

Dear Senator Stephens

Thank you for your invitation at the Senate Hearing on Friday, 23rd September, 2011 for a further brief submission by Employee Ownership Australia, (EOA), Social Business Australia, (SBA), the Australian Employee Buyout Centre, (AEBC), and IYC 2012 Secretariat Ltd. The following is provided in answer for the consideration of the Senate Inquiry.

As is evidenced in developed economies around the world, a concentration of ownership in the private sector involving fewer and thus more powerful business groups reduces competition and removes a level playing field for smaller entities. This trend is also evident in the not-for-profit sector where community based, grass roots, self help organizations struggle for survival largely on volunteer labour. The development of a capital market for large not-for-profits as envisaged by the Senate Enquiry will not assist community based groups.

We request that the Senate Enquiry therefore:

- recognize the importance of community initiatives for social enterprise, as they reflect actual need at a grass roots level;

- support existing community and employee owned social purpose business initiatives and start ups;

- recommend the provision of funding to allow the continuation of the work of AEBC, within the auspices of a broader Shared Ownership Centre, with a mandate of supporting SMEs and social businesses for the benefit of saving jobs and assisting local communities with start up initiatives and businesses, in conjunction with SBA and with the support of EOA and the IYC 2012 Secretariat Ltd.

Government support is required for the Shared Ownership Centre, to drive change and to provide support for broad stakeholder ownership, grass roots social innovation and self help initiatives, as well as to contribute to the debate for legislative, tax and industry reforms on behalf of stakeholder owned social businesses.

We would propose that the Shared Ownership Centre act as facilitator and intermediary and engage private sector advisors to provide advice to SMEs and community start up initiatives (including in the renewable energy sector). Government funding will be required to allow SMEs and community groups to access private sector advisors to assist organisations setting up with – or devolving into – shared ownership arrangements for the delivery of social services and social businesses. Over time, and with the benefit of professional advice, these social businesses will be able to access bank finance for their future development. We also envisage that some funding on a matched basis could be provided in due course by the relevant professional membership bodies, in a manner similar to the way that community legal centres function with the support of Government and the legal profession to allow access to professional services, inter alia, in the public interest, where it would otherwise not be available.

There is a clear community need for such support. Existing support agencies SBA and the AEBC operate almost entirely on voluntary labour (in the case of the AEBC, since the end of

its Jobs Fund funding in June) and are unable to service - through the provision of independent business, accounting and legal advice - the projects that are coming forward.

In the case of the AEBC, there are 28 companies that have made approaches this year through associated service providers requesting support to transition to employee ownership as a way to preserve jobs and exit aging business owners. In most cases, liquidation is the only option for the owner(s) to extract any value from the business upon retirement. A recent survey conducted by Auburn City Council found that 20% of SME owners were planning to retire in 2-5 years, with 40% not knowing that employee buyout was an option. The numbers of aging owners will increase as more of the Baby Boomer generation reaches retirement age.

SBA has received five medium to large scale, detailed business proposals requiring business advice and development to advance the shared ownership vision, since SBA's launch 18 months ago (including a community owned share cycle scheme, a worker owned solar hot water manufacture plant, a social enterprise office hub, a co-operatively owned energy provider and a regional community buy-out). It has received many more enquiries for entry-level co-operative development assistance.

As another example, the voluntary development organisation "Embark" in Victoria (which is operating in the community owned renewable energy projects area) reports over 40 projects on its books in various stages of development.

Collectively pooling resources, services and expertise through one Shared Ownership Centre involving these organizations will ensure a co-ordinated and cost-effective approach.

We are pleased to place this before the Senate Inquiry for consideration.

Yours sincerely

Alan Greig
President

Australian Employee Ownership Association Inc. (and Director of Employee Ownership
Australia Ltd (in formation)
www.aeoa.org.au

Melina Morrison
Director
Social Business Australia
www.socialbusiness.coop

Elena Kirillova
Chairman

