



National Water Reform Inquiry

Productivity Commission
GPO Box 1428
Canberra City ACT 2601
Via: online submission portal

19 October 2017

Dear Commissioners

Submission to the Productivity Commission National Water Reform inquiry

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a submission to Productivity Commission National Water Reform inquiry.

The BCCM is the peak body for co-operative and mutual enterprises (CMEs) across all sectors of the Australian economy including agriculture, financial services, insurance, motoring services, healthcare, housing and retail. The BCCM seeks to raise awareness and recognition of the contribution of CMEs to Australia's community and economic life.

CMEs have a strong track record of managing infrastructure. CBH Group, Australia's largest co-operative, manages significant rail, port and storage assets for the benefit of its 4200 grower-members and their communities. CBH (i.e. local growers) has invested more than \$1.2 billion in infrastructure since 2009.¹ In the United States, electricity co-operatives have been hugely successful in the electrification and concomitant economic development of rural areas over the past 80 years.²

Co-operatives also successfully manage irrigation infrastructure; there are currently at least 36 water and irrigation co-operatives in Australia.³ As the Commission's draft report states, Coleambally Irrigation Co-operative has reduced user charges by 5% in real terms between 2008-09 and 2016-17.

Despite this track record, CMEs are often not recognised in policy debate. The 2016 Senate Economics References Committee (SERC) inquiry into cooperative (sic), mutual and member-owned firms recommended that CMEs be 'better represented in government policy discussions'.⁴ Since the SERC report, the Federal Government's \$14.8 million Farm Co-operatives and Collaboration Pilot Program has been a positive step towards recognition of the value of collaboration between producers including management and maintenance of agricultural assets like water allocations and irrigation infrastructure. Co-operative structures

¹ See CBH Group, *Growing Value for Western Australia fact sheet*: <http://bccm.coop/wp/wp-content/uploads/2016/04/CBH-Economic-Contribution-Fact-Sheet.pdf>

² See <https://www.electric.coop/our-organization/history/>

³ For this figure and for a case study of the Pioneer Valley water co-operative see T Mazzarol, E Mamouni Limnios, G.N Soutar and J Kresling, (2016) "Australia's Leading Co-operative and Mutual Enterprises in 2016" CEMI Discussion Paper Series, DP 1601, Centre for Entrepreneurial Management and Innovation, 37-8. <http://www.cemi.com.au/sites/all/publications/CEMI-DP1601-Mazzarol-Limnios-Soutar-Kresling-2016VF.pdf>

⁴http://www.apf.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report, xi.

can reduce farm input costs and manage the assets for the long term through the reinvestment of surpluses.

In relation to the Commission's draft report:

1. **The BCCM supports draft finding 7.2 about local ownership of irrigation distribution networks.** We are also pleased that the benefits of local ownership are recognised throughout the draft report.
2. **The BCCM recommends that the Productivity Commission explicitly recognises the co-operative or mutual structure used by many locally owned irrigation networks in the final report,** whether in finding 7.2 or in discussions of local ownership throughout the report.
3. **The BCCM recommends that the importance of co-operative principles⁵ for the success of co-operatively owned irrigation networks be explicitly recognised in the final report.** In particular, we note that the autonomy and independence of local co-operative or mutual irrigation distribution networks is paramount to their ability to effectively serve their members and their community.

We have included appendices following this letter with general information about the BCCM, about co-operatives and mutuals and about co-operative principles.

The BCCM welcomes the opportunity to provide further information or comment on any aspect of this submission.

Yours faithfully

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Business Council of Co-operatives and Mutuals

⁵ See appendices for the co-operative principles.

1. 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.⁶

2. 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 FY2014/2015.⁷ Together with mutual superfunds, it is estimated that the CME sector contributes 7 per cent of GDP.

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)⁸ or the Commonwealth Corporations Act. Whether a company under the Corporations Act is a co-operative or mutual will depend on its constitution.

3. Co-operative principles

The co-operative principles are guidelines by which co-operatives put their values into practice.⁹ In Australia, the co-operative principles are incorporated into the Co-operatives National Law.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives

⁶http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report

⁷ 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>

⁸ Co-operatives National Law, adopted in all States and Territories except Queensland. Western Australia has adopted consistent legislation.

⁹ For further explanation see <https://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.