

LEADING THE RESILIENCE

CO-OPERATIVE AND MUTUAL BUSINESS THROUGH COVID-19

About this publication

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About co-operatives and mutuals

Co-operative and mutual enterprises, or CMEs, are businesses that are owned by members rather than shareholders. Their members can be their customers, as in the case of a mutual bank, their policy holders, such as a mutual health insurer, their suppliers, as in a farmer owned co-operative or their members can be small or medium enterprises themselves.

They are shared business ventures that enable individual entrepreneurs or businesses to work together for a common purpose. As a collaborative business vehicle, co-ops and mutuals facilitate the pooling of capital and business expertise so their members can compete in markets suited to larger entrants. They enable bulk purchasing and group marketing activities, collectively invest in infrastructure and R&D, promote education, training and skills development and bring independent businesses together for business acceleration and scale.

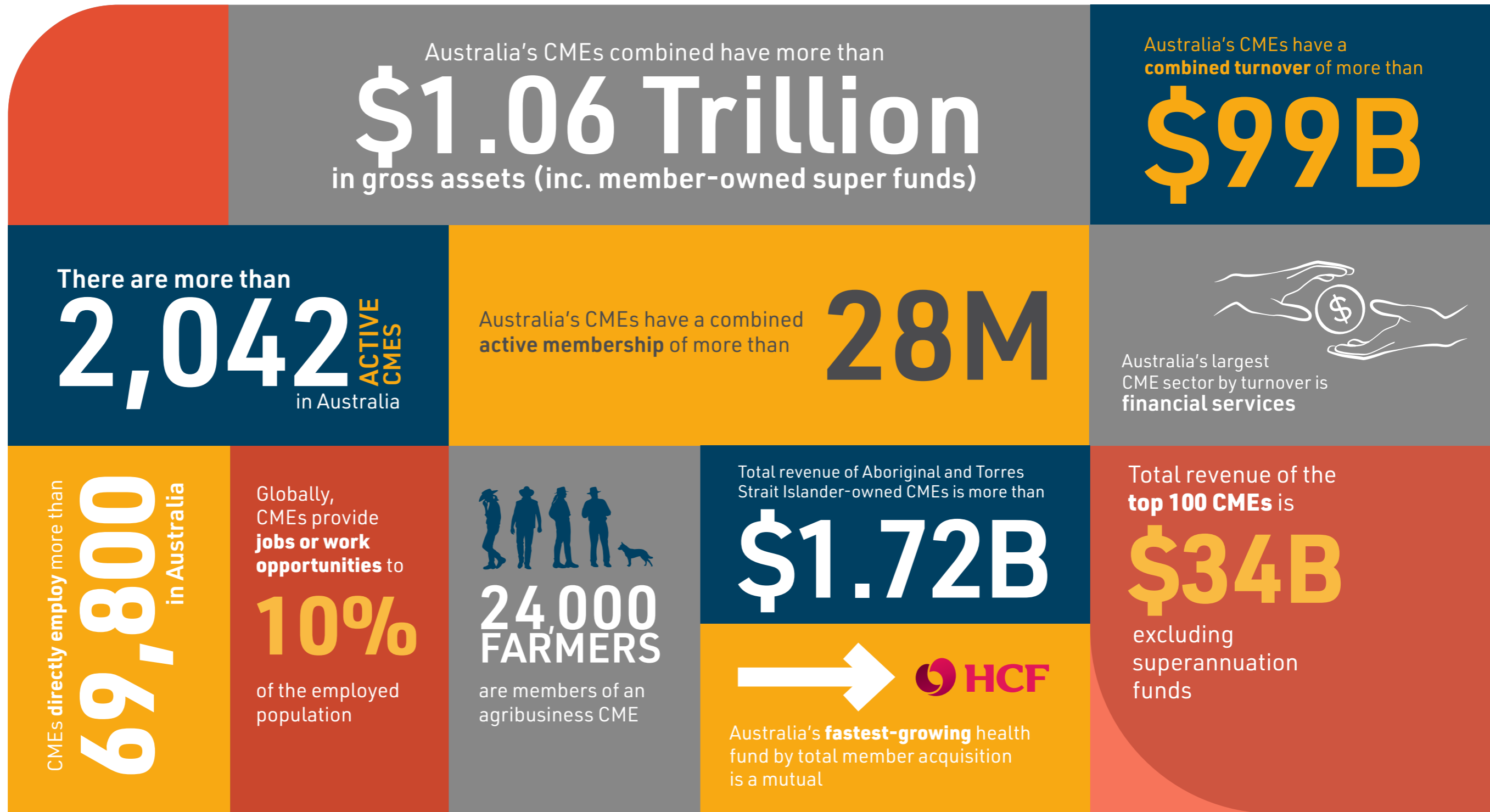
Eight in 10 Australians are members of at least one co-operative or mutually owned organisation. An estimated 140,000 small and medium Australian businesses are made more resilient, profitable and sustainable through co-operative group structures. Because of their shared local ownership, CMEs are domiciled in Australia, distribute wages and profit back into their community and are taxed in Australia.

8 in 10
Australians
are members of at
least one co-operative
or mutually owned
organisation.

Full Members (as at date of publication)



“The Contribution of co-operatives and mutuals to the Australian economy” data as at FY2019



About this report

Melina Morrison
CEO | BCCM

The way in which businesses have responded to the coronavirus pandemic tells us much about their priorities and values.

The BCCM has charted the experience of a number of leading co-operatives and mutuals to show how they are dealing with the economic and social shock of Covid-19. In depth interviews with co-operative and mutual CEOs were conducted between September and November 2020 by Peter Hunt and Melina Morrison.

This new report describes how the natural resilience of co-operative and mutual businesses has helped them to react positively to this challenge, by keeping true to the purpose of serving their members.



About BCCM

This publication is made by the Business Council of Co-operatives and Mutuals (BCCM), the peak body for Australia's member-owned firms across all industries.

Co-operatives and mutuals operate in a diverse range of sectors of the economy including agriculture, manufacturing, finance and banking, insurance, mobility services, health services, aged care, disability employment, education, Aboriginal services, housing, retail and wholesale. The top 100 Australian co-operative and mutual enterprises (CMEs) have a turnover of \$31.9 billion.

The members of the BCCM collectively have 11.5 million members. They represent the leading co-operative and mutual firms operating in the Australian economy.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between CMEs and other business models, including implementation of the recommendations of the Senate Economics References Committee report into "Co-operative, mutual and member-owned firms", and the Hammond Review recommendations to improve access to capital for co-ops and mutuals.

From 2016-2019 the BCCM coordinated industry action to work with Government to bring forward the first enabling legislation for co-operatives and mutuals in 18 years.



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A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, creating a sense of height and architectural scale. The buildings are dark against a light, hazy sky. A thin, curved orange line is visible in the lower half of the image, passing behind the text.

01

**EXECUTIVE
SUMMARY**

Covid-19 is a health crisis with economic consequences

Covid-19 is an ongoing global health pandemic with significant economic consequences.

Normal business has been profoundly affected, with temporary closures and restrictions on operations. With additional health measures such as the closing of International and some interstate borders, economic activity has been further reduced, so that by September 2020, the Australian economy fell into recession for the first time in more than 28 years.

This report is concerned with how Australian business has so far responded to the crisis in order to assess how resilient it is to the economic shock of the pandemic. Our particular focus is on co-operative and mutual enterprises (CMEs), which operate across a wide range of industry sectors.

RESILIENCE



What do we mean by **business resilience**?

In this publication, we conclude that the only meaningful definition of business resilience beyond bare survival, must be a firm's ability to continue to deliver on its business purpose. In the case of a shareholder owned company, that purpose is value and profit creation for shareholders.

But it is different for CMEs, whose purpose is to maintain a service to their members or to supply goods that they need to stay in business themselves.

In examining the experience of CMEs through the pandemic, we have sought to identify how their priorities contrast with investor owned companies. We can see from the decisions made in the firms we discuss, how this business purpose has motivated their behaviour and choices during the crisis.

CMEs have a number of characteristics that are derived directly from their business purpose which guide how they have responded to the pandemic:

Firstly, **a long-term view of business** is innate to co-operatives and mutuals. Not driven by the need to maximise short term profitability in the way that listed firms must, they are able to build a longer-term attitude to growth.

This leads to **relative conservatism in business planning** so that CMEs are more likely to take a patient view to growing their business, relying on retained earnings for investment.

Co-operatives and mutuals are **likely to carry less debt** than shareholder owned businesses reflecting their expectation that any borrowing has to serve the long-term interests of their members.

CMEs have a mutual mindset which means that their **co-operative business culture** drives how they behave in a crisis. Naturally focussed on their core purpose, they seek ways of delivering on this promise despite the adversity of wider economic conditions.

In a
crisis,
business
purpose is
everything



Co-operatives and mutuals are the **resilient** backbone of Australian business

The long history of CMEs tells us something about the resilience of the business form. In simple terms, they have been active nation-builders; able to survive major challenges over decades, sometimes centuries, to continue to stay in business in order to serve their members.

Co-operatives in agriculture epitomise resilience, are rooted in self-help and are experienced in responding to the uncertain environment often challenged by bushfires, droughts or floods, or by international trade barriers.

Mutual motoring clubs were major contributors to building the nation we know today, by helping to connect the towns and cities of urban and rural Australia; a role they continue today as our concept of motoring is transformed by electrical vehicles and ride sharing.

For 150 years **Credit unions and mutual banks** have funded community building by facilitating home ownership for working people.

Mutual, not-for-profit health insurers have been involved in the funding and provision of healthcare since before the public health sector existed, from operating the first hospitals to consistently offering best performing Private Health Insurance.

AGRICULTURE

MOBILITY

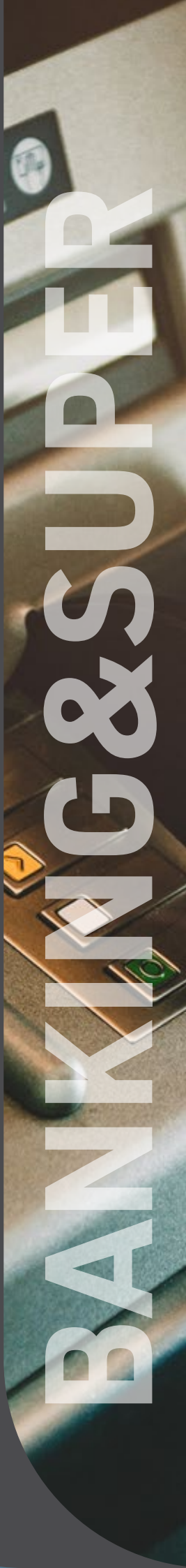
INSURANCE

HEALTH



TRAVEL

MANUFACTURING



BANKING & SUPER

BUYING



RETAIL

DISABILITY



HOUSING

AGED CARE



INDIGENOUS

CMEs **last longer** than shareholder owned businesses

The longevity of CMEs is striking. In Australia, the average age of an ASX top 50 firm is 65 years. By comparison, the average age of a top 50 Australian CME is 82 years, a full 17 years and 25% longer.

Their average age is growing - in stark contrast to the overall downward trend for corporate longevity.

This tells us something significant about the importance of co-operatives and mutuals to a successful mixed economy. They are the anchors in an often-turbulent business environment. Their ability to show resilience in such a consistent way helps to de-risk economies and provide stability and certainty in a way that profit maximising companies with short term objectives cannot.

CMEs on
average are
a huge **25%**
longer
lived

The **resilience** of CMEs has tangible benefits for Australia

CMEs provide competition and choice for consumers in a range of markets:

Their presence means that there is a permanent competitive pressure on profit maximising firms, keeping prices lower for consumers.

CMEs are businesses that plan for the long term rather than short term:

Without the need to respond to short term share market pressures, CMEs are stable, reliable businesses able to adopt longer term business strategies.

CMEs are businesses that treat customers fairly and honestly:

Research consistently shows that the public trusts CMEs more than other types of business. 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.

CMEs share the benefits of business and wealth throughout the country:

They share their profits through lower prices to customers and dividends to members so that more people can benefit. They provide employment opportunities across the country and are good for small business, bringing equity and fairness to supply chains, more local employment and enhanced local procurement.

CMEs are leading the resilience through Covid-19

The experience of our leading co-operatives and mutuals through the pandemic has shown that the combination of their business characteristics and the purpose to which they work, has led them to behave in a distinctive way, often exhibiting the best examples of business behaviour.

The evidence from our interviews with mutual business leaders backs the theory in a convincing way, as they have shown CMEs to be at the leading edge of good stewardship and corporate conduct.

We can report **five major findings** from this research:

01

CMEs are instinctively job keepers – they have avoided making job losses and have often gone to extraordinary lengths to retain staff.

