



Transitioning Regional Economies study
Productivity Commission
Locked Bag 2, Collinst St East
MELBOURNE VIC 8003
Via: [online portal](#)

1 August 2017

Dear Commissioners

Submission to the Productivity Commission inquiry into Transitioning Regional Economies

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a brief submission to the Productivity Commission inquiry into Transitioning Regional Economies.

We have included information about the BCCM and about co-operatives and mutuals as appendices.

Response to information request 5.1

The BCCM takes this opportunity to point the Commission to an example where co-operatives have played an important role in effective regional economic transition: the Hunter Valley in the 1980s and 1990s.

Economic transition in Newcastle was the impetus for the formation of two important co-operatives, HunterNet and Labourco.¹

Small manufacturing and engineering firms came together to form HunterNet to increase their access to contracts and increase their standards. HunterNet was formed with \$30,000 in seed funding from the Commonwealth Government in the early 1990s. With the departure of major contractors like BHP, the feasibility of many SME manufacturers could have dissipated. However, HunterNet has allowed these SMEs to find strength in adversity. Newcastle is now envied for its strong manufacturing cluster, which is a world leader in defence, infrastructure management, energy and resources and advanced manufacturing.

Labourco (the Labour Co-operative Group), was formed in the mid-1980s to assist retrenched workers from the State Dockyards. It provides an ethical labour-hire service that focuses on transitioning its members into full-time employment with hosts. Over the past three years, Labourco has transitioned more than 1000 members to full-time employment. Labourco was formed with support from the Australian Metal Workers Union and from the New South Wales government.

¹ <http://hunternet.com.au/> and <http://labourcooperative.com.au/>

Response to information request 5.2

While it is somewhat outside the scope of information request 5.2, we note that greater use of co-operatives in transition strategies is hampered by a poor regulatory and policy environment, even where there is organic interest in co-operatives in transitioning regions. The following are a few examples:

- Start-up co-operatives are ineligible for the New Enterprise Incentive Scheme.²
- Co-operatives are not currently included as one of the business structures on business.gov.au³
- State and territory co-operative registries take up to 28 days to process the registration of a co-operative, while a company can be registered in a matter of hours.⁴

We therefore suggest that the scope of regulatory reforms or relaxations for business discussed in the Initial Report could be expanded.

We have included the recommendations of the Senate Economics References Committee inquiry into cooperative, mutual and member-owned firm as an appendix; these recommendations give a broad outline of the ways in which co-operatives currently lack an enabling policy and regulatory environment.

The BCCM welcomes the opportunity to provide further information or comment on any aspect of this submission at any hearings the Commission may hold.

Yours faithfully

Melina Morrison
CEO
Business Council of Co-operatives and Mutuals

² <https://www.employment.gov.au/self-employment-new-enterprise-incentive-scheme-neis>

³ <https://www.business.gov.au/Info/Plan-and-Start/Start-your-business/Business-structure>

⁴ This is on top of up to 28 days for pre-approval of the rules of the co-operative. See, for example, http://www.fairtrading.nsw.gov.au/ftw/Cooperatives_and_associations/Registering_a_cooperative.page?

Appendix A: About the BCCM

The BCCM is the peak body for Australian co-operatives, mutuals and member-owned businesses. The BCCM represents a diverse range of businesses operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into Cooperative, mutual and member-owned firms.⁵

Appendix B: About Co-operatives and Mutual Enterprises

Co-operative and mutual enterprises (CMEs) are a significant contributor to the Australian economy: 8 in 10 Australians are members of at least one CME and annual turnover of the top 100 CMEs (excluding member-owned superannuation funds) reached \$30.5 billion in FY2014/2015.⁶ Together with mutual superfunds, it is estimated that the CME sector contributes 7 per cent of Australia's GDP. There are 15 million individual members of CMEs in Australia.

The distinguishing feature of all CMEs, regardless of what legal form they use, is that they are owned by their members and operate for member benefit. Member benefit can mean a wider range of social or non-financial benefits compared with the financial returns enjoyed by a shareholder. Membership is tied to contributing to or making use of the CME; this ensures the CME is made up of people who share its common purpose.

