Assist SMEs to be more profitable and competitive through existing and new co-operatives
- **Reforming the business environment to unleash the potential of co-operatives and mutuals** – The policy, legislative, regulatory and business services environment play an important role in deciding the success or otherwise of businesses. Modest reforms would give Australia a world leading business environment that enables co-ops and mutuals to play their full role in the future Australian economy, in a way that reflects the best of the history and culture of Australian co-operative business.

Recommendations

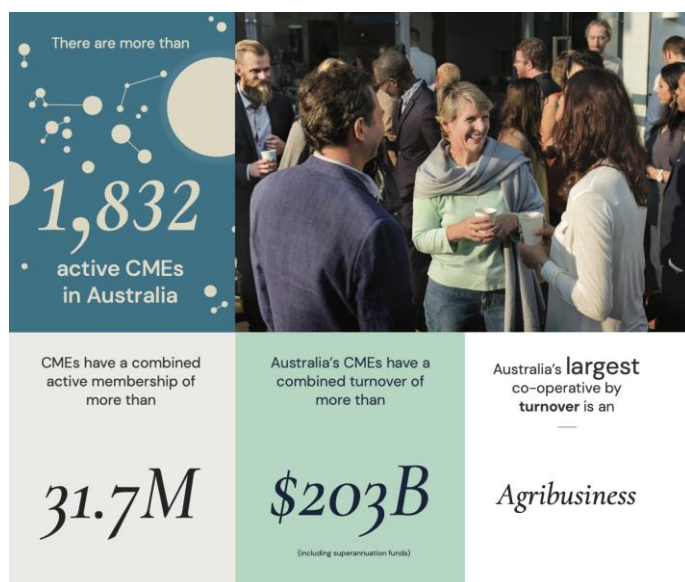
Arising from this submission, the BCCM would like to make two key recommendations to the Federal Government:

- Engage with and provide Federal funding to establish the National Centre for Co-operative Business Growth.
- Commit to providing a modern operating environment for co-ops and mutuals in accordance with global best practice by implementing ILO 193.

1. What co-operatives and mutuals already deliver for Australia

Co-operatives and mutuals are active in many industries that impact the lives of ordinary Australians. From farming to finance, health to housing, motoring to manufacturing, they deliver trusted products and services in some of the most competitive domestic and international markets.

- Co-ops and mutuals are businesses formed to benefit their members, drawn from the stakeholders of the business such as customers, suppliers, employees or people in the local community.
- The purpose is different from an investor-owned firm; co-ops and mutuals exist to deliver benefits back to members, rather than profit maximisation to investors.
- With good management it is an efficient model of business, with no leakage of value from the business and all returns reinvested locally.
- 8 in 10 Australians are members of at least one co-operatively owned business.
- Including member-owned super funds, co-ops and mutuals contribute around 7–8% of GDP.
- In 2022 there were a total of 1,832 active co-operative and mutual enterprises operating throughout Australia.
- These firms had a combined active membership base of more than 31.7 million memberships, generated \$203 billion in revenue, managed over \$1.28 trillion in assets, and directly employed at least 76,000 people.





Co-operatives and mutuals can deliver what Australia needs

Co-operatives and mutuals strengthen competitiveness and diversity in markets and improve social and economic wellbeing by generating decent employment and contributing to sustainable development. They spread wealth by focusing on delivering value to customers and staff rather than capital accumulation. They are always domestically owned, employ local people in high quality jobs and pay Australian taxes.

The experience of the pandemic, of droughts and a volatile trading relationship with China have shone a light on the importance of achieving greater Australian national self reliance. This can be achieved through more Australian ownership and control in the national interest, across a range of sectors.

The interruption to global supply chains caused by the pandemic points to a need for greater Australian domestic manufacturing. The importance of control over domestic production is just as relevant in the value-adding of manufacturing as with primary industries.

Australian-owned food producers and processors are the key to local food security. Agricultural co-operatives are here to stay – owned by Australian independent family farms, they work together to add value to primary produce, export and return the value to regional communities.