A major concern of the economic impact of the pandemic is the loss of jobs and resulting unemployment. Significantly, there have been very few job losses in the mutual sector.

The CME experience in health care and health insurance is compelling. Dealing with both a health crisis and the economic fallout that is consequential for all business has been a dual challenge for these firms.

There is a really important distinction between mutually owned businesses and others. They do not immediately seek to reduce costs by cutting staff, but they seek to smooth the impact across their entire business, including redeploying to helping communities.

02

CMEs have **bailed-in their resources, using built up reserves on their balance sheets, rather than seeking to be bailed-out from government.**

Co-operatives and mutuals across Australia have used their balance sheet reserves to fix problems for themselves. CMEs have relied on their own savings to get through the crisis, using historic earnings to support employment rather than taxpayer funds.

In this way CMEs have used their own money and people to help their members, customers, staff and communities. They have bailed-in their resources, rather than needing to be bailed-out.

In the past, the reserves of CMEs have been viewed jealously by asset strippers and corporate raiders. What is clear from this experience is that, as in many crises of the past, CMEs can be relied upon as stable and responsible businesses, whose business purpose enables them to see beyond the short-term needs of investors to deliver real value for their communities.

03

CMEs have acted swiftly and nimbly pivoting their operations to adapt to social distancing.

Like all businesses, co-operatives and mutuals have had to adapt their operations to meet the requirements of social distancing and other restrictions that have been put in place.

This has presented a range of challenges common to all, but the way in which CMEs have responded has highlighted their mutual mindset.

04

Government financial support has been critical for Australian business, but CMEs have not relied on subsidies. Within this sector, self-help is the default response to crisis.

The hallmark of the co-operative and mutual sector is one of self-help, restraint and good corporate behaviour, as evidenced by their response to this crisis. They have not relied on taxpayer subsidies and do not constitute any examples of the disappointing company behaviour that is now being revealed from some recipients of state support.

Government has been helpful, but CMEs have sought to help themselves and their members first.

05

Sensitivity to the mental health challenge has been a priority for all of our businesses. Co-operatives and mutuals know that the health of their community = the health of their business.

In October 2020, Australia's largest workplace mental health study found that the impact of COVID-19 on Australian workers has been profound. Almost 60% of workers experienced a mental health condition in 2020, with many struggling for the first time during the pandemic.

What was striking in the interviews that we conducted with Chief Executives, was how, unprompted, they each began their account of the impact of Covid-19 on their business, by describing how they had sought to help with the mental health challenges facing their employees and members.

CMEs are themselves communities and have responded to new mental health challenges as examples of the best businesses.

Why co-operatives and mutuals are critical to Australia's recovery and future prosperity

CMEs have a great deal to contribute to the economic and social recovery.

They are able to drive growth, create and maintain quality jobs, facilitate export earnings, provide supply chain and food security, enable value added manufacturing and deliver competition and choice for consumers.

This business sector, covering multiple industries and across all of Australia's regions is making a major contribution and properly supported, can do more.

How Co-operatives and mutuals are **critical** to the recovery

CMEs are:

- Employers and job creators across all of Australia and especially in the Regions
- Domestic taxpayers and significant export earners
- Value adding businesses especially in manufacturing
- Australian owned enterprises - ensuring that decision-making and value stays local
- Critical to supply chain sovereignty including food security
- Driving competition and consumer choice in concentrated markets

How Co-operatives and mutuals are **critical** to the recovery

Employers and job creators across all of Australia and especially in the Regions

CMEs are middle sized businesses, in an economy disproportionately dominated by small companies. As such they are significant employers in their own right, but they also facilitate small firms that are themselves members of the co-operatives to employ and train people in skilled jobs across all of Australia.

Proof points:

A really good example is **Capricorn Society**, a co-operative of automotive repair shops. Capricorn directly employs 270 people, but through its operations supports over 70,000 jobs spread across its 22,500 small business members.

Australian owned enterprises - ensuring that decision-making and value stays local

By definition, CMEs are, and will always be, Australian owned businesses. The value that they create stays in Australia and is distributed in an equitable way through their membership, either through lower prices, or dividends.

Proof points:

Co-operatives like **NORCO** show how, by being Australian farmer owned, they operate in their interests and consistently return the highest milk price to farmer members.

Domestic taxpayers and significant export earners

Australian owned in perpetuity, they pay their taxes to State and Federal Government, and often derive a large proportion of their earnings from exports, drawing additional wealth to Australia.

Proof points:

CBH Group shows how 3,800 individual farm businesses can manage the logistics to access international grain markets, exporting 85% of the grain they produce.

Critical to supply chain sovereignty including food security

Co-operatives make it possible for small companies to access markets and to benefit from efficient supply chains, in ways that would be impossible on their own. They are the logistics backbone for many thousands of businesses and contribute significantly to making Australia self-sufficient.

Proof points:

All of the producer owned co-operatives, from agriculture to fishing to automotive repairs create supply chain integration and efficiency otherwise not available to individual businesses.

How Co-operatives and mutuals are **critical** to the recovery

Value adding businesses especially in manufacturing

By facilitating businesses to work together in a collaborative way, co-operatives enable value to be added to businesses. CMEs achieve this across the spectrum of business, from primary production all the way to complex modern manufacturing.

Proof points:

Individual companies combine through co-operatives to add value through additional manufacturing. Food producers can in this way enhance profitability and benefit from vertical integration through their co-operative, such as milk from Norco member farms manufactured into ice cream and other dairy products.



Driving competition and consumer choice in concentrated markets

Customer owned banks are an excellent example of how a different business purpose benefits markets. They promote competition to the big banks, through a range of diverse business options and products whilst behaving in a reputable and customer centric way.

Proof points:

Credit unions and mutual banks, such as Heritage Bank and CUA, have shown how they can compete with big banks by offering customer focussed products and services, that are not conflicted by the interests of investor shareholders.



Some conclusions: Opportunity cost versus lost opportunity

This report has provided evidence of the competitive advantage of the CMEs in a crisis. It shows how they are important to a mixed economy. In practice they help Government by operating to a different business purpose from the mass of companies, effectively helping to de-risk the economy by behaving differently, and not relying on Government support.

The hundreds of millions of dollars that CMEs have diverted from their balance sheet reserves to managing through this crisis are evidence of their commitment to purpose, and the relative value that they offer the Australian taxpayer.

The downside for CMEs is that there is an inevitable 'opportunity cost' to the businesses from their 'bailing in' response. Although the leading CMEs have reported that they are driving ahead with their business strategies, there will inevitably be a cost for their responsible behaviour, a tab that is not picked up by the Government.

The quid pro quo from Government at State and Federal level should be to ensure that Australia has a world leading

business environment for co-operatives and mutuals. This requires up to date legislation – the first steps have already been taken towards this. It requires regulation at corporate level and also in competition, that understands the particular value of co-operatives to groups of small business.

Most of all it requires a positive policy environment from Government. One that enables the sector to grow further and to take its place as a critical part of the machine that makes our economy succeed.

Co-operatives and mutuals have led the resilience, they are doing their bit. The recovery should recognise this and support their growth.



Critical
part of the
machine that
makes our
economy
succeed



02

**INTRODUCTION:
COVID-19**

Introduction: Covid-19. A health crisis with **economic consequences**

Covid-19 is an ongoing global health pandemic with significant economic consequences. These are primarily the result of requirements for social distancing to slow the spread of the disease as well as a widespread fear for what the next few years hold.

Normal business has been profoundly affected, with temporary closures and restrictions on operations. With additional health measures such as the closing of International and some interstate borders, economic activity has been further reduced, so that by September 2020, the Australian economy fell into recession for the first time in more than 28 years.

Official figures show gross domestic product (GDP) shrank by a record 7% in the second quarter after a 0.3% decline in the first three months of the year.¹ This quarterly slump was the biggest since records began in 1959 and estimated to have been only exceeded by a 9.5% contraction in 1930 during the Great Depression.

Australia faces further strain in the third and fourth quarters with the (now lifted) long lockdown in Victoria, the biggest state by population, and international borders remaining largely closed for the foreseeable future.

The overall impact on the economy is felt by all Australian businesses, as was the early social distancing measures. However, certain business sectors have suffered disproportionately, such as travel, hospitality and leisure.²

The effect on employment has been significant, Australia has seen more than a million people lose their jobs since March,³ with entire sections of the economy shut down in addition to lay-offs and short time work common across many industries.

The Federal Government introduced a range of measures, including direct fiscal support through taxation reductions, deferrals, loans and grants. The government has injected A\$300bn of stimulus and the Australian Reserve bank cut interest rates to a record low of 0.1% in November.⁴

Across the world, national governments have focussed on supporting job retention through wage support schemes. The main Australian wage subsidy scheme is JobKeeper, which was introduced by the Federal Government to support businesses where trading income had been dramatically reduced⁵ as a result of the pandemic response. Jobs have been supported by a direct financial subsidy to businesses, payable to support employee wages.

It remains to be seen how successful these interventions will be in the long term, though early indications are that Australia is faring better than many other developed economies.

Across the world, the pandemic had a negative impact on economic activity, leading to the biggest national government interventions since the Second World War. However, the Australian economic contraction in the second quarter compares favourably with a slump of 20.4% in Britain - the worst hit among major developed nations - and 14% in France, with the US economy shrinking by 9.1%.⁶

This report is concerned with how Australian business has so far responded to the crisis in order to assess how resilient it is to the economic shock of the pandemic. Our particular focus is on the co-operative and mutual enterprise (CME) sector, which operates across a wide range of industry sectors.

¹Covid-19 ends Australia's 28-year run without a recession <https://www.ft.com/content/7057b5b2-01cf-4881-b40e-aa09035f1017> ²<https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-next-normal-for-australian-industries-and-workforces>

³Almost a million Australians out of work due to coronavirus; RBA tips economy to take 10pc hit, <https://www.abc.net.au/news/2020-05-05/almost-one-million-australians-lose-jobs-due-to-coronavirus/12215494> ⁴<https://www.rba.gov.au/media-releases/2020/mr-20-08.html>

⁵https://treasury.gov.au/sites/default/files/2020-10/Fact_sheet-JobKeeper_Payment.pdf ⁶Covid-19 ends Australia's 28-year run without a recession <https://www.ft.com/content/7057b5b2-01cf-4881-b40e-aa09035f1017>

Introduction: Covid-19. A health crisis with **economic consequences**

The BCCM has charted the experience of a number of leading co-operatives and mutuals through interviews with senior executives, to demonstrate how they have dealt with and are continuing to deal with the economic and social shock of Covid-19.

We have found CMEs to be particularly resilient in the face of economic adversity and this report describes how the natural resilience of co-operative and mutual businesses has helped them to react positively to this challenge, by keeping true to the purpose of serving their members.

As in all developed nations, the Australian business sector is dominated by the monoculture of the shareholder owned company. The priority of a shareholder-owned business is to make a return to the shareholders.

The different purpose of co-operative and mutual business means that they have different priorities from profit maximising companies, and this has guided them to respond differently in the pandemic. The focus of a co-operative or mutual is on the business (and/or social) needs of its members. Co-ops and mutuals therefore have different objectives which can contribute positively towards developing a more stable and robust economic system which is a major reason why diversity must be fostered and encouraged.

This report charts how that difference has played out in a number of major businesses. The evidence reiterates the importance of a diverse economy with differently motivated businesses to provide overall resilience to the Australian economy.

Co-operative and mutual enterprises (CMEs) touch the lives of most Australians

- **230 agriculture and fishing co-ops** are part of the nation's food infrastructure, and major export earners. They support 24,000 primary producers and mass regional employment.
- **Mutuals** provide tourism, travel and holiday services which are significant local income earners.
- **Mechanics, plumbers, liquor, sports and cleaning products, retailers and butchers** are among 140,000 small business members of retail and marketing co-ops that support their business viability. Community-owned supermarkets, service stations and hardware stores, and increasingly, pubs and hotels, provide important amenities in many Australian towns.
- **Mutual banks** provide banking services to millions of Australians. In the recovery, they are important partners in financing investment and maintaining service and competition in regions.
- **Mutual health and aged care services** are at the frontline of dealing with the health emergency and continue to care for vulnerable citizens in a responsible and caring way.

