



3 July 2024

Guidance on the Consideration of Broader Economic Benefits in Procurement

Submission to the Department of Finance

Introduction

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission to the Department of Finance's consultation on guidance on the consideration of broader economic benefits in procurement.

The BCCM is the national peak body representing the co-operative and mutual movement across all industries.

Co-operatives and mutuals should be visible in procurement guidelines for government officials as a distinct model of socially-driven enterprise that are owned and governed by members that contribute to a diversified economy including a strong SME sector. Our submission provides background information on co-operatives and mutuals and examples of nuances that may arise when co-ops and mutuals are involved as suppliers to government that could be taken into account in procurement guidelines.

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

Background: what are co-operative and mutual enterprises?

Co-operatives and mutuals are organisations that are owned and democratically controlled by their members. The members may be consumers, workers, producers (SMEs), a community of interest or a combination of these.

The purpose of co-operatives and mutuals is to deliver economic, social and cultural benefits to their members and communities, rather than to maximise profits for shareholders.

Co-operatives and mutuals can incorporate under any incorporation legislation, provided they have a mutual purpose, however, the majority of the sector

Due to their distinct ownership, governance and principles, co-operatives and mutuals are recognised by international organisations such as the UN (see [UN resolution calls for a second International Year of Cooperatives in 2025](#)) and the ILO (see [Recommendation 193](#)) as 'people-centred' organisations with an important role to play in community controlled, sustainable development.

There are more than 1,800 co-operatives and mutuals operating across all sectors of the economy in Australia, including health, social care, housing, agriculture, banking, insurance, retail and wholesale. The top 100 co-ops and mutuals have a combined turnover of \$43 billion ([National Mutual Economy Report 2024](#)). The sector represent more than 160,000 SME memberships and 30 million individual memberships.

Legal structures used by co-operatives and mutuals

Co-operatives and mutuals can use any legal structure or arrangement (i.e. company, Aboriginal Corporation, incorporated association, co-operative, trust) provided they have the core ownership and governance features that reflect a mutual purpose.

The main two structures used by co-operatives and mutuals in Australia are:

- Co-operative incorporated under harmonised state and territory co-operatives legislation (Co-operatives National Law/*Co-operatives Act 2009 (WA)*)
 - Co-operatives can be non-distributing with shares, non-distributing without shares (not-for-profit) or distributing (for-profit).
- Company incorporated under the *Corporations Act 2001* and meeting the definition of a mutual entity set out in s51M.
 - All regulated financial services co-operatives and mutuals must register as companies.
 - The majority are public companies limited by shares or limited by guarantee.
 - There are some that are proprietary companies or limited by shares and guarantee.

The benefits of consumer, worker and producer-owned co-operatives and mutuals

Consumer-owned co-ops and mutuals:

- Are committed to quality outcomes for consumers
- Employ at a higher rate than non-mutual businesses
- Are often based in regional Australia

Examples: People First Bank, The Barossa Co-op, The NRMA

[People First Bank](#) is a leading Australian member-owned bank with more than 700,000 members. The bank is the result of a 2023 merger between two mutuals, People's Choice and Heritage Bank, who combined to create a strong national mutual alternative to the big banks. People First has 90 branches across Australia and employs 1900 people including in its Australian-based contact centre and in dual head offices in Toowoomba and Adelaide.

Worker-owned co-ops and mutuals:

- Empower workers through ownership and governance involvement
- Prioritise job creation, professional development, pay and conditions
- Are usually SMEs

Examples: SGS Economics and Planning, Galactic Co-operative, Kudos Services

[SGS Economics and Planning](#) is a B Corp certified and Australian employee-owned firm with over three decades of experience in driving public policy excellence to benefit people, places and economies. SGS is committed to serving the public interest through advisory work, and have structured their business to reflect this. The ownership structure ensures advice is not influenced by external investors or shareholders. SGS can't be sold; meaning they invest for the long haul for the good of public policy.

Producer-owned co-ops and mutuals:

- Provide market access and scale to their SME members
- Support local job creation and services
- Bolster local supply chains and Australian exports

Examples: HunterNet Co-operative, Go Vita Group, Norco Co-operative

Founded in 1992, [HunterNet Co-operative](#) (HunterNet) is a producer-owned co-operative headquartered in Newcastle and focused on defence, energy, resources and engineering sectors. In 2023, HunterNet had 141 member organisations of various sizes, with a combined turnover of \$82 billion. By combining in a co-operative structure, members are able to realise many more opportunities than they could alone, underpinning the retention of a strong manufacturing based and skilled workforce in the Hunter.

HunterNet assists local SMEs engaged in these sectors to grow through:

- *Development of business networks through introductions and collaboration opportunities.*
- *Expert guidance on tenders*
- *Running one of the largest group training businesses in Australia for its members*

Response to consultation paper

In our experience, there is often low awareness of co-operatives and mutuals as a distinct form of enterprise in government programs and tender processes and the potential economic and social benefits that can be delivered by procurement from co-operatives and mutuals are therefore not always understood.

We believe there are benefits to clearly considering governance models of organisations that supply government as part of promoting a diversified economy that includes a strong SME sector. Governance models that remove financial extraction (external shareholders), pay fair wages, invest in research and development have the potential to increase the broader economic benefits should be clearly factored into deliberations.

Two issues for co-operatives and mutuals that could be addressed in guidelines are that:

1. Co-operatives and mutuals not registered under the Corporations Act are sometimes inadvertently excluded from programs or tenders. The following is a fictional case study illustration using a real co-operative of SMEs:

Rapid Group Co-operatives is a co-operative of independent cleaning supplies wholesale stores. It has member stores across Australia and New Zealand. The co-operative allows members to boost their purchasing power by buying together. The co-operative also facilitates delivery of cross-regional contracts working with members.

Rapid Group Co-operative sees that a government department is tendering for the cleaning supplies for its office in Canberra. Rapid Group Co-operative wants to apply for the tender but there is a requirement in the tender documents that applicants are 'companies registered under

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the Corporations Act 2001'. Rapid Group Co-operative is registered as a distributing (for-profit) co-operative under the Co-operatives National Law in New South Wales. It spends two weeks corresponding with the department about whether it can still apply since it is an incorporated entity but the department declines to amend the criteria and they cannot apply.

2. The economic benefits of co-operative and mutual model, particularly producer (SME)-owned, are not well understood and this may lead to lost opportunities for economic and social impact from procurement. The following is a fictional case study using a real co-operative of SMEs:

Capricorn Society Limited is an unlisted public company limited by shares operating under co-operative principles. It has more than 28,000 mostly SME members from the automotive industry. It provides purchasing services and a range of other services to its members. It has more than 500 employees and is therefore not an SME.

Capricorn Society decides to make a tender application to deliver automotive services to a government department. Capricorn is not itself an SME under the definition used for Commonwealth procurement but under its application its network of member SMEs will deliver the services. The structure of Capricorn as a co-operative of SMEs is not well-understood by the government department and the value to SMEs of choosing Capricorn is not wholly factored into the decision-making for the tender beyond the value of subcontracting to SMEs.

We recommend that:

- **Procurement guidelines include information about co-operative and mutual enterprises, including the ways they can benefit SMEs who are members.**
- **Consideration be given to treating co-operatives of SMEs that employ more than 200 people in a similar way to individual SMEs.**

The BCCM would be pleased to provide further information on any matters raised in this submission, including case studies or FAQs.

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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