



For an enterprising nation:
How Australia's co-operative and
mutual businesses can contribute
to our nation's growth and prosperity

**BCCM BLUEPRINT
2ND EDITION,
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BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

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ABOUT THE BCCM AND THE BLUEPRINT

The Business Council of Co-operatives and Mutuals (BCCM) is a powerful voice in the business community representing the co-operative and mutual models of enterprise. It is the only organisation that unites the entire, diverse range of member owned businesses in Australia.

The BCCM was formed in 2013 as a legacy of the United Nations International Year of Co-operatives to promote the role of co-operatives and mutuals in the economy. Businesses owned by or on behalf of their members represent a sector with a combined membership of more than 29 million.

The BCCM is the national networking home of member based businesses, which aims to foster innovation and build business relationships in the sector.

The BCCM exists to promote awareness of co-operative and mutual business models and to foster corporate diversity.

The members of the BCCM believe that an economy with a higher incidence of co-operative and mutual businesses will help to build a more inclusive, prosperous and sustainable Australia.

Members of the BCCM also recognise the role of business in showing leadership and promoting informed national discussion on important issues.

The BCCM published its first industry manifesto, 'Blueprint for An Enterprising Nation' in 2014. This is the 2nd edition of the Blueprint, updated to reflect the significant legislative and regulatory gains of the sector over the past five years. The enabling environment for co-operatives and mutuals has improved but there is still much to be done.

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1. PREFACE

Co-operatives, mutuals and member based businesses help to create an economy and society that works in the interests of the widest number of people by sharing ownership and the rewards of business.

They spread wealth and prosperity to many Australians and provide commercial services that work in the interests of consumers and organisations that protect the public interest.

By its actions, the Federal Government can help to grow this sector, enabling these businesses to fulfil their potential and thereby deliver a wide range of public policy objectives, such as:

- Strengthen a home grown, Australian owned business sector
- Spread wealth more broadly and fairly throughout the country
- Provide competition and choice for consumers in a range of markets especially those for essential goods and services
- Create diversity in business, which will act as a counterbalance to mitigate systemic risk to the economy
- Establish business strategies for a healthy, balanced economy with businesses that take a longer term view
- Create business structures for public service providers that keep them accountable to their users and taxpayers, reducing centralisation and bureaucracy
- Provide more than just an economic benefit to local communities by aiding social bonding and stakeholder empowerment
- Rebuild and maintain public trust in business

Each of Australia's political parties should embrace this agenda as its own – and commit to the actions necessary for co-operative and mutual businesses to make their full contribution to our economy and society.



2. EXECUTIVE SUMMARY

The opportunity to help build a fair economy

Co-operatives and mutuals have played an important part in the development of the Australian economy. From the earliest days, Australians have co-operated in business, by bringing together the natural entrepreneurialism of a new nation, the Australian inclination towards self-help, with the common sense to work together for the common good.

Co-operatives and mutuals have been in business for the long term, focused on their core purpose of serving their members and the wider community. They are important. They are home grown. They deliver competition and choice, and spread the benefits of business far beyond investor shareholders into the wider population.

Co-operatives and mutuals are owned by Australians, pay their taxes in Australia and contribute to our nation's prosperity.

Yet too often their contribution to the Australian economy and society has been overlooked. As a result, the level of appreciation of mutual business by Federal and State governments is surprisingly low, which has made doing business harder for these firms.

Australia needs the corporate diversity that these businesses bring, helping to spread risk, and build resilience. There is a new opportunity for economic policy to be re-cast in order to better manage markets and protect consumers.

Facts about co-operatives and mutuals

Co-operative and mutual enterprises (CMEs) exist when groups of individuals come together to achieve an objective that they could not achieve alone.

They are a rational alternative to investor owned business when the objective is different from maximising return to shareholders.

Broadly speaking, there are three types of CMEs – customer owned, worker owned and producer owned.

The point of a co-operative or mutual is different from mainstream investor-owned businesses.

It is focused on delivering its mission to its members, rather than maximising return to investor shareholders through profit distribution and capital growth. The members are participants in the business as customers, suppliers or workers.

Because the co-operative business purpose is different, these firms behave differently, pursuing business plans that aim to secure long-term success for their members. As a result, they positively affect the markets in which they operate, often by restricting the profit taking of investor owned firms that must compete with them.

8 in 10 Australians are members of at least one of the more than 2000 co-operative or mutual businesses. Including industry super funds, they account for 7-8% of GDP. They account for \$132 billion in total value added to the Australian economy each year.

Co-operatives and mutuals in action – how they work across Australian Business

Co-operatives and mutuals operate across much of the Australian economy. 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. Their purpose is to serve their members, who are also their customers, suppliers, their employees or a mixture. They do not exist to serve external capital investors, which means that they can concentrate directly on the products or services that they exist to provide, instead of the economic reward for shareholders. It is a different way of doing business – with a different purpose. This way of doing business works well. With good management it is efficient, with no leakage of value from the business, and provides a systemic advantage over investor owned firms.

Co-operatives and mutuals can be found in the following sectors of the Australian economy:

- Agriculture and fishing
- Banking and financial services
- Community and human services
- Purchasing and supply services
- Healthcare Mutuals
- Housing
- Industry Super Funds
- Energy and utilities
- Insurance and risk protection
- Motorists clubs
- Private health insurance
- Retail and marketing
- Sports and recreation
- Aboriginal and Torres Strait Islander (ATSI) services

What co-operatives and mutuals deliver for Australia & Australians

Co-operatives and mutuals help to create an economy and society that works in the interests of the widest number of people by sharing power in, and the rewards of, business.

They have the potential to help create growth, prosperity and fairness through enterprises that spread wealth and prosperity.

As part of a mixed economy, co-operatives and mutuals:

- Help to build an economy with a diversity of business types
- Provide competition and choice for consumers in a wide range of markets
- Are businesses that plan for the long term rather than short term
- Are businesses that treat customers fairly and honestly
- Share the benefits of business and wealth throughout the country
- Provide quality local employment opportunities for Australians
- Provide services to communities that are valued and needed

What co-operatives and mutuals need from Government to help deliver a fair economy and society

The Federal and State governments will set the tone for the Australian business environment through their business policies and related fiscal measures.

