



Friday, 26 June 2015

Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir / Madam

**The Capricorn Society Limited submission to the Senate Standing Committees on Economics
– Inquiry into cooperative, mutual and member owned firms**

Capricorn welcomes the opportunity to contribute to Senate Standing Committee on Economics – Inquiry into cooperative, mutual and member owned firms.

Capricorn is of the firm belief that mutual and cooperative organisations have an important role, economically and socially, to play within the Australian economy.

I thank you for the opportunity to contribute to the Senate enquiry and please find enclosed Capricorn's submission.

If you have any queries in relation to the submission in the meantime, please do not hesitate to contact me.

Yours sincerely,

Greg Wall
Group CEO

Senate Standing Committees on Economics

Economics References Committee – “Cooperative, mutual and member-owned firms”

Background “Who we are”

Capricorn Society Limited (CSL), originally a purchasing Coop now a trading Coop, began its journey in 1970 when 12 West Australian service station owners attended the 11th Golden Fleece training course. This personal network together with a common driver of making “more money and improve the design of their service stations”, through combined purchasing power. It gave rise to Capricorn Co-operative Ltd being established in 1974 and Capricorn Society Limited being registered in 1975 under the 1903 *Co-operative and Provident Societies Act* (WA).

Today Capricorn is the 5th largest Australian Co-operative and Mutual Enterprise by turnover with \$1.33 billion in member purchases for 2014. Capricorn supports over 16,000 purchasing members across Australia and New Zealand of which 2,000 are supplier members providing goods and services to other members.

As Capricorn’s membership has grown, so too the services provided, in addition to provision of its purchase aggregation service.

Capricorn Travel Services – this business service allows members to access travel services for domestic and international destinations.

Capricorn Mutual Ltd – established in 2003 providing Members with risk protection services, an alternative to insurance, for personal and business risks on a discretionary basis.

Capricorn Financial Services Pty Ltd – established in 2008. This business service currently provides members access to equipment finance products and premium funding for protection services.

Capricorn Insurance Services Pty Ltd – established in 2011. This business service currently provides members access to Capricorn brokered insurance products, broadening the insurance suite for Members to cover more insurable items (business and personal) complimenting the Mutual’s offering.

Capricorn is a Co-operative that links small businesses with bigger businesses for their mutual benefit.

Our members are like-minded business owners (automotive repairers) who are looking to maximise their collective efforts in gaining access to parts and services to support their businesses.

Capricorn provides the contacts and infrastructure to enable this to happen

Role in the Australian economy - “Our contribution”

CSL operates in Australian Automotive Aftermarket Sector (parts) with particular reference to:

- Automotive Maintenance & Servicing
- Smash Repair
- Automotive Electrical

Based on Capricorn’s internal analysis using publicly available data, this sector of the industry consists of approx. 46,050 establishments (Small to Medium Enterprises) and accounts for approximate market spend of \$7.2 billion in aftermarket parts.

CSL, for the purpose of the enquiry, has chosen to adopt the below conceptual model as a means of exploring the terms of reference set out by the Economics Reference Committee.