More onshore manufacturing and domestically owned food processing

The twin objectives of more Australian owned and operated value-added manufacturing and the growth of a medium-sized business sector can both be delivered through co-operatives. Co-operatives and mutuals are always domestically owned and controlled.

It isn't easy to build sizeable businesses, particularly where smaller enterprises dominate. Yet co-operative business clusters can help small business to grow and create medium sized enterprises that Australia needs.

The co-operative cluster of independent tech, consulting, engineering and manufacturing firms, working through HunterNet Co-operative in NSW, is a great example of how SMEs can collaborate to strengthen their supply chains, increase production and boost exports.

HunterNet provides shared services that enable firms to grow by working together more effectively to access a range of expertise unavailable to single businesses. Such services include:

- Introductions & Collaborations
- Opportunity Identification
- Bid/Tender Support
- Consulting Services
- Export advice



Manufacturing and tech business benefits from co-operatives

2. A National Centre for Co-operative Business Growth

Co-operative and mutual businesses are the epitome of collaborative partnerships. They are equitable businesses. They share the benefits of business fairly with all stakeholders – employees, customers and other participants. This ensures that wealth remains in Australia and is spread among the communities served by the CMEs, either through lower prices, access to otherwise inaccessible services, or sharing of profits.

One striking feature of co-operative and mutual businesses is their natural willingness to work together towards a shared objective. It is second nature for these firms to put aside commercial rivalry in place of coordinated, peer group action.

Australian co-operatives can be mobilised to grow medium and larger-sized business

Co-operative business should be a key contributor to the effort to grow a successful, sustainable and domestically owned manufacturing sector. This can be achieved by assisting small co-operative and other businesses to work together to grow existing medium and larger-sized firms and create new ones in key industrial sectors.

Co-operatives and mutuals protect Australian assets and a way of life associated with family business ownership. They vertically integrate the domestic supply chain from inputs to energy infrastructure, labour, plant and equipment and logistics.

Appropriately enabled they can grow to global scale manufacturing businesses. Ocean Spray, Fonterra, Arla and Mondragon are examples of global scale co-operative manufacturers that operate without diluting domestic ownership. Foreign currency earned stays local. They provide ethical, traceability for food provenance, guaranteed through the ownership.

Co-operative producer-owned manufacturers are successful at:

- Employing locally through quality long term employment
- Helping to maintain the domestic ownership of strategic food assets, thus increasing food security for Australians
- Enabling the production of high-quality Australian food produce
- Generating significant export earnings
- Facilitating independent Australian businesses to compete by providing access to domestic and international markets
- Facilitating economies of scale by enabling individual businesses to jointly own and control their supply chain
- Enabling smaller owners to stay in business and remain independent
- Spread wealth back to owners through produce rebates and profit sharing
- Maintaining a traditional way of life whilst providing economic growth to strengthen Australia's regions

Co-operative business can make a significant contribution to enterprise growth, once the right development conditions are in place. Every country with a thriving CME sector has some sort of development body. In some cases, it is statutory, and in others it is built out of the sector.

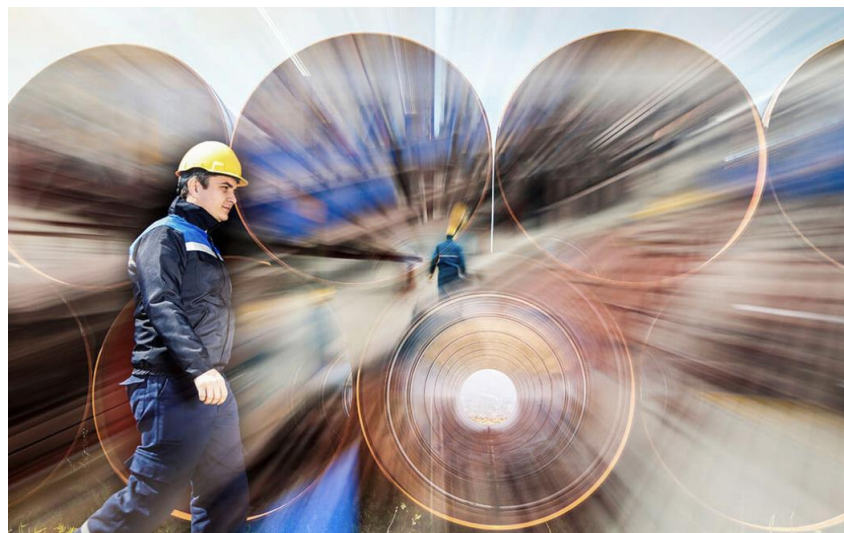
By working towards the creation of a number of regional co-operative business clusters, Australia can benefit from a significant boost to economic growth, harnessing the innate self-help entrepreneurialism of co-operatives and mutuals.