The fundamental starting point for co-operative and mutual businesses is that they should receive the same attention, encouragement and support from governments as other corporations, so that they can compete on a level playing field.

This means that policy, legislation and regulation needs to work for co-operatives and mutuals, and not place them at a disadvantage to other types of firms.

The co-operative and mutual sector is united in seeking:

- Greater recognition and policy understanding of the sector by federal and state politicians
- An introduction of and commitment to an enabling legislative environment for the sector in Australia
- An understanding of where inappropriate regulation affects the sector and a commitment to address this where it occurs

In order to achieve this, it is necessary to ensure not only that politicians from all political parties are aware of the contribution made by the sector to Australian society and the economy, but that they are focused on ensuring the sector is able to continue delivering and providing diversity of business models and opportunity for all Australians.

A fair Australia needs competition between business models, not just competition between businesses.



3. THE OPPORTUNITY TO HELP BUILD A FAIR ECONOMY

Co-operatives and mutuals have played an important part in the development of the Australian economy. From the earliest days, Australians have co-operated in business, both out of necessity and from a shared sense of purpose.

By bringing together the natural entrepreneurialism of a new nation, the Australian inclination towards self-help, with the common sense to work together for the common good, mutually owned business has formed part of the bedrock of the Australian economy.

These mutuals have been in business for the long term, focused on their core purpose of serving their members and the wider community.

Member owned businesses exist in every State and Territory of the Commonwealth. Australia has over 2,000 co-operatives and mutuals and a combined membership base of more than 29 million.

Co-operatives, mutuals and member owned firms are successful. They are important. They are home grown. They deliver competition and choice, and they spread the benefits of business far beyond investor shareholders into the wider population.

Mutuals and co-operatives have succeeded without outside help.

Too often their contribution to the Australian economy and society has been overlooked. As a result, the level of appreciation of mutual business by Federal and State governments is surprisingly low, which has made doing business harder for these firms.

Demutualisation completely changed the face of the sector since the 1980s. It carved a hole through financial services mutuals by slicing off many of the largest firms as they converted to listed companies. This inclination towards shareholder owned business as the 'norm' has had a damaging effect on the member owned sector and the way it is perceived.

Though Australia was better protected than many countries by its regulatory system, the global financial crisis of 2008 exposed the risk to leading economies of having markets dominated by similarly structured businesses that were essentially focused on the same short to medium-term economic outcomes.

The lesson is that there is a real need to address the risk that a single dominant corporate form, dependent on market fluctuations, can pose to the health of our economy and society.

Australia needs the corporate diversity that these businesses bring, helping to spread risk, and build resilience. There is a new opportunity for economic policy to be re-cast in order to better manage markets, protect consumers and taxpayers as well as to promote sustainable wealth creation.

In politics, this bias is seen in the binary debate which has divided people between public ownership and privatisation. The opportunity now is to choose a real alternative – mutual ownership which is independent of government but committed to a public purpose.

For public service provision, all parties should now consider how best to maintain government owned business in the public interest whilst freeing it to act commercially within the revitalised co-operative and mutual sector.

This is the opportunity in which co-operatives and mutuals can play a vital part, in financial services, business growth and public service provision.

4. FACTS ABOUT CO-OPERATIVES AND MUTUALS

What is a co-operative or mutual?

Co-operatives or mutuals (CMEs) exist when groups of individuals come together to achieve an objective that they could not achieve alone. They are a rational alternative to investor owned business when the objective is different from maximising return to shareholders.

Co-operatives often come about as a response to the failure of a market to adequately serve the interests of groups of customers, workers or producers, such as where services and products are unavailable or otherwise not accessible to groups of people.

Once established, these types of businesses have proven to be highly successful and long-lived, with many having existed for over 150 years.

Broadly speaking, there are three types of co-operatives or mutuals (CMEs) – customer owned, worker owned and producer owned.

Customer owned: The objective is service quality and price, rather than profit maximisation. Examples of these businesses exist in banking, insurance, and food retail.

Worker owned: The objective is high quality employment that properly rewards employees, provides work place democracy and shares wealth. Such co-operatives exist in most industrial sectors.

Producer owned: The objective is to enable smaller groups of businesses to work together to operate in markets that would otherwise be dominated by large investor owned firms. Many such co-operatives exist in agricultural production, where co-ops enable small producers to combine their efforts to effectively compete.

What is the purpose of co-operatives and mutuals, and why are they different?

Section 5 below gives more information on how this works in different industry sectors.

The size and scope of the CME sector

- 8 in 10 Australians are a member of at least one of the more than 2,000 co-operative or mutual businesses
- Including industry super funds, they account for around 7-8% of GDP
- They account for \$132 billion to the Australian economy in total value added each year

The contribution of the CME sector to the economy

CMEs play a vital and qualifiable role in economies locally and internationally. The data shows:

There are
2000
active CMEs in
Australia



More than
8 in 10
Australians are
members of a CME

Australia's CMEs provide
\$132bn
in total value added to the
Australian economy



Australia's largest
co-operative by
turnover is an
agribusiness



Australia's largest
mutual by
membership is a
roadside assistance
organisation



Australia's largest
member-owned
business by assets
is a bank



NSW
has the most CMEs
of any Australian
state or territory

CMEs contribute
7-8%
of our GDP

Australia's CMEs combined have more than
\$809.7bn
in gross assets

Total revenue of the top 100 CMEs, excluding
superannuation funds, is
\$31.6bn



CMEs directly employ more than **54,000** people in Australia¹⁵

INTERNATIONALLY, there are more than
2.9 million CMEs
with over **1.2 billion** members -
22% of the global adult population¹⁶

The top **300 CMEs**
GLOBALLY have a total turnover of
more than **US\$2 trillion**¹⁷