Australian Unity

CEO Rohan Mead

260,000 Members

7,500 Employees

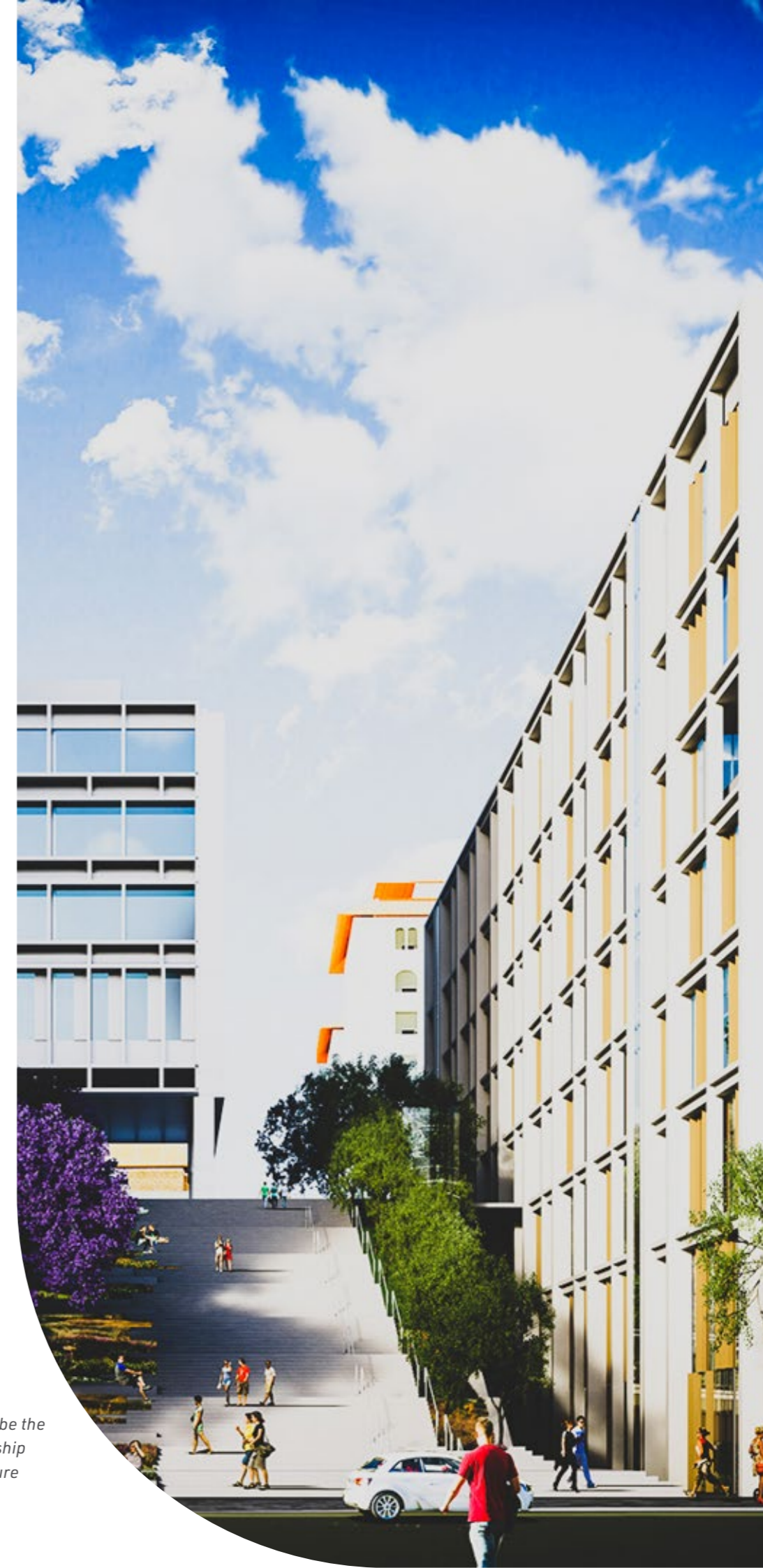
\$1.4 billion annual turnover

Established in 1840, Australian Unity is the nation's first member-owned wellbeing company. Its origins began as a friendly society, formed in Melbourne to look after the health and wellbeing of its members. Today it provides a range of services to its members and customers, including independent and assisted living services, health insurance, dental services, wealth management, banking and insurance.

Covid-19 impact and response

Australian Unity is unique among mutuals as an operator of care homes and provider of at-home services, in addition to its private health insurance, allied healthcare and financial services businesses. As such, it has been on the front line of covid-19.

- Personal protective equipment (PPE) was procured for use across all locations.
- Staff training and procedures were adapted to meet safety requirements.
- Early in March, instituted a policy of no-fault, no-question, COVID leave for anyone with symptoms.
- Over the entire period, there were no resident deaths from COVID-19 across all facilities.
- Covered PHI policy holders for hospital admissions, irrespective of their level of cover, if that admission related to COVID-19.
- Introduced telehealth services for rehabilitation, physiotherapy, occupational therapy, exercise physiology and nursing support to enable eligible patients to continue receiving vital health treatment.
- Postponed all private health insurance and overseas visitors cover premium increases for 6 months.
- Hardship packages were instituted for financial services customers including the ability to temporarily pause repayments on loans, including credit cards; temporary interest rate relief on lending; and early access to term deposits without incurring any fees.
- \$26 million of direct COVID costs up to the end of June.
- Combined direct and indirect costs arising from potential permanent or partial loss in financial services arising from clients' circumstances will take longer to calculate.



Australian Unity

CEO Rohan Mead **260,000** Members **7,500** Employees **\$1.4** billion annual turnover

"It was part of safety to do as best we could—to try and keep everyone calm, focused, and achieve an orderly approach in everything from staff engagement and their adjusted job responsibilities including appropriate safety protocols and equipment, to resident families and their sense of whether or not they would see their mum..."

Rohan Mead



HCF

CEO Sheena Jack

1.7 million members

1,100 Employees

\$2.8 billion annual turnover

HCF is an award-winning health insurance fund with more than 1.7 million members nationwide. Established in 1932, it is Australia's largest not for profit private health insurer and uses all of its profits for the benefit of its members. HCF is the third largest private health insurer in Australia.

Covid-19 impact and response

All businesses have been dealing with the economic consequences of the pandemic but HCF is a big mutual in that has had both economic and healthcare issues to deal with.

- Reorganised the business to a work-from-home model, transferring staff from office locations, branches, dental centres and call centres.
- Redeployed staff into a hardship team.
- Provided a package of support for members valued at around \$100 million.
- Hardship measures for members are helping more than twice the HCF market share compared to the rest of the market.
- Provided approximately 75,000 people with health coverage for up to six months for zero premium if they are in a hardship situation.
- Deferred premium increase for six months.
- Adopted government adjustments for telehealth.
- Provide psychology and psychiatrists online as part of a mental health proposition for staff.
- Expanded access to online and in-home services.
- Unique in the industry, HCF has a feature in its products for involuntary unemployment, providing premium free cover for up to six months.
- Membership grew by 6% in the year ended June in an industry that is overall flat.



HCF

CEO Sheena Jack

1.7 million members

1,100 Employees

\$2.8 billion annual turnover

"Our competitors are doing some of it, but they're not doing anywhere near as much as us. We're far and away more generous than our for-profit competitors and that is because we're a mutual. What are we here for as a not-for-profit health fund? To help our members. If we can't help at a time like this, then what's the point of actually building up the reserves?"

Sheena Jack



A person is climbing a dark, textured rock face. They are wearing a blue shirt and a blue helmet. A rope is attached to their harness and is visible in the foreground. The background is dark with some blue and yellow light spots. A thin yellow line curves across the middle of the image.

03

**WHAT IS
BUSINESS
RESILIENCE?**

What is **business resilience**?

The simple dictionary definition of resilience is 'the capacity to recover quickly from difficulties.' At its most basic, business resilience is the ability of an enterprise to stay in business despite adverse economic conditions. But merely staying in business itself, although an achievement, is too simplistic a measure.

McKinsey⁷ consider the ability to remain profitable and reward shareholders to be the test of resilience. Total returns to shareholders, they argue is a reasonable measure of the resilience of a business over time. That is, its ability to return value to shareholders, because after all, that is the purpose of business.

Writing in the Harvard Business Review, Reeves and Whitaker⁸ propose a more nuanced approach. They define resilience 'as a company's capacity to absorb stress, recover critical functionality, and thrive in altered circumstances.'

Although they too focus on profit maximisation as the core purpose of business, Reeves and Whitaker recognise that companies often focus on maximizing short-term returns, whereas in contrast, 'resilience requires a multi-timescale perspective: forgoing a certain amount of efficiency or performance today for the sake of more-sustained performance in the future.'⁹

They also acknowledge that rather than looking at a business as a single entity, we should examine how its resilience impacts on others, and should take account of 'the extent of economic and social interdependence between different stakeholders...an individual company's resilience means little if its supply base, customer base, or the social systems upon which it depends are disrupted.'¹⁰

This is a more useful context within which to consider the resilience of co-operative and mutual businesses. As a measure, profitability alone does not work for CMEs, which exist on a totally different basis. They are required to make profits, but the purpose is for those profits to be used to serve the underlying business purpose of providing a service to their members. Resilience in CMEs will include some factors common to investor owned businesses - considering how capable a firm is to stay trading - by maintaining supplies, honouring contracts,

maintaining staff levels and ultimately remaining a financial business. But there is more to it for CMEs.

Mutual value is more than the financial transaction between the firm and the member as it also includes a range of dimensions that are key to fulfilling its business purpose.¹¹

In reality, the only meaningful generic definition of business resilience must be a firm's ability to continue to deliver on its business purpose. If that is value creation to shareholders, so be it, but it will be different in the case of a CME, whose purpose will be to maintain a vital service to its members or supply goods that they need to stay in business themselves.

NRMA

CEO Rohan Lund

2.6 million members

1,939 Employees

\$736 million annual turnover

The NRMA is Australia's largest member organisation. Established in 1920, this motoring club provides a range of services including roadside assistance, International Drivers Licences, car reviews, a diverse range of motoring, travel and lifestyle benefits, as well as various products and services.

Covid-19 impact and response

As a diverse range of businesses, the NRMA Group was severely impacted in its hotels, car hire and leisure businesses. The Group initiated 'Project Light Horse', to mobilise its personnel and financial resources to combat the challenge, re-invoking the spirit of the Light Horse Brigade from which many early patrolmen were recruited.

- Made 20,000 cars from Thrifty available to health workers.
- Contact centre staff redeployed to call people in quarantine, by working with Red Cross and Lifeline.
- Made welfare calls to all members living alone.
- Roadside patrols, staff from the marine division and the hotel business did the same with anyone who worked in marine and some of the hotel businesses delivered for Meals on Wheels and the Pharmacy Guild.
- Provided housing in hotels and holiday parks for the homeless, or to house people from domestic violence situations.
- No job losses, all staff were redeployed around the group of businesses.
- Used cash reserves in the business to support those divisions, such as hotels and holiday parks that were closed.



NRMA

CEO Rohan Lund

2.6 million members

1,939 Employees

\$736 million annual turnover

"I think the first reaction from our people was not surprisingly anxious and unsettled. They were nervous about the pandemic and their jobs. My experience had been that NRMA is at its best when the organisation has purpose, real societal purpose, and the culture of unconditional help can be put into action. Suddenly anything is possible"

Rohan Lund



CUA

CEO Paul Lewis

568,000 Members **1,000** Employees **\$13.58** billion loans under management

CUA has provided responsible and affordable lending to Australians since 1946. Today it offers banking, mortgages, savings and health insurance to its more than 550,000 members, making it Australia's largest customer-owned banking organisation.

Covid-19 impact and response

CUA has worked to swiftly support its customers and staff through the pandemic:

- Mortgage customers were entitled to payment deferrals for up to six months; about 6.5% took this up.
- Personal loans payments could be deferred for three months.
- Health insurance customers' premiums were deferred for three months.
- Employee Assistance Program was available to all team members as well as specialist coaching support in some instances.
- Went live on a new cloud-based contact centre platform, two weeks before COVID hit.
- Contact centre agents were able to work from home immediately
- At the time they managed a 300% increase in calls.
- Maintained market leading savings rates for depositors.



CUA

CEO Paul Lewis

568,000 Members

1,000 Employees

\$13.58 billion loans under management

" When the Reserve Bank of Australia slashed interest rates, we looked to balance the needs of our home loan and deposit customers. We've got 550,000 members, and a little under 15% of those are borrowers, or have mortgages with us.

As a mutual, we made some very early calls in terms of payment deferrals, but we also decided to offer the best term deposit rate in the market. We aim to be in the top 25% because we don't have to pass the dividend on to our shareholders."

Paul Lewis





04

**IN A CRISIS,
BUSINESS PURPOSE
IS EVERYTHING**

In a crisis, **business purpose** is everything

In examining the experience of co-operative and mutual businesses through the pandemic, we have sought to recognise the contrast in priorities between co-operative and mutual enterprises and investor owned firms. We can see from the decisions made in the firms we discuss, how this business purpose has driven their behaviour and choices during this crisis.

The purpose of a shareholder owned company is to reward owners who make risk investments, through profits and capital gains.

The purpose of a shareholder owned company is to reward owners who make risk investments, through profits and capital gain. It dominates the commercial world today. It creates jobs, provides goods and services and generates tax revenue. It encourages constant innovation, improvement and progress and has driven many great advances.

