



March 2023

Inquiry into developing advanced manufacturing in Australia

Submission to the House of Representatives Standing Committee on Industry, Science and Resources

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1. Introduction: How co-operatives and mutuals benefit Australia

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.
- To achieve this, Australia must embrace corporate diversity and abandon the monoculture that prioritises listed business by enabling and supporting different business models to grow and flourish through a world leading business environment for co-operatives and mutuals

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 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 business 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.
- This diversity of corporate form and business model helps to spread the inherent risk of a corporate monoculture dominating behaviour in Australia, where business serves the interests of capital ahead of society.
- 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.

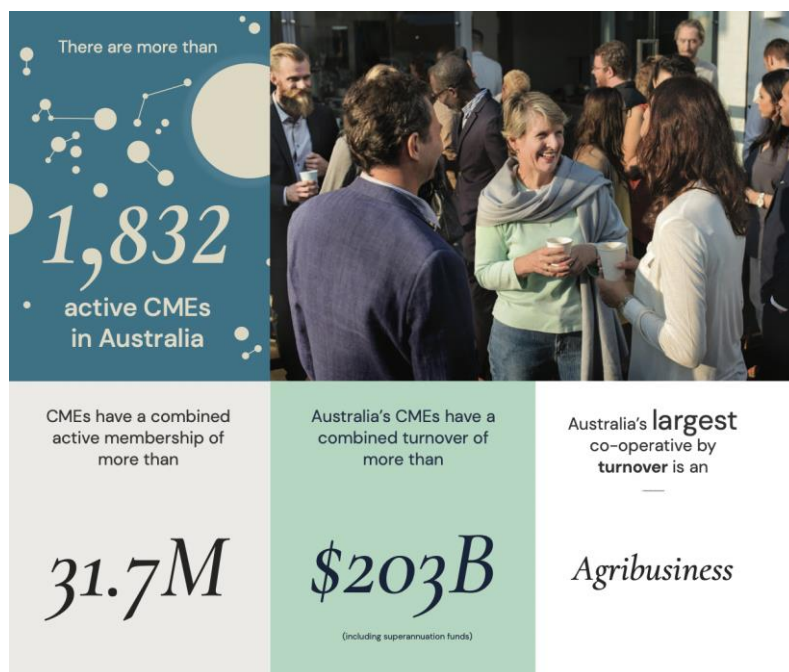
Co-operatives and mutuals strengthen competitiveness and diversity in markets and improve social and economic well-being by generating decent employment and contributing to sustainable development.

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.

CMEs already make a powerful contribution 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 whilst 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 in financial services and beyond.

CMEs 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 increased domestic capacity to create long term quality employment and prosperity across all regions of Australia.



2. Co-operatives should be a key contributor to the effort to grow a successful, sustainable and domestically owned manufacturing sector

This submission is relevant to the following four inquiry terms of reference:

- the opportunities of advanced manufacturing for Australia – including in relation to job creation, productivity and capability;
- international trends in advanced manufacturing;
- financial and non-financial investment opportunities or possible reforms to support the growth of advanced manufacturing in Australia in: renewables and low emission technology; medical science; transport; value adding in agriculture, forestry and fisheries; value adding in resources; defence; and enabling capabilities;
- the opportunities to increase the number of workers employed in advanced manufacturing.

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 businesses to work together to grow existing medium sized co-operatives and create new ones in key agricultural and industrial sectors.

Co-operatives can help to secure our nation's economic sovereignty

By definition, Australian co-operatives are domestically owned, pay their taxes locally and contribute to regional and national economic prosperity. They are owned by small and medium sized businesses so that they can access markets better.

Co-operatives can help build an even stronger local manufacturing sector

Australian farmers and fishers have many years' experience of owning and managing vertically integrated food and beverage processing and manufacturing facilities through their co-ops.