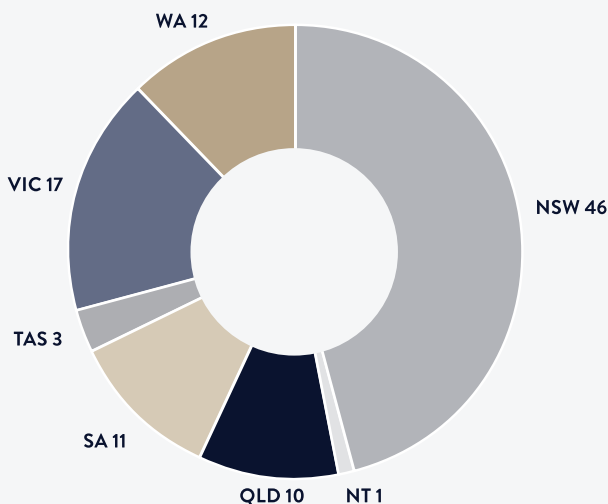
¹⁵ Based on employment data for 255 CMEs.

¹⁶ H Eum, Cooperatives and employment: second global report. Brussels, CICOPA, 2017, <<http://www.cicopa.coop/publications/second-global-report-on-cooperatives-and-employment/>>.

¹⁷ International Co-operative Alliance and Euricse (2018), World Co-operative Monitor 2018: Exploring the cooperative economy. <https://www.ica.coop/sites/default/files/publication-files/wcm2018-printx50-227290600.pdf>

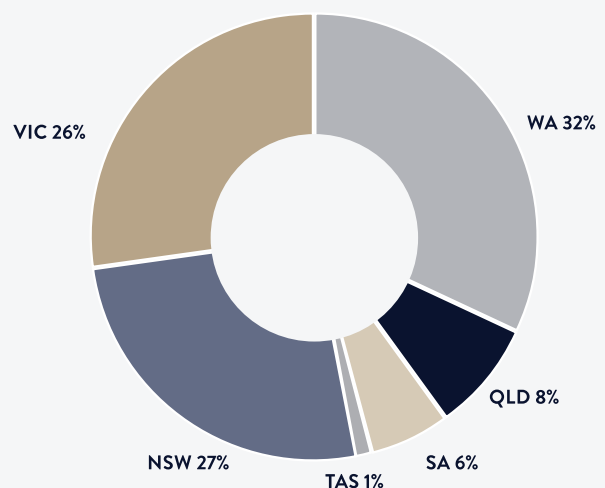
AUSTRALIA'S TOP 100 CMES IN FY2016-17

Number of top 100 firms by State and Territory



AUSTRALIA'S TOP 100 CMES IN FY2016-17

(excluding superannuation) Share of turnover by state or territory



5. HOW CO-OPERATIVES AND MUTUALS OPERATE ACROSS AUSTRALIAN BUSINESS

The purpose and value of co-operatives and mutuals indifferent business sectors

Co-operatives and mutuals operate across much of the Australian economy. 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-operatives and mutuals are important to the prosperity of Australia. They help to create an economy and society that works in the interests of the widest number of people by sharing power in, and the rewards of, business.

Each type of co-operative and mutual is defined by its own history, legal framework and market experience. Each has responded differently to changes in the size and impact of the sector but many share common challenges.

Their purpose is to serve their members, who are also their customers, suppliers, their employees or a mixture. They do not exist to serve external capital investors, which means that they can concentrate directly on the products or services that they exist to provide, instead of the economic reward for shareholders. It is a different way of doing business – with a different purpose.

Where there is a proper alignment between the products and services and the interests of the member-owners of the co-operative or mutual, this way of doing business works well. With good management it is efficient, with no leakage of value from the business, and provides a systemic advantage over investor owned firms.

Co-operatives and mutuals are owned by Australians, pay their taxes in Australia and contribute to our nation's prosperity.

AGRICULTURE AND FISHING



Co-operatives of farms and fishing producers...

- Help to maintain the domestic ownership of strategic food assets, thus increasing food security for Australians
- Help to generate significant export earnings
- Facilitate independent Australian farmers to compete by providing access to markets
- Facilitate economies of scale by enabling individual businesses to jointly own and control their supply chain
- Enable smaller farmers and fishermen to stay in business and remain independent
- Maintain a traditional way of life whilst providing economic growth to strengthen Australia's regions
- Employ locally
- Spread wealth back to farmers through produce rebates and profit sharing



Help to maintain the domestic ownership of strategic food assets, thus increasing food security for Australians

Australian co-operatives are domestically owned, unlike their listed competitors which may be bought by overseas investors. Co-operative ownership ensures that the production of strategic food assets remain in the control of Australians.

Help to generate significant export earnings

Agriculture and fishery co-operatives are net exporters, making a positive contribution to Australia's balance of trade.

Facilitate independent Australian farmers to compete by providing access to markets

Agricultural co-operatives are groups of independent small businesses, who are working together to provide logistics, marketing and infrastructure in order to access markets in ways that they cannot alone.

Facilitate economies of scale by enabling individual businesses to jointly own and control their supply chain

Family owned farms invest in road, rail and sea transportation operated through their co-operative, to ensure that their produce gets to market in as cost effective way as possible.

Enable smaller farmers and fishermen to stay in business and remain independent

When independent businesses co-operate in this way, they can meet global competition from large corporates head on.

Maintain a traditional way of life whilst providing economic growth to strengthen Australia's regions

Individual farm businesses all contribute to their regional way of life, maintaining business presence and contributing taxes through the success they generate from their co-operative membership.

Employ locally

Individual farms employ locally, for both seasonal and long-term work. This is important in rural and regional areas where jobs are scarce.

Spread wealth back to farmers through produce rebates and profit sharing

Co-operatives are not set up to maximise profits – instead they share wealth equitably among their farmer members in proportion to their contribution to the co-op.



Customer owned banks...