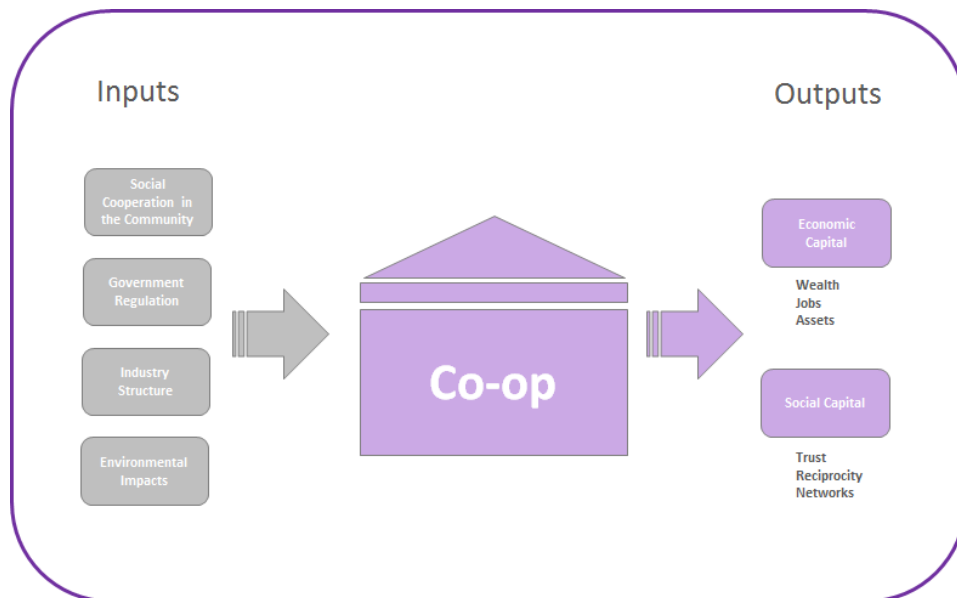


Diagram 1 “Co-operative Conceptual Framework”, Mazzarol 2012

In exploring the “Outputs” of a Co-operative (see Diagram 1), Economic Capital and Social Capital, CSL clearly demonstrates these for both the members and more broadly, the Australian economy.

Economic Capital

Wealth, in the context of CSL, is the value of returns derived for the membership base (non suppliers) through the provision of dividends on shares held. Dividends paid to members are a re-distribution of returns along with the other benefits of membership and come with the provision of member capital to the society purchased or earned.

Wealth for our members also comes in a unique form of *Reward Points*. As part of CSL’s membership benefits (non Suppliers), a Trade Account is provided for use with ANY preferred suppliers (supplier members) for purchase of goods and services (including automotive parts, electricity, stationery and communications to name a few). This trade account provides 1.5 Reward Points per every dollar spent whilst being a SINGLE account providing a SINGLE monthly statement for members. These points can be redeemed for a wide range of benefits, on the basis that 1 point is equivalent to 1 cent, including to pay their Capricorn account. A truly unique and rewarding member benefit that grows member *Wealth*.

CSL’s non-members (Australian Automotive Aftermarket Businesses) *Wealth*, the payments facilitated by CSL to suppliers is approximately 18% of ALL Australian spend. CSL’s terms of trade for payment are industry leading and deliver cost benefits as well as productivity using our proprietary payments service CAPLINK.

Jobs, in the context of CSL, are the number of employed Australians that participate within our Membership base. At present we estimate that approximately 104,000 Australians employed directly through our membership base.

CSL also fosters direct employment through staffing of service(s) delivery as discussed earlier. CSL employs 250 full time equivalent (FTE) personnel to facilitate the support of members and provision of member benefits as well as driving innovation of NEW products, services as well as sustainability of the society.

CSL's non-members (Australian Automotive Aftermarket Businesses) *Jobs*, are part of the flow on effects of the support our Members provide to other SME's through additional services and goods purchased (outside of Capricorn), a clear by-product of CSL members businesses remaining profitable and viable in the Australian economy.

Assets, in the context of CSL, are twofold.

- i) *Tangible Assets*, providing a return on equity for members (non-suppliers). *Assets* are varied within CSL as our strategy is to manage these to effect continued member benefit and sustainability. These asset classes invested in by CSL also drive benefit in the broader Australian economy through a variety of mechanisms.
- ii) *Intangible Assets*, providing knowledge and information for members including suppliers. These intangible *Assets* are part of CSL's strategy to position itself as an industry intermediary for information. CSL's commitment to this approach will also assist broader sections of the automotive industry.

Social Capital

Trust, in the context of CSL, is the *integrity* upon which the co-operative and its members honour commitments to each party to continue the delivery of benefits as outlined earlier as well as the principles of CSL core product the "Trade Account". *Competence* is also a key measure of Trust as both the co-operative's management and so too the members need to be successful in their own rights for the co-operative to remain sustainable.

Reciprocity, is a core tenant for CSL's model. This can be viewed severally:

- i) Direct, what members receive
- ii) Indirect, supplier members are select in that they are the only suppliers with whom the CSL Trade Account can be used and therefore have sole access to CSL members
- iii) Spatial, where CSL hosts relationships for both Members and Suppliers providing access for Australian operators

Networks, for CSL, members this a highly valued aspect of the relationship within the co-operative as it provides a range of benefits, these being, to name a few:

- i) Area Managers, our members receive a dedicated manager who calls on their business as part of the CSL model where our field teams are home based delivering service to their geographic region;
- ii) Industry / Trade Nights, where CSL will sponsor elements of the trade event, facilitate member events with NEW supplier members as well as sponsor industry and trade events and training;
- iii) Convention, another opportunity for members to access industry knowledge and expertise and new products at the bi annual convention where networks and industry updates are part of the agenda as well as international destinations; and
- iv) Women in Business, CSL hosts a member network to support our female membership base with networking, workshop and tailored events fostering relationships for both Members and Suppliers.