By expanding existing co-operatives and establishing new co-operatives to process dairy, horticultural, fish, and meat products, there is the potential for more, high quality, value added production to feed both the domestic and export markets.

Authentic Australian agricultural producers prioritise quality, competing on value, not cost

Australian agricultural producers have the potential to supply high-value markets where food provenance and quality are essential to the consumer.

Australia's clean growing environment and quality food has a strong market value potential, which forms an alliance of interests between Australian consumers and producers. Co-operatives guarantee that this bond is maintained.

Co-operative food manufacturing can drive our export capability

Co-operatives facilitate and improve access to export markets for small and medium enterprises. A significant proportion of produce handled through co-operatives is exported and contributes to Australia's export earnings.

Quality food production is a major opportunity and a key sector of comparative advantage.

Australia needs a business environment which supports the domestic production of high-quality foods with local provenance alongside the opportunity for increased investment in co-operative processing and manufacturing.

Helping self-help is the best way to achieve the Government's objectives

Providing support to the co-operative sector to grow its own enterprises will deliver rapid and lasting results. The BCCM can identify where co-operatives could offer projects to capitalise on this value-adding opportunity.

A number are ready for immediate support, and the co-operative sector is prepared to redouble efforts to grow these.

Growing co-operative business and manufacturing in Australia

Manufacturing capacity can be grown by expanding existing co-operative businesses or creating new ones.

There are three sections to this submission:

1. How co-operative businesses contribute to Australia's manufacturing core
2. A vision of a growing medium sized business sector, and how co-operatives can contribute
3. The issues for sustainability and growth of co-operatives in manufacturing, and how Government can help



Hepburn Energy Co-operative

3. How co-operative businesses contribute to Australia's manufacturing core

Co-operatives provide services equitably to richer and poorer regions. They employ locally and favour local supply chain procurement. They return all surplus to benefit members. Therefore the 'money' stays local and sustains communities even when remote or rural. The Board room 'is in town' and community sustainability and development are the cornerstones of their business strategy.

Co-operatives handle and store 40 per cent of our grain, package and export 40 per cent of our blueberries, process and market 60 per cent of our almonds and process and export most of our rock lobster fishery. In dairy and meat processing, co-operatives represent the remaining significant Australian producer-owned firms.

Co-operatives protect Australian assets and a way of life associated with family farming. They vertically integrate the domestic supply chain from inputs, processing plants, grain handling facilities and transport to energy infrastructure, labour, plant and equipment and packing. Australian co-operatives have shown manufacturing innovation excellence in the age of automation with due regard to the human impacts.¹

Appropriately enabled they can grow to global scale manufacturing businesses. Oceanspray, Fonterra, Arla Foods and Mondragon are examples of global scale co-operative manufacturers that operate without diluting domestic ownership. Foreign currency earned stays local. They provide traceability for food provenance, guaranteed through the ownership (if its farmer owned co-operatively, its *farmer owned*).

Co-operatives operate in food manufacturing but operate as well 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. The wider co-operative and mutual sector is active across the entire Australian economy with potential to contribute to enabling capabilities, technologies and supply chain development in sectors such as renewable energy (Hepburn Energy), medical science (HCF) and transport (RACQ, CBH Group).

As can be seen from the examples below, co-operative producer-owned manufacturers are successful at:

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

¹ [Norco Introduction Automation on the shopfloor](#), in Beyond Business as Usual: A 21st Century Culture of Manufacturing in Australia.

- supply chain
- Enabling smaller farmers and fishermen to stay in business and remain independent
- Spread wealth back to farmers through produce rebates and profit sharing

Case study: The Casino Food Co-op

The Casino Food Co-op (TCFC) is Australia's largest meat processing co-operative and has been running since 1933. It is 100% owned by its 600 members – made up of graziers, pork producers and operators – and it employs more than 900 people across three sites in Casino and Booyong, NSW.