- Offer better value financial services products
- Provide price competition against profit maximising competitors
- Are more ethical/demonstrably honest businesses
- Operate different business strategies, helping to mitigate against the overall risk of the sector to the economy
- Remunerate their executives reasonably
- Share a higher percentage of their profits with their community

Offer better value financial services products

Over time, mutuals consistently provide better value products to their customers because their businesses are focussed on long-term plans rather than short-term market disruption.

Provide price competition against profit maximising competitors

The existence of customer owned banks in a market dominated by large profit maximising banks means that they are able to provide the only meaningful competition on the basis of service proposition and price.

Are more ethical/demonstrably honest businesses

In a market where trust is generally low, customer owned banks provide an alternative to the profit maximising banks by consistently focussing on the needs of customers rather than shareholders. Across Australia, demand for ethical banking has increased four-fold in three years..

Operate different business strategies, helping to mitigate against the overall risk of the sector to the economy

In economies hit hard by the global financial crisis, customer owned banks acted as a bulwark against large banks operating the same business strategy. The fact that they were less damaged by the crisis helped to mitigate risk in those economies and ultimately costs to the taxpayer.

Remunerate their executives reasonably

Spiralling executive remuneration in listed banks has become a problem in Australia, with the added agency risk of short-term performance being linked to pay. This has driven behaviours that are not present in customer owned banks, where salaries are cash based rather than incentivised by shareholding.

Share a higher percentage of their profits with their community

Customer owned banks are smaller than shareholder owned banks but still manage to return a higher proportion of their profits to communities, charities and member supported activities.



Mutual social care providers...

- Are a new expression of public interest ownership
- Build trust and confidence in service providers through participative ownership
- Enable staff to reach their full potential

Are a new expression of public interest ownership

Mutuals are focussed on the services they exist to deliver, affording a direct relationship between service providers and users, rather than through public authority bureaucracies or private sector operators.



Build trust and confidence in service providers through participative ownership

By engaging staff and service users directly, mutuals provide a voice for all stakeholders, ensuring that services are co-produced and trusted by all.

Enable staff to reach their full potential

Employee owned mutuals deliver superior business performance because employees tend to be more entrepreneurial and committed to the company and its success.



Purchasing and supply service co-operatives...

- Facilitate independent business owners to benefit from economies of scale
- Support and encourage entrepreneurship
- Lower input costs: improve business productivity and efficiency
- Lower production costs: pass on better value to consumers
- Consortia provide access to finance for small business
- Profit sharing spreads the benefits of business: wealth is distributed more widely

Facilitate independent business owners to benefit from economies of scale

Purchasing and supply service co-operatives are able to benefit from economies of scale in procurement and throughout their supply chain which enables them to operate in sophisticated, crowded markets whilst simultaneously maintaining their focus on their locality.

Support and encourage entrepreneurship

The existence of 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: improve business productivity and efficiency

Shared procurement and operating costs help to improve the productivity and efficiency of businesses which benefit regional Australians without creating a monolithic enterprise which can leave people over-charged and underserved.

Lower production costs: pass on better value to consumers

Economies of scale enable co-operative enterprise consortia to help lower the costs of production which helps drive value for the consumer.

Consortia provide access to finance for small business

The co-operative enterprise consortia model is extremely successful at providing access to finance for smaller, regional businesses who would otherwise struggle to compete in developed markets.

Profit sharing spreads the benefits of business: wealth is distributed more widely

Co-operative business consortia facilitate profit sharing which means that wealth is more widely spread amongst Australians. In a co-operative, ownership and the ensuing benefits are spread more widely than is typically the case for listed businesses.

HEALTHCARE MUTUALS



Co-operative primary healthcare providers...

- Provide affordable medical and healthcare services
- Provide a wide range of healthcare services at no or low cost
- Open new primary care facilities in under-served areas
- Are owned by patients and operates to serve the community's interests

Provide affordable medical and healthcare services

Because their focus is their members and they are not profit maximizing, primary healthcare co-operatives are able to deliver medical services that are often more affordable than their counterparts.

Provide a wide range of healthcare services at no or low cost

Primary healthcare co-operatives are able to provide services at low cost because they place a focus on member value ahead of short-term profit.

Open new primary care facilities in under-served areas

Primary healthcare co-operatives are better able to operate in under-served areas because their focus is on serving their members rather than maximising profits; they are more likely to open new facilities in areas where their listed counterparts would not.

Are owned by patients and operate to serve the community's interests

Primary healthcare co-operatives are differently owned. Because they are owned by their members they can focus on the local interests of particular communities which can be informed through dialogue with their members.

HOUSING



Co-operative housing...

- Are affordable housing providers
- Provide decent homes for key workers and first time buyers
- Is a model of housing that pools people's resources and builds strong communities
- Puts tenants in control of their homes

Are affordable housing providers

In Australia and overseas, housing co-operatives have been effective financial managers of housing for decades because tenants have a sense of ownership and control in their management.

Provide decent homes for key workers and first time buyers

Develop affordable housing to deliver new dwellings for key workers and other moderate income earners.

Is a model of housing that pools people's resources and builds strong communities

The long-term involvement of tenants with their homes and their community is beneficial to people providing a sense of place and commitment. In addition, the skills developed in operating their own enterprise assist with confidence building that often leads to employment and a more varied income stream.

Puts tenants in control of their homes

In addition to social benefits, housing co-operatives can deliver services effectively and efficiently while increasing consumer choice and control.

The co-operative housing model is extremely diverse, but is first and foremost an ownership structure which can complement varying degrees of resident self-management, co-housing, co-design etc.



Mutual insurers...

- Increase customer trust and accountability
- Give consumers more choice and increase competition in insurance markets
- Contribute to corporate plurality and diversity
- Promote economic resilience and sustainability

Increase customer trust and accountabilitys

Because of their different purpose, mutual insurers help to increase customer trust and drive greater accountability. Their members are their owners and they have a degree of influence over the way in which the insurer operates.

Give consumers more choice and increase competition in insurance markets

Mutual insurers provide additional choice in the marketplace. They do not pursue short-term goals and are able to provide stability and consistency in a highly-developed market. They focus on delivering high-quality products, often designed with and for their customers/members.