The basic purpose of a shareholder owned business is to grow its value and therefore reward its owners through regular profits and capital appreciation. This works well in most commercial settings, though it is important to recognise that the benefits

of employment, taxation and other economic growth are by-products of this capitalism, and not the intention. Governments inevitably prioritise such growth as it funds the economic functioning of society and the state.

Rewards for this success belong to the owner shareholders, for whom the company exists. Directors have a legal duty to serve the interests of shareholders, above all other stakeholders.

The purpose of a CME is to provide goods and services to its members on an equitable basis.

CMEs are businesses built on people. Not investors, shareholders or speculators. The purpose of a CME is to provide goods and services to its members on an equitable basis.

A mutual venture is one where people come together to achieve something for themselves and for each other. They have a shared need that none of them can meet on their own, but by pooling that shared need through a willingness to do something collaboratively, they provide a mechanism to meet the needs of all.

CMEs can operate at lower cost to customers/members, other things being equal, because they are not required to reward investors. They can choose to share this advantage with members through higher service levels, lower pricing or rebates.

CMEs are equitable because they reward membership in relation to its engagement with the CME, rather than in proportion to investor shareholding.

In times of crisis, these unique characteristics of CMEs offer a competitive advantage for stakeholders, especially members.

The **business purpose** will drive a firm's response to a crisis

At the heart of the Covid-19 national lockdown, in April 2020, an ABS survey found that 72% of Australian businesses reported¹² that reduced cash flow was expected to have an adverse impact on business over the subsequent two months. The survey also found that three in five (61% of) businesses had registered or intended to register for the JobKeeper Payment scheme.

The economic impact of the pandemic has differed across industries. Depending on the nature of their activity, some have been more exposed to public health restrictions than others. Businesses could not choose if they were impacted by the pandemic, or by how much, but their degree of resilience to the crisis, and the manner in which they deal with the challenge, is affected by their business purpose.

PURPOSE



The **business purpose** will drive a firm's response to a crisis

As we have seen, the strategic resilience of CMEs is driven by their different business purpose. CMEs have a number of characteristics that are derived directly from this business purpose.

Firstly, a **long-term view of business** is innate to co-operatives and mutuals. Not driven by the need to maximise short term profitability in the way that listed firms must, they are able to build a longer-term attitude to growth which is more patient.

This leads to **relative conservatism in business planning**. Not programmed to chase short term profit gain, CMEs are more likely to take a patient view to growing their business. In banking, this is best understood through their relatively low levels of loan default.

Co-operatives and mutuals are **likely to carry less debt** than shareholder owned businesses. Reflecting their long view of business, and an expectation that any borrowing has to serve the long-term interests of their members. Balance sheets are typically less leveraged than investor owned companies.

The 'mutual mindset'¹³ of CMEs means that their **co-operative business culture** drives how they behave in a crisis. Naturally focussed on their core purpose, they seek ways of delivering on this promise despite the adversity of their economic conditions.

Characteristics of co-operatives and mutuals:

- Long term view of business
- Relative conservatism in business planning
- Likely to carry less debt
- Co-operative business culture

HERITAGE BANK

CEO Peter Lock

307,000 Members

820 Employees

\$404 million annual turnover

Heritage Bank began as a building society in Toowoomba, Queensland. It is one of the oldest customer-owned banks in Australia and now also its largest. Established in 1875, it has shown resilience through much of the life of modern Australia, serving its members through world wars, pandemics, global depressions and everything in between.

Covid-19 impact and response

Heritage Bank was able to rapidly adapt to a socially distanced operating model, prioritising the welfare of both staff and members as it forged ahead with active plans for growth in 2020. In the heart of the lockdown, it successfully launched a new Business Banking centre and has maintained its corporate strategy throughout.

Heritage has:

- Implemented its pandemic crisis plan from January and switched to home working operations early.
- Offered hardship assistance for customers in financial distress, though impairments are very low.
- Altered branch opening hours so older customers could do their banking without having to face crowds.
- Created a dedicated seniors phone lines to assist them in transitioning to digital channels.
- Set up a special phone line for health and emergency service workers, recognising their key role at the front line of the COVID response.
- Used an additional concierge services in the branches to help elderly customers become comfortable in starting to transact digitally.
- Implemented policies to help reduce online meeting fatigue. Online meetings do not start before 9 am and must finish by 4 pm, none are to be held at lunch time (12:30 – 1.30).
- Established a meeting-free Friday, with no online meetings to be scheduled that day.
- Continued the planned strategy of launching a new Business Banking centre and expanding the business banking division through the pandemic.

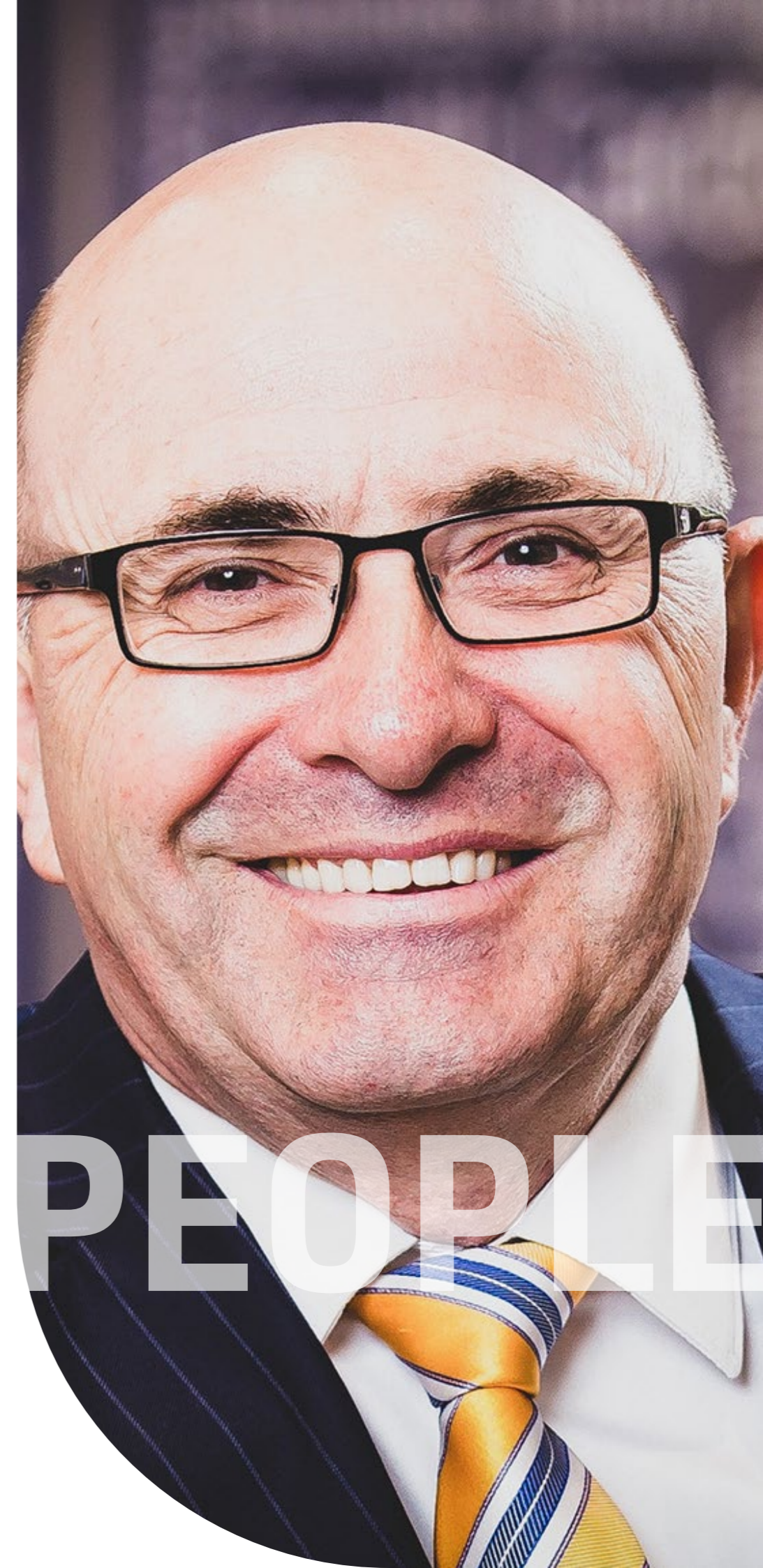


HERITAGE BANK

CEO Peter Lock **307,000** Members **820** Employees **\$404** million annual turnover

"The co-operative and mutual sector probably tends to look after its people a little bit more and is more attuned to that approach. That comes through because we're not driven by the profit-maximization motive. If you were completely driven by the profit motive, you'd be trying to cut your costs very, very quickly in COVID, whereas we're trying to keep people, as much as we can, employed through this."

Peter Lock



NORCO

CEO Michael
Hampson

203 Member
farms

\$683 million annual
turnover

Norco was established in Byron Bay, New South Wales in 1895. It is a 100% Australian farmer owned dairy co-operative with 302 active members on 203 dairy farms in northern New South Wales and south east Queensland. Annual milk production is 214 million litres. In FY2020, Norco's turnover reached \$683m.

Covid-19 impact and response

Norco's strapline: '100% Aussie farmer owned' is a strong clue to how it prioritised its response to the pandemic. The overnight drop off in hospitality industry demand for its milk products meant that the co-operative could either reduce its price promise to farmers or redouble efforts to increase supply to the at-home market. It was hard-wired to choose the latter by expanding into independent supermarkets and maintaining farmer milk prices.

- Norco was financially impacted due to the reduced supply of products to key customers such as restaurants, cafés bakeries and hospitality venues, however, was able to pivot and work on acquiring new customers and delivering on the increased consumer demand across other channels such as grocery and independent retailers.
- Norco diversified its branded offer and launched into the ice cream segment with

a new brand of premium 1 litre ice cream products called 'Hinterland'.

This launch was supported by Woolworths who stocked the range in over 900 stores nationally.

- Norco established new ways of communication to their farmer members, primarily utilising video technology to regularly engage, inform and support members through the height of the pandemic.
- Norco increased the milk price paid to farmers by \$17.1 million during FY20 and began the FY21 financial year with the highest opening farm gate milk price in Norco's 125 year history.
- Norco delivered an annual profit of \$5.4 million versus last year a profit of \$1.2 million, an increase of 450%.
- The combined value of higher milk price payments and improved returns represents a \$21.3 million improvement in value for Norco farmers throughout the year.



NORCO

CEO Michael
Hampson

203 Member
farms

\$683 million annual
turnover

"We have a retail milk business, and then we have out-of-home consumption where we sell milk to cafes etc. Well, they all closed down and so our out-of-home business was decimated down 70 or 80% in a week. When your business is primarily fresh white milk, the farmers are still milking the cows, the milk is still coming at you. You have to then deal with it..."

Our people have a really strong alignment with the purpose of the business. People are here because they actually buy into what this co-operative does and what it means for farmers. We took the view that we would step in to supply independent retailers because we were quite aligned."

Michael Hampson





05

**CMES ARE THE
RESILIENT BACKBONE OF
AUSTRALIAN BUSINESS**

Co-operatives helped to **build Australia.** They are still doing it.

Australia was built on the co-operative efforts of its pioneers through co-operative businesses designed to provide security to working people in an equitable way.

From the 1850s, the first friendly societies were soon established. As Australia's population began to grow, at a time before any state support, people came together to protect themselves against hardship and risk of death, illness and accident.

These self-help initiatives made life more stable in the new colony, with members making regular contributions to a common fund, that could be drawn upon for a weekly allowance at times of need, or to the family upon the death of the member.

Soon after, consumer co-operatives in Australia was established to provide honest food and goods to the new working communities across the country. Building societies were then founded across the country to provide reliable savings and loans facilities and soon helped people to realise their dream of home ownership.

Australia's first agricultural co-operatives were formed by dairy farmers in the 1880s, to bypass agents, sell their products for a better return and build their own milk processing facilities. Since then, agricultural co-operatives have helped farmers of all types to process and market their products, securing and improving livelihoods in regional Australia.

Mutual insurance companies combined with all of this to provide security and confidence to the fledgling nation and its citizens, building a strong foundation for the success of the nation.

This early experience of co-operation and mutual reliance helped to build the strong foundations of Australian society.




The value of co-operatives in **resilience** and recovery

Although resilience is commonly understood as the ability to bounce back from a traumatic setback, disaster researchers¹⁴ emphasize social resilience in the capability of a community to withstand and recover from a disaster.

A key question in the study of disasters is why some communities are resilient in the face of disasters, whereas others are unable to recover. There is evidence that sociable communities (places where members are willing to help one another) are more resilient and ride out disasters more easily than socially impoverished communities.