Operational imperatives within the Australian economy - “Our concerns / issues”

To assist in exploring the “Inputs” of a Co-operative (see Diagram 1), Economic Capital and Social Capital, CSL clearly demonstrates these for both the members and more broadly, the Australian economy.

Social Cooperation in the Community

Existence of social cooperation in the community for CSL is having the continued economic support and backing of the Automotive Industry in Australia, the same can be said of any other co-operative that services an industry group (other examples are Grain Growers, Dairy Farmers, Pharmacists, Hairdressers to name a few). As we see continued changes in the Australian Automotive landscape, like the closing of Ford and Holden manufacturing facilities, the government through proactive policy and initiatives can foster support, transition, sustainability and growth of services within the Automotive Aftermarket sector. This is especially relevant as Australia will be solely reliant on imports and therefore providing independent repairers a “fair share of the pie”.

CSL has fostered this through direct investment and resources in establishing the peak body for Co-operatives and Mutuals in Australia being the *‘Business Council of Co-operatives and Mutuals’*.

It should also be recognised that Australia’s first director on the *‘International Co-operative Alliance’* (ICA), is CSL’s current Group CEO, Mr Greg Wall. The ICA represents 283 member organisations, across 94 countries and represents over 1 billion individuals.

Government Regulation

CSL’s operating model covers all states and territories in Australia. This is common for a number of co-operatives and mutuals, so having a consistent legislative framework federally and also within the state and territories will further facilitate ease of operation and understanding. Expedition of alignment of legislative frameworks across all levels of government is seen as a great opportunity for improved productivity and performance.

Industry Structure

As with all industries, there are always threats from new entrants, power of suppliers and substitution. Consolidation within the Australian automotive market is a continuing trend along with off shore investment in key industry players. It is a concern for CSL, and no doubt other Co-operatives, that the government maintain its vigilance on parity through a “level playing field” within the Australian economy through its current policy framework.

Environmental Impacts

Resources, in their varied form are always an area for CSL to ensure it has adequate access and capability to attract and retain is paramount to CSLs success. As explored in earlier in outputs of a co-operative, CSLs *competence* is a core requirement.

Co-operatives are the product of addressing the needs of members that market forces currently do not provide for or offer.

Government recognition and support of this core pillar within the Australian economy and landscape through promotion, provision of a developmental framework and an environment of growth are key for CMEs continued and increased contribution to the economy

Other items - “Our opportunities”

Following on from Operational imperatives within the Australian economy - “Our concerns / issues”, there are true opportunities for the Australian government to assist with.

Social Cooperation in the Community

Government sponsorship of Co-operative and Mutual CEO’s through invitation to participate in broader business leadership forums that are sponsored by the government such as B20 and the like where mutual insights can be shared and leveraged

Government sponsorship of the peak body Business Council of Co-operatives and Mutuals to further and broaden education, support and industry voice of Co-operatives and Mutuals amongst the existing co-operative and mutual community, but also as an advocate to Federal and State governments.

Government Regulation

Alignment of legislation across Federal, State and Territories for ease of cross state and territory business operating models through a consistent approach via shared principles

Regulation of the term “members , membership” to be for Co-operatives, Mutuals and member-owned Enterprises (CMEs) to appropriately identify those enterprises that are for the benefit of members as opposed to shareholders and do not operate under the co-operative principles or due metrics / test to determine right to use member / membership.

Industry Structure

Government create or broaden Ministerial Portfolio to include Co-operatives and Mutuals to be more closely aligned to other jurisdictional commitment and portfolio structures of our peer nations who have either a dedicated Minister for Co-operatives and Mutuals or are clearly articulated as part of their portfolio.

Government maintain its vigilance on parity through a “level playing field” within the Australian economy through its current policy framework.

A major contribution to addressing CME opportunities is for the Australian Government to sponsor education programs to assist in developing the history, profile, contribution and role CMEs provide to Australians. This should be targeted across the varied levels within:

Australian Governments | Australian Business | Australian Communities and Education Campuses

As evidenced in the body of Capricorn Society Limited’s submission, the co-operative and mutual sector delivers significant benefit to the Australian economy in varied forms. Co-operatives and Mutuals are in need of ‘sponsorship’ through action by the Australian government to continue existing benefits and growth of new benefits. There is also opportunity for greater and increased participation by Co-operatives and Mutuals within the Australian landscape.