



Industry Growth Program Consultation Paper

Submission to the Department of Industry, Science and Resources

30 July 2023

Introduction

The Business Council of Co-operatives and Mutuals (BCCM) thanks the Department of Industry, Science and Resources for the opportunity to respond to the Industry Growth Program Consultation Paper.

Eight in 10 Australians and 160,000 Australian businesses are members of at least one co-op or mutual. The combined turnover of co-ops and mutuals is more than \$40bn ([National Mutual Economy Report 2023](#)).

Co-ops and mutuals are active across all National Reconstruction Fund priority areas including agriculture, forestry and fisheries (Norco), defence capability (HunterNet Co-op) and medical science (HCF). BCCM's [submission](#) to the Parliamentary inquiry into developing advanced manufacturing in Australia includes a number of relevant case studies.

The co-op model represents an important strategic option for likeminded SMEs to scale and compete by working together. The BCCM is currently working with new projects that are considering exactly this proposition in priority areas of the economy.

The role of both established and new co-ops and mutuals in the diversification and transformation of Australian industry post-COVID to create secure, well-paid jobs and drive economic growth has been recognised by the Australian Government. Labor has committed to inclusion of co-ops and mutuals in the National Reconstruction Fund, including through allowing investments in Co-operatives Capital Units and Mutual Capital Instruments, unique investment instruments for Australian co-ops and mutuals.

The business purpose of co-ops and mutuals align with the policy objectives that underpin the Industry Growth Program, especially given its role in developing the pipeline for the National Reconstruction Fund. In our view, the Industry Growth Program should leverage this alignment of purpose as much as possible and our submission is focused on ensuring the program guidelines and design achieve this.

We would be pleased to provide further information or answer any queries the Department may have about co-operatives and mutuals and our recommendations.

General comments on the Consultation Paper

The Consultation Paper states that eligible entities will be "a company incorporated in Australia".

Co-operatives are corporate entities that are incorporated under the Co-operatives National Law in their home state or territory (including the consistent *Co-operatives Act 2009* in Western Australia). They are not, from a legal form point of view, companies incorporated in Australia, although they are corporations incorporated in Australia with many similar features to a company.

This proposed eligibility requirement therefore (unless a taxation meaning of company is intended) appears to exclude co-operatives from participation in the Industry Growth Program. Co-operatives are capable of meeting the other entity eligibility requirements such as those relating to taxation status.

We note Aboriginal Corporations may be excluded for the same reason.

We have included an appendix with additional information about co-operative and mutual legal structures and can provide examples of neutral drafting with respect to corporate forms.

The Consultation Paper also indicates that expert advisors for the program will "need to specialise in one or more NRF priority areas."

The BCCM welcomes the approach of appointing both expert advisors and industry partners for this program. It provides an opportunity to bring together expertise and industry networks and intelligence to drive new projects.

However, a risk we see in the proposed criteria for appointments of expert advisors is that no one will be appointed with expertise in co-operatives and mutuals, because this is a business model rather than a priority area.

The proposed criteria for appointment of industry partners is not outlined, but we see a similar potential risk in relation to these appointments if the criteria for selection is primarily focused on expertise in a priority area.

Ensuring all business models, including co-ops and mutuals, are able to receive expert advice and industry partner support across all of the priority areas should also be an important consideration across these appointments. Otherwise even where nominally inclusive of our sector, this program will not be able to support co-op and mutual participants equally to other participants.

With the above in mind, we make two recommendations:

That entity eligibility requirements for the Industry Growth Program include co-operatives incorporated under Co-operatives National Law and the Co-operatives Act 2009 (WA).

That the Industry Growth Program includes expert advisors and at least one industry partner with expertise in co-operatives and mutuals.

Responses to specific consultation questions

What objective criteria should determine eligible innovative SMEs? For example, annual turnover of \$20 million or less, employee cap and/or net asset cap?

Some flexibility for individual cases will ideally be preserved. However, employee caps may give a good idea of size and capacity across a range of different business models, while turnover could, for example, eliminate small co-op buying groups where turnover can be relatively high compared to operational budgets.

Are there barriers beyond pre-profit stage that the program should consider supporting?

Yes, some emerging small co-op businesses have a proven basic business model but have potential to enter further down supply chains or into value-adding. They are essentially pre-profit in these new business areas although profitable in their initial business.

How should we determine which projects have the most potential for future growth and market impact?

Evidence of strong stakeholder support for the business. In the case of co-operatives, this includes an existing member base who have already supported the business through investment, purchasing and/or supply relationships.

Small to medium businesses that are already reasonably well established are likely to demonstrate the above and should not be turned away simply because they have been able to validate a basic business model – this is a sign of capacity to deliver and of trust among key stakeholders of the business.

Is 'need for funding' (i.e. why applicants are unable to access sufficient funding for the project from other sources) a useful merit criterion for assessing grant applications? If so, how should this be measured?

Yes, but this criterion should be considered in light of the overarching policy objectives of the program. The most meritorious projects to achieve these goals may have capacity to fund advice themselves but can be effectively accelerated with support.

In the case of co-ops and mutuals, access to advice can be more challenging and expensive than for investor-owned businesses. A significant driver is the lack of awareness of co-ops and mutuals among many business advisers, which means the cost of advice often includes the advisors time to learn about the model. This was noted in the [report](#) of the Senate Economics References Committee inquiry into co-operatives and mutuals in 2016.

What are the potential barriers to accessing the Industry Growth Program? How can we help overcome these barriers to expand the reach of the program?

As noted in the General Comments section above, the entity eligibility criteria currently appear to exclude the participation of co-operatives and Aboriginal Corporations. This should be amended and the appointment of expert advisors and industry partners should also be inclusive of these corporate forms.

The BCCM has experience as an industry partner with government delivering co-operative education and business development services, including through the [Co-operative Farming](#) program and the [Care Together](#) program. The latter has a focus on scaling and innovation in businesses and not-for-profits in the social care sector using co-operative business models.

**What core capabilities and resources would be most useful from industry partner organisations to improve commercialisation and early-stage growth performance for participants of this program?
What services and support should industry partner organisations provide to participants?**

We believe the most important capabilities and support from industry partners will be:

- Information, education and advice: ability to provide appropriate business, legal, capital and growth planning support (including working closely with relevant expert advisors supported by the program)
- Networking and business intelligence: ability to connect and network participants for peer support and mentoring in their industry and with potential funders, clients or suppliers. Share relevant industry intelligence, research and business tools with participants.
- Policy advocacy and market development: connect new potential applicants with the Industry Growth Program, connect existing participants into other opportunities such as the National Reconstruction Fund, and ensure participant needs and objectives help inform Australian industry policy development. Educate investors and markets about participant business models, objectives and needs.

Are there other skills and expertise that should be represented on the committee?

Yes, knowledge of diverse corporate forms such as co-operatives and Aboriginal Corporations that can contribute a lot to the success of the program.

Appendix: overview of co-operative and mutual legal structures

Co-operatives and mutuals are corporations that are registered and regulated under Australian law. The two most common legal forms that co-operatives and mutuals take are:

- A co-operative registered under the harmonised Co-operatives National Law/Co-operatives Act 2009 (WA) in its home state or territory
- An unlisted public company that meets the definition of a mutual entity under s51M of the Corporations Act

Co-operatives and mutuals can be for-profit, not-for-profit (with or without tax exempt status) or charitable.

The co-operative and mutual model is distinguished by its ownership structure and the business purpose. Co-ops and mutuals are businesses that are owned and controlled by their members. Members form and participate in co-operatives and mutuals to meet common economic, social and cultural needs. Members are typically:

- Consumers (e.g. in a mutual bank or insurer)
- Producers (e.g. in an agricultural co-op or an independent retailers' buying group)
- Workers (e.g. in a employee-owned services business)
- Community (e.g. in an energy generator owned by local residents)

Co-operatives and mutuals are guided by seven internationally-agreed principles for delivering value to members and their communities over the long-term:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Co-operation among co-operatives
7. Concern for community¹

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¹ These principles are incorporated into ss10-11 of the Co-operatives National Law