BCCM has 'oven ready' plans for establishing place-base partnerships that will deliver long-term, high-quality employment and prosperity.

The proposal is to facilitate a boost to economic growth by supporting the development of regional business clusters around strong co-operatives and mutuals through a national Centre for Co-operative Business Growth.

It is a 24-month industry-led program to commence immediately and can facilitate co-operatives and mutuals to deliver this program and increase their impact on the Australian economy.

Federal support of \$10 million will allow the sector to create the infrastructure required to deliver a return multiplier estimated at up to six times the value of investments.



Growing employment and prosperity: Australia's Centre for Co-operative Business Growth

A virtual National Centre for Co-operative Business Growth would deliver consistent, world leading business services to support co-operative business development and education nationwide. A partnership between Government and industry, its purpose is to facilitate collaboration between independent SME businesses to increase employment, business productivity, profitability, their capacity to add-value and export.

It would be located with and administered by the Business Council of Co-operatives and Mutuals.

What the national centre will deliver

The BCCM will work with co-operative and mutual businesses across a range of industry sectors in all parts of Australia, with a particular focus on regional development.

The plan will focus on:

- Building regional clusters for economic development around groups of strong co-operatives and mutuals
- Growing medium and larger-sized co-operative firms, particularly in manufacturing and finance
- Assisting SMEs to be more profitable and competitive through existing and new co-operatives

2.1 Building regional clusters for economic development around groups of strong co-operatives and mutuals

International experience from Europe, the USA and Asia, shows that co-operatives can be major contributors to regional economic development, through the establishment of enterprise clusters, where co-ops and mutuals work together to share expertise, financing capacity and human resources development. This kind of investment in co-operatives has been shown to provide a return in excess of six times the value of new capital.¹

We should establish regional development clusters in two or three locations in Australia, around existing strong co-ops and mutuals.

The Northern Rivers region of NSW is one such area. A cluster of co-operatives, predominately in food processing, contribute over a \$1 billion to the local economy and provide more than 2000 local jobs. As a network they are currently exploring a shared workforce which would maintain skills and decent jobs in the region.

Access to business expertise is critical to supporting the success of clusters. Alongside the availability of investment finance, a business ecosystem exists to provide support to small businesses that wish to come together through their co-operatives.

The establishment of legal, financial and professional support capabilities are proven to act as an accelerator for co-operative business development.



Co-operative food processors add manufacturing value to products

Australia has the foundation of successful co-operative businesses upon which to build such a system, and in turn benefit from the exponential business growth that the co-operative sector can deliver.

Co-operatives can work together in a variety of ways that other types of business find difficult. They can do this both on a regional basis and through industry groups. The BCCM is adept at bringing these firms together towards shared objectives. The potential for collaboration ranges from peer support to the encouragement of joint ventures and the shared responsibility for innovation and training. In each case, the winner is the local economy.

Access to investment finance, is critical for co-operatives to succeed. Efforts should be made to ease the market for co-operative investment in Australia.

¹ In Italy, CFI estimates that investment in co-operatives as part of such clusters has generated an economic return of 6.8 times the capital invested.

Australia can emulate the successful international practice by building co-operative clusters out from its existing successful co-operative businesses. There are significant concentrations of large co-operatives in Perth, WA and in northern NSW, which we would immediately scope for establishing such co-operative clusters.

2.2 Growing medium and larger-sized firms, particularly in manufacturing and finance

Mid-sized firms are key to economic growth and self reliance. They are often significant employers in regional towns and major players in regional economies.