Contribute to corporate plurality and diversity

Mutual insurers' different business purpose permits them to pursue different business objectives which helps them contribute to corporate plurality and diversity. This contrasts with listed firms that require shareholder-led short and medium-term business strategies.

Promote economic resilience and sustainability

The evidence of the economic downturn is that mutuals and co-operatives have generally been more resilient than listed firms. Mutual insurers play an essential role in the global economy, especially in times of crisis, by combining profitability with solidarity; creating high-quality jobs; strengthening social; economic and regional cohesion; and generating social capital.

MOTORISTS CLUBS



Roadside assistance mutuals...

- Focus on providing a diverse range of affinity services to their members
- Provide motorists emergency services
- Advocate for the interests of motorists and promote road safety



Focus on providing a diverse range of affinity services to their members

Motoring clubs are the largest member organisations in Australia. They exist to protect and enhance the lifestyle of their members by providing a wide range of services and products.

Provide motorists emergency services

Motoring clubs are like an additional emergency service – providing security for their members wherever they travel in Australia.

Advocate for the interests of motorists and promote road safety

Mutuals advocate for the interests of their members - more government funding for better roads, fairer licensing for older drivers, fairer petrol prices, greener motoring, standing up for young motorists and safer cars.



Mutual health insurers...

- Are completely focussed on the customers rather than the needs of investors
- Offer lower premium healthcare which creates competition in the market
- Offer better quality products

Are completely focussed on the customers rather than the needs of investors

Put simply, it means the profit they make goes back into the fund instead of being divided among shareholders.

Offer lower premium healthcare which creates competition in the market

On average, mutual health insurers paid out more cents in every dollar in premiums to members as benefits, than the industry average.

Offer better quality products

In 2018, the private health industry announced an average premium rate increase (3.95%) for 2018, with Australia's largest not-for-profit health fund, HCF, demonstrating its commitment to addressing affordability in the sector, with the lowest of the big four funds at 3.39%.

Customer-owned enterprises like mutual health insurers can drive price and quality competition for the benefit of consumers, whether they are members or non-members. Mutual health insurers return a higher percentage of premiums as benefits to members than for-profit insurers.



Co-operatively owned shops...

- Provide lower prices to customer members
- Provide competition and choice in the wider market
- Support a range of community activities
- Share wealth with its customers through sharing profits through dividends

Provide lower prices to customer members

Consumer co-operative shops are driven to provide the best possible products at the lowest price to customers, rather than to maximise profits to investor shareholders.

Provide competition and choice in the wider market

The different business focus from competitors means that co-operatives are often pioneering in providing different choices to customers, such as local sourcing, fair trade products or environmentally friendly packaging. These can have a profound effect on the general market by changing consumer behaviours.

Support a range of community activities

As community owned businesses, co-operatives will focus on helping the people that the businesses belong to, by providing additional services to local people.

Share wealth with its customers through sharing profits through dividends

The original Rochdale co-operative model led the way with profit sharing by returning money to customers in proportion to their purchases, and this is continued today through cash dividend payments that share the success of the business with customers who have made it happen..



Member owned sports clubs...

- Are at the heart of Australian communities
- Harness the enthusiasm and support of supporters for the benefit of all
- Add to the sporting and cultural life of Australia

Are at the heart of Australian communities

Community is at the heart of Australian sport and it is no surprise that millions of Australians participate in mutually organised sport and recreation activities every week. For example, our most popular sport counts one in 28 Australians as members of the 18 AFL clubs across the country. Most AFL clubs are part of the broad range of member-owned organisations in Australia.

Harness the enthusiasm and support of supporters for the benefit of all

Membership is a reciprocal relationship between clubs and their supporters. The entertainment and sense of community provided to the fans is balanced by the financial support and community involvement that the supporters provide the club.

Add to the sporting and cultural life of Australia

Members play a vital role sustaining their club. Members are the guaranteed vocal supporters in their sports and give life to club activities. This is financial, both directly via payments and indirectly via drawing in sponsor attention; and it is non-financial, through important voluntary activities and contributions. In this way, the vast range of sporting activities are maintained in Australia.

INDUSTRY SUPER FUNDS



Industry super funds...

- Are run only to benefit members
- Charge low fees
- Have a strong investment performance history
- Are run by members, for members

Are run only to benefit members

All industry super funds are run in the best interest of members with a common goal of providing the best possible retirement outcome for members.

Charge low fees

Industry super funds do not pay sales commissions to financial planners which enables them to keep their fees to customers low.

Have a strong investment performance history

The impressive and competitive performance of industry super funds over the long-term is consistently reported by superannuation industry ratings agencies.

Are run by members, for members

They are governed by trustee boards specifically representing employees and employers – typically these trustees are appointed by both the ACTU and/or unions who are affiliated with the particular fund, and employer associations. A two-thirds majority is necessary for all decisions.



Mutually owned utilities...

- Create collective purchasing power which can lower costs
- Put customers at the centre of the business
- Reinvest locally and benefit rural Australia
- Focus on the long term

Create collective purchasing power which can lower costs

The collective purchasing power created by individuals coming together through an energy co-operative returns control back to people and can help to drive down costs.

Put customers at the centre of the business

Customers are put at the centre of the business and help take decisions about how energy is provided in their town or locality. For example, groups of individuals can decide to collectively own and control a solar array or wind turbine.

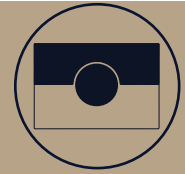
Reinvest locally and benefit rural Australia

Any surplus is made locally and can be retained locally. That surplus can be redirected back to the community that owns it. There is a rational economic reason to join the co-operative and this can help give people a stake in the renewable energy transition.

Focus on the long term

Like other types of co-operative, energy and utility co-operatives can concentrate on the long term, without the need to focus on short-term results. This is particularly important in a sector such as energy where a consistent energy supply and a sustainable approach to the provision of electricity is essential.

ABORIGINAL AND TORRES STRAIT ISLANDER (ATSI) SERVICES



Indigenous Co-operatives ...