Since 1933, the co-op has established itself as an industry leader in meat processing, providing a unique opportunity to process livestock in world class processing facilities. TCFC's facilities are positioned in NSW, drawing livestock from some of the best farming regions in Australia and within close proximity to the Port of Brisbane, a major export hub.

TCFC's systems allow them to cut, package, brand and distribute to exact specifications, quickly and economically. More than 70% of the meat is exported to markets across Europe, the Middle East, Japan, Korea, China, Indonesia and the US.

TCFC is good for its members and it permits the existence of high-quality jobs in rural NSW, keeping money in NSW which is likely to be pumped back into the regional economy.

TCFC is good for Australia, it facilitates the domestic production of high-quality Australian meat products which helps to achieve domestic food security, which as we saw in 2020, is of critical national importance. TCFC's products also create valuable export income for NSW and the country at large.

Case study: Geraldton Fishermen's Co-op

Established in 1950, Geraldton Fishermen's Co-operative (GFC) was formed by a small group of Western Australian rock lobster fishermen who sought to take control of their own future. Over the past 67 years GFC has grown to become the largest rock lobster exporter in the world and one of Australia's largest and most successful co-operatives.

GFC is good for its members: it is 100% owned by fishermen and license holders supplying the co-operative and is operated for the benefit of members. GFC members have a direct stake in the financial success of the business and a deep pride in the famous Brolos brand, motivating them to catch and produce the best rock lobster product possible.

The co-op's core purpose is to create the maximum value to fishermen from this unique resource. It ensures high quality, regional employment with secure work and self-determination which would otherwise be lost.

GFC is good for WA and good for Australia. It creates significant export earnings. It controls 64% of Western Australia's commercial rock lobster catch, 98% of which is sold into China. With an annual turnover in excess of \$400m, GFC is a major exporter for the WA economy supporting more than 500 fishermen, employees, and their families along a thousand kilometres of WA's coastline.



Norco Co-operative milk factory, photo by Paul Harris

Case study: Norco

Established: 1895

- Plant locations: Lismore NSW, Raleigh NSW, Labrador, QLD
- 100% Farmer Owned Producer co-operative (309 members, as at 30 June 2019)
- Employees: 834 (full-time, part-time, casual)
- The business turns over more than \$600 million per year.

Norco processes around 200 million litres of milk each year, with fresh milk bottling plants in Labrador (in south east QLD), and Raleigh (in Northern NSW); and an ice-cream plant in Lismore (in northern NSW). Norco milk retails throughout QLD and NSW. Norco produces ice cream for third parties that is sold in Australia, China, Japan, USA.

Norco also owns 30 rural supply stores in Northern NSW and South East QLD, generating additional revenue and supporting its members with bulk purchasing arrangements.

Access to capital is the main barrier to growth and investment for Norco.

Foreign ownership in the dairy industry is putting pressure on the locally owned operations. Profit is shifted overseas when investment and ownership shifts overseas. This is limiting local wealth creation and investment potential.

Local supply chain investment opportunities that could potentially be supported by Norco operations include:

- Bottling plant technology and efficiency upgrades
- Local resin production and plastic packaging manufacturing capability
- Product expansion into niche, high quality dairy products including cheese, cream and butter varieties for local supermarkets shelves and export markets.

These types of co-operatives succeed where there is a positive business environment, with the following features:

- Positive policy environment at State and Federal level
- Access to investment capital
- Fiscal rules that are at least neutral to the co-operative form
- Measures which maintain domestic ownership
- Legislation that prevents demutualisation of legacy assets

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.

In certain sectors, notably agriculture, fishery and food production, vertically integrated co-operatives have enabled significant businesses to be created.

Whilst maintaining the essential nature and benefits of private ownership, co-operatives are able to build businesses of scale by harnessing their shared interest and knowledge of their markets. In food manufacture, co-operatives in Australia and across the world have led value driven food production.

There are many other successful co-operatively owned Australian food manufacturers, and in the past, this was a bigger contributor to regionally based manufacturing.