Co-operatives in a community can matter because they can facilitate social contact and subsequent mobilisation.

The research suggests that the existence of strong co-operatives will help recovery as it provides skills and familiarity with communal self-help, and a platform for the creation of new recovery institutions. In other words, co-operatives are key community institutions that are able to be adapted to solve a range of challenges.



**The existence
of strong
co-operatives
will help
recovery**

Co-operatives in Agriculture have **shown resilience** over many years

Co-operatives in agriculture epitomise the resilience and importance of co-ops to regional Australian communities. They are rooted in self-help and are experienced in responding to the uncertain environment often challenged by bushfires, droughts or floods. There are many examples of resilient agricultural sector co-ops, such as:

The Yenda Producers' Co-operative, NSW, is one of Australia's oldest continuously operated co-operatives with an annual turnover of over \$80 million. It was founded largely by World War 1 veterans, granted small farming allotments in a harsh environment. By working together, they expanded and grew through fires, floods, drought and the financial distress caused by the Great Depression.

Sweeter Banana Co-op in Carnarvon, WA. In response to successive cyclones, the members have worked together to develop efficient mutual risk pooling mechanisms and diversify into new products. Its 25 farmer owners have recovered from the cyclones and built a strong business, employing local people and developing a strong brand.



Mutual motoring clubs were pioneer nation builders

The mutual motoring clubs were major contributors to building the nation we know today, by helping to connect the towns and cities of urban and rural Australia.

Through their direct contribution to the establishment of the interstate road network and motor fuelling networks, the clubs brought accessibility to many areas. Their role in maintaining fleets of roadside assistance services made the modern expansion of the country possible.

Mutual health insurance has protected Australian health since the 1930s

Mutual, not-for-profit health insurers exist to provide the best possible care at the best value price. In this way they are completely focussed on the customers rather than the needs of investors, they offer lower premium healthcare which creates competition in the market, and they offer better quality products.

Mutuals have been involved in the funding and provision of healthcare since before the public health sector existed from operating the first hospitals to offering best performing PHI.

Credit unions and mutual banks funded community building through home ownership

150 years ago, groups of like-minded workers and communities came together to create credit unions mutual banks and building societies, to provide the loans they needed to build new lives in Australia whilst ensuring that all of their money was used for the purpose intended.

Over their history they have helped Australians buy and keep their homes, supported communities and helped businesses succeed.

"Solving market failure has been in our DNA for 75 years. Back in 1946 when one of our founding companies, the Catholic Thrift and Loan Co-op, was established the market failure was the inability of ordinary working people to access credit. The modern market failure is the inability for young people to get in a home, so that's become a really strong purpose with us." - Paul Lewis, CUA

"Solving market failure has been in our DNA for 75 years"

The longevity of co-operatives and mutuals is itself proof of their **resilience**

'It would be nice to say that I foresaw the future and planned it as it eventually turned out. But at the beginning, for every firm, the overriding question is, can you survive?'¹⁵

- Bruce Henderson, memorandum to Boston Consulting Group partners, 1976

This long history of co-operatives and mutuals tells us something about the resilience of the business form. In simple terms, they have been able to survive major challenges over decades, sometimes centuries to continue to stay in business in order to serve their members.

From the days of Empire through to Commonwealth, co-operatives have continued to trade successfully through a wide range of shocks and seismic events, the Spanish Flu pandemic to global depressions, through two World Wars, the oil price crisis and economic cycles. These businesses are able to survive because their purpose is focussed on service rather than profit; business purpose is key to their success.

This is in stark contrast to the overall downward trend for corporate longevity. A Boston Consulting Group Henderson

Institute study of 35,000 listed companies in the US has shown that public companies are perishing sooner than ever before. Since 1970, the life span of companies, as measured by the length of time that their shares are publicly traded, has significantly decreased from just over 55 years to less than 35 years.¹⁶

In Australia, it hasn't got to that point yet. However, the average age of an ASX top 50 firm is 65 years. In contrast, the average age of a top 50 Australian CME is 82 years, a full 17 years and 25% longer. (see table in section 7)

Indeed, when we examine some of the largest listed firms in Australia in more detail, we can see that several of the oldest companies owe much of their lifespan to their origins as a co-operative or a state business.¹⁷



¹⁵ <https://www.bcg.com/publications/2015/strategy-die-another-day-what-leaders-can-do-about-the-shrinking-life-expectancy-of-corporations> ¹⁶ ibid

¹⁷ Wesfarmers was incorporated as a CME from 1914-1984, as was IAG from 1925-2000. CSL, CBA, Telstra, Sydney Airport and Suncorp all operated as State owned enterprises for many years before privatisation, see table in section 7.

This tells us something very significant about the importance of co-operatives and mutuals to a successful mixed economy. They are the anchors in an often-turbulent economy. Their ability to show resilience in such a consistent way helps to de-risk economies and provide stability and certainty in a way that profit maximising companies with short term objectives cannot.

All advanced economies benefit from a range of corporate forms. CMEs 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.

ANCHORS



The **resilience** of CMEs has tangible benefits for Australia:

CMEs provide competition and choice for consumers in a range of markets

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

CMEs are businesses that plan for the long term rather than short term

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

CMEs are businesses that treat customers fairly and honestly

Research consistently shows that the public trusts 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 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.



The **resilience** of CMEs has tangible benefits for Australia:

CMEs share the benefits of business and wealth throughout the country

CMEs are successful businesses that share their profits through lower prices to customers and dividends to members so that more people can benefit. They provide employment opportunities across the country and are good for small business, bringing equity and fairness to supply chains, more local employment and enhanced local procurement.

The government will set the tone for the business environment through their business policies and related fiscal measures.

The fundamental starting point for 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 mutuals, and not place them at a disadvantage to other types of firms.

“We are 145-years-old. We're one of the oldest financial institutions in Australia. We have been through the Great Depression in Australia. We've been through two World Wars. We've been through the Spanish flu. We've been through the GFC and everything else, and we're still here, stronger than ever. This isn't a financial crisis; it's a health crisis. So, as well as longevity, an organisation like Heritage has another advantage, and that is resilience. We've got through all of these previous crises, which were much harder and tougher scenarios in a lot of ways.”

- Peter Lock, Heritage Bank

It is not too much to ask for and will benefit all Australians.

“We are 145-years-old. We're one of the oldest financial institutions in Australia...We've been through two World Wars. We've been through the Spanish flu. **We've been through the GFC and everything else, and we're still here, stronger than ever”**

Peter Lock, Heritage Bank

RACQ

CEO David Carter

1.75 million members

2,200 Employees

\$1.4 billion annual turnover

Established in 1905, RACQ is a mutual which offers products and services, including roadside assistance, banking and insurance to its 1.75 million members. As Queensland's largest Club and peak motoring organisation, RACQ has been a leading advocate for safe, affordable and sustainable mobility for all Queenslanders for more than 100 years.

Covid-19 impact and response

As a Group business in Queensland, RACQ was able to manage its response to the pandemic by redeploying people to support the community whilst maintaining all services to members.

- Head-office staff were deployed to work from home at beginning of lock-down, which became the catalyst for a new approach to flexibility at work.
- Insurance premiums reduced for a quarter, and now frozen for current FY.
- Roadside assistance prices have been held flat for FY21.
- Hardship relief offered to members across the portfolio of businesses.
- Used the strong core of roadside, insurance and banking to support the diverse business group, especially Travel.
- Redeployed some team members to support various charities including Churches of Christ, Foodbank and Meals on Wheels. This enabled RACQ to retain staff from impacted areas of the business.
- Made over 16,000 welfare phone calls to the elderly on behalf of a charity.
- Extended support from RACQ Foundation to include groups impacted by COVID-19 and approved \$150K in funding
- Board members voluntarily cut their fees by 25% for the quarter and the CEO cut his pay by 10%. Incentive schemes are not large, but they were paused for that quarter.
- Executive team members took leave, along with the wider staff cohort.



RACQ

CEO David
Carter

1.75 million
members

2,200 Employees

\$1.4 billion annual
turnover

" I think that in tough times we really have a collective obligation to think about the right balance between, for want of a better word in business, making money, which is economically the rational solution, and the good of society as a whole. Personally, absolutely I want to be part of a good economy, but there has to be a reason for that, which for me, is because a good economy leads to a good society, and if a good economy doesn't give you a good society, what is the point?

So, I think we've got to recognise our obligations to be absolutely robust and strong, viable businesses, but that's for a reason. It's got to be for a purpose, and I think in this time a greater good is served by looking out for the interests of everyone in society."

David Carter



CAPRICORN

CEO David Fraser

22,500 Member businesses

270 Employees

\$2.1 billion annual turnover

Founded in 1974, Capricorn is a co-operative of 22,500 independently owned automotive repair workshops across Australia and New Zealand. The co-operative connects them with over 2,500 preferred suppliers in its supply chain and provides them with trade credit. In this way the collective purchasing power of the members provides integrated business support which includes equipment finance, travel services and business protection.

Covid-19 impact and response

Capricorn's small business members are typically a husband and wife car repair workshop employing 3-5 staff. In April, Capricorn's New Zealand supply business reduced by around 72%, and in Australia by about 6½% when measured against the same period the prior year. And, until that time Capricorn's YTD growth for nine-months until the end of March was just under 10%. The focus of the business was on supporting the financial and mental wellbeing of its membership and staff, and the measures it took helped them to adapt to interrupted trade.

- Transferred the workforce to home working.
- Brought forward the payment of the dividend and trade rebates plus COVID-19 relief trade rebate, which totaled \$24.4 million.
- Put in place financial support measures for members that cost about \$2.5 million.

- Waived late payment fees for members who historically had a very clean record with Capricorn.
- Introduced financial hardship payment plans, for members to be able to pay their trade account off periodically but allow them to continue to trade.
- Allowed members to convert their trade account balance back to zero, permitting the balance to be paid off over a period of time.
- Deferred monthly instalments for three months for extended finance loans or risk protection provided by Capricorn's own discretionary mutual.
- Capricorn Mutual also relaxed restrictions such as those related to unoccupied premises, because workshops were closed for a few weeks. Generally, under the schedule of protection, a member wouldn't have that cover after 30 days.
- Waived the credit card merchant fee payable by members for three months.
- Built a repository of all the Covid-19 information that the federal and state governments provided to small business. This content hub also provided easy to access information for Capricorn Members to access Covid-safe work plans and other related material, e.g. 'contactless' repairs and servicing.



CAPRICORN

CEO David Fraser **22,500** Member businesses **270** Employees **\$2.1** billion annual turnover

"I believe that we've got a responsibility to our members to do what they can't do for themselves. We have a different purpose to the investor owned model. There is a social purpose, and I generally believe that it has a real meaning.

If you think about successful co-ops and mutuals, they've been good at really creating a sense of belonging amongst their stakeholder groups. And that's a big part of Capricorn's success, whether that's our members, our suppliers, or customers. They've proven that they are there for them in the good times and the bad."

David Fraser





06

**LEADING THE RESILIENCE
THROUGH COVID-19**

Leading the resilience through Covid-19

The experience of our leading co-operatives and mutuals through the pandemic has shown that a combination of their business characteristics and the purpose to which they work, has led them to behave in a distinctive way, often exhibiting the best examples of business behaviour.

The evidence from our interviews with mutual business leaders backs the theory in a convincing way, they have shown CMEs to be at the cutting edge of good stewardship and corporate conduct.

Our interviewees have made the case that there can be a competitive advantage for CMEs, particularly in the kind of rolling series of crises that we in Australia find ourselves in.

This concurs with and builds upon well documented evidence of the resilience of CMEs in previous crises. Looking back to the shock of the GFC for example, where globally, there was strong evidence of a consumer flight to mutual finance institutions, consumers chose to trade with trusted organisations, mutual and otherwise, as they were seen as safer and more purpose driven, as was shown in a 2013 United Nations International Labour Organisation (ILO) report.¹⁸

From our research in Australia in 2020, we have been able to identify five characteristics of how co-operatives

and mutuals have responded to the challenges of the pandemic.

- They are instinctively job keepers – they have avoided making job losses and have often gone to extraordinary lengths to retain staff.
- They have bailed-in their resources, using built up reserves on their balance sheets, rather than seeking to be bailed-out from government.
- They have acted swiftly and nimbly to pivot their operations to adapt to social distancing through a mutual mindset.
- Within this sector, self-help is the default response to crisis. Government has been helpful, but firms have sought to help themselves and their members first.
- Sensitivity to the mental health challenge has been a priority for all of our businesses. Co-operatives and mutuals know that the health of their community = the health of their business.

**CMEs (are at the)
cutting edge
of good
stewardship
and corporate
conduct**

6.1 | Co-operatives and mutuals are instinctively **job keepers**

A major concern of the economic impact of the pandemic is the loss of jobs and resulting unemployment. Overall, around 230,000 jobs have been lost in Australia so far and unemployment is at its highest in over 20 years.

A major concern of the economic impact of the pandemic is the loss of jobs and resulting unemployment. Overall, around 230,000 jobs have been lost in Australia¹⁹ so far and unemployment is at its highest in over 20 years.

At the same time, Government wage support schemes have enabled employers to retain staff that they would otherwise be unable to support, with subsidies for 3.5 million workers.

Significantly, there have been very few job losses in the mutual sector. There are two reasons for this. The first is that most mutuals do not operate in industries that have been the worst affected economically, such as hospitality and transportation, though it's true to say that where there has been a direct impact, firms have adapted rapidly to manage the situation.

Where some co-ops and mutuals operate parts of their business in Covid-affected industries such as tourism, leisure and transport, this is within group businesses that have pivoted to protect the affected

divisions, redeployed staff and used their balance sheets to manage the disruption. The evidence is that these CMEs have done better in other parts of the business to make up for damage in affected divisions.

The CME experience in health care and health insurance is compelling. Dealing with both a health crisis and the economic fallout that is consequential for all business has been a dual challenge for these firms. The Australian Unity and HCF sector-leading responses are inspirational.

"I was also at Australian Unity during the global financial crisis (GFC) as well as during COVID. We had consistent support from the board in both circumstances— even though a decade apart and with different board members. We decided to ride the profit cycle in the short term. For example, during the GFC in 2008-9 we rode it down to almost zero. The balance sheet of the firm was still thoroughly strong, but that profit flexibility meant that I didn't have to knee-jerk inappropriately and cut into

the intellectual capital, the goodwill, the careers, the lives, the livelihoods, the family circumstances of thousands of staff in a way that perhaps I would have been forced to, at least to a much more significant degree, if I'd been in a shareholder firm." - Rohan Mead, Australian Unity

This is a really important distinction between mutually owned businesses and others. They do not immediately seek to reduce costs by cutting staff, but they seek to smooth the impact across their entire business, including redeploying to helping communities as in the examples of NRMA²⁰ and RACQ²¹.

At NRMA, the Group initiated 'Project Light Horse', to mobilise its personnel and financial resources to combat the challenge, re-invoking the spirit of the Light Horse Brigade from which many early patrolmen were recruited. To avoid job losses from impacted divisions, all staff were redeployed around the group of businesses, and worked on a range of initiatives to help vulnerable people and key workers.

Roadside patrols, staff from the marine division and the hotel business did the same with anyone who worked in marine and some of the hotel businesses delivered for Meals on Wheels and the Pharmacy Guild.

Contact centre staff made calls to people in quarantine, by working with Red Cross and Lifeline.

Similarly, RACQ staff were reassigned to charitable purposes, for example making calls to the elderly and isolated.

In all of the examples from the CME sector, companies avoided making job cuts instead choosing to keep staff employed on other services as well as helping out their communities. This response was instinctive, but only made possible by the different business purpose of CME businesses.

6.2 | Co-operatives and mutuals have **bailed in their resources**, rather than needing to be bailed out

The key mutual difference between CMEs and shareholder owned companies is between a government bail-out and a balance sheet bail-in.

Co-operatives and mutuals across Australia have used their balance sheet reserves to fix problems for themselves. CMEs have relied on their own savings to get through the crisis, using historic earnings to support employment rather than taxpayer funds.

In this way CMEs have used their own money and people to help their members, customers, staff and communities. They have bailed-in their resources, rather than requiring to be bailed-out. We know this to be the distinctive and inherent approach adopted by CMEs in times of crises.²² This contrasts to Australian business in general, which has received over \$100 billion of support over six months.

"We then asked the question, "Okay, how can we support all of our other clients in these times, and provide peace of mind in aspects of our financial services and other services activities? What can we do to provide hardship packages for people who have financial service relationships with us? What can we do to make sure that we adjust things like insurance premiums and other things to help ensure that households are

shielded as best as we reasonably can from some of the economic effects?" - Rohan Mead, Australian Unity

In some cases, mutuals have devoted significant resources to supporting the needs of their members. The example of HCF²³ is striking, mobilising \$120 million of its member reserves to meet the dual challenge of economic and health consequences from the pandemic. Their hardship measures for members are helping more than twice the HCF market share compared to the rest of the market. Without years of prudent management, this would simply not be possible, and it is unlikely that a profit motivated business would make the same choices in a crisis.

"Mutuals are less leveraged, so shocks, particularly financial shocks like you saw in the GFC will affect a balance sheet that's less leveraged than others." - David Carter, RACQ

Where CMEs have had to temporarily close operations, this has generally been within group structures where different business functions have been able to pivot and absorb the losses/make up for the losses.

Clearly, balance sheets and levels of debt are important for resilience. The risk certainly increases with high leverage either to the revenue line or to gearing and debt. Interest rates are currently at an historic low which reduces this risk, but debt has to be paid back, even if revenue drops.

"Co-ops and mutuals tend to have more robust balance sheets inherently because it is more difficult to access capital." - Jimmy Wilson, CBH

This prudent approach to business has tangible and immediate benefits. Aside from not costing the taxpayer money to prop up their business, they have inventively used their resources to benefit their members and the wider community.

NRMA's 20,000 Thrifty rental cars were made available to healthcare workers, to offer a secure and reliable way to get to work. They also received free roadside assistance. Their cash reserves supported housing in hotels and holiday parks for the homeless, or to house people from domestic violence situations.

Capricorn Society used its resources to support its small business owner members through a package of financial relief, reduced fees, rebates and brought forward dividends totalling more than \$25 million.

Australian Unity absorbed \$26 million of direct Covid costs up to June, with ongoing hardship support for customers likely to increase this amount.

Despite the pandemic and the change in demand for its products, NORCO paid out an additional \$79.1 million to its farmer members over the last financial year.

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**Bailed
IN not
OUT**

6.2 | Co-operatives and mutuals have **bailed in their resources**, rather than needing to be bailed out

In banking, mutual ADIs have not been adversely impacted to any great degree because of their strong lending policies and fewer defaults. They have a closer proximity to the people they're lending to, so they understand the conditions of their customer base much more closely than large, anonymous listed banks. Heritage Bank and CUA have maintained their support to members throughout, through hardship support schemes and by maintaining their branch networks, actively helping customers, particularly older people, to migrate to online services.

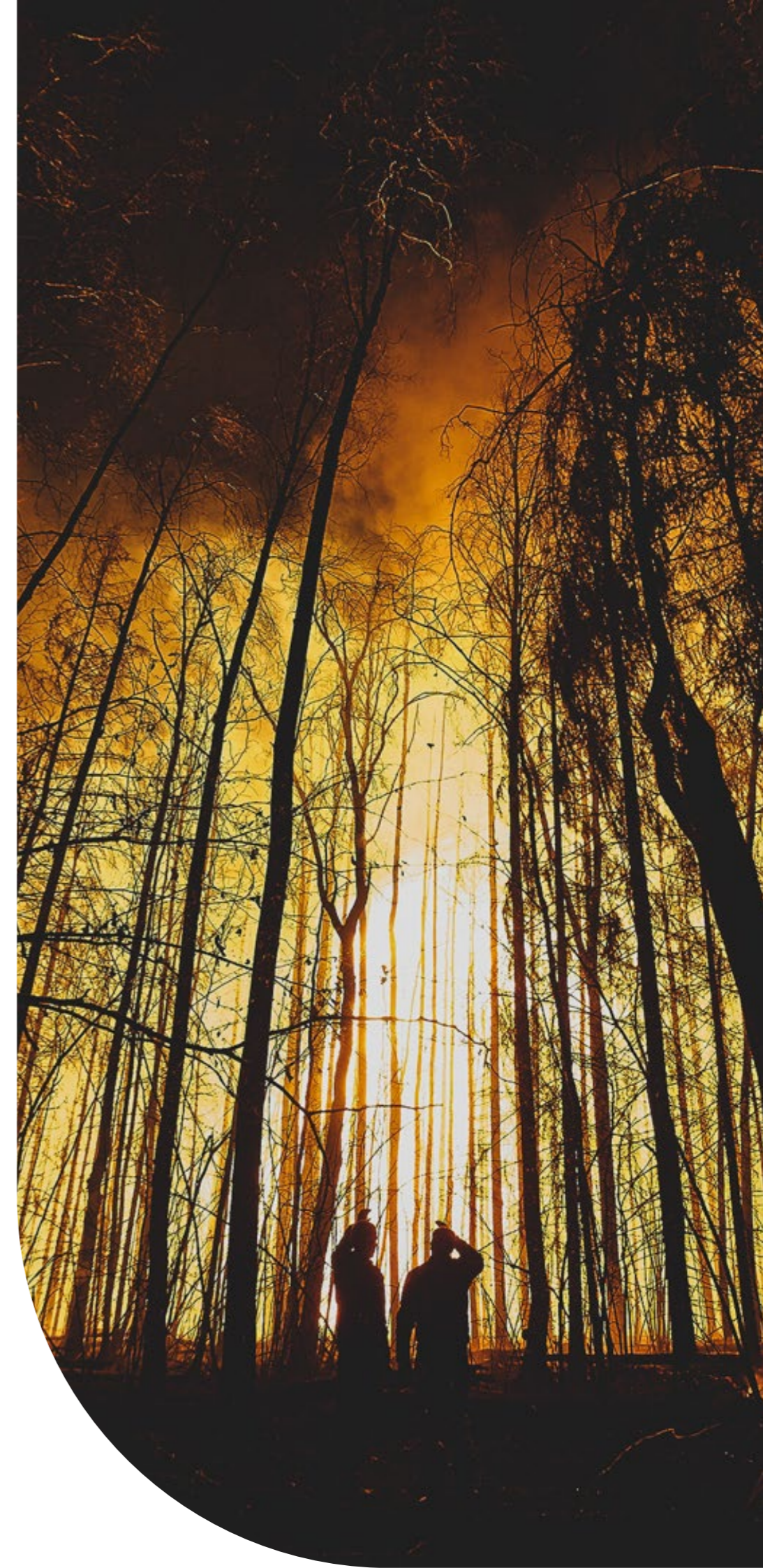
They have also been able to respond to the increase in customer savings deposits by ensuring that interest rates, despite being historically low, are rewarding to savers.

“Essentially, we offered three things in terms of payment deferrals; mortgage customers were offered six months; personal loans offered three months, and for health insurance customers we deferred premiums for six months.”

A little under a billion dollars of mortgages were deferred, equating to about 4,500 customers or about 6.5%” - Paul Lewis, CUA

All of these stories of real behaviours have one thing in common – CMEs have not relied on government support and have instead used their carefully accumulated reserves to support their business operations and to do greater good for their communities.

In the past, the reserves of CMEs have been viewed jealously by asset strippers and corporate raiders. What is clear from this experience is that, as in many crises of the past, CMEs can be relied upon as stable and responsible businesses, whose business purpose enables them to see beyond the short-term needs of investors to deliver real value for their communities. They are essential to have around and help to de-risk the economy by being self-reliant and take some of the strain off Government and taxpayers.



6.3 | Swiftly and **nimbly pivoting** their operations through a mutual mindset

Like all businesses, co-operatives and mutuals have had to adapt their operations to meet the requirements of social distancing and other restrictions that have been put in place.

This has presented a range of challenges common to all, but the way in which CMEs have responded has highlighted their mutual mindset.

"The very first step during COVID was lifting and shifting our business which was completely geared around being office-based in branches, in dental and eyecare centres, in call centres. We quickly moved the majority of staff to a work-from-home model. This was a much bigger shift than if we already had the sort of business that was geared for working from home. We certainly weren't but we are now! Like many businesses this will change our way of working for into future." - Sheena Jack, HCF

Business resilience has to cover not just financial strength, but also human resources and the business model itself. Businesses need agility, a culture that learns from change, which is the idea of adapting to the environment and being able to respond or to change in that environment and being able to pivot quickly.

"We were no different to thousands of other corporations in Australia and around the globe, we had to make rapid adjustments to our working practises and digital activities, and office space workers had to quickly move home and we needed to develop and implement new protocols, and so on. Again, the organisation responded extraordinarily positively to all those requirements." - Rohan Mead, Australian Unity

"Darwin's theory is probably reasonably relevant to resilience in corporations as well as individuals. The survival of the strongest and the fittest is evidently important, but without a strong culture that's quite united, that gets very difficult to execute." - David Carter, RACQ

"We did have to find new and different ways to engage with our farmers, keeping in mind that we needed to cater for all levels of accessible technology. We have a diverse farmer member base represented by younger and older members, so making sure everyone was comfortable

and getting the information that they needed was key." - Michael Hampson, NORCO

"Before the State Government recommended it, we asked our people to work from home. We identified that the risk to our country operations teams was lower, given the fact that they were remote from Perth, which is where the vast majority of the COVID cases were. So, we focused on keeping our Perth-based employees safe. We called it very early over a weekend, gave the team the heads up that Perth-based people should work from home from the Monday. Employees in other locations were also supported in working from home if they needed to." - Jimmy Wilson, CBH

"The survival of the strongest and the fittest is evidently important, but without a strong culture that's quite united, that gets very difficult to execute"

6.4 | Government financial support has been critical for Australian business, but CMEs have **not relied on subsidies**

For CMEs, self-help is the default response to crisis.