- Deliver a wide range of services holistically
- Help to address unique challenges
- Operate in the interests of the wider community

Deliver a wide range of services holistically

ATSI co-operatives deliver a wide range of services holistically. They variously provide medical services, community services, housing, arts and cultural services, child care, aged care, education and financial assistance. By integrating services they are able to adopt an all-encompassing approach to serve community needs.

Help to address unique challenges

ATSI co-operatives are particularly well placed to address specific challenges such as local capability building and local self-determination issues. They are uniquely well placed to do so because of their co-operative structure.

Operate in the interests of the wider community

ATSI co-operatives are motivated to achieve income and opportunity not only for themselves, but for their whole community. Beyond serving their members, they generate significant social capital.

6. WHAT CO-OPERATIVES & MUTUALS DELIVER FOR AUSTRALIA

Helping to deliver a fair economy

Co-operatives and mutuals help to create an economy and society that works in the interests of the widest number of people by sharing power in, and the rewards of, business.

They have the potential to help create growth, prosperity and fairness through enterprises that spread wealth and prosperity.

Co-operatives and mutuals:

- Help to build an economy with a diversity of business types
- Provide competition and choice for consumers in a wide range of markets
- Are businesses that plan for the long term rather than short term
- Are businesses that treat customers fairly and honestly
- Share the benefits of business and wealth throughout the country
- Provide quality local employment for Australians
- Provide services to communities that are valued and needed

Help to build an economy with a diversity of business types, that is not dominated by corporations that only act in their own interests, creating systemic risks to the economic system in Australia

All advanced economies benefit from a range of corporate forms. Co-operatives and mutuals have a different purpose to their competitors – they are focused on service and price rather than extracting the most profit.

This safeguards Australian business from over-reliance on short-term profit maximising firms by ensuring that no business sector is entirely prone to dramatic changes in the stock market.

Provide competition and choice for consumers in a range of markets

Co-operatives and mutuals are good for the markets that they operate in. Their presence means that there is a permanent competitive pressure on profit maximising firms, keeping prices lower for consumers. In financial services in particular, co-operatives and mutuals promote competition to the big banks, through a range of diverse business options and products.

Businesses that plan for the long term rather than short term

Without the need to respond to short-term stock market pressures, co-operatives and mutuals are able to adopt longer term business strategies. They are stable, reliable businesses that behave well in a mixed economy.

Their success is clearly shown by the longevity of mutual businesses, many of which have traded continuously for over 100 years.

Businesses that treat customers fairly and honestly

Research consistently shows that the public trusts co-operatives and mutuals more than other types of business. This is because they have been established to serve their customers or members, rather than investing shareholders. This means that not only do they have an in-built advantage in not having to pay dividends to outside shareholders, but they can concentrate on running the business in a way that best meets the needs of their customers, whether that is through lower costs or better/more diverse service offerings.

Share the benefits of business and wealth throughout the country

Co-operatives and mutuals are successful businesses that share their profits through lower prices to customers and dividends to members so that more Australians can benefit from our natural resources and ingenuity. They reward loyalty and hard work for their members' contribution in making their businesses a success. They provide employment opportunities across regional and metropolitan Australia and are good for agriculture, bringing back fairness and equity to market supply chains.

Provide quality local employment opportunities for Australians

Member-owned businesses offer significant benefits for employees, consumers and small businesses across the nation. Increasingly, sole traders and micro enterprises are turning to collaborative strategies to maximise the efficiencies of their office functions to compete with larger entities. Freelance workers are turning to jointly-owned online businesses as a viable alternative to standard internet business platforms to safeguard working conditions.

Provide services to communities that are valued and needed

Co-operatives and mutuals are very well suited to providing human services where trust is paramount. The inclusive way that they are managed and operate insures that they reflect the needs of the people they are serving as well as those who work for them.

7. WHAT CO-OPERATIVES & MUTUALS NEED FROM GOVERNMENT TO HELP DELIVER A FAIR ECONOMY AND SOCIETY

Helping to deliver a fair economy

The Federal and State governments will set the tone for the Australian business environment through their business policies and related fiscal measures.

The fundamental starting point for co-operative and mutual businesses is that they should receive the same attention, encouragement and support from governments as other corporations, so that they can compete on a level playing field.

This means that policy, legislation and regulation needs to work for co-operatives and mutuals, and not place them at a disadvantage to other types of firms.

What does the sector need?

The co-operative and mutual sector is united in seeking:

- Greater recognition and policy understanding of the sector by federal and state politicians
- An introduction of and commitment to an enabling legislative environment for the sector in Australia
- An understanding of where inappropriate regulation affects the sector and a commitment to address this where it occurs

In order to achieve this, it is necessary to ensure not only that politicians from all political parties are aware of the contribution made by the sector to Australian society and the economy, but that they are focused on ensuring the sector is able to continue delivering and providing diversity of business models and opportunity for all Australians.

A fair Australia needs competition between business models, not just competition between businesses.

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Their success is clearly shown by the longevity of mutual businesses, many of which have traded continuously for over 100 years.

Government should deliver all of the recommendations of the Senate Inquiry

The Business Council of Co-operatives and Mutuals is pursuing the full implementation of the recommendations of the 2016 Senate Inquiry into co-operative, mutual, and member owned firms. The legislative recommendations (4, 5, 17) are being implemented in response to the Hammond Review (access to capital) in 2018. Recommendation 16 on APRA's resolution of discussions on regulatory capital for mutual ADIs, was achieved in 2017. Recommendation 14 on improving accounting frameworks for CMEs, is being pursued via the implementation of education resources for accountants and financial advisors, rather than changing the accounting standards themselves. Recommendations on improving government awareness and coordination of business services for CMEs would be achieved through moving all co-operatives under federal jurisdiction (see under State Policies).

All parties should commit to seeing this work through and to taking the following actions to help the CME sector to play a full part in the Australian economy and society.