However, many of the well-known names and production capacity has been lost over the years, as firms were sold or demutualised. This can be reversed and the future secured for this significant Australian asset.

4. A vision of a growing medium sized business sector, and how co-operatives and mutuals can contribute

Australia needs to retain and grow its mid-sized business sector, particularly in value added manufacturing.

Australia can learn from the example of Germany's Mittelstand business sector for ideas to grow domestically owned high value businesses, and Italy's north and the Spanish Basque region for examples of how co-operatives can be part of creating high quality manufacturing businesses.

Australia's small and medium sized business sector is characterised by a much larger proportion of micro-enterprises. Germany's Mittelstand of medium sized firms comprises over 15% of all businesses in that economy. By contrast, Australia's medium sized firms comprise less than 5% of the total.²

Mittelstand firms:

- Typically have between 10 and 250 employees.
- Are competitive based on offering superior value not lower costs
- Are strongly export focused
- Are regionally owned
- Have high levels of innovation

Many countries benefit from a strong and growing mid-sized business sector. In Australia, the ABS defines such firms as those with 20-199 employees. Across the world, medium sized businesses are seen as significant engines of economic growth, domestically owned and controlled, and benefitting local economies.

Many international examples of medium sized businesses concentrate on value added manufacturing, creating high quality jobs and focussing on export earnings.

Australia's business sector is characterised by a much larger proportion of micro-enterprises than in many other countries. Germany's Mittelstand of medium sized firms, for example, comprises over 15% of all businesses in that economy. By contrast, Australia's medium sized businesses comprise less than 5% of the total.

Germany's Mittelstand business sector, Italy's north and the Spanish Basque region provide examples of how co-operatives can be part of creating high quality, domestically owned, manufacturing businesses, both as individual firms and co-operative groups, which help to foster exponential growth.

² Only 2.4% of all firms employ between 20-199 people:

https://www.asbfeo.gov.au/sites/default/files/Small_Business_Statistical_Report-Final.pdf

Case Study: The German Mittelstand

Family-owned businesses form the bulk of the Mittelstand, a unique piece of Germany's industrial landscape that drives a significant share of the country's economic activity. Ranging from 100 to 499 employees, these medium-sized firms employ 22 per cent of all workers and account for more than a fifth of Germany's total revenue.

These firms are known for a sense of responsibility towards the local community and region: quite remarkably, 70 per cent of firms are based in regional towns.

Typically, firms concentrate on profitable niche markets – often in engineering- for which high quality and customer-specified products are demanded. Karcher (high pressure cleaners), Utsch (license plates), Liebherr (cranes), Viessmann (oil heating systems), Tente (castors for hospital beds), Trumpf (laser cutting), Endress and Hause (measurement and control systems in the food industry) are some of the better documented cases.

Factors for success:

Regional, family ownership is key in providing stability over the long term. Business leaders have credibility and status in their communities and long-term ownership.

Firms have benefitted from Germany's **Fraunhofer institutes that provide both research to develop new, relevant technologies** and the advice to help firms throughout the supply chain apply these technologies to their work. As they are highly decentralised, they are particularly effective at catering to the industrial and business strengths of each region.

The success of the Mittelstand is also attributable to **the role of the Kreditanstalt für Wiederaufbau (KfW)**, Europe's largest 'promotional' bank with a balance sheet of nearly EUR 450 billion. The KfW assists firms across Germany with a mix of traditional loans, investments, mezzanine and export finance.

Over the decades support for Mittelstand has included the **modernisation of both the public savings banks and credit cooperatives through the development of a "three tier" associational banking structure**. This has allied local banks with institutions at the regional and national level, thereby helping overcome the scale disadvantages of small size while preserving their comparative advantage in proximity to the customer and local economy. Similarly, the banking sectors' long-term lending capacity has been strengthened by offering special tax incentives and exemptions from minimum-reserve requirements to long-term, mainly fixed-interest household deposits at banks.

Labour market regulation has had an important bearing on the performance of the Mittelstand. Industry-wide agreements over wages and working condition, significant constraints on employee dismissals and generous welfare benefits have served to compress wage differentials across firms and occupations. This has benefitted the Mittelstand since it has a much smaller labour cost gap to close relative to large firms than in other industrialised countries so it can compete for the best new talent on a more equal footing. It also means, given that real wage levels are moderate to high, that Mittelstand firms have to compete on quality rather than price.

Case study: Basque Co-operatives at Mondragon

Enterprise built on regional identity

The world-famous Mondragon co-operatives, from the Basque region of Spain operate a business model based on inter-company co-operation. Its objective is to deliver a fair, equitable and supportive business on behalf of its employee owners.

Mondragon is Spain's tenth largest business group. It operates in the industrial, financial and retail sectors and also develops initiatives in the field of knowledge and education. Today, the Mondragon group has 147 companies employing 80,000 workers. It is a highly internationalised, competitive and successful co-operative group with over 50 years of history, and it has become a world benchmark in terms of work in cooperation.

The Group was originally established as a response to overwhelming social need in the Basque country. The fascist Franco regime had victimized the republican regions of Spain, and Basques were without employment opportunities alongside their loss of freedom.

In 1956, a Catholic priest, Jose Maria Arizmendiarieta established the first co-operative, according to the principle that companies are best run when workers are their owners and participate in management decisions. At a time when civic freedom was curtailed in Spain, Mondragon provided an outlet for democratic expression.

The system of governance is arranged so that the worker members of the co-operative own a share of their company, elect their managers (in each company and in the overall cooperative), and participate in all major decisions. The salary range limits the difference between executive positions and the lowest paid employees; the highest paid can never make 6.5 times more than the lowest paid.

Factors for success:

Financial investment and technical business support: Laboral Kutxa provides banking services to the industrial co-operatives. Technically, it promotes co-operatives and coordinates them within the industry. Socially, it created its own insurance co-operative, which eventually evolved into Lagun Aro.

Mondragon's member businesses are known for **innovation, research and development**, and the Corporation built its own university and business incubation institutes.

One of the successes of Mondragon has been its ability to **create a sense of identity among the workers within the company, encouraging an environment of solidarity**. This has been shown where one part of the business has supported less well performing units within the group.

Case Study: Emilia-Romagna, Italy

Regional clusters rapidly building co-operative growth

The experience of the region of Emilia Romagna in northern Italy demonstrates that co-operatives can be a major contributor to economic growth and can rapidly help to build quality jobs and prosperity in disadvantaged areas. It was the inspiration for the HunterNet Co-operative referred to in this submission.

At the end of the Second World War, Emilia Romagna was economically ruined, with their co-operatives damaged from decades of dictatorship.

Today, Emilia Romagna is home to a population of around 4 million people, with thousands of co-operatives of all types. Together they make up over 30 per cent of the region's GDP and average per capital income is 50 per cent higher than the national average.

The region's co-operatives produce world famous agricultural products, including world famous DOP Parmigiano and Grana Padano cheeses.

This globally renowned turn around in fortunes owes its success to a number of factors:

The policies of the regional government actively promote co-operative relations among firms. The region has a diverse entrepreneurial structure, as well as systems for supporting co-operative relations among small firms in local production systems serving global markets.

Active clustering bringing together co-operatives to work together in every way possible by both type and locality. Co-operatives are expected to cluster together to derive the highest return.

The business support system of organisational advice and investment finance improves opportunities for growth among the groups of co-operatives.

Confidence created by Italian law from the national constitution to co-operative legislation where each co-operative must pay a non-taxed 3 per cent of its annual surplus into a national fund for co-operative development. This enables the sector to direct investments back into the region to finance co-operative development. In addition, legacy assets are protected from demutualisation by law, providing longevity and stability to co-operatives.