Across the world, governments have implemented a range of schemes for protecting jobs through the pandemic, often through wage subsidies. Where company revenues are constricted or even temporarily halted, such schemes have enabled businesses to maintain employment through direct financial subsidy. It is expensive but deemed to be a necessary cost and therefore cheaper than the alternative of closed businesses, unemployment and economic and social costs to the state.

JobKeeper payments accounted for \$31.0 billion and Boosting Cash Flow for Employers contributed \$16.0 billion. Other COVID-19 related subsidies, including those made by state governments, added an additional \$3.6 billion. JobKeeper and boosting cash flow for employers are the largest and second largest subsidies ever recorded in the national accounts.²⁴

One problem with supporting profit maximising firms in this way is that it is temporarily replacing costs and losses with taxpayer funds. We have seen some examples of dividends being paid to

shareholders and then non mutual firms immediately resorting to government subsidy to maintain operations.²⁵

It was reported in September²⁶ that some JobKeeper recipients were paying millions in bonuses to their executives. At least 25 companies had paid bonuses worth a combined \$24.3 million to their executives after claiming JobKeeper subsidies, in an analysis of the financial reports of 290 entities on the ASX 300. This says much about their priorities. It is also an indirect subsidy to shareholders.

As already noted, more than half of Australian firms have benefitted from this scheme, but this is not the case for co-operatives and mutuals.

There is almost no take up of JobKeeper, and little evidence of significant direct government subsidy to co-operative and mutual businesses during the pandemic. Many CMEs have reported that they would not naturally look to government to support them financially, but that they are instinctively inclined towards self-help.

"We haven't qualified for JobKeeper as our revenues didn't drop and even if they

had, we would question, 'Would we? Does it pass the pub test?' My view is probably it wouldn't." - Peter Lock, Heritage Bank

Perhaps the best way to illustrate how co-operatives default to self-help is to consider how HCF²⁷ and Capricorn Society²⁸ adapted. As already described both see self-help as the primary way to approach such an event and they used their reserves to support themselves, without needing taxpayer support.

Federal and State Government has been helpful to the sector in policy terms, however, in particular responding rapidly to the operational needs of businesses. In Western Australia, CBH was helped by the State Government's understanding of their need to move workers around the State during lockdown.

At a Federal level, the Government has supported CBH and others caught up in export restrictions to China, at what must have been an unprecedented time of challenge for Ministers.

"During the pandemic, the consequences of the trade issues between the US and China has involved Australian exporters.

CBH has been affected by China first applying 80% in tariffs to barley exports and then suspending barley imports to China from CBH and other Australian grain exporters." - Jimmy Wilson, CBH

The hallmark of the co-operative and mutual sector is one of self-help, restraint and good corporate behaviour, as evidenced by their response to this crisis. They have not relied on taxpayer subsidies and will never therefore provide any examples of the disappointing company behaviour that is now being revealed from some recipients of state support.

6.5 | The health of our community = the health of our business

In October 2020, Australia's largest workplace mental health study²⁹ found that the impact of COVID-19 on Australian workers has been profound. According to SuperFriend, almost 60% of workers experienced a mental health condition in 2020, with many struggling for the first time during the pandemic.

One worrying finding of the survey was that 'more than half of workers (55.1%) reported that no action was being taken in their workplace to address mental health.' This has profound human consequences for employees, but also impacts on productivity at work, with mental health concerns are the most common reason for lower productivity this year.³⁰

Fewer than a third of workplaces (29.8%) have implemented new initiatives to support workers' mental health and wellbeing since March, but our research shows that CMEs are leading in tackling this challenge head on.

What was striking in the interviews that we conducted with Chief Executives, was how, unprompted they each began their account of the impact of Covid-19 on

their business, by describing how they had sought to help with the mental health challenges facing their employees and members.

"And then, in the face of the particular challenges of the second lockdown in Victoria, we were suddenly re-exposed, and for the first time, very seriously exposed, to material physical safety threats to our residents in care homes and significant physical safety threats to our staff in those same facilities. The degree to which individuals, teams, departments, locations, areas and divisions responded just magnificently to the challenges, was truly, truly humbling." - Rohan Mead, Australian Unity

"There's been concerns about mental health. People haven't been able to see their families for six months or so which is very unfortunate. People had to stop traveling interstate without exemptions as a result of the border restrictions." - Jimmy Wilson, CBH

Co-operatives and mutuals are clearly caring businesses. We are not contending that others do not care, merely that the

welfare of members and staff are at the forefront of a co-operative or mutual's response to a crisis.

"We've tried as best we can to stay really connected to our members and suppliers, because there is a human toll to all this. There is a real issue around the mental health of people who are either suffering as a business owner or just suffering from the isolation of not being able to get up and go to work each day.

It's really important that we stay close to one another. Whether it's the health of our people, those that work for Capricorn, or in the case of the member and therefore what they contribute to our business overall, it's making sure that they are okay. And if they needed to talk to somebody sometimes it's just good to know that you've got someone out there who's just a shoulder to cry on or someone to talk to." - David Fraser, Capricorn

Staff too, are critical to the success of these people-oriented businesses. HCF extended its psychological support services for members to staff. Others

introduced measures to try and reduce the stress on staff members.

"Like a lot of firms, we saw our productivity lift, and it's continued to lift. But we worked out that people are getting tired. Zooms are hard when you're doing them all the time. We also saw that a disconnect was there and the mental health of people not moving away from their computer, their home, so they're always on. So, we had to put some rules around that, that we try and sort of stick to: Zooms don't start before 9 am and finish by 4 pm to give people a break. No Zooms are supposed to be held at lunch time, and we implemented a no-meeting Friday where Fridays are Zoom-free." - Peter Lock, Heritage Bank

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6.5 | The health of our community = the health of our business

Professional support has been provided to CME workforces, to recognise the new strains that the pandemic has brought about.

"Staff were often in these empty shopping centres that were shuttered, but because we're an essential service, we stayed open. We made sure branch staff were safe, engaged and happy during these strange working days and were engaged in productive and meaningful work.

"What I noticed very early on, was the stress that was happening, even within the executive team at CUA. What was really interesting is it wasn't just work-related. It was all the other stuff that was going on. We promoted our Employee Assistance Program to all team members and in some instances also engaged specialist coaching with psychologists providing extra support for people leaders or people who were particularly vulnerable at that time."

- Paul Lewis, CUA

Working to support members is in itself reaching out to their communities, but many co-operatives and mutuals went further and worked to support the wider community, such as NRMA's Operation Light Horse.³¹

"We have very engaged staff. They are fiercely passionate about the role NRMA plays. They come to work here for that reason. I've got senior execs who say the most significant thing they've done in their career was delivering Meals on Wheels or putting in a call to someone doing it tough as part of Light Horse. It was inspiring to our staff to see the Board making the same effort and being there with them helping others. The Board were making deliveries. The Board were on calls. The Board were helping to get cars to health workers." - Rohan Lund, NRMA



CBH Group

CEO Jimmy Wilson

3,800 Member businesses

1,100 Permanent employees

\$4.2 billion annual turnover

The CBH Group is an integrated grain storage, handling and marketing co-operative owned and controlled by approximately 3,800 Western Australian grain growing businesses. Since it was established in 1933, CBH has continuously evolved, innovated and grown. It is Australia's largest co-operative and biggest exporter of Australian grain, supplying more than 200 customers in 30 countries worldwide.

Covid-19 impact and response

CBH worked safely and efficiently to support its members and employees through the pandemic:

- Seamlessly transitioned more than 400 employees to remote working arrangements
- Made changes to rostering and hygiene practices on grain receival sites to keep employees, growers and communities safe
- Worked with the State Government to facilitate ongoing access to keep the Western Australian grain supply chain operating as smoothly as possible
- Contented with headwinds which disrupted global trade for all grain marketers and the introduction of 80.5% in tariffs by China on the export of Australian barley
- Continued focus on developing new markets and strengthening customer relationships
- COVID-19 restrictions are an ongoing challenge to international shipping.



CBH Group

CEO Jimmy
Wilson

3,800 Member
businesses

1,100 Permanent
employees

\$4.2 billion annual
turnover

"Intrastate borders were introduced in Western Australia during the early stages of the pandemic. The State Government very effectively worked through these with us and was very good at getting protocols in place so that our people could continue to safely meet their teams or carry out essential work or maintenance if they needed to."

Jimmy Wilson



Why co-operatives and mutuals are critical to Australia's recovery and **future prosperity**

CMEs have a great deal to contribute to the economic and social recovery.

They are able to drive growth, create and maintain quality jobs, facilitate export earnings, provide supply chain and food security, enable value added manufacturing and deliver competition and choice for consumers.

This business sector, covering multiple industries and across all of Australia's regions is making a major contribution and properly supported, can do more.

How co-operatives and mutuals are critical to the recovery

CMEs are:

- Employers and job creators across all of Australia and especially in the Regions
- Australian owned enterprises – ensuring that decision-making and value stays local
- Domestic taxpayers and significant export earners
- Critical to supply chain sovereignty including food security
- Value adding businesses especially in manufacturing
- Driving competition and consumer choice in concentrated markets

Employers and job creators across all of Australia and especially in the Regions

CMEs are middle sized businesses, in an economy disproportionately dominated by small companies. As such they are significant employers in their own right, but they also facilitate small firms that are themselves members of the co-operatives to employ and train people in skilled jobs across all of Australia.

Proof points: A really good example is Capricorn Society, a co-operative of automotive repair shops. Capricorn directly employs 270 people, but through its operations supports over 70,000 jobs spread across its 22,500 small business members.

Australian owned enterprises – ensuring that decision-making and value stays local

By definition, CMEs are, and will always be, Australian owned businesses. The value that they create stays in Australia and is distributed in an equitable way through their membership, either through lower prices, or dividends.

Proof points: Co-operatives like NORCO show how, by being Australian farmer owned, they operate in their interests and consistently return the highest milk price to farmer members.

Why co-operatives and mutuals are critical to Australia's recovery and **future prosperity**

Domestic taxpayers and significant export earners

Australian owned in perpetuity, they pay their taxes to State and Federal Government, and often derive a large proportion of their earnings from exports, drawing additional wealth to Australia.

Proof points: CBH Group shows how 3,800 individual farm businesses can manage the logistics to access international grain markets, exporting 85% of the grain they produce.

Critical to supply chain sovereignty including food security

Co-operatives make it possible for small companies to access markets and to benefit from efficient supply chains, in ways that would be impossible on their own. They are the logistics backbone for many thousands of businesses and contribute significantly to making Australia self-sufficient.

Proof points: All of the producer owned co-operatives, from agriculture to fishing to automotive repairs create supply chain integration and efficiency otherwise not available to individual businesses.

Value adding businesses especially in manufacturing

By facilitating businesses to work together in a collaborative way, co-operatives enable value to be added to businesses. CMEs achieve this across the spectrum of business, from primary production all the way to complex modern manufacturing.

Proof points: Individual companies combine through co-operatives to add value through additional manufacturing. Food producers can in this way enhance profitability and benefit from vertical integration through their co-operative, such as milk from Norco member farms manufactured into ice cream and other dairy products.

Driving competition and consumer choice in concentrated markets

Customer owned banks are an excellent example of how a different business purpose benefits markets. They promote competition to the big banks, through a range of diverse business options and products whilst behaving in a reputable and customer centric way.

Proof points: Credit unions and mutual banks, such as Heritage Bank and CUA, have shown how they can compete with big banks by offering customer focussed products and services, that are not conflicted by the interests of investor shareholders.

Some conclusions: **Opportunity cost** versus lost opportunity

This report has provided evidence of the competitive advantage of the CME model in crisis. It shows how they are important to a mixed economy. In practice they help Government by operating to a different business purpose from the mass of companies, effectively helping to de-risk the economy by behaving differently, and not relying on Government support.

Self-help and the natural bail-in response of CMEs is evidenced from the experience of Australia's leading co-operative and mutual businesses.

The hundreds of millions of dollars that CMEs have diverted from their balance sheet reserves to managing through this crisis are evidence of their commitment to purpose, and the relative value that they offer the Australian taxpayer.

The downside for CMEs is that there is an inevitable opportunity cost to the businesses from their 'bailing in' response. Although the leading CMEs have reported that they are driving ahead with their business strategies, there will inevitably be a cost for their responsible behaviour, a tab that is not picked up by the Government.