Government should order a corporate ownership impact review

With the debate about the widening inequality gap, many people believe that the wealth of our nation should be more widely held. The importance of business diversity to the health of the Australian economy, and its fairness to society, needs to be better understood.

The BCCM proposes that the Federal Government should, within the first three months of the 46th Parliament, constitute a review into the impact of corporate ownership in Australia, examining the contribution of diverse types of business ownership in Australia.

The BCCM would work closely with Government to craft appropriate terms of reference for the review, with an outcome of the review likely to be a suite of recommendations aimed at strengthening diverse business structures in Australia and ensuring that all can operate within the same legislative regime. The review could take the form of a 'soft' inquiry into corporate ownership in the Australian economy, modelled on the commission held in the United Kingdom. This would provide a wide-ranging overview of ownership of businesses in Australia, along with the various motivations for businesses and the way they treat their customers.

The review would have scope to examine business behaviour across all sectors, rather than the fragmented sector-specific reviews we currently see (e.g. banking and financial services, aged and disability care, education etc.).

Government should appoint a Minister for corporate ownership

The appointment of a Minister for Corporate Ownership and a corresponding shadow portfolio representative is a crucial first step following the next Federal election.

This should be a cabinet-level appointment and would ideally fall within the broader Treasury or Finance Regulatory portfolio areas, alongside the bulk of relevant statutory bodies (such as the ACCC, ASIC and APRA).

As a coordinating and regulating (or de-regulating) portfolio, a cabinet-level position would provide sufficient seniority for the minister to work with colleagues to co-ordinate change throughout government. Amongst other portfolio responsibilities, this Minister will have broad responsibility for ensuring the Australian business landscape is diverse, with all business models given a level playing field.

This Minister would be responsible for a reduction of 'red tape' for all types of businesses, and for streamlining what is required to operate a business in Australia. It is anticipated that the Minister will be 'business model blind' and not preference one sector over another, but ensure that all can operate with equal success.

The Minister for Corporate Ownership will be the first point of government contact for co-operative and mutual businesses concerning policy, legislative or regulatory effects on their business. It is anticipated that most CMEs will retain strong relationships with the Minister(s) holding portfolio responsibility for their area of business, such as specific industry sectors.

Government should collect key data on CME businesses

As highlighted by the Senate Inquiry report, a major issue facing member-owned firms is the lack of data collection on a national level. The Government should immediately require the ABS to collect nationalised data on:

- The number and types of CME businesses in operation in Australia
- Number of members in each business
- Turnover of each business
- What sector of the economy each business operates in

Government should set a positive policy environment for CMEs

All political parties in Australia should adopt positive policies for the co-operative and mutual sector. These policies would focus on ensuring broad based support for the sector by:

- Ensuring CMEs have a voice at the table (Minister for Corporate Ownership)
- Ensuring that businesses are not disadvantaged for their choice of business model
- Support the use of co-operative and mutual business structures in supporting communities
- Provide grant funding for development of co-operative and mutual businesses in areas where there are thin markets or supply chain issues that they can adequately address
- Education for the public around CME businesses, through business courses at both primary and secondary school
- All legal, accounting and business qualifications should have mandatory course requirements covering the CME business model.

Government should improve the business environment for Federally registered mutuals

Government can support the mutual sector in many areas. Given the regulatory differences between mutual and co-operative businesses, the two sectors will be dealt with independently.

Capital raising reforms

Government should take the handbrake off the sector and allow access to investment capital that doesn't dilute the mutuality of the businesses through implementation of the 2017 Hammond Review recommendations in full including capital raising reforms.

Government procurement and commissioning

If not already specified, procurement should ensure that all business models have equal rights in relation to government procurement. For example, government procurement should be from companies that are:

- Domestically owned and operated
- Taxed domestically
- Have demonstrable local workforce participation

Government should actively consider mutual businesses as service providers when procurement is undertaken or when services are externalised.

Co-operatives and mutuals are an excellent choice for providing high trust and sensitive public services in aged care and in disability because of their focus on users and dedicated professionals. It is the view of the sector that they are a better option than providing profit maximising firms with access to vulnerable people.

Other areas in which this policy could be adopted are:

- Provision of workers' compensation schemes or other government insurance services provided by mutual insurers which reinvest surpluses in getting people back to work
- Provision of health education by or sponsored by not-for-profit health organisations (health funds or co-operatives such as the NHC)
- Support for nutrition programs provided by agricultural co-operatives (e.g. where milk is provided in schools, this should be sourced from a dairy co-operative where possible)
- Driver education provided in partnership with motorist's mutuals
- Service offerings provided

Protect taxation settings (mutuality principle)

The mutuality principle in taxation law is a long-established principle based on the proposition that an organisation cannot derive income from itself. This is an important principle to retain as it ensures

that these funds contributed to a common fund (the mutual) by members and controlled by them for a common purpose, are not treated as income and therefore cannot be taxed as such.

There is significant evidence to show that money spent in co-operative and mutual businesses is 'sticky', and recirculates in the local economy and communities. EY modelling shows that approximately \$0.75 of additional value is created in the local economy for every dollar spent in member-owned business.

The Government should encourage a greater spend in member-owned businesses to ensure this 'sticky money' remains in circulation. The BCCM will continue to work to ensure that political parties on all sides understand why mutuality underpins the success of these member-owned businesses within the economy.

State Government responsibilities for co-operatives should be transferred to the Federal Government

The fragmented regulation of co-operative businesses at state and territory level is an ongoing issue for these businesses. It means that co-operatives are often ineligible for federal government funding rounds, and are regularly required to apply for exemptions when participating in such programs. Regulation at state level also gives an impression of the co-operative business model being 'second class' as they do not receive the attention received by other businesses. These issues can be most easily and efficiently addressed through consistent federal legislation and regulation.

National law for co-operatives

Co-operatives are currently registered under state law, harmonised under the Co-operatives National Law, which needs to be adopted nationwide.