The vast majority of CMEs are incorporated and regulated under one of two legislative regimes: the State/Territory-based Co-operatives National Law (the CNL)⁷ or the Commonwealth Corporations Act. Whether a company under the Corporations Act is a co-operative or mutual will depend on its constitution.

Appendix C: Recommendations of the Senate Economics References Committee inquiry into cooperative, mutual and member-owned firms⁸

Recommendation 1

2.32 The committee recommends that the Commonwealth Government ensures that a national collection of statistics and data is undertaken to provide an accurate picture of the scale and extent of the co-operative and mutual sector.

Recommendation 2

⁵http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report

⁶ Business Council of Co-operatives and Mutuals, National Mutual Economy Report 2016, 17. <http://bccm.coop/wp/wp-content/uploads/2016/11/BCCM-NME-Report-2016.pdf>

⁷ The CNL has been adopted in all States and Territories except Queensland. Western Australia has adopted consistent legislation.

⁸

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report

3.28 The committee recommends that co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community based initiatives are being considered.

Recommendation 3

3.29 The committee recommends the Commonwealth Government work with states and territories to develop a program of supports to encourage the establishment of new co-operatives and mutual enterprises.

Recommendation 4

3.49 The committee recommends that a mutual enterprise is explicitly defined in the Corporations Act 2001, and its associated regulations.

Recommendation 5

3.51 The committee recommends that the role of directors in mutual enterprises is defined in the Corporations Regulations to align with the proposed definition of a mutual enterprise in the Corporations Act.

Recommendation 6

3.75 The committee recommends the Commonwealth Government work with states and territories to ensure the continual improvement to advice, guidance and information provided at all stages in the establishment, governance and regulation of co-operatives.

Recommendation 7

3.80 The committee recommends that the Commonwealth Government to work with all relevant stakeholders to undertake a program of education and training to inform them about the role of co-operatives and mutuals.

Recommendation 8

3.81 The committee recommends that the Commonwealth Government examine ways in which it can improve the recognition and understanding of the co-operative and mutual sector in the national secondary school curriculum and that tertiary institutions consider the inclusion of co-operative and mutuals in accounting, business, commerce, economics and law degrees.

Recommendation 9

3.82 The Committee recommends that professional accreditation bodies, such as the Law Society and Institute of Chartered Accountants, require a demonstrated knowledge of the co-operatives and mutual structure before it will licence its members to practice accounting or law.

Recommendation 10

3.92 The committee recommends that the Commonwealth Government amend the Indigenous Advancement Strategy to allow registered co-operatives the same access to allow levels of grant funding as other entities.

Recommendation 11

3.93 The committee recommends that the Commonwealth Government review, and where necessary amend the eligibility criteria for grants and funds across all of government grants

and program guidelines to ensure that co-operatives and mutual enterprises are not excluded on the basis of their business structure.

Recommendation 12

4.17 The committee recommends that the co-operative and mutual sector be considered when the government is preparing a Regulatory Impact Statement that accompanies new regulatory policies.

Recommendation 13

4.18 The committee recommends that the Commonwealth Government liaise with its state and territory counterparts to ensure that the regulatory burden for small and medium sized co-operative and mutual enterprise aligns with the needs of these organisations and ensures they are not disadvantaged relative to companies of a similar size.

Recommendation 14

4.26 The committee recommends that the Commonwealth Government closely monitor the progress of the International Accounting Standards Board in developing solutions to bring co-operative shares under the definition of capital under AASB 132, and, where possible, facilitate equivalent amendments as expeditiously as possible.

Recommendation 15

4.42 The committee recommends that Commonwealth and State Governments support the formalisation of some of innovative market-based approaches to raising capital for small and medium sized co-operative and mutual enterprises, in the form of advice and information, as they become available.

Recommendation 16

4.45 The committee recommends that APRA set a target date for the outcome of discussions with the co-operative and mutuals sector on issues of capital raising and bring those discussions to a timely conclusion.

Recommendation 17

4.49 The committee recommends that the Commonwealth Government examine proposals to amend the Corporations Act 2001 to provide co-operative and mutual enterprises with a mechanism to enable them access to a broader range of capital raising and investment opportunities.