Australia needs more domestically owned onshore manufacturing

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 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

Co-operatives can be established to help small and medium sized enterprises to grow through collaboration and help to create the businesses that Australia needs to build its supply chain resilience.

Case Study: HunterNet – ‘The Power of Many’

Founded in 1992, HunterNet Co-operative (HunterNet) is a multi-stakeholder co-operative headquartered in Newcastle, NSW. In 2022, HunterNet had 130 member organisations of various sizes, with a combined turnover of \$82 billion.

HunterNet assists local businesses within the Newcastle and Hunter Region to sustain and grow through collaboration, networking, knowledge exchange, and innovation. Its members are primarily small to medium enterprises (SMEs), engaged in manufacturing, engineering, specialist advisory and consulting services. Their focus is within the domestic and international defence, energy, and resources industries, as well as emerging industries in environmental sustainability.

HunterNet provides a range of services to its members. These include:

- assisting them to develop their business networks through introductions and collaboration opportunities.
- helps to find business opportunities such as entering into new markets or securing contracts in existing ones.
- helps members with expert guidance over preparing tenders and the associated documentation and presentation skills that are required for success.
- The co-operative offers a range of consulting services such as business development, marketing and communications, business systems and processes, work health and safety training, innovation, leadership development, and environmental, sustainability and governance (ESG).
- HunterNet facilitates networking events, and export advice.



Manufacturing and tech business benefits from co-operatives

The creation of HunterNet

The foundation of HunterNet, was inspired by the way small firms in northern Italy collaborated to achieve benefits that would not be possible were they to operate alone. In December 1992, HunterNet was formally incorporated with an initial group of fourteen companies interested in how collaboration might achieve and sustain competitive advantage.

The ability to share knowledge within the existing membership was a key to the co-operative's success at creating member value. At the local level, this process involved arranging regular site visits where selected members would open their doors and host other members to learn about their firm's operations and workplace activities.

Within Australia, HunterNet participated in the Australian Engineering Exhibition (AIEE) held at Sydney's Darling Harbour from 30 May to 3 June 1994. It was the first major promotional activity undertaken by the co-operative.

These activities led to the realisation within the co-operative that collaboration was not only beneficial for tendering, but also for knowledge exchange, networking, and the enhancement of innovation. This generated the concept of 'The Power of Many', which has become the mantra of HunterNet.

Creating jobs and training through HunterNet Career Connections (HNCC)

The role of HNCC is to recruit, employ, pay, and oversee the training of apprentices contracted to work within member companies. It manages all the contractual arrangements on behalf of members, monitors the progress of the apprentices, and conducts regular monthly site visits.

In 2022, HNCC reported that its activities had increased to the management of more than 1,500 apprentices for over 40 member organisations, making it one of the leading hosting companies in Australia.

Key lessons from HunterNet

HunterNet illustrates the effectiveness of a CME business model to act as a catalyst for creating and sustaining a regional industry cluster. In addition, it demonstrates that the key elements in success are the focus on a common purpose, generation of trust between the member and the CME, between the members as a group, and between the CME and the wider community.

The case study also shows that a value generating CME can be successful based primarily on the exchange of knowledge and fostering networking rather than the trading of commodities or services. In addition, it shows that a multi-stakeholder membership structure, although complex to manage, can be a valuable source of competitive advantage if all members are united in a community of purpose.

<https://hunternet.com.au>

5. The issues for sustainability and growth of co-operatives in manufacturing, and how Government can help

Sustainability and growth of co-operatives and mutuals in manufacturing

Little support is given to the creation of new, vertically integrated, co-operatives. Producer owned co-ops can be expanded, or newly established by groups of privately-owned small firms.

To enable this, Australia needs a business environment which supports the domestic production of high-quality foods with local provenance alongside the opportunity for increased investment in co-operative processing and manufacturing.

This will have three elements:

- More capital investment opportunities for new and existing co-operative businesses
- A strengthened regime of regional Australian ownership of food production, processing and manufacture
- A long-term supportive regime for the establishment of new co-operative businesses in food-processing in particular and manufacturing or generally across a range of industries.

More capital investment opportunities for new and existing co-operative businesses

There are options for capital replenishment through the issue of Co-operative Capital Units (CCUs) in the case of state-registered co-operatives and (Mutual Capital Units) MCUs in the case of federally registered mutuals. While CCUs were introduced in NSW in 1993, the sector has been constrained in their use by a lack of understanding by financial institutions and the fundraising sector. The sector needs to be assisted in taking advantage of these market based fundraising options alongside State or Commonwealth programs.

The immediate risk is that well-funded competitors will be able to leverage foreign investment to take advantage in this situation as has occurred since the 1980s, in the co-operative and mutual sector, frustrated by an inability to raise capital not on the basis of performance but of a misunderstanding of the value of the co-operative sector in protecting regional economies and jobs. This will have the impact of a loss of regional manufacturing capacity, quality jobs and ultimately domestic food security.

A strengthened regime of regional Australian ownership of food production, processing and manufacture

Co-operatives of food producers engaged in processing and manufacturing have had to deal with between challenge of securing the legacy assets against commercialisation and the natural tendency of retiring producers to wish to cash out.

This dilemma can be resolved with a new settlement which gives businesses the opportunity to secure their long-term assets and therefore the benefits to new generations of farmers and regional communities. This will require both a new legislative option as well as guidance on how to manage as it flows within co-operatives that sustains Australian food security and ensures supply chains. International best practice shows that long-term, successful operatives will emerge from such a system.

A long-term supportive regime for the establishment of new co-operative businesses in food-processing in particular and manufacturing or generally across a range of industries.

Positive government policy towards the strategic ownership of food production assets which help to secure and maintain co-operative ownership in the national interest should be explored. This will require engagement with co-operatives on aspects of competition law application by ACCC.

Australia needs a national 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 business development and education nationwide. A partnership between Government and industry, its purpose is to facilitate collaboration between independent SME businesses in order to increase employment, business productivity, profitability, their capacity to add-value and export.

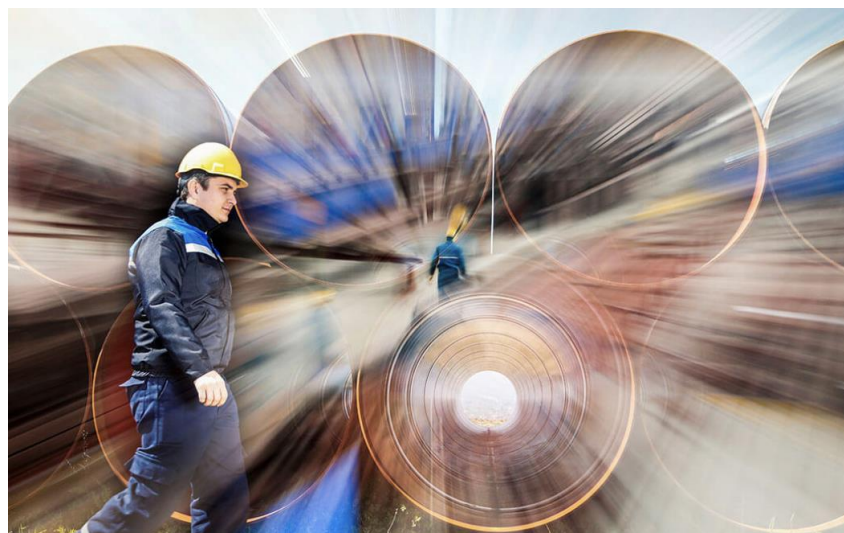
New co-operatives of small businesses should be supported to establish medium sized firms across a range of industries, as well as new primary co-operatives created by the conversion of conventional businesses.

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



6. 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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