Despite being in force since 2012, the law has not been adopted across the country with Queensland still failing to have adopted the CNL. Further, any changes to the law require state and territory acquiescence, which has proved to be problematic to date due to lack of political will. Changes need to be discussed at COAG meetings, meaning that there are significant delays between discussions. While some items have been on the COAG and Interjurisdictional Committee agendas for some time, no progress has been made on the range of regulatory barriers raised with the regulators.

National registrar for co-operatives

Regardless of whether a single national law for co-operatives is developed, a single national regulator for the co-operative sector should be instituted as soon as possible to ensure consistent and fair treatment for these businesses.

Because of under-resourcing at State registrar offices, co-operative businesses face a range of barriers including slow registration times and a lack of responsiveness from the registry offices

- In relation to registration, it can often take more than 56 days to register a co-operative in NSW, as opposed to 24 hours to register a company under ASIC
- Co-operatives have difficulty raising capital despite the relevant state legislation
- State registry offices lack the expertise to appropriately regulate complex capital issuances
- Lack of advice and support for the business model through the registry, even by way of basic information on the business model

State & Territory Government should improve the business environment for co-operatives

State elections provide an opportunity for the BCCM and its members to leverage public and political interest in the sector to drive reforms.

In addition to the requests for a single national co-operatives law administered at Federal level, and a national regulator for co-operatives, there are a range of initiatives state-based political parties can commit to in order to drive the development of the sector.

Government procurement and commissioning

As detailed above, it is important that governments across Australia ensure that all business models have equal rights in relation to government procurement. Government procurement should be from companies that are:

- Domestically owned and operated
- Taxed domestically
- Have demonstrable local workforce participation

Government should actively consider mutual businesses as service providers when procurement is undertaken or when services are externalised. There are a number of areas in which state governments could partner with or procure from CME businesses and these opportunities should be examined.

Implementation of State-relevant Senate Inquiry recommendations

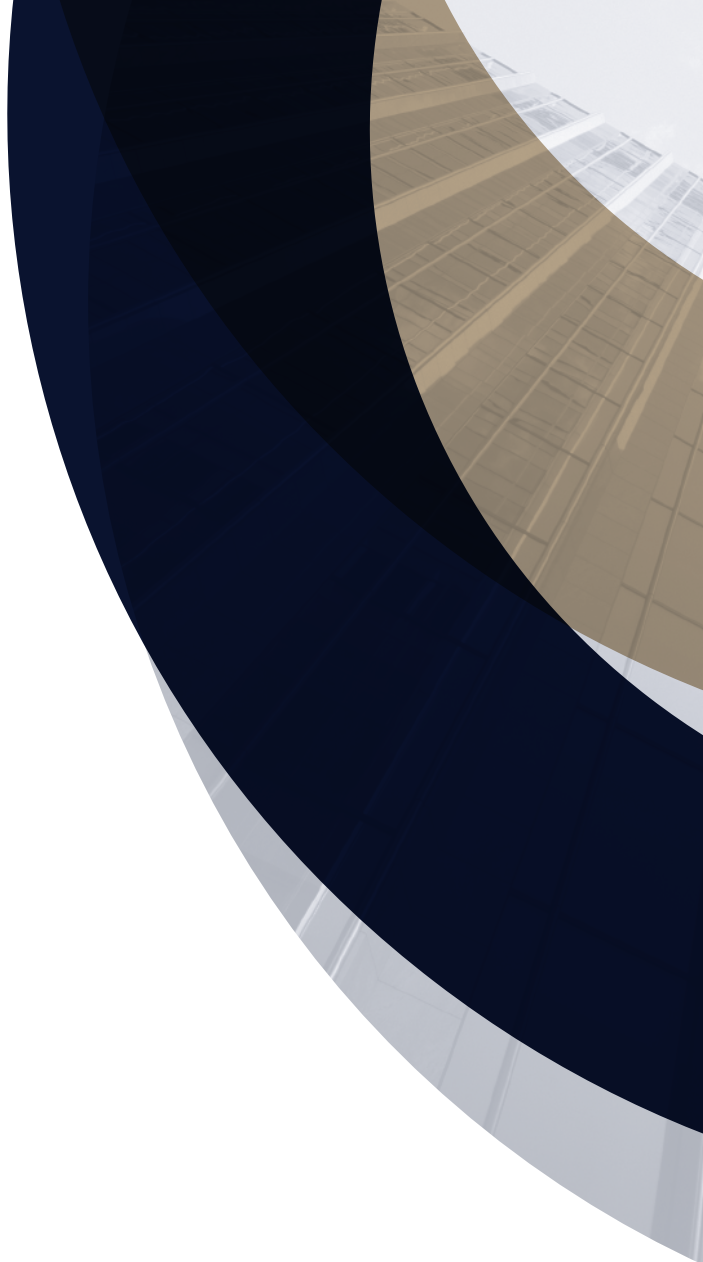
The 2016 Senate Inquiry made a number of recommendations about what States and Territories can do to make it easier to start and operate a co-operative. While co-operatives are still regulated at State and Territory level, the governments should work with the co-operative sector to take steps in these areas:

- Regulation: ensure the co-operative registry in the relevant jurisdiction provides top quality advice and information on co-operatives and works continually to streamline the registration and ongoing regulation of co-operatives through the use of 'reg-tech' solutions
- Education and Training: ensure providers of government business training and support programs understand the co-operative business structure and include it in programs
- Grant and Tender eligibility: review all government tenders and grants to ensure co-operatives are not excluded on the basis of business structure
- Information: ensure there is nationally consistent information about co-operatives on all government business websites and ensure the co-operative registry collects adequate data on co-operatives

Government should promote a positive policy environment for co-operatives and appoint State Ministers for corporate ownership

In line with the sector's 'asks' for all political parties at Federal level to have a policy on co-operative and mutual businesses, or include CMEs in their overarching policies, all State and Territory parties should commit to a policy designed to level the playing field for co-operative and mutual businesses in their respective jurisdictions.

Further, all State and Territory governments should appoint a Minister for Corporate Ownership who would work with state-based registrars and their Federal counterparts to ensure all businesses operate on an even playing field in the Australian economy.



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS