



Employee Share Ownership
Australia & New Zealand

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To: Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senators

Given our role in encouraging and assisting new forms of business ownership in this country - including community owned social businesses - Employee Ownership Australia Ltd would like to submit the following to the “Inquiry into the provisions of the Corporations Amendment (Crowd-sourced Funding) Bill 2016”.

Employee Ownership Australia Ltd (EOA) was formed in 2012 to ensure that there is a voice for broad based employee ownership and dynamic workplace participation in Australian companies. EOA is a member based organisation focused on engaging with and helping companies that have, or want to implement, employee ownership or employee share plans within their businesses, or to utilise other forms of community or stakeholder ownership.

EOA is independent, bi-partisan and entirely member funded.

EOA hosts the Social Enterprise Legal Models Working Group (LMWG) which has been looking into the legal aspects of facilitating both Crowd Sourced Equity Funding (CSEF) and community share offers on the same ‘cost and complexity’ reduced basis as is available in other developed economies (such as New Zealand).

EOA is also a member of the Business Council of Cooperatives and Mutuals (BCCM – www.bccm.coop). The BCCM is planning to have a platform available for community share issues which will be operating within the terms of the Cooperative Acts applying in each State. In line with this, you can see its recently published ‘Community Investment Handbook (2016)’ at: <http://www.getmutual.coop/raising-finance/>.

As Co-ordinator of the LMWG, EOA has sponsored two articles in support of these topics – CSEF and community shares - which have been published in the leading community sector magazine “Pro Bono News”.

The links to these two articles are:

1. “Crowd sourced equity – a new source of funding for social enterprise” at: <https://probonoaustralia.com.au/news/2015/08/crowd-sourced-equity-funding-a-new-funding-source-for-social-enterprise/#>
2. “Community shares funding social enterprise” at: <https://probonoaustralia.com.au/news/2015/08/community-shares-funding-social-enterprise/> .

EOA supports the thrust of the arguments in these two published opinion pieces (authored in each case by myself).

The data used in the articles was sourced from the Nesta UK report “Understanding Alternative Finance” which you can see at: <https://www.nesta.org.uk/sites/default/files/understanding-alternative-finance-2014.pdf> .

This report surveys the nine new forms of finance becoming available, including both crowd sourced equity and community shares. This report is recommended to the Enquiry as a key source of case studies and evidence on the issues that CSEF policy making is addressing.

As examples of equity based “community share offers”, it would be worthwhile to consider those of the following:

- (i) Enova Community Energy Ltd - see: <http://www.abc.net.au/news/2016-01-05/australia-first-community-owned-energy-retailer-enova/7068420> and <https://enovaenergy.com.au/shareholders/>
- (ii) Pingala Cooperative – see: <https://probonoaustralia.com.au/news/2016/08/community-solar-co-op-shares-sells-minutes/> .

Social enterprises along these lines – whether involved in community energy or other social business initiatives - would really benefit – in terms of the costs and complexities they have faced in putting community share offers to the public – from Australia having CSEF laws similar to those operating elsewhere in the world for similar community owned businesses.

The Bill as it currently stands makes no provision for crowd sourced equity raising to be considered in cases of social enterprises and community ownerships, such as the above. This oversight needs to be corrected.

EOA would recommend therefore that the Bill should be aimed at encouraging small-scale investments by as wide a cross-section of any community as possible in Australia, while:

1. Serving to reduce the ‘cost and complexity’ of such offers,
2. Maximising investment safety for ordinary people making small scale equity investments into cause related community owned social enterprises and local small businesses.

3. Enabling through reduced barriers and increased levels of support, maximum participation in CSEF by those who might be new to such business investing.
4. Focussing not just on business start-ups, but a wide range of social and locally owned businesses seeking modest expansions.

EOA would like to thank the Government for the opportunity to participate in this important Inquiry.

Yours sincerely

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