There is a further opportunity cost to Australia as a whole if CME resilience isn't capitalised on in the recovery phase. The valuable role that these businesses have

demonstrably served over many decades, must not be overlooked. It is not a chance happening, but the result of operating to a different business purpose from investor owned firms.

CMEs have a great deal to contribute to the economic and social recovery.

CMEs are:

- Employers and job creators across all of Australia and especially in the Regions
- Australian owned enterprises – ensuring that decision-making and value stays local
- Domestic tax-payers and significant export earners
- Critical to food security and supply chain sovereignty
- Value adding businesses especially in manufacturing
- Driving competition and consumer choice in concentrated markets

CMEs are reliable, dependable and conservative in outlook. As a counterbalance to short term target driven companies, they are important to have around. Government policy should reflect this and cherish the unique role that these businesses play in Australian society.

The quid pro quo from Government at State and Federal level should be to ensure that Australia has a world leading business environment for co-operatives and mutuals. This requires up to date legislation – the first steps have already been taken towards this. It requires regulation at corporate level and also in competition, that understands the particular value of co-operatives to groups of small business.

Most of all it requires a positive policy environment from Government. One that enables the sector to grow further and to take its place as a critical part of the machine that makes our economy succeed.



**CMEs have led
the resilience,
they are doing
their bit.**

**The recovery
should recognise
this and support
their growth.**



07

**CORPORATE AGE IN
AUSTRALIA – A COMPARISON
BETWEEN THE TOP 50 CMES
AND LISTED COMPANIES**

Corporate Age in Australia – A comparison between the top 50 CMEs and Listed Companies

Co-operative or mutual	Age	Listed Company	Age
Total years operating	4107		3262
Average number of years operating	82.14		65.24

Co-operative or mutual	Year established as a CME	Age	Listed Company	Year established as a company	Age
Co-operative Bulk Handling Ltd	1933	87	CSL Ltd	1994*	26
Hospital Contribution Fund (HCF)	1932	88	Commonwealth Bank of Australia	1991*	29
Capricorn Society Ltd	1974	46	BHP Group Ltd	1860	160
HBF Health	1941	79	Westpac Banking Corporation	1817	203
Australian Unity	1840	180	NAB Ltd	1834	186
ME Bank	1994	26	ANZ Banking Group	1835	185
Royal Automobile Club of Queensland	1905	115	Wesfarmers Ltd	1984*	36
The Royal Automobile Club of WA	1905	115	Fortescu Metals Group Ltd	2003	17
Royal Automobile Club of Victoria	1903	117	Macquarie Group Ltd	1969	51
Teachers Health Fund	1954	66	Woolworths Group Ltd	1924	96
GMHBA	1934	86	Transurban Group	1999	21
NRMA	1920	100	Resmed Inc	1989	31
Norco Co-operative Ltd	1895	125	Rio Tinto Ltd	1873	147
Credit Union Australia Ltd	1946	74	Goodman Group	1989	31
CBHS Health Fund	1951	69	Telstra Corporation Ltd	1997*	23
Royal Automobile Association of South Australia	1903	117	Afterpay Ltd	2015	5
People's Choice Credit Union	1949	71	Newcrest Mining Ltd	1966	54
Heritage Bank Ltd	1875	145	Coles Group Ltd	1914	106
Geraldton Fishermens Co-operative Ltd	1950	70	Aristocrat Leisure Ltd	1953	67
Newcastle Permanent	1903	117	Woodside Petroleum Ltd	1954	66
Tyrepower Group	1977	43	Sonic Healthcare Ltd	1934	86
WAMMCO	1999	21	REA Group Ltd	1995	25
Avant Mutual Group	1893	127	Sydney Airport	2002*	18

Corporate Age in Australia – A comparison between the top 50 CMEs and Listed Companies

Independent Liquor Group Distribution Co-operative	1975	45	ASX Ltd	1987	33
Employers Mutual Limited	1910	110	Brambles Ltd	1875	145
Teachers Mutual Bank Ltd	1966	54	Cochlear Ltd	1981	39
Greater Bank Limited	1945	75	Ramsay Health Care Ltd	1964	56
CUSCAL	1978	42	Kirkland Lake Gold Ltd	1988	32
National Pharmacies	1911	109	TPG Telecom Ltd	1986	34
Beyond Bank Australia Limited	1977	43	APA Group	2000	20
IMB Limited	1880	140	QBE Insurance Group Ltd	1886	134
Catholic Church Insurance	1911	109	Scentre Group	1959	61
Bank Australia	1957	63	Northern Star Resources Ltd	2000	20
Associated Retailers Ltd	1959	61	Insurance Australia Group Ltd	2000*	20
Northern Co-operative Meat Company Ltd	1933	87	Suncorp Group Ltd	1997*	23
Queensland Country Bank Ltd	1971	49	Santos Ltd	1954	66
Independent Liquor Group Suppliers Co-operative	1975	45	Magellan Financial Group Ltd	2004	16
Almondco Australia Ltd	1944	76	South32 Ltd	2015	5
Westfund Health	1953	67	Dexus	1984	36
Queensland Teachers Union Health Fund	1972	48	Stockland	1952	68
HIF	1954	66	Evolution Mining Ltd	2011	9
P&N Bank	1990	30	Wisetech Global Ltd	1994	26
Latrobe Health Services	1951	69	Reece Ltd	1920	100
RT Health	1890	130	Coca-Cola Amatil Ltd	1904	116
Health Partners	1937	83	Mirvac Group	1972	48
Murrumbidgee Irrigation	1912	108	Lendlease Group	1958	62
Peoplecare Health Insurance	1952	68	Qantas Airways Ltd	1920	100
Qudos Bank	1959	61	Australian Foundation Investment Co Ltd	1928	92
Plumbers Supplies Co-operative	1955	65	GPT Group	1971	49
Dairy Farmers Milk Co-operative	1900	120	AGL Energy Ltd	1837	183
Total years operating		4107			3262
Average number of years operating		82.14			65.24

***notes:**

CSL
State enterprise
1916-1994

CBA
State enterprise
1911-1991

Wesfarmers
Co-operative 1914-1984

Telstra
State enterprise
1901-1997

Sydney Airport
State enterprise
1920-2002

IAG
Mutual 1925-2000

Suncorp
State enterprise
1919-1997

A person's hands are shown in the foreground, gesturing as if in a meeting or interview. The person is wearing a red and blue plaid shirt. In the background, a laptop is open on a wooden desk, and a notebook with a pen is visible. The scene is dimly lit, suggesting an indoor office or meeting room environment.

08

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AND INTERVIEWS
CONDUCTED**

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14. <https://www.bcg.com/publications/2015/strategy-die-another-day-what-leaders-can-do-about-the-shrinking-life-expectancy-of-corporations>
15. *ibid*
16. Wesfarmers was incorporated as a co-operative from 1914-1984, as was IAG from 1925-2000. CSL, CBA, Telstra, Sydney Airport and Suncorp all operated as State owned enterprises for many years before privatisation, see table in section 7.
17. McFarlane & Norris, 2006, Definitions and concepts in disaster resilience.
18. https://www.ilo.org/empent/Publications/WCMS_207768/lang--en/index.htm
19. <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>
20. NRMA case study page 31.
21. RACQ case study page 52.
22. When the GFC hit over a decade ago, taxpayer funds were used to bail out the big banks and stabilise the system, whilst most member-owned mutuals required little or no government support.
23. HCF case study page 27.
24. <https://www.abs.gov.au/articles/government-support-business>
25. <https://www.abc.net.au/news/2020-09-10/25-companies-paid-executives-bonuses-despite-claiming-jobkeeper/12647688>
26. *ibid*
27. HCF case study page 37.
28. Capricorn case study page 54.
29. <https://superfriend.com.au/media-releases/indicators-of-a-thriving-workplace-2020/>
30. *ibid*
31. NRMA case study page 31.



Interviews conducted

Between September and November 2020, Peter Hunt and Melina Morrison conducted in-depth interviews with a number of leaders of large co-operative and mutual businesses.



David Carter
Group Chief Executive Officer,
RACQ

David joined RACQ in March 2020 from Suncorp where he was the senior executive accountable for the activities of an APRA regulated Bank and Superannuation entity. He has previously fulfilled the role of Managing Director and CEO of a prudentially regulated Life Insurance company in New Zealand and held the role of director of Australian Financial Services Licence (AFSL) entities in Australia. Additionally, David has served as a board or committee member of industry associations in Australia and New Zealand for over a decade.



David Fraser
Group Chief Executive Officer,
Capricorn Society

David has over 36 years' experience in the automotive industry and has held senior sales, marketing and general management roles over the past two decades. Prior to his appointment as Capricorn's Group Chief Executive Officer in July 2019 he was CEO of the co-operative's Automotive Division from 2013.

Before joining Capricorn in 2006 David was Group General Manager of Supply Direct, a wholly owned subsidiary of ASX listed Ausdrill. He was also a former Associate Director and Group General Manager of Coventry Group Ltd.



Michael Hampson
Chief Executive Officer,
NORCO

Michael commenced with Norco in March 2019 as Chief Operating Officer and was then appointed to the role of Chief Executive Officer in October 2019.

Michael has a career spanning over 25 years across senior financial and business management roles creating and delivering on strategy, with over 16 of these years having been in senior dairy industry positions.

Interviews conducted

Between September and November 2020, Peter Hunt and Melina Morrison conducted in-depth interviews with a number of leaders of large co-operative and mutual businesses.



Sheena Jack
Chief Executive Officer and
Managing Director, HCF

Sheena was appointed Chief Executive Officer of HCF in August 2017 and Managing Director in September 2017. Prior to this appointment she served as Chief Financial Officer from 2006 and Chief Strategy Officer from 2014.

Sheena has more than 30 years' experience as a finance professional and corporate executive across various industries including health and life insurance, banking, superannuation and wealth management. She is also a non-executive director of Private Healthcare Australia and a member of Chief Executive Women.



Paul Lewis
Chief Executive Officer,
CUA

Paul was appointed CEO and Managing Director in November 2019. He is also Chairman of Credicorp Finance Pty Ltd and a Director of CUA Health Ltd, Credicorp Insurance Pty Ltd and CUA Management Pty Ltd. Paul first joined CUA in February 2018 as Chief Sales Officer. Prior to joining CUA, Paul was the Senior Head of Strategy and Transformation at Westpac. He also held a variety of senior executive roles within ANZ in Australia, New Zealand and South East Asia including Managing Director, Retail Banking at AmBank Malaysia and General Manager of ANZ's Australian branch network.



Peter Lock
Chief Executive Officer,
Heritage Bank

Chief Executive since 2015, Peter has more than 30 years' experience in the financial services industry spanning insurance, institutional banking, business development, business banking and corporate banking.

He has held senior management roles at the Bank of Melbourne, St George Bank, and the Commonwealth Bank, following a career with the National Australia Bank. He has also run his own corporate advisory firm. He is a Senior Fellow of the Financial Services Institute of Australasia, and a Graduate Member of the Australian Institute of Company Directors.

Interviews conducted

Between September and November 2020, Peter Hunt and Melina Morrison conducted in-depth interviews with a number of leaders of large co-operative and mutual businesses.



Rohan Lund
Group CEO,
NRMA

Rohan was appointed Group Chief Executive Officer of the National Roads & Motorists' Association (NRMA) in January 2016. With an extensive background in digital technology, strategy and innovation, Rohan brings a wealth of experience delivering transformation, across a range of customer-focused companies.

Before joining NRMA Rohan was the Chief Operating Officer (COO) for Foxtel, Australia's largest subscription business, and his previous roles also include COO of Seven West Media, CEO of Yahoo!7 and Strategy Director for SingTel Optus.



Rohan Mead
Group Managing Director &
CEO, Australian Unity

Rohan was appointed Group Managing Director of Australian Unity Limited on 1 July 2004. As Group Managing Director, he is a member of subsidiary boards and most committees. Rohan is Chairman of the Business Council of Australia's Healthy Australia task force and a member of its Indigenous Engagement task force. He is also a Director of the Centre for independent Studies.

Prior to joining Australian Unity, Rohan was employed by Perpetual Trustees Australia Limited (1996-2003) in a range of senior roles.



Jimmy Wilson
Chief Executive Officer,
CBH Group

Jimmy commenced with CBH Group as Chief Executive Officer on 1 October 2017.

Jimmy brings with him a wealth of knowledge and experience in complex supply chain management in Australia, South Africa, the USA, South America and Indonesia working in multiple commodities including iron ore, coal, nickel, chrome, aluminium and gold, traded across global markets. Jimmy was President of BHP Billiton Iron Ore and a Member of the Group Management Committee at BHP Billiton from 2012 to 2016.