We should assist in the expansion of existing co-operatives and mutuals through diversification, acquisition and new product development. In this way, high quality jobs will be maintained and expanded, particularly in regional Australia.

Co-operative business should be a key contributor to the effort to grow a successful, sustainable and domestically owned manufacturing sector. This can be achieved by assisting small co-operative businesses to work together to grow existing medium sized firms and create new ones in key agricultural and industrial sectors.

Whilst maintaining the essential nature and benefits of private ownership, co-operatives can build businesses of scale by harnessing their shared interest and knowledge of their markets.

Co-operatives operate in food manufacturing but also in defence manufacturing (HunterNet), general engineering and machining (Emicol) and recycling of organic waste (Master Butchers Co-op). Co-operatives, such as Norco, not only have extensive manufacturing facilities, that serve domestic and overseas markets, but also bring employment to local communities by owning stores that provide agricultural supplies.

Mutual banks and credit unions act as major players in regional economies, and by growing through acquisition and diversification of their products, they can provide greater competition to the large banks and better choice for consumers.



Norco Co-operative milk factory, photo by Paul Harris

2.3 Assisting SMEs to be more profitable and competitive through existing and new co-operatives

Australia has a high proportion of small enterprises. Co-operatives of small and medium sized businesses help these firms to compete with larger businesses, supporting competition and choice in a range of markets by sharing costs and logistics.

We should leverage sector experience to help grow existing co-ops and mutuals and establish new ones.

Purchasing and supply service co-operatives of independent business owners enable small firms to benefit from economies of scale in procurement and throughout their supply chain so they can operate in sophisticated, crowded markets whilst simultaneously maintaining their focus on their locality.

These co-operative business consortia enable independent business owners to run and operate businesses in competitive marketplaces where they would otherwise be squeezed out by pressure from large, listed firms. They help to foster a spirit of entrepreneurship in a marketplace where such zeal could otherwise be pushed out.

Lower input costs to members of the co-operatives improve business productivity and efficiency, which benefit regional Australians.

The co-operative enterprise consortia way of doing business is extremely successful at providing access to finance for smaller, regional businesses that would otherwise struggle to compete in developed markets.

This co-operative approach should be mobilised and supported on a national scale to help small local businesses to grow and compete successfully in their markets. New consortia can be facilitated in a range of industry sectors, to increase the success of small enterprises and grow new medium sized firms to service them.



Co-operatives give family businesses access to otherwise inaccessible markets and logistics

3. Reforming the business environment to unleash the potential of co-operatives and mutuals

The policy, legislative, regulatory and business services environment 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 CME sectors in each country.

There should be more co-operation between the Australian people, government and the co-operative and mutual business sector. Working towards the common goal of strengthening the business environment will help to release the full potential of these people-centred businesses to do good for Australia and its people.

Australia should have a world leading business environment that enables co-operatives and mutuals to play their full role in the future Australian economy, in a way that reflects the best of the history and culture of Australian co-operative business.

Federal government business policies are fundamental to securing the potential of CMEs to create growth and spread prosperity. They should provide a supportive policy and legal framework for CMEs.

By adopting recognised international best practice (See United Nations International Labour Organization [Recommendation No. 193: Promotion of Cooperatives](#)), CMEs should be considered as one of the pillars of national economic and social development.

- policy should encourage the development of CMEs in areas where they have an important role to play or provide services that are not otherwise provided
- policies should support capital access and retention in CMEs, with a named responsible Federal Minister and support staff
- regulations should treat CMEs on terms no less favourable than those accorded to other forms of business
- the registration of co-operatives should be as rapid, simple and affordable as possible



Hepburn Energy co-operative

4. About the BCCM

The BCCM is the national industry peak body for co-operatives and mutuals, working with governments, regulators and policymakers to ensure the Australian economic landscape is fully able to benefit from a competitive co-op and mutual movement.

Through its member co-ops and mutuals, the BCCM represents 11 million individuals and 160,000 businesses.

The BCCM has supported new co-operatives and mutuals to form in a range of sectors and is a member of the International Co-operative Alliance (ICA) with access to world-wide networks.